

In the context of LDV project entitled "YES: Youth unemployment: fostering Entrepreneurial Skills"

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Youth Entrepreneurship



«YES: Youth unemployment: fostering Entrepreneurial Skills»

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Learning Unit 1. INTRODUCTION TO ENTREPRENEURSHIP

i. Introduction

The first educational unit is the «Introduction to Entrepreneurship», and constitutes an introduction to the basic concepts of entrepreneurship. The following will be analysed in the context of the specific educational unit:

1.1. What is entrepreneurship?

1.2. Characteristics of an entrepreneur

1.2.1. Characteristics of successful entrepreneurs

1.3. Types of Entrepreneurs

1.3.1. Classification according to motive and business practice

1.3.2. Classification according to social identity

1.4. The business environment

1.5. An entrepreneur's work

1.5.1. Customer demands and freedom

1.5.2. Healthcare and social benefits

1.5.3. Work time

1.5.4. Social security, unemployment and retirement

ii. Learning Outcomes

The table that follows displays the Learning Outcomes of the specific educational unit – everything that the trainees should know and understand and be in a position to do.

Learning Unit (LU) /title	<i>Learning Outcomes</i> <i>After finishing the 1st LU participants will :</i>		
	<i>Know (Knowledge)</i>	<i>Understand (Skills)</i>	<i>Be able to (Competences)</i>
1. Introduction to Entrepreneurship	<ul style="list-style-type: none"> - The meaning of the entrepreneurship - The characteristics of the entrepreneur - The types of the entrepreneurship - The Business environment 	<ul style="list-style-type: none"> - the nature of entrepreneurship - the personal issues with which an entrepreneur must deal - the driving forces of new venture, identifying them - What an entrepreneur must do 	<ul style="list-style-type: none"> - think creatively and critical

iii. Contents of Unit

1.1. What is entrepreneurship?

Entrepreneurship means independently undertaking a business activity of which the outcome is not fixed. Entrepreneurship requires a positive attitude, a drive to advance and improve. You may be a natural born entrepreneur, you can inherit the idea of entrepreneurship or you can grow into it. Anyone can become an entrepreneur no matter what cultural or societal norms may be. Becoming an entrepreneur may also be a decision based on careful and deliberate calculation. Entrepreneurship is not an exact science, and it does not require an extensive education.

Anybody can choose to be entrepreneurial. External entrepreneurship means acting as an entrepreneur, establishing a company and running a business. Internal entrepreneurship, on the other hand, refers to an individual's entrepreneurial behavior at the service of someone else. Independent individual entrepreneurship is developing an active, extroverted, open personality and having a positive attitude towards life.

1.2. Characteristics of an entrepreneur

"An entrepreneur is a person who likes both their work and their life; work is a hobby and a personal interest."

An entrepreneur is often seen as an active, open person who is interested in what is happening around him/her and in society at large. Entrepreneurs are said to know what they are doing and why they are doing it. They are thought to have a clear understanding of their skills and know-how.

1.2.1. Characteristics of successful entrepreneurs

- creativity and independence,
- determination and decisiveness,
- self-confidence and a belief in one's abilities,
- innovativeness and risk taking,
- goal-orientation, initiative taking, relentlessness,
- desire to achieve positive results,
- ability to motivate, guide, support and lead others,
- extroverted communication skills and the ability to influence others,
- vision,
- ability to learn from both experience and failure,

- preparedness for harsh competition, desire to be better and more effective than the competition,
- the desire and ability to learn continuously,
- ability to draw upon the expertise of others,
- organizational capability,
- ability to cooperate,
- the understanding that the success of others also benefits oneself.

Entrepreneurs must set a clear goal that they can then seek to attain through concrete actions. A goal is the end result, position or state of affairs that the business aims to be in as a result of specific actions. In some cases reaching this goal may take several generations and the goals might also benefit society in general.

Entrepreneurs must have a clear idea of why their business exists. The company's mission statement is often only a few sentences long and as such it can be revisited both on a regular basis and as circumstances demand. The mission statement can include one or even several business ideas. Through the use of strategy and solid business practices the entrepreneur aims to attain the goals set out for the business and consequently for him or herself.

1.3. Types of Entrepreneurs

Entrepreneurs can be classified in a number of different ways. The following are two such classifications.

1.3.1. Classification according to motive and business practice

Entrepreneurs can be categorized as either opportunistic or professional entrepreneurs based upon the individual's motives and business practices. Opportunistic entrepreneurs seek growth and continuously scan the business environment for new business opportunities and possibilities to exploit. A professional entrepreneur is generally a sole entrepreneur who is independently self-employed. Entrepreneurship is not only a profession but it is a way of life for the professional entrepreneur. The growth of the business is not the primary objective. The goal of this entrepreneur is to provide for him or herself.

1.3.2. Classification according to social identity

Entrepreneurs can also be classified according to their social identity. Entrepreneur-managers are the natural leaders of growing firms. These entrepreneurs play an active role in society and they know their place within the firm. The goal of this entrepreneur is to manage and grow the firm for the next generation. Craftsman entrepreneurs, on the other hand, emphasize service and the importance of customer satisfaction and their primary reason for starting their own business is independence. A third type of entrepreneur is the classical

entrepreneur which is the classical entrepreneur seeking business results and to maximize the profitability of the firm.

1.4. The business environment

Society's opinion and its valuation of entrepreneurship affect the business environment. Therefore it is necessary to also look at entrepreneurship in a wider context. The business environment has a significant impact on determining a company's potential and success. Therefore, thoroughly thought out business goals and strategy must take into account the environment and must be ready to adapt to possible changes. The business environment may present the entrepreneur many opportunities though it may also create difficult obstacles.

1.5. An entrepreneur's work

An entrepreneur's daily work is quite different from that of a regular employee. Working for someone else is much less risky than establishing and managing a business. While being an employee certainly has its benefits so does being an entrepreneur. The following are certain practical examples of a typical entrepreneur's work.

1.5.1. Customer demands and freedom

The customers' demands drive an entrepreneur. As an entrepreneur, no managers sit above you providing instructions or orders as to how you should do your work. Instead, the entrepreneur receives direct feedback on successes and failures from the customer. The entrepreneur's own objectives determine the development of the business. Being an entrepreneur always involves financial risk. However, one of the benefits of entrepreneurship is the feeling of success that arises from having gained the confidence of a customer. The most sought after benefit of being an entrepreneur is freedom. This freedom allows the entrepreneur to truly be in control of his or her own life.

1.5.2. Healthcare and social benefits

Healthcare is generally the responsibility of the individual entrepreneur. In the case of illness health insurance policies may provide a daily allowance though an entrepreneur cannot receive paid sick leave. An entrepreneur rarely has the time or money to be sick. Maternity, paternity, and other leaves of absence are generally difficult to arrange. However, establishing a functioning work-life balance is a challenge not only for entrepreneurs but also for regular employees.

1.5.3. Work time

The duration and time at which an entrepreneur works is largely dependent on the entrepreneur's own circumstances. The entrepreneur is free to set his or her own work routines. This can, on occasion, mean that workdays stretch late into the evenings and free time may be quite scarce at times. Some entrepreneurs may have difficulties separating their work and personal lives.

1.5.4. Social security, unemployment and retirement

An entrepreneur's social security is safeguarded through the entrepreneur's insurance and the general unemployment insurance. The Self-Employed Persons' Pension Insurance is mandatory for entrepreneurs and is based upon the entrepreneur's declared income. The entrepreneur is responsible for his or her own unemployment and pension insurance and must pay for them at their own expense. In addition to these mandatory policies the entrepreneur can take out additional insurance policies by which to safeguard skills, know-how and living expenses through retirement.

iv. Evaluation Exercises

1. Give a brief definition of entrepreneurship
2. Indicate five of the main characteristics of a successful entrepreneur.
3. Indicate some reasons for which the daily life of an entrepreneur differentiated from that of an employee

Learning Unit 2. Learning Unit : STARTING A BUSINESS

i. Introduction

The second educational unit is the unit «Starting A Business» and will help you understand what a business idea is and how it is developed. The following will be analyzed in the context of the specific unit:

- 2.1. The business idea**
- 2.2. A business idea and the main questions**
- 2.3. Developing the business idea**
- 2.4. Who do I sell my products / services to?**
 - 2.4.1. Customer focused from the very beginning
 - 2.4.2. Segmentation
- 2.5. Address the customer's / segment's needs**
- 2.6. What can I offer my future clients?**
- 2.7. Why would customers buy your product/service?**
- 2.8. How to organize your business?**
- 2.9. Summarizing the business idea**
 - 2.9.1. Business Idea Matrix
 - 2.9.2. Starting a business
 - 2.9.3. The steps of establishing a company
 - 2.9.4. Business forms
 - 2.9.4.1. Factors affecting the business form
 - 2.9.4.2. Private entrepreneur (private business name)
 - 2.9.4.3. Partnership and limited partnership
 - 2.9.4.3.1. General Partnership
 - 2.9.4.3.2. Limited partnership
 - 2.9.4.4. Limited company
 - 2.9.4.4.1. Establishing a limited liability company
 - 2.9.4.5. Cooperative
 - 2.9.4.5.1. Establishing a cooperative
 - 2.9.4.6. Small cooperatives and leadership

ii. Learning Outcomes

The table that follows displays the Learning Outcomes of the specific educational unit – everything that the trainees should know and understand and be in a position to do.

Learning Unit (LU) /title	<i>Learning Outcomes</i> <i>After finishing LU participants will :</i>		
	<i>Know (Knowledge)</i>	<i>Understand (Skills)</i>	<i>Be able to (Competences)</i>
2. Starting A Business	<ul style="list-style-type: none"> - The entrepreneurial idea and the development stages - The entrepreneurial idea business matrix - The steps to start a new enterprise - The factors that affect a startup - The different business legal types - How to organize a business - How to summarize the business idea - Basic principles and rules of starting up a new business - Basic principles of start up capital and financing a new business 	<ul style="list-style-type: none"> - The procedure of implementing an entrepreneurial idea - The factors affecting the form/type of a business 	<ul style="list-style-type: none"> - recognize and develop a business idea - select the appropriate legal status of a new business - demonstrate understanding on how to launch a new business - demonstrate the ability to find an attractive market that can be reached economically

iii. Contents of Unit

2.1. The business idea

'The business idea is the starting point of all entrepreneurship. The business and the entrepreneur's work is built around the business idea'

The business idea is a concrete practical description of how the company plans to conduct profitable business activities. It concisely presents the key elements of the business: who is

sold to, what is sold, what the business does and what kind of image does the business project to its stakeholders. In addition to this it is important to remember the business' protective measures such as patents and copyrights.

All parts of the business idea must be compatible with each other. The business idea is formed out of all of these elements and should be based upon the company's strengths.

A promising business idea must fulfill the customer's needs, be innovative and unique. It must have a clear concept and it must be profitable in the long run. (McKinsey & Company 2000).

2.2. A business idea and the main questions

Who are the company's products or services aimed at? What are the target segments that the firm's products or services are aimed at? What are the segments defining characteristics that the firm's products or services specifically address?

What does the company offer to its customers or what customer needs does the company serve? The products or services must match with the customer's needs so that they add value by solving the customer's problem.

How does the company function? How does the company work or how is the company organized? Which of the entrepreneur's resources can be invested into the business?

What is the company's image? How are the company's products or services viewed?

The most important thing is to clearly define the key elements of the business. Already during the planning phase it is important to learn to separate that which is relevant to the business from the irrelevant. Looking at the business idea from many different perspectives allows for an objective assessment and increases the probability of success. Don't give up even if all these elements don't fit together perfectly in the very beginning!

Take a closer look at business idea material:

1. Developing the business idea (includes a matrix diagram)
2. Who do I sell my products/services to?
3. What are my customer's / target segment's needs?
4. What can I offer future clients?
5. Why should customers specifically buy my products / services (image)?
6. How to organize the business?
7. Summarizing the business idea

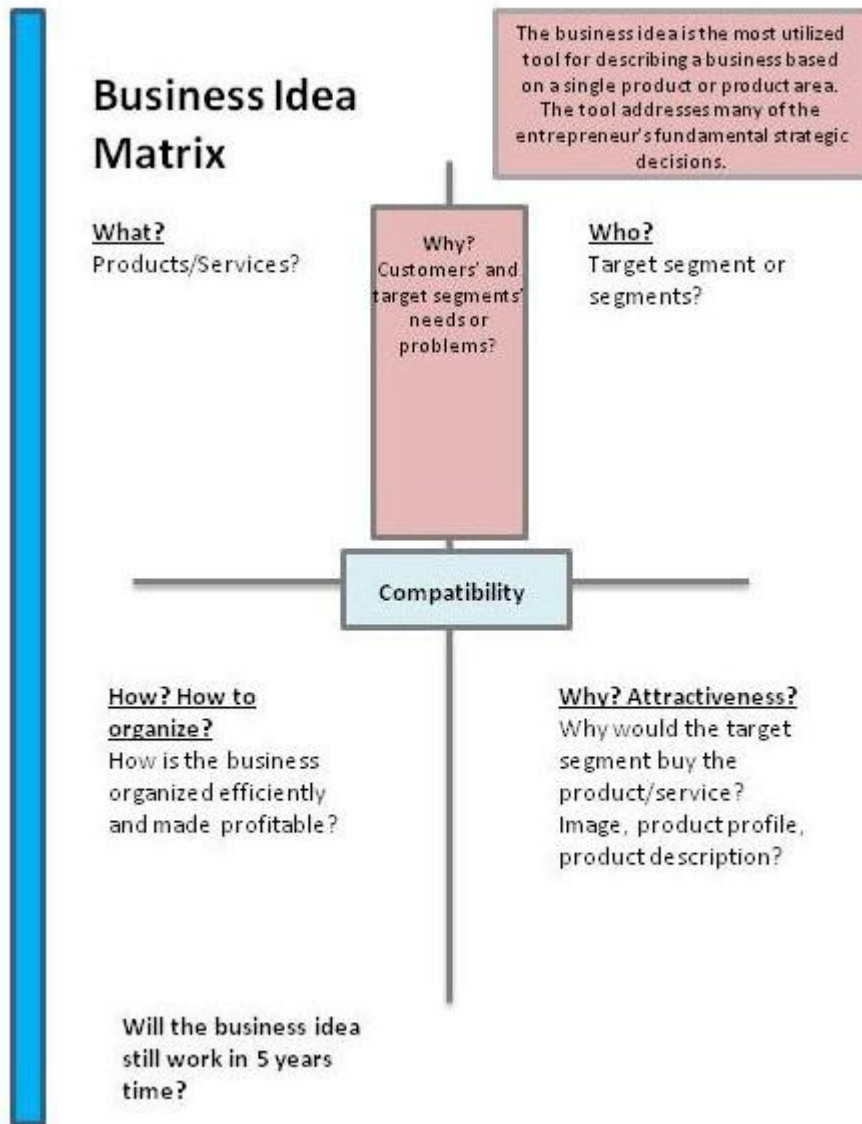
2.3. Developing the business idea

A business idea can often be condensed into a single sentence. For example, "I will establish a company that offers translation services to companies." This sentence describes the basis for a business but does not answer some fundamental questions. What kind of companies will

be served? What kind of translation services? Why you specifically? How will you organize an effective business?

In order to plan the business in more detail it is important to address the basic questions more specifically. A useful tool is the following matrix where you can map your choices and business ideas according to a number of basic questions. The business idea is the most utilized tool for describing a business based on a single product or product area. The tool addresses many of the entrepreneur's fundamental strategic decisions.

- What?
- Products/Services?
- Why?
- Customers' and target segments' needs or problems?
- Who?
- Target segment or segments?
- How? How to organize?
- How is the business organized efficiently and made profitable?



MR/Plantrainer.Oy

2.4. Who do I sell my products / services to?

2.4.1. Customer focused from the very beginning

The development of the business idea can be done in stages by addressing each question one by one. While it may seem logical to start with the 'What?' question in many cases it is more productive to narrow down the customer segment the business aims to serve. Identifying the potential customer base's needs will then help with the development of the product or service offering.

2.4.2. Segmentation

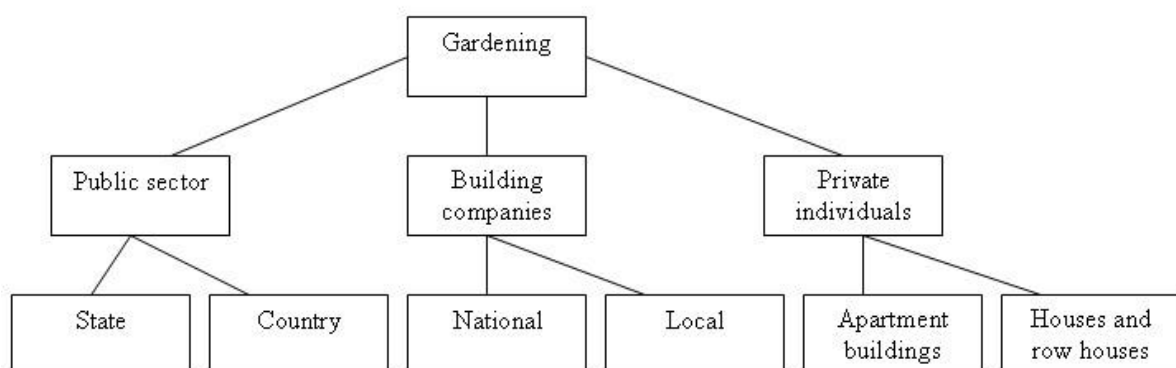
In order to further answer the question more planning tools are needed. Segmentation is the categorization of potential customers in a market into groups by common needs or demands. The founder of a new business would like as many clients as possible and market the company's products or services to as many types of customers as possible. However, this usually leads to unfocused activities and ineffective marketing. The business is unable to build its reputation amongst potential customers and develop a competitive edge. On the other hand, specializing within a specific target segment may be a better starting point for the business. In the translation service example the potential customers could be "law firms in the Helsinki/Larnaca/Kaunas area". Having defined the segment the marketing can be focused according to specific customer demands, the market potential can be estimated, pricing can be determined more easily, etc.

Examples for segmentation criteria can be:

- Consumers: Customer information such as age, gender, income, profession, marital status, education, location, etc.
- Businesses and groups: Size of the organization, industry, location, stage of development, etc.
- Within a business: professional group, position within the organization, etc.
- Customer / user values and attitudes: lifestyle, hobbies, etc.
- Other criteria such as the intensity of use of the product or service: heavy-light user, mass-occasional consumer, potential consumer.

By gaining a deep understanding of the customer's or user's needs, problems and expectations of the product and its purchase or use the entrepreneur can plan a sustainable business.

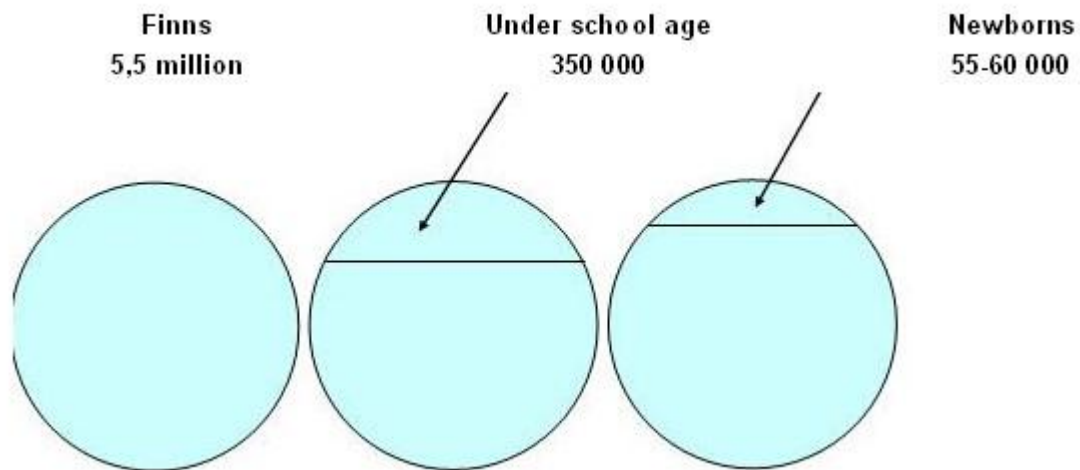
The segmentation can also be drawn out. In the below example a gardening contractor could consider if his or her business should market its offering to all potential customers or if it is wiser to start by selling to local building companies as a sub-contractor.



Defining customer needs through segmentation allows the business to develop its offering and uncover opportunities.

2.5. Address the customer's / segment's needs

Creativity and brainstorming are often associated with product or service development phase of business development. However, in many cases, the critical idea and the idea for the company's product comes from defining the market segment. The below example illustrates this point and refers to a products targeted to the below groups:



For example, limiting the market to newborns and their parents helps to understand the customer needs.

Sleeping	Cribs, beds, carriages...
Outdoors	Sleeping bag, raincoats...
Clothing	Overalls, shirts...
Hygiene	Diapers, skin care...
Parties	Baptism dresses...
Gifts	Rattles...
Food	Baby foods, juices...
Dining	Cups, plates...
Childcare	Babysitter, changing table... etc. etc.

The customer needs can be expanded upon endlessly. Even if needs are further limited by focusing on, for example needs served solely by plastic products, there are still countless products to choose from!

2.6. What can I offer my future clients?

When you have gained an understanding of your future customer base you can move onto developing the product / service. The previous customer need based brainstorming can be a useful exercise, however it is easy to spend too much time or resources on this stage. It is important to maintain a focus of what is relevant to your business. An assessment of your own skills is also a good starting point in terms of developing a business idea. In the translation services example the entrepreneur would need to specify whether the offered service involves the translation of documents or oral simultaneous translator services. Similarly an area of further specialization could range from EU legislation to local environmental regulations. This kind of analysis again would lead the entrepreneur to an assessment of the target segment. This means revisiting the matrix presented earlier. When the answers to the basic questions start to emerge your business idea is closer to becoming reality.

The product or service offering can also be defined in the following manner. The example illustrates the options available to a carpenter.



Carpentry shop

Painted, Doors, Moldings, Finished wooden products, Windows, Installation, Custom manufacturing, Components, Finished products

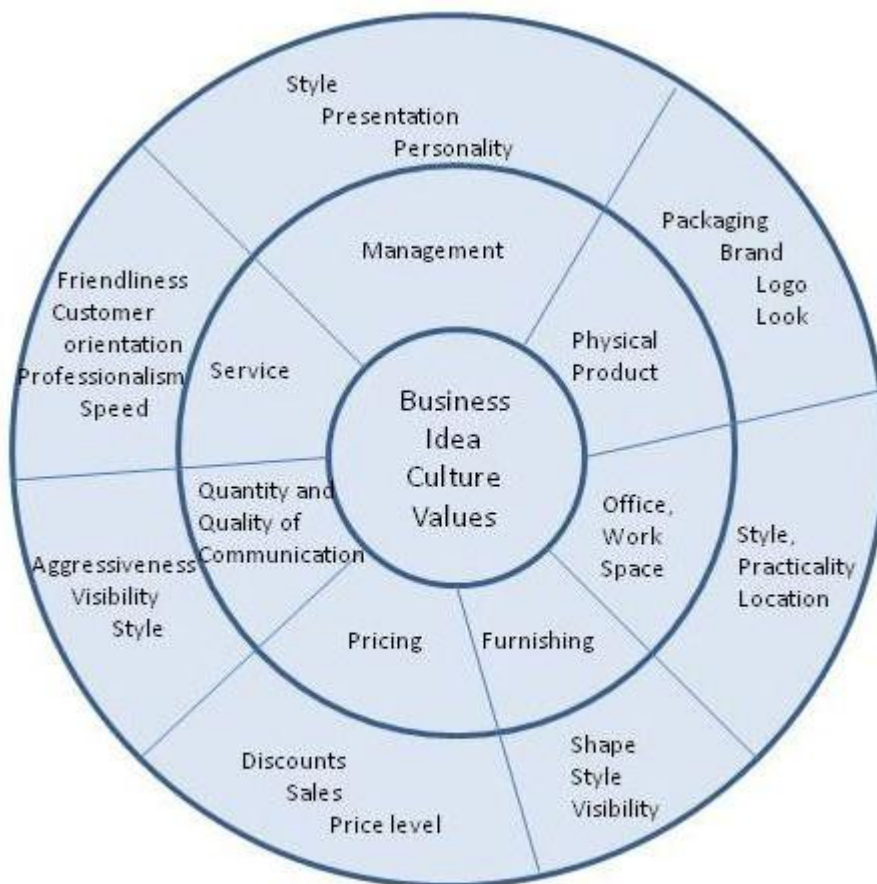
2.7. Why would customers buy your product/service?

In order for the above to become reality your product or service has to be positively differentiated from the competition's offering. A useful approach by which to ensure this is to address the issue from the perspective of the target segment. In choosing a product or service, a customer is faced with actual differences between product / service offerings. However, the customer is also influenced by perceptions. You should not underestimate the impact of image and it should be accounted for when planning the business' activities. It is even claimed that image can be more important than the objective rationale in choosing one

product over another. "Choices are made based on perceptions, which are then rationalized" says Timo Rope, a marketing professional.

Think about the basis by which your customers decide upon the product or service and include this in the business idea matrix. Note the factors that lead a customer to decide whether a business has a positive or negative image and plan your business accordingly.

Below is Timo Rope's diagram of these diverse factors. Add to this diagram the factors that are relevant to your industry. The diagram is not complete but it will get you started. The example of the image of a translation services business will be based upon very different factors than that of a carpenter.



Timo Rope: Modern Marketing

- Business Idea, Culture, Values
- Physical Product / Packaging, Brand, Logo, Look
- Office, Work Space / Style, Practicality, Location
- Furnishings / Shape, Style, Visibility
- Pricing / Price level, Discounts, Sales
- Quantity and Quality of Communication / Aggressiveness, Visibility, Style
- Service / Speed, Customer orientation, Professionalism, Friendliness
- Management / Personality, Style, Presentation

2.8. How to organize your business?

There is one more square remaining in the matrix. You should imagine the basic decisions that need to be made in terms of the activities that describe your business. How to organize your company's activities so that the selected target segments can access your products or services, how they are produced, with what kind of personnel, etc. The answers to these questions often are dependent on the specific industry and the individual company. An entrepreneur can look at the best practices of successful established firms to gauge the available options. The solutions don't need to be replicated exactly as each entrepreneur has the opportunity to innovate. However, learning from successful competitors is never a bad idea.

Think about:

- How do you market your product / service? How do you make your company known among potential customers? What is the role of sales and how are they carried out? What do you do yourself? What services do you outsource?
- How do you develop your products?
- How are your products or services produced? With what equipment? With which technology? What do you do yourself and what do you sub-contract? If you have physical products you need to consider the manufacturing process, logistics, etc.
- What kind of personnel is needed? What skills do you need? What is a suitable division of labor for your company? How is the staff motivated to perform?
- What kinds of systems support your activities and make you more efficient?
- What sort of network would enhance your profitability?

2.9. Summarizing the business idea

As you have noticed, answering all four fundamental questions requires careful consideration and difficult decisions. You may possibly need to learn more by observing your competition and even interviewing potential customers. Careful planning and decisions made at this early stage, however, will save you time and money as you implement your business idea. Also, the subsequent stages of business planning, such as the business plan and economic forecasting, will become easier if the business idea is thoroughly thought through.

Condense your basic decisions into the matrix. Using this tool it is easy to describe your company's future activities to possible financiers, future employees and even customers.

Make sure that each of your choices is compatible with each other and analyze your business concept as a whole.

2.9.1. Business Idea Matrix

The business idea matrix is the most utilized tool for describing a business based on a single product or product area. The tool addresses many of the entrepreneur's fundamental strategic decisions.

- What?
- Products/Services?
- Why?
- Customers' and target segments' needs or problems?
- Who?
- Target segment or segments?
- How? How to organize?
- How is the business organized efficiently and made profitable?
- Why? Attractiveness?
- Why would the target segment buy the product/service?
- Image, product profile, product description?
- Compatibility
- Will the business idea still work in 5 years time?

2.9.2. Starting a business

Starting a new company is the most challenging way to start a business. The establishment of a company is accomplished through a gradual development process that starts with the summation of the business idea and is only complete once the company is up and running.

2.9.3. The steps of establishing a company

The following list describes the practical steps required to establish a company. The amount of time needed for each step and the manner in which it is documented depends on the individual entrepreneur, the size of the company and the industry or sector. What is common to all companies is that the process starts from the business plan.

1. Forming a business idea and drafting a preliminary business plan
2. Assessing the business' profitability and organizing financing
3. Selecting a business form
4. Choosing a business name
5. Relevance of business licenses or notifications
6. Basic notification to the Trade Register
7. Obtaining a Business Identity Code (Y-tunnus)
8. Start-up notification to the Tax Administration
9. Assessing risks and insurance
10. Accounting arrangements

11. Selecting the location for the business

2.9.4. Business forms

"The private business name is the simplest business form, the limited liability company the most complex and also the most bureaucratic."

The most common business forms can be divided into three categories:

1. private entrepreneur (so-called private business name)
2. partnership (general and limited partnership)
3. limited liability company

2.9.4.1. Factors affecting the business form

Factors that affect the selection of business form include the number of founders, the required capital and issues related to taxation:

Number of founders. A more complex business form is suggested as the number of founding partners increases.

Start-up capital. As the requirements for start-up capital and risk increase the business form also becomes more complex. Certain sectors such as heavy industry generally require significantly more initial start-up capital than do service businesses.

Responsibility & company. The willingness of the entrepreneur to be personally responsible for the business' liabilities also affects the choice of business form. In a general or limited partnership the entrepreneur is more liable for the business than is a shareholder of a limited company. The entrepreneur must also think about how much he or she can trust the other partners in the business. If the entrepreneur can not fully trust the partners this should be reflected in the choice of business form.

Flexibility of operations. The governance or organization of a limited company is also more complex than that of a partnership. A limited company must hold the regular meetings as demanded by the law while a partnership does not. In terms of flexibility the private business name is the most straight forward and simplest of the business forms.

Distribution of profits (Coverage of losses). Is the business' profit divided amongst the partners or does it belong to the company? What kinds of dividends should be paid out to the shareholders? The entrepreneur must also think about how potential losses are covered by the people involved in the business.

Salary. When choosing a business form the entrepreneur must consider the need for employees. The general rule of thumb is that the more employees in a company the more complex the business form. In a private business name the entrepreneur cannot employ his or her spouse or children under the age of 14.

Taxation. Taxation policies change frequently and it is difficult to predict the level of taxes to be paid well in advance. Taxation policies also change depending on the business form.

2.9.4.2. Private entrepreneur (private business name)

A private entrepreneur can either be categorized as a general self-employed professional or a so-called tradesperson entrepreneur.

A self-employed professional is an entrepreneur who practices a certain business and who is not bound to a fixed place of business. For example, washing machine repair men, taxi drivers, plumbers or electricians are professionals who can be in business without having a physical location from which they operate.

A tradesperson is an entrepreneur who has a permanent place of business outside of the home. For instance, barbers and hairdressers, auto mechanics, restaurateurs and kiosk operators are categorized as so-called tradesperson entrepreneurs.

2.9.4.3. Partnership and limited partnership

There are two types of partnerships, general and limited partnerships. Partnerships are legally established when the founding partners agree to the articles of association.

The law does not require adherence to a set form so the agreement may even be entered into orally. A written agreement, however, is seen as more concrete and thus safer for all persons involved.

The partnership is registered with the Trade Register/Register Centre. In order to file a notification form an original written partnership agreement and a certified copy of the agreement must be delivered to the Trade Register/ Register Centre. However, the partnership is seen as legally established even without notification to the Trade Register.

2.9.4.3.1. General Partnership

There must be at least two responsible partners in a general partnership. The general partnership is also a legal entity unto itself. The partners have personal, joint and several liability, for the partnership's commitments. In a limited partnership there must be at least one general partner and one silent partner. The silent partner invests capital into the company and receives annual interest as compensation. It is suggested that the exact sum of the capital commitment and the amount of the return or percentage of interest is agreed upon. The partnership agreement must also state when and how the return on the investment is paid to the silent partner.

2.9.4.3.2. Limited partnership

In a limited partnership the general partners have personal, joint and several liability, for the partnerships commitments. The silent partner, on the other hand, is only liable up to the amount of the monetary investment invested into the partnership. The general partner may enter into contracts on behalf of the partnership as agreed to in the articles of association.

The partners' power to represent the partnership, however, is limited on the basis of the partnership's line of business and the scope of its operations. A notification can even be filed with the Trade Register/Register Centre whereby the power or representation of certain partners can be restricted or removed entirely. Similarly, an agreement can be registered by which two or more partners share the power of representation.

The silent partner has the right to monitor how the partnership into which they have invested is being run. At the minimum, the silent partner must be allowed an annual occasion when they can go over the partnership's books and accounting. The way in which this is practically arranged must be agreed to in the articles of association.

Once the silent partner has received the annual return on the capital investment the remaining profit is divided among the general partners and taxed accordingly. The general partners do not necessarily receive a salary but receive their income through the so-called private use of profits. The profits are generally divided evenly amongst the partners though the general partners may agree to another division. For example, when a family establishes a limited partnership and one partner spends more time working for the business than the spouse, the profits may be split 70 / 30 to reflect the division of labor.

2.9.4.4. Limited company

Limited companies, both private and public, cooperatives and foundations are all classified as corporations. The following will examine the limited liability company in more detail.

Limited liability companies are generally established when there are many partners, there are large scale business activities or when the entrepreneur wants to reduce his or her personal risk or liability. Legally, a limited liability company is established only once it has been registered with the Trade Register/ Register Centre. Until it is registered the company can act or engage in business but only at the cost and full personal liability of its founding partners. Once the company is registered it becomes a legal entity responsible for its own commitments. After the company becomes legally registered neither the founding partners, shareholders or board are personally directly liable for the companies actions.

A limited liability company is a taxable entity which is taxed independently from its shareholders. The partners and shareholders can be paid employees of the company while transferring company funds for 'personal use' is not allowed. On the other hand, shareholders can be paid dividends.

2.9.4.4.1. Establishing a limited liability company

A limited liability company is established by drafting a **memorandum of association or articles of incorporation** and holding a founding or constitutive meeting. The memorandum of association must state the amount of capital stock or share capital of the company. The minimum share capital set by the law is 8000 Euros. The corporation's bylaws

or corporation charter as determined by the corporation may also state a maximum amount of capital stock. The Companies Act states what other elements need to be included in the memorandum of association. The founders must also note other possible aspects of the business form such as non-public shareholder contracts.

After the signing of the memorandum of association the business must hold a constitutive meeting. This meeting is generally held immediately after the drafting of the memorandum of association without any separate invitation. The meeting officially decides upon the establishment of the limited company as set forth in the memorandum of association. A majority of the votes are required in order to establish the company and the meeting requires at least a two thirds quorum of the corporation's shareholders.

A board is then selected for the corporation according to the corporation's bylaws. If the number of board members is fewer than three persons a deputy member must also be selected. In addition to the board members the auditors and deputy auditor are selected along with a possible managing director or chief executive. It is not mandatory to select a managing director as this function can be filled by the board at a separate meeting. At the constitutive meeting the corporation's bylaws are accepted. The bylaws are a document which determines how a business functions and how it is organized.

The votes in the constitutive meeting are held by the founding shareholders are distributed according to the number of shares owned by each person. It is not necessary to hold a constitutive meeting if all the founders subscribe to all of the corporation's shares. If this is the case the memorandum of association must note that a constitutive meeting was not held and it must list the names of the persons selected according to the corporation's bylaws.

2.9.4.5. Cooperative

Limited companies, both listed and unlisted, cooperatives and foundations are all classified as corporations. The following section will examine the cooperative business form in more detail. The purpose of a cooperative is to manage the finances of its members or support the member's trade through the use of the corporation's services. The cooperative entrepreneurship business form suits those businesses that have a fixed functional or operational relationship with their members and which operate in sectors requiring know-how and small capital investments.

The membership of the cooperative is open and it is easy to accept new members. A member of the cooperative can resign or be fired but the membership cannot be given up. It is possible, however, to transfer the membership to another person once they are accepted by the cooperative.

2.9.4.5.1. Establishing a cooperative

A cooperative is established by a written contract known as the charter of foundation. The signatories of the charter of foundation are the cooperatives founding members and members of the cooperative. A cooperative may be established by no fewer than three individuals or other legal entities. There is no upper limit to the number of founders. There are no minimum requirements concerning the capital requirements of the cooperative. The co-operative contribution or participation share is the same for all members and is returned when the member leaves the cooperative. The bylaws governing the cooperative can require a higher fee for members joining after the foundation of the cooperative, supplementary fees for specified purposes and other additional charges (additional participation share, investment portion capital).

The decision making power rests with the members and the cooperative meeting. The cooperative must have set bylaws or rules as well as a board that represents it. It is not mandatory to have a managing director or chief executive officer. The members of the cooperative are not personally liable for the cooperative's debts unless so specified by the cooperative's bylaws.

Cooperatives are required to maintain accounting records and conduct audits.

A cooperative does not have the same liability as a limited liability company regarding liquidation and thus the loss of its capital. The cooperative can be forced into liquidation if the number of members decreases to fewer than three individuals.

The new cooperative law allows cooperatives to act in a manner resembling limited companies with the possibility of additional investment portions as well as the remittance of bonus issues. If a cooperative is dissolved, its assets can be distributed amongst its members. In this respect, a limited company can also be organized in a so-called cooperative manner.

2.9.4.6. Small cooperatives and leadership

Managing a small cooperative requires skill and leadership. A well managed cooperative can reduce the cost of decision making. Strong vision and strategic leadership can motivate the members of the cooperative towards a common goal.

iv. Evaluation Exercises

1. Develop the business idea for a hypothetical enterprise based on Business Idea Matrix. In order to do that, keep in mind the following:

Describe the products or services you intend to make/sell. Why do customers need your product/service? How will the product or service be priced and

how it will make you a profit? How are you different to the competition? Tell us a little about you and what inspired you to think of this idea? Who will your customers be and how/where will they buy your product/service? Are they in a specific age range, are they mostly male or female, do they have specific interests, do they live in certain places, or are they a very mixed group? Also where will they buy your product /service will it be at the market, on the internet, local shops? What are the main challenges you face and how will you make your business idea a reality?

Tell about yourself and your experience and we will publish it on our website!

You can always send your ideas and comments to info@igostartup.com.



<http://igostartup.com>

Youth Entrepreneurship

in the context of LDV project entitled:

YES: Youth unemployment: fostering Entrepreneurial Skills

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