



Company Foundation 1/5

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Preliminary remarks

Most of the modules in your degree programme conclude with a written exam or a similar examination after you have worked through the study letters. The Business Start-up module is different in this respect. This module is about developing a marketable business idea and putting it down on paper. The goal is to have created a complete business plan at the end. A business plan should have a modular structure.

Editing instructions

In some places you will move faster, in others slower, especially when you need to gather information. That is why it is important to make a project plan in advance. For example, the network planning technique, a popular tool in project management, could be very helpful. In any case, plan enough time and buffer so that you can work through the last steps as carefully as the first ones.

You will find in the course of working on the business plan that you have to create many tables in which figures have to be defined for the individual months throughout the year. Your work will be greatly facilitated if you create all the tables with a spreadsheet software. This way you avoid calculation errors and keep track of everything.

In the end, your business plan will be very individual, as your company, in your location, planned in your way and with your management structure will not exist a second time. Therefore, it is not advisable to orientate yourself too much on already existing business plans. Nevertheless, it makes sense to look at one or two examples for inspiration.

1 Introduction to the topic and basics of a business plan

Learning Objectives Chapter 1:

- you know what a business plan is,
- you know in which situation a business plan is created,
- know different occasions and motives for a business plan,
- you know how a business plan is structured.
- you should develop an idea of what kind of business plan you want to develop.
- get a first overview of the individual modules of a business plan

1.1 What is a business plan

The **business plan is a tool to develop a business concept**. The business concept defines the strategic goals and operational issues that make a company successful. In order to achieve this, the business plan instrument is used as a procedure with the help of which a certain result can be generated. In order to develop a business concept in its conceptual, legal, organisational, personnel, prognostic, operational and financial dimensions, the business plan is developed with its individual modules. The conceptual view of the entrepreneur must ensure the integration of the modules. A medium-sized enterprise is a holistic and complex entity.

The business plan is increasingly gaining acceptance in the economy as an instrument for the successful implementation of business plans. Business plans were used in the USA at the beginning of the 19th century as a tool for acquiring capital from private investors and venture capitalists who wanted to invest in a company with equity capital. Today, the business plan is considered a business concept without which entrepreneurial activities can no longer be entered into.

Business plans have been increasingly used as assessment tools in the context of **start-up offensives** in Germany for years. They are designed to get to the heart of the most important economic facts. Project-related business plans, e.g. for company expansions or new business branches, have long been used in large companies and also in SMEs for bidding and investment decisions. In economically strained times, the importance attributed to business plans is growing. "Good" business plans can prevent bad investments from being made. In this respect, the business plan can be used as a targeted instrument.

The business plan should describe the enterprise and business concept convincingly in terms of content, professionally competently and with economic expertise. This must be done from the perspective of an entrepreneur. The **entrepreneur** is a person who wants to carry out a commercial or freelance activity independently and with economic success. It must be directed towards sustainability and growth. It is carried out in economic life under competitive conditions. It has not only an intention to generate income, but also an intention to make a profit. The entrepreneur can be a natural or legal person.

A business plan is essentially about the conception of a successful business idea. This includes selling the business concept itself. It is particularly important to pay attention to the specific industry conditions and market requirements, which must be named in the market analysis and in the plan.

Business plans have different motivations. They are needed for different **occasions** and types of business. Depending on the purpose, these particular requirements must be addressed. The occasions are based on different motives and reasons.

Typical motives and occasions for business plans:

1. Business plans for setting up a company
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2. Business plans for company takeovers
(family succession / company acquisition)
3. Business plans for franchising
4. Business plans for operational business concepts

All business plans have in common that they should justify the **prospects of success** of the business idea in the market. Moreover, they should be written and composed in such a way that they are convincing. After all, the intention is to start a business, take over one or expand it in operation. To do this, the decision-makers or lenders need solid basic data. The business plan should provide this.

Justification of the likelihood of success:

- a) Substantive justification:
The business concept must be marketable, plausible and realistic; it must be substantiated in terms of content.
- b) Convincing presentation: The business concept must be presented in a self-confident, qualified and competent manner, it must be convincing.

The business plan must make and justify the most important assumptions for the implementation of the business concept. It must describe which business goals are aimed at and how the goals can be achieved. It must seek to grasp the opportunities and risks of the enterprise in competition.

The business plan represents a self-presentation of the person who prepares it and who presents it.



Note: A business plan is a holistic concept of a business idea. It must combine the individual economic facts into a common whole. A company only works if the individual parts fit together.



This means:

The service description must define the offer, set the price and determine the quality. This simultaneously defines the target customers and makes decisions for marketing. The sales price must take into account the market price and the cost price. The market forecast lays the foundations for the sales targets. With the financial planning, it is determined what the capital structure of the company should look like and to what extent investments can be made. With the planned profit and loss account (P&L), the economic success is planned. Finally, it must be stated how the liquidity of the enterprise is to be ensured in the "best case" and "worst case".

The business plan is a tool. The modules in the business plan function according to the principle of "communicating tubes". Every change has effects on the other parts. Without a precise definition of the service, no precise sales planning is possible. Without a definition of the target customers, no marketing plan can be drawn up. Without knowledge of the market, competitors remain unknown. The special challenge is to conceptualise the inner context of a successful company.

Professionalisation

The development of a business plan aims to increase the level of professionalisation. By engaging in this process of systematically working out the modules according to this manual, the entrepreneur develops the most important areas of knowledge that are indispensable for setting up and running a business in a particular market segment. This minimum of know-how is necessary in competition in order to be able to withstand the strategies

of the market currently and in the long run. The instrument of professionalisation is universal and can serve as a basic competence for the exercise of professional technical and managerial tasks.

1.2 How to make a business plan convincing?

1.2.1 Basic and optical requirements

The business plan must describe the way to **achieve the goals**. It must indicate how the business goals can be led to success. The "what" must be defined. The "how" must be described. It must become apparent how the hurdles will be overcome and how the business concept can hold its own in competition. The most important goal of a business plan is to present in writing how a business can be realised in reality. The criteria of the assessment will have to be measured against this reality.

First, the business plan should be **visually** appealing. It should be written in such a way that it appeals to a third party (managing director, investor, loan officer, business promoter or assessor) in its presentation and form. Basically, the business plan is an application. It is about a business that is to be developed and marketed. Self-marketing starts with the concept. Therefore, the logo or signet, the company name or a concise slogan as the title page of the business plan are the ticket to success.

When it comes to self-promotion, **self-presentation** and **appearance** have a high charisma. They have an emotional effect and engage the evaluator positively - or negatively. The first impression with a business plan makes a profound impression, psychologically speaking. A picture often says more than a thousand words can describe.

1.2.2 Conceptual requirements

The business plan must be **conceptually** convincing and **technically correct**. The concept is a formulated, intellectual construct that attempts to capture the opportunities and risks of a business idea. The business concept as a whole must therefore show a common thread. Every business concept and every enterprise needs a target perspective and thus a strategic orientation. The concept must indicate how the goals are to be operationally implemented in reality. It must be shown with which organisation and with which people the business goals can be achieved. This can only be achieved by those who know their products and services well, have developed them to market maturity and have dealt intensively with the market and especially with competitors. The concept is therefore about setting out how the business is to be implemented from a technical and business management point of view. A business concept begins with the "business idea" and describes the economic and financial implementation.

1.2.3 Market maturity and marketability

A business idea must be developed until it is **ready for the market**. It must be up to date so that it can become marketable. A business idea is marketable when it can successfully assert itself in the market. The services offered must reflect the current state of knowledge. Today, it is hardly enough to put "old wine in new bottles". In the global knowledge society, topicality is crucial.

For example, the **service description** must indicate that the type of product or service meets the quality requirements and customer wishes "today". The service description can be understood as the "food and drink menu" in an excellent restaurant. It simply and clearly defines the offer in terms of image, type, quality, quantity, unique selling points, price and customer orientation. It is about the value proposition to the customer. This should be appropriate to the offer and the target customer in terms of price-performance ratio.

A business plan is ready for the market when it is so well developed that it can compete with the competition. It is marketable when it can keep up with the competition.

1.2.4 Factual requirements

The business plan must be factually **correct**. The requirements for the business concept must soundly describe the current state of know-how in the market. The individual modules of the business plan must be evaluated in terms of content. The data, facts and figures must also be related to each other in the business plan. The individual modules represent the inner context of the overall concept.

The assumptions and statements in a business plan must be justified and, if possible, substantiated. If analyses or scientific statements are involved, sources, literature or internet data must be cited. Sources must always be cited. Experiential knowledge from the market can be presented as such. This documents background knowledge and creates reputation. It creates respectability and shows that the entrepreneur is serious.

The quantitative information and figures, in particular the business plan with sales forecast, investment, financial, turnover, cost and liquidity planning must be arithmetically correct.

1.2.5 Plausibility, comprehensibility, realism

The business plan is **not a scientific treatise**, but an **economic concept**. The difference is that it is not about a scientific question or a theoretical interest in knowledge, but about the entrepreneurial challenge of developing a business idea in such a way that a successful company can emerge from it or be continued in the case of a company takeover. Therefore, the criteria of plausibility, comprehensibility and realism are of decisive importance for the evaluation of business plans.

With an economic concept, it is important to recognise the opportunities and risks of the business concept in order to be able to make the right decisions as an entrepreneur. In this sense, success is to be seen as the "sum of right decisions".

Since there is not only one reality, but always several views of reality apply, the final evaluation of a business plan - despite all objectivity - always also represents a subjective view. This view is of particular interest, since third parties are always involved in every business plan. If the business plan is convincing, the decision-makers, whether they are the managing director of a company, the loan officer at the bank, the investor, a business promoter or the expert, will be able to understand and confirm this.

- **Plausible** means it must be acceptable, plausible and comprehensible to a third party. The assumptions must be acceptable, for example, the sales forecast should be able to explain why a certain customer or target group can and is likely to buy a certain amount of products in a certain time.
- **Comprehensible** means that a third party can see and understand something in writing, graphically, mathematically and/or in tabular form, i.e. in text form. For example, it is comprehensible if a company presents and elaborates its unique selling propositions in comparison to competitors.
- **Realistic** means that it must correspond to reality to a high degree. This must be based on the conditions of social reality in which today's business world operates. If today's world is, for example, international and digital, its effects must play a role in the business concept. For example, it is about the concrete competition in the place where the business is to be done. This must be recorded as precisely as possible. The criteria for success or failure must be identified, described and mentally turned around in the concept so that the business idea can be successful. It is important to recognise the economic risk and at the same time the opportunities.

In the market, it is the customers who decide on success and failure. The success of a business plan is only decided when a product or service is purchased. Therefore, it is quite possible that all decision-makers have an inadequate view of future reality and a start-up nevertheless succeeds with its business concept. Otherwise it would be hard to explain why the famous "garage companies" or "dishwashers" achieve world fame - because they

would not have received a start-up loan from a bank. On the other hand, reality is tougher in any case than a rejected concept. In business life, a flawed business plan is punished with insolvency, i.e. economic loss - which can also result in personal failure.

1.2.6 Typical mistakes in business plans

When it comes to the business plan, it is the inner coherence and the details that matter. Common mistakes made by entrepreneurs are:

Insufficient professional, commercial qualification or personal competence .

The business plan does not match the professional qualifications of the founder. It is not clear that the founder has the factual and/or commercial knowledge that makes business success likely. This may be the case if an interesting business idea cannot be marketed successfully or if the financial considerations or cost accounting do not match. It is also possible that the content and quality requirements are so high that the business management implementation cannot keep up with them. The founder lacks the professional and life experience to be able to offer a certain service; this could be the case if, for example, a "career starter" wants to start as a management consultant for top management.



Remember: The business idea should fit the skills of the founder. Making money selling "bratwurst" is better than failing with a complex internet business



Insufficient market knowledge , of the industry and competitors

Every product and every service has to find its customers. Often the sales forecast does not match the market, the demand is overestimated. It makes a difference whether a business is to be done in the trade, commerce, service sector or in the health industry. Everywhere there are standards and rules that make a market and an industry special. Market maturity means knowing the industry and the customers as much as possible. This is especially true for competitors who have been in the market for a long time. Not only must they be perceived, their offer must be analysed so that unique selling propositions can lead to a market advantage. It is important to discover gaps in the market.



Remember: Every market has its own rules. If you don't know them, even the best idea will fail. It is not very successful to try to sell a truck to a child - unless it is a "toy truck".



Insufficient commercial or economic concept

Every successful entrepreneur must know the basic arithmetic of his business. It is often misunderstood that the product or service description has a direct impact on the sales forecast and the target customers. There is a lack of basic understanding of what investments are and how they can be financed. The calculation is often a book with seven seals. If you don't have enough equity capital, you have to raise outside capital. A favourable business start-up loan can help. Often the running costs are underestimated. The entrepreneur's salary is forgotten or set too high. Basic commercial knowledge is lacking for liquidity planning. Illiquidity is one of the most frequent causes of insolvency. Then the company has to leave the market, usually with high personal debts of the entrepreneur.



Note: Anyone can acquire commercial knowledge. Business management thinking has a lot to do with experience and market knowledge. If you were to write down and analyse all income and expenses in a budget book every day, you would be doing the best controlling that start-ups can imagine.



Inadequate presentation of the business plan

A business plan must be written and presented in the same way as an application. The personal impression that the founder makes on the decision-maker, the managing director, the bank or a business promoter must be right. If you want to sell something, you have to put yourself in the position of the customer or client. In other words, customer orientation also applies to the self-presentation of the business plan. Success comes to those who know how to convince others with their cause and their person. The personal competence and motivation for the success of the business idea must be presented.



Remember: If you want to convince others, you have to be convinced of yourself. Convincing means putting yourself and your business plan in the right light. That means skilfully promoting the cause and oneself.



1.3 What are business plans needed for?

Typical foundation situations

There are many good reasons to become self-employed. The individual motives can be summarised from the perspective of business plans. Business plans are prepared for different occasions. They can be differentiated in their nature. Each business concept has to address the different preconditions of coming into being.

Structurally, four **typical start-up situations are to be** distinguished:

- Business plans for **setting up a company**:
 - a) Start-up
 - b) Start-up
 - c) New foundation
- Business plans for the **takeover of a company**:
 - a) Company succession as family succession
 - b) Company succession as a company purchase
- Business plans for **franchising**:
 - a) Business method for taking over an existing business concept: franchisor and franchisee
- Business plans for **operational business concepts**:
 - a) Development of new business areas
 - b) Planning new company locations
 - c) Development of new projects or business areas
 - d) Development of new products or new services

1.3.1 Business plans for setting up a company

Business start-ups should be defined as start-up, business start-up or new business start-up. The start-up typically begins with an "open" situation. The founder must and can define all the conditions for his business himself. The start-up is characterised by starting "from scratch". The start-up is also associated with the claim of wanting to make a personal living with it. It is usually aimed at being able to secure one's personal existence in the long term. A start-up can also include a business that is run "on the side". This would be a self-employed secondary activity.

Every newly founded company has to find its market. The **start-up** must be designed in such a way that it can conquer a certain position in the market. In the start-up, it is important to develop the business idea in such a way that the start-up has a real chance. The product and the service must be clearly defined. The service offered must find customers who are willing to pay a certain amount of money for it. The service must be able to hold its own in competition. An organisation must be set up for the start-up. Goods and supplies must be purchased, processed and sold with an added service. A marketing plan must show how customers are to be won. The founder must be convinced of his business idea in order to find employees who will build up the company with him. Financing must be found. Finally, the turnover, minus expenses, should lead to a profit. Every start-up has a start-up phase. During this time, the crucial business relationships must be developed. A business start-up involves opportunities and risks. These must be convincingly presented in a business plan.

A **start-up** can be founded in any **legal form**. If a start-up wants to operate a trade, it is a good idea to run the company as a sole trader. However, a contractual agreement is always necessary so that the "internal" legal relationships are clarified. This will be necessary at the latest if the parties involved are in dispute. Finally, "freelance activity" is a possible legal form for the liberal professions (doctors, lawyers, consultants, etc.). It can be started without delay and registration. In the case of commercial activity, a business registration is required. In any case, the founder of a business must apply for a tax number for the preparation of invoices at the tax office.

1.3.2 Business plans for the takeover of a company

Company takeover means the takeover of an existing company. This can take the form of a family succession or a company purchase. There are company exchanges worldwide for buying and selling companies. They are easy to find on the internet.

In business plans for company takeovers, the company successor does not start from scratch. The typical situation is: the company already exists, there are real products and services, a market, employees, a legal form, cost accounting and liquidity; there is a strategy of the previous owner. The takeover and the new start from the point of view of the successor begin on a very specific day and in a very specific situation of the company. The business plan must seek to grasp this initial situation of the company and develop the new strategy for the next few years based on it.

The importance of business succession will continue to grow in the coming years for demographic reasons. More and more companies are being passed on to heirs or buyers for reasons of age. A not inconsiderable proportion of existing businesses will close because no successor can be found.

Company succession must be guaranteed to a large extent by legal regulations and agreements. In this context, business valuation plays a special role.

Family succession

In **family succession**, the owner hands over the business to a family member. There are usually various stages leading up to the final takeover.

1. The start of a succession can begin in the management. By taking over the management, the economic path of the company is steered.
2. The transfer of ownership can take place within the framework of leasing, inheritance or also donation. For this purpose, economic, legal and tax conditions must be observed.

If the business successor is a family member, the prior information about the business and the market is known to a large extent. The assessment of what the successor may face can be estimated. The success of a business succession is largely determined by how the parties involved succeed in transferring the management and ownership of the business to the new family member.

Of economic importance are the ownership structure and also inheritance claims of other family members. Compensation payments to heirs can increase the capital required to take over a business. If the compensation payments are taken from the business assets, the existence of the business may be at risk. Company succession should be clearly regulated by will, inheritance or transfer agreement.

Family succession presents a special psychological and economic situation. For parents, the son or daughter - at whatever age - remains a child. The family life situation creates specific behavioural patterns and economic dependencies as well as opportunities.

Company acquisition

Buying and selling companies is a normal occurrence in business life. Company exchanges - on the internet, at chambers of commerce, at associations - document this. The purchase of a company is a "transaction" - like many other transactions - with the special object that the product is a whole company.

The purchase of a company represents a takeover in the sense of a company succession by new owners. This can take place through active cooperation of the buyer and new owners; this can take place through a new managing director taking over the business as manager.

There are many reasons for buying a business. A founder can acquire a company in order to start his own business. An investor can buy a company in order to generate economic growth. In the case of a company purchase

in the context of a merger, two companies enter into an economic unit. This can take place within the framework of a takeover and payment of a purchase price. In a "hostile takeover" (only for public limited companies), the buyer acquires the majority of the shares on the stock exchange against the resistance of the owners.

When buying a company, an economic valuation of the company is absolutely necessary. The economic valuation (due diligence) is the basis for purchase price negotiations. The purchase of a company can take the form of a one-off payment, annuity, instalment or permanent burden. The purchase agreement should establish clear ownership from the outset. The buyer should obtain free power of disposal over the enterprise.

In the case of a purchase against a one-off payment, the buyer must hand over the purchase price to the seller on a closing date. The buyer's capital requirements must be planned accordingly.

Financing of the purchase price can be secured through equity and debt capital. If the potential buyer does not have sufficient capital to settle the purchase price through a one-off payment, the purchase can be agreed against recurring payments (instalments, annuities, etc.). Then the seller takes over the financing function himself instead of a bank. Which type of payment is chosen also has tax implications. An accountant or tax advisor should be consulted for this.

Buying a company out of insolvency can be a favourable way to acquire a business and secure a market entry. Acquiring a company out of insolvency means entering an extremely difficult situation. The business management perspective must answer questions of legal transactions, employment relationships, the financial situation and especially the market. A differentiated analysis is always necessary.

Buying a company only makes economic sense if the company to be bought earns the purchase price itself within a defined period of time. This means: the company to be bought must earn the purchase price itself. The economic risk of buying a company lies precisely in this fact. If the company to be bought cannot raise the current debt service from the sale, the owners must provide additional external financing. If this does not succeed in the long run, insolvency or resale cannot be ruled out.

Enterprise value

The purchase or takeover of a company requires a thorough analysis of the company's situation. A look at the past and present of the company serves to obtain an assessment of the future potential for success in the market. However, the past says little about the future of the company. Yet determining the value of a company is a necessary and difficult process. There is no such thing as the "right" company **value**, because the value of a company always has a "psychological" or subjective dimension in addition to objective characteristics. The person who wants to buy something has different motives than the person who wants to sell something.

In business valuation, for example, a distinction can be made between the **capitalised earnings value** and the **net asset value**. The capitalised earnings value is based on the reported profit of the last few years and the expected profit of the next few years. In determining the capitalised earnings value, for example, the "annual profit" is determined and multiplied by a factor of three to ten as the purchase price. The net asset value focuses on the potential and assets of a company, including real estate, licences, patents, etc. The net asset value is calculated by multiplying the net asset value by a factor of three to ten.

In order to determine the value of a company, it is helpful to carry out a "due diligence", i.e. a well-founded valuation. All relevant factual, personnel, organisational, legal, economic, investment, tax, liability and profit aspects should be considered and evaluated in the inventory. The property description for a craft business looks different from that for a commercial enterprise, an agency or a medium-sized company.

Separation of ownership and corporate governance

In a business succession, **ownership** and **management** can also be separated. Without changing ownership, the management can be taken over by the successor. The option of legal separation can be undertaken by a sole

proprietor in the same way as by a corporation. The separation of ownership and management is often the case with corporations. What is meant is the following:

- An owner (proprietor) appoints a managing director who runs the business as a manager. In return, the manager receives a salary with a performance-related commission. The owner does not take action himself, although he could legally do so.
- A limited liability company (GmbH) must appoint the managing director as a body according to company law (Commercial Code and GmbH Act). This can be an external managing director who is paid for this. If the shareholder also takes over the management of his company, he becomes a "managing shareholder".
- An owner can also have his business run by a "third party" in return for a lease or annuity.

In all cases, professional management by competent managers is sought as a solution.

The manager acts as an entrepreneur on behalf of the owner.

1.3.3 Business plans for franchising

The term **franchising** (English: *french*; related to; French: frank, free) or **concession sales** refers to a business method. Franchising is also defined as a sales concept in which a franchisor provides a franchisee with, for example, the regional use of a business concept in return for payment. Franchising concepts are in principle growth concepts.

Three possibilities of self-employment in franchising can be distinguished.

1. The **franchisee** takes over a business idea from a franchisor. They receive training and regular support. He is more integrated into the franchisor's distribution system than a mere authorised dealer. The franchisee sells his products or services legally independently. He pays a fee for the use of the "name or brand". This includes, for example, the use of uniform equipment, a uniform name and external appearance, a symbol or logo, a uniform distribution system and often joint bookkeeping. The franchisor checks the implementation of the concept and may give instructions.
2. The **franchisor** has developed the franchise system, which serves as the basis of the joint business model. This is only seriously possible if the business idea has been tested and has successfully passed the practical test. Becoming a franchisor offers the chance to expand relatively quickly with one's own business idea. The franchisor should have developed a meaningful manual for the distribution of his business idea. To become a franchisor yourself, more is required than to run a single business successfully. Especially the financing of the business concept requires new know-how.
3. In **master** franchising, franchise companies want to establish themselves in international markets. Since they do not have the cultural knowledge or the human and financial resources to do this on their own, they offer the "master franchise": The master franchisee receives a licence for an existing franchise system, whereby he does not become directly active as a franchisee, but strives to acquire further franchisees in this area (e.g. Germany). He does this on his own account and in his own name. This type of franchising is reminiscent of "snowball systems".

Advantages for franchisees

- Entry into the market is accelerated because the system is known and established. The franchisee should have territorial protection.
- The franchisor provides a tested business concept and a complete service package.
- The franchisor has built up a good image through many years of marketing and maintains this permanently.
- The credit rating is higher with banks because the entrepreneurial risk is better known.

- The franchisee is nevertheless an independent entrepreneur.

Advantages for franchisors

- The franchisor uses in particular the willingness of the franchisee as an independent entrepreneur.
- The franchisor can avoid the considerable expense of a branch system and set up a distribution network tailored to his business.
- The franchisor can market its market-proven system and know-how with a relatively low capital investment.

1.3.4 Business plans for operational business concepts

Business plans are becoming increasingly important in small and medium-sized enterprises. They are prepared for new **operational business concepts**. The operational business concept is defined by the fact that it is used in an existing company for

- the improvement of the business,
- the expansion of the business,
- the new business

is developed. Within the framework of the business concept, an existing or new business idea is developed with the help of the modules of the business plan. The business model can relate to new products, new services, new projects or new business areas. These are therefore project- and company-related concepts. Such business ideas can be a new establishment of a subsidiary as well as business expansion or even the reorganisation of existing business structures. Since these are carried out in an operational context, essential business information is available. The decision to implement a new business idea is usually made by the company's management.

Business plans need to be prepared especially when a company wants to start new offerings and projects. The practice of creating project-based business concepts is more pronounced in large companies with investment decisions than in SMEs.

Business plans for project-related businesses have some special features. In them, the framework conditions are already predetermined and known by the existing company. They arise in a development-oriented context and in operational structures. The decision for new business concepts is a strategic decision.

Experiences and discussions with managers in small and medium-sized enterprises or with business promoters reveal that in many cases it is not customary to prepare a business plan for a new offer or project. In many cases, it is assumed that daily activities already justify the start of a new project. This can turn out to be a momentous mistake with enormous economic consequences. This is especially true when competitors in a sector come up with the same business idea.

The awareness of having to re-establish the requirements of a business plan for a new project or a new offer is strengthened with increasing competition in global markets. At the same time, it is an unspoken part of the everyday life of managers and entrepreneurial decision-makers to constantly check whether what is to be done and decided would be successful in a business plan.

1.4 Modules of the Business Plan

The development of a business plan can be understood as a **self-organising learning process** for the founder. The development of the business plan consists of intellectual and practical work. It is not enough to simply read

a book or copy a business idea. The person who seriously deals with a business idea and identifies with it has good prerequisites to be successful.

At the beginning, a business idea must emerge, which is developed piece by piece in a project description. In this way, the content and knowledge of the business grows with the way the business plan is thought about. The business idea should be discussed with friends, acquaintances and, of course, business partners. Market research is about looking at the location and the environment of the business on site. It is important to get a "feel" for the industry. Selling a perfume is mentally something completely different from selling a car or insurance. When working out the cost and finance plan, it is necessary to deal with commercial and business management issues. This is not to be done in isolation or only in a technical way, but with the inner systematics of the business idea and the rules of the game in the industry. It is not about abstract "figures" and "calculations", as in some case studies, but concretely related to the business that is to be involved. The individual components of a business plan are like communicating pipes; if one component is changed, it affects all the others. This creates complexity, which is more than the individual module.

For the practical implementation and development of the business plan, every founder (or student) should make a time plan. It is an instrument for the organised and systematic allocation of personal working time. The ability to self-manage time is possibly the most important competence that leads an entrepreneur to success. The individual components of a business plan are presented below by means of modules, briefly explained and visualised by means of the knowledge map. The detailed explanations are given in chapters 2 - 4.

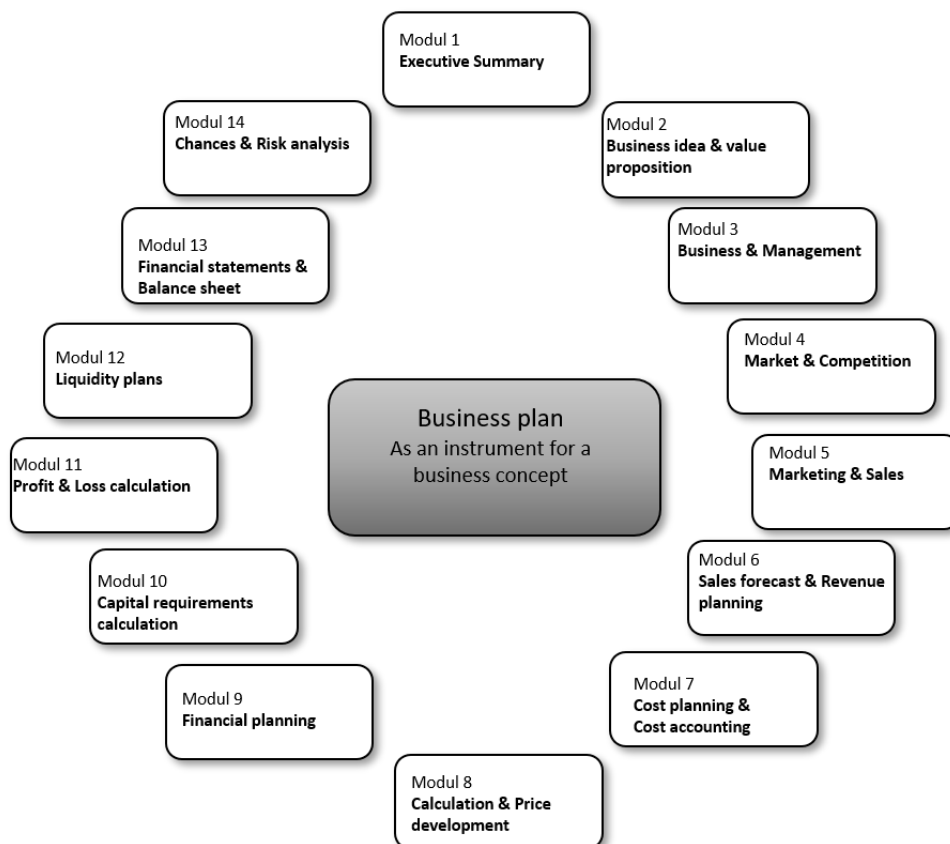


Fig: Knowledge map for business planning

Module 1: Executive Summary: Since a business plan is a business concept, it starts with a concise summary. The executive summary of the business plan can of course only be compiled at the end of the elaboration. For systematic reasons, however, this is presented first in the knowledge map.

Module 2: Business idea & service description: This is the technical core of the business plan. The business idea is the prerequisite for becoming an entrepreneur. You have to look for a suitable business idea and decide with the business idea which products and services you want to offer or, formulated differently, which goods and offers you want to sell.

Module 3: Business & Management: If you know what products and services you want to sell, you need to think about how to offer them to customers. You need an organisation, you need staff. You need to set up a company and manage it.

Module 4: Market & Competition deals with the market structures and competitive conditions you need to investigate in order to successfully place your business in the market. You will learn the criteria you should use to conduct your market research from the perspective of the business idea. You will probably need the most time to complete the module, as you will have to look at the real conditions in the relevant industry on site. You need to collect market data, company data, competition data and general information that has an impact on your business. Supply and demand meet in the market.

Module 5: Marketing & Sales: If you have learned how the market works, you have learned a lot about the marketing of your competitors. In Module 5 - "Marketing & Sales" you will learn how to set up a marketing concept. In planning, you have to determine the many possibilities of the marketing mix concretely for your company. A successful marketing plan has direct effects on the sales forecast.

Module 6: Sales planning and forecasting: You need to forecast how many products or services customers will buy from you in a day, a week, a month, a year and finally three years. This is not about writing down wishful figures. You learn to make a realistic sales forecast.

Company Foundation 2/5

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2 Executive Summary, Business Idea and Service Description, Company and Management (Modules 1-3)

Learning Objectives Chapter 2:

- you know what an executive summary is,
- you know the importance of an executive summary,
- you will be able to prepare an executive summary for the business plan.
- you are able to provide an accurate description of your business idea and performance,
- you know how to search for, find and develop business ideas,
- you can define your company's range of services in the form of products and services and describe them according to the following criteria: Type, grade and condition, quality, state of development, quantity and composition, customer benefit, sales price.
- you know what you need to consider when setting up a business,
- know the legal basis for the actions of a company,
- know the basic structures of organisation and personnel in a company,
- you can make a decision about how you want to manage your business.

2.1 Executive Summary

The success of a business plan starts with the first page. Just as every book has a cover to sell it, the business plan needs an attractive and meaningful cover page with the following information:

- *Company name and logo*
- *Legal form*
- *Responsible*
- *Formal company data*

The content of the business plan should begin with a summary or **executive summary** of the most important statements of the business concept. Decision-makers, managing directors and investors want to be informed briefly and concisely about what the business plan is about. They should get an idea of the economic viability. They want to know why the business goal can be successfully realised.

The summary should describe the object of the business idea and the company in a concise and summarised way. The name, legal form and logo of the company are used to summarise the business idea. The character of the business concept should be presented.

The summary should briefly and competently describe the service that is produced and offered as well as the customer benefits. The quality of the products and services must appeal to the

customer. It should characterise the nature of the market and the prospects for success in competition. The sales forecast defines the prediction for economic success. Marketing focuses on the way of selling. The key business data such as investments, turnover and profit as well as liquidity are to represent the business volume.

A summary is not about an "introduction" or a theoretical problem. It is about the facts of the business plan. The clearer the better! The decision-makers must be won over for the business. In this respect, the summary can be compared to an application. The summary should give the decision-maker a positive "mental" attitude. Just as the economic process is supposed to be "half psychologically" motivated, decision-makers always have a subjective assessment of the success of a business idea in addition to the factual examination of the facts. The decision to take a risk is a question of entrepreneurial weighing, which is positively or negatively motivated.

The summary should not exceed two pages. The quality of the summary lies in the ability to describe the business in precise words in such a way that the decision-maker gets the essentials. The essence is defined, on the one hand, by the fact that there are necessary facts that explain a business concept; on the other hand, by the way of writing to bring things to the point.



Note: The Executive Summary is placed at the beginning of the business plan, as it should introduce the subject matter to the person for whom the business plan is written (lender, investor, shareholder, etc.) and "whet the appetite" for more. Nevertheless, the summary is written at the end of the development of a business plan, as only then do you have a complete overview, which you need to compile the executive summary.



Checklist for your business plan: Executive Summary

What is the subject of the business plan? What is the most important thing? What does the decision-maker or the bank need to know so that they are interested in the business concept?

- What is the business idea?
- What name will the company have, what slogan will be chosen and what legal form should the company have?
- What do you want to sell? What are your services, what is the customer benefit?
- Who is your target group, what are its characteristics and how large is it?
- What is the nature of the relevant market (volume, growth, etc.)?
- What goals has the company set for itself?
- How high must the initial investment be, how should it be financed?
- What are the opportunities and risks and how can success be ensured?

2.2 Business idea and service description

2.2.1 The business idea

The business plan must concisely describe the subject of the business concept: this is the business idea. The business idea describes the idea to make a business successful. A business idea wants to sell a performance - that is a product or service. The service is an offer that is directed at the concrete needs of a target group or at the customer. The customer benefit is the top priority. Only if the service resulting from a business idea is accepted by the customer does it have a chance of success in the market. Only then can it become a profitable business.

The business idea includes the terms "idea" and "business".

- The idea is oriented towards needs. Thus, the idea of wealth, of happiness, of beauty and health is directed towards a human condition that can be satisfied by different means, in a particular social situation and at a particular time. Ideas have cultural differences. If the idea also contains an economic trend, the challenge for the entrepreneur is to develop a "sellable" service from it. This makes a fundamental distinction that is insufficiently considered in some business plans.
- With the term business, the question must be answered as to how a service can be generated from an idea that is in demand. The business is directed towards the need, the economic unit of needs. The need is always concrete, even if it is often difficult to forecast its value. In the competitive society, the customer decides on the need or demand. The need, in the form of supply and demand of goods, is mediated in the market. A business becomes profitable when it makes a profit.

Now the market is not a one-way street. A distinction can be made between buyers' and sellers' markets. In the first case, it is mainly the buyers who decide whether to accept an offer. In the second case, it is mainly the sellers who decide whether to make an offer.



Note: Just as a new offer targets a need and can thus create demand, the desire for a service can inspire a company to create an offer for this demand



The business idea represents a paid exchange of services. It mediates between need and want and becomes concrete in supply and demand. The exchange in modern markets is hardly ever done via natural exchange, but via a means of payment. Consequently, modern customers must be willing to pay money for a product or service. When developing a business idea, the service offer must be designed in such a way that it finds a demand. If the idea is directed at the need, the business idea is directed at the need and thus at the concrete demand of the customers. The demand must be defined quantitatively in the business plan in the sales forecast.

2.2.2 Search for business ideas

There is no patent recipe for how an entrepreneur finds a business idea. Success is determined to a large extent

- The **personal commitment** which the founder tackles and drives forward a business plan. This commitment develops out of the individual motivation to become self-employed;
- by the **quality of the business idea** with which the founder wants to earn money and succeed. Even if every founder does his best with the business idea, the quality and success are defined by the customers. They decide for which customer benefit they are willing to pay money - or not to pay. Not every interesting business idea finds enough customers in the market.

Looking for a business idea seems easy in the age of the Internet. Anyone who enters appropriate search terms there is inundated with business ideas. The promises of the providers of business ideas are breath-taking. No founder should fall for such advertising slogans, they are not infrequently dubious.

For the elaboration of a business idea and the development of the service description, it can be helpful to create **personal network**. The quality of a business plan stands and falls with insider knowledge of the market in which the company will operate. Attending regular entrepreneurs' tables and other events for founders is helpful. In addition, offers are made by the chambers of commerce, municipal economic development agencies, consumer and trade fairs and also business incubators and technology centres. These are usually good addresses for making contacts.

2.2.3 The offer as a product and service

A business idea makes an **offer to** a customer. A service is offered. Two basic types of services can be distinguished: the product and the service.

The **product** can be characterised as a product or material object. For example: watch, mobile phone, pen, clothes, technical accessories, machines, books, cars, computers, bio-diesel, plastic shells, measuring device, software, mobile phone network, smart card, spectrometer, clothes, food. Products have to be developed and designed.

task of **product development** produce an object or a product in such a way that it can be sold on the market. Product development includes both new development and further development. Technical progress requires the constant adaptation of products to the new needs in the market. The majority of customers in our culture have a high affinity for innovative products. generation of mobile phones, jewellery collection, the latest fragrance, the latest car and the latest edition are preferred

There are hardly any limits to product development. Everything that has been and will be produced in our world is thought up and developed by people. In the process, ever more rational manufacturing processes are being devised and used. The product life cycles are becoming shorter and shorter for many objects. The majority of all products sold today have only been developed and produced in recent years. New products are being created all the time. In the globalised world, many new products are brought onto the internationally networked markets every day.

The task of **product design** is to decide on usability, quality, size, shape, colour and design. It is about finding and developing the best possible benefit for the customer. In the process, for example, the usability of services is constantly adapted.

Product development and design are driven by different motives. One strong motive is the novelty of the product. Equally important are cost considerations. The compulsion to adjust costs to the market price in competition leads to productivity increases in companies. Market adjustment is the basis of a company's competitiveness. In the globalised world, production moves to those regions where the best **conditions for capital utilisation** exist.

The difference between product and service lies essentially in its material character. The **service** is defined by the fact that the performance is generated directly at or with the customer. It hardly ever happens that it is produced without the customer. Typical services are those of a hairdresser, a craftsman, an agency, an agent for travel, for real estate, for insurance, for trade, for education and teaching, for counselling. Service can be many things that do not directly concern production. Service means service for the marketing of products. In a café coffee and drinks are sold as products, the service can be understood as a service. In a tanning salon, "tan" is sold, which can be an expression of the desire for "healthy and beautiful appearance". Services must be directly tailored to people's needs, only then do they become marketable. Only if the service is right will the customer come back.

Service quality is increasingly at the forefront in today's. It is characteristic of services that they are not exchangeable or reversible. Rectification is only possible to a limited extent. An unkind word cannot be taken back, even if an apology is possible. A service cannot be stored or produced in stock. It takes place in the creation process itself, in which the customer is passively or also actively involved. The outcome quality of a service refers to having to achieve previously defined goals. If the objectives are not met, the service is provided inadequately. If the quality is missed, the customer will look for better quality. The service stands and falls with the skills of the person who performs it.

Customer orientation plays a direct role in service. Customer orientation can be understood as the orientation of all activities and business processes of a company to engage with wishes, requirements and expectations of the target customers. In this context, quality is understood as the optimal fulfilment of customer requirements. A customer-oriented concept of quality must be reflected in the type and quality of a product as well as in the provision of a service.

2.2.4 Patents and property rights

In competition, products and services can only be protected against foreign access to a limited extent. Intellectual property is protected by industrial property rights: **patents**, utility models, trademarks, names or designs. In the case of property rights, a certificate is issued for the right to exploit an invention on its own. An IP right gives its owner an exclusive position for a certain period of time. The exclusive right excludes competitors from commercial exploitation. It gives the owner of the rights the opportunity to conquer and secure market share.

In Germany, for example, protective rights are registered with the German Patent and Trade Mark Office. Depending on the area for which the protection is to apply, an application to the European Patent Office, the European Trade Mark Office or other foreign offices may also be considered.

- **"Patents** can only be applied for on truly "patentable" inventions This applies to innovations that must have a "technical character" and be "industrially applicable". They must also actually be new. Finally, it must actually be an invention and not, for example, an "obvious craft solution" to a problem that is virtually obvious. What thus ultimately "patentable" can often only be clarified with the help of a patent attorney or during examination by the patent office."
- A **utility model** can be registered for all technical inventions (not processes) that could also be patented Difference: The term of protection is shorter. And in contrast to the patent, such a pronounced inventive step is not required here."
- patents or utility models, which are granted for technical products or processes, design **patents** protect Here, the design of products is protected, but also, for example, the design of fabrics and wallpapers.
- The **trademark** is, so to speak, the business card with which goods and services appear on the market Not only words can be protected as trademarks, but also sequences of letters, numbers, logos, colour combinations, sound marks (sequences of sounds) etc. Registration in the trademark register prohibits third parties from using the protected trademark or a similar trademark for identical or similar goods or services. Goods and services are divided into 42 classes (e.g., clothing, toys)."
- **"Company names** are not property rights, but they can also be protected First of all, automatically through registration in the commercial register. This name (or one confusingly like it) may not thereafter be used again in the same district court district and here in the same industry. If this happens nevertheless, the older trademark rights take effect. Company names can also be registered as trademarks. Caution: Trademark rights can often prevail over name rights."
- An **Internet domain** is not a property right either, but it is nevertheless protected They are registered with DENIC eG Domain Verwaltungs- und Betriebsgesellschaft. Before choosing a domain name, companies should clarify whether they are possibly infringing existing domain name rights (and trademark rights). Here too - as with company names - it usually depends on who first registered the domain in question. Domain names can also be registered as trademarks. Caution: Trademark rights can often prevail over name rights.

2.2.5 Unique selling points for business ideas

Every new business must be distinguished the market by at least one **unique selling**. The unique selling proposition can refer to all features of a product or service. The unique selling proposition can relate to different dimensions at the same time. In any case, the business idea must offer the customer a previously unavailable benefit. What the special benefit for the customer is must be defined for the respective business idea. It can be: the offer is cheaper, the business is new at the location, the service better than that of the competitors The unique selling proposition must be geared to the specific market situation of the enterprise. The unique selling proposition does not have to be something extraordinary or innovative, it is sufficient to justify the unique selling proposition from the respective subjective situation of the enterprise. If, for example, there is no baker in a district, the first one is the sole provider.

Unique selling proposition: Price

Perhaps the most significant unique selling proposition is price. Price is used to pursue differentiated business strategies. They must be defined in the business plan when determining the price. They can be distinguished and interpreted:

"Low price" (particularly favourable),

"High Award" (especially valuable)

"Normal price" (lies in the average),

"Maximum price" (most expensive),

"Lowest price" (cheapest, a bargain).

Price is a decisive differentiating criterion because in the consumer society there is almost nothing left that does not already exist. Services are becoming more and more similar in quality, so they have to show a price difference to be bought.

At the same time, determining the price implies a strategic orientation of the company. A company that positions itself in the low-price segment will only be able to offer certain qualities (simple) and appeal to certain target customers. A company that positions itself in high-price segments will only be able to attract target customers of this level.

Unique selling point: speed

According to the motto, time is money, speed is a unique selling point. The way to deliver on the value proposition is an increasingly important argument for customers. Speed promises immediate satisfaction of needs. As customer orientation grows, so does the desire for fast service and immediate, individual attention. Those who promise this and can deliver it gain a competitive advantage. Speed is a criterion that can apply to low-priced offers as well as to exclusive luxury goods.

Possible dimensions of fast:

fast + customer orientation

fast + delivery and service

fast + production

fast + organisation and personnel

fast + payment

If a service company focuses on the characteristic of speed, it must also be fast. It must communicate to its customers what is meant by this. A fast service means that the phone is picked up at the latest after the third ring. If a transport company wants to be "fast and safe", there must be no delays and accidents.

Example: example of a successful company whose unique selling point is "speed" is the online mail order company Amazon. Amazon is an international household name among customers who like to order their goods over the internet. In addition to a wide range of products, the promise of fast and uncomplicated delivery of goods is crucial to the company's success. This promise becomes even more attractive with the offer of a so-called "Prime membership", which advertises with the argument of goods delivery within 24 hours

Unique selling proposition: Market niche

The market gap is the area of the market that is still "free". The market is not yet occupied by another product or service.

Every company must constantly search for new markets or "market gaps". There are always market areas and niches that are still unoccupied. To track them down, a view with "other eyes" is necessary. In this context, the term different levels

Market niche means, for example, having detailed industry knowledge and technical know-how when developing a new product, so that the service can be fitted into the existing product ranges - including those of competitors.

Market niche means, for example, when choosing a location, finding the optimal place that is not yet occupied. It's like a jigsaw puzzle, the piece only fits into the picture at a very specific place.

The market gap practically means that a certain offer new to the customer. It does not matter whether the business idea or the service is new. The market gap is found when the offer is new to the customer.

Unique selling proposition: Copying successful ideas

It can be helpful and cost-effective to copy ideas. Other countries are doing this to an unimaginable extent, such as China. There are business ideas all over the world that have already proven their success. Often these can be transferred - with modifications if necessary - to old markets or existing locations. Copying ideas and adapting them to the market opens up new markets and establishes a business with limited risk. The franchise idea is based on this concept. Copyrights or other industrial property rights must be respected.

Unique selling proposition: Trendy offers

Now, trend is not a unique selling proposition, it is rather an opportunity to make current market offers with "trendy" products and services. There are constantly new products and services that can be defined as market trends. Those who are in the trend are at the top in the market. The one who recognises the trend early and creates services for it is usually ahead. The trend symbolises a basic mood in which products and services are particularly current.

The trend also knows different levels. For example, wellness, health, best agers or 50-plus, organic and energy are just as trendy as "youth". Typical products and services in fashion, sport, health and music are made from these basic social orientations. The question is, what is "trendy", what is "in". What can be sold quickly and in the latest fashion. What catches on with the customer is what catches on.

Unique selling proposition: innovation and novelty

Innovations are novelties and both technical and social inventions generated by the application of new processes and techniques. Innovations are economic novelties.

Germany can be considered the "Land of Ideas". The list of new products and services is outstanding, for example, in car technology, biotechnology, chemistry, energy, medicine, logistics, process engineering, psychological methods, living environments, etc.

Innovations are also directed towards new methods and a particular type of service. For example, the development of the call centre, which was based on telecommunications technology,

can be seen as an innovation in the service sector. If technical innovations are marketed with economic expertise, there are good chances of success.

Innovations are generated in renewal processes. This applies, for example, to spin-offs in which scientists develop and sell products from their scientific research at the university. For this purpose, new companies (start-ups) are usually founded out of the university.

Innovative products or services represent "real" novelties. The service offered is really new. Basically, this offer did not exist. This can be a product or service that not existed in the form offered of its quality, its benefits, its presentation, its distribution area, its manufacturer, its degree of innovation, its profitability or its service. Novelties are becoming more and more frequent. Examples: "RTL is looking for the superstar", "videophone", "fashion creations", "computers MPx players, social networks

Unique selling proposition: Specialisation

Specialisation is also typical for business start-ups. It refers to the fact that products or services are presented and sold in a specific way. They are separated, so to speak: One-product companies.

Specialisation can be well illustrated by the total assortment of a department store, where originally all goods were presented under one roof in a single large room. The concept of the "shop-in-shop system", in which individual products are marketed exclusively in separate business premises under the roof of a department store, can be seen as specialisation. Specialisation in the technical field also means that a single product is developed further in such a way that it could be used to set up its own company.

Specialisation means getting involved in what is special and taking it to market maturity.

2.2.6 Performance specification

The service description clearly defines the offers that are to be sold. For the service description it is not sufficient to name headings for products or services.

High, customer-oriented quality demands must be placed on the performance description of the products and services in a business plan. Selling a service requires the entrepreneur to be able to describe and produce it precisely. Of course, there are clear differences in the description of products and services. Some examples:

- A **manufacturing company** sells technically definable products. In addition, they fulfil a customer-specific purpose. A product catalogue with data and prices can represent the performance description.
- A **trading company** can define its services as a list of goods or an assortment list. A large assortment of goods should be divided into categories and groups typical for the company. The range of goods must define the quality, quantity and sales prices.
- A **restaurant** clearly defines its services as a food and beverage menu.
- A **hotel** defines its services through the rooms it offers, through food and beverages, through wellness offers, through room rentals, through banquets, etc.
- A **laundrette** clearly defines its services by the different washing programmes that the available machines allow.

- An **advertising agency** sells consulting, conception, planning, design, realisation. These abstract terms must be clearly transformed into saleable services, such as "flyer creation", "logo creation", "concept development" with a price
- An **intermediary office** or **agency** sells services that belong to or are attributable to third parties. They receive a "commission" to be defined for the successful brokerage of the sale. The service description must describe exactly what money is paid for and in which case.
- An **Internet portal** has a specific idea as its object What the business model consists of must be precisely defined. Mostly, the turnover is only achieved through the sale of advertising. In this sense, internet advertising is sold. For this purpose, there should be a "media sales offer", for example.
- A **business or communication consultant** must define his advisory service conceptually He must describe the advisory units in terms of content or instruments. He must develop service categories and determine a sales price for them.
- A **freelancer** must conceptualise his or her service in terms of content or instruments If a journalist sells articles, for example, he is paid a fee per line. If an author sells a book, he only receives a commission from the actual sale of the books in the trade, and that retrospectively. If a psychologist sells the creation of a competence profile with the help of a psychological test, this defined service is paid per item.
- A **music or tutoring school** sells lessons that are offered in terms of content, target group-specific or divided into units over time. The service "tuition" is sold to students at a defined hourly rate.

To increase the comprehensibility of a service description, a drawing, a photo, a sketch, a flyer, a technical description, an advertisement, a service catalogue, a menu or even a sample of the product can be attached.

In addition to the formal definition of the service, the description of the quality of the offer, the definition of the quantity of the offer and the determination of the sales price are part of the service description. The sales price is divided into gross - with value added tax or VAT and net - without value added tax or VAT.

2.2.7 Requirement for the performance specification

must be possible to determine **state of development** and the **degree of professionalism** the product and service description. The state of development could be documented by referring to previous models in the case of products or by describing the unique selling propositions of services in a plausible way.

Exemplary examples are given below.

- Anyone who wants to produce a service for a **highly developed market** must know the scientific and technological status This must result from the performance description of the product and be documented.
- Anyone who wants to produce and sell a service in the **craft** sector must have learned the respective craft, he must have dealt with the sector in order to know the technical

standards He must be able to describe what customers expect from the craft service He must fulfil the legal requirements of the craft.

- Anyone who wants to provide a **service** must understand something about the matter, he must be able to describe and convey it A hairdresser must know how hair is cut and which care products work how, he must be able to do it practically, he should know what is trendy and what the individual customer wants. He must know the dangers of chemicals.
- Anyone who wants to sell goods in **trade, gastronomy** or on the **internet** must know how they are traded and sold He has to deal with the specifics of the respective industries and business areas. He must produce the goods himself, buy them as a trader and then sell them again at a profit as a retailer or wholesaler. Anyone who wants to sell goods and commodities needs a range of goods that is classified, listed in a differentiated manner and described.
- A **commercial agent** must be able to describe the object of the trade He must know the product features and quality criteria. He must be able to talk about the customer benefits. He must get to the heart of the unique selling proposition in order to convince the customer to close the sale. The "what" and the "how" must be the subject of the performance description.
- A **counsellor** must know and master the subject matter and content of counselling He must develop a concept for the guidance business. He must know what counselling means and he must have trained the communicative skills to be able to advise. Anyone who wants to advise a company, for example, must know how a company functions as a whole and in its sub-areas. They must know what makes a company successful. He must know and be able to use instruments to measure the object of counselling. He must then develop a concept in which the goals and results of the counselling are defined. The same applies to someone who wants to specialise in media consulting, for example. He must know the media industry and media companies. He must understand, be able to measure and advise on the impact of media. He must know how their use in the company contributes to more success and economic return. A consultant must be able to formulate a precise service description.
- A **trainer** must know the education market, the quality of educational services and educational products It is not sufficient for the service description to state that he wants to offer seminars for the 50+ generation, for example. A seminar programme with the planned seminar titles and contents for the first year of business is the minimum condition for a permanent self-employment as a trainer. Otherwise, one can speak of an experiment.

Anyone who wants to run a car wash, an internet shop, a school, a forwarding agency, a call centre, a retail shop, a bakery, a coffee shop, a tanning salon, a consultancy or an agency must be able to concretely define the type of service to be sold in their business.

Professional standards must be applied to the description of services. Entrepreneurial activity is, at its core, a professional exercise of the profession. Professional in its origin means to regard the activity as a profitable source of income.

2.3 Company & Management

The objective of strategic corporate planning is the effectiveness of a company. In order to make the right decisions, the management of a company must obtain the relevant information, process it and decide. The company must develop, design, produce, procure, store, market and finally sell the services to be sold. The enterprise must be designed as an efficient and effective organisation. The value creation process is to be described.

Corporate governance is of crucial importance for the provision of services. Not only the legal form and ownership are important, the employees with their qualifications and competences are just as decisive. The organisation of the business helps to determine whether the work processes run smoothly and efficiently. The entrepreneur himself must set the goals for his enterprise. A roadmap (milestones) for the implementation of the business idea must be provided in the management process. Managing means leading people in a business system the sense of an organised value chain in a goal-oriented way

The production of services must be planned in such a way that costs are as low as possible (cost minimisation) and profit is as high as possible (profit maximisation). For the entrepreneur, the optimal utilisation of all resources presents itself as the central challenge for management. The coordination of work processes and time schedules is a critical success factor in many companies.



Note: When describing the production of services, it is important to optimally design the business processes. The business plan should describe how the enterprise is to be organised and how the employees are to be managed. This means managing a company.



2.3.1 Legal forms and ownership

When founding a company, the company form must be determined. This is done with the definition of the legal form. It defines the framework conditions for the enterprise. The entrepreneur is free to choose the legal form. The legal form can be changed as the enterprise develops, if this becomes necessary.

A basic distinction must be made between the "partnership" and the "corporation". It is typical for partnerships that the owner or owners of the company are personally liable with their assets. corporations that the partners or owners are only liable with the share capital of the company

The legal form determines the ownership structure. When founding a company, it is advisable to check carefully which form is the right one and which formal requirements must be observed. Liability plays a role here. There are differences in the costs of formation, e.g. articles of association with notary, as well as in accounting obligations, e.g. balance sheet with annual accounts in accordance with tax laws. A decisive factor for the legal form is always the question of the equity and debt capital that a company needs. If investors or banks are involved, the question of participation and control rights arises. The corresponding formal requirements and laws sometimes differ greatly in individual states and must be considered individually.

2.3.2 Business system, organisation chart, corporate goals

Managing a company means running a business with structural and procedural organisation. In order to successfully organise a business idea in competition, a business system must be developed. The business system model describes the main activities of the enterprise in its structural composition. It is about the value chain of the enterprise. The way of producing services, the sequence of work processes, the rational design of the business organisation including payment and personnel management must be determined.



Note: Every company needs a specific business system. The value creation process for a start-up is structured differently than that for a medium-sized production company or that for a trading or service company.

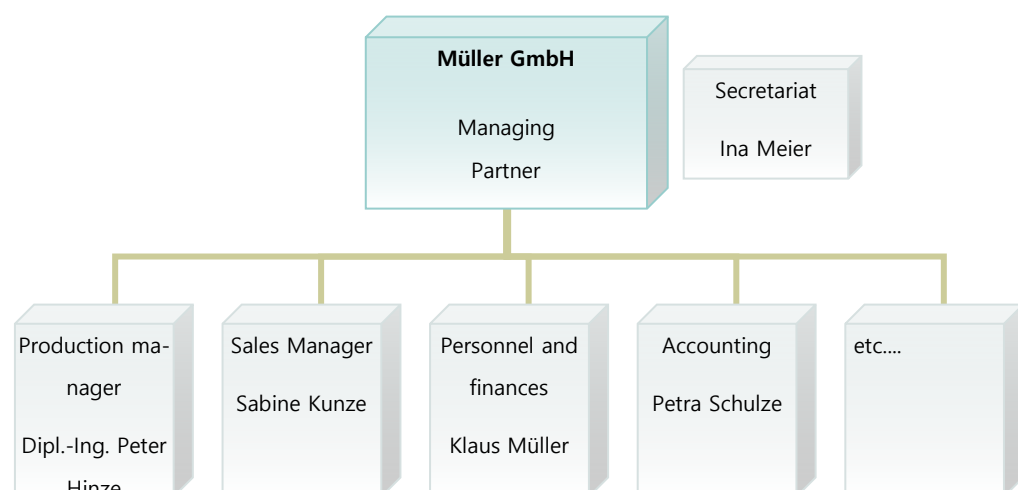


Management and organisation chart

With the decision of the ownership structure, the management of the enterprise is defined. With the determination of the process flow, the organisation of the employees based on the division of labour and the responsibilities are to be determined. In the case of partnerships, the owner is the decision-maker and the managing director at the same time. He can also appoint a third party to manage the enterprise.

In corporations, the ownership and management of a company are usually legally separate. In a corporation, management is the responsibility of one or more managing directors or a board of directors. Management is responsible to the owners for the overall running, including profit-making, of a business. Managers act on behalf of the owners like entrepreneurs.

company structure is usually represented in an organisation chart This defines the persons with their functions, tasks and responsibilities. There are different forms of organigrams. An example of a staff line function is shown:



Corporate goals

One of the basic operational decisions is that the entrepreneur must define the goals for his business. The business goals are determined by the founders and investors. With the formulation of goals, the strategic orientation is formulated as well as the operative actions in the company.

The **corporate strategy** is the definition of the entrepreneurial intention, where and how the company wants to stand in the market in the future (3 to 5 years)

A distinction can be made between long-term and short-term corporate goals. Strategic goals are mostly long-term. In the operational area, the short-term goal description is helpful.

objective can be subdivided into overall, intermediate objectives and sub-objectives as well as formal and factual objectives

The **formal objectives** include the definition of entrepreneurial success This is measured in terms of turnover, profit and liquidity targets. The **material objectives** provision of services in terms of type, quantity, quality, place and time

The business objectives must be formulated in a business plan in such a way that they are measurable and thus verifiable. This means that they must be operationalised.

The top priority in a business plan is the annual turnover and profit targets. These are calculated concretely with the sales and turnover forecast. The targets are to be determined for the first three years. They should be oriented towards growth. The turnover and profit targets must be justified. They have strategic significance for the company.

Liquidity planning is existential for the company. The liquidity targets are to be defined as corporate goals. The amount of liquidity is determined in the liquidity calculation.

The material goals include quantitative and qualitative goals for the production of goods and services, quantity to be produced, quality, continuous performance improvement, customer orientation, the conquest of regional markets, the acquisition of new target groups, the completion of a significant project, the improvement of employee motivation ora new Internet presence If a new product is to be introduced to the market or the price structure is to be changed, intensive preparations are required.

However, the definition of the goals in the business plan alone is not sufficient. The desired business objectives must be justified.

Defining turnover and profit targets is particularly difficult for start-ups because they do not yet have sufficient experience with their businesses. One must be warned against "high" profit expectations. High is a relative term and it is open to interpretation. In reality, many companies make a few percentage points of profit on turnover (e.g. 2 % - 8 %). In a few cases, more than 10 % or even 20 % profit on turnover is achieved.

In the first months or even up to two years, company targets can also define losses from turnover. The turnover targets are determined with the help of the sales and turnover forecast. The profit/loss targets are determined with the P&L statement. Commercially sound planning is the basis for a successful business plan.

When defining long-term corporate goals perspective is important If you want to become the market leader and challenge the market leader, you will only achieve your goal in differentiated process steps and corporate goals. The goals must correspond to the development status of the company, then they have a high plausibility.

2.3.3 Personnel planning

The successful development of a company needs efficient and motivated employees. **Human resource planning** must define with which specialists and managers the business idea is to be implemented. In the case of a start-up, the founder will often be the only employee and managing director. In the case of a small or medium-sized enterprise, systematic human resource planning is necessary, especially when the company is growing in the market and can hire new employees.

The business plan should show which skilled workers and managers are needed to provide the services. Job descriptions can help to characterise the task profile. This can also be used to decide how the employment contract will be structured and how to ensure optimal utilisation of the business organisation.

Mistakes are often made in human resource planning. They start with misjudging the importance of staff.

The right structure of the staff composition is decisive for the success of the service provision. Every company needs certain employees:

- at different levels of the company hierarchy (e.g. management, department, group, processing, production) - managers,
- with different professional and formal qualifications (e.g. vocational training, academic education and training, experience abroad, semi-skilled work, etc.) - skilled workers, unskilled workers,
- with different competences (e.g. with direct customer contact, with personnel responsibility, with representation duties). Especially to customer orientation, personal and social competences

From a business point of view, hiring an employee is an investment in the company's know-how. In this sense, investments are not only made in tangible assets or machines, but also in equipping a workplace. The expansion of workplaces costs money and is an investment. It is indispensable to build up a company.

Operational investments in machinery or equipment can turn out to be bad investments without suitable employees who can use them effectively.

2.3.4 Personnel costs

From an entrepreneur's point of view personnel costs not only consist of wage and salary costs. They also include ancillary personnel costs in the form of the employer's contribution to social security. They also include the costs of setting up and maintaining the workplace. Depending on the basis of calculation in a company, these are recorded separately or included in the overhead costs. When financing start-ups, particular attention must be paid to identifying and financing investment costs for equipping the workplaces.

When determining remuneration, several operational and personal criteria must be taken into account. When setting up a company, regulations that are customary in the sector, collective agreements or local regulations should be taken into account in particular in order to be able to use competitive advantages.

- **Industry** is the part of an economic sector that has developed special "rules of the game" in business transactions For example, the following can be distinguished: the automobile industry and within it the car dealers, the telecommunications industry and within it the large telecommunications providers, the telecom retailers, etc., the construction industry and within it the road builders, the building constructors, the construction companies that only build commercial real estate or only residential buildings.
- **Collective agreements** are negotiated between organised workers (trade unions) and organised employers (employers' associations) They usually apply only to their members. If more than 50% of the member companies and members of an industry are organised, collective agreements can be declared generally binding by government decree. They then apply to all workers in an industry and must be respected.
- **Local** regional differences and particularities in the market Different salaries are paid in metropolises, small towns or structurally weak areas. Purchasing power also varies in the regions.

In order to keep up with national and international competition in terms of personnel costs, every entrepreneur must seriously consider joining collective bargaining arrangements. Negotiating individual salaries at company level can bring cost advantages.

When calculating wages, the hourly wage is usually set as the basis of remuneration, for salaries the monthly salary and, more frequently for managers, the annual salary, plus performance-related components.

salaries can rise more in times of a shortage of skilled workers than in times of a surplus of skilled workers Wages and salaries move within a certain range within a sector. Local wages must be determined as part of the market analysis. Each employee must be integrated into the company organisation in the best possible way, tasks and goals must be defined as precisely as possible. Teams must be formed so that complex tasks or projects can be realised with the know-how of the individual specialists and managers. The "right" employees must be found and "correctly" paid. The achievement of goals must be motivated and controlled. This is done today with modern methods of management. Without permanent leadership of the employees, no company is successful.

One of the fundamental issues of management is to plan resource and personnel capacities. In this context, capacity planning is mostly based on flow planning, because all operational resources must be included in the utilisation considerations. The lower limits and the capacity peaks must be planned. Capacity planning is about the optimal combination and utilisation of operational possibilities.

From a business perspective, capacity planning must start with the customer. The question is what does the customer want and how can the products and services be offered to the customer in the best possible and most economical way.

- Best possible means: best or a defined quality
- Promptly means: immediately or by a certain date
- Local means: at the client's home or where the client wants it.
- Ambience means: with lots of service staff or spartanly simple

- High-tech means: with the highest technological commitment and the latest
- Price means: low-level or "money doesn't matter", it should be the best

Depending on the customer's wishes and defined entrepreneurial requirements, there are very different organisational and personnel capacities. These must be worked out and determined within the framework of the business plan.

In capacity planning, for example, the following resources must be combined according to economic aspects:

- Space capacities: Commercial and private real estate, rental property, production rooms, sales rooms, parking spaces, room sizes, utilisation areas, rental periods, rental prices, etc.
- Market capacities: Purchasing of goods locally or worldwide, delivery times, logistics, transport routes, customs duties, taxes, etc.
- Organisational capacities: production with own employees, external services, production sizes, size of existing organisational units, delivery times, etc.
- Personnel capacities: sole trader, number of employees, type and duration of contractual relationship, start and end of work, time of hiring, work peaks, etc.

With capacity planning, the minimum and maximum sales or turnover can be defined. For example, if a restaurant were to open only in the evening between 19.00 - 22.00, and had 20 seats, and the seats were only allocated once, the evening customer capacity would be equal to a maximum of 20, and a minimum of 0 if no guest came. If an evening meal including drinks cost €55, the maximum evening turnover would be equal to €1,100. The question remains, with what effort must and can the evening dinner be created by the restaurant? When it comes to the economic effort, all resources and the costs for it must be determined. Only then can it be decided whether the offer can generate a profit or a loss.

2.3.5 Site selection

The **location** of a company must be determined from the customer's point of view. The location is optimal when customers can reach the company easily and quickly. The choice of location is about proximity to customers and accessibility, it is about transport connections. This can be, for example, a special location in the centre of a city or in a preferred place in a district. Precise market and consumer knowledge is crucial for the location question. The location analysis is part of the market analysis. In order to find the right location for one's own company, location factors should be defined that are relevant for one's own company.

In the following, individual location factors and their potential are discussed in more detail:

- **Type of business:** The type of business determines the location. In the case of a retail shop, a restaurant or a shop, the importance of location is immediately obvious. The choice of location arises in different ways depending on the type of business and the industry. Businesses serving a residential area have to define different criteria than businesses that want to sell their products or services in an entire city or internationally in domestic and export markets.

- For an internet shop, the physical location is relatively unimportant. However, if the latter wants to sell goods on a large scale, the company location becomes a central issue from a logistics perspective. The packaging and shipping costs could easily exceed the value of the goods to be sold.
- **Market and customer potential:** The location should be based on the market and customer potential. Proximity to the sales market offers logistical advantages. These must be determined. Market data must be collected. This is provided by statistical offices such as population registration offices, state and federal offices.
- **power:** Purchasing power is an indicator used in consumer research. Information and data are provided by the Statistical Yearbook of the Federal Republic of Germany or the Gesellschaft für Konsumgüterforschung GfK, Nuremberg. Each city, each district has a certain purchasing power, which is defined by the population structure, commercial settlements, etc.
- **Competitors:** The determination of the location must be made dependent on the competitors. This requires a competitor analysis.
- **Location:** The traffic situation must be taken into account in view of the mobility of customers. Parking spaces are extremely important for individual traffic. The connection of local public transport must be examined.

A high density of passers-by, such as in city centre locations, pedestrian zones and arcades. This is associated with correspondingly higher shop or office rents.

The company must weigh up whether a prime location or another location is better. The proximity of shops in other sectors with high customer frequency, doctors' surgeries or banks argues for a more favourable location. Shops with complementary offers in the vicinity can bring synergy effects. The existence of consumer markets, specialist markets or hypermarkets in the catchment area has a negative or positive effect depending on the nature of the own product range.

- **Workforce:** With an increasing shortage of skilled workers, the question of the right employees in the company is becoming more and more important. The regional or even supra-regional labour potential can become significant for a particular company. An essential factor here is which qualifications are available on the labour market and which the company needs.
- **Trade tax:** A commercial enterprise depends on well-developed transport routes. The trade tax burden depends on the respective assessment rate of the municipality. If the general conditions are otherwise similar, it may be worthwhile to make a comparison. Cities and municipalities like to promote the settlement of a company. The trade tax burdens show clear differences.
- **Commercial space:** In principle, a permit for commercial use must be available for production rooms, shops, offices, workshops or warehouses. Information on permissible use can be obtained from the relevant town hall / building administration. The premises must comply with building regulations and the Ordinance on Industrial Premises (e.g. recreation room for staff). Contact the Employer's Liability Insurance Association

and the State Office for Occupational Safety and Safety Engineering. The area and layout of the rooms should be suitable for sensible use. Are there any possibilities for expansion? Large shop windows are always advantageous.

- **Work and residential premises:** If a business is to be run from a flat, the consent of the landlord or the co-owners is required. As a rule, an activity as a commercial agent, typing office, etc. is unproblematic, as long as no substantial public traffic is associated with it. However, intensive use could be inadmissible as a misuse of residential space. If in doubt, contact the housing office at the town hall.
- **Regulations:** Producing companies usually have to comply with extensive environmental regulations. Energy aspects are gaining increasing economic importance.

The business plan should highlight both the development prospects of an attractive location (e.g. is it possible to expand the area, is it in an attractive location, does it have good access) and the costly effects and investments (extensions and conversions, parking spaces, contaminated sites, industrial estate).

In the competition for customers, the quality of the premises and the equipment play an important role. For a tanning salon, it is important that it is perceived by the "walk-in customers", the ambience should invite a feeling of well-being and the equipment should be state-of-the-art.

Equipment and location cannot be left to taste alone. There are legal requirements that must be taken into account in the investment and cost calculations of a business plan. The Workplace Ordinance and its guidelines define minimum standards for room size and height, temperature and ventilation, lighting, windows, traffic routes, toilets, washrooms, break rooms and changing rooms, sound levels. Furthermore, the trade regulations, accident prevention regulations or emission protection values must be observed. Fire protection measures can be particularly costly. Responsible authorities are the employers' liability insurance associations, the trade supervisory authority and the fire brigade.

Checklist for your business plan: Company & Management

How do you want to build and manage your business?

- What is the appropriate legal form?
- What are the company's goals?
- How should the company be set up and structured (organisation chart)?
- Which employees does the company employ (personnel planning and personnel costs)?
- What is the optimal resource and personnel planning?
- Where is the appropriate location for the company?
- What are the milestones for building the business?

2.4 Summary and conclusion of chapter 2

At first, it is sufficient if you deal with the "Executive Summary" on a basic level. This only becomes important again at the end, when you have worked out the business plan completely and have to prepare the summary for the decision-maker about your business concept. Then, however, the summary becomes all the more important, because the maximum two pages of text usually determine what the decision-maker or assessor expects from your business plan. First impressions are usually not deceptive. Put the right facts on paper in the right words in the summary. Writing a short, concise and correct text is difficult than writing a long explanation. The executive summary should "whet your appetite" for more. Imagine you are taking part in a start-up competition. The jury has to read hundreds of plans. The executive summary plays a decisive role in whether you get through the first round or not.

The business idea & service description is the technical core of your business plan. After a successful start, you need to do more convincing work here. Is your business idea marketable? Are market opportunities recognisable to the trained reader? What specifically you want to sell and to whom? Can the products be sold at a profit? These and other questions must be answered here. The first two modules are of fundamental importance. Even if you have given a lot of thought to advertising, sales forecasts, employees, organisational structure, location, etc., you will not be able to sell your business unless the business idea is convincing. Only if the business idea is convincing will your business plan have a chance of success.

The point "Company & Management" is about concretising the framework conditions of the company for a successful sale. Your company needs a suitable legal form, employees must be found and hired with a certain salary. Resources need to be determined in a process plan. The company needs a hierarchy so that decisions can be made clearly. Resources are optimised in capacity planning. The enterprise must be organised and managed.