



Basic Principles for Business Start-up

Interreg
Greece-Italy
European Regional Development Fund



"ICON WOM-EN" - Integrating Innovation and Promoting Cluster Organization in WOMen Enterprises

Action 4.2 Educational Platform - Action 4.3. Educational Material
Implementation: PIKEI OE- PROTEA IKE

Project co-funded by the European Union, the European Regional Development Fund (ERDF) and National Funds of Greece and Italy

Introduction

The Module deals with basic knowledge of business economics, which will contribute decisively to the successful activity of the trainees as business executives or as self-employed.

LEARNING OBJECTIVES

- the familiarization of the trainees with the way of thinking and approaching the issues of both the entrepreneurs who start a new business and the business executives who work in existing companies
- Information on all stages of the business process from the conception of an "idea" to its implementation and the early stages of development of the new business activity

EXPECTED RESULTS

Upon successful completion of this module, you will be able to understand key concepts such as environmental exploration techniques for new business opportunities, aligning an individual's personal skills with the needs of the new business, assessing the viability of the new business, start-up & production phases business operation, innovation

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1. ENTREPRENEURSHIP CONCEPTS & COMPONENTS - ENTREPRENEURSHIP PERCEPTION

What is entrepreneurship;

The term entrepreneurship describes a series of activities, the creation, establishment, management and administration of a business, begins with the conception and execution of an idea, which can create some added value.

In our time, entrepreneurship (entrepreneurship) is a factor that determines economic growth, employment and competitiveness.

The role of the entrepreneur is to overturn production conditions by looking for new technology or a new way of production, to improve efficiency, to reduce costs or to create new markets.

Entrepreneurship is a process of creating or seizing an opportunity, an application of a vision that can be an innovative idea and the pursuit of exploitation independent of controlling or owning them through its production.

Entrepreneurship is an important driver of economic growth and job creation: it creates new businesses and jobs, opens new markets, improves productivity and generates wealth.

The entrepreneurial mentality enhances the employability of young people. Entrepreneurship, especially in the context of small and medium-sized

enterprises (SMEs), is the backbone of the economy and the most important source of new jobs.

Entrepreneurship can be an important element for the personal development and well-being of young people.

Entrepreneurship is primarily a mentality. It is the activity and the ability that an individual, individually or within an organization, has to recognize opportunities and seize them in order to achieve added value or to have a financial benefit. Creativity or innovation helps him enter an existing market or improve his competitive position in it, change or even create a new market.

In order for a business to be successful, it requires the ability to combine creativity or innovation with good management and the ability to adapt a company in order to optimize its growth during all phases of its life cycle. It is a process that goes far beyond day-to-day management and touches on the goals and strategy of an enterprise.

Creating a business mentality is a prerequisite for the development of successful entrepreneurship, as it strengthens the personality of the entrepreneur, boosts his self-confidence, strengthens his business mood and leads to effective decision making.

1. ENTREPRENEURSHIP CONCEPTS & COMPONENTS - ENTREPRENEURSHIP PERCEPTION

Entrepreneurship is a multidimensional synthesis to be interpreted one-dimensionally, it is necessary to refer to its main **components**:



The business

- A company is any unit, regardless of its legal form, that carries out economic activity. This means in particular units which carry on a craft or other activity, individually or in the family, sole proprietorships or associations of persons regularly engaged in an economic activity
- The main features of the company are the following: a) The pursuit of profit is the main motivation for taking a business initiative b) Satisfying the needs of consumers with the production of products and services using combinations of productive resources c) Its property independence, having its own funds and liabilities to third parties



Business opportunity

- The business opportunity is nothing more than the ability to satisfy a market need
- It is an idea, which brings together all those characteristics, which, if utilized, creates an economic result



Business risk

- Nowadays, the conditions are becoming more and more difficult, in order to achieve the business goals. While for the viability of a business, factors that contribute to business risk must be identified and identified.
- The most common categories of business risks are: market risk, operational risk, credit risk, credit risk, legal risk and liquidity risk.



The role and vision of the entrepreneur

- An entrepreneur is a person who takes risks and his reward is that he can make a profit.
- Key characteristics for the entrepreneur, a) Commitment and destination, b) Leadership, c) Persistence in opportunity d) Avoidance of risk and uncertainty, e) Creativity, self-esteem and ability to adapt, and f) Motivation for perfection.
- Successful entrepreneurs are characterized by confidence, dedication and vision. The vision refers to the orientation of the business towards the future and incorporates the expectations, hopes and aspirations of the entrepreneur for the course of the business.

2. NEW BUSINESS: MOTIVATIONS, OBSTACLES, REASONS FOR FAILURE

Incentives for starting a new business

Entrepreneurship is related to many disciplines, such as economics, sociology and psychology. Supporting and strengthening entrepreneurship is a topical issue, especially today with the rapid economic developments. The decision to do business is usually accompanied by significant uncertainty about its prospects.

Entrepreneurship starts with an idea and is transformed into an entrepreneurial vision, this vision motivates the person to start something new. People are pushed into business by some motivation:

Self-Confidence

- Self-confidence means that one faces the challenges of life, overcomes obstacles and achieves the goals one has set.
- Self-confidence also comes from a person's confidence in his mental abilities.
- Confidence is associated with entrepreneurship, because starting and running a successful business is often a difficult task.

Independence

- Entrepreneurs by nature want to be independent to innovate, to act creatively, to coordinate production factors, they have knowledge of the business environment.
- The successful entrepreneur shapes the vision and the mission himself, acts directly to solve the problems listens to his associates, but must know that the last reason and the final decision is his

Profit

- The entrepreneur expects the profit through his unique Idea from the return of his investment, in the uncertain business environment

Need for achievement

- It is the desire to achieve high goals and is an incentive for entrepreneurship

The alternative to an unsatisfactory job

- Many young entrepreneurs have been executives or employees of other companies in the past. Over time, they saw that there was a development in the specific position they held in the company and for this reason they left the paid job and engaged exclusively in their own business.

2. NEW BUSINESS: MOTIVATIONS, OBSTACLES, REASONS FOR FAILURE

Obstacles to starting a new business

The effectiveness of business, however, depends to a large extent on its ability to operate in an environment without overbore bureaucracy and in a barrier-free institutional framework, and in a stable and internationally competitive environment.

Taxation and levies, the speed of justice, development incentives, the establishment-licensing of businesses and activities, access to finance and public procurement are the most important problems for small and large enterprises.

The Chamber of Commerce and Industry identifies the biggest problems in bureaucracy, financial services, taxation, justice, growth incentives and public procurement.

Other important barriers to entrepreneurship are: lack of trust, personal problems, skills shortages and time constraints, political and economic factors such as corruption, bureaucracy and an inadequate legal system.

Lack of capital and the fear of failure is a very important obstacle that entrepreneurs have to face.

Obstacles also arise from the external business environment, in short the following:

- High cost of research and implementation of innovative ideas
- Lack of interconnection of production with research, inadequacy of integration of innovative applications
- Insufficient information on financial sources, many SMEs do not know the financial sources (eg grants)
- The lack of a culture of innovative entrepreneurship is reflected in the fear that SMEs have of innovation as they have associated it with high risk.

2. NEW BUSINESS: MOTIVATIONS, OBSTACLES, REASONS FOR FAILURE

Reasons for new business failure

The entrepreneur who intends to start a new business will face various risks that can lead him to failure. Certainly not everyone is capable of becoming an entrepreneur and often some people inherit a successful business from their family but then fail. But beyond qualifications, character, such as decision-making ability, capacity, desire for innovation, there are qualifications that are taught for all levels of Management and Entrepreneurship. But why is this happening? Usually the failures of new ventures are due to the following reasons:

- Unfamiliarity with what the market demands
- Incorrect estimate of the funds needed to produce the product
- Insufficient knowledge of the technological and other needs needed to build the product or service
- Lack of marketing skills and a reliable distribution network
- Inability to capture market messages and adjust business behavior accordingly
- Inadequately trained human resources and lack of organizational capacity
- Over-borrowing

Also another reason is the lack of good leadership, young entrepreneurs with incredible skills and yet ultimately fail, and make the wrong decisions. This can happen because the entrepreneur does not have proper communication with his

customers, as a result of which he has not understood the needs of his client, which is the most essential element for the survival of the business.

Another risk facing the young entrepreneur is the lack of business culture, which results in overestimation of his abilities. "It is very common to meet the old and possibly successful entrepreneur, who is 'blinded' by the knowledge of the market he has and often can not keep up with new data and changes in the business environment."

Another reason that small businesses fail is the poor management of their cash flows, which can result from a) poor accounting practices such as delays in processing / registration of invoices, b) insufficient credit control, c) failure in its planning working capital.

The success of the business endeavor is largely the result of proper preparation and action, the entrepreneur should plan as best he can the business he will do, the means needed to operate (funds, buildings, machinery, etc.) and his promotion strategy product or service that the business will produce.

In any case, it is important for young prospective entrepreneurs, before any business start-up, to properly assess market conditions and the factors that affect the success of the new business, such as the choice of time and place of investment, the proper assessment of competition, the application of modern marketing methods, the use of new technologies.

2. NEW BUSINESS: MOTIVATIONS, OBSTACLES, REASONS FOR FAILURE

The successful entrepreneur....

The entrepreneur is the person who assumes responsibilities and measurable risks to deal with uncertainty, he must have full control of resources in order to assume these responsibilities for any failure of the business.

The entrepreneur is creative and imaginative, trying and finding opportunities to take advantage of them, and looking for how to take advantage of the available resources to lead to a decision resulting in business action.

An entrepreneur relies on both his close associates and all of his staff and must be able to anticipate, understand and adapt in a timely manner to changes that affect or may affect his business.

What occupies the entrepreneur is his alertness to business opportunities.

The characteristics of a successful entrepreneur... >>

Hard work	Initiative	Organisation in the following:	Insight, Realistic Planning Ability, Good Judgment	Adaptability
<ul style="list-style-type: none">• Energetic, Action, Hard work• Lack of free time and fixed working hours• Sacrifices for work and against family and friends.	<ul style="list-style-type: none">• Determination, boldness, independence• Risk taking (moderate risk taking)• Design – Creativity – Innovation.	<ul style="list-style-type: none">• Business structure, segmentation• Work planning• Dealing with confusing situations• Flawless keeping of files, folders, Finance, etc.• Processing (easy access to information)• Planning and Responsibility.	<ul style="list-style-type: none">• Flexibility, scaling of alternatives and application diversification.• Identify profit opportunities• Insight into how and when to act.	<ul style="list-style-type: none">• Self-restraint, cohesiveness, patience, tolerance for change and resilience to adversity• Dealing with uncertainty and stress• Action steps small, stable but also effective• Patience for efficiency, potential inexperience of employees until they gain the required experience• Learning through failure

2. NEW BUSINESS: MOTIVATIONS, OBSTACLES, REASONS FOR FAILURE

The profile of a good entrepreneurship

In addition to the specific character traits that a prospective entrepreneur should have, it is equally important to have some skills - skills that will help him in his business career. These skills are analyzed below.

Managerial skills

- Skills in setting up and viability of a business, with limited resources
- Skills in planning the responsibilities and obligations of employees and more generally rational and effective management of human resources
- Ability to supervise and manage all operations and departments of the company immediately

Competitive skill

- Use of High Technology / know how of the product / services offered
- General knowledge of the company and what is happening in each department / Knowledge of the market and competitors
- Competitiveness techniques to increase turnover (to gain the largest market share)
- Pricing policy, adequacy, product variety, quality and product promotion policy

The «image» of the entrepreneur (looks, manners, behaviour)

- Well-groomed / Complete personality
- Honest / Honest / Responsible / Confident / Convincing

Ability to communicate well for the effective operation of the business

- Handling a variety of interpersonal relationships
- To do good public relations / to get along well with everyone
- To express clearly what he wants / to be convincing
- Respect important values such as reliability, trust, honesty, meritocracy at all levels and especially in transactions with internal and external partners / customers
- To distribute his thought, time and energy to Employees, Consumers, Suppliers, Partners, Shareholders

Leadership skills

- Courage and determination / Perseverance / Efficiency
- Confidence / Self-respect

3. BUSINESS PLANNING

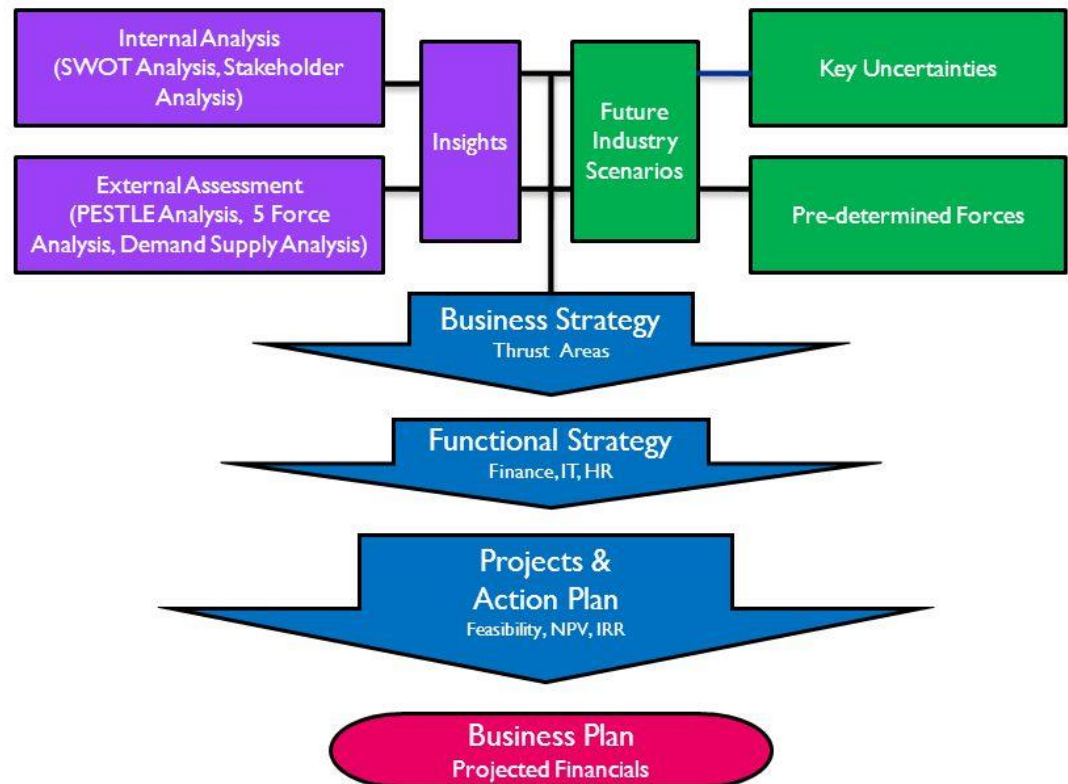
Business Planning is a series of actions that the entrepreneur carefully organizes and decides what to do, how to do it and when to do it.

Business planning defines business directions and strategic axes of operation on which the company will move in the near future. Alternative action solutions are created to deal with problems that may arise along the way.

There should be a unique mechanism for transforming the business idea into a business....

Do this by creating a business plan, which includes an extensive summary of the entrepreneur's activities in order to organize, allocate resources and anticipate all possible parameters related to the operation of the business. It is a survival guide, a cruising tool for the business, it contains the mechanism of implementation of the course that must be done by the management team on the phases of developments in order for the company to reach its goals, it is a course management tool.

Business Planning Process



3. BUSINESS PLANNING

Conception of business concept

Ideas are the result of a conscious search for ways in which the prospective entrepreneur tries to solve specific problems or to meet needs that are currently appearing in the market.

Creating a business idea is the first step in creating a business. The development of a new product arises through the combination of creativity and effective business methods. Creativity, technological developments, changes in the social and economic environment, past experiences, but also the educational background are the main factors that enhance creativity and contribute to the conception and maturation of a new idea.

In the business world it is very common for a business idea to be copied with minor changes, jeopardizing the viability of the company that first introduced the idea. Business ideas belong to one of the two general categories, Mimic or Innovative.

Mimic business ideas are created by observing other successful business activities, either by the entrepreneur or by executives who have the know-how and work in companies with the same business object.

Characterized by:

- Repetition of a successful production process
- Copy or imitate a successful product
- Transfer to an area of a successful commercial practice
- Transfer of successful business idea from one area to another

Innovation is inextricably linked to entrepreneurship and is a

driver of economic growth. **Innovative** business ideas can be technological, environmental, commercial, or financial. A company is considered to innovate when:

- a. It realizes the existence of a new need of the consumer public for a product or service and by proposing something new (eg soft drink with mountain tea).*
- b. It introduces an improved product or service that meets the needs of consumers (eg improved personal care products).*
- c. It uses new technologies to produce a product with lower production costs, reducing costs on raw materials, labor hours and other costs, providing the product at a lower price, enabling more consumers to acquire it.*
- d. Provides the product or service in several distribution points (eg via Internet).*
- e. Changes the packaging of the product (eg fresh pack instead of canned).*

They are characterized by:

- Organizing business activity in a way that has not been previously implemented by others.
- Financing the business from sources that have not been reused for this purpose.
- Production process of products already on the market in a different way from that already produced.
- Combination of products that have not been used commercially before (eg furniture and computers).
- Transport systems that have never before transported such products (eg the transfer of music over the internet)

3. BUSINESS PLANNING

Origins of business ideas



Recognition of the business "opportunity"

All businesses start with a business idea. The entrepreneur realizes the existence of consumer demand for a specific product or service and envisions the establishment of the company that will meet these needs).

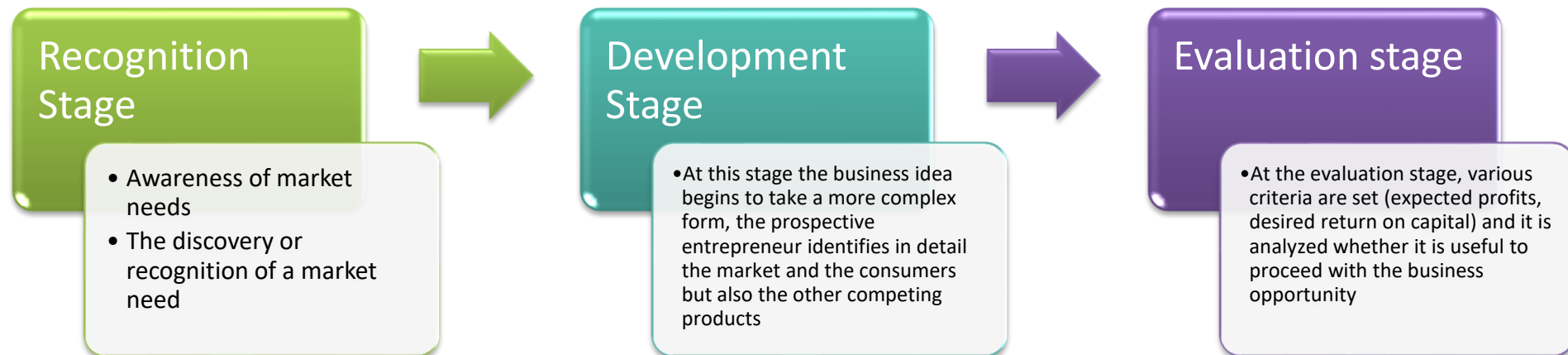
Discovering the needs or gap that exists in the market and is not served by a form of business is called a business opportunity.

Business opportunities are influenced by various **factors**, but they depend directly on the prevailing conditions, namely:

- The degree of entrepreneurial alertness of the entrepreneur or team in the new information
- The knowledge and information held by the entrepreneur or team
- The business networks and the circle of people that the entrepreneur has around him
- The personal characteristics of the entrepreneur, such as the attitude towards risk, creativity
- The accidental discovery but also the discovery after research.

3. BUSINESS PLANNING

One of the most important factors in the process of identifying a business opportunity is knowledge. Most entrepreneurs start businesses in areas they are already familiar with, ie they have acquired the necessary knowledge through their previous work experience. The process of identifying a business opportunity involves three steps:



Start-up preparation and planning

From a business point of view, social capital provides networks that facilitate the discovery of opportunities, as well as the identification, collection and allocation of scarce resources. You need to find the right management team with the unique skills, and make the "match" of team members to have the expected advantage over competitors.

The appropriate "trick" of skills and abilities must be found in the new proposed management team, the relations between the members must be harmonious in order for the company to have growth but also efficiency.

3. BUSINESS PLANNING

Entering the market

The development of the market entry strategy is the most important process when starting a new business. The service. Startup companies usually start without profit, so overcoming the deadlock is one of the critical points in the life cycle of new businesses.

The viability of the business is predicted by the financial planning, the forecasts (where they are initially based on assumptions about the amount and cost of sales and control. Good financial forecasts meet the objectives described in the business plan, and through them investors determine the return on their investment. The business operates in an uncertain environment and one of the problems that can occur at this stage is the appearance of a high "burn rate" (it is a measure of how quickly a business will use its capital). When all the funds are exhausted, the company will either have to find additional financing or be led to its liquidation.

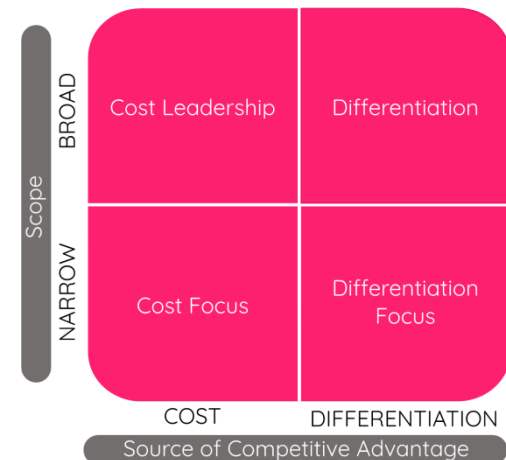
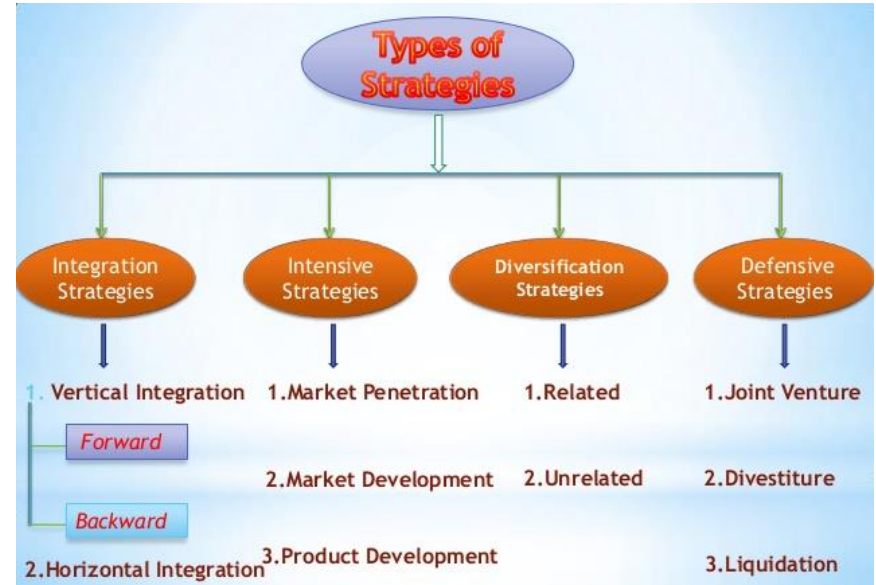
Business development

In the development stage, after entering the market, the company is in a critical phase and this happens because the entrepreneur does not yet know how to deal with customers, suppliers, and other partners (financiers). Also one of the most important issues facing a new business is its reliability. A new business needs to show its customers quality so that they in turn can show confidence..

Banks and suppliers will be reluctant to provide credit facilities or offer commercial credit.

The post-entry development phase includes some factors that

young entrepreneurs often overlook and thus focus on the product or service, instead of focusing on the product entry and marketing strategy to compete with established companies..



3. BUSINESS PLANNING

The first steps for business

The first steps that the prospective entrepreneur must follow in order to clearly identify key parameters of his planned business activity, are the following:

- ✓ his personal vision,
- ✓ his personal values and individual needs,
- ✓ the ideal job,
- ✓ the object of his business operations and the requirements of the business environment in which he intends to work,
- ✓ its strengths and weaknesses,
- ✓ networking capabilities,
- ✓ the selection of the appropriate time (timing),
- ✓ his financial situation,
- ✓ the development of the business idea,
- ✓ feedback from third parties, commitment,
- ✓ devoting time to: - Exploring and evaluating his business and personal goals. - To draw, as much as possible, the most useful information, and advice from various sources of information, - To design and devise an understandable and structured plan, which will be a valuable tool to gradually achieve these goals.

The initial evaluation of the business idea of the prospective entrepreneur

Once the prospective entrepreneur positively evaluates himself / her in terms of his / her skills, the next step is to evaluate the business idea in terms of feasibility and viability. The failures of new businesses are often due to the fact that their viability has not been properly assessed. One way to evaluate can be based on the following questions:

- ✓ Does the product or service meet the needs of potential consumers or simply the desire of the entrepreneur?
- ✓ Does the product or service have a comparative advantage over the competition?
- ✓ Can the quality of the product be maintained at a level that will influence consumers to buy it again?
- ✓ Are there consumers who could support the presence of an additional competitor for the product or service?
- ✓ The product or service is compatible with the existing consumer habits of potential consumers?
- ✓ Have the benefits of the product or service been properly conveyed to consumers?
- ✓ Is the price of the product or service within the limits that the consumer can pay?
- ✓ Are the projected sales sufficient to generate a profit in a relatively short time?
- ✓ Can the company meet periods of high demand, if provided?

4. ENTREPRENEURSHIP AND INNOVATION

Entrepreneurship and New Technologies

Information and communication technologies significantly affect the structure and strategy of a business or business network.

"In order to remain competitive, a company must constantly create new strategies, new products, new production, distribution and distribution methods." Another innovation is the combination of technology with the needs of the market to create and take advantage of an opportunity.

New *Information and Communication Technologies (ICT)* offer opportunities for the development of various forms of entrepreneurship. There are the following new types of Businesses based on new technologies: a. **Startup** companies are start-ups that are in development & are usually based on new technologies & innovations. b. **Spin-off** companies are new companies created to leverage commercially innovative research results / parts of the intellectual property developed in an organization.

The renewal of business equipment is not only a replacement for machinery but also a change in

the mentality of human resources, because "productivity comes mainly from people and their creative imagination and is not only the privilege of the machine." Also, the innovative company can contribute to the development of the region, ensuring the possibility of a high level of sustainability of human resources but also retention of human capital and reduction of external migration..

The types and forms of entrepreneurship are as follows:

A) **Direct** entrepreneurship is practiced without the entrepreneur having other productive means (eg machinery), but only from his personal contribution. A central role is played by the personality with all its characteristics, which are expressed by the conception of a new productive idea.

B) **Mixed** Entrepreneurship is exercised when the entrepreneur is active taking on roles that can easily be implemented by other persons or entities of the economy (executives, banking system, etc.).

4. ENTREPRENEURSHIP AND INNOVATION

Innovative Entrepreneurship

- Today, in a general climate of insecurity and turmoil in the business world, the implementation of innovation strategy in business is particularly important. Technological innovation differs from invention as inventions alone do not produce economic results
- radical innovation, through which great and important changes are created. It goes beyond the limits and has a drastic effect on both companies and the market, causing significant restructuring, mainly characterizing new entrants to a sector and less well-established. to modify or even change consumer behavior
- incremental innovation = there are only small changes in the existing activities of the company, representing simple and progressive improvements in the products produced, the methods used, or the services provided. Gradual innovation is a means of self-maintenance of the company without great risks and brings immediate results
- Innovation can be developed in all sectors and areas of activity, traditional but also high-tech, private or public, industrial, agricultural or tertiary. Innovation can also involve services of general interest or public utility: public health, administrative procedures, organization of transport services or public education

Social Entrepreneurship

- It covers a wide range of activities and initiatives, manifested by for-profit companies, institutions that explicitly pursue a social purpose, relationships and practices that bring social benefits, business trends in non-profit organizations, and enterprises developed within the field.
- It is interpreted as an activity undertaken by specific individuals or groups, without reference to the organizational characteristics and constraints (governance standards, profit sharing, etc.) that support the pursuit of social goals.
- The purpose of the social entrepreneur is to address, through his activity, a social need.
- Social entrepreneurship aims to solve pressing social problems such as environmental protection, education, health care, poverty, energy, water resources, etc. often through the implementation of innovative approaches

Public Entrepreneurship

- Public bodies need to operate like companies, maybe more. Only organizations that are able to innovate will be able to better serve their mission. "Entrepreneurship in the public sector" is the means to improve the efficiency of public services
- However, trying to emulate private sector practices by the public sector is a wrong approach, because the goal of public organizations is to create social value.

Intrapreneurship

- Entrepreneurship can be manifested in existing and large companies. This phenomenon is called intrapreneurship, ie entrepreneurship that is created within the organization
- The following processes can take place within companies: creation of new autonomous inter-company units, creation of new products, innovation in products and services, innovation in production processes, company renewal, risk taking by employees, provision and preparation for initiatives company and business advantage over competitors

4. ENTREPRENEUSHIP AND INNOVATION

The key features offered by innovation as a competitive advantage of companies are the following:

- it contributes to their adaptability to the changing business environment
- it increases productivity, profitability and flexibility of the production process
- it increases the quality of products / services offered
- it contributes increase customer satisfaction
- it increases market share
- it helps maintain new markets.

In recent years in many countries have developed various agencies & mechanisms to support business activities, such as:

- Technology Transfer / Mediation Offices
- Incubators
- Technology Parks
- Regional Innovation Poles & Innovation Zone
- Networks & Clubs
- Funding Programs
- Innovation & Entrepreneurship Competitions



5. BUSINESS STARTING ISSUES

Start-ups Ecosystem

Start-ups are considered quite promising and for this reason are closely monitored. It is an important tool for the development of the economy through the introduction of innovation but also the increase in the number of patents.

They create jobs, promote technology, are the best choice to increase productivity locally and internationally.

The startup ecosystem has grown significantly, due to the overall growing interest of the global business community in startups. This is due to the huge and rapid technological development, easy access to the Internet and information, but also to the possibilities and opportunities offered by the Internet in recent years.

A business startup ecosystem consists of a set of building blocks that interact within and outside the start-up:

- Customers
- The businessman
- The venture capital

At the level of independent organizations the building blocks of a startup ecosystem are:

Tangible ecosystem:

- Startup businesses
- Business incubators
- Business pre-incubators
- Accelerators
- Actors providing risk capital
- Business and innovation agencies
- Universities
- Innovation centers
- Co-working spaces
- Science and technology parks

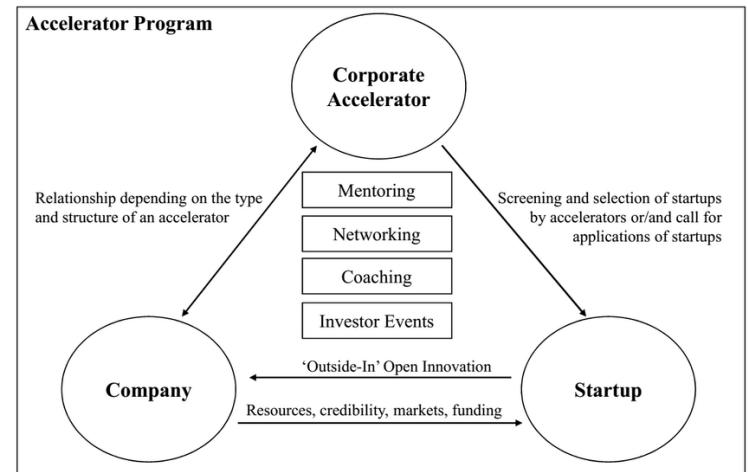
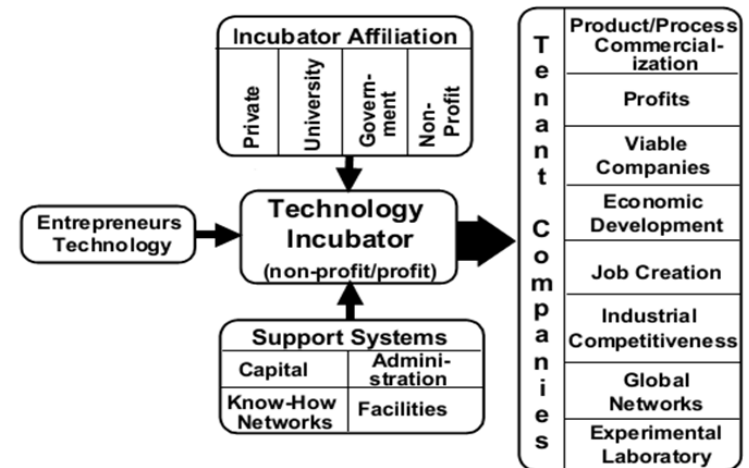
Intangible ecosystem:

Entrepreneurship and innovation competitions

Activities and events for startup companies

Social groups and organizations supporting entrepreneurship and innovation

Gibson & Wiggins Technology Business Incubator Model (2003)



5. BUSINESS STARTING ISSUES

Start-up - Business models

The main difference between startups and traditional businesses is that the term "startup" describes companies that are designed to grow quickly. The business

model of startups is based on rapid growth, the startup should offer something aimed at a large market to have escalation, many people to look for it and at the same time be able to serve them all. In fact, it is a different kind of business than any other business.

Start-ups are more likely to expand than traditional businesses because they have different financing options from simple investors to large venture capital firms, so they can grow rapidly in workforce and facilities. A startup has a temporary form in order to develop and complete its product and then grow into a large company or consider exit scenarios such as its absorption or acquisition by other businesses while in case of failure, it simply ceases to operate or modifies its business plan.

On the contrary, the viability of a start-up (which requires a certain amount of financing only when it is established) depends on the ability to achieve the necessary financial figures as it aims to claim a local market share from the competition. While the start-up is aiming for a market without geographical or other constraints, innovative startups are creating a whole new market around their field of activity. Also the model of cash inflows and profits of startup companies as well as their viability is something completely different from that of traditional companies.

The design of the business start-up is based on an idea and the opportunity included in it, to address the gap that exists in the market. The business idea is analyzed, identified and can only be implemented when formulated and organized in the appropriate way.

With the business plan, the team or the entrepreneur formulates and presents the way of its implementation in a sustainable and profitable business activity.

But before the implementation of the plan 4 basic elements should be clarified, a) the idea concerns the sale of a product or the provision of a service and this is because a different organization will be followed, b) the idea that will be implemented, in a physical store, in the real world the products will must be built, packaged and shipped, but in the case of an application running on computer systems and there will need the appropriate hardware infrastructure, c) local or international market, it should be determined where the product or service will be available, there will be more sales to a more consumer public and d) it is equally important to make clear what the type of this B2B or B2C audience is In both cases the marketing strategy has a different approach.

The next stage has to do with the selection and organization of the team and the clear adoption of the vision and the idea of the startup. The contribution and role of each should be defined as well as what the corporate shares will be. It must also be answered who will be the manager / legal representative of the start-up and the type of employment (full or part-time) of the founders / co-founders.

The next step for the implementation of the idea is the appropriate choice of the corporate brand, the choice of the corporate form must be based on the flexibility of conducting the commercial activity. In the new company, the relationship of the management with the external consultants, such as the lawyer and the accountant, is considered vital, a relationship of trust and lasting.

5. BUSINESS STARTING ISSUES

The **success** of the startup business model is based on three pillars, a) the existence of a competitive advantage, b) the team and the experience of the founders (special skills, know-how and connections) and c) the calculation of profitability (calculation of realistic cash flows, dead center approach, sensitivity analysis).

The preparation of the business plan is fundamental to the success of the startup as through it the idea will be transformed into a commercial reality.

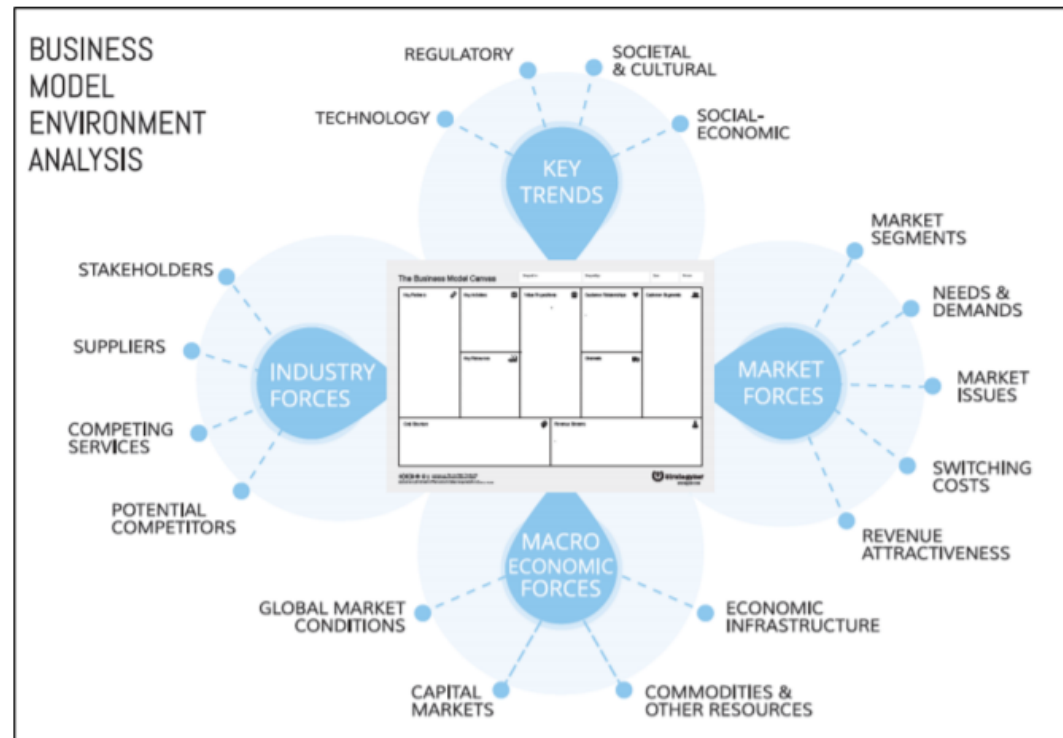
Business plan is a tool that can be used to attract investors and secure bank loans. It describes the short-term & long-term goals and how they will be achieved as well as analyzes and evaluates the issues that are fundamental to the success of the project.

The complexity of a Business Plan depends on the object and the size of the business but it must have a specific structure. A *concise structure of a general business plan*, which can be adapted to each small business, is as follows:

1. Introductory elements
2. Summary Elements of the Business Plan
3. Market analysis
4. Business and Business Idea Analysis
5. Goal Setting
6. Products and services
7. Marketing Strategy
8. Sales Strategy
9. Production and Development Strategy
10. Human Resources and Organization Strategy
11. Financial Data / Financial Results
12. Action Plan
13. Annexes

Business models are designed and implemented in very specific **environments**. A proper understanding of the environment helps to create a competitive model. Due to the ever-increasing complexity of the economic landscape and the extreme economic conditions (technological innovations, economic crises) but also constant upheavals in the market, the continuous monitoring of the environment is more important than ever.

Environmental mapping results in four main areas: a) market forces, b) industry forces, c) key trends and d) macroeconomic forces.



5. BUSINESS STARTING ISSUES

Market forces

Market forces are divided into market issues where the key issues that guide and transform the market are identified.

There are market segments where development sectors are described and what their attractiveness is, needs and requirements outline how well the needs are served, change costs have to do with turning customers into competitors and revenue generation shows how customers are really willing to pay.

Industry forces

The industry forces analyze the competitors, who are the dominant players, what are their strengths, but also who are the newcomers to the field. It also describes the possible substitutes for the products or services offered, as well as how easy it is for customers to turn to them.

It also identifies the key players in the industry value chain and the extent to which the business plan depends on other players. In addition, they identify who the members are interested in and whether they affect the business and the business plan.

Key trends

The key trends show the main technological trends and whether they can threaten the business model, describe the regulatory / regulatory trends, what are the regulations that affect demand. Also another important part is the main social trends, cultural or social changes or values that influence consumer behavior. Equally interesting are socio-economic trends that show demographic characteristics, income distribution, and consumption patterns as well as what percentage of the population lives in urban or non-urban areas.

Macro-economic forces

The macro-economic forces present the current general conditions of the economy, the GDP growth rate and the unemployment rates. It describes the situation in the capital markets, how easy or difficult it is to find the right financing. It also highlights the current state of markets for goods or other third-party resources that are important to the business. Finally, the financial infrastructure of the market in which the company operates is described (public services and infrastructure, transport, trade).

Business model design process

Each project is unique, so the process of designing a business model is unique.

Every business starts from a different point (initial start, introduction of a product in the market, new technology) and has specific goals and different development opportunities.

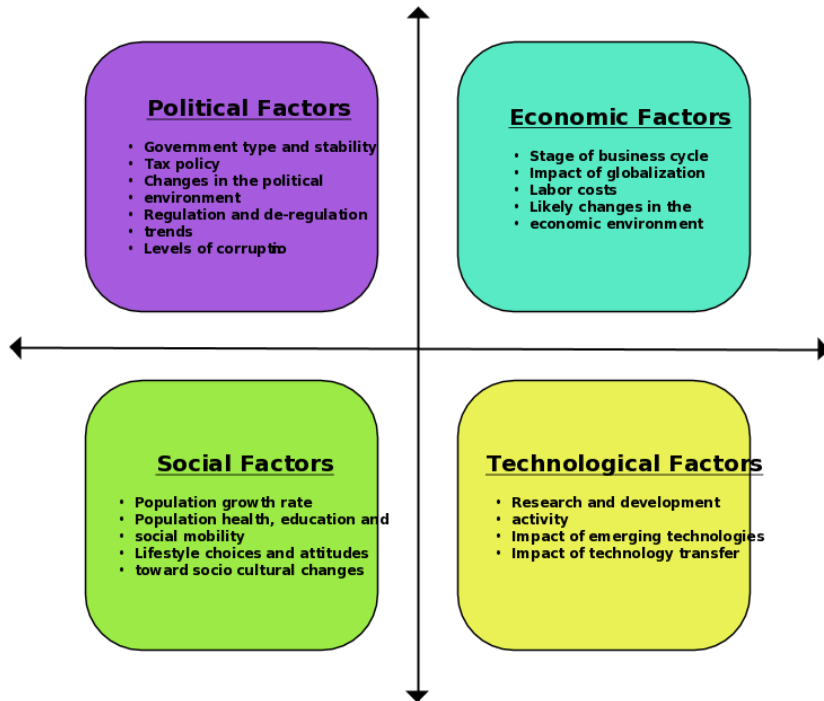
The process of designing a business model is divided into five successive phases, **a)** Mobilization, formulation of project objectives, control of preliminary ideas, as well as formation of the plan and the team **b)** Understanding, detection of the environment, study of potential clients, collection of ideas and opinions, but also research on approaches that have already been tested, **c)** Design, brainstorming, production of prototypes and testing of viable options, **d)** Implementation of the selected prototype business model, as well as its adaptation to the real data and harmonization of old and new, **e)** Management, continuous evaluation of the model, its renewal or review, environmental detection as well as conflict management between models.

6. MARKET AND COMPETITION ANALYSIS

External environment assessment

The external environment is divided into two sub-components, the wider macro-environment (which affects the company and every other business that operates), and the micro-environment (ie the immediate sectoral environment of the company)

► The generalized **macro-environment** has an impact on the operations of the company and can be divided into four components: (a) the economic, (b) the technological, (c) the political and legal and, finally (d) the social and cultural environment . To study all of them, the PEST analysis (Political, Economic, Social, Technological) is used.



► The **micro-environment** or competitive environment includes all those factors that affect all businesses in the economy. It includes all those elements or groups that are directly affected by the main functions of a business. Some of these groups are shareholders, suppliers, competitors, customers, creditors, government organizations, trade unions, local communities, various associations (trade association, chamber of industry) etc. The analysis of a company's micro-environment can be effectively achieved by using Porter's five-force model.

The strength of the microenvironment is the intensity of competition within the industry in which the company operates.



6. MARKET AND COMPETITION ANALYSIS

The competitive advantage

What characterizes the current business environment is the uncertainty and lack of liquidity, conditions that shape the global market and call into question the development of the business strategy followed by companies today. In this climate, companies are trying to create and maintain a significant advantage over the competition, which will establish them in a leading position in the market.

There are two **bases of competitive advantage** for the company, a) the ability to offer a product at low cost, ie the cost advantage and b) the ability to differentiate, ie the advantage of differentiation

In order for a competitive advantage to be truly sustainable it must be based on the assets and skills that the company possesses. The potential sustainable competitive advantages are as follows:

- Reputation for quality
- Customer service / product support
- Name recognition / high profile
- Good management and engineers
- Low cost production
- Financial resources
- Customer Orientation / Market Research

The sources of competitive advantage can be divided into two categories, external and internal. In the first category, competitive advantage can emerge from changes in product demand and consumer preferences from possible gaps in the market (eg changes in product prices). In this case, there are companies that quickly recognize opportunities that are outside their environment and consequently take advantage of them.

Key Success Factors are defined as those factors that provide performance and ensure the success of a company financially and strategically in its industry. Critical success factors may not be many in every market, but they are different for different markets and can relate to any operational dimension of the business.

The most common key success factors fall into the following categories:

- Technology
- Production
- Distribution
- Marketing
- Skills
- Organization
- Other factors (eg image and reputation in the market, suitable location, polite employees, access to financial resources and obtaining a patent)

Four Types of Competitive Strategy Michael Porter's Four Generic Strategies



6. MARKET AND COMPETITION ANALYSIS

Internal environment assessment

The concept of internal business environment refers to factors that are within the business and are used to achieve its goals. These are financial, physical, human, technological resources.

Financial Resources. Organizations need financial resources to perform their functions. If the business is profitable, the money is reused for its desired growth. Key sources of funding are:

- ✓ Share capital (mainly own resources)
- ✓ Loan capital (mainly external resources)

The management has to solve two main problems:

- Securing funding sources
- Proper distribution of funds in the individual operations of the company

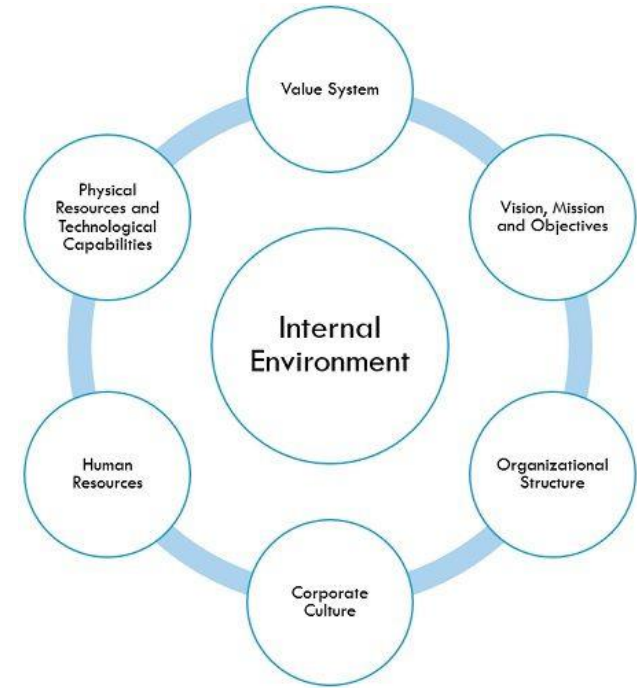
Natural resources. The natural resources of a company include the facilities and the mechanical equipment, the distribution mechanism but also the stocks of raw materials. Management should ensure that the production process is located in areas where there is a suitable supply of labor, safe supplies of raw materials and their availability.

Human resources. People working in a business are these resources.

The administration must organize the following:

- Providing necessary employees for the operation of the business
- Placing the right employees in the right places
- Provide incentives for effective performance
- Calculation of employee performance

Technological Resources. These refer to the level of technology applied in the business, Management must choose depending on the objectives and the level of capacity of human resources the technology to be applied.



Resources and Capabilities

Resources	Capabilities
<ul style="list-style-type: none"> • Distribution coverage • Financial capacity • Shared expertise with related business • Low-cost manufacturing and distribution systems • Production capacity • Ownership of raw material sources • Long-term supply contracts 	<ul style="list-style-type: none"> • Specialized knowledge • Customer service orientation • Design expertise • Application experience • Trade relationships • Ability to utilize relevant technologies • Systems design capability • Fast, flexible response capability

6. MARKET AND COMPETITION ANALYSIS

SWOT Analysis

The role of SWOT analysis is to gather information from the business environment. Exploring the indoor and outdoor environment is an important part of the strategic planning process. The internal environmental factors in the company can be classified as Strengths, or Weaknesses, and the external ones as Opportunities and Threats. SWOT Analysis is a strategic tool for understanding and making decisions about all kinds of situations, in companies and organizations. Only when these four critical pieces of information are well identified and processed is the company able to formulate and implement the strategy that will lead to the achievement of its professional goals.

Strengths	Weaknesses	Opportunities	Threats
<p>Possibilities:</p> <ol style="list-style-type: none"> 1. Patents? 2. Strong brand name? 3. Good reputation among customers? 4. Many product lines? 5. Broad market coverage? 6. Manufacturing competence? 7. Good marketing skills? 8. Good materials management systems? 9. R&D skills and leadership? 10. Information system competencies 11. Human resource competencies? 12. Brand name reputation? 13. Portfolio management skills? 14. Cost of differentiation advantage? 15. New-venture management expertise? 16. Appropriate management style? 17. Appropriate organizational structure? 18. Appropriate control systems? 19. Ability to manage strategic change? 20. Well-developed corporate strategy? 21. Good financial management? 22. Able to profit during pandemics? 	<p>Possibilities:</p> <ol style="list-style-type: none"> 1. Obsolete, narrow product lines? 2. Prone to loss during pandemics? 3. Rising manufacturing costs? 4. Decline in R&D innovations? 5. Poor marketing skills? 6. Poor materials management systems? 7. Poor reputation? 8. High cost structure? 9. Loss of customer good will? 10. Inadequate information systems? 11. Inadequate human resources? 12. Lack of access to distribution channels? 13. Lack of access to natural resources? 14. Loss of brand name capital? 15. Lack of patent protection? 16. Growth without direction? 17. Bad portfolio management? 18. Loss of corporate direction? 19. Infighting among divisions? 20. Loss of corporate control? 21. Inappropriate organizational structure and control systems? 22. High conflict and politics? 23. Poor financial management? 	<p>Possibilities:</p> <ol style="list-style-type: none"> 1. Expand core business(es)? 2. Exploit new market segments? 3. Arrival of new technologies? 4. Removal of international trade barriers? 5. Exploit unfulfilled customer need? 6. Widen new market segments? 7. Extend cost or differentiation advantage? 8. Diversify into new growth businesses? 9. Expand into foreign markets? 10. Apply R&D skills in new areas? 11. Enter new related businesses? 12. Vertically integrate forward? 13. Vertically integrate backward? 14. Enlarge corporate portfolio? 15. Overcome barriers to entry? 16. Reduce rivalry among competitors? 17. Make profitable new acquisitions? 18. Apply brand name capital in new areas? 19. Seek fast market growth? 20. Growth during pandemics? 	<p>Possibilities:</p> <ol style="list-style-type: none"> 1. Attacks on core business(es)? 2. Pandemics cause business interruption? 3. Increases in domestic competition? 4. Shift in consumer tastes? 5. Emergence of substitute products? 6. New regulations? 7. Increased trade barriers? 8. Increases in foreign competition? 9. Change in consumer taste? 10. Fall in barriers to entry? 11. Rise in new or substitute products? 12. Increase in industry rivalry? 13. New forms of industry competition? 14. Potential for takeover? 15. Existence for corporate raiders? 16. Increase in regional competition? 17. Changes in demographic factors? 18. Changes in economic factors? 19. Downturn in economy? 20. Rising labour costs? 21. Slower market growth?

The End

How do you assess yourself?

Do the quiz that follows!