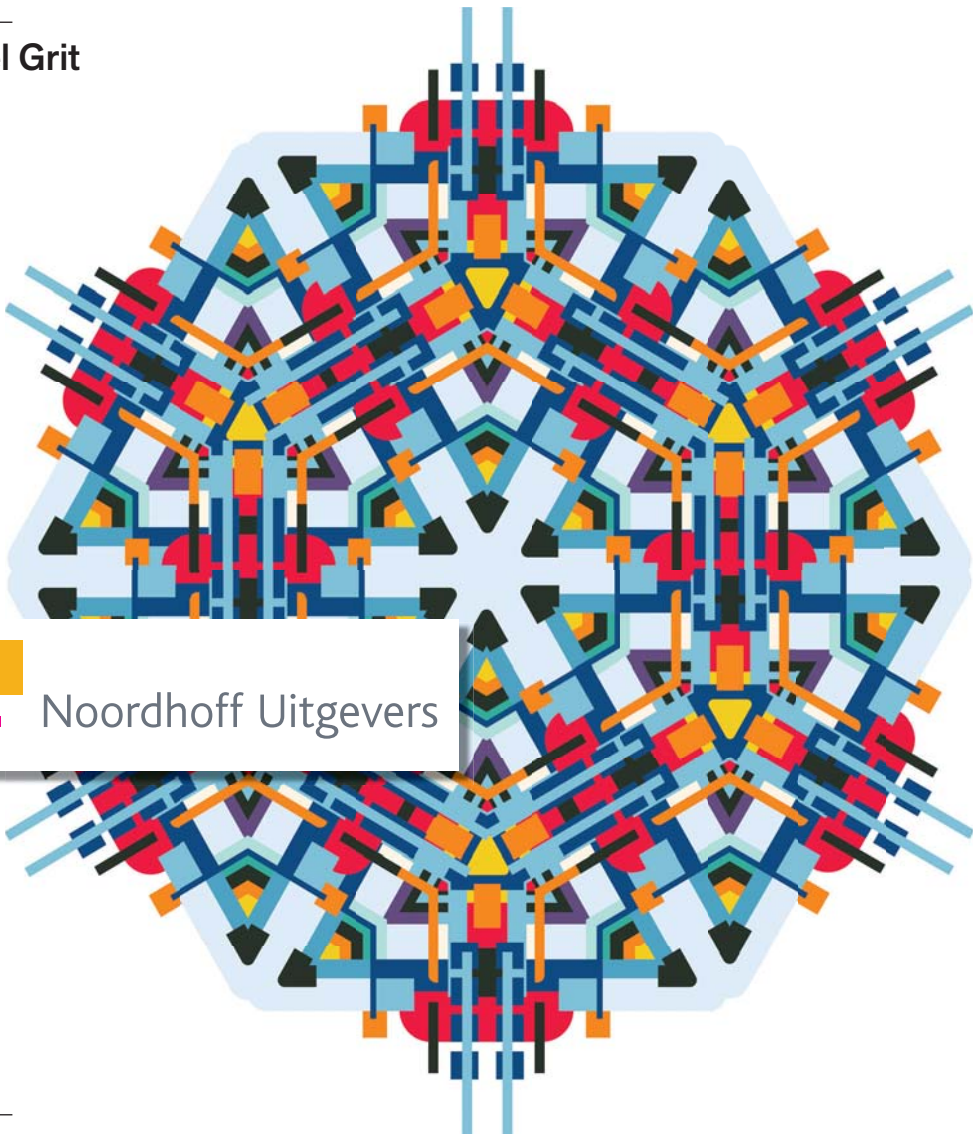


Making a...



business plan

Roel Grit



Noordhoff Uitgevers

Third edition

Making a business plan

Roel Grit

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Noordhoff Uitgevers Groningen/Houten

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Study guide

Each student in higher vocational education is expected to develop entrepreneurial qualities during his studies. Of course, this does not mean that each student will actually set up his own business. You also need entrepreneurial qualities when, after your graduation, you start working in an existing organization. That is why entrepreneurship is 'hot', not just in business, but also in education. As a student you come into contact with the ways an entrepreneur thinks and acts through study themes, projects, and writing business plans.

Making a business plan is a translation of a Dutch text book. It offers you a step-by-step approach to write a business plan on your own. For each step the necessary knowledge is explained briefly, after which you begin work using 'activities'. If necessary, you can consult additional literature.

Two kinds of assignments: activities and extra assignments. *Activities* have to be executed to complete the business plan for the company you want to establish eventually. Activities have been conveniently numbered, but the numbers do not indicate the exact order of implementation. Often you will execute some activities simultaneously, because they influence each other. Sometimes you have to come back to an activity, sometimes even to one from a previous step. A step-by-step plan should always be means to an end, never an end in its own right. *Extra activities* are not strictly necessary for the writing of your business plan, but they do provide a better understanding. You will find these at the end of a step.



The website www.makingabusinessplan.noordhoff.nl provides comprehensive support through spread sheet models, check lists, an entrepreneur test, useful hyperlinks for each stage of the step-by-step approach, and a MS Word model in which to write the plan. The website also offers material to teachers as well, such as a PowerPoint presentation for an introductory class, ideas for possible projects, and tips for organizing the teaching.

To enhance the readability of the book we use 'he' where of course 'she' could have been used as well. I hope this book will help you develop your entrepreneurial qualities and that it will help you enjoy making your own business plan!

January 2015
Roel Grit, Emmen

Changes in the third edition

Partly on the basis of user research results, several changes have been made to this edition.

- In addition to a number of changes to the text, some new concepts have been introduced and some outdated ones scrapped.
- As innovation is often an important factor for entrepreneurs (whether new to business or already established), the subject of innovation has been given greater prominence in this edition.
- In order to encourage the entrepreneur to start thinking about the financial feasibility of his enterprise, the revenue model (part of the business model concept) is now discussed earlier in the book, as part of Step 2.
- It is crucial for the entrepreneur to form a preliminary picture of his future enterprise. With this in mind, as part of Step 2, the entrepreneur is now asked to provide a so-called 'mini-description' of the enterprise that he is planning to start up.
- Social media such as Facebook and Twitter have become crucial marketing tools. This third edition provides some suggestions on how to use social media to enhance your customer profile.
- While an entrepreneur can buy his own computer programs, he should not overlook the possibilities offered by Internet-based software like cloud computing. Cloud computing is discussed as an alternative to acquiring your own software and hardware.
- As an alternative to a physical location in which customers shop, the entrepreneur could also launch an online shop. This edition deals with how to set up an online shop.
- While an entrepreneur could approach a bank to finance his enterprise, there are now other avenues available. This edition introduces the topic of crowdfunding and explains how to obtain capital without the need for a bank to be involved.

I would like to take this opportunity to thank the following people who have provided comments on this book: Ageeth Bergsma, Saskia Grit, Anita Grit, Ineke Nevels, Lynn Coleman, Hans van Onzen and Geert-Jan Sweers. Last but not least, I would also like to thank the teachers who provided feedback on this edition by taking part in the user survey.

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Eight steps towards ...



* Can be done at the same time.

making a business plan

Step 1: Knowing yourself as an entrepreneur

In step 1 you will research your own entrepreneurial qualities. What are your strengths and weaknesses? How will you work on your weaknesses? How can you best make use of your strengths?

Step 2: Developing your idea

After some brainstorming you decide what product you want to sell. Assess the feasibility of your idea. Then you set up the mission and goals of your business and draw up a brief description of your enterprise.

Step 3: Setting up your business

In this step you will not only decide on a name, but you will also decide on what legal form it will take and the premises of your company. You will also investigate the permits, rules, subsidies and insurances you may have to deal with.

Step 4: Researching your market

In step 4 you will answer questions such as: Who will your customers be? Who are your competitors? In what way will you offer your product or services? How will you approach your market?

Step 5: Deciding on promotion

In this step you will determine the ways in which you will appeal to customers.

Step 6: Organizing your business

You will start to shape your company. How will you organize a possible production process? What kind of ICT aids will you need, and how will you set up your accounting? You will also decide what kind of personnel you will need.

Step 7: Arranging your finances

In step 7 you will deal with questions such as: How much starting capital will you need? How will you procure this money? What does your opening balance sheet look like and what financial result can you expect? And, of course: how will you make it through this period financially?

Step 8: Implementing your plan

In this step you will set up the business plan. You will also present this plan to the bank. You must also make the important decision of 'go/no go'. This step contains all kinds of tips for after the start.



Before you start

Every year, around one hundred thousand people in the Netherlands decide to set up their own company. There may be a number of reasons for setting up your own company. Often the entrepreneur wants to be independent and make his own decisions. He no longer wants to be dependent on the whims of a boss who tells him what to do. Sometimes an entrepreneur has had a brilliant idea and has discovered a 'niche market' (or thinks he has) and wants to get rich quick. But setting up your own business entails risks as well. Every year thousands of companies – both big and small ones – go bankrupt (source: CBS – Dutch Central Bureau of Statistics).

Six years after being started, only half of new companies are still in operation. As in many other types of situations, it is best to 'look before you leap' when starting a new business.

The main thing is to first think carefully about the company you want to set up. If you want to set up a business, you will first have to make a *business plan*.

- You are not (legally) bound to write a business plan. An entrepreneur makes a business plan mainly for himself. He uses it to compose his thoughts and to force himself to reflect on the new business. The plan defines the business, as it were.
- If you need capital from a money-lender, such as a bank, you will need a business plan to convince this institution of the viability of the business. After all, a bank will not lend money to a company that will soon go bankrupt.
- A business plan may diminish the financial risks you are taking as an entrepreneur.

This book explains the eight steps needed in making and implementing a business plan (see the overview on the previous page).

You, an entrepreneur?

All higher vocational education students are expected to possess entrepreneurial qualities at the end of their studies. Of course, this does not mean that every student will actually set up his own business. You also need entrepreneurial qualities if you start working in an organization after successfully completing your studies. Anyone participating at a higher level must be able to implement his own ideas independently within that organization. In this way you become an 'entrepreneur within the enterprise'.

Using this book

This book can be used in a number of different ways.

- You can use it when starting a new business. If you write your business plan according to the steps described in this book, you are likely to overlook little and you will have a greater chance of succeeding. This book was written for different types of companies, from fitness centres

to freelancers and from production companies to accounting firms. Depending on the type of business you wish to start, you can probably skip some of the activities. The same applies to the extra assignments that are specially designed for educational settings.

- The writing of a business plan can be used within an educational setting to introduce business processes, such as during the first year of a degree. You can work as a group to write a business plan as an assignment. In many cases, you can decide as a group the type of business you want to start. Writing a business plan as a team familiarizes you with different aspects of a business. It is also a fun way to learn entrepreneurial and innovative thinking.
- Some educational programs allow you to participate in ‘learning companies’, ‘student companies’ and other types of learning methods that require you to set up your own company. This book can help you to start up your company successfully and learn a great deal in the process.
- Some students want to become entrepreneurs after they finish their studies. They devote the last period of their studies to writing a business plan, often as their thesis project.



The website accompanying this book contains a variety of practical tools that can be downloaded, not only for the ‘entrepreneurs’, but also for instructors.

Who will you be dealing with?

It is quite a job to make a business plan. It is advisable to consult various experts and organizations for advice along the way. As a future entrepreneur you will be dealing with various third parties, such as:

- The *bank*, or another financier. On their websites, banks often provide useful information to entrepreneurs. Banks also give advice to starters with brochures and special information days. A bank employee may also give you personal advice in a private conversation. Without a sound business plan, banks will usually not provide funds (loans). Instead of borrowing money from a bank, you could consider crowdfunding to get the capital you need to start your enterprise. But for this too, a sound business plan is essential.
- The *Chamber of Commerce*. Apart from information on their websites, these organizations have information packages for starters and also organize special information meetings. Before starting his business, an entrepreneur is required by law to register it in the Company Register which is managed by the Chamber of Commerce.
- The *tax authorities*. All entrepreneurs must pay taxes such as VAT, income taxes and corporate income tax. The tax authorities have special brochures for starters, but can also provide personal advice.
- The *government*. The government lays down all kinds of laws affecting entrepreneurs. The city council grants permits, for example. In some cases the authorities grant subsidies to stimulate employment in certain regions.
- A joint arrangement between the government, the Tax Office and the Chamber of Commerce has led to the creation of the Dutch Ondernemersplein as a forum for entrepreneurs. That forum’s website provides information relating to such matters as legislation, taxation, subsidies, regional branches and the trade register.

- Your future *customer*. In the future, he will purchase your product or services. To prevent disappointment, you, as entrepreneur, should listen carefully to the customer and know what he wants.
- *Suppliers*. If you are going to manufacture a product, future *suppliers* can also give advice.
- *A fellow-entrepreneur*. Someone with a prospering business will not only be able to point out pitfalls, but can also tell you the things you must do. A conversation with someone who was not successful and went bankrupt can teach you the things you should *not* do.
- *Some business sectors* – also called branches of trade, have so-called *trade associations* which can offer advice. You can check the website of a Chamber of Commerce for a possible trade association for your line of business.
- During your studies you can attend meetings in which *guest speakers* provide information.

TIP



For this book there is a special website, www.makingabusinessplan.noordhoff.nl, with various tools you can use in making your business plan.

Innovation

Innovation is the process of creating something new. Whether it is a new or an already established enterprise, success depends on being innovative. This is not to say that businesses need to be constantly engaged in the process of thinking up new products or services. Businesses can be innovative in any number of different ways. Their innovations can extend to the following:

- *Products and services*. The business improves on what it offers to customers.
- *Marketing*. The business might develop a new market for an existing product or change the way it approaches the existing market.
- *Technology*. Here, innovation could either be to the technologies that the business uses or plans to use or to the production process, and include the application of new information and communication technology (ICT) or innovative ways of collaborating with suppliers.
- *Processes*. Innovation in this area includes not only innovation of internal processes but also the processes that take place between the business and its suppliers, or innovation of the organizational aspects associated with the process. It could also include the process of developing new products.

Innovation should never be an end in itself. It should be a means to achieving organizational goals. Innovative thinking is essential if the organization is to maintain its performance and remain on its toes. Innovation depends on the business being in touch and staying in touch with developments and trends within its sector. The area that you should focus on will depend on the situation. The government is keen for Dutch businesses to be as innovative as possible and offers subsidies

or tax incentives as a carrot. Your start-up might well qualify (see www.ondernemersplein.nl). Advisors are available to help you get a subsidy.

Sustainable business

As an entrepreneur you are not alone in the world. Your company is part of society. Of course, you want to make a profit. What you as an entrepreneur do within your company affects other people and the environment. To alert entrepreneurs to their responsibilities, the government stimulates sustainable business and sometimes enforces it with laws. A socially conscious entrepreneur goes even further than the law demands. In everything he does, he consciously or unconsciously takes into account the three P's: People, Planet and Profit.

People

For sustainable business an entrepreneur must always bear people in mind. Within the company he is not only concerned with promoting the health of his staff, but also with education and the personal development of his employees. Employee participation, good manners and a pleasant working environment are all part of this.

In the outside world the focus is on hiring underprivileged groups – such as foreigners, returners to the workforce, and the handicapped – but also on providing trainee posts. When buying in, you are concerned with the working conditions under which these products have been manufactured, including child labour, for example.

Planet

A 'sustainable entrepreneur' is concerned about nature and the environment. In your company you do your utmost to conserve energy, to separate waste products, and to produce in an animal friendly manner. You not only try to fight the pollution of water, air and soil, but also sound pollution. Furthermore, you conserve your raw materials by improving your products or making them recyclable.

Profit

The business does not only generate income for the entrepreneur, but also for the employees and suppliers. Sustainable business is not geared to fast, personal profits but to long-term profits and continuity. The entrepreneur strives for a healthy financial position. He invests in people and regularly contributes financially to social projects.

TIP

For all activities an entrepreneur should bear in mind the three P's of conducting sustainable business.

Writing a business plan step by step

Setting up a business can be approached as a project. This means using a number of project characteristics, such as a starting moment, end moment, project organization and budget. A project is often divided into phases or, as is the case with this book, into eight steps. This book pro-

vides a phased plan for setting up a business. This step-by-step plan is shown schematically and explained (see pages 6 and 7). When working with project management and setting up a business, it is important to think in terms of ‘products’. These do not necessarily have to be physical products but could also be documents or agreements. Every step in this book yields one or more products. Figure 1 below lists the most important products resulting from each step.

fig 1 Important products of the step-by-step plan

	Step	Important products
0	Before you start	Project team, planning, various agreements, log, archive
1	Knowing yourself as an entrepreneur	Overview of your entrepreneurial qualities, curriculum vitae
2	Developing your idea	Global product description, global market description, global description of the ‘production process’ or service provision process, global description of feasibility, mission, vision, goals, a brief description of your proposed business
3	Setting up your business	Trading name, legal form, business premises, permits, general conditions, registration with Chamber of Commerce and tax authorities, important information
4	Researching your market	SWOT analysis, marketing strategy
5	Deciding on promotion	Target groups, corporate design, promotion and promotional plan
6	Organizing your business	Description of production or service provision process, automation and accounting tools, bank account, personnel plan, organizational form
7	Arranging your finances	Cost price of product or service, expected turnover, investment budget, financing plan, opening balance, profit-and-loss budget, cash budget, scenarios and personal expenses budget, profit estimate
8	Implementing your plan	Business plan, presentation of plan

To ensure a successful business, you need to monitor the quality of the products listed above. One way to do this is to ask others for advice, such as the bank, Chamber of Commerce or an experienced entrepreneur.

Contents of your business plan

By implementing the eight steps in this book you gather information for your business plan. To give you an idea of what your business plan will look like, we show the table of contents here (see figure 2). This table of contents does not completely match the eight steps. In the final step – step 8 – we explain how to assemble your complete business plan.

fig 2

Contents of business plan



Here is a brief description of the contents.

1 Company

This chapter contains some commercial data, a description of your product, your mission and goals, the premises and the selected legal form. It also contains a description of your entrepreneurial qualities.

2 Market

You give an analysis of your line of business, your customers, competitors and suppliers, and the distribution of your product. The activities in this chapter result in a strategy for placing your product in the market.

3 Promotion

You explain how you will inform potential customers about your company and what products you plan to offer. Some promotional tools are publicity and a website.

4 Organization

You explain how you plan to organize the processes in your company. For example, how you plan to set up your production process, what staff you need, and how you will set up your accounting and administration.

5 Finances

Using a proceeds forecast, you will present an accurate financial overview, containing amongst other things: what you have to invest and how you plan to finance it. You also make various budgets and try to estimate your earnings as entrepreneur in the long run.

6 Appendices

There can be various appendices to a business plan, such as your own curriculum vitae, provisional leases and general conditions of your company.

Not all chapters of the business plan will be lengthy. Step 8 shows an exact division in paragraphs and chapters (see figure 17).

TIP

- Make your business plan mainly for yourself and not just for your financiers!
- Do not try to fool the bank with your business plan. Be honest and realistic. A bank is willing to lend money, but if they do not like your business plan, there may be something wrong with it.
- Gather as much information as possible: talk to people, visit websites containing business information, or go to a starter's meeting of the Chamber of Commerce or a bank and visit the comprehensive website for the tax authorities.

ACTIVITY 0-1



Get organized

You are going to make a business plan. The various activities in this book make up the ingredients of this plan. In step 8 you will use them to complete the business plan.

- a** Study this book. Read through all the steps to gain an impression of what lies ahead.
- b** Make a planning of the activities needed. On the website you will find a *planning form*.
- c** If you work in a team, come to an agreement about the *weekly report* (see the website).
- d** Create a *file* containing parts that will end up in your business plan.
- e** Create a *log* for extraneous matters. If you work in a team they can be schedules, agendas and minutes, for example.
- f** If working in a team, decide on who will manage the *archive* and log and where your computer files will be stored.

ACTIVITY 0-2



Keep a time sheet

As a beginning entrepreneur you can get a tax advantage in the form of a start-up allowance and independent's allowance. You will only be eligible for this if you put in the prescribed number of hours per for every calendar year in your company. That is why you must keep up a *time sheet*. Make sure to not only keep track of 'billable hours', but also all hours you spend working on your business.

On the website there is a form for such a time sheet.

Looking for information: the Big 6

The 'Big6' is an approach developed by educators Eisenberg and Berkowitz for gathering and processing information. You can use this approach for most steps in this book. According to the Big6 system, the following six actions are key:

- 1 Define your task. Determine your information problem. Determine what information you need to resolve the problem.
- 2 Choose an info-seeking strategy. Determine which sources of information you might be able to use. Select the best sources.

- 3 Track down sources of information. Locate the sources and find the information. Examples of sources are literature, the Internet, experts and specialized databases.
- 4 Process the information. Is the information that you found usable? Select the most suitable information. How are you going to use the information? Is the information reliable and relevant?
- 5 Organize and combine the information from different sources. Present the information.
- 6 Evaluate. Determine whether the information ultimately selected corresponds to the original task. Can it be better? Can it be more efficient? Revise your task if necessary.

ACTIVITY 0-3



Gather information

- a** Make appointments with people to talk to and state what kind of information you expect to receive.
- b** Conduct the conversations and make notes. Process these in a report for yourself.
- c** If necessary, attend a starter's meeting organized by a Chamber of Commerce. At the very least, visit their website.
- d** Download the Starters package for entrepreneurs from the tax authorities website, found under 'Business'. It contains much useful information.
- e** Use of other online sources. The website accompanying this book contains useful links for every step.

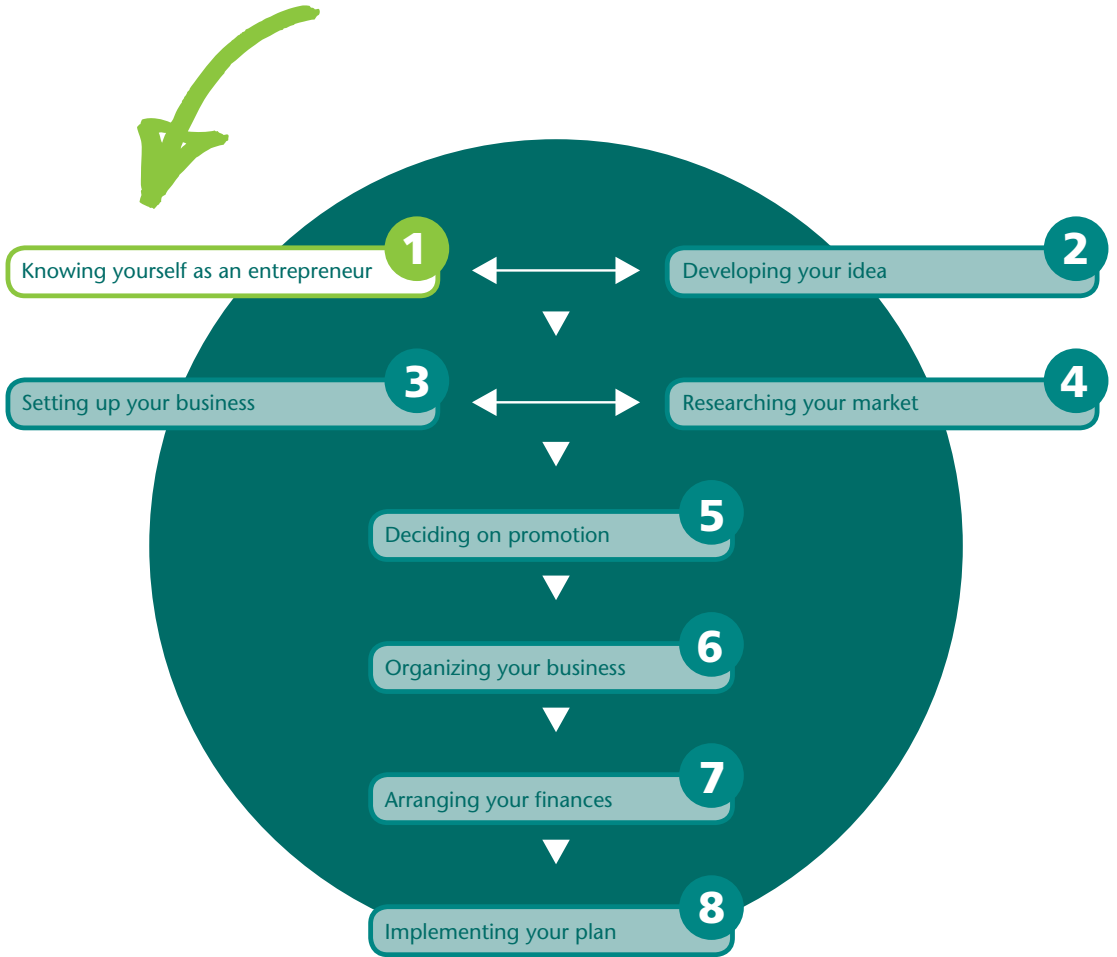
Extra assignments

The extra assignments in this book are intended to better familiarize you with the information in this step. They can be skipped when actually writing your business plan. Otherwise, you can conduct your own research or use the supplementary literature.

- 1 What are the responsibilities of a Chamber of Commerce?
- 2 Visit the website of the trade association that pertains to your company. What can this association mean to you?
- 3 Visit the tax authorities' website to find out what taxes an entrepreneur will have to pay.
- 4 Search the tax authorities' website for tax advantages an entrepreneur may expect to receive.
- 5 View your competitors' websites. What do you notice?

1

Knowing yourself as an entrepreneur



An *entrepreneur* is someone with a business who works for himself and at his own risk. When things go well with the business, the entrepreneur reaps the benefits. When things go badly, the entrepreneur also bears all the risk. A good entrepreneur must possess a number of entrepreneurial qualities. A student is also expected to possess a number of entrepreneurial qualities. Of course, this does not mean that you, as a student, plan to start your own business. You need entrepreneurial qualities when after graduating you start working within an existing organization. As a graduate you – certainly in a management position – will have to be able to work out your own ideas.

The first step in our step-by-step plan provides an insight into which qualities – *competencies* – an entrepreneur must have and the qualities you yourself possess. If you lack important competencies you must do something to compensate for that. If you do not have financial insight you can employ a financial advisor or a bookkeeper, for example. Or you ensure that you get the knowhow by following a course. Having the right competences often determines whether or not you can succeed as an entrepreneur. If you make the business plan together with others, it is important to make an inventory of the competencies of the various team members. If important competencies are lacking in your team, you must make up for those.

You can execute steps 1 and 2 of the step-by-step plan simultaneously, or even change them around.

Types of entrepreneur

There may be various reasons for wanting to become an entrepreneur or writing a business plan:

- You have discovered a ‘gap in the market’ and you are chafing at the bit. You want to start selling your product or service.
- You want to be independent and not have a boss ‘above’ you.
- An attractive opportunity presents itself. For example, those beautiful premises in that wonderful location are suddenly available and you envision starting a business there.
- There is a suitable business for sale from an entrepreneur who wants to retire.
- You have been made redundant and find it hard to find another job. You want to mobilize your qualities and are more or less forced to become an entrepreneur.
- You are taking over a company from your parents.
- You are a student and must write a business plan for your studies in order to develop your entrepreneurial qualities.

Entrepreneurs can be divided in a number of types. Below is a division (free after Mulder & Ten Cate, 2006), in which each type is a caricature of reality. An entrepreneur possesses the characteristics of a number of these types.

The salesman

The salesman is a good talker, likes to associate with people and has an extended social network. He sees the gap in the market and thinks in terms of turnover. He knows the needs of his customer and often tries to

create win-win situations. He is enthusiastic, dislikes conflicts and does not like criticism. He avoids making tough decisions that can damage others.

The inventor

The inventor is innovative and therefore always likes being involved with new things constantly. He is a specialist and knows what goes on in his field of expertise. Most often he is an individualist who likes to excel in his profession. Some inventors are such perfectionists that they keep on improving their idea endlessly. The inventor does not listen to the customer very well, is product orientated and does not like petty rules. Money is a side issue to him and he is a poor bookkeeper.

The refugee

This entrepreneur feels he is forced by circumstance into starting his own business. To him, being an entrepreneur is second best. He has been made redundant or does not get on well with his boss.

The visionary

The visionary is an entrepreneur who knows his line of business well, loves his company, and sees new possibilities for the future. He loves being a pioneer and innovator and often is very good at imagining how things are 'going to be'. Recognition is important to him. His employees respect him and he stimulates them to work hard for the company.

The manager

This entrepreneur has often been trained as a manager, through study or courses. He tries to maintain the big picture of his business, reads management books, loves planning and is businesslike. In his striving for order the manager finds rules and procedures important. The manager does not like changes because that means deviating from his rules. He is often deeply involved in his career. He strives for an efficient business with opportunities for growth, even if that means having to let personnel go. He tells his employees what to do and calls them to account for their mistakes. Often he is not very popular with his staff.

The investor

The investor regards his business mainly as an investment that has to generate profit. Often he has invested his own money in the business. He is businesslike and has little consideration for his staff. Sometimes the investor sees his business as a game, but money – as well as power – are important to him.

The successor

This type of entrepreneur has not always chosen to be an entrepreneur. He has taken over the business from a relative or from his former employer. He has known the company for many years and has gradually worked his way up in it. In the initial phase he takes advice from the former entrepreneur but can also be bothered by him.

Special entrepreneurs

One special entrepreneur is the *self-employed entrepreneur without personnel*. Often he is a specialist who no longer works for a boss. He is

independent and hires himself out to companies as a *freelancer*. He has more freedom and makes more money by the hour than with his former boss, but also runs more risks if and when the economy slows down. According to Dutch law a self-employed entrepreneur without personnel is just another entrepreneur, with the same obligations such as doing the accounting and registering with a Chamber of Commerce and the tax authorities. As a self-employed entrepreneur without personnel or a freelancer, it is important for both you and your client that you are designated as an entrepreneur by the tax authorities. There are all kinds of financial consequences to entrepreneurship, including a number of tax advantages. When you apply for a Declaration of Employment Status (abbreviated as VAR in the Netherlands), it will quickly become clear whether or not you are considered an entrepreneur. You can also join an organization that promotes the interests of freelancers (such as the *FNV Zelfstandigen* in the Netherlands).

In literature, the French term *entrepreneur* is sometimes used for an entrepreneur who is innovative. Innovation means renewal. That does not only have to apply to the product of the company. The way in which customers are approached (marketing) can also be innovative.

When you start a business during your studies, you are a *student entrepreneur*. The advantages of being a student entrepreneur are that you are used to making do with little money and can use the knowledge of your training college. Furthermore, students have few or no financial or any other obligations. Because they are usually not married and have no children they can invest a lot of time in the new business. Usually students are open to new ideas and can come up with creative solutions because they are not set in their ways. One risk is that they may neglect their studies.

A *techno starter* is a starting entrepreneur with an innovative technical product or service. Often a techno starter has to invest a lot in the setting up of the business, and it can take very long before profits are generated. Techno starters may be eligible for subsidies or innovation credit. They often work together with polytechnics or universities and settle in the neighbourhood or on the grounds of these institutes. In many regions there are organizations that bring together lenders and techno starters. For more information contact the Chamber of Commerce.

Entrepreneurial qualities

Before you start a business, you must be aware of your own qualities and weaknesses. It is important to know what you are good at and what you are not so good or poor at. This concerns matters such as knowledge, skills and competencies. If you have weak points that may hinder the setting up and leading of a business, you must ask yourself how you can improve on these weak points. Money-lenders will want to know that from you as well.

As an entrepreneur you are the centre of your company. You decide what happens and what does not. This asks a lot of your personal qualities. It is very important for you to take a real good look at yourself. On the Internet, you can find different tests to check yourself. One extended

test is the *E-scan entrepreneur* test, which was developed on the basis of scientific research (Driessen, 2005, 2008). The test focuses on a (limited) number of entrepreneurial qualities, which are reviewed briefly below.

Creativity

A good entrepreneur thinks in terms of chances and possibilities. When things go wrong, he is creative in thinking up new ways of keeping his customers satisfied or in bringing in new customers. A creative entrepreneur can use a problem to create a new opportunity and he sees possibilities others do not see.

Market-oriented

A good entrepreneur puts his customer first and listens to him closely. He is market-oriented, focuses on a limited target group and knows the demands of this group. He also knows the competition. Entrepreneurs who do not think from their customer's point of view, but from their product, for example, have little chance of success.

Independence

For starting entrepreneurs the freedom of being able to make their own decisions is often an important motivation. Independence is also a very important ingredient for becoming a successful entrepreneur. This involves matters such as the independent solving of problems and making decisions independently. Independence also means being responsible, for example, for your personnel or to your money-lender.

Social orientation

As an entrepreneur you have to deal with various persons: customers, employees, suppliers and civil servants. A good enterprise is socially oriented (directed towards others) and makes contacts easily. An entrepreneur needs his social contacts – his network – to attain his business goals. If you have problems making contacts, you are less suited to become an entrepreneur.

Dominance

If you are dominant, you want control over others. You want to dominate and make decisions. As an independent entrepreneur you are the boss of your employees. As boss you must be able and want to be dominant, not modest or introverted. As boss you must lead a team and let people know you are there. You must be able to motivate your staff to cooperate so you can reach what you want with your business. If you do not like to step in the limelight, you are less suited to becoming an entrepreneur.

Effectiveness

You are effective when you are capable of reaching your goals: what you do has an effect. Another word for effectiveness is efficiency. A successful entrepreneur believes in himself. He is independent, self-confident and knows how to set his goals. And he is convinced he can attain these goals.

Perseverance

Sometimes things go wrong, sometimes things go well. An entrepreneur will face adversity regularly. If you cannot handle this and tend to

give up quickly, you have little chance of success. Perseverance as well as self-discipline are important qualities for an entrepreneur. If you like taking the easy way and do not possess self-discipline, you have little chance of succeeding as an entrepreneur.

Adaptability

The competition does not sit still and the customer always has new demands. In earlier times an entrepreneur could produce and sell the same product in exactly the same way for years on end. Nowadays adaptation is a constant. That is why adaptability (flexibility) is an important entrepreneurial quality.

Risk taking

It is nonsense that entrepreneurs like taking *risks*. A good entrepreneur can deal with uncertainty, but will always try to limit the risks threatening his business whenever possible. A good entrepreneur has guts and is willing to accept the risks involved in making use of a new opportunity. A few more important entrepreneurial qualities are, for example, negotiating talent, organizational talent, knowing the line of business, a sense of reality, financial insight, administrative knowledge, judgment of human character, power of persuasion and expertise.

ACTIVITY 1-1



Investigate your entrepreneurial qualities

- a** Take the E-scan *entrepreneurship test* and one or more of the other entrepreneur tests available on the Internet.
- b** Download the 'Entrepreneurial qualities' form from the website and fill it in.
- c** List your strong points as an entrepreneur.
- d** List your poorer and weak points as an entrepreneur.
- e** Explain how you plan to compensate for or improve on less strong points.

TIP

This kind of test has limited reliability. To determine your entrepreneurial qualities you can also take a critical look at yourself or ask people around you what they think of you.

Curriculum Vitae entrepreneur

A *curriculum vitae* (CV) is a document that is usually sent in for a job application. It contains a systematic enumeration of your personal details, such as name and address. Your CV will also contain your schooling and the courses you took and, of course, your work experience and work placements.

Incorporate a number of extra issues in the 'CV entrepreneur' in your business plan, such as your financial situation, your motives for wanting to set up a business, and the information about your entrepreneurial qualities. Summing-up, your curriculum vitae must contain the following items:

- personal data
- completed schooling
- diplomas
- relevant experience
- motives for wanting to start as an entrepreneur
- personal strong entrepreneurial qualities
- personal less strong entrepreneurial qualities
- how you will deal with these less strong entrepreneurial qualities
- your financial situation, including properties and debts

ACTIVITY 1-2



Make a curriculum vitae

- Make a CV of yourself. On the website you will find a checklist for making one.
- Keep the completed CV to use as an appendix to your business plan.
- Using your CV, make a summary of your motives for wanting to start, your strong and less strong entrepreneurial qualities, and how you plan to deal with your less strong points. This summary will be included in chapter 1 of your business plan.

If you plan to start a business with others in a team, each of you will have to make their own CV. As a supplementary part, your business plan will contain information on how you think you will compensate for each other's less strong qualities.

ACTIVITY 1-3



Put together a survey of the entrepreneurial qualities of your team

- Assemble all the CV's of your team.
- Explain how you plan to compensate for each other's less strong qualities within the team. This summary will be included in chapter 1 of your business plan.

TIP

Doing business is time- and energy-consuming: you are not a part-time entrepreneur. Implement time management!

TIP

You could consider using LinkedIn (www.linkedin.com) to make yourself known to the wider community broader as a professional or entrepreneur. This involves creating an electronic account and using it to publish a CV targeted at interested parties. (See also Step 5, p. 68.)

Extra assignments

- 1** Entrepreneurs can apply for a Declaration of Employment Status (VAR).
 - a** Find out what the advantages are of applying for a VAR.
 - b** Where do you apply for a VAR and how long is it valid?
 - c** What types of VAR are there and how do they differ?
- 2** If you are making a business plan as a team, you can use the Belbin test to determine the different team roles present in your group.
 - a** Find this test online and have every team member take it.
 - b** Discuss the results as a group.