

TOOLKIT

Social and cultural entrepreneurship



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Introduction

Already in the early '60ies economists, policy makers and the civil society, long before the appearance of the Non Government Organizations, there was a movement towards the satisfaction of the social needs, not only by the Governmental Entities (Central Government, Regional and Local elected authorities), but also by some citizen organizations.

Not to mention the Charity by the Church and religious citizens organizations, that have such a long history that there is no mention of the commencement of such. Many charity activities were raising funds through the handicrafts made by believers, mainly women, then sold in bazaars, usually connected with religious celebrations. This has been a very primitive form of social entrepreneurship.

There is a long discussion about the theoretical boundaries between the commercial and social entrepreneurship. Many researchers claim that there is no clear distinction between social and commercial business. In the last 15 years the ideas of “social corporate responsibility” are world wide adopted both by Academics and the business world. Most of the Stock Exchange Markets force the listed companies to prove that they implement programs of social corporate responsibility and spend money for it.

The European Union is in line with the Academic approach of the social entrepreneurship and also the development and its diffusion. Countries like Brazil, the Russian Federation, China and the USA are the biggest players, while Italy, France and Germany are the highest in the European Union.

Another issue about the purpose of the social entrepreneurship is whether a social enterprise should be for profit (lucrative) or Not for Profit, or even “Non Government Organizations” (known as NGO). Several academic argumentation has been the field of publications in scientific journals and Conference presentations about the infringement with the “free and in equal terms competition” when the social enterprises have privileges in taxation and labor obligations. It is argued that social entrepreneurship promotion is distorting the terms of competition.

On the contrary, other academics argue that this kind of entrepreneurship is providing a chance to the less favoured population groups who may enter the regulated economy. Statistics show a wide range of results. There is still no valid correlation, between statistical data connecting community statistics with the degree of creation and evolution of social enterprises.

Many Academic research and literature refers to the activities of large companies or large business scale, simply because there is enough data available already available and do not need to be collected. Primary data collection is next to impossible when it concerns very small entrepreneurship; social enterprises may make an exception. From another point of view, interrogating entrepreneurs, answers are biased because they are considering potential harmful impacts.

The theoretic approach of social economy and entrepreneurship demonstrates a long list of different points of view and affects the policies of the governments and states associations, like the European Union. The measures which represent the opportunities and constraints of the diffusion of social and cultural entrepreneurship are similar. In fact, all relative policies encourage the creation of social and cultural enterprises, while they limit the profit motivation.

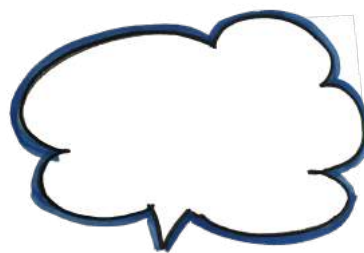
International organizations, like the OECD have collaborated with many scientists and operators of the formation and implementation of incentives for boosting the social economy and the result is a series of books, manuals and a compendium of good practice.

Yet, many academics are still confusing Social economy with Microfinance. This theory has been implemented by professor Muhammad Yunus, at beginning in Bangladesh, his country and then in China, Pakistan, Malesia and other countries in the far East, but also in South America, especially in Mexico.

In 2006 Yunus and his Grameen Bank have been jointly awarded with Nobel Prize. Microcredit has been introduced in 1983 the system of lending small amounts of money so that they can start a business and become self employed and self sufficient. At the beginning it was seen as an experiment, but it was shown that almost all the credit had been repaid to the bank. This is considered one of the first steps to social enterprises.

The experiment was very successful thanks to the initiative of professor Yunus, but also his knowledge of Economics together with a very wide range of acquaintances at the point to involve Danone in the bank activities. This created a hostility of some politicians who wanted to keep the authority over the poorest of the population. Professor Yunus was accused to have facilitated the production of yogurt with less fat than the Bangladesian legislation permitted and also for mismanagement of the Grameen bank.

Some economists retain that the accusations were driven by religious beliefs, because the bank was charging interest to the loan receivers, which is against the radical ideas. Grameen bank is still operating and is expanding in other countries.



The concept of this toolkit was developed within the context of the EU4YOU project. After going through several stages of discussions and exchange of ideas in different partner countries, the participants agreed on the overall purpose and content of the toolkit. The final version was written and shaped by Nikolaos Karanasios and Victoria Maldonado.

CHAPTER 1

Social and cultural entrepreneurship



Social and Cultural Economy and Social Entrepreneurship

Economic science is one of the oldest in the course of history.

The Bible tells us about the tower of Babel, well Babylon has been the cultural center of the world, long before we have evidence from China. The legendary confusion of languages shows that Babylon was offering work from all the Mediterranean countries.

Excavations found plaster boards with a language that was incompressible, but when it has been deciphered, it proved to be a 5.000 years BC a taxation regulation!

When Al Capone was arrested in the thirties, a police officer is supposed to say that “there are two certainties: Death and Taxes”. Although this may be a legend, it is also evident that fiscal obligations are accompanying all of the regulations concerning all revenue making activities, either as employees or as self employed – entrepreneur.

In line with fiscal compliance stays the insurance system.

There are many systems, from absolutely liberal, like the one of US, where one can sell their retirement insurance without being asked about the intentions, to the most regulated, where the entrance to the insurance system is about 50% of the salary. But in some European countries it is less than 10%. These inequalities prevent us of expressing a general rule. Still, retirement pension is a global concern.

On the other hand, selling the pension's fund, one obtains the means to start a business. This seems to be a choice and not an obligation. Whatever it is, some who sell their pension and health insurance, spend it all for temporary pleasure. Many, on the other hand, use it as seed capital and start a business.

It is repeatedly said that for profit enterprises in the capitalist – liberal economy are seeking to appropriate the value created from the subtraction of the value of the resources consumed of the market impact (amount of sales in monetary expression).

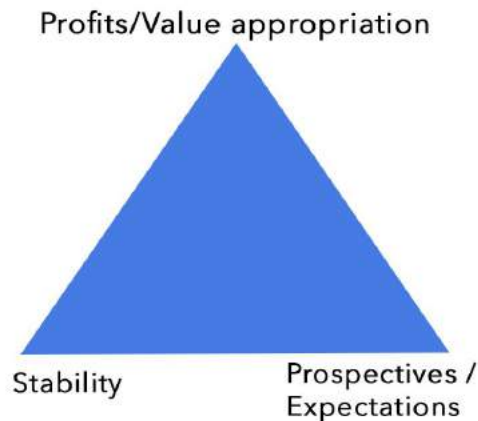
We argue that all the for profit entrepreneurs are investing their savings to “commercial” activities believing that there are enough people willing to obtain the goods and/or services, paying a price higher than the value of the resources consumed until they are put together and reach the potential consumers.

“Commercial” entrepreneurs count on the positive externalities and under the constraints of negative externalities, both concerning the interventions of the Government, on one side with taxation, regulation and market creation and on the other side through the creation of Public entities offering services that are considered to be “Public Goods”, or provide incentives in order to motivate entrepreneurs to provide such services for the public benefit.

The investors / entrepreneurs undertake the risk to lose their savings and other kinds of property, within the boundaries of a triangle, as displayed in the following.

Every investor is collocating their property within the boundaries of the triangle and it is strongly argued that private enterprises are trying to maximize profits. They are considering the risks that come together with the profitability; in fact the most profitable businesses are those with the highest risk. Under this point of view we have to distinguish between investors / entrepreneurs from the speculators who are trying to exploit short-term

opportunities, so that they can cash-in the profits and discover another short term opportunity.



Long term investors are seeking some degree of stability of the business they invest in. Some call it sustainability which is also describing the effort to diminish risk. Risk undertaking is equal to the profits expected and the inverse.

Investors are also pursuing the prospective and expectations of their concession of property. The meaning of prospective and expectations is connected with the value of their property over time. Investing means becoming a partner in an enterprise, so you expect your share of property to gain value over time.

Social enterprises are those who are seeking the creation Value for the society rather than appropriation of value.

Governments and international organizations are promoting the establishment and development of social enterprises for a series of reasons, mostly of economic basis:

1. The cost of their operation (when they receive subsidies) is much less than offering the same services by a public entity, because the subsidies are awarded in respect of the real quantity and qualitative services (or even goods).
2. Some of the revenue of the Social Enterprises is charged to the beneficiaries and very frequently to their insurance companies.
3. The members of the Social Enterprises are usually “creating their own occupation” and this way they fight unemployment.
4. Social enterprises are financially supported by private contributions – some times in the framework of “Social Enterprise Responsibility”. Stock Exchange listed enterprises are liable to proving every year their contribution to the social welfare. Many not listed enterprises are following the example of the listed ones.
5. Social Enterprises are promoting the “early stage” services and even goods, because of their very low risk of failure.
6. Social Enterprises are usually local and so they “recycle” revenue. For example, wages are being spent locally and provisions are mostly local.

7. Social Enterprises, in addition of hiring the managing members (usually the founding members) are also assuming inexperienced workers who need to acquire work experience and thus start a career.
8. Social Enterprises are keeping alive professions (and the connected skills) which do not represent a commercial interest for the “for profit” businesses.
9. Social Enterprises are strengthening the community solidarity which is helping cohesion.

Social Enterprises are solution (of a social problem) driven, while mainstream businesses are competitive advantage (over their existing or potential competitors). This statement (proposed by reputable international organizations) is partly true, because the foundation of Social Enterprises is competing with other groups attracted by the same sector of deployment and also struggling for the same kind of subsidies from the same sources, or even the same sources (donations, sponsorship etc).

In order to resolve a social problem, a group of interested persons have to:

1. Recognize the problem and not invent it.
2. Have the skills to propose a solution.
3. Have the license to operate in the field of the problem solving activities.
4. Gather enough resources (mainly human).
5. Count on an adequate users of the services and/or goods.

Cultural Entrepreneurship is not different from Social Entrepreneurship, in what:

- Cultural events organizations (if not professional) they do not attract the interest of the “value appropriators”.
- Cultural entities are supposed to maintain their property with their own means after the period of full coverage of their expenses by the government.
- Cultural Associations do not collect enough fees from their members, so they have to either cease to operate or transform to a Social Enterprise. This means that will continue operating more as an enterprise (covering expenses from “selling” more than member fees collection).
- While cultural activities include also the conservation of old ornaments, furniture, tools, dresses etc., there is a very demanding need to maintain their original shape or even use.
- Non professional athletic meetings organization (tickets are aloud) belong to the Cultural Economy.
- New opportunities for cultural innovation is changing their background. It is questionable whether public employees are capable to measure the innovative character, or address public finance to “pressure groups” (or lobbying).
- Creativity boost, is something which is deriving from the incentives, failed. Creativity may or may not, be accepted as at least “pleasant” by the general public.



Social and Cultural Entrepreneurship is group work!

The international tendency about fostering social and cultural enterprises is quite different from Yunus and his Grameen Bank and microcredit system, which is helping single persons (or families) to start a small business, while Social & Cultural enterprises is an effort to involve groups of people with similar interests.

Group work is contradictory with the concept of Leadership, which is widely promoted in the University literature and also in the discussions of non professionals.

On the other side, most of the assistance providers expect that people with an initiative, are hesitating when the age of the interested persons does not show any guarantee of success.

Success is a consequence of teamwork of persons with:

- Skills (not necessarily knowledge).
- Passion.
- Ambition.
- Team success spirit and orientation.
- Members' reciprocal respect.



CHAPTER 2

Principles of cultural and social Economy



Principles of Cultural and Social Economy

The European Commission states: Despite their diversity, social enterprises mainly operate in the following 4 fields:

1. Work integration - training and integration of people with disabilities and unemployed people
2. Personal social services - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people
3. Local development of disadvantaged areas - social enterprises in remote rural areas, neighbourhood development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries
4. Other - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports

One participant one vote

Whatever the Legal form of a Social Enterprise may be, the quantity of contribution of the initial capital participation, every member of the Social Enterprise should be limited to vote with one vote only. This is saving the Social Enterprises of becoming an instrument of the most powerful partner in terms of financial and liquidity capacity.

It is permitted that Social Enterprises have partners that are not private persons and are Legal Persons, under either private or public Law. It is obvious that public entities have the means to have a bigger capital share. Limiting the voting power to one and only to each partner, the risk to transform a Social Enterprise into a public entity is limited. Such a risk is different from country to country; in some countries is higher and in other is lower. The risk does not vanish, but is drastically diminished.

Serve a social purpose

All purposes have a social impact, even banking. There are exemptions that must be respected. Not to mention illegal activities, legal gambling is not acceptable, as is stock exchange speculation, promotion of religious beliefs (but not social activities - such as charity), usual banking, large scale industrial or commerce. Service providing entities, even to large companies, even banks, does not deprive them of the Social Enterprise character.

It is argued that large companies have the means to pay external services (usually called "consulting") so offering services to these companies does not have a social character. It is counter-argued that if a group of experts offers services to large companies, two targets are reached; the Social Enterprise acquire market recognition and the beneficiary enterprises increase their hiring rate.

It is also argued that any business activity has a social impact, because it is improving the social welfare and is also counter-argued that most of the profit seeking

enterprises are trying to keep a competitive advantage the longest possible, while Social Enterprises are trying to keep a social impact attractiveness.

Create jobs and revenue

Social Enterprises are offering the opportunity to persons with lack of chances to have a decent work, either because they are unemployed, or they lost their work, or even the restructure of the technological and economic environment has changed the labor market.

No matter what created the need for a job and revenue, the association / partnership of persons with common or complementary competencies have a chance to commonly create a revenue through a social company.

The Social enterprise is aiming (among others) to generate revenue to those who want to work with a salary higher than the one that market offers.

Does not distribute profits to the members

The Social Entrepreneurship and as an addition with similarity, also the Cultural Entrepreneurship, in the modern Western countries is promoted to be under a triple basis:

1. The founding members should not have an expectation of having a “Return On Investment” from their investment. Becoming an employee of the Social Enterprise does not change this character.
2. They must make a profit. Although the investors are not entitled to receive a dividend (share of profits). If they are based on a balanced finance (expenses equal revenue) then their sustainability is undermined.
3. A big portion of the “surplus” (alias profit) may be distributed to the workers (no matter if they are also founders or just members).



Include disadvantaged groups

It is highly recommended that a Social and Cultural Enterprises operate in what we call “Inclusive” way of operation.

But, who are the emarginate persons to be included?

- Mentally impaired:
 - Mentally ill
 - Mentally disabled
- Special behavioral issues:
 - Use of toxic substances.
 - Gambling.
 - Internet
 - Violent attitude.
 - Depression.
 - Learning disabilities
- Socially excluded:
 - Because of their skin colour
 - Because of their education
 - Because of their Penal past (ex convicts)
- Economically excluded
 - Long-term unemployed
 - Homeless
 - Bankrupted
- Immigrants and Refugees
- Handicapped

Promote Social Entrepreneurship

Social enterprises are motivated (in the European Union it is obligatory) to spend a high percentage of their profits to the promotion of their company and the concept of social (and cultural) economy in general.



CHAPTER 3

Teamwork and partnership



Teamwork and partnership

Forms of Business Partnerships

Sole Proprietorship

A Sole Proprietorship is one individual or married couple in business alone. Sole proprietorship is the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

General Partnership

A General Partnership is composed of 2 or more persons (usually not a married couple) who agree to invest money, labor, and skill into a business. Each partner shares the profits, losses, and management of the business, and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement. This document is usually referred to as “Statute” or “Articles of Association”.

Limited Partnership

A Limited Partnership is composed of one or more general partners and one or more limited partners. The general partners manage the business and share in fully its profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the business.

Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) is similar to a General Partnership except that a partner doesn't have personal liability for the negligence of another partner. This business structure is mostly used by professionals, such as accountants and lawyers.

Limited Liability Limited Partnership (LLLLP)

A Limited Liability Limited Partnership is a Limited Partnership that chooses to become an LLLP by including a statement to that effect in its certificate of limited partnership. This type of business structure may shield general partners from liability for obligations of the LLLP.

Corporation

A Corporation is a more complex business structure. A corporation has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes. In Greece and some other European countries, following the French legislation after the French Revolution, these businesses are called “Société Anonyme”, or simply “S.A.”.

Non-profit Corporation

A Nonprofit Corporation is a legal entity and is typically run to further an ideal or goal rather than in the interests of profit. Many nonprofits serve the public interest, but some engage in private sector activities. Charitable activities may require additional registration. Contact the Office of the Secretary of State for more information. In many European countries, it is not possible for a Corporation to be “not for profit”.

Limited Liability Company (LLC)

A Limited Liability Company (LLC) is formed by 1 or more individuals or entities through a special written agreement. The agreement details the organization of the LLC, including provisions for management, assignability of interests, and distribution of profits and losses. LLCs are permitted to engage in any lawful, for-profit business or activity other than banking or insurance.

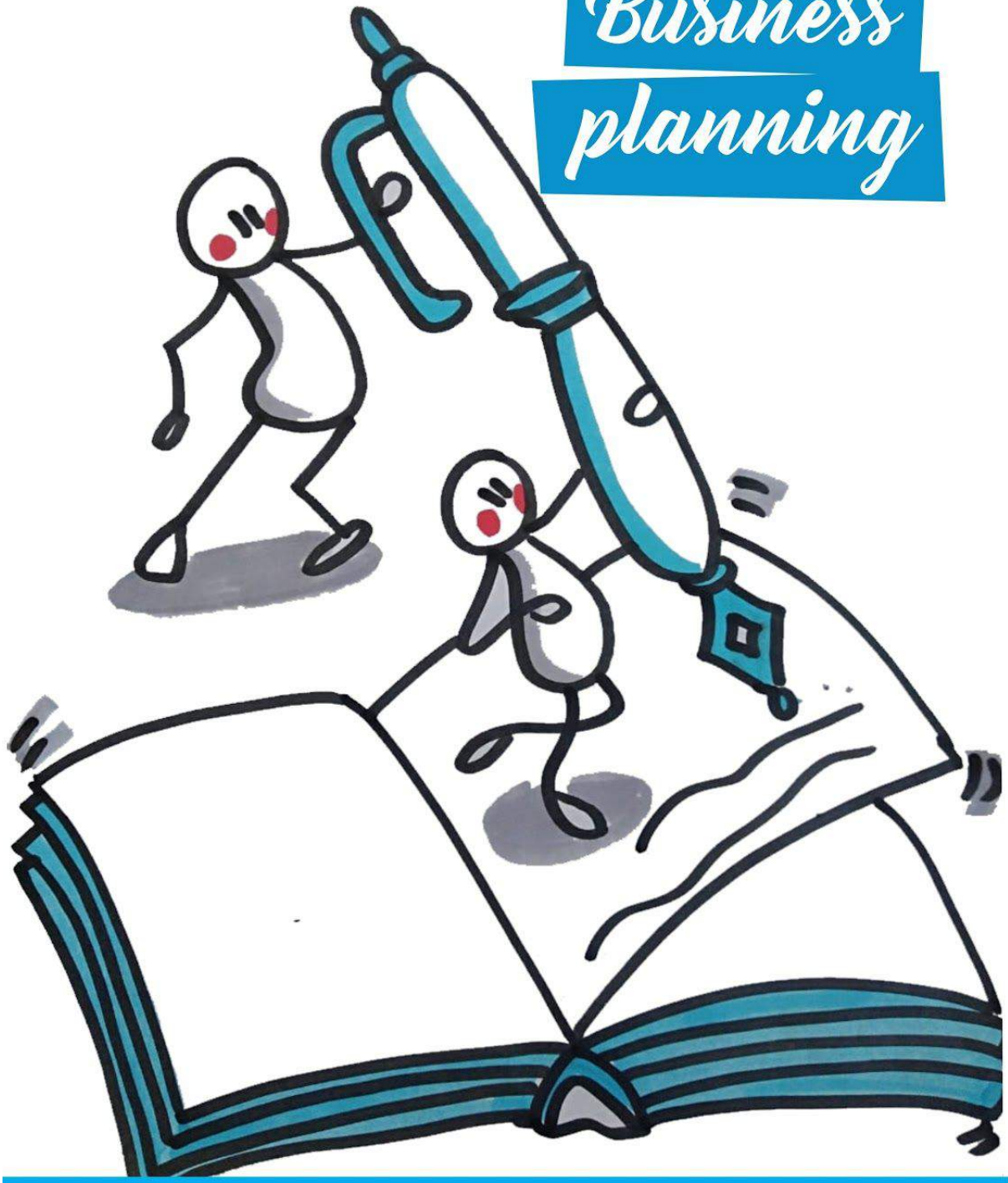
Association

An Association is an organized group of people who share a common interest, activity, or purpose. Associations cannot pursue any profit. It is rather very difficult to become a Social Enterprise with all qualities.



CHAPTER 4

Business planning



Business Planning

Despite the fact that the social part of Entrepreneurship has not become the mainstream of business, it is slowly gaining ground at the expense of the production of artifacts and complicated services offer. Many issues, previously thought out to be an obligation of the government, are now being reviewed, for many reasons, mainly because the government structures are becoming of age and they are still trying to resolve contemporary issues with obsolete tools. Issues like:

- Children support to fight bullying
- Inclusion of marginalised communities
- Support of elderly people
- Employment of ex convicts and drug addicts
- Exploitation of small scale agricultural products
- Revitalization of forgotten artisan businesses

The most important thing is that: It is open to ideas!



How to Startup a Social or Cultural Economy Businesses

Introduction

Starting an enterprise is a decision of life. One has to seriously be devoted to the idea to relay their life on creativity and responsibility. In the early life of an enterprise, hard work is needed and one's personal life comes to a secondary level. Although this sounds discouraging, it is very helpful to understand if one is suitable to become an entrepreneur, while on the other hand, it is less risky to become an entrepreneur when one knows what is

expected of them. It all starts from the ambitions and the expectations behind such a decision.

There are two points of view on entrepreneurship: *Entrepreneurship of necessity* and *Entrepreneurship of opportunity*.

Entrepreneurship of necessity: concerns unemployed people or people employed under intolerable conditions of salary, safety, hygiene or behavior of management. They raise a small capital and venture in a small enterprise, which should better have been called self-employment. This form is not frequent, but sometimes successful and some big companies have found their origin in such tiny enterprises.

Entrepreneurship of opportunity: founded by qualified people with an ambition to succeed. On this ambition, these people are more capable to take opportunities, measuring the risks and possibilities of success.

Many of us hear the Siren song of small business: complete freedom, unlimited opportunity, dreams realized. But out of those who answer it, most don't succeed. Why? What separates those who succeed from those who fail? Knowledge of the business, suitable access to capital, good experience, and a good idea at the right time are just some of the characteristics of a successful business owner. Although there isn't any way you can guarantee that one will become a successful owner, they can greatly improve their odds by becoming well-prepared for the task.



One, has to answer the following questions:

- *Do I have what it takes?* Ask yourself what it will mean to own your own business, from the sacrifices you'll have to make, to the skills you'll need in order to succeed.
- *Is it the right business for me?* An effective method to reflect on new business ideas, and explore the pros and cons of buying an existing business.
- *How to evaluate my chances of success?* Have a "Look before you leap" examination of what it will really cost you to start a business. In addition, it gives you some help in evaluating the marketing, legal, and financial issues associated with startups and in finding more information about your specific industry.
- *What is my Business Idea?* Think about how to transform what you think that you see into the business you may do.
- *Whom may I do Business with?* Think about the formation of the business team, including the foundation of the legal entity and the recruitment of the "key persons".
- *To whom may we sell?* Inspect the market of goods and / or services, in terms of size and characteristics.
- *What else do I need?* Acquire guidance, expertise, assistance and financial contribution.

- *What are the procedures?* Find out what licenses the business would need and the government controls that would be inherent.

The Business Idea

People desiring to become entrepreneurs, reject many ideas every day. When it comes to what business they would like to be in, they start thinking of exploiting market opportunities or their skills, as they acquired them, either from their education and training, or from work experience. Since they have very little information about the market or the business environment, they reject their ideas, as being too risky.

But, what is really a business idea? A business idea is a hypothesis that a group of persons is able to provide commodities or services at a price that consumers would not object to pay for, which will be higher than the total costs.

This general description of the business idea, has the following main components:

- Is formed by a very capable group of people. Businesses based on one person, are determined to stay very small, except in cases when they will act as intermediaries between big companies or agents in government provisions.
- They are able to produce the commodities or provide the services. This implies that:
 - Their hypothesis is technically verifiable.
 - The size of the enterprise, necessary to produce the goods or services, does not exceed their capabilities of raising capital.
 - The group is sufficient to produce and sell.
 - They do not need specialized external resources.
 - The production of goods or the service procedures, are mature.
- The group has all the necessary skills to:
 - Organize and manage an enterprise.
 - Engineer the production or the services.
 - Organize the sales.
- They are able to offer an attractive product or service to so many people as to expect, make enough sales to cover expenses and expect profits.
- They are able to make a reasonable pricing, for the quality that they decide that the offered good or service will have.
- Enough consumers would be satisfied by their offer, over time, so that the business grows. They do not intend to satisfy a temporary lack of competitors in a given market, but they look far ahead in the future.



The questions are:

How do people come up with business ideas that they will try to transform into enterprises? What kind of people are they? There are several cases. In every case, there is a leader. They will come up with a rough idea. Then the group will refine it. The most common cases are: Someone is involved in the sales of a commodity, either as a merchant or an employee and moves to production, exploiting their experience and market acquaintances. A University researcher has come up with a novelty in production, a new item, an innovation or even a renovation and wants to exploit it commercially. In such cases, they prefer to sell the royalties. A skilled person wants to exploit their skills, so that they are rewarded by the market for their efforts to obtain the skills. As one can see, it is very rare to see business ideas and the result of enterprise creations come up to capital holders. People with capital tend to finance the business ideas of others.

The usual procedure of **idea creation**, is the following:

Imitation. People see a product, a service, a selling procedure, a production method or other characteristics of doing business in another place and they copy it in another market, where it is not yet present.

Innovation. People see all the above and try to overturn the established mindset, seeing it from a different angle.

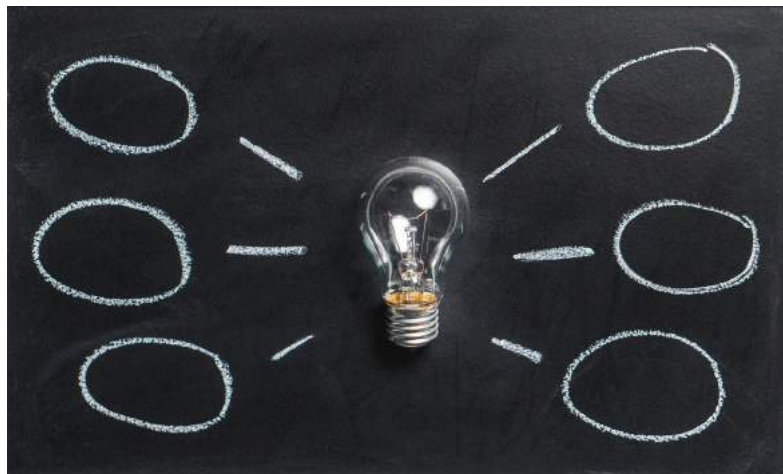
Creative imitation. People copy established things and try to make them better fit the market evolution. The market develops as a consequence of chaotic changes in the information that the consumers get, differently in each group or people with a similar mindset. Such groups are forming the so called “market niche”

Visionary. People see the coming changes and anticipate them by creating new items, services or production methods that are going to be adopted in a later time by the whole of Industry and they wish to be accepted by the market. They can only count on the “pioneers” of the consumers.

Inventive. People tend to invent things. Most of the time, an invention, even if it has been verified in laboratory conditions, cannot be commercialized, at least with a profit.

Destructive. There are cases of entrepreneurs with a business idea which has been profitable by destroying established consumer habits. In such cases a strong intellectual support, with a widespread reputation, is mandatory.

Retro visionary. Back-to-the-roots business ideas are winning more and more acceptance and become the objective of most of the European policies. In such cases, one has to remember that consumers have to remunerate and not the State.



Then, what is my business idea? In general, a business idea is a hypothesis that a group of people is able to provide a series of goods and / or services, that enough buyers would pay above the overall cost to get them. This statement is leading to the necessity of answering the following questions:

- Is my hypothesis valid?
- Do the buyers desire what I propose them to buy?
- Can we really provide goods and /or services that satisfy their desires?
- Can we manage to sell above cost?
- Can we sell for a long time?
- What profit is within your aims?

These questions have to be answered by the entrepreneur and the persons they rely upon. In a later stage, these answers will be the first part of their Business Plan.

Who am I? Who are we?

This question is neither literature or psychology. Although there is plenty of scientific research on the matter, not everyone is made for involvement in enterprises. Many writers say that the involvement in the management of an enterprise means that one loses their personal life and devotes all of their time in the business. This is partly true. Devotion to the business does not necessarily mean that the business will succeed, while, on the other hand, **efforts are indispensable**.

The question asks a series of answers:

- What do I / we really expect from succeeding in business?
- Do I / we really want to become rich with legitimate means?
- Is it a commitment for life, or I consider it an interim, which will lead me to the fulfillment of my real goals?
- Am I ready to face a possible failure?
- Can I wait long enough until I am adequately prepared for the venture?
- Do I tolerate sharing of authority?
- Do I trust others?
- Do others trust me?
- Am I ready to accept criticism, without getting angry?
- Am I ready to keep my business course without being attracted by apparently big opportunities?



Am I an Entrepreneur?

An entrepreneur is a person that combines risk taking with special skills, in order to be getting increasing profits. All components are indispensable. When one is missing, the result is expected to be null. There is no expectation of business success without risk. There is no expected business success without specific skills, either in production, or the market or the financial routine of the sector or the distribution channels. There is no business success without the patience to wait for the expected results. Business does not provide revenues the next day they start. Immediate profitability usually leads to early failure.

Yet, a person wishing to become an entrepreneur has to be oriented to ever increasing profits. One is an entrepreneur when their objective is to become increasingly richer, over time, by doing what it takes.

Pros and Cons of Owning a Business

Owning a business is not just another job. It's a totally different lifestyle. As a small business owner, you're going to have less time for your personal life and you'll probably be using much of what you own as collateral to raise money for the business. If you are willing to make those sacrifices, then let's move on to some of the advantages and disadvantages of owning your own business.

<h3>Pros</h3>  <ul style="list-style-type: none">😊 Make a lot more money.😊 Be your own boss😊 Make the decisions that are crucial to your business😊 Be the boss of other people.😊 You'll have job security, no one can fire you.😊 You can put your ideas into practice.😊 You may participate in every aspect of running a business.😊 You'll learn more about every aspect of a business😊 Gain experience in a variety of disciplines.😊 You'll have the opportunity to work directly with your customers.😊 Be able to benefit the local economy.	<h3>Cons</h3>  <ul style="list-style-type: none">😞 Take a large financial risk.😞 Work long hours.😞 Fewer opportunities to take vacations.😞 Spend a lot of your time attending to the details of running a business.😞 Your income may not be steady.😞 Undertake unpleasant tasks, such as firing someone or refusing to hire a friend or relative.😞 Learn many new disciplines, base on the needs of your business.
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Pros and cons of a home-based business

Your commute will be shorter. You may have succession by your family members, daughters and sons, without worrying about their future. You'll have the chance to build real retirement value (for example, by selling the business when you retire). Your operating costs will be lower than they would be if you were renting space and paying utilities. If your location is unimportant to your business, you can theoretically live anywhere and still operate your business.

On the other hand, you're much more vulnerable to interruptions from family members, neighbors, and visitors. You may have an image problem, although with the

growing popularity of home businesses, that's less common. You may have trouble with obtaining the appropriate licenses and continuing the operation of your business. You may have trouble attracting qualified employees. You may be less accessible to suppliers.

Is commitment to success what makes an entrepreneur?

Many occurrences can make people feel disappointment. Failure and the fear of failure can stop people from succeeding. This toolkit is meant to help you start your own business, the safest possible way.

You have to look at yourself and see if you can keep your concentration to success, get all the necessary preparation, be always ready to abandon a project which is not following the plan and turn to alternatives, separate your personal life from your business and avoid the calling of the “easy profits” that deviate you from your objective.

Skills

Professor Vasilis Karanassios says that “it takes a lot of brains not to become rich”. This statement means that you do not need to be either an Academic or widely educated, in order to become a successful entrepreneur. In fact many successful entrepreneurs did not have higher education. (Microsoft or BIC ball pens being the most glamorous examples).

On the other hand, when you start a trade that you know little about it, you risk to be tricked by everyone else in the business. Most of the successful businesses are the natural evolution of a hobby or a profession.

In both cases, hobbyists and professionals acquire the most meaningful knowledge about how to make things work, without spending their time and effort to go deeper into the theoretical documentation. This means that you must have the technical expertise connected to the business, in as many as possible fields. **Don't get involved in a business if you know little or nothing about.** When you have the necessary technical expertise, you can ask the right questions, make good business decisions and assess other "expert" opinion. Having the business expertise is not enough to make you a successful entrepreneur. You need to know the essentials of running an enterprise. They are things you can easily learn before you start, or get the experience from a “trial and error” process.



You must assess what is your expertise. You may start with enumerating what you are already capable of doing yourself. Then, you may compare it with your business idea and discover what you cannot do yourself. There are several combinations of what you are already capable of doing and what is necessary, different for every occurrence. If, for example, your idea is to start a fast food business and you do not cook or have worked (in

any position) in such a business, you most probably will not be able to cope up with the specific needs, such as the quality of provision, serving behavior and customer satisfaction.

In cases that your business idea is not within your experience, you must get it first. The most convenient way is to get any kind of job in another enterprise in the same sector for a period which is appropriate for it. Writing down your experience, everyday you work, will help you consider the particular subjects that you are already skilled and the skills that you need. Attend all classes you can on the subjects you need, for example: accounting, computers and selling.

Don't be afraid to ask questions or seek help from the most successful people in your intended business. You must always keep in mind that whatever you are not able to do yourself, will be delegated to someone else, together with the authority to make decisions, while you are taking all the risk.

You have to distinguish between the people you expect to help you in your business and the persons that you have acquaintances with and you may address for collaboration. The same way you, as a business person, would never give away business resources to help another business person, this other person would never accept to be deprived from their own resources in order to help you. The answer to this question is **Human networks**.



The human networks include:

They are important for your business development, while you can find the appropriate persons to work with, without losing time looking for them. You also have the opportunity to receive proposals for cooperation, especially in the early stages of your enterprise, when you most need them.

When you have decided to become an entrepreneur, you must start the build-up of your human network, by frequenting the same places, like associations, conferences and

social events. You must understand the difference between this and personal entertainment. Personal entertainment includes all your social life with friends and family: Parties, birthdays, gatherings, just to name some examples. When you are in this environment it is not recommended to start a business relationship, because you must be surrounded by capable people to contribute to your enterprise and not just a friend or relative that knows about the topic. So, it is essential to separate your personal life from your business life.

A human network is not a group of people exchanging favors!

Networking

Networking is an invaluable tool that anyone in the business world can utilize. Effective networking can be your best form of marketing, as well as being extremely affordable. To give a definition of networking, it occurs when there is a planned event or gathering with the primary goal of connecting with others.

The purpose of networking can vary based on one's own agenda, yet the primary focus is to meet people, and have people meet you. In other words, you have the opportunity to market yourself and your business in a relaxed, social situation.

There are many opportunities to network in virtually every community on some scale. For a new owner of a small business, usually the most productive starting point would be to contact a local chamber of commerce, or other organization that suits your field of business. You may want to visit, and possibly join, several chambers or organizations, but whatever you choose to do, it will only be effective if you use it. Regular attendance at the meetings is extremely important for effective networking. As you attend the meetings, you will be recognized by more and more



people, as well as getting to know more and more people, and this facilitates you reaching your goal. People will know you and your company, and refer to you, and you will do the same for them to reciprocate. Personal referrals and "word of mouth" advertising is invaluable and highly effective.

To make the most of your networking meeting, *here are a few guidelines you should follow:*

- **Arrive early**, if you are there before the mass of the group, you are assured the maximum opportunity to meet everyone.
- **Have a goal in mind**, before the meeting, set a goal for yourself for that day, and then achieve it.

- **Don't arrive at the meeting feeling tired or unfocused**, take some time for you to get yourself focused before the meeting.
- Make sure you **have writing material and plenty of business cards** and/or brochures.
- Make sure you **have a purse or briefcase to collect business cards and material**.
- Make sure to **shake hands** when introduced, or when you introduce yourself.
- **Don't huddle up with co-workers or friends**, it is easier to be approached by others if you don't appear to be busy with idle conversation.
- **Don't be afraid to approach people** you don't know and introduce yourself.
- **Wear a name tag** or business card.
- **Don't hard sell yourself or your company**, networking meetings are to be social and semi- informal/relaxed.
- Do your best to **remember names** of individuals you have met.

While it is important to prepare for your meeting by following the preceding criteria, it is also very important to prepare by making sure your personal appearance is appropriate for the gathering. Your appearance is the first thing people notice. Some points you may want to note would be to: Be well groomed. Wear clothes that are setting appropriate and fit properly Pay attention to detail. **Most importantly: be yourself.** If you are comfortable with your appearance, your confidence will surely be a benefit.

After the meeting, it is important that you **follow up** with the people you have met in a timely manner. If someone was interested in your company, don't wait two or three weeks to drop them a line; they may have forgotten you by then. Also, it is very important to follow through on any promises you may have made. If you told someone you would call them with some information, make sure you do it! It is very important to be credible and reliable in order for your networking efforts to be truly fruitful.



Networking can be costly in fees, time, luncheons, etc., but if done effectively, it can prove to be an invaluable investment in your business's success.

How much money can I afford to put in it?

It is widely known that people who have the money do not necessarily create enterprises! In fact, most of the new enterprises start small by persons with limited financial resources and property. At the same time, if you are trying to create an enterprise financed by third parties at 100%, without your own financial contribution, you will never succeed. People think that most of the enterprises have been created with only external finance. **This is completely wrong.**

Money makes your business go. But don't try going to a bank to get it when you've just started in business. Banks normally make loans only to businesses with operating histories. This section will give you some alternatives, some strategies and some things to think about as you go about finding the money to make your business work.

Our first reminder is that personal savings should be considered the primary source of funds for starting a business. If you haven't started already, start now to begin accumulating cash through personal savings.

Our second reminder is that the size of the enterprise that you will create depends greatly upon the money you put in it.

Our third reminder is that you must not contribute to your business the whole of your savings. Remember that new enterprises are not immediately profitable. You must keep part of your savings in order to cover your needs, until you receive profits for this and cover unpredicted cash flow difficulties. Starting up a business can be a tremendous strain on your personal finances. It can take six months or more before your new venture is profitable and can provide financial support for you and your family. Before going into business, it is always wise to get your finances in order.

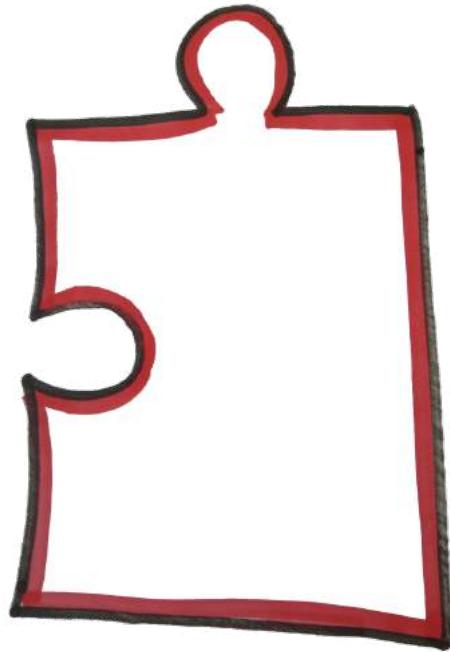
Write a monthly household budget that accounts for your income and your household expenses. Be as conservative as possible, because it is vital to your success that you have the resources to maintain your household expenses while your business is growing.

Any strain on your personal budget will put the financial success of your business at risk. It is also a good idea to check your personal credit situation. Too often, entrepreneurs think that their business credit and personal credit are separate. A business' credit is built upon the owner's personal credit. Because you have not established a business credit history, lenders and suppliers will use your personal credit history to determine your terms of credit. Your credit report determines how you will be perceived by potential lenders and suppliers. You should know what appears on your credit report because you may find errors that you will want to have corrected. To get a copy of your credit report, refer to your Bank.



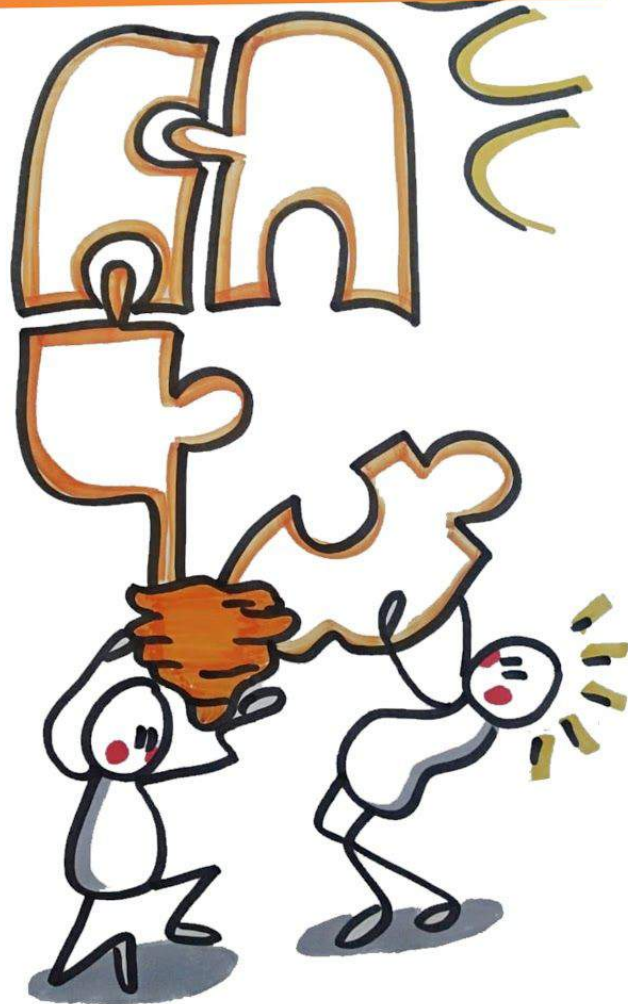
How much money can I raise from others?

The most common way to raise the necessary cash, at the start-up stage, is family and friends. This is not advisable, while all these people want their money back at a time that they decide that they need it. You cannot afford to base your business in unpredictable time schedule.



CHAPTER 5

How to insert the cultural enterprise in the market



How to insert the cultural enterprise in the market

Company Creation

Associating with others is the easiest way to raise money for your start-up business.

When you convince others that your business idea is viable and that they will make profits, increasing their possession's value, at the same time, they will contribute in cash as well, in addition to their contribution in efforts for success. In such cases, a simple contract is not enough. You must form a company, which is a legal person other than you and the others. It is a person in all aspects. It is born together with the legalization of its statute. This contract can merge (marry) with other companies. In hard times it visits the doctor (consultant). May give birth to others (subsidiaries).



Considering the formation of a company resembles the creation of a family, where two persons (in a company they may be more) decide to join their properties. The baby will take risks, make decisions and carry an adult's burden. Since it is a baby, the parents are responsible. From another point of view, a baby is meant to grow. As a grown-up, it may even look after the parents. Self-employment cannot have this perspective, while it depends on the natural decline of the person's abilities.

If the formation of a company is the case, because the money to finance the start-up business exceeds the capabilities of one person, then there are three fundamental subjects:

- The Legal Status of the company
- The Statute and the legalization of the company
- The decision-making regulations

Beware: We know people and we trust people. But people change, or their family environment makes them change. This new born baby must, as any natural baby, live long after the parents vanish. Participating in a small company means conceding your property to the hands of a baby. You can never be sure how your personal property will be treated. If you cannot raise enough capital to form a limited responsibility company, or you have reasons to start on a personal company basis, you have to make plans for the transition of the company to limited responsibility forms, as soon as possible.

You must know what forms of companies exist, so that you can decide on the legal form.

Legal Status

One of the first decisions that you will have to make as a business owner is how the company should be structured. This decision will have long-term implications, so consult with an accountant and attorney to help you select the form of ownership that is right for you. In making a choice, you will want to take into account the following:

Sole proprietorship

Most of the small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, you are one in the same with the business.

ADVANTAGES

- Easiest and least expensive form of organize.
- Complete control.
- Receive all income.
- Profits from the business flow-through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

DISADVANTAGES

- Unlimited liability.
- Legally responsible for all debts against the business.
- May be at a disadvantage in raising funds.
- Often they are limited to using funds from personal savings or consumer loans.
- May have a hard time attracting high-caliber employees.

Partnerships

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. Yes, it's hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They also must decide up front how much time and capital each will contribute and there is the main cause of disputes.

Advantages of a Partnership

Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement. With more than one owner, the ability to raise funds may be increased. The profits from the business flow directly through to the partners' personal tax returns. Prospective employees may be attracted to the business if given the incentive to become a partner. The business usually will benefit from partners who have complementary skills.

Disadvantages of a Partnership

Partners are jointly and individually liable for the actions of the other partners. Profits must be shared with others. Since decisions are shared, disagreements can occur. The partnership may have a limited life; it may end upon the withdrawal or death of a partner.



Types of Partnerships that should be considered:

General Partnership

Partners divide responsibility for management and liability, as well as the shares of profit or loss according to their internal agreement. Equal shares are assumed unless there is a written agreement that states differently.

Limited Partnership and Partnership with limited liability

"Limited" means that most of the partners have limited liability (to the extent of their investment) as well as limited input regarding management decisions, which generally encourages investors for short term projects, or for investing in capital assets. This form of ownership is not often used for operating retail or service businesses. Forming a limited partnership is more complex and formal than that of a general partnership.

Joint Venture

Acts like a general partnership but is clearly for a limited period of time or a single project. If the partners in a joint venture to repeat the activity, they will be recognized as an ongoing partnership and will have to file as such and distribute accumulated partnership assets upon dissolution of the entity.

Corporations

A corporation is considered by law to be a unique entity, separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Non-Government Organizations (NGO)

They can only be non profit-making organizations, so they cannot be considered a form of a Business Company.

The Statute (Articles of Association)

In all forms of companies, a general agreement between partners is needed. It is a contract that defines the ownership and how it can be transferred to others, the control of the financial situation, and the contribution of the partners and the resolution of the company.

Since any amendment or modification of the Statute is equal to the formation of a different company, while it needs increased majority of the participants, in order to be valid, there are several parts of the statute that entrepreneurs have to pay special attention, whatever the legal status of the company.

Since it is a legal document, it has to be seen by a lawyer. While the lawyer will take care of the formalities and the legalization (there are cases when a Notary is also indispensable) and the basic clauses, you must foresee the operative part.



Here are some important points, which you must ask the lawyer to include in the Statute:

Whoever represents the company must be deprived of the authority to borrow money from the banks, without the consensus of an increased majority, unless they are personally liable for the loan. Authority must be delegated and distributed among the members. For example, hiring and firing employees must be the authority of a different person than the one having the authority to sign contracts of representations.

The substitution of an absent officer must be a part of the Statute. In most cases, there are urgent decisions to be made and actions to be taken. If the person with the Statute authority is on a business trip, until they come back it may be too late. Interim financial reports must become obligatory with a Statute clause, not just the annual results. They have to be discussed by the officers and communicated to all the members / shareholders, together with a plan for the next interim period. In cases of partnerships, a down payment of the predicted annual profits may be paid in the form of down payments, based on the interim results and not the annual budget.

In cases of partnerships, **there must be clauses about the contribution of the members** with their work in the company. Since the skills needed by the company are changing, there must be clauses about how this contribution ends, without having to dissolve the company. Hiring yourself in the company that you partially own, is not a functional idea.

The transformation of the legal status, incorporation for example, **has to be foreseen within the Statute**, so that only minor changes will occur in such a case, without changing the relations between the members after they become shareholders. This facilitates potential mergers and buy-outs.

The protection of the minority owners has to be safeguarded. The usual mindset of attorneys is to balance between the percentage that the minority holds and the ability of the company to expand. A good statute contains clauses that safeguard the earnings and the value that the minority members enjoy, in cases of capital increment, new partners or any other change, but also in yearly dividend distribution.

Finally, **there must be clauses about how the authority of an officer can be restricted**, when they show incapability to execute their duties. In such cases, an impartial external arbitration, instead of court trials, should be used, for example, a committee of the president of the Chamber of Commerce, the Tax Office principal and the Lord Mayor may act as arbiters. At last, there must be a clause with a strict deadline, to produce an internal regulation.

Decision Making Regulations

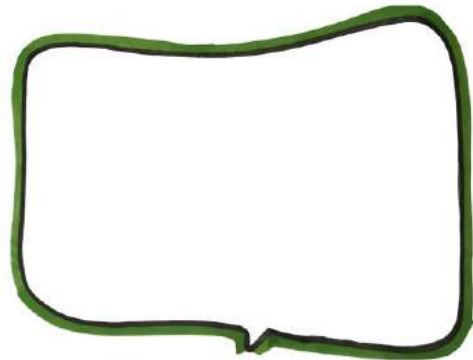
In a company the decisions are being taken by the Board of Directors. There are two usual ways of a meeting. Either most of the members agree in advance on each quest, or they discuss in depth and the most convincing proposal is being voted. Both ways do not lead to coherent decision making. A formal agreement, a document, or better a contract should be produced, in order to make the decisions. This has to be:

Transparent, so that the Directors avoid personal liability in the case that the decisions did not lead to the desired results, or even if they were wrong, since the Directors did the best they could to take the right decision. To do so, a proposal, together with documentation

should be provided to the Directors in advance, together with the invitation and the Agenda of the meeting, so that they have the time to study it and support or drop it.

Coherent, so that in the Minutes there is not just the opinion of each Director, but also a calculation of the impact to the company's future, in terms of profit, cash flow and overall value. Legitimate, so that everyone in the organization feels that there is a proportional compensation for their contribution to the success, or an analogous sacrifice in cases of failure, no matter if they are a shareholder, a Director or a simple employee.

Assessed, so that, even those who will not vote for it will act accordingly. When the Directors have enough time before the meeting, they may produce a differentiated proposal, which will be documented as well. It is very rare to have unanimous decisions. The Boards do not decide between black and white.



The decisions that usually divide the Directors and create disputes, thus leading to conflicts and malfunction, are:

- The height of their own salaries, those counting on the highest possible dividend and overall value increment want to maintain the Director compensation low. Those Directors are usually Stakeholders (they own a significant part of the company's capital). Those who have a small amount of the company's capital, are trying to increase their compensation as much as possible.
- Promotions, directors have their own trusted people around them, as well as in other positions, in order to control better the company. In spite of the performance of these persons, they support their promotion, fearing that they will lose the control they managed to obtain through them.
- Hiring personnel, many times, the Directors create job positions in order to promote the hiring of persons as a personal favor, not for the benefit of the company, like friends, family members, or even potential supporters in a political career they may have in mind.
- Selection of Providers, people have the tendency to exceed their delegation of authority and give promises, in most honest case, when they are convinced that this will benefit the company. For companies already in the Stock Exchange Market, it is obligatory to have such a Regulation, which is called "Corporate Governance".

The European Union Commission has taken the initiative to promote it and according to the official documents. Harmonization of the rules relating to company law and corporate governance, as well as to accounting and auditing, is essential for creating a Single Market for Financial Services and products. In the fields of company law and corporate governance, objectives include: Providing equivalent protection for shareholders and other parties concerned with companies. Ensuring freedom of establishment for companies throughout

the EU. Fostering efficiency and competitiveness of business. Promoting cross-border cooperation between companies in different Member States Stimulating discussions between Member States on the modernisation of company law and corporate governance.

It is well recognized that this obligation will be extended to every other form of companies, while it fosters the vitality of the companies themselves, increases profitability and competitiveness and creates a homogeneous business environment. In a perfect business world this would be an easy task, while all Directors would have the skills and education to follow, or even understand, such Regulations.

In most European companies the majority of the Directors are Market people that invested their time and effort to learn the business and their money to contribute to the foundation of a company, not to acquire the skills and education necessary to make and follow such Regulations.



Capital composition of a Social / Cultural Enterprise

In order to start a new enterprise, you must indicate the initial capital. The usual capital composition at the initiation phase may be as follows:

Member's contribution	10% to 30%
National or International Funding	30% to 70%
Other private (sponsorship)	10-20%
Bank Loan	10% to 20%

In case of development of an existing and successful capital, bank loans may increase, but the banks require "collateral" (property underwriting with which the loan will be covered, in case of lack of repayment). If the enterprise does not have real estate property, it is hardly possible to be financed by a bank.

International funding is meant to be addressed to the acquisition of the necessary equipment, or building. Under no circumstances the acquisition of land may be eligible.

International funding may come from:

- European programs.
- United Nations, usually UNESCO.
- NATO.

- Marshal Plan for rehabilitation (yes! It is still funding the rehabilitation of the damages of the Second World War.)

Formal Venture Capital

Venture capital is capital provided by outside investors for financing of new, growing or struggling businesses. Venture capital investments generally are high risk investments but offer the potential for above average returns. A venture capitalist (VC) is a person who makes such investments. A venture capital fund is a pooled investment vehicle (often a partnership) that primarily invests the financial capital of third-party investors in enterprises that are too risky for the standard capital markets or bank loans.

What about the European Union?

In general, in the European Union, the Venture Capital has been provided by the Banks, so they follow the Bankers mentality, which is that they are trying to maximize the security of getting the capital back instead of taking the risk of investing in the most convincing businesses. After a strong and solid argumentation, this venture Capital is mostly addressed to well established companies seeking Capital for Innovative (especially in the sector of Information and Communication Technologies) in order to participate in their expansion. But this Venture Capital is not alone in the Marketplace. There are many other Venture Capitalists in the European Market, with a different provenience (not Banks, perhaps not even European) looking for good combinations of promising business teams, with convincing business plans and safe procedures (such as Statute and Internal Regulation) to place the money of their clients (usually Pension Funds).

Successful long-term growth for most businesses is dependent upon the availability of equity capital. Lenders generally require some equity cushion or security (collateral) before they will lend to a small business. A lack of equity limits the debt financing available to businesses.

Additionally, debt financing requires the ability to service the debt through current interest payments. These funds are then not available to grow the business. Venture capital provides businesses a financial cushion. However, equity providers have the last call against the company's assets. In view of this lower priority and the usual lack of a current pay requirement, equity providers require a higher rate of return on investment (ROI) than lenders receive.

Informal Venture Capital

There is a long list of persons with huge amounts of savings without either business ideas or the willingness to create and run an enterprise. Their money is called "Private Equities". They own a part of the company and they will resell their shares to you or others, when they think that the price of their share has reached their expectations. Still, those people want to increase their wealth, without getting directly involved to the Business. They are more concerned to: *The revenue*, in comparison to interests. *Stability*, over high but unstable dividends. *High dividends*, over the increment of the overall company value. They trust the *people more than the business plan*. They rely on the *intermediary institution* or

consultant, rather than their personal judgment. They *avoid getting involved* in the company management.



Advantages of Equity Financing

With equity financing, you do not repay the money invested by others (unless a payoff agreement is made at the time of investment). This can be important when cash is at a premium. Also, your ideas for making your business successful may carry more weight with a potential equity investor than with a debt investor.

Since it is in an equity investor's best interest for your business to grow and expand, they will be more likely to consider sound business ideas than will a debt investor, who is more concerned with the security of the deal proposed.

Many people who are interested in starting or expanding a business have more ideas than money; this can be an important factor in favor of equity financing. In addition, equity investors, with their genuine interest in your success, can be a good source of advice and contacts for your business.

Disadvantages of Equity Financing

The biggest drawback of equity financing is that you give up some control over your business. You may or may not find this acceptable. Remember, when you accept equity partners, you are selling part of your business. It may be very difficult to retain control in the future.

You may also find your equity investors do not always agree with your plans for the business. However, since they own part of your business, you will have to consider their point of view, even

if you do not agree with their choices.

Finally, equity financing tends to be very complicated and invariably will require the advice of attorneys and accountants. A great deal of paperwork must be prepared and filed.

Although it seems inappropriate to use Equity or Venture Capital for the creation of a Social and / or Cultural enterprises, it is common to the big enterprises (Venture Capital, among them) to devote capital for “non lucrative” purposes, such as “Social Responsibility”

Joint Ventures

A joint venture (often abbreviated JV) is a strategic alliance between two or more parties to undertake economic activity together. The parties agree to create a new entity together by both contributing equity, and they then share in the revenues, expenses, and control of the enterprise. It is different from a company, while it is dissolved when the purpose is fulfilled. It does not have an independent legal personality, so it can not have own property. It only handles the property contributed by the partners. The Joint Venture is considered a legal person, only for taxation purposes. There is no Statute or Articles of Association but just a contract.

It is an important tool for business creation, while it may put together well established companies with inexperienced and cashless persons, wishing to go into business.

With a JV, new entrepreneurs may undertake the task to assist larger companies to make an offer to either public (for example public works) or private (for example the provision of another company with temporarily needed material or services) or both (for example the application for funding by a European Project), when the new entrepreneur is able to contribute with either their expertise or the larger company wishes to avoid disturbances of the ordinary function of it.

The initiative for a JV belongs to the new entrepreneur. They must discover the opportunities and propose a JV to larger companies. Through the JV, the new entrepreneur can acquire:

- Experience in running a business.
- Earnings, which may form an initial capital, for creating their own business.
- Business reputation among the stakeholders (banks, other businesses, potential employees, public institutions and even the market).
- Acquaintances with professionals (accountants, consultants, engineers, lawyers, notaries) they will need when they start their independent business.

How much can I borrow?

Every citizen has a financial history and may possess property of some value. This is a usual basis on which the bankers will, after examining it, will base their credit line. If you already have had business activity, they will examine your payment history and treat you accordingly. Delayed payments in your past, either as an individual or a business person, usually put you out of the banking system loans.

Differing from equity, the bank loans seek:

- Prompt payment of the rates agreed.
- Security of repayment, since the banks lend the money they borrow themselves.
- A convincing Business Plan.
- A clear Financial Plan (which may be part of your business Plan).
- That your plans are seen and approved by your Accountant.
- That your plans are made with the guidance of a reputable consultant, to make sure that your predictions are realistic.

- You have arrangements for follow-up “coaching” with an appropriate and reputable development agency (a Business & Innovation Center, a Business Center, a local Development Agency) which is NOT a government subject.
- You are formally represented by a Lawyer, so that you clearly understand the obligations bound with a Bank Loan and may provide all the necessary documents.
- Your plans, if fixed assets are asked for finance, have the approval by the engineer, who is chartered (by their professional body) and formally appointed by you (with a contract or a declaration).
- You or another person guarantees with property concession (known as collateral) that the bank takes the money back.
- You have put all the cash you had in your Business.

Reminder: Do not put all your cash, just because you want to convince the Bank that you are reliable. The bank, at your first cash flow difficulty will start the procedures to take the property (yours or of the “guarantor”) in order to make its risk vanish. In a different proportion from bank to bank, you may get a fraction of the value of the property with which you “guarantee” the Loan.

How much do I pay back?

This depends upon your Cash-Flow predictions. Cash-Flow is an essential part of your Business Plan, for at least the first five years.

Interest rates will affect your payments, but this is strictly cost-wise orientation, valid only for established enterprises. When you consider borrowing money from a bank and you convince the bank to give it to you, you have to take into “first order” consideration: That the payments of your clients may not continue being in the same time span as they appear in statistics.

Those interests are a cost element, but it is not connected to the volume of your sales. They are only connected to the amount of money and the time. If you manage to use this money more than once a year, then your cost is divided with the annual times you use it. The interests are not what you calculate at the first glance. Banks charge you with a “compound” interest, which means that they charge you with interests for the “mature” interests that you have not pay yet. When the bank tells you that there is a “no payment period” or “gratis time”, you have to pay interest for this period and since you are not paying yet, interests for the interests you have not paid. Your bank accepts only cash for repayment of your loans. You may have profits, but if you cannot give banknotes to the cashier, the bank will move against your property. Professor Xenophon Zolotas, at the first meeting of the International Monetary Fund, said: “the banks will only lend to those that can prove that they don’t need them at all”.

There is a great difference between advice, consulting, study, research and coaching. Your consultant has to produce a series of tables of calculations and explain to you their meaning, so that you will be able to make a coherent choice. Your accountant may also be a consultant, the same as you may be the owner and an employee in your business.

You can only ask them for consulting services, when you have made an explicit agreement for this.

Will others join me in my venture?

Doing business is a social affair. The creation of an enterprise is the evolution of a small society, which already shares the same vision. Do not expect to start a business and then wait that others will come to join you. **The time to form what is called the “business team” is the time you have a business idea and a vision about its evolution.** There will be others to walk with you and by you in the venture that you are about to start, but all this is possible only if you share ideas within a group of people that you trust and you are trusted by.



Who are they?

Your future collaborators must have the necessary expertise in one of the business aspects. It is obvious that you will need an Accountant and a Lawyer. You need a Business Consultant. You will not be able to make an accurate business plan and follow it, without a business consultant to coach you. You will need technical expertise in your business, so you have to identify and select the technically skilled persons that comply with your business.

Most of all you will need sales people. People with the charisma of selling, that are trained to sell and that they have an experience and reputation in sales. These people will also help you predict your future sales.

What are they?

All those persons are in the Market. Others are free professionals, like Lawyers and Accountants, others have a job in another enterprise or Agency and others are unemployed. When your interest in creating an enterprise, you may be contacted by scientists with a deep knowledge of a specific detail of your business. Such people are very good for advice, but usually they cannot see the whole picture of an enterprise. You will be solicited by unemployed people. Most of them do not have skills that you may use, so they need training. You, as a new enterprise must find, train and motivate people to stay in your business.

What can they contribute?

Expertise necessary for your business. Learning by doing is a good didactic method, but your enterprise is not an education institute. Some of the potential staff members may

even contribute with cash. If you accept it as a loan, they will never become members of the business team. They have to be as permanently as possible to the enterprise.

Experienced staff members bring in their own human network. This may accelerate your research for suppliers, clients, transporters, other experts and even financiers. This acceleration saves you money and at the same time makes your enterprise capable of being prompt against all market factors. They also bring in the bad habits of their previous employment.

Are they going to join me, or it is me who joins them?

Well, you think that you have a business idea? Did you think that this idea has probably been imposed on you by the business team, just because they think that they deserve a better employment?

In every team there is a leader. Are you really the leader of the team? It is possible that someone else is the leader and you are just the risk taker? Does it matter if you are not the Leader? You do not need to be the Leader. It is enough that you can handle leadership, so that it does not end up with a takeover.

In most cases, the entrepreneur should better identify someone else to be the leader. Beware: A leader is a person able to inspire the business team. Not an ambitious person who wants to be the boss.

How much Money do I need?

Every business is different, and has its own specific cash needs at different stages of development, so there is no generic method for estimating your startup costs. Some businesses can be started on a shoestring budget, while others may require considerable investment in inventory or equipment. It is vitally important to know that you will have enough money to launch your business venture.

To determine your startup costs, you must identify all the expenses that your business will incur during its startup phase. Some of these expenses will be one-time costs such as the fee for incorporating your business or price of a sign for your building. Some will be ongoing, such as the cost of utilities, inventory, insurance, etc. See that your contribution corresponds to the cash necessities.

While identifying these costs, decide whether they are essential or optional. A realistic startup budget should only include those things that are necessary to start that business. These essential expenses can then be divided into two separate categories: fixed expenses (or overhead) and variable expenses (those related to producing sales for the business).

Fixed expenses will include things like the monthly rent, utilities, administrative costs, and insurance costs.

Variable expenses include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service.

The most effective way to calculate your startup costs is to use a worksheet that lists all the various categories of costs (both one-time and ongoing) that you will need to estimate prior to starting your business.

Does Your Business Produce a Product or Provide a Service?

Initially, a service business will require less cash because it will not have high material and equipment costs. If you intend to manufacture a product, you must consider the type and amount of direct materials and equipment needed and expenses incurred.

Who Will Provide Labor?

Do you intend to do most of the work yourself or will you hire employees to assist you? Contributing your own time to the business is one way to keep costs down. Later, when your business is firmly established, you may wish to hire employees to take over many of the day-to-day operations.

Can You Provide for Your Personal Expenses While the Business Is Getting Started?

It is unusual for a beginning business to show a profit in the first few years. It's a good strategy to plan to cover your personal living expenses for at least six months while your business is getting started. If your business is already operating, it may be necessary to reduce your salary while you try to expand. If you have your own funds set aside for your personal expenses during these periods, you will have one less expense for which you will need borrowed funds.

Estimating Your Expenses

There are certain expenses that virtually all businesses must incur. The following chart will help you estimate your typical expenses (This is **not** an all-inclusive list. It provides some of the more typical expenses):

- Office space rental
- Office equipment
- Office supplies
- Insurance
- Utilities (phone, electricity, heat, water)
- Maintenance
- Advertising
- Labor
- Business licenses



A manufacturing business will also have specific expenses related to production. Therefore, the following expenses should also be considered:

- Raw materials
- Machinery and equipment rental
- Warehouse or factory space rental
- Total estimated costs

Reminder: Do not forget that most profits come out of expenses. Downsizing an enterprise may result in loss; although expenses are lower. For each expense you have to set a clear numerical comparison of the money you predict to spend for it and the return in margins (the basis of profits) you expect them to produce.

There are unnecessary expenses, at least in the early stages of an enterprise. Your clients may be reluctant to buy from you if you try to impress them with luxury. They buy your goods or services, not your enterprise. Stick to the quality of your goods or services. Your potential clients will choose them for their benefit, not for the entertainment that you offer to them.

Do not cut expenses related to the dissemination of information about what you offer. Be careful that your information goes to the most probable buyers. Do not do everything “in house”. Outsource whatever is possible. The limit is only the risk to concede to others your competitive advantage. This will restrict your financial start-up capital required, together with limiting your cash needs.

Public relations expenses are not necessary for start-ups. You really need a human network, but you can create it throughout your frequent participation in Workshops, Information Days, Conferences and other similar events organized by the Chambers of Commerce, Trans-border Chambers, Associations, Information and Business Centers, and other similar business organizations in which you MUST be a member. The cost of the membership is irrelevant in comparison to the information and acquaintances.

Assessing Your Financial Needs

Once you have determined your expenses, you will need to estimate what percentage of the funds you can supply yourself and what percentage you must find elsewhere. At this point, the figure may seem overwhelming. Don't be discouraged. It's far better to have realistically assessed your situation early than to rush into a new venture before you've planned adequately.

Almost all businesses need outside funds and yours probably will not be an exception to the rule. You should prepare a month-by-month cash flow projection for the entire first year, perhaps with the help of your accountant or banker. If the projection is realistic, it will clearly show how much financing you need.

Yes, starting a new business can be risky, but it can also pay big rewards both in personal satisfaction and in economic return.



CHAPTER 6

Marketing



Marketing

What is the Market?

The term market refers to the group of consumers or organizations that is interested in the product, has the resources to purchase the product, and is permitted by law and other regulations to acquire the product. The market definition begins with the total population and progressively narrows, as we move the particular population that may be interested in buying the products and/or services that we are considering to offer.

Beginning with the total population, various terms are used to describe the market based on the level of narrowing:

Potential market - those in the total population who have an interest in acquiring the product.

Available market - those in the potential market who have enough money to buy the product.

Qualified available market - those in the available market who legally are permitted to buy the product.

Target market - the segment of the qualified available market that the firm has decided to serve (the served market).

Penetrated market - those in the target market who have purchased the product. On the other side, all those interested are already covering their needs with other products and/or services from other sources.

What is our product / service?

However small a business, it is not a lonely path. There is a team behind it, either formal or invisible. Almost too obvious to even mention but amazingly enough, it is forgotten by many.

Your product or service does not need to be "new" in the sense of "never before available", but it must be unique in the sense of providing better service, better support, or a new approach.

A clear definition of the products and or services, describing all the characteristics, is the first step in creating an enterprise.

Why will consumers buy it?

Not all consumers have the same criteria in buying a product. Consumers with similar characteristics are called a "Market Niche". We cannot sell to all of the consumers in a Market Niche that represents our "Target Market".

Consumers have to get satisfaction from our product / service. The perception of satisfaction is different for individual consumers or "Industrial" buyers.

We have to search for the characteristics of the product and the way it reaches the consumer, create the appropriate elements of satisfaction and communicate these characteristics to the potential consumers. This procedure is called "Marketing".

Why consumers will pay the price that we believe is right?

Pricing a product or service is another Marketing element. Consumers have a different evaluating mindset of the price of products and or services. When we set the price of our product, are those evaluations of the consumers that are important and not our costs and our perspective of profits.

There is a general tendency of preferring to buy more expensive, in order to get higher quality, but we have to examine our market niche behavior, before we set the price.

What are our competitive advantages and drawbacks?

Before initiating a Business Plan, we have to identify our competitive advantages and drawbacks, so that we will be able to build our enterprise on:

Take advantage of our company's strengths.

Eliminate or reduce our company's weaknesses.

Capitalize on opportunities and emerging trends.

Take defensive steps to reduce threats facing our business.

Bring together all our company's resources, and direct them toward specific goals in areas such as sales growth, profit, productivity and service.

Prioritize and document all the goals our company wants to accomplish over the next three to five years.

Allocate resources and assign responsibilities.

Strengths and weaknesses are essentially internal to the organization and relate to matters concerning resources, programs and organization in key areas. These include:

Sales - marketing - distribution - promotion - support Management - systems - expertise – resources Operations - efficiency - capacity – processes Products - services - quality - pricing - features - range – competitiveness Finances - resources – performance R&D - effort - direction – resources Costs - productivity – purchasing Systems - organization - structures.

What is our risk?

Creating an enterprise is connected to risk taking. This general idea has to be quantified; so that the potential entrepreneur knows how much is the risk and what are the “dangers” which make the forecasts fail.

When we start a business we spend a part of the capital for the preparation of the Business Plan, together with the devotion of time, which might have been exploited profitably. This expenditure may result in the decision NOT to start the business, because it is based on a business idea which is not showing profitability in the long-run. Even so, it is not badly spent money, as it protects you from failure!

Company formation costs, may be totally lost. The land or buildings maintain their value, unless an excessive premium is paid, in order to get it.



Unless we do not allocate an excessive part of the capital to luxurious offices, unnecessarily technologically advanced productive equipment, or the business does not succeed, we can sell to others what we have invested in, obviously in a lower price that we have paid for -if we are quickly aware that the business is not leading to success- before it becomes obsolete.

Provisions of raw material, packaging material and equipment spare parts, may be sold to others; unless they are already personalized (a printed logo may result in diminishing their market value).

Research for products / production methods are better to be postponed at the time that the business is already profitable, has to be planned from the startup stage, but not scheduled to start at the same time. The risk is to lose what your preparation for success costs.

Create a new business or buy an existing one?

The creation of a business by a team of persons, from scratch, is not the only way to start a business. Sometimes this can be frustrating, you may feel that you lack knowledge and experience; you may want to concentrate to fast results and diminish the risk. Alternatively you can consider buying another company.

Many find the idea of running a small business appealing, but lose their motivation after dealing with business plans, investors, and legal issues associated with new start-ups. For those disheartened by such risky undertakings, buying an existing business is often a simpler and safer alternative.



Advantages

The main reason to buy an existing business is the drastic reduction in start-up costs of time, money, and energy. In addition, cash flow may start immediately thanks to existing inventory and receivables. Other benefits include pre-existing customer goodwill and easier financing opportunities, if the business has a positive track record.

Disadvantages

The biggest block to buying a small business outright is the initial purchasing cost. Because the business concept, customer base, brands, and other fundamental work has already been done, the financial costs of acquiring an existing business is usually greater than starting one from nothing. Other possible disadvantages include hidden problems associated with the business and receivables that are valued at the time of purchase, but later turn out to be non-collectable. Good research is the key to avoiding these problems.

How Should I Go About Buying A Business?

This should be a step-by-step sequential process. Here are the steps:

Decide whether you will be buying a business to provide you with a full-time job or will be making the purchase as a part time investment.

Thoroughly investigate the industry you are considering to conclude if this is really a business to which you can make a commitment.

Attend industry meetings, talk to existing business owners, spend time at typical businesses and visit competitive locations to determine if those who are already in the industry share your conclusions.

Decide whether you want to start a new business, buy a new business or buy an existing business.

Appraise your own experience, skills and background and decide if this business is a good fit for you.

Appraise if the business fits your needs: Are the economics of the business sound? Is there a reasonable predictability of future growth in earnings? Is there a sound financial foundation? Buying a business with these good characteristics but bad management can be an especially good opportunity.

What is our Strategy?

The primary strategic options for a new or established business include the following:

- Grow fast (and ahead of most competitors)
- Grow in line with industry
- Defend existing status (assumes a moderately strong starting position)
- Catch up (with leaders & then grow with or ahead of them)
- Turn around (from being an underperformer)
- Hang in (go with the flow but don't expend much effort)
- Harvest (milk the opportunity with a view to withdrawal)

The preferred option is likely to be very influenced by the dynamics and prospects of the sector in which the business operates. For example, if the sector is under serious long-term threat then the only realistic options might be to hang in or harvest.

The two main approaches to strategic development for an established business can be classified as either organic or quantum.

In the case of a start-up venture, organic and quantum approaches translate into soft or hard start-up strategies. An example of a soft start would be a software company which evolves from a part-time business into full-time service provider and then progresses into software products (classic "backroom" start). Another example would be an engineering company which starts in a shed and gradually moves into a proper premises ("garage" start).

Soft start strategies can be very effective as they allow entrepreneurs to learn the trade (and make mistakes) without incurring major, irrevocable (and maybe premature) commitments.

Hard starts are obligatory where substantial investments (in R&D, market or assets) or resources (technology, manpower etc.) are needed from the outset. It may be possible to soften a hard start by renting (rather than buying) premises; leasing equipment (instead of purchasing); acquiring a franchise (in lieu of developing a new brand, systems etc.); entering into a joint venture; or subcontracting manufacturing, distribution, accountancy services and so on.

What else do we need?

A name for the enterprise

We need a name for the enterprise as well as for the products or services. Naming an enterprise is not an easy task. Specialists in the field are very rare. They may just create an impressive logo. You have to name the business yourself.

For the naming of your enterprise, you should consider that:

- The name of your enterprise recalls the business you are about to start and develop.
- It has to be brief.
- It has to be imprinted in the memory of whoever sees or hears it.
- Ideally it has to be international.



The name should not be:

- Indicating something your business is not yet (for example: holding, international, innovative, typical, franchising, chain and so on).
- Generalist (for example: import – export, goods processing and trading, manufacturing and distribution and such).
- Restrictive (for example: manufacturing of ping T-shirts made of Egyptian cotton).

The name has to be legally examined; you have to examine and be sure that it is not already used by others. To do so, you must:

- Ask the Chambers of Commerce, if the name is registered.
- Browse the Yellow Pages. The Telephone Companies include all the names of the enterprises with the name that they are using, whether it is registered or not.

A Business Plan

The Business Plan is a formal document. It is an agreement between the members of the Business Team, stating what, when and in what quantity is going to be done. The Business Plan and the Financial Plan within it, will be presented in detail later in this toolkit.

Marketing

Marketing is the art of knowing the function of the market, the mentality of the consumers and the adaptation of the enterprise to the market conditions, so that sales will become most probable.

Market research must be done before the creation of a business plan. Your enterprise depends on the Market potential and your Marketing capacities. If you start from what you can produce and not on what you can sell, how to sell and to whom, you may end up with a business with an overinvestment, or one that cannot cover a market niche and will attract copying competitors.

Consulting support

Reading the contents of this toolkit is not enough. You need consulting support in order to write a feasible and opportunity exploiting consulting support. Avoid scholars as consultants. You need professionals with a scholar background, so that your business plan incorporates their experience atop of the coherence.

Guidance

The Business Team is the one to write a Business Plan, not the consultants. A Business Plan written by a third party is a document which is required by some banks and funding institutions and many entrepreneurs are considering it a mere formality. Such a Business Plan may be misleading, because, even if it is approved and the loan or subsidy results positive, it is your business which will be required to implement the plan. Will you be able to implement a plan that you may even lack knowledge of its contents? What you need is guidance in preparing your own Business Plan. Having the appropriate guidance in writing a Business Plan set by step, will result in a document that you will be able to implement, but also explain it to your Banker and / or supporting institutions.



Research

You have to do some research yourself. It concerns the Market and your product or service. You have to have ready the product prototype before starting your Business Plan, or have tested your service, so that there are no more assumptions about what is needed.

Training

You must get trained in as much as possible subjects before you start. Simple bookkeeping, simple statistics, sales techniques and the Legal Framework, are the most

essential. But training is not only attending courses. Self training is also the guidance in writing your Business Plan, discussions with other entrepreneurs, clients, suppliers and other people in the market.

Management

You need control of your business. Your business will become an organization which needs co-ordination, motivation, cost control and financial control so that you will be able to create and maintain customer satisfaction and make profits that you will collect in cash.

Follow-up

Your need for support and guidance is not extinguished with your Business Plan. As you start implementing your Business Plan and until your business reaches stably growing profitability, you still need experts to assess what has been achieved and what corrective actions should be taken.

*Here is a list of **things to do** when starting a business:*

Know your goals for the venture. "A lot of people see an opportunity without ever asking themselves what they're doing it for," says Russo. "Are they trying to make a quick buck? Create a legacy? Have a lifestyle? There are a lot of reasons. It's critical that you know from the beginning what your goals are, because everything else is going to revolve around that."

Recruit and hire the best people. "It sounds almost cliché now to say "I'd rather have an A team with a B idea than a B team with an idea". The right team can fix a lot of problems".

Develop a forgiving strategy. "Things are going to go wrong," they say. "They're going to be harder, take longer and cost more money than you think. You have to have a strategy to survive. A lot of people put together a plan that will work only if everything goes right. It's not going to."

Be honest with yourself. "Recognize shortcomings, weaknesses and problems immediately. Do not ignore them or try to talk yourself out of them," Russo says. "Address them head-on."

Commit to the business. "You can't really do anything significant without fully committing yourself to it. A lot of people try to dabble," they explain. "They think they'll do it part time [and] see how it works out. If you plan to be successful, you have to commit."

*Here are some **mistakes you should avoid**:*

Failing to spend enough time researching the business idea to see if it's viable. "This is really the most important mistake of all. They say 9 out of 10 entrepreneurs fail because they're undercapitalized or have the wrong people. We say 9 out of 10 people fail because their original concept is not viable. They want to be in business so much that they often don't do the work they need to do ahead of time,



so everything they do is doomed. They can be very talented, do everything else right, and fail because they have ideas that are flawed."

Miscalculating market size, timing, ease of entry and potential market share.

"Most new entrepreneurs get very excited over an idea and don't look for the truth about how many people will want to buy it. They put together financial projections as part of a presentation to pump up their investors. They say, 'The market size is 10 million people that could use this product, and if I could only sell to 2 percent of them, I'd be selling thousands of pieces.' But 2 percent of a market is a lot. Most products sell way less than 1 percent."

Underestimating financial requirements and timing. "They set their financial requirements based on Mistake 1, and they go ahead and make a commitment to this much office space and this many computers, and hire a vice president of sales, and so on. Before they know it, based on sales projections that were wrong to start with, they have created costs that require those projections to be met. So they run out of money."

Overprojecting sales volume and timing.

"They have already miscalculated the size of the market. Now they overproject their portion of it. They often say 'There are 3 million homes, and I need to sell [to] x number of them.' When you break it down, though, a much smaller number of those are really sales prospects. That makes it impossible to make their sales projections."



Making cost projections that are too low.

"Their cost projections are always too low. Part of the reason is that they project much higher sales. There are also unknown reasons that always come out that usually make costs higher than planned. So on top of everything, their margins are now lower."

Hiring too many people and spending too much on offices and facilities. "Now you have lower sales, higher costs and too much overhead. These are the things that you see every day in companies that fail. And they all grow out of that first mistake: failing to research the size and viability of the opportunity."

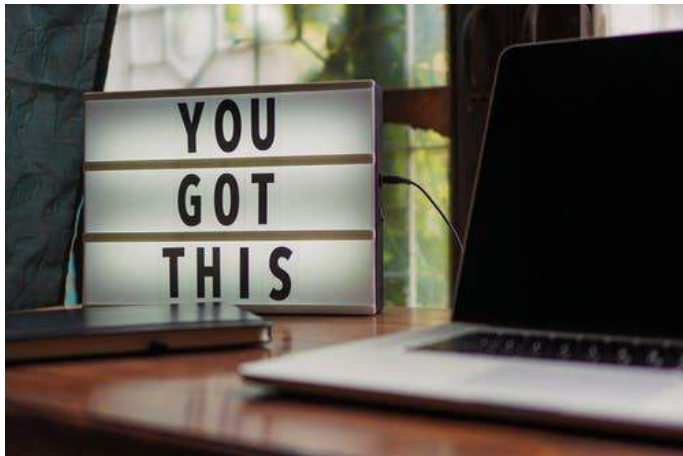
Lacking a contingency plan for a shortfall in expectations. "Even if you're realistic in your estimates to start, there are things that happen when you start a new business. Your sales ideas may be no good; bank rates may go up; there may be a shipping strike. These aren't the result of poor planning, but they happen. More often than not, entrepreneurs just feel that something will come along when they need it. They don't have contingency plans for it not working out at the size and time they want."

Bringing in unnecessary partners. "There are certain partners you need. For instance, you often need money, so you're going to need money partners. But too many times, the person with the idea takes on all their friends as partners. Many people don't provide strategic advantages and don't warrant ownership. But they're all going to get 25 percent of the company. It's totally unnecessary, and it's a mistake. Before people are made partners, they have to earn it."

Hiring for convenience rather than skill requirements. "You may be tempted to hire relatives, especially because you trust them. It is easy to do, but in many cases, they

were the wrong people for the job. And it's hard to fire people, especially if they're relatives or friends. More time needs to be spent handpicking people based on skill requirements. You really need super-skilled people who can wear more than one hat. It just bogs you down when you hire people who can't do the job."

Neglecting to manage the entire company as a whole. "You see this happens all the time. They'll spend half their time doing something that represents 5 percent of their business. You have to have a view of your whole company. But too often, the person running it loses that view. They get involved in a part, and they don't manage the whole. Whether I do this product or that product, whether I hire somebody, I consider how they will fit long term and short term in the big picture. Constantly try to see your big picture."



Accepting that it's "not possible" too easily rather than finding a way. "I had an engineer who was a very good engineer, but with every item we developed, they would say, 'You can't do it that way.' I had to be careful not to accept this too easily. I had to look further. If you're an entrepreneur, you're going to break new ground. A lot of people are going to say it's not possible. You can't accept that too easily. A good entrepreneur is going to find a way."

Focusing too much on sales volume and company size rather than profit. "Too much of your management is often based on volume and size. So many entrepreneurs want to say 'I have a company that's this big, with this many people, this many square feet of space, and this much sales.' It's too much emphasis on how fast and big you can build a business rather than how much profit it can make. Bankers and investors don't like this. Entrepreneurs are so into creating and building, but they also have to learn to become good businesspeople."

Seeking confirmation of your actions rather than seeking the truth. "This often happens: You want to do something, so you talk about it with people who work for you. You talk to your family and friends. But you're only looking for confirmation; you're not looking for the truth. You're looking for somebody to tell you you're right. But the truth always comes out. So we test our products, and we listen to what the testers say. We give much more value to the truth than to people saying what we're doing is great."

Lacking simplicity in your vision. "Many entrepreneurs go in too many directions at once and do not execute anything well. Rather than focusing on doing everything right to sell to their biggest markets, they divide the attention of their people and their time, trying to do too many things at one time. Then their main product isn't done properly because they're doing so many different things. They have an idea and say they're going to sell it to a big retail chain. Then they say they're going to sell to a wholesales Network. And then the gift market looks good. And so on."

Lacking clarity of your long-term aim and business purpose. "You should have an idea of what your long-term aim is. It doesn't mean that won't change, but when you aim an arrow, you have to be aiming at a target. This concept will often come up when people ask 'How do I pick a product?'. Clarity of your business purpose is very important but is often not really part of the thought process."

Lacking focus and identity. "This was written from the viewpoint of building the company as a valuable entity. The company itself is also a product. Too many companies try to go after too many targets at once and end up with a potpourri rather than a focused business entity with an identity. When you try to make a business, it's very important to maintain a focus and an identity. Don't let it become a potpourri, or it loses its power. For instance, you say, 'We're already selling to the biggest SuperMarket chain, so we might as well make a toy because this chain buys toys.' If you do that, the company becomes weaker. A company needs to be focused on what it is. Then its power builds from that."

Lacking an exit strategy. "Have an exit plan and create your business to satisfy that plan. For instance, I am thinking I might run my new business for two years and then get out of it. I think it's an opportunity to make a tremendous amount of money for two years, but I'm not sure whether it's proprietary enough to stop the competition from getting in. So I'm in with an exit strategy of doing it for two years and then winding down. I won't commit to long-term leases, and after the first year, we'll start watching the marketplace very closely and start watching inventories. Simultaneously, I will keep the option open to sell it in case I can't get something more proprietary. That means I won't sign international agreements that would kill any opportunity to sell it to a multinational. I will make sure that the patent work is done properly. And I'll try to make sure manufacturing is up to the standards of any multinational company that I might try to sell it to. Another exit strategy can be to hand the company to your kids someday. The most important thing to do is to build a company with value and profits so you have all the options: Keep the company, sell the company, go public, raise private money and so on. A business can be a product, too."

CHAPTER 7

Social and cultural management



Social and Cultural Management

How to Prepare a Social Economy Business Plan

A business plan precisely defines your business, identify your goals, and serves as your business resume. The basic components include a current and pro forma balance sheet, an income statement, and a cash flow analysis. It helps you allocate resources properly, handle unforeseen complications, and make good business decisions. Because it provides specific and organized information about your company and how you will repay borrowed money, a good business plan is a crucial part of any loan or grant application. Additionally, it informs sales personnel, suppliers, and others about your operations and goals.

Plan Your Work

The importance of a comprehensive, thoughtful business plan cannot be overemphasized. Much hinges on it: outside funding, credit from suppliers, management of your operation and finances, promotion and marketing of your business, and achievement of your goals and objectives. "The business plan is a necessity. If the person who wants to start a small business can't put a business plan together, they are in trouble".

Most prospective entrepreneurs are reluctant in preparing a Business Plan, arguing that it is a loss of time and money (especially when it is assigned to a third party) and that the final document is mere bureaucracy.

A new business, either by a new entrepreneur or an established one, needs a Business Plan the same way a house construction needs blueprints. Once again, the Business Plan must be done by the Business Team, as a whole, not pieces assigned to the members of the team and then put together. The participation in the planning procedure of the whole of the Team, in all stages, is the only warrantor that the plan will be effectively and accurately implemented.

Before you begin writing your business plan, consider four core questions:

1. What service or product does your business provide and what needs does it fill?
2. Who are the potential customers for your product or service and why will they purchase it from you?
3. How will you reach your potential customers?
4. Where will you get the financial resources to start your business?

What is it?

Creating a Business Plan is not just about producing a report. The work of writing, of thinking things through is as important as the final document. It's a tool for understanding how your business will be put together.

The process will help you learn how to manage your own company more effectively while you become an expert in your industry and business. It creates a framework for you to start and grow your business.

The Business Plan is dynamic. Each business and its personality are different and the Business Plan should reflect this.

Why do you need a business plan?

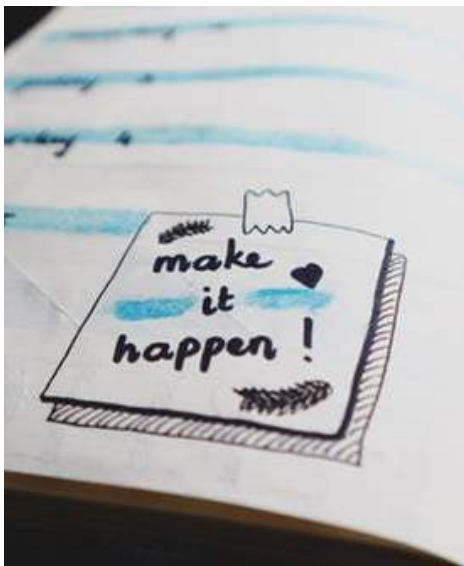
It is becoming increasingly tough to survive in business. It is not good enough to have a good product or service. Business people, whether they are roof makers, manufacturers or doctors must also be good managers. Successful business managers have clear objectives, produce good products or services, understand the market, manage their money properly and are good employers. Accordingly, the primary reason to formulate

a business plan is to address all the issues that make a successful business.

In the case of a new business, a business plan will assist in determining the feasibility of the proposal.

For an existing business, comparing actual outcomes against projections will assist in refining the business plan and improving performance.

There are other important reasons to formulate a business plan. For a start, no bank will lend money to a business unless it has a business plan that demonstrates how the business proposes to service the interest and repay the loan. The involvement of stakeholders such as staff, family and partners in the formulation of a business plan is also a good way of securing their commitment to the business.



For whom do you prepare the Business Plan?

First, you prepare a Business Plan for you and the business team. Before everyday operations start calling your immediate decision and action, you have to see all the aspects of your business.

Many people think of a business plan as a document predominantly used to secure external funding. This is important - as potential investors, including banks, may invest in your idea, work with or lend you money as a result of the strength of your plan.

There are other benefits to creating and managing a realistic business plan - even if you just use it in-house. It can: Help you spot potential pitfalls before they happen. Structure the financial side of your business efficiently. Focus your development efforts. Work as a measure of your success.

The following people or institutions may request to see your business plan at some stage:

- Banks External investors - whether this is a friend, a venture capitalist firm or another enterprise, wishing to associate with you.

- Grant providers, European or National
- Anyone interested in buying your business
- Potential senior partners

You should also bear in mind that **a business plan is a living document** that will need updating and changing as your business expands. And regardless of whether you intend to use your plan internally, or as a document for external people, it should still take an objective and honest look at your business. Failing to do this could mean that you and others have unrealistic expectations of what can be achieved and by when.

What are the benefits of planning?

While it has been acknowledged that business planning does not guarantee success, studies show that **businesses which consistently undertake planning perform better than those where planning is lacking**. The planning process produces a number of **benefits** for your business:

- Forces an early consideration of essential goals and basic policies.
- Helps to challenge old ideas and create a climate for new initiatives.
- Gives you a clear focus.
- Enables problems to be recognized that call for external sources of information and assistance.
- Increases your objectivity.
- By converting everything to numbers, planning prevents you viewing the future in ways that the facts do not support.
- Increases your personal motivation and that of any employees you may have.
- Enables growth to be planned and associated capital requirements to be determined in advance.
- Provides feedback of information and periodic reappraisal against established objectives and performance standards.

Barriers to business Planning

Before you decide to start preparing a Business Plan, you face a series of barriers or “factors” that dictate you not to get involved in such a procedure, being the planning itself or making business at all. The business world is a complicated one, but where have you ever seen human activities without complexity? *The barriers, obstacles or whatever will be calling you away from the planning activity, are usually:*

Fear of the unknown: You think that you don’t know enough of this very complicated business world, while you must compete with others with a long experience. There is a very positive side, when you understand what you don’t know. You can do something about it. List the items that you don’t know and they are critical for your success. Attend training courses



to acquire the knowledge that you need. Get external guidance from an agency that you trust. Identify and contact experts that you will use both in the planning and implementation phases (the pool of experts of the agency that you trust, may save you time and increase your efficiency).

Remember: There is no such a person who knows everything. Most of the business failures had a “boss” who knew everything and failed because they had a verdict for everything. The fact that most of the businesses have been created and run without a Business Plan, does not mean that you must do what others are doing. Economies become more and more sophisticated and plans are made for the future.

Fear of failure: There is always a possibility of failure, in whatever a person does. Students participate in exams and some of them fail. They do not avoid the exams because there is a possibility to fail! People get married and there is a possibility to fail and get a divorce. Failure is a tragedy. It may become a nightmare when you do not admit that you have failed and stick with a rotten business. The business plan will help you understand the situation of failure. Not every difficulty or discrepancy from what has been planned, mean a failure. It is very rare to fail, if you prepare a business plan, but if this happens, you already have a plan to get rid of the business that you have failed, before it becomes a disaster. Even then, you still have something valuable in return; experience. You may even fail to complete your Business Plan. Still you did something which is better than nothing. Failure is different than risk.

Inexactness: No matter how carefully you may plan, things do not usually work out according to the plan. In the business world, probability is sufficient to govern action. Planning allows you to determine what is likely to happen in business according to the odds. It is better to attempt to predict and prepare rather than assuming the passive and dangerous role of wait and see.

Speed of change: Developments happen too frequently to make planning worthwhile. Provide a measure of flexibility in the business plan to meet changing circumstances and review your plan frequently. You also need to develop flexibility of attitude.

Lack of specialised knowledge: How do I start? Start with self training, in order to assess the knowledge that you really need to have yourself. Devote some time to learn the news about the sector you are considering making business in. There are plenty of news for practically every sector in the newspapers, online and in business magazines. But, beware; do not trust the forecasts of the journalists. Stick to the news and try to make your interpretations. Journalists may be experts in their field, but after they print their opinion, they influence the evolution of the market. Discuss your needs for knowledge with your “coach” (the business agency that you trust) and how and where you can get really get it.

Cost: It costs too much to prepare a complete Business Plan The expense of planning must be justified by tangible results. You can keep the whole exercise cost-effective by undertaking the planning yourself under the direction of a skilled professional. You really can do most of the plan yourself. Keep in mind: You are not going to become a planning

Guru. Your highest possible cost is the opportunity cost; you may devote time and effort to learn how to do things that you will only need once (in making your plan). Do not hesitate to assign (with an appropriate fee) these parts of your plan to external experts. Action checklists covering each aspect of the plan can help.

Difficulty in Starting your Business Plan: Development of a personal commitment to planning, self-discipline and a firm grasp of the benefits that planning can provide, will help you to create a Plan. You must allocate a weekly time in your schedule, devoted to your planning activities. This must contain your “homework” as well as “coaching” time. You can schedule your individual work as you please, but you have to follow the availability of experts and, once you have “booked” them, you must keep the schedule at almost any cost. Establishing a goal is the essential first step in the planning process.

Time Pressure: Efficient organisation and time management are required. Time for planning will not turn up by itself. A schedule needs to be set and planning may have to be undertaken outside normal business hours - perhaps in the evening or one or two mornings during the weekend. It is understandable that it is not only your Business Plan. Give the appropriate weight to social participation and business planning. You are not experienced in writing business plans. Your “coach” is; let him put deadlines and milestones and keep them, without compromising the quality of your plans.

Contents of the Business Plan

The Business Plan is a document proving that you have examined a prospective business in a way that shows a future success. There is an internationally expected typical structure of a Business Plan, so that, whoever is the receiver of the plan, can run through it and find the information they need to know, before deciding to support it. Different parts are interesting for different potential partners, from banks and venture capitalists to potential staff members, main suppliers, research institutes and main clients.

One thing is common. They all need to see the whole picture and be able to have an easy access to the part of their interest.



How long should a Business Plan be?

Well, it depends upon the nature of the business your plan concerns and not its size. Being in the same time accurate, comprehensive and effective, you may produce a Business Plan no less than 30 and no more than 100 pages.

As a general rule, the contents should include:

- The business idea.
- The business Team and ownership.
- The Market Analysis.
- The premises.
- The Technology.
- The Management.
- The Marketing Plan.
- The Financial projections.
- The Promotion of the products / services.

Cover and cover letter

The first impression is the most important, while it must also provide the most crucial information.

To present a Business Plan to a potentially interested party, you must deliver it with a cover letter, matching the cover page of your Business Plan. The delivering letter should not exceed one page and it is imperative to state your proposal in the last sentence of this letter. In this cover letter, as well as in the whole of your Business Plan, you need a name for your Business.

The introductory letter briefly states why you are submitting/creating your plan and highlights important information for the receiver. If you are presenting your business plan to someone specific, be sure to research the correct spelling of their name and mailing address.

You also have to prepare a cover page for your Business Plan. In addition to the words "Business Plan", your cover page should clearly identify who you are, your company name and how you can be contacted. Consider making it stand out by using images of your product/service in action, if any. Do not put imaginary or made-up / retouched pictures.

- Your Cover Page should include the following:
- Your name
- Company name
- Date
- Contact information (Telephone number, email, address, website)
- Company logo
- Picture of product or service in action

If your Business Plan is addressed to Financial Institutes (Banks, Funding etc), you must put in the cover page:

The Total Value of your prospective Business

The Loan or Funding that you are asking for.

Table of Contents

A reader may often use the table of contents to skip to the part of your plan they are most interested in. Therefore your table of contents should clearly outline the core sections and subsections of your plan.

Wait until your business plan is complete to add page numbers. This has to be placed in the beginning of your business plan (after the cover).

Executive Summary

The executive summary is the most important part of your business plan. It is where you grab the attention of the reader by summarizing the highlights of your business plan in a short document. Succinctly state what the business is about and why it will be successful.

Don't assume people will read your plan cover-to-cover. It is a good idea not to write the executive summary until your entire plan is finished - that way you can select the most relevant information to be included in your summary.

Your Executive Summary should cover the following:

Describe your business concept. Be sure to include what industry sector you will be operating in (e.g. retail, manufacturing, wholesale, etc.), the market you will serve, and your competitive advantage. How will you differentiate your product or service from competitors?

What is **the legal structure** of your company (e.g. sole proprietorship, partnership or incorporated company)?

Is your company **already in operation or is it a start-up** operation? If it is operational, give a brief overview of your progress to date.

Include **achievements** such as patents, prototypes, contracts, and market research indicating that the business is viable.

Who is involved in the venture? Briefly summarize your management team's experience and credentials.

How much money (if any) are you seeking and for what purpose? How much money has the founder(s) invested in the business to date? How has this money been spent? How much money will the proprietors spend to fund the implementation of the plan?

Summarize your projected financial performance. Include projected gross revenues and net profits in the first three to five years of business. Do you intend to draw a salary from the businesses in the beginning? If not, how will you support yourself? If so, how much?



The Business Team and Legal Status

Your management team and staff can make the difference between a successful business and one that will probably fail. Therefore, it is important to include a section in your business plan that outlines the skills that your team members possess and how these skills will help bring your product or service to market.

The Team section of your business plan should include:

Management Team Profiles & Ownership Structure

Management Team Profiles & Ownership Structure section should cover the following:

What are the major categories of business management in your company (i.e. marketing, sales, research, administration)? Include an organizational chart of your business or explain the functions of yourself and key team members.

Who are the people who have agreed to work with your business? (Attach complete resumes of management team members) What are their job descriptions? What positions are still unfilled at your company? What skills and job experience will the people who fill these positions have? What skills do you personally have (include any skills from last job or business - how do these skills correlate with your business?)? Describe the compensation package for yourself and the management team (e.g. salary, benefits, profit sharing schemes etc.).

What work contracts, non-competition agreements and other contractual agreements have you put in place for your management team? (Include contracts in Appendix) Describe the ownership structure of your business, mentioning percentages controlled by management team (if applicable).

Advisors

No matter what size your company, creating a board of advisors for your company is an excellent way to benefit from the skills and expertise of people you may not yet be able to afford to employ.

By outlining your Advisor's credentials, you can help to enhance the credibility of your management team. Therefore, it is important to include a section of your business plan on your board of advisors.

The Advisors section of your business plan should cover the following: Outline who is on your board of advisors. List names, titles, employment, education, expertise and how their guidance will positively impact your business.

If you have not yet assembled your board of advisors, describe the types of people you will approach. (It is important to make sure you look for board members who can supplement skills your business may be lacking for example, if your business is technology based, try to include people with marketing and finance backgrounds.)

Advisors are not necessarily in your payroll. They may be the members of a business supporting agency, an NGO or just entrepreneurs that would like to assist you in the most substantial way, with their knowledge and experience.

Professional Services

Another important aspect of your business plan should be a section that lists all the professional support services - such as your lawyer, accountant, banker and consultants - that your company will use. This is necessary, especially for engineers and consultants, because this proves that you have already taken into consideration of their fees and you have negotiated them.

Human Resources

Once you have defined your management team, you need to include details on the other employees your business may or may not need and what their function(s) will be. In the beginning it may be just you and a selection of freelance, contract or part-time help. You will need to think ahead and consider all the options you may be faced with.

The purpose of this section will be to ensure that you have considered the labor situation in the area and industry in which you're starting a business and have made allowances for the compensation and training of this staff.

The Human Resources Requirements of your business plan should cover the following:

- How many people do you require for your business?
- What specific skills do these employees need to possess?
- What is the compensation package for each employee?
- Are your employees protected by workers' compensation coverage?
- Is there sufficient local labor?
- How will you recruit people if there is not?
- How much does this labor cost?
- How will you train your staff?
- What is your policy for ongoing training for your staff?

Remember to include safety training.



The Legal Status of your business

As explained previously in this toolkit. The legal status should be mentioned in the business plan here.

The business idea

The Business Idea is a hypothesis that a team of persons is able to produce and sell a good or service, or both, at a price above the cost, and that there will be enough consumers who want to pay the price.

The business idea must be explained in a brief and concentrated way, together with an explanation why it is expected to succeed. To be able to position your business in the Marketplace, you have to present something new to the existing span of offers. You are not meant to create an invention. It is enough that you present a new approach of a product, service, production methods or distribution (even financing the buyers) in a given market. Even when this approach is copying something already successful in another place, it is enough that it is presented in the market of your interest for the first time, it is adapted to the characteristics of this market and you can prove that there is no intellectual property abuse or infringement.

Product-Based Businesses

A business primarily engaged in the sale of products has a focus that is different from that of a service-based business. In a product based business, customers don't, for the most part, expect extensive personal services to be performed as part of the deal. They want their box of chocolate, or their auto accessory, or their new flight simulator software. In some cases, your business may be the only source for the product.

A business based on a unique product face a somewhat different environment from that faced by businesses carrying products that are widely available. In the case of a unique product, the competitive advantage your business should enjoy is based on the product itself. In the case of fungible products, your ability to sell turns on factors other than the identity of your product.

Service Businesses

The starting point of a service business is the fact that there are certain things that people will pay to have done for them. Maybe they don't know how to do these things themselves. Maybe they don't have the time. Maybe they don't have the special tools. Whatever the reason, your business exists because other people are unwilling or unable to do what you do.

The focus of a service business is on results. So, from a planning perspective, what's of particular importance to a service business? Your appearance and demeanor can be critical if you are engaged in personally performing services. The same holds true if you have employees. You are, in some sense, selling yourself to prospective customers. You are asking them to trust you to do something for them, and there is at least some commitment to an ongoing relationship with the customer.

The impact on your plan may be something as simple as planning for the expense of a uniform service and for regular cleaning of service vehicles. Another issue service providers face relates to billing and collections. When goods are sold, there is a clear event that triggers the need for payment.

Mixed Goods and Services

A business that provides its customers with both goods and services will probably have a somewhat more complicated business plan than a business that primarily provides either goods or services.

There are many logistical considerations relating to managing the interaction between the delivery of goods and the performance of services. The financial aspects of a mixed goods and services business require careful scrutiny. The relative mix between goods and services must be managed to maintain a reasonable return on the entire enterprise. Pricing is more of an issue because you are trying to cover the wide variety of components that make up the entire package.

Unique selling point (USP)

In order to successfully market itself, every business owner needs to focus on **what's special and different about their business**. The best way to do this is to try to express this uniqueness in a single statement.

By USP we don't necessarily mean a slogan or phrase that will appear in your advertising, although that's one possible use for it. However, at this point we're focusing on its usefulness as a tool to help you focus on what your business is all about. If you cannot concisely describe the uniqueness of your idea (and create some excitement in potential users), you may not have the basis for a successful business.

There are **several questions** to ask about your business to determine a USP:

- What is unique about your business or brand vs. direct competitors? You'll probably find a whole list of things that set you apart; the next questions will help you decide which of these to focus on.
- Which of these factors are most important to the buyers and end users of your business or brand?
- Which of these factors are not easily imitated by competitors?
- Which of these factors can be easily communicated and understood by buyers or end users?
- Can you construct a memorable message (USP) of these unique, meaningful qualities about your business or brand?
- How will you communicate this message (USP) to buyers and end users?

The simple test of determining whether you've constructed a good USP for your business is whether it sells for you. If it sells your business or brand, your USP is meaningfully different. For example, if you decide to provide free delivery service to your customers because no one else in town is doing it, you've constructed a USP based on service that you are communicating to the intended target buyer. If, however, you offer free delivery service because everyone else around does so and you need to provide it simply to keep up with the competition, it's not something that sets you apart and should not be the focus of your USP. For many small businesses, packaging, sales materials, and sales personnel may be the only marketing tools affordable. It is even important to clearly determine your USP to communicate with these limited means.

Some possible USP's are:



- lower price
- higher quality
- longer life
- faster operation
- smaller size
- more ecological

The vision, the mission and the statement of purpose

Once you have identified your USP, you must state in your Business Plan, your Strategic concerns.

Your personal vision is very important for your partners, lenders and any kind of other associates. Your vision may be to become as rich as your business plan can confirm it is feasible. This is something that creates trust among your collaborators. If you say that your vision is to create employment or help the poor, people and institutions don't trust you. But even if it is really true, you will not succeed in your business, while your collaborators expect you to have a successful business and get the benefits of that.

A company mission statement can be a powerful force to clearly define your company's purpose for existence. In the beginning, your company was formed to accomplish something that did not exist in the marketplace, or to do a better job than existing companies. What was that special purpose? Small companies seldom take the time to discuss or write out their company mission, but they should. It will pay measurable financial dividends over time. It helps keep management focused on preserving or strengthening the company's unique competitive niche. It can also prevent panic and unwise marketing or spending responses to meet an indirect thrust by competitors into your market.

The most successful company missions are measurable, definable, and actionable project statements with emotional appeal that everyone knows and can act upon. For example, a mission to "be the best health-care provider in the world" for a multinational HMO organization sounds good. But a simple mission statement from Honda — "beat GM!" — is better because it's a project statement that can be measured every day by every employee. Mission statements can also affect company strategies and tactics. If Honda Motors were to change its mission to "Beat Toyota," different strategies would be called for, along with different geographic tactics in sales, advertising, and distribution of cars. How important is it to define your company's mission?

Having always in your mind your mission and sharing it with everyone else involved, you face the ever-changing reality with an eye of a winner.

The Strategy

Entrepreneurs and business managers are often so preoccupied with immediate issues that they lose sight of their ultimate objectives. That's why a business review or preparation of a strategic plan is a virtual necessity. This may not be a recipe for success, but without it a business is much more likely to fail.

A sound plan should:

- Serve as a framework for decisions or for securing support/approval.

- Provide a basis for more detailed planning.
- Explain the business to others in order to inform, motivate & involve.
- Assist benchmarking & performance monitoring.

A strategic plan can provide the foundation and framework for a business plan. A strategic plan is not the same thing as an operational plan. The former should be visionary, conceptual and directional in contrast to an operational plan which is likely to be shorter term, tactical, focused, implementable and measurable. As an example, compare the process of planning a vacation (where, when, duration, budget, who goes, how travel are all strategic issues) with the final preparations (tasks, deadlines, funding, weather, packing, transport and so on are all operational matters).

A satisfactory strategic plan must be realistic and attainable so as to allow managers and entrepreneurs to think strategically and act operationally.

Market study

The market is the arena in which the plan of campaign is to be fought out. It is therefore necessary to define the market for the new product in terms of its size, its state of development, the types of customers and the competitors.



The consumers

The consumers are those fueling the enterprise. You have to identify who the consumers of the product or service will be, what you think that they have in common, what are their buying habits, how many they are and how you will convince them to abandon their supplier / vendor and turn to you. To do this you must prepare a Marketing Plan. In order to answer these questions you must prepare yourself to do some market and marketing research.

The Market research will show you how many potential consumers are and what income they usually devote to the products / services that you are planning to offer to them and how they are grouped according to similar characteristics. The Marketing research concerns the point of sales (where these products / services are usually being sold), how are they usually packaged, at what price, through what channels are they usually delivered, what are the conditions of entering a distribution network and what convinces them to prefer one out of other similar products / services.

Although you must attach a Marketing Plan to your Business Plan, **the highlights of the Marketing Plan must be included in your Business Plan.**

The competitors

You will never monopolize the market. Even if you manage to obtain a patent for your product (almost impossible to get one for a service), there will always be competitors. They

will not be able to sell the same thing, if you have patented it, but they will offer alternative products which satisfy the same needs or desires.

You have to place in your Business Plan a description of the competitors and the potential ones, in comparison with your proposed market position.

Sales Forecast

The resumption of your sales forecast is the foundation of your economic calculations.

Sales forecasting is a simple, yet sophisticated task. On one hand, once you have already done your Marketing Plan, your possibility to sell at a reasonably probable volume (and value, at a price, most probably paid by these consumers) is easy to put in numbers, on the other hand, there is a great uncertainty about the predictions, because the reactions of the competitors are unknown.

For the purposes of your written Business Plan, you have to **indicate the Market Share** which your business is expected to have, for the first year and for the 3-5 following years. This will permit you and the people your plan is addressed to, to understand how reasonable your forecast are and what is the likelihood to come true. In most European countries, with the exception of the UK and the Scandinavian countries, public statistics are not accurate and up to date. You will need to extrapolate data by carefully observing the effects of the market facts, for example by collecting primary data about the number of inhabitants of a town of your interest.

Whatever your statistical method accuracy, your primary data is biased to such an extent, that your primary data error will not be corrected by your error-free method.

Do collect your own data. Do not rely on the data that has been collected by others for other reasons or purposes. Many consultants are copying primary data from project to project, adjusting it to the needs of their client. Unless it is data from official census or Eurostat, they contain so many assumptions, that they are far from representing the population and its behavior, which they are supposed to describe.

The investment

There are some original questions that you have to answer, before you put your decisions in your Business Plan;

- How much space you will need to house your business?
- Where is the location you have better placing your business?
- What kind of building is needed for your business?
- Will you rent a building, buy a building, lease?
- What is the technology you are going to use, in terms of machinery and know-how?

Premises

If you are just starting out in business, and you're selecting your first business facility, spend some time to consider what you need from your facility. This process will require a lot of cold, hard planning, as well as some measure of dreaming. (If you didn't have at least a little bit of the dreamer in you, you probably wouldn't be an entrepreneur!) But if you have

been in business for some time (possibly working out of your home) and are now considering moving to a new facility, you may have a good idea about what you need. In this



case, you may be ready to decide how to choose the right facility. Finally, maybe you have a clear picture of your facility needs and have identified one or more potential sites for your business.

The next question is often: should you **rent or buy**? Because important, and complex, tax and cash management issues are tied up in this rent or buy question, many small business owners rely heavily on the advice of their accountant or attorney when making this decision. You may also wish to do so.

But even if you do, you should be aware that the decision on the rent or buy question will, down the road, influence other business decisions that go beyond tax and cash management issues.

It is strongly recommended that your first move should be to map out your facility needs in some detail. To do this, you may wish to consider what small business owners generally look for in a business facility and how the facility can aid their businesses. As a small business owner, you can greatly increase the chances that you will acquire a business facility that will make a positive contribution to your bottom line if you carefully consider the functions that the facility must perform for your business.

A good facility should:

- Be accessible (location is key).
- Foster efficient business operation.
- Present your business in a good light.
- Allow for future business growth.
- Accomplish these objectives at an economical cost.

Technology

Explain how technology affects your business, the products you sell, the means you use to sell them, and the needs of the customers you serve. Will a website change the way you do business?

Sometimes, technology can be vital to a service company, such as the case of the Internet provider that uses wireless connections as a competitive edge, or the local company that offers conference rooms for video conferencing. An accounting practice might gain a competitive advantage from proprietary software or wide-area network connections to its clients. A medical laboratory might depend completely on certain expensive technologies for medical diagnostics. A travel agency might depend on its connection to an airline reservation system.

All businesses have a technological aspect. The shelves of a point of sales (a shop), the cashiers and the lighting devices, are technology dependent, in one extreme,

while in the other, you have to describe the technology of a manufacturing system or the technology incorporated in your products. Your Business Plan has to describe and the cost of the acquisition of technology and knowhow.

Machine Lay-out

You have to include in your Business Plan a block diagram of the machinery you will house in your establishment, if your plan is to manufacture. It does not have to be a blueprint, but in a very simple way it has to demonstrate that you know what machinery you will use and what each piece is doing.

Workflow

In your work flow you must demonstrate how your business is about to function. Readers of your Business Plan will in a graphical way see and understand if you have omitted important stages of the necessary work, from raw material (or tradable goods) and provisions payment to selling and collecting money.

Management

In this part of your Business Plan you must show to the receivers that you have studied the implications deriving from the system and the people that will govern the enterprise. You have to devote some place in your plan to demonstrate:

- Who and how decides on the Institutional questions of the enterprise.
- Who and how decides on everyday operations.
- Who controls the everyday operations coherence.
- How the number of employees is adequate and at the same time, not excessive.
- What kind of skills are required and their local availability, or the incentives to attract skilled people from other places.
- How the operations integrity are safeguarded.

The Decision Making

Your enterprise may be a sole proprietorship. If so, you are the one making all Institutional decisions. If your enterprise is a “company” then the Institutional decision making shows the capability of your enterprise to go forward to success without a potential discordance (not present in planning time) that will drive you to legal litigation.

This should occupy a part of your Plan, not exceeding half a page. You have to be ready to answer questions by the potential audience of your Business Plan, on how did you choose the specific scheme.

Administration

Administration is different from Management. Administration system is not making decisions on Institutional matters, but on the operational ones. Your Business plan, in a space occupying no more than one page, must demonstrate the system of producing programs, budgets and delegation of authority.

Organization

You have to demonstrate in the rest of the previous page, how different administrative activities intercommunicate with each other (even in the case that you don't have distinct "departments", the functions have to inform one another) so that coordination is achieved. You have to show, in a brief and understandable way, how authority distribution is delegated to the specific "functions" (even in the case that more than one, even all, of the functions are assigned to the same persons – work positions) together with the authority – responsibility – job description and span of control.

Operational Plan

The operational plan is not essential for a Business Plan, but if included, makes the plan more credible and sound. The operational plan must be in accordance with the attached documentation and must demonstrate to the reader your readiness for implementation.

The operational plan must refer to:

Suppliers

A list of potential suppliers is not one that you have extracted from the Yellow pages or a list of enterprises that the Chamber of Commerce has delivered to you. Potential suppliers in the list are enterprises that you have already contacted and you include their offers in your attached documentation. These agreements may be in Pro-forma Invoices, Letters of Intent or Preliminary Agreements. In all cases, these are not contracts. They cannot be contracts, because they are bounding both parties involved; they are bilateral agreements.

The Business Plan readers or audience, will understand that you are ready to start businesses, because you already know where to buy your necessary items (either raw material or commercial goods) and you have investigated the provision terms (prices, transportation, conditions of payment, minimal orders).

You are not obliged to keep these agreements and proceed to final contracts only with those appearing in your operational plan. Neither your suppliers can be forced to sell to you under the conditions they have put in these papers. Both parties can choose not to keep these agreements, without any consequences.

Manufacturing Plans (if applicable)

If your business aims to manufacturing, then you have to describe your manufacturing plans. Do not include any blueprints of your product (if it is a technical artifact) or chemical composition.

Remember that your Business Plan readers or audience, are not engineers; they are market and money people. Try to explain in the simplest way the manufacturing procedure to help the readers understand it. They need to check your business team's ability to

implement the manufacturing plan and manage production, because they know the essentials.

Remember:

- Emphasize the competitive advantage that your manufacturing plan has incorporated.
- Do not “invent” competitive advantages that are imaginary. If you have not considered any competitive advantage, try to revise your manufacturing plans and examine the possibility to include procedures that will reflect a marketable characteristic. Such characteristics may be:
 - Faster production and delivery.
 - Versatility; adaptation to the demands of the clients.
 - Production patents (proprietary or licensed).
- Quality control is essential. If your business concerns food, you can certify the quality with a HACCP certificate, which can be obtained even before starting your production. If your products are different than foodstuff, you can certify the quality of your first products, if they meet the requirements of different certificates, like TÜV, for example, or EU, for compliance with the European norms.

Operating Requirements

You have to briefly present that you have or you can obtain a license to start your business, if required.

In most cases you will need a license. Show that you are prepared to get one and you have made all the required preparation. In some cases, in addition to a license to operate you will need a license to start operating, after your production facilities are audited by the appropriate authorities.

Show in your Business Plan that you will be prepared to obtain an initiation approval, because you have taken into consideration all the necessary preparations, like environmental studies and infrastructure, road node, loading decks etc.

Accounting

In order to make a consistent Business Plan, as in the financial part, you don't need to be accounting literate yourself. You need an accountant to run your business, even if you are an accountant yourself! Indicate your accountant in your Business Plan and collaborate with them, during the preparation of your financial data.

If you don't understand accounting at all, try to learn the essentials, like the distinction between:

- Capital and Value of assets.
- Profits and Cash.
- Depreciation and marketable value of assets.
- Assets and Liabilities.
- Cost and expenditure.
- Margin and net profits.

Human Resources

Human beings are complicated. You cannot treat people the same way you treat other resources like capital, power supply and materials. Whatever the validity of your plans, you need people to make it function and people are assumed to be productive, efficient, honest and collaborative.

Show in your Business Plan the outline of your “managerial style”, together with an organization chart of your business. Even if your plan is to operate your business alone (without a team or any employees) you have to show how the different activities are interconnected.

Financial Control

With your Business Plan you are trying to convince people to collaborate in a venture, being Bankers, staff members, suppliers etc, because your enterprise will be successful. Business success means that the enterprise will be both profitable and cash sufficient. You may struggle for profits and remain without cash, or you may be afraid to remain without cash and keep the money from the Bank loan in your safe, instead of using them for your business expansion.

In general terms, cash flow is antagonizing profits. Although you will prepare accounts of profit and loss, as well as cash-flow tables for the next 3 to 5 years, they are all based on your sales forecast. If you are operating for years with the same products in the same place, you can stand a very good possibility to make almost exact forecasts for the first year and less possibilities as your forecasts become long term. If you are planning to introduce a new product in the market that you are entering for the first time, the possibility to make accurate forecast, are very poor, even for the first year.

Moreover, your Business Plan implementation will be flexible, because of the unpredictable market evolution. For example, if you see that the price of your product (or service) has dropped, because new competitors appeared, you must adjust your price, so that you can compete. Or some competitors withdrew from the market, giving you the possibility to double your sales at the same price! Although this seems to be a heaven of profits, it may become a hell of cash! In order to be sure that your enterprise will diminish the risk of becoming untrustworthy, you should always keep the equilibrium between profits and cash sufficiency and that your collaborators (staff and employees, suppliers and clients) are being watched.

You are expected to indicate in your Business Plan:

- Who will perform a yearly external auditing of your accounts and financial statements and how they will be chosen.
- Who will be adjusting your cash-flow, with what qualifications and what compensation.

The external Advisors

Even if you have a solid entrepreneurial background, you are going to do something new for you, even in terms of size. The readers / audience of your Business Plan would like to know if other reputable business people support your business initiative and will be at your disposal for advice, when you face a difficult decision.

It is not imperative, but very helpful, to put the names of one to three other entrepreneurs, because at the same time it shows that they share your expectations. Make sure to ask for their permission! If you don't have the support of such persons, it is better to omit this part.

Marketing – Promotion and Public Relations

As shown in the previous pages, sales and sales forecast are the fundamentals of your plan and your business. You must have a separate Marketing Plan and place an outline in your Business Plan. The main parts of this outline are:

SWOT analysis

A comparison of your business and product (or service) with the competition. The acronym means: Strengths, Weaknesses, Opportunities and Threats.

PEST analysis

Identification of the characteristics of the Business. The acronym means: Political Economic Sociocultural Technological factors. It is a strategic tool used to identify and evaluate factors that can impact a business: government stability, tax policy, economic growth, inflation, income distribution, demography, international influences... What is your market? What is its present size? What is the market's growth potential? As it grows, will you share increase or decrease? Why? How are you going to satisfy your market? Who needs your service? Who needs your product? Who buys the kind of merchandise you stock? What is your anticipation of price? How did you arrive at this price? Who are your five nearest competitors? What is similar / dissimilar with them? How are you going to distribute your products? How will your potential clients know what you offer? What is your confection / packaging of your product? What is the difference between Marketing and Public Relations? How will you learn the changes of the consumer's behaviour and adapt your product / services, in order to meet their new desires? What is your after sale service? What funds will you allocate to advertising and what advertisements do you plan?

The Break EvenPoint (BEP)

Your expected profits are not just the difference between the cost per unit and the price at the marketplace. This represents a "margin" which is useful, but not enough to determine the profits. In addition to the "direct cost" of your product or service, it also absorbs "fixed costs" of your business. Fixed costs are paid, even if your enterprise does not sell at all, like rents, capital interests, security, insurance and the alike.

As it is obvious, the break even point is a function of the quantity that you expect to sell. There is a certain quantity of sales that your cumulative margins are absorbed by the fixed costs and you don't have profits or loss. Lowering your price may give you the possibility to increase sales, but a bigger quantity of sales will be needed to cover the fixed costs. Increasing your price, you need a smaller quantity of sales, but will you be able to sell?

For purposes of the break-even analysis, make sure to include cost of sales in your variable costs figure. Make sure that you have included the depreciation of your fixed assets, in your fixed costs. The depreciation is the value of the enterprise fixed assets (machinery, means of transportation, furniture, and other equipment, special installations, initial studies, but not stock material) which is lost because they become old and obsolete, either they are used or not.

You can calculate the BEP both graphically and mathematically. The result is the same. Since you may not be familiar with accounting and mathematics, here is an easy way to calculate the BEP under different pricing scenarios: $\text{BEP quantity} = \text{fixed costs} / (\text{sales price per unit} - \text{variable costs})$. Your BEP must be accompanied by the assumptions that you have based your calculations on and your description of the explorations and the scenarios that you have taken into consideration. Your Business Plan readers / audience want to see if your calculations are the result of reasonable assumptions and that you have really devoted time, effort and imagination, as well as the way it influences all the other financial aspects.

The Marketing Plan

The Marketing Plan is not entirely included in your Business Plan; it is a separate plan, usually longer and more exhaustive than your Business Plan.

This part of your Business Plan must highlight the actions and the relative cost of:

- Your Market Research, in terms of the identification of your target market and the characteristics of your product / service that you have decided to offer.
- Your Target Market choice, in terms of Market Niche (consumers with similar characteristics) and the reasons for your choice.
- Your Marketing Research, in terms of promotional tools, in respect of the once used by your competitors and their expected efficiency.
- Your Marketing message to the potential consumers, in respect of the value that you promise and your sincerity of keeping this promise, as well as the difference from the competitors.
- The physical and communicative characteristics (packaging, points of sales, merchandising techniques, brand name and others) of your product or service, in comparison with your competitors.
- Consumer satisfaction; in terms of knowing what satisfies the consumers and how you will manage to offer it to them, as well as how will they know that you do.

CHAPTER 8

Financial calculations



Financial Calculations

The financial part of your Business Plan is what your readers / audience expects to see and decide if your plan is feasible, if you will be able to return the capital they are proposed to contribute and if your business has a predictable prosperous future.

Financial calculations have to be very carefully prepared and show your financial projections in compliance with the accounting and finance principles and in accordance with your sales forecasts. Some **terminology** is required:

Working Capital

Working capital is the money needed to pay suppliers, workforce, energy, advertisement, outsourcing, insurance, rents, facilities and interests for a business cycle. This money is expected to be collected from the clients, by selling to them. In other words; Cash required to pay the bills until the business is self supporting.

Business Cycle

Is the time between the acquisition of inputs (raw material etc.) and the collection of payment from your customers.

Start Up Costs

The costs associated with the initial start-up of the business. Incorporate these costs into your projected financial statements.

These costs may include the following:

- **Rent** - the total monthly rent and what it includes (maintenance, utilities, etc.) and any deposits required.
- **Office Equipment** - the acquisition and use of computers, software, printers, copiers, mobile phones, etc. Also include desks, chairs, filing cabinets, lights, etc.
- **New Building** - the costs associated with engineering, architect fees, surveys, blueprints, drainage, water, electrical, site preparation, environmental studies etc.
- **Banking Fees** - the fees to be charged by the bank for the creation of accounts, credit card service equipment, forms, etc.
- **Outside Services** - services which will be contracted out such as janitorial, installation of equipment, lawn service etc.
- **Insurance** - the insurance needs of the business. Provide the costs associated from the insurance carrier (quote).
- **Inventory** - to stock your shelves and storage or for use in your production process.

Assets

Everything that the enterprise owns, including intangibles (patents, licenses, studies etc).

Liabilities

Everything the enterprises has to pay to others; in other words the debts, including the net worth (capital) which is the money that the enterprise has to pay back to the owners.

Pro-forma Balance sheet

You have to clearly display in your Business Plan the projection of your business value by displaying where the capital comes from and how it will be used.

Your balance sheet and projections must be as brief as possible, but with the critical information, analyzed.

Do not forget to calculate and subtract depreciation of fixed assets for every consecutive year, so that only the net value of assets is present. Under the title "other long term obligations" you put (and explain) any investment related future payments, like licenses and not any payment connected to your sales or supplies.

Other Liabilities include; taxes, VAT and wages, to be paid in the following year. These obligations must comply with your cash flow statement. Undistributed profits are a debt of the enterprise to the owners and they are usually paid within the next year. They must comply with your income Statement.

Pro-forma Income Statement

The income (profit and loss) statement shows your business financial activity over a period of time, usually your tax year. In contrast to the balance sheet, which shows a picture of your business at a given moment.

This statement can be likened to a moving picture, which shows what has happened in your business over a period of time.

The income statement is an excellent tool for assessing your business. You will be able to pick out weaknesses in your operation and plan ways to run your business more effectively and thereby increase your profits.

Cash Flow Forecasts

When you think about business you are always thinking prospective profits. Your business is not only projected to increase your wealth, but also to provide you with income, which is your share of the profits in cash. **Start thinking that profits are not equal to income.**

Profits may be an increment of your inventory, but can you pay your family expenditure with an increment, for example, of raw material? Can you pay the bills of your enterprise, the wages, the loans, with goods in your warehouse and accounts receivable (money that your customers will pay later)? You know that until you collect the payment from your customers, your suppliers must have been paid, even if you sell immediately what you have bought. The readers / audience of your Business Plan, know it as well. They expect

you to have taken into consideration, not just the profitability of your business, but also if the money circulation has been taken into account. Enterprises risk Bankruptcy in proportion to their profitability (the more profitable a business the higher the risk) because high profitability obscures the money circulation. The risk of profitability maximization is to remain without cash. The receivers of your Business Plan are proposed to contribute with their financial means or their skills and work and they need to know if you are well prepared to pay back the loans or work, in cash and in due time. For the first year you have to prepare a monthly projection of what and when you will have to pay, in alignment with your payments. A yearly statement for the following years is usually adequate.

Documentation

People make or lose money. You must start with people and continue your documentation with procedures and studies. People are described by their "Resume". Keep it brief and make sure is signed:

1. Start with owners.
2. Proceed with the other members of your business team.
3. Continue with your accountants.
4. Include your consultants or the consulting entity profile.
5. Add your advisors.

Supporting documents are the records that back up the statements and decisions made in the three main parts of your plan. As you are compiling the first three sections, it is a good idea to keep a separate list of the supporting documents that you mention or that come to mind. For instance, discussion of your business location might indicate a need for demographic studies, location maps, area studies, leases, etc.

If you are considering applying for a loan to purchase equipment, your supporting documents might be existing equipment purchase agreements or lease contracts. By listing these items as you think of them, you will have a fairly complete list of all of your supporting documents by the time you reach this part of your task. You will be ready to sort them into a logical sequence and add any new ones that come to mind. Include all legal documents pertaining to your business. Some of these are the articles of incorporation, partnership agreements, copyrights, trademark registrations, patents, insurance policies, property and vehicle titles, etc. Include studies already completed, or agreements with engineers that will perform the studies. Do not forget to include the bank statement of your (and the other owners) credit history.

CHAPTER 9

Case study
Good
practices



Case studies

Libre Object (Strasbourg, France)

Libre Object is a social enterprise founded in 1997 in Strasbourg, France. This association began with the idea to provide vocational training to prisoners, also as an opportunity for them to learn some skills that will help them once they get out from jail. Now they extend their labor outside jail, working with unemployed people, migrants and socially isolated people.

Another purpose is recycling, mostly paperboard, some bicycle parts as the tires and the chainring bolt and billboards; they reuse these materials and transform them into bags or designer decorations. Artists give to the association the designs and copyrights (they receive 10% of the profits).

30% of the money Libre Objet earns comes from the selling of the products they make, you can buy this on a physical store in Strasbourg or online (<http://www.libreobjet.com/>), and the other 70% comes from public funding. In order to receive these funds, they need to have a 60% success rate. For this purpose they need to have a very good selection process of the people that will work with them. All candidates must have some aspirations to achieve something or learn a new skill that will help them to find a job.

Now there are three permanent workers and 20 with a temporary contract (up to two years), all these employees receive counseling and orientation during the time of their contract, to help them to define what they want to do and how to achieve it. So far, they have a 55% successful rate.

Contact info:

<http://www.libreobjet.com>

contact@libreobjet.com



Hellenic Therapeutic Riding Centre of Serres, KETHIS (Serres, Greece)

Created in December 2005, the center was possible with the support of many benefactors; the government donated the land where they built the installations, some horses were donated and they bought the others. The objective is to provide as much help as they can. Everything is achieved through donations and the hard work of the volunteers, they also sell some products (some are made by the patients and others are donations).

KETHIS offers hippo therapy: therapeutic and sport horse riding for kids with autism, psychological and physical disabilities. While the kids are riding the horse, they learn to be more patient, improve attention, behavior, self-confidence, self-esteem, and many more. This center is unique, not only for the services they provide to the people but also because all the people in Serres contribute to this cause, buying things, making donations or spreading their labor. At the time of our visit (December 2018), they attended 70 kids per week, and only 15 of them paid up to 90 euros per month for therapy (depending on their economic situation). This number changes constantly, but the maximum of patients is 90 per week.

Contact info:

www.kethis.gr

<http://therapeftikiippasia.blogspot.com>

kethiser@yahoo.gr



Social Tea house - jobs for young people growing up in institutions (Varna, Bulgaria)

Social Tea is a social enterprise that provides opportunities for young people in disadvantaged, growing up in institutions, practicing social skills, to begin work and build an independent life.

The Tea house is an alternative place for different events. Everyone is welcome for a cup of tea and much more! Social Tea House is a social enterprise set up in 2014 in Varna. It is intended to provide the first job and mentoring for young people who have grown up in homes for children deprived of parental care in Bulgaria and offer them an opportunity for an independent lifestyle.

In 2015, the Social Tea officially opens its doors as an alternative social space, where young people with limited access to the labor market can get their first job. Its multifunctional premises are held various cultural events, seminars, exhibitions, business meetings, private parties for children. It also offers a mobile tea house.

"We want to create a space where young people grown in orphanages can start their professional path and get the mentoring and support, they need to overcome the lack of good education, social skills and trust in society. Our team developed a three - year mentoring program and convinced Varna Municipality to provide us with a building in the city center so we can get started", the creators says.

The idea is based on three main stages:

1. A mentoring program that helps young people developing social and communication skills, knowledge of their civil rights and duties, emotional intelligence.
2. Practical training in the teapot, where the trainees receive professional competencies in the Teaching customer service.
3. A first job that helps young people have a chance to work and improve their quality of life.

Contact info:

Maya Doneva and Stoyana Georgieva – founders

<http://thesocialteahouse.bg/>



Fundación Merced Querétaro (Querétaro, Mexico)

It was founded by Fundación Merced Mexico City, that was created more than 50 years ago, the ones who gave the seed capital for creating another headquarter in Queretaro.

It is a second level foundation that has been working since 1999, helping to grow up or strengthen organizations from the civil society of Querétaro. It also promotes citizen participation and the linking between everyone so the quality of life from the ones that have less will become better.

During all those years, they have helped 340 organizations through three main programs:

- **Capacity building:** Through this program, they offer different alternatives to professionalise NGOs from the civil society and their members. The alternatives are institutional diagnostic, continuously capacity building through workshops or courses in specific topics (strategic planning, care model, resource management, communication, linking, coaching).
- **Networking:** This program facilitates the process of creating new relations or contacts with different partnerships, also from the civil society of the city; this will help to strengthen their structure in very aspect (economic, social and politic). The facilities related to this program are capacity building related to the topic, creating the networking, periodic accompaniment, and monitoring strides.
- **Social Investment:** The purpose of this program is to be the bridge for the private sector and the organizations of the civil society, through the development of strategies and actions that will contribute to the social development, funnel the enterprise resources to the organizations in a very efficient way. Some services that they give to the enterprises are linkages with the NGO's, mobilization of the resources in goods or cash,

It works thanks to donations (cash and goods) the people make. Then, Fundación Merced creates a fund by your name focusing on the cause that you are supporting, it can be education, childhood, health, environment or economic development. This support is tax-deductible. Therefore, in this way, everyone can help the organizations or enterprises that are being developed in this city.

Contact:

info@fundacionmerced.org

<https://fundacionmerced.org/>



La sartén por el mango (Buenos Aires, Argentina)

The aims of the project are to create sustainable social change through building relationships and implementing strategic systems and structures, to provide a platform for transition from subsistence to maintaining a good quality of life for each individual, to actively support current generations in creating healthy and livable communities and plan for future generations to follow in their footsteps.

The project provides food every day to children and young people in a slum of Avellaneda. It organizes art and cultural workshops.

This project was born with the initiative of Ben Whitaker, a youth social entrepreneur of New Zealand, that was a volunteer at our Foundation SES, and he started a healthy food project: La sartén por el mango. The soup kitchen was just the beginning of the creative and educational environment where nowadays are living the kids in Monte Chingolo.

In this project all the people that help with workshops and cooking are volunteers. The community is part of the project and participate every day. The food kitchen project now is making a strong community team to be able to cook healthy food for the kids.

After the experience of La sartén por el mango a group of women, mothers of the community of Monte Chingolo, start a social enterprise and this woman have learned across the soup kitchen to cook healthy dishes for the whole family. The new project is to cook healthy recipes and go to the city business center to sell dishes to the working people in Buenos Aires. The ingredients are natural and best quality. One healthy option for the rushing life in the middle of the city center in Buenos Aires and one support to the economic situation for the families in Monte Chingolo.

Contact info:

<https://www.facebook.com/LaSartenArgentina/>



SAPA O'CHAU OF TAN THI SHU (Sapa, Vietnam)

Running a social enterprise in Sapa in Lao Cai province, 30-year old Tan Thi Shu has become a source of inspiration and a figure to rely on for many ethnic children financially and spiritually.

Shu was born into a Hmong family in the Lao Chai commune of Sapa district. Her parents were too poor to keep her in school longer than the third grade. Instead, she had to start to accompany her mother in her daily business, selling souvenirs to tourists in front of the stone church in Sapa. It was during this time that Shu taught herself English and tour guiding.

In 2008, when Shu was 21, she crystalized the idea of setting up a social enterprise - imagining it would be a profit-making enterprise with funds raised being used to supporting ethnic children's schooling. But it was challenging to find a suitable business model. Her first thought was to set up an NGO, but the paperwork was daunting. In 2011, Shu was lucky to attend a project to enhance social enterprises' leadership capacity by the Centre for Social Innovative Promotion 51 VIETNAM SOCIAL ENTERPRISE CASEBOOK (CSIP) and KOTO. Shu proposed her idea and received strong support from the project. After attending several workshops to improve her leadership and business skills, Shu got the chance to apply her newly gained knowledge in her own Enterprise.

By 2013, Shu had established Sapa O'Chau Travel Company Limited. In Hmong language, 'O'Chau' means thank you.

Sapa O'Chau now operates on the principle of a social enterprise – doing business and paying profits forward to ethnic children. This model is based on four interconnected pillars – a boarding facility, coffee shops, Hmong handicraft stores and tourism activities. By generating profits from organizing tours, providing homestay services, opening a coffee shop and a brocade store, Sapa O'Chau has managed to finance its pupils instead of depending on philanthropic sources.

Shu has provided rent, money for food, and school fees for dozens of ethnic children. There are always 35 young people receiving assistance from Shu. When one graduates, Shu finds someone else to help. However, Shu has also known her share of hard living. Sapa O'Chau is also looking for external resources to buy a piece of land to set up a training and dormitory facility as the current one is leased and has reached its capacity.

Sapa  Chau



La nueva semilla (Lima, Peru)

This non-profit organization is in the district of Villa Maria del Triunfo, one of the districts of Lima, the capital city of Peru. Founded in 1998 at the initiative of its director Percy Vergara Mendivil, this organization aims at ensuring a safe space for the children, teenagers and young adults of the district and its surroundings areas. Using art and culture, “La nueva semilla” provides hundreds of young people with a space and opportunities to dedicate their free time to learn, create and grow up in a safe community.

There, they can be young, far from their local issues: delinquency, drugs, alcohol, gangs, domestic violence and family problems. In the 3-room space Percy built in his home garage, various cultural and artistic activities and classes are organized such as: dancing, singing, guitar lessons, acting, street jazz, Zumba, fitness, painting, drawing, modeling, and many more. Through these classes, the children, teenagers, and young adults get to reconnect with important life values and principles such as solidarity, discipline, advocacy for human rights and social inclusion. Some of them will then teach the next generations or even pursue their passion with further studies. And like that it continues, year after year, multiplying the impact of “La nueva semilla”.

In the most recent years, the organization has been working towards developing international partnerships with the objective of becoming internationally recognized. These partnerships have opened new opportunities for the young people of the district. Some of the more experienced groups of dancers regularly take part in the local, national and international events such as dance festivals and contests. They proudly show their work to the outside world in Peruvian cities such as Cusco, or Latin American countries such as Colombia, Argentina and Mexico.

Another recent partner country is France, where “La nueva semilla” as already sent a few young people to experience intercultural learning, volunteering for French organizations for a few months in cities like Lille or Bordeaux. Although the organization has never been financially supported by the government, this lack of help from politics has been a dive for finding innovative solutions and alternative ways to develop activities of good quality and ensure the wellbeing of young people. With the involvement of a motivated community of people, “La nueva semilla” has managed to accompany more than 15 000 young people since its foundation 21 years ago, becoming the referential cultural center if the district Villa Maria del Triunfo.



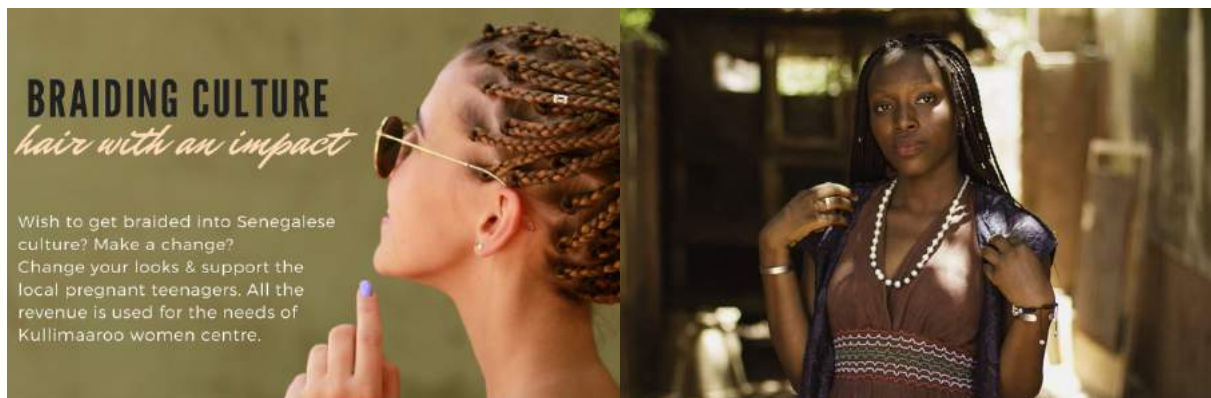
Project Step Up for Rights of Females (S.U.R.F.) (Vilnius, Lithuania) - Braiding Culture (Senegal)

Braiding Culture is an initiative in partnership with Active Youth Lithuania, which aims at promoting crafts and services of girls' from Kulimaro center. The center is a shelter for women and girls, victims of violence in Casamance. KULLIMAAROO center was set up by Women's Platform for Peace in Casamance with the support of UNWOMEN. Mainly, it aims to protect and help women and girls, victims of violence recover with its services package which includes medical care, juridical and psychosocial assistance.

This action was implemented because girls already have the capacity and skills needed for making good quality products.

Tourists are interested in buying Senegalese items that represent both African culture and solidarity. Moreover, the possibility to support young teenage mothers makes an important added value. Thus, the initiative is the link between these two actors.

The goal is to help the women learn how to make braids for tourists; thus, ensuring financial support afterwards.



Examples of Bad Practices

When you talk about entrepreneurship, not everything is easy and simple, there are going to be difficult moments, unexpected situations, change or adjustments to your plan, but the most important thing is considered all these situations, plan and continue working.



The following examples are some entrepreneurship practices that didn't come up as planned. It is important that you can read about their experiences and learn.

Follow their advice not to go the same way and be prepared.

"Mosaïque": Chronicle of a predictable failure (France)

The insertion restaurant Mosaïque closed permanently in June 2016 after 23 years spent in the heart of the district of Neuhof, Strasbourg.

The difficulties of the insertion restaurant housed in premises owned by the Municipality of Strasbourg started in 2012, when the budget showed its first deficit. Rents were unpaid, and the withdrawal by the State, in July 2015, of the agreement number and recognition as insertion work placement didn't help.

The organization Mosaïque supported dozens of unemployed people coming back to the labor market, offering at the same time to the inhabitants a catering service, the only restaurant of the district.

The municipality had nevertheless supported the association: rehabilitation and payment of expenses related to the administrative premises of the association in 2011, payment of the rent of the 330 m² space, renovation works of the parking space in 2010, support in the management of various problems encountered on a daily basis and numerous meetings aimed at supporting the association in its relocation project.

It was this last project, or rather its failure that drove Mosaïque to close. Because for years, the association suffered from its geographical isolation.

Since 2011, the municipality and the organization were in discussion of having the restaurant move to the north entrance of the neighborhood: a strategic and attractive place for potential new customers. Both parties were retaining a soon-built site located ... but they never agreed on the amount of the rent.

After many meetings, the project was buried in 2015 and the result was a slow agony, the association no longer having premises to carry out its activity.



Poroia Women Social Cooperative (Greece)

Poroia is a village of the Prefecture of Serres, at the foot of the Belles mountain, which is the border between Greece and Bulgaria. The village has a unique view of the lake Kerkini, which is a protected wetland. The distance from the lake, a shelter of wildlife, mostly birds and a migrant bird's station and a wide breeding of water buffaloes, is less than 4 km.

In the year 2005, 18 women with a different educational background, decided to create a cooperative in order to have a work position for themselves and their daughters.

In 2006, after renting an empty warehouse and transforming it into a real workshop and a selling point, they started producing aromatic liquors using herbs that they were collecting themselves from the nearby mountain and homemade sweets.

In 2008 the enterprise applied for a grant at the European program Leader and had been awarded with 400.000€ in order to build their own workshop –corresponding to the regulations for food and beverage safety and a selling point on the crossroad adjacent to the lake.

In 2010 the facilities were ready, but they had not moved in yet. In 2014, they remained to their rented facilities and they could agree with the assumptions of personnel, while they were arguing on the selection and the number of persons needed. In 2015 they called the Business & Innovation Centre (BIC) for assistance. Meanwhile, after the gradual exit of 6 of the women, they remained 12.

BIC suggested a series of seminars, so that that understood issues like business planning, fiscal obligations and internal regulation. 8 out of 12 attended the seminars and the others (the opposition) considered the seminars a tool to be tricked.

In 2017 the enterprise resolved and is in the process of liquidation. No interested investor appeared at the auction of the building, which is still not in use. Why they failed? NEVER accepted an Internal Regulation.



Betel-Bulgaria, a new life and re-socialization of dependents through occupational therapy

Betel is an International Christian Assistance Association for people suffering from all kinds of dependencies. Bethel's goal is to reach the most deprived and rejected by society dependent persons.

The Center in Bulgaria was established in 2004. It helped more than 2800 dependent people to start a new life and return to society. The people who join the program include pimps, merchants' drugs, ex-prisoners, etc.

For at least 18 months, they lived permanently in the shelter and participated in a treatment and re-socialization program. Labor therapy was a key element of the program through which participants felt productive; their work gave them meaning and purpose and allowed them to acquire professional and social skills. Alongside individual and group therapy, the participants in the program maintained the house, grew vegetables and cooked.

After completing training to repair old donated furniture, they participated in a rehabilitation program at the workplace. It helped them to feel productive, develop working habits, professional skills, teamwork abilities, gain each other's trust and respect, and acquire skills for reintegration into society.

The center used to self-support itself through the provision of services - the repair of wooden furniture, construction, office and house cleaning, cottage services, furniture and second-hand shop use, gardening and more.

Since 2016 the shelter has not been operating since the organization was supported by the EEA grant which finished. The initial idea was to self- sustain themselves through providing services such as cleaning, gardening, and repairs, as well as through selling the produced materials. However, this approach was inappropriate as their expenses were much higher than the money, they were receiving from providing the above services. In other words, their initial idea to self- sustain failed. In addition, local communities were unwilling to use the workers' services because of existing prejudice and discrimination.

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“Yo propongo” (Mexico)

It started in 2010, “Yo propongo” was a citizen participation platform where all the ideas of each person can be written and then created in public policies.

The first experiment was in Mexico City, where it had a good result, people were participating, so the team was very happy and surprised; the only thing missing was creating a sustainability model for it to work around the country without any problem. Before creating that model, the SEDESOL (Social development secretary of Mexico) hired them because they wanted them to apply this platform in Juarez City, where there was a lot of social problems, so they thought that was an excellent idea to test the project in a bigger way.

“Todos somos Juarez project” At the end of 50 days, almost 5000 people participated in this platform because they really wanted to change their way of living, feel happier in their city, a lot of value information was created in the platform, a variety of proposals. The problem is that they never cared about signing a good legal contract with SEDESOL. Also, they did not think in the sustainability of this project.

They noticed that, at some point, the project was not going on, one day the government stopped them, with the excuse that in that project was a lot of confidential information, so they could not share it and they had to change it if they wanted to publish it. The team returned to Mexico City, so impressed and sad because they let down a lot of people in Juarez city that trusted them and lost \$70,000 Mexican pesos.

More information:

<https://fuckupnights.com/mexico/?locale=en>



One example from Ses incubator (Argentina)

Incubator SES is a project that accompanies social and cultural entrepreneurship providing training, advised and financing to this type of projects.

A case with difficulties: An entrepreneurship was made that ran for a state financing line. The young people in charge of the project thought the project would make money soon and started working on it, without even obtaining financing. They made an app that provided information about Gluten free food.

Several months passed and the state line decided to close and not grant more financing. Notifying young people that they would not receive money. The young people became disillusioned and complained because the project gave no short-term gains. Reasonably, they thought about closing it.

Luckily, the young people were accompanied by the incubator SES and decided to continue as they had put a lot of effort, had a business plan, dedicated time and money. In the long term they managed to sustain it and the project worked.

The important thing is to remember that an entrepreneurship takes a long time until you can recover the initial investment and in the short term it will not give profit. Therefore, do not be discouraged. If you manage your business plan and have patience, in the long term the project may work.



K Company (Vietnam)

K organization started in late 2013 when three people with similar views met each other and decided to set up a factory producing stuffed animals – to create opportunities for the disabled and help increase their independence.

The company adopted the slogan “products speak louder than words”. They knew they had to build their reputation on the quality of their products. They didn’t want customers to buy their products out of pity and reasoned that if they did– they’d only buy once. The founders set up a joint stock company instead of a more traditional model of a support center relying on philanthropic funding. Once they had established the company, they started to produce stuffed animals for the market. They enjoyed increasing demand and managed to balance cash flow and the quantity while quality of production was maintained while continuing to create jobs for disabled people.

K organization started with only 25 million VND, or \$1,120. It had two sewing machines and one Hemstitch machine. It was almost impossible to introduce their products at fairs and exhibitions because it was hard to get around due to Vietnam’s poor infrastructure.



Moreover, the company was yet to recruit salespeople. Business remained stagnant for a while. But half a year later, the stuffed animals were reaching consumers in enough numbers for workers to double from two to four. All had hearing impairments. They decided to upgrade their headquarters and began renting two small rooms. However, they continued to be largely asset less.

As a company, all K organization had determination. Like many others, their infancy was characterized by shortcomings in management, a lack of marketing skills and a shortage of capital. Those first two years 2014-2015 were full of difficulties. Many of the products couldn’t be sold and 2015 revenue was just over 200 million VND, or \$9,000. All five founders had to use their own money to keep the company afloat.

For the company to develop sustainably, the most important thing is its ability to sell its products. Competition comes in the form of Chinese stuffed animals and gifts at very low prices. In addition, there is also competition from similar products and business models of other disabled groups. Therefore, now K organization is facing many difficulties.

The products don’t have the unique selling points:

- Society’s awareness of their activities and role is still limited, partly due to inadequate legal framework for operation of social enterprises
- Lack of capital and access to larger financial resources, as K organization is small and relatively young
- Lack of management capacity, as K organization is young with little experience of this new form of business in Vietnam
- Quality of human resources is still low because K organization only recruits’ employees from disadvantaged and marginalized groups



Food Production Project (Peru)

The Brigada de Voluntarios Bolivarianos de Peru (BVBP) made a social entrepreneurship project in 2015, in Palca city that is situated in a rural area in the mountains of Perú. It was found raised by the Youth Canada Organization of the World, and its purpose was to help young people with limited resources and unemployed.

BVBP provided the Palca community the necessary advised an infrastructure to kick start a dairy food production project; as well for a dehydrated fruit food to be sold on the market.

The idea was to create some profit that was going to be divided between all the entrepreneurs, keeping some money for having enough seed capital for creating another headquarters. The problem was when the project started to have good results the young people that participated in this project, they kept the materials, infrastructure, everything for its own not for the original purpose of the project.

From this experience we learned that is better to work with other organizations or enterprises, or under a regimen with a contract, always make legal contracts. Also investigate the historical background from anyone you are going to work with.



Gatvės bazaras (Lithuania)

“Gatvės bazaras” Was an open kitchen event organized by "Keulé Rūkė" where participants could show their cooking skills and exchange tips with each other. We, Active Youth, decided that this would be a great opportunity for our refugee friend Basir to give it a taste for others to try the Afghan cuisine. The tasty smell of pilaf - traditional Afghan meal and hot saffron tea made us feel like home. We even had volunteers who came all the way from Kaunas just to help Basir on this unique initiative. The whole event was a new interesting experience for our organization, and we are looking forward to involving in such events in the future as well. It is a great example that there are many ways we can help integrate migrants to our society. In Lithuanian there is an expression: "The way to heart is through stomach"!

What went wrong:

The event was a flop for us commercially. That is, we've made investments (rent of the food truck, fee for the event host, salary for Basir, advertisements, our own time and ingredients for food) and were expecting that the income from clients will cover these costs. Yet, it was a lot harder than expected. First, there was competition all around (other food trucks). Secondly, the weather wasn't good. All of that meant that we didn't get enough interested clients. After a while we started experimenting with discounts, which further cut into our revenue. After two days of hard work, we were €300 in the red (i.e. in loss).

What were the reasons for the flop:

- Lack of experience. We prepared a lot of pilaf, but people were more interested in buying Afghani tea. We realized that it's much better sell tea and desserts, for example;
- The ingredients were expensive. The cost of one pilaf portion was quite high. Thus, it's much better to go for something less expensive, e.g. cakes and tea;
- Poor marketing & pricing. Our food didn't interest most of clients, because we weren't sure how to advertise it. At the same time, our pricing strategy was far from perfect (we weren't sure what price to set, what discounts to give, etc.).



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