

Technical Guide for the elaboration of a Business Plan Guide

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0. PRESENTATION

The European Business & Innovation Centres (EBN-BICs) are organisations promoted by the European Commission in collaboration with local institutions and economic agents, with the main purpose of helping with the creation of innovative SMEs, and the modernization of the existing ones.

To do so, they provide technical, logistic and financial resources to entrepreneurs and companies, and they provide training, advice and information services.

From the moment the business idea arises to the moment when it is planned in the future, they offer the resources and services needed to transform innovative ideas into viable companies, or to reinforce the viability of existing SMEs. The numbers prove it: in ten years, the European Business & Innovation Centres of Castilla y León (EBN-BIC CASTILLA Y LEÓN) have contributed to creating/modernizing 370 companies; furthermore, 60% of start-ups created in the European Union are forced to close down before their fifth anniversary, while only 20% of the projects promoted by BICs fail.

According to BICs methodology, the advice received prior to the creation or modernization of a company is reflected in a Business Plan, or forecast analysis of the different areas of a company: marketing, technology, human resources, economic-financial and legal-institutional.

A Business Plan is necessary to create a new company, but also when the target is to modernize or increase the profits of an existing company. Both the final result -the complete Business Plan- and the meditation process needed to define the Plan are useful: those working on the Plan benefit from a deeper knowledge of all areas of the company and a stronger motivation to carry out the Plan.

This GUIDE offers answers to those who ask themselves questions such as What is a Business Plan? What is it for? How is it written? By whom? What structure should it follow?

The Guide is aimed mainly at entrepreneurs: those who want to start a business activity planning everything from the start, removing uncertainties, studying and organising their company; in short, knowing every detail of the company and its environment.

Its content cannot teach how the decisions of each business project have to be made, but it does represent a first step towards the company's decision-making process. Therefore, the Guide describes the most important aspects of the form and content of the Business Plan, and gives some advice for its writing process. This will enable users to achieve a final document more coherent with their business creation targets.

The Business Plan Guide takes into account the experience of BICs in company planning and evaluation, and is integrated in a wider project for online advice: Web version of Ceei emprende® and a CD-ROM developed by EBN-BIC CASTILLA Y LEÓN.

We understand that the contents of the Guide complete the training and advice process offered by the system mentioned above.

1. GENERAL INFORMATION

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1. GENERAL INFORMATION

1.0. Introduction: What is a Business Guideline?

Let's just imagine the following situation:

Juan Hidalgo Pérez is 27 years old. He is an economist and has been working for the last three years as a low-grade civil servant for an autonomous department. He recently met Pedro Sánchez, and was impressed by his dynamic, cheerful, and entrepreneurial personality. Pedro suggested the idea of starting a business together.

Pedro has worked in the tourist sector and has always been passionate about the idea of starting his own company. Now, he has his first business opportunity and finally has a great idea. He is convinced that with his idea well developed, he will be able to access an attractive sector and he will create a good company, which will enable him to make a profit in little time.

That is why, in the last few weeks, Pedro has insisted on telling Juan his plans again and again, with the aim of getting him to form a partnership to exploit this new opportunity. Juan likes the idea, but there are some points that don't seem very clear to him.

One day, with determination, Pedro invites Juan to accompany him to his bank because he has arranged a meeting with the Commercial Manager of its local branch to explain him what his future business is going to be like and to ask him for the possible external financing he needs to start the company.

Fernando Ortega is the Commercial Manager of the bank where Juan and Pedro have gone and he is member of the Risk Commission of the branch, where the credit and loan applications of the clients are resolved. This man has 15 year-experience working for this bank and is esteemed an open and understanding person, an enthusiast of private initiative, but without forgetting what is reasonable and coherent.

Fernando welcomes them and invites them to join him in his office where they sit around a small meeting table. After a short introduction, Pedro takes the initiative and starts to explain their situation to Fernando. As Pedro goes into the topic in depth, Fernando reflects on it inwardly and starts asking himself questions.

When Pedro describes his business, he defines what he wants to do and why, but it is not a detailed description, and Fernando would like to know more about what and why. He would also want to know, who is going to do it and how, where is the business opportunity and which are its main competitive advantages.

Pedro assures him it is a good sector, but does not provide any information to justify so, such as market size or its growth rate, how many competitors are there and what are they like, how they compete, if any potential company can enter the market in the same conditions as those already secure in it or, on the contrary, if there are factors that impede the entry of a new company with the same success guarantee and if the sector generates profits.

Pedro guarantees that his business idea is good but, does it have the adequate dimension and organization? What are its human resources and management team like? Which are the material resources it needs?

Pedro reaffirms his business idea is viable; however, why hasn't he forecasted the project's economic viability? Income statements, balances, state of liquid assets?

Pedro says his investment will cost him €180,000; but, what will he spend that money on? Is that investment enough or is it suitable according to his strategy?

Last, Pedro states him that to be able to start, he needs €180,000, of which, €1126.212,54 must be provided by a bank; does he really need that money? Has he taken into account the expenses for the initial operations such as payment of staff, suppliers of raw material or supplies?

Once he finishes with his explanations, Pedro asks Fernando: What do you think? Do you think the bank would lend us the money?

Fernando thinks for a bit and says: Pedro, I have known you for many years now and I know your entrepreneurial mentality, of which I have no doubt; nevertheless, and in spite of the explanatory questions I have been asking you, there are still many questions to answer and discuss. I like the idea you have set out, but there are many points to be decided and settled. You are asking money from the bank and the bank must know where its money is going to be invested. I recommend you to make an effort to arrange and summarize all your business ideas and try to embody them in a written document, together with its economic viability. Once we have analysed it and checked its viability, we will discuss the conditions and guarantee of the loan.

When Pedro and Juan leave the bank, Juan says: Fernando is right, we should prepare a Business Plan. By doing this I will also see more clearly if I'm interested in getting involved in this project with you.

This simple situation is useful to exemplify and delimit what a Business Plan is and which are some of its advantages. It defines each of the questions and concepts set out in the previous example.

We offer this Business Plan Guide to help the entrepreneurs-promoters. With this document we give the entrepreneurs the methodological and practical advice for writing the project.

To use it correctly it is necessary to consider both meanings of the term "Business Plan": as a document and as the Plan's preparation process.

Therefore the Business Plan Guide can be used at the same time as:

- a working tool that helps the entrepreneurs gather the necessary information, study and make the different decisions and carry out the programmes of action needed to materialise their project.

- a guide for the presentation and writing of the Business Plan, to allow them to set out the answers the readers are waiting for.

The Guide describes aspects of the structure and content that must be considered when writing a Business Plan. The main characteristics of this guide are:

- It explains the reasons why each of the points of a Business Plan is important and the reasons why it must be studied.
- It provides a certain amount of knowledge and information about each aspect, through theoretical or practical explanations, definitions, examples, etc.
- It raises some of the questions that the entrepreneurs must ask themselves, or that the reader of the Business Plan will probably ask.
- It gives methodological elements to answer those questions (calculation methods, information sources...).

1. GENERAL INFORMATION

1.1. Business Plan

- 1.1.1. Concept
- 1.1.2. The term's meanings
- 1.1.3. Different projects
- 1.1.4. Utilities
- 1.1.5. Characteristics

1.1.1. Concept

In a wide sense, a Business Plan is a preventive analysis and a description of the different areas of a business -marketing, operations and/or production, human resources, financial, legal and institutional aspects-, together with the present and future strategies and intervention plans.

1.1.2. The term's meanings.

One of the first difficulties an entrepreneur may find is to know the true use of a Business Plan and to learn how to take advantage of it. So, from the beginning, two meanings for the term are identified: the document itself and its preparation process.

A Business Plan is, in the first place, a document aimed at different readers, who are going to read and study it with different purposes. The Plan must be prepared and written by the business' promoters or in collaboration with them and under their coordination.

Nevertheless, the term "Business Plan" also refers to its creation process, as a set of tasks carried out to achieve a document apt to be handed out. This process comprises two phases.

- The first one, the process of gathering all the information and describing the content of the Plan, according to a research, advice, analysis and decision making methodology.
- The second, the process of writing, parallel to the first phase.

The most important phase is the first one, although all entrepreneurs think that the preparation of their Business Plan is to take pen and paper and start writing. This distinction is so important that for EBN-BIC CASTILLA Y LEÓN the creation of a Business Plan becomes a methodology applied to a wider project named "Entrepreneur Program". The program includes a series of actions structured in four phases, throughout which a simple idea becomes a viable business:

- *Selection of entrepreneurial ideas.*

Includes promotion, guidance and motivation actions aimed at detecting ideas, projects and business promoters.

- *Definition of the idea and formulation of the Business Plan.*

Comprises an analysis and mutual collaboration process, through which the promoters describe their idea, learn about it and get prepared for the future company's management.

It involves the following actions:

- a) Training in the many technical and management areas of the company.
- b) Information: access to databases; attendance to conferences, talks and seminars; visits to or work experience in companies; actions between regions or countries for experience exchange.
- c) Advice for the accomplishment of the Business Plan.

- *Creation of the company*

- a) Advice on the formal constitution of a company.
- b) Management of the financing sources.
- c) Advice on the start-up of the company: registry, fiscal, labour... proceedings.
- d) Provide accommodation in the BICs or other possible premises.

- *Development of the company*

Advice during the first months of the company and follow-up.

1.1.3. Different projects.

The second problem to be considered is the quality distinction between the implementation of the Business Plan for existing companies -SMEs development projects- and its implementation for start-ups.

If the Business Plan is to be implemented by an existing company, this will become a Planning model. In this case, it is very important to diagnose the company's current situation, assess the possible future alternatives, and make decisions according to the most advantageous or profitable option. In this sense, the Plan is twice as useful, since

internally it will be used as a follow-up and control management tool and, on the other hand, it will be used as a source of information for reports and budgets.

If the Business Plan is carried out by a start-up, the most important part lies in the market and sector analysis, together with the business viability.

In this Technical Guide we intend to focus on the second approach, that is, to treat the Business Plan as a tool for the creation of new companies. For start-ups, a Business Plan becomes a way to state their intentions, since the key points of the business initiative will be analysed.

Therefore, the Business Plan must, on the one hand, gather information; and, on the other, analyse and state the decisions that a company must make, relating to all the elements needed (product, clients, market, competition, technology, financing,...) to get the company off the ground, together with all its areas: Marketing, Operations and/or Production, Human Resources, Economic-Financial and Legal-Institutional.

When writing the Business Plan, entrepreneurs must take into account that this document could be read by investors, clients, suppliers, contributors, staff, banks, advisers and public institutions.

From the point of view of who writes the Business Plan, that is, the promoters, they must give the right extent and assessment to its writing process. Having a final version of the document is important, but the path that takes to it can be even more substantial. It should be a process of information research, study, analysis and valuation of their own business project.

A third problem the promoters might encounter is the different ways to address the various aspects of the Business Plan, depending on whether it is for an industrial or a services activity. In this Guide, we set out the differences between these two situations, and why it is necessary to treat the problems in a very different way.

1.1.4. Utilities

Different utilities for the Business Plan can be considered according to two important phases in the company's setting up: before and after the activity starts.

From a practical point of view, before the start of the activities, the Business Plan has three basic utilities:

1. Guide to plan and run a business.
2. Tool used to search for third party financing; the Plan will become a business card when applying for collaboration, help or financial support from public or private institutions.
3. Development of new strategies and new activities.

These three utilities or goals are only useful if, while writing the Business Plan, the entrepreneurs are forced to see all the important points, together with the defects and mistakes of their ideas and approach, helping to establish the viability of the entrepreneurial project and to defend the ideas in front of a third party.

After the company has been set up, the Business Plan must also be useful as a guide for the actions that have to be carried out from the moment the company is created. From that moment onwards, the entrepreneurs will have to face many problems and will be very busy dealing with clients, suppliers, bankers, staff, advisers, etc.

That is why all the planning has to be carried out before the company has been set up. For the entrepreneurs it will be very useful to have a reference document as a checklist of the actions to be carried out every month once the company's activities have started.

The Business Plan will only play this role if it is conceived from that point of view and it must include a program of action as detailed as possible.

1.1.5. Characteristics:

The Plan will only be useful if it meets the following requirements:

1. Quality of the information: the information and the style of the document must be clear and concise, true and verifiable.
2. Up-to-date information: the Plan must be an up-to-date document.
3. Comprehensive information: for the Plan to be complete, all the areas of the business activity must be included in it.
4. Viewpoint coherence: it must be a personal product of the promoters. This will make the reading and comprehension process easier. In most cases, the Plan will be read by people with little time to lose (it is recommended not to exceed 80 pages).

1. GENERAL INFORMATION

1.2. Business Plan Example

- 1.2.1. History and references: various authors
- 1.2.2. The Business Plan in the EBN
- 1.2.3. Business Plan General Example: EBN-BIC Castilla y León
- 1.2.4. Characteristics of the Business Plan.

1.2.1. History and references: various authors.

The origin of the term "Business Plan" comes from American Business literature.

There are many authors that have talked about the subject, giving different methodologies for its content and structure. Nevertheless, they all mention the existence of two basic parts within a Plan:

- A first part where the details of the business activity are analysed.
- A second where a Financial Plan is detailed, with the aim of estimating the profit or assets to be generated by the company and also of calculating the monetary needs.

This simple and basic outline has been accepted by all authors. Although they develop and detail every aspect of it, they all agree when enumerating the basic points that have to be dealt with in the Business Plan.

We include tables showing the structure of the Business Plan elements, according to three North American authors (Bryan: 'Road Map to Credit', King: 'Developing a Business Plan', and Burch: 'Entrepreneurship') and two Spanish authors (Manuel Ludevid and Montserrat Ollet: 'Cómo crear su propia empresa').

ROAD MAP TO CREDIT	DEVELOPING A B.P.	ENTREPRENEURSHIP
<ul style="list-style-type: none"> - Description - Product plan or service plan - Marketing Plan - Operating Plan - Organization - Finances 	<ul style="list-style-type: none"> - Summary - Market study - The product - Marketing Plan - Organization and management - Financial Plan 	<ul style="list-style-type: none"> -Cover: <ul style="list-style-type: none"> Promoters Company Name -Intention statement -The Company: <ul style="list-style-type: none"> Description The market Competitors Location Administration Staff Applications Summary -Financial Information <ul style="list-style-type: none"> Origin and use of funds Capital and Balances

		Income statement Breakeven point Cash-flow -Appendix:
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CÓMO CREAR SU PROPIA EMPRESA
<ul style="list-style-type: none"> - Background of the new entrepreneur: education, professional and management experience. - Definition of the product or service - Marketing Plan <ul style="list-style-type: none"> a. Business delimitation b. Market analysis c. Commercial policy - Operating Plan <ul style="list-style-type: none"> a. The company's location b. Description of the Operating Plan c. Stock management d. Fixed assets investments - Organization Plan - Financing Plan - Legal Status - Conclusion

1.2. 2. The Business Plan in the EBN

The European Business and Innovation Centres (EBN-BIC) were conceived within the Directorate General for Regional Policy of the European Commission as a network that

provides the exchange of information and experiences among BICs. In 1984, the first BICs associated themselves in a specific network called European Business and Innovation Network (EBN).

Although it is true that it is not possible to commit to the creation of a company or a new activity without taking risks, it is proved that the likelihood of success can be improved by establishing a rigorous Business Plan. The lack of quality or the inadequacy of Business Plans are probably two of the main causes behind the failure rate in the creation of new companies or activities.

The aim of a BIC is to reduce this rate by providing effective advice for the preparation of a Business Plan to the entrepreneurs who request it.

Among the resources provided by EBN to BICs, we can find its Business Plan model, which is described in the following table: Business Plan for SMEs.

BUSINESS PLAN FOR SMES (EBN MODEL)	
PLAN SECTIONS	IMPORTANT POINTS OR ASPECTS
1. The product or service	<p>Current situation and technological evolution perspectives in the field of the specified product.</p> <p>-Comparative study of the product to be launched in comparison with the competitor's product in the market.</p> <ul style="list-style-type: none"> * qualitative advantages and disadvantages * regarding the needs of potential clients * from an evolution perspective (versatility, improvement possibility, etc...) potential longevity. <p>-If necessary, valid licence and/or "know how" exploitation contracts and legal protection (patents).</p> <p>-Evaluation of the efforts and cost of the research and development to be forecasted in order to stay at the front of</p>

	<p>progress.</p> <p>-Cost price:</p> <ul style="list-style-type: none"> * forecast of cost price. * impact on cost price of the following factors: produced or assembled (if applicable) quantities: the evolution of the cost of the elements that make up the cost price (raw material and/or pieces to be assembled; subcontracts, depreciation, financial burdens, general expenses). <p>-In a more general way, establishment of the current and future adaptation degree of the concept/product and the product itself in relation to the current and future competition.</p> <p>-Establishment of the vulnerability degree of the new company considering the product.</p>
<p>2. The environment</p>	<p>Environmental factors that can influence the company's possibilities and progress (regulations, compliance of the sector's legislation, preferential treatment, etc.).</p> <p>-Availability of qualified staff.</p> <p>-Vulnerability degree in relation to environmental factors.</p>
<p>3. The market</p>	<p>-Identification of the global market (taking into account the geographical target) in volume and in value, with division of needs and potential demand for each type of client.</p> <p>-Establishment of the levels of the applied prices and/or prices that can be obtained according to the characteristics of the products.</p> <p>-Research on current and potential competition:</p> <ul style="list-style-type: none"> * evolution of needs and demand (in quality and quantity); * evolution of the offer (in quality and quantity); * impact on commercial uses and price levels

	<p>(commissions, discounts, payment conditions).</p> <p>-Risk assessment for the new company according to market and competition evolution.</p>
4. Product/market	- Definition of the product/market duality
5. Goals and strategy	<p>-Definition of the company's philosophy.</p> <p>-Establishment of the goals to be achieved in five years and the policy and general strategies to be carried out in order to do so after studying several alternatives.</p>
6. Commercialisation	<p>-Commercial policy and strategy/strategies of the new company.</p> <p>-Price policy.</p> <p>-Qualitative and quantitative goals to be achieved in three years time:</p> <ul style="list-style-type: none"> * market quota in volume and value * income forecast for each type of client and, if applicable, for each region <p>-Strategy and promotion/communication plan.</p> <p>-Sale techniques, sale organization, own assets (quantity, quality). If applicable, distribution channels, budgets.</p> <p>-Risk assessment for the new company in relation with the adopted policies and commercial strategies and budgets available, taking into account the resources and predictable reactions of the competitors.</p>
7. Purchase - Production - Storage	<p>-Purchase policy (subcontracts included), organization of the purchase function (reception and quality control of goods included), budget.</p> <p>-Existence or lack of several supply sources (vulnerability).</p>

<p>- Shipping</p>	<p>-Premises/shops, equipment, production techniques, production organization and control (sequences, work planning, output, times, performance and quality control, etc.), budget.</p> <p>-Storage system and stock management; budget.</p> <p>-Shipping services and techniques; budget.</p> <p>-Maintenance budget (with or without internal maintenance service).</p> <p>-Forecast of cost prices in three years time, in concerning commercial targets.</p> <p>-In general, evaluation of risks attached to production (or part of the production) carried out in the heart of the company.</p>
<p>8. Management</p> <p>- Main departments</p>	<p>-Corporate bylaw.</p> <p>-Organization of staff management (continuous training included); budgets.</p> <p>-Legal aid; budgets.</p> <p>-Secretariat and main departments; budgets.</p> <p>-Insurance; budgets.</p>
<p>9. Finances</p> <p>- Management control</p>	<p>-Financial management and management control:</p> <p>*Organization and realization techniques (of accounting, of cost accounting and cost price accounts; of treasury management; of budget planning and control; of IT uses; of fiscal management).</p> <p>*Budgets for them</p> <p>-Resources and financial performance:</p> <p>* financial performance targets in 3 years time</p> <p>* own funds and working capital needed;</p> <p>* investment loans and operating loans (long and short</p>

	<p>term);</p> <ul style="list-style-type: none"> * profit planning in 3 years time with detailed analysis of income and expenses, establishment of the breakeven point, and pay-back, establishment of financial ratios; * treasury budget. <p>-Financial risks</p> <ul style="list-style-type: none"> * vulnerability index at treasury level * vulnerability index at financial performance level
<p>10. Organization</p> <p>- Structure</p>	<p>-Organization chart/staff for each department.</p> <p>-Definition of tasks and responsibilities and profile of managers.</p> <p>-Authorities.</p>
<p>11. Summary and general conclusions</p>	<p>-The key to success.</p> <p>-Strengths and defects in relation with those key factors.</p> <p>-General plan of action. -Contingent plans.</p>

1.2.3. Business Plan General Example: EBN-BIC Castilla y León.

EBN-BIC CASTILLA Y LEÓN agrees with the enumeration of these basic points. Nevertheless it provides its own structure and methodology, shaping its own Business Plan Model.

The proposal of EBN-BIC CASTILLA Y LEÓN can be summarised in the following nine basic points, which become specific Plans inside the general Model.

BUSINESS PLAN (EBN-BIC CASTILLA Y LEÓN)

0. Introduction
1. Marketing Plan
2. Operating Plan / Production
3. Human Resources Plan
4. Investment and Location Plan
5. Economic-Financial Plan
6. Legal Structure
7. Project fulfilment schedule.
8. Summary and assessment.

It is important to bear in mind that, in any case, each entrepreneurial project is different and it is necessary to adequate the content to its specific needs. That is why we have tried to offer a flexible structure and a rigorous methodology that will lead to a specific target: write a Business Plan, with deep knowledge of the business, the market and the company.

1.2.4. Characteristics of the Business Plan.

The relative importance of each section of the Business Plan, and of each topic dealt with, will vary according to the different projects and it is not advised to impose a single plan model with a set out scope for each topic (so many pages for products, so many pages for market, etc.).

Next, we propose a table with the main aspects to be dealt with in a Business Plan, together with their importance, taking into account the differences between industry and service business projects.

A study carried out by three European business schools specialised in entrepreneurship (Cranfield, Esade, Esc Lyon) which included over a hundred

investors, has given more information regarding the importance of each of the elements that take part in a business creation process.

In the first place, most investors declared to have a specific methodology for project evaluation (69% in Spain). This methodology comprises four main tools:

- The Business Plan.
- An interview with the entrepreneur.
- Expert advice.
- Information search on the entrepreneur.

On the basis of six essential aspects of the Business Plan defined in the survey, we asked the investors to define the key factors of the evaluation and next, which were the most difficult factors to be evaluated. These are the results:

THE MOST IMPORTANT	France	Great Britain	Spain
The entrepreneur	53%	38%	59%
The team	37%	48%	23%
The product	8%	3%	4%
The market	25	8%	10%
Financial Forecasts	0%	1%	9%
Deadlock	0%	1%	0%

THE MOST DIFFICULT FACTORS TO EVALUATE	France	Great Britain	Spain
The entrepreneur	26%	22%	27%

The team	25%	21%	4%
The product	8%	10%	4%
The market	17%	34%	43%
Financial Forecasts	9%	4%	12%
Deadlock	10%	9%	0%

These two tables show the importance of the role played by the entrepreneur and the team in the decisions of the investors. It is also slightly surprising the limited importance given to the product, the market and the financial forecasts.

Nevertheless, these are factors that the investors find quite difficult to evaluate, that is why it is so important to set them out correctly in the Business Plan.

2. CONTENIDO DEL PLAN DE EMPRESA

2.0. Introduction: What is a Business Guide?

2.0.1. The Company: Identification

2.0.2. The Entrepreneur

2.0.3. The Environment

2.1. Marketing Plan

2.1.1. Description and business delimitation

2.1.2. Information and analysis

2.1.3. Goals and strategy

2.1.4. Commercial action plan

2.2. Operating/Production Plan

2.3. Human Resources Plan

2.4. Investment and Location Plan

- 2.5. Financial and Economic Plan
 - 2.5.0. Introduction
 - 2.5.1. Economic Plan: operating profit forecast
 - 2.5.2. Financial Plan: Balance. Financial position
 - 2.5.3. Economic and financial analysis
- 2.6. Legal Structure
- 2.7. Project Fulfilment Schedule
- 2.8. Business summary and assessment
- 2.9. Introduction: What is a Business Guide?
- 2.10. The company: identification.

2. CONTENIDO DEL PLAN DE EMPRESA

2.0. Introduction: What is a Business Guide?

2.0.1. The company: identification

2.0.2. The Entrepreneur

2.0.3. The Environment

2.0.1. The company: identification

The Cover of the Business Plan must be designed so that it includes the name of the promoters, the name of the company and a reference to the business.

In the first pages it could be convenient to introduce some kind of graphic and specific reference to the project's most important information regarding the amount to be invested, job creation, sale forecast, profitability estimation, capital structure,...

It is also necessary to have a summary or index where the different sections of the Business Plan are listed, together with the page number associated with each of the chapters and sections.

The specific content of this introduction must be a short summary that clarifies, in one or two pages, what the business consists of and includes all relevant information.

The reason behind this section is that the project has to be read by people who normally have no time to lose and it is essential that after the first pages the readers know exactly what kind of business they are dealing with. The document must keep their attention, which is why it must be set out in a clear and simple way.

The introduction is divided in three sections: The company, the entrepreneur and the environment.

2.0.2. The entrepreneur.

The identification information of the company must be stated, such as: name, address, tax ID number, telephone, fax, share capital, name of the main partner.

The entrepreneurial background of the promoters, their training and qualities (organization skills, creativity, risk spirit...) must be mentioned, together with the motivations behind the creation of the company (having an innovative idea, desire to emulate outside experiences).

It can be convenient to include the promoters' CVs as an appendix.

2.0.3. The environment.

It is important to shortly introduce the immediate environment of the company, always with reference to those elements that can influence its progress, but that the company cannot change.

These elements can be social, economical, technological and institutional.

2. CONTENT OF THE BUSINESS PLAN

2.1. Marketing Plan

2.1.1. Description and business delimitation.

2.1.2. Information and analysis.

2.1.3. Goals and strategy.

2.1.4. Commercial action plan

In the writing process for the specific plans for each area, the double meaning of the plan must always be taken into consideration: one, the document itself and the other, the process of writing it.

Regarding the document, it can be divided in four main sections:

1. Description and delimitation of the business.
2. Information and analysis.
3. Goals and strategy.
4. Commercial action Plan.

As regards the process of preparing the document, it is mandatory to carry out a Market Study before starting with the Marketing Plan and to think about and evaluate the business opportunity, answering many questions and doubts.

2.1.1. Description and business delimitation.

Detailed description of what is intended to be done, why, by whom and how, pointing out the main competitive advantages. Remember that a business is made of the sum of a product, a market and a specific technology.

As for the product, all the products and services that exist in the market must be described in detail, stating their characteristics, functions and use for the clients.

As for the market, the kind of target clients and the geographical delimitation of their market must be enumerated.

2.1.2. Information and analysis.

This section is divided in three differentiated parts:

-The first one is devoted to the Market Study. The study searches for the most relevant information on the sector. This information is obtained by looking up documents and bibliography, but also by direct relation with competitors, clients, etc.

It is important to know the sector in person. To do so there is nothing better than to survey those who are directly or indirectly involved in it. This study will help us know in depth what our clients want, what the market situation is and what our competition is like.

It is necessary for two basic reasons:

- From an internal point of view, so the entrepreneurs can convince themselves, because the conclusions of the market study must guarantee the coherence of the goals and strategies to be adopted in the company, and to support the specific decisions that have to be made.

- From an external point of view, the market study must be enough to convince the reader of the Plan.

When talking of a market study in marketing, it normally refers to a technique used to confirm facts like market volume and the company's participation share in it. Also to know the retail price or information related to advertisement and distribution. It can also identify attitudes, that is, to know why the elements of a market act in one way or another.

To carry out a technical research of markets can be very difficult and normally external specialised companies are hired. In our case -SMEs-, due to the limitations of economical and time resources, it is not necessary to go so far.

Therefore, what is pursued? And, how must a market study be carried out?

The aim of a market study is to get the entrepreneurs "out on the streets" so they can analyse their immediate environment, talk to potential clients, competitors, etc.; and obtain useful information for their company.

There are two ways to do so: on the one hand, external information sources (chambers of commerce, bibliography, directories, publications, institutions...); and on the other, structured questionnaires aimed at clients, intermediaries, commercials and suppliers.

The questionnaires should be short, no more than two pages, and with closed questions (choose between options or give 1 to 10 marks).

From all the documentation gathered (lists, statistics, reports, questionnaires, etc.), the entrepreneurs will extract the information they need, together with conclusions, embodied afterwards in the Marketing Plan document.

In a general way, this information should answer the following:

- *Market description*: what is the current demand (market size, volume, specialization and determining factors) and the forecast of the future demand according to the expected growth rate; is it in expansion or in decline?; which are the factors of the environment that can influence the company's development; which are the current and future entry barriers to the market, etc...

- *The client*: in particular, to know which are the needs they want to satisfy with the product or service, their buying habits and the factors that influence the most in the purchase. From the study of their needs we will know how our product or service must be.

- *The competition*: how it behaves in the market; who the competitors are; what kind of companies (location, sale volume, profitability, strong and weak points); in comparison, which are our prices and services and which advantages we have over them; how they react with new competitors; who are the leaders.

- *The positioning of our company*: in which market segment we can be competitive, according to the target markets classification, the groups of clients and their purchase behaviour.

It is recommended to plan this market study in advance in order to decide, on the one hand, what is the information and data we want to obtain and which are the sources to consult (documents or own surveys); and on the other hand, if using surveys, which is the target group, how many will be involved (clients, suppliers, dealers) and how it has to be carried out (personal interview, letter, fax or telephone).

- A study of the company itself. Here, the most important points within the company must be briefly analysed with the aim of knowing our own company and comparing it with the competition in the sector.

-A third section for analysis and diagnosis. After the two previous information phases, this section sets out the main competitive advantages of the company and the risks it assumes. The company is analysed strategically (strong and weak points) together with the sector (opportunities and threats); known as the Swot analysis.

2.1.3. Goals and strategy.

Once the information gathering and analysis phases are over, the entrepreneurs are ready to carry out the formulation of the business strategy. They know where the

company is positioned and the intention is to determine what the target is and what road they must follow to achieve it.

2.1.4. Commercial action plan.

The entrepreneurs know how the company is situated within the sector and to whom the product or service has to be sold. To do so, the most important decisions have to be detailed in the four points of the Marketing Mix: Product, Price, Place and Communication (advertising and promotion).

*For a deeper knowledge of the Marketing Plan, check the document *Guía Técnica CEEI Emprende-Márketing®*, edited by BICs CASTILLA Y LEÓN. It is also recommended to use the computer program that implements it, that is CEEI Emprende-Márketing®.*

** The Preliminary Evaluation and the Self-evaluation Questionnaire will help you achieve it. See Chapter 4.*

2. CONTENT OF THE BUSINESS PLAN

2.2. Operating/Production Plan.

All the technical and organisational aspects that concern the elaboration of the products or the services rendered are listed in this chapter. From the point of view of the document itself, three sections are differentiated:

1. Products or services: description of the technical characteristics of the products or services with clear indication of their most important qualities and the advantages they provide.
2. Processes: description of the production process of goods or services stating the most important aspects of the planning and scheduling, especially mentioning the capacities of the production process, technologies used and resources employed.

3. Supplies and Stock management: Justification of the policies for purchases and stocking of finished goods and products. Detailed description of how the supplies and stock management is carried out (Purchase Plan).

As for the process for the preparation and study of the Production Plan, it will be necessary to analyse and obtain the answers to the following points:

- Description and organization of the production process.
- Programme of temporary productions: units to be produced, daily working hours, annual working days, production capacity per worker, effective production, production output and utilisation degree.
- Specification of subcontracts: mass production or by order. Quality controls introduced.
- Goods and production technologies: equipment needed in the production processes and their characteristics, purchase, capacities, estimated cost, life forecast and annual depreciation.
- Legal aspects of production: own or purchased licences, technology transfer.
- Legal aspects of the products: industrial models, utility models and patents. Certifications and official approvals.
- Buildings and land needed in square metres, location, expansion capacity, occupancy conditions, maintenance expenses, floor distribution, installations needed and cost.
- Personnel needs, production structure, responsibilities, labour training and costs, cooperation with other institutions and research centres.
- Raw material needed. Cost and estimate of the stock needed in store and their rotation.

-List of suppliers, other alternative supply sources and their location. Supply and payment conditions (discounts, volume discounts, etc.).

-Seasonal nature of the production and/or supply of raw material.

When writing the Production Plan it must be taken into account that the aspects related to the investment in land, buildings, installations and equipment must also be reflected in the Investment Plan document. In the same way, the aspects that refer to production personnel must be reflected in the Human Resources Plan.

2. CONTENT OF THE BUSINESS PLAN

2.3. Human Resources Plan: make-up, organisation, management and training.

When writing the document, the information regarding human resources (their composition, organization and management) must follow this structure:

1. Personnel Structure
2. The manager
3. The managing team
4. Rest of personnel
5. Specialization and training
6. Training Plan
7. External advisers

In the first phase of the starting-up process of a newly created company, four are the main aspects that must worry the entrepreneur regarding the management and planning of human resources. Still, the entrepreneurs must not forget that the

management of the human resources of any company already in operation has to be integrated in a wider human resources strategic plan (policy for human resources detection -selection-, policy for integration and development -training, career plans, wage policy,...-, planning and organization -description of the positions and evaluation-, control policy, etc.).

The experience of BICs in SMEs creation assistance shows the main points that worry the most and that anyone interested in starting a new company or activity must analyse:

1. What is the minimum organization structure needed to start the new business?

The aim is to calculate the number of employees needed to bring the company into operation in each of its levels.

In small companies, an important factor to consider is multi-role: the same person can carry out different tasks.

To hire different employees for different positions implies the need to allocate functions and responsibilities in each of the company's departments, which must then be created, and the channels for internal communication between them have to be established.

A tool that can help clarify the organization of a company is the Organization Chart. The different functions that are carried out in the company are set out in it, together with those in charge of them, and if wanted, the number of employees allocated to that function or department.

The targets and strategies that have been set for the company will always determine this minimum structure.

2. What should the profile of those joining the company be like?

To define the profile of those that are desired to join the company, two points of view must be taken into account:

- a. The company. Before choosing a specific person, the general culture of the company and the entrepreneur must be established. It is also important to know the habits in the human resources area.
- b. The position. The requested technical abilities must be judged, together with the personal capacities to hold the position.

The correct assessment of these points will help define the profile of the person to hold a specific position inside the organization.

3. What kind of link will tie human resources to the company?

Not necessarily all the relationships between a person performing a job for the company and the mentioned company are work relationships (work contract). The kind of ties or relationships is going to be determined by the kind of work to be performed. The nature of a legal, labour or fiscal advisory activity will not be the same as a continuous job of an employee that spends eight hours every day operating a machine.

The advice in these cases is to subcontract those activities for which the company is not specialized or prepared to carry out.

Another determinant element that must be taken into account to make a decision of the kind of relationship desired is the analysis of the real cost of the alternatives.

4. Once the company is in operation, what points of the human resources policy have to be controlled?

In human resources planning everything is important. Nevertheless, the small size of the companies influences the establishment of some priorities.

Experience shows us that the companies set up are mostly small and with certain peculiarities among the partners (family or friendship relation, partners who at the same time are employees, etc.). In these kinds of situations, it is important to have a mutual

adaptation between those responsible and to keep certain levels of information and communication among the partner-executives and the rest of the employees. This will keep the dynamism and creativity of the company alive.

Other factors that help to improve the dynamism of a company are the skills already acquired and the improvement of the human resources through training.

The human factor has become, in our post-capitalist society, the only resource that is truly irreplaceable and at the same time capable of replacing the rest of the productive resources. The competition of the economic systems depends basically on the productivity of the knowledge workers. Therefore, the SMEs based on the knowledge productive factor, open to innovation and new technologies, are destined to entrepreneurial success. Faced with this situation, the SMEs must articulate in their companies' measures favourable to the development of the human resources and the dissemination of knowledge.

2. CONTENT OF THE BUSINESS PLAN

2.4. Investment Plan and Location

The decision to invest in a company will be exposed in how the funding will be used to obtain the resources needed to carry out a specific production process. These resources can be Fixed Assets, as well as human resources and materials needed to carry out this process.

In this case when we talk about an investment plan, we refer exclusively to the area that from a financial-accounts point of view we call Fixed Assets (in a generic way) as one of the parts into which the global investment of a company is divided. This is the typical long-term investment of the company and its contribution to the productive process will be included in the income statement through the so-called depreciation.

The first decision to be taken on the investment in Fixed Assets is the geographical location of the company. This is a strategic decision, considered in many cases to be vital for the viability of the company, and will condition the whole development of the entrepreneurial project in the future.

In many cases, and depending on the kind of activity and product or service to be manufactured or rendered, the promoters don't encounter any special difficulties to locate their new company.

On other occasions, the technical characteristics of a product, the nature of the service, the technology needed and many other reasons make the location of the future company into an important problem. Sometimes, the Administration decisions (public incentives, infrastructures) are the ones to determine the location of the company.

Among the *location factors* it is always important to consider the following:

- If it is close to the target market.
- The distance to the raw material supply sources.
- The repercussion of the distances in the cost of transport and final cost of the offered product or service.
- The offer of qualified labour in the area.
- Growth expectations of the potential local market.
- The existence of close communication routes to reach all markets (national and international) easily.
- The possibility to have access to services such as energy, telephone and water in the area.
- The opportunity of counting on auxiliary companies in the vicinity to subcontract certain tasks when necessary.
- The physical and legal conditions with a view to expand the capacity of the installations in the future.

Once the company's location has been chosen, it is important to establish the nature and characteristics of the fixed assets needed for the subsequent development of the activity. The decision concerning this investment in fixed assets involves a double approach:

- *Choice of the most convenient equipment or technical approach.*

The company doesn't normally face only one investment alternative, but several with different characteristics. The choice problem usually involves an analysis of the technical characteristics, purchase cost, operation costs, useful life, etc.

- *Planning of the mentioned investments or financial approach.*

The useful life of the equipment determines the depreciation share of the financial year and, therefore, the reserve fund that is provided for the renovation of the equipment through the mentioned depreciation should allow doing so. Financing, as will be seen in other subjects of the mentioned investment, should also be coherent in instalments with the life of the mentioned equipment.

It is also useful to differentiate between 'useful or technical life' from 'economic life'.

The first is a forecast of the amount of time the equipment can function normally. To extend it would mean making higher maintenance and repair expenses.

The economic life of an investment is what maximises the capital value of the funds invested in it, that is, the maximum economic output of the investment. The first concept has a technical nature. The second has an economic nature.

Another decision to make within this section is to decide if new, first use or used fixed assets have to be bought. To make a decision, the following three factors must be taken into consideration: the price, the use conditions and the possible public subsidies for the purchase of fixed assets (in most public allowances, only the purchase of new fixed assets is subsidized).

In the same sense, the question whether it is best to buy or hire certain concepts of the asset must be raised.

These last decisions have an exclusively economic-financial nature, which also includes considerations of a fiscal nature. On the one hand, the cost of each of the options that arises is being evaluated. In certain occasions, each option implies different costs depending on the option used, which has a clear importance in our income statement.

From a financial point of view, it is important to evaluate the cash flow that each of the options can induce. Above all, this will have to be set out according to the financial resources available.

It is convenient, for this purpose, to study the relation between what has been invested in fixed asset and the total of the asset.

This relation is usually too high in the companies that are starting and it can leave them without enough funds to finance working capital for the daily activity of the company.

Last, we cannot forget that there is also a strategic component in these decisions when choosing between having the ownership of the goods or only the right to use them. The advantages and inconvenient that each of these decisions imply, together with other factors already mentioned, will lead to a final decision on this point that would condition the future development of the entrepreneurial project.

The structure of the fixed assets of the company, either new or used, is as follows:

1. Tangible Fixed Assets

- Land

- Building and constructions:
 - Planning works, engineering of the project and optional management.

 - Conduction and supply connection.

- Urbanization and external works.
- Offices and laboratories.
- Social services and bathroom fittings for the staff.
- Stock of raw material.
- Production buildings.
- Industrial services buildings.
- Storage of finished products.
- Other buildings.

- Installations:
 - General electrical installations and special electrical installations (overhead power lines, transformer stations, etc.).
 - HVAC installations, thermal generators, LPG generators, etc.
 - General and special water installations (water collecting, treatment, etc., without taking into account the plumbing work already included in the buildings' value).
 - Security and hygiene installations.
 - Measure and control systems.
 - Other internal installations.

- Machinery and tools.
 - Process machinery.
 - Tools and equipment.

- Internal transport services.

- Furniture and equipment.

- IT equipment and information processing systems.

- Transport elements.

- Other tangible fixed assets.

2. Intangible Fixed Assets

- Research and development.

- Administrative concessions.

- Patent rights.

- Goodwill.

- IT Applications.

- Other intangible fixed assets.

3. Deferred charges

- Initial establishment

- Setting-up expenses

- Other deferred charges.

These three sections can be explained in the following way

Tangible fixed assets: investments to be carried out by the new company and which will materialize in tangible personal assets and real state which will not be put on sale or transformed.

They will last over a year and their deterioration or contribution to the production process will be materialized through the annual depreciations (except for land).

Intangible Fixed Assets: investments or intangible assets with a stable nature that are needed by the new company and which can be valued economically. They are normally not depreciable because they do not suffer an effective depreciation.

Deferred charges: those expenses made before the start of the activity and which are mainly the initial establishment and setting-up expenses. They are considered as long-term expenses and therefore are depreciated every year.

These are the lawyer and notary, registry, etc. expenses related to the establishment of the legal entity of the company.

The initial establishment expenses are formed by all those needed to set the company's activity in motion.

It would be convenient, if any purchases were being made, to attach the pro forma invoices and estimates that validate the economic budget for each of the investments to be carried out, with the aim of making the information more reliable. In this section, a Depreciation Chart will be detailed with all the tangible and intangible fixed assets needed for the company. In it, the useful life of the elements will be stated, together with their possible residual value, date when the asset will start to depreciate and the annual depreciation quota for each element.

The depreciation concept is a term that can be very difficult to understand at first, therefore it needs a small explanation.

The depreciation is an expense originated by the use of the different concepts of fixed assets, whether tangible or intangible. This expense is estimated according to the useful life of a given asset.

Therefore, if the useful life of a personal computer is estimated in five years, the annual depreciation, that is, the annual expense, will be the result of dividing the price of that investment by five.

In the mentioned chart, the entrepreneurs will have to set out the asset concept, its value or purchase cost, its useful life and the annual depreciation.

When carrying out the investment plan it is also important to take into account the time factor.

The development of the investments has a double significance:

- To fulfil its development in the given stages will facilitate a correct and coordinated use of the funds aimed at it. This will result in a maximum reduction of possible financial burdens.
- A correct development of the plan will help to fulfil the following stages of the Business Plan with the obvious advantages that this will have to achieve the targets set out previously.

It is recommended to follow conservative criteria when assessing the existing needs and their cost. The investment in non current assets is normally the one that will require more financial resources. Wrong or short valuations of the total investment volume and the nature of these investments can later cause a lack of financial resources not planned initially, which can put the project's development at risk.

In the same sense, it is convenient to include a schedule that includes all the different development stages of the investment plan throughout time, like the one depicted in the following outline:

This representation can be added to other similar points to be developed in the creation of a company.

2. CONTENT OF THE BUSINESS PLAN

2.5. Economic-Financial Plan.

2.5.0. Introduction.

2.5.1. Economic Plan: operating profit forecast.

2.5.2. Financial Plan: Balance. Financial position.

2.5.3. Economic and financial analysis.

2.5.0. Introduction.

The different sections of the Business Plan have described the basic characteristics of the entrepreneurial project in each of its different areas. Nevertheless, a business cannot only be studied from the perspective of each one of these isolated areas, but it must mainly be considered as a whole with all of them. In this sense, all working documents must be gathered to assess the result of the conjunction of all these areas and its implications in the global viability of the project.

Therefore, the Economic-Financial Plan can have a double aim:

- Assess the project's viability. This document will gather the estimations established by the rest of the plans already written (marketing, human resources, investment, production, etc.) in monetary terms and will prepare, relying on this forecast, the documents that will help reaching conclusions on the already mentioned global viability of the project.

-To serve as a development guide for the project that will help, on the one hand, to establish its financial needs and its capacity to generate a fund theory and, on the other hand, to establish the deviations that could take place in a future real situation. These deviations will show the possible estimation and/or planning mistakes that could have been made.

This part of the Business Plan will be arranged according to the following sections:

- Economic Plan. Operating profit.
- Financial Plan. Balance - Liquid Assets Plan

- Economic - financial analysis.

The aim is to establish a possible development model for the economic-financial plan. We have decided to use the formal structure used in the current Spanish legislation. This will help the reader and will also make easier the subsequent contrast of the mentioned Plan with the projects accounts.

A five-year framework has been established for this analysis, since an inferior period would give a very reduced vision and a longer one would not give reliable data for periods after the fourth or fifth year.

Through the documents gathered in the Economic-financial plan, the entrepreneurs will be able to draw conclusions on the basic aspects to be studied, like profitability, liquidity and solvency, which will establish the project's viability.

For the development of the Economic-financial plan a series of basic principles must be followed:

- Respect the basic principles for the creation of financial statements used by the current legislation.
- Use conservative (and even pessimistic) criteria in all the estimates, avoiding any optimistic forecast that could lead to making dangerous decisions.
- Make these forecasts in different scenarios to obtain conclusions according to the different conditions that can take place in a real situation.

2.5.1. Economic Plan: operating profit forecast.

The financial document that will lay down the economic surplus of the project is the Economic Plan. The aim of this document is to define a forecast for its income statement. This statement will show the possible profit or loss of the project as the difference between the estimated income and the expenses, establishing the economic position of the project.

The Commercial plan will define the sales volume of the project for each product. This forecast set as a target for the company will give shape to the income chapter of the income statement.

The expenses chapter will include the purchases, directly related to the sales already set and agreed in the commercial plan, together with external services, supplies and staff expenses (already set out in the Human Resources Plan).

The estimation of the depreciation of the non current assets will depend on the structure and nature of these assets, which determines the useful life of each of the goods. All the information concerning the nature of the investments was already set out in the investment plan.

The result before financial expenses constitutes the funds that the company generates and the volume of investment to be made lays down the funding needs for the project. The part of the needed funding obtained through external resources will determine the financial cost of the project and will constitute the financial expenses of the operating profit.

2.5.2. Financial Plan: Balance. Financial position.

The next task to be carried out will be to establish the financial structure needed for the project in relation with the different needs for its development.

These needs will be established through the Investment Plan of the project, which will be made up of two different items:

- Investment Plan in non current assets: as described in the Investment Plan section of the Business plan it is formed by those elements or assets whose life or presence in the company exceeds one year, such as buildings, machinery, installations, furniture, etc. In the same sense, patents, administrative concessions and other intangible assets are also non current assets.

Even certain expenses can be considered non current assets if they are given a permanence trait in a period of time within the company's structure. They are called deferred charges and they are those made during the company's setting-up, such as initial establishment expenses, initiation of the production capacity or any other expense not considered to be attributable to a given economic fact of the financial year.

- Investment plan in working capital: the investment related to the operating cycle of the company is called working capital. This term establishes the volume of financial resources that the project needs permanently to face the requirements of the production process.

The amount of time it takes for the monetary unit invested in the production process to turn into money again is what is called an average maturity phase and, with other mentioned factors, it determines the volume of funds needed in working capital.

Once this investment volume has been set, the entrepreneurs must establish the structure of the financial resources or financial plan needed to fund the previous global investment needed.

Two main funding sources are identified in the economic-financial plan:

- Own resources: This is, on the one hand, the portion of the funding that is made up of the contributions of the partners in capital. On the other, the results of several financial years which will stay within the company as reserves; and last, the possible public or non-recoverable funds received by the project which have to finance investments of the entrepreneurial project.

- External resources: Part of the funding formed by financial funds with or without cost which will have to be returned in a given amount of time. The cost of these funds will form the global financial cost of the project.

The document that draws up the equilibrium between investment and funding is the balance.

The financial position of the company in a given time is determined in this document and it shows the financial equilibrium of the project according to the hypothesis used to prepare it. The obtained equilibrium will indicate if it is necessary to change any of the hypotheses set out initially.

2.5.3. Economic and financial analysis.

The aim of this chapter is to study rigorously an important task in the design and planning of forecasted financial statements: to obtain their index and ratios. This should help to draw conclusions on its economic viability and its financial equilibrium.

The analysis of the documents obtained will be carried out following three basic analysis factors: profitability, liquidity and solvency.

The first section called Economic Analysis studies the results obtained with the income statement. The second section called Financial Analysis studies the balance and the financial structure defined previously.

The aim of the analysis of the income statement, or economic analysis, is to study and diagnose the features of a project related with its economic activity, such as:

- Profitability of the project in all its dimensions and its evolution throughout several financial years.
- Evolution of the different magnitudes that make up the income statement (sales, staff expenses, depreciations, etc.).
- Economic structure of the company, regarding the arrangement of its expenses (permanent expenses/variable expenses), together with the profitability threshold of the company.
- Study of the efficiency of the different operations carried out within the company.

If the profitability is analysed through the income statement, the analysis of the liquidity and solvency will be carried out through the Balance sheet. These two factors study the

structure and composition of the rights and duties of the company, together with their relations in time.

- The liquidity analyses the goods' capacity to become money in a short period of time. From another perspective, we can define it as the ability of the company to face its commitments in a short period of time. It therefore studies the relationship between the different items that make up the working capital.

- On the contrary, the solvency analyses the ability of the company to face its commitments in the long term. We could define it as long-term liquidity. In the same way, liquidity can be defined as short-term solvency.

Last, it is useful to point out that the aim of studying these factors (liquidity and solvency) within a company is to try to establish the financial risk of a company or entrepreneurial project. While liquidity will do this for the short-term financial risk, solvency does it for the long-term financial risk.

2. CONTENT OF THE BUSINESS PLAN

2.6. Legal Structure.

This section includes the choice of legal status for the company and partners during its setting-up, together with the administrative procedures and the many legal aspects that affect the relation of the company with the environment -administration and public entities, clients, suppliers, employees-.

Since part of the content is practical it could be interesting to add as an appendix to the Business Plan all the formal documents that can be requested for the setting-up of the company.

See section 4.3. Administrative and Legal procedures when setting-up a company.

2. CONTENT OF THE BUSINESS PLAN

2.7. Project Fulfilment Schedule.

When a company needs an important investment in construction works for buildings or installations it is interesting to establish the execution stages of the project, and how they will be dealt with in the future. To do so, a schedule of the stages can be written.

All companies will need to point out the stages or milestones needed for them to start: order, reception and setting-up of equipment and installations; setting-up administrative procedures; employee recruitment; start of activities...

2. CONTENT OF THE BUSINESS PLAN

2.8. Summary and Business Valuation.

The most important features of the project will be highlighted here: activity, location, commercial information, investment figures, employment, profitability, social benefit. The strength of the project will be highlighted, together with its advantages and opportunities, minimizing its weakness, threats and risks.

In more detail, the following factors for endogenous development for the region will be assessed:

- The direct employment generated and the level of investment planned.
- Innovative technology.
- The added value generated by the company.
- The endogenous natural resources used in the production process.
- Dynamic nature for the area (indirect employment and new investments).

It is recommended to include an indicator forecast chart in the Business Plan. This document is very easy to create and include in the Business Plan (as an appendix), by means of extracting from the collection of figures a limited list with the indicators that summarize the activity and situation of the company and defining how the data will be obtained and who will be in charge of doing so within the company.

This indicator list must be established as a forecast and must be updated regularly as the launch of the company is progressing. Nevertheless, the indicator chart should not be limited to financial information. It should also include commercial indicators (number of contacts, amount of proposals and offers, number of orders placed, sales, payment instalments, etc.), production indicators (production volume, price per unit, quality, etc.) and management indicators (payment instalments, failure to pay, etc.).

This tool will be useful to control the management of the company, since it shows its positive or negative progress.

3. FORM OF A BUSINESS PLAN

3.1. Writing

3.2. Presentation

Since the Business Plan is a document that provides credibility to the promoter and the project before diverse groups (investors, financial institutions, clients...), how it is presented is almost as important as the content. The Business Plan must be read and therefore it must keep the readers' attention. We cannot forget that the Business Plan

is what connects the promoter and the reader. That is why the entrepreneurs must pay attention to form and content. They must avoid giving wrong, or not well checked, information and they must take great care of the writing and style. There is no absolute model for the presentation of a Business Plan. Nevertheless, a series of rules are recommended.

3.1. Writing

The first rule is to avoid making the document look like it has been assembled as a "collage" of dossiers written by different people.

We recommend using a style defined previously:

- use the same typeface
- use lower case letters
- different size for titles, subtitles, sections and texts
- text alignment
- use of indents
- etc.

Next, we set out a series of formal practical rules recommended when writing the Business Plan:

- Good style.
- It must be communicative.
- Honesty in the information.
- Use of the third person of the verb conjugation.

- Keep and order in the exposition and coherence of the contents, with a detailed and structured presentation, avoiding too long texts and creating as many paragraphs as needed for a good understanding of the text.
- Avoid repetitions.
- Avoid using foreign words as much as possible.
- Principle of word economy -conciseness-: write all that is necessary for the project, but no more.
- Highlight what is positive and avoid, as much as possible, what is negative. But do not overvalue the project and don't apologise to the reader.
- Use similes and comparisons.
- Pay special attention to the spelling and review the text.

3.2. Presentation

Regarding the physical aspect of the document, it is important to highlight the following presentation rules:

It is recommended to use two volumes or two sections. One will include the basic information of the project and the other one, the appendix.

The main section of the document must be relatively short, from 40 to 60 pages.

The second volume with the appendix will include all that is not basic to know for the viability of the project, but that is used as proof to support the content of the first volume. For example, supplier lists, clients, CVs of the managers, corporate charter, statistics of information sources, market surveys and their tabulations, etc...

The Business Plan *must be personal and must look for a corporate image*. To do so, it can use a special kind of paper, with a logo or the company's emblem, and an attractive and different typeface.

Creativity and innovation must be searched for when writing the document, always within limits.

Insert all that can help and appeal the reader: diagrams, graphs, photos, tables, drawings,...

Pay attention to *the quality of the paper and printing*.

Leave enough margins at either side of the page, for the readers' clarity and their notes and comments.

Follow typography rules, such as avoiding underlining, size of the titles and use of boldface.

Achieve a coherent order by dividing each chapter. Enumerate the pages, and on the table of contents give the sections and the corresponding reference to the page, to help the readers find it easily.

4. INFORMATION

4.1. Preliminary evaluation

4.2. CEEI Emprende®-Evaluación Preliminar program

4.3. Administrative and legal procedures when setting-up a company

4.3.1. Legal status

4.3.2. Administrative Procedures

4.3.3. The accounting, fiscal and labour duties of the entrepreneurs

4.1. Preliminary evaluation.

The EBN-BICs, due to their experience writing Business Plans with the companies' promoters, recommend that before starting to make and edit the Business Plan, they must assume four points:

First: The promoter must perfectly know what a Business Plan is, what its form and content are like and why it is so useful.

Second: The promoter must assume the task of writing the Business Plan, or at least be the person to coordinate and organise its writing.

Third: All the essential administrative proceedings needed to start the activity must be known.

Fourth: The information on its company, market, competitors, clients and environment, must be as comprehensive as possible.

This is the point that EBN-BIC CASTILLA Y LEÓN stresses. We encourage the entrepreneurs to make an effort and sacrifice some of their time and resources to search for information that will become the first intangible asset of their company.

It is important to remember that for any company looking to be competitive, having information is vital in a market economy.

Therefore, it is important in this stage previous to the writing of the Plan, when conceiving the idea for the project, to carry out an evaluation of the project as a whole, with the aim of carrying out an inventory of useful information for the future Business Plan.

The information available can be internal information or of the company and external or of the sector.

It is typical to find in all the business creation guides different questionnaire models which allude to the personal capacity of the promoters, the company, the product or services, the commercial capacity and the manufacture process. In short, the key

factors must always be analysed before starting the activity, since they will show if the future business is good or bad, if it is attractive, innovative or original.

BIC CASTILLA Y LEÓN proposes a Preliminary Evaluation model that must be covered by the project promoters and reviewed by the advisers in charge from the BICs.

This model is supported by a computer program (web and CD-ROM versions) with the aim of evaluating the viability of the project according to reflection and systematic assessment of the idea through the information available.

This process makes us cover two phases:

1st.- Subjective Evaluation: Meditation and information search process.

2nd.- Objective Evaluation: Use of the previous information to apply it to the computer program *CEEI Emprende®-EVALUACIÓN PRELIMINAR*. The program will diagnose the quality of the entrepreneurial project.

4. INFORMATION

4.2. CEEI Emprende® - Evaluación Preliminar program.

CEEI Emprende®-EVALUACIÓN PRELIMINAR uses a system based in the scoring of weighted factors. To do so, nine groups of factors have been established, and within each of them we can find other weighted sub-factors. Each one of these sub-factors is evaluated on a 1 to 6 scale, using 0 as a mark for the absence of evaluation. A high number of zeros may mean that the project cannot be evaluated because there isn't enough information.

The factors to be considered are:

1) Market Interest:

The aim is to evaluate if the target market has enough characteristics to make it attractive for an entrepreneurial project. The sub factors are:

-Size of the market as a whole. The size of the target market has to be evaluated, taking into account that what is important is the size in monetary terms, and not so much in the absolute number of clients.

-The market's growth rate. The pace at which the target market is expected to grow, in relation with the previous period and not in absolute numbers.

-The cost of entering the market. The strength of the entry barriers to the market. These can be from:

Cost advantage of the companies already established.

Product differentiation.

Economies of scale.

Capital needs.

Sector legislation.

Environmental costs.

Difficulties to access the distribution channels.

-Risks of depending on the suppliers. These risks will be higher if: The purchases are accumulated in a small number of suppliers. The purchases to a certain supplier represent an important part of the production costs.

-Risks of depending on the clients. These risks will be higher if: The sales are accumulated in a small number of clients. The product represents a very important part of the costs of the clients (in the case of industrial clients).

-**Substitution Risks.** These are the risks of new products, materials or techniques appearing in the market that excel your product or service, leaving it in a situation of obsolescence.

-**Sector margins.** How big are the current profit margins of the target sector.

-**Appeal of the market as a whole.** The aim is to consider if the market's environment is appealing (considering aspects like transparency in its actions, competition behaviour, interventions from other sector or the administration, etc).

- **Capacity to respond to the market.** As set out in the project, if it is possible to make the most of the potential offered by this market and to adapt to its changes while growing at the same time.

-**Market stability.** The number of changes that take place in the market, how quickly they happen and how sudden or predictable they are.

2) Innovation level

-**Technical innovation of the product.** The aim is to evaluate how the product contributes to the market with its composition, shape, operation, etc., according to the following scale:

1. Very weak. It is not innovative. It imitates existing products.
2. Weak. Provides minor or detailed novelties.
3. Somewhat weak. It's a new use for already existing products.
4. Somewhat strong. New technologies and new uses are added to the product.
5. Strong. The product is new, with some of the already existing technologies.
6. Very strong. The product is radically new, with new technology.

-**Process innovation.** The aim is to evaluate the technological novelty of its production process, according to the following scale

1. Very weak. Old-fashioned processes.
2. Weak. Processes that are being abandoned in the sector.
3. Somewhat weak. It is the technology normally used in the sector.
4. Somewhat strong. Tested technologies, but new for the sector.
5. Strong. It's the technology used by the most advanced companies of the sector.
6. Very strong. Cutting edge technology, not available for other companies.

-Commercial innovation. The aim is to evaluate the innovation of the commercialisation, according to what it takes to enter new markets, use new channels, new promotion and communication means, etc. If it uses the normal means in the sector, it gets a score of three.

-Financial innovation. The aim is to evaluate the innovation in its way of managing charges and payments. The more financial novelties introduced, the stronger it will be. If it uses the normal ones in the sector, it gets a score of three.

-Management innovation. That is, the innovation in the administration and management of the project. If the management will be similar to other companies in the sector, it gets a score of three.

3) Entrepreneurial Factors

This factor reflects the preparation of the entrepreneurs, or potential entrepreneurs, in technological, entrepreneurial and managerial aspects. The sub-factors it includes are:

-Technological knowledge and experience. Training and experience in the technologies used in the target sector. If the entrepreneurs have experience working in similar positions in the same or similar sectors and have been trained in the technology, the valuation will be high.

-**Entrepreneurial knowledge and experience.** Entrepreneurial training and experience in management positions. If they have been managers or even entrepreneurs in the same or similar sector and have been trained in management, the valuation will be high.

-**Entrepreneurial capacity.** Personal ability to run a company, the ability to lead and manage.

4) Degree of the development of the idea or project.

It is completed according to the following scale:

1. Very weak. It is only an idea.
2. Weak. It is an advanced idea. Prototypes are being prepared.
3. Somewhat weak. There are working prototypes.
4. Somewhat strong. It is in the trial production phase.
5. Strong. It is in the market test phase.
6. Very strong. It is ready to be produced and marketed immediately.

5) Cost of the project's development

It is divided in various cost elements, like:

-**Cost of developing the product or service.** The costs of positioning the product or service in the conditions needed for its production and commercialisation (design and construction of prototypes, tests, licenses, etc).

-**Cost of the project's development.** Costs that have to be assumed before the project even starts (such as the information research, market studies, advice, funding search, technical projects, etc.)

-**Investment needed to start producing.** The volume of investment needed to start the continuous production of the product or continuous rendering of the service. Consider

the investments in machinery, plant, land, equipment for storage, transport and management, etc.

-Cost of getting into the market. Costs of finding a gap in the market: creation of a distribution network, training of the sales team, initial advertising, promotion of introduction sales, incentives for testing, etc.

-Cost of investment in working capital. The volume of investment needed in non-fixed assets. Especially, supply of raw material and finished products, liquid assets, financing the first sales until paid, initial salaries, etc. In general terms, it can be said that all the payments to be carried out in the first six months must be financed.

6) Competition

The aim of this section is to measure how the competitors within the sector act, through the:

-Competition degree. Evaluate the rivalry among the companies competing in the market. If it is stagnated or in decline, with a high number of competitors and there are high fixed costs, no differentiation of the product, excess in the installed capacity, barriers to abandon the sector and presence of foreign companies, the competition is very strong. In the opposite case, the competition is normally very weak.

-Concentration of the competition. The proportion of the total sales of the sector carried out by the first companies. An extreme case is when only one company accumulates the sales in their entirety (the concentration degree would be very strong; it would score a six). The opposite is when the sales are shared homogeneously among a high number of companies (very weak concentration; it would score a one).

-Risk of the product being forged. The chances of the product being forged. They will be high if it is, for example, a service that does not differ from others, and very low if it is very complicated technically.

-Risk of new competitors entering the market. The chances of new competitors entering the market. This probability will be low if there are important economies of scale

or experience, the product is different, the capital requirements are very high, it is difficult to access the distribution channels, the clients are very loyal, the cost disadvantages of finding a gap are high or there are legal limitations, the prices are very low or the reaction of the competition is very strong.

-Advantages of the competition over the studied project in technological aspects, financial power, market share, client loyalty, image, etc.

7) Industrial protection

The aim is to measure the current protection for the project. When evaluating the legal protection, the entrepreneurs must consider the legal and formal aspects but also how to put them into practice. This can come from.

-Knowledge (know-how) available, experience, etc.

-Legal protection of the product. The following scale can be used:

1. Very weak. The product is in the public domain.
2. Weak. It has a trademark.
3. Somewhat weak. It has a production licence.
4. Somewhat strong. It has an exclusive production licence.
5. Strong. It has patents over some of the product's components.
6. Very strong. The product is patented and the brands are registered in all the possible epigraphs.

-Legal protection of the production process:

1. Very weak. The production process is common knowledge.
2. Weak. Parts of the process are used under licence.
3. Somewhat weak. The whole process is used under licence.

4. Somewhat strong. The entrepreneurs have an exclusive licence over the process.
5. Strong. Parts of the production process are patented.
6. Very strong. The whole production process is patented.

-Legal protection of the brand with goodwill. If the entrepreneurs have a brand with goodwill (it has market value because of its prestige, fame, image, etc), they must evaluate its protection according to the following scale:

1. Very weak. The brand is not protected.
2. Weak. A brand with licence is being used.
3. Somewhat weak. There is an exclusive licence over the brand.
4. Somewhat strong. The brand is registered only in Spain.
5. Strong. The brand is registered in all the countries where it operates.
6. Very strong. The brand is registered under all the possible sections in all markets.

-Own technological barriers. The sophistication level of the technologies owned and the difficulties of the competition to access them.

8) Influence of Environmental factors

How changes in the environment can affect the project. These can be:

-Political factors. An analysis of how political changes could seriously affect the evolution of the project, at a national level (of the target countries) but also regional or local levels in the areas where the production plants will be located.

-Economic factors. An analysis of how economic changes could affect the project, such as national income and its distribution, inflation, unemployment and interest rates.

-Technical factors. Are there any foreseeable technical changes that could seriously affect the conditions of the sector? Consider new materials, production processes based on new technologies, miniaturization, mass media, etc.

-**Regulation and legal changes.** If the sector is highly controlled and regulated, the project will be very sensitive to any changes in the regulation. This will also happen if the regulations affect the clients and suppliers. Features like licences, authorizations, tax regulations, working aspects, hygiene-health regulations, security, consumer protection, etc.

-**Changes in the preferences.** If a product can be very sensitive to variations in trends, tastes, preferences, styles, etc. of the consumers.

-**Demographic changes.** We are referring to the variation in the age pyramid (the aged population is exceeding the young), habitat (more urban and less rural), family size, duration and distribution of education and work stages, etc.

-Religious changes. There can be sectors in which changes in the religious beliefs of the consumers can be decisive. Especially in the case of religious images or products related to their use in certain religious practices.

-**Cultural changes.** There are variations in the values and behaviours that deeply affect consumer patterns. The importance of the environment and ecology, sexual habits or the use of leisure time by the elderly are only some examples of recent cultural habits that affect the demand in some sectors.

9) Resources available

The aim is to evaluate the resources available to start the project.

-**Local raw material.** The availability, very close to the area chosen for the location of the company, of the basic raw material used in the production process.

-**Supplies.** If the sources for raw material, energy, etc. are located and ready to be supplied.

-Location and accessibility. Is there a place to locate the company close to the consumer markets and supply sources? Does it have quick and suitable access and communication routes?

-Capital goods. How quickly and easy can capital goods be accessed (machinery, tools, installations, etc.) in order to start production and commercialisation.

-Skilled workers. Are there in the market enough skilled workers for the project and at reasonable cost? Is there already any kind of relationship, even contractual, with workers with enough qualification? Which is the level of preparation and experience of the available skilled workers?

-Unskilled workers. Is it possible to obtain enough unskilled workers for the project? How high is their cost?

-Funding. The funds available, taking into account what is needed to invest in the project. It is also important to consider how the external funding sources can be accessed (banks, institutions, etc.). -Local and regional incentives. Are there any economic incentives for the installation in the chosen location? They can be local (Town Hall, Council), regional, national or European. Evaluate the amount of the incentives for which the project is qualified.

-Administrative and procedure facilities. Evaluate the support the project can receive for all the bureaucracy procedures in the Administration and the application for the available grants. Have the entrepreneurs been in contact with any institution that can help with these tasks?

Finally, *CEEI Emprende®-EVALUACIÓN PRELIMINAR* offers a result of the pre-evaluation, which can be negative, evaluating the project as wrong; good or very good, giving the go-ahead for the next step; evaluate again, advising to search for more information to consider the project again.

If your project has not been accepted by *CEEI Emprende®-EVALUACIÓN PRELIMINAR* you will have to search for a new project or idea or give us through the

following module (*CEEI Emprene-MARKETING®*) information that can help us evaluate the project again. If the project is rejected again, we recommend abandoning the idea.

4. INFORMATION

4.3. Administrative and legal procedures when setting-up a company

4.3.1. Legal Status

4.3.2. Administrative Procedures

4.3.3. The accounting, fiscal and labour duties of the entrepreneurs

4.3. Administrative and legal procedures when setting-up a company

This last section has been saved to outline the legal and administrative steps to be taken before starting an entrepreneurial project, once the entrepreneurial idea has been established and turned into a project.

The entrepreneurs must know about three information areas before starting a business:

- The choice of a legal status.
- The administration procedures needed to start the company.
- The accounting, fiscal and labour duties of the entrepreneurs.

Next, we quickly mention the basic information the entrepreneurs must know before starting their own company. The entrepreneurs don't have to be experts in these topics, but they must at least be aware of them.

4.3.1. Legal status

The choice of a legal status is one of the first decisions the project promoters must make: natural person or legal entity? Trading company or cooperative? Public limited company or limited liability company? The following factors must be taken into account:

-Kind of activity: the activity of the future company will condition the choice of a legal status in those cases when the applicable law is established in a specific way (example: security companies, travel agencies, banks,...)

-Number of promoters: depending on the type of partnership, the number of required promoters will vary (example: for public limited companies the minimum is three).

-Liability of the promoters: the liability of the partners can be limited by their contribution to the company's capital, like in public limited companies; or unlimited, like in general partnerships or in the case of the individual entrepreneur, answering for all the social debts with all the personal and mercantile assets.

-Economic needs of the project: The commercial regulations establishes for each case, different capital minimums for the setting up of a partnership. For example, for public limited companies the minimum capital is 60 thousand Euros, and for limited liability companies, 3 thousand Euros.

-Fiscal aspects: legal aspects such as the complex fiscal administration or the double taxation of the corporation tax can condition the choice of a legal status for the company.

-Access to public allowances: the regulations of public subsidies must be taken into account if the entrepreneurs want to access them.

Both individual entrepreneurs -natural person-, and trading companies -legal entity-, have the legal capacity to act in the goods traffic.

For those able to act - being of age and with free disposition of assets-, there is no previous procedure that can condition them to become an individual entrepreneur, except having a business activity.

Nevertheless, for a trading company to obtain its own legal status, there are several administrative procedures to carry out. Thus, generally there are six common steps that any society must carry out if it wants to have its own legal status:

1. Apply at the Business Register for a certificate to reserve the business name for exclusive use of the company.
2. Writing of the Corporate Charter of the company and By-laws.
3. Execution of the Corporate Charter with a notary.
4. Payment of the Property Transfer Tax and Stamp Duty Regulations for partnership transactions.
5. Obtain the fiscal ID code in the appropriate Inland Revenue office.
6. Registration in the Business Register (obtain the legal status).

4.3.2. Administrative Procedures.

Within the process of creating a company, the section for administrative procedures is very important, not only because it is essential for the companies' start-up, but also because it will oblige the promoters to carry out many procedures and prepare many documents.

This chapter will not study in depth each of the procedures of the Spanish Legal system. It will only bring to the attention of the reader how important they are and also let the entrepreneurs know which ones are needed to start-up a company.

Next, we enumerate the most important administrative procedures with a general nature in a company's starting-up process:

1. Census declaration: register for tax liabilities, declaration of start operations date (Inland Revenue).
2. Business tax.
3. Building permission (Town Hall).
4. Starting licence (Town Hall).
5. Permissions and special registers.
6. Renting or buying premises (Land Registry Office).
7. Declaration of workplace opening (Regional Office of the Ministry of Employment).
8. Demand for employees and drawing-up of work contracts (Job Centre).
9. Registry of the company in the Social Security, together with its employees, or register as self-employed (Social Security offices).
10. Legalization of the company's books: minute book, shareholders book,... (Business Register).
11. Buy and seal the visitor's book (Regional Office of the Ministry of Employment).
12. Other procedures and paperwork: electricity, water, telephone, etc. supply.

4.3.3. The accounting, fiscal and labour duties of the entrepreneurs.

Once the company is legally set up, the entrepreneurs have a series of obligations to face up to. For example, they must keep the books according to what is established by the Commercial Code, fulfil a series of fiscal obligations (corporation tax, formal obligations when making invoices, VAT, personal income tax...) and labour duties such as hiring employees, social security, work conditions...

Although the entrepreneurs don't have to be experts in each of these areas, they must know or get advice from experts in the previously mentioned areas, to minimise the possible problems or risks for the company.

5. CONCLUSION: BUSINESS CREATION PROCESS

5.0. Introduction

5.1. The entrepreneur

5.2. The search of a business opportunity

5.3. The perfect allocation of the company's resources

5.4. The importance of the entrepreneurial success.

5.0. Introduction

EBN-BIC CASTILLA Y LEÓN uses the program *CEEI Emprende®-PLAN DE EMPRESA* as the leading tool for the whole IT system for training, advice and analysis of SMEs. The Business Plan, as mentioned before, must be dealt with from two different points of view:

-as a methodology for the search of information, analysis and reflection of all the elements needed for the development of the entrepreneurial idea and the process of creating a company.

-as a document where the result of this process is captured.

If it is important to correctly deal with this tool in both its aspects, it is even more important to identify which are the elements needed to achieve the start-up of a business activity:

- The existence of a promoter or entrepreneur. - The search and choice of an idea or business opportunity. - The allocation of the resources. - The entrepreneurial success.

The BUSINESS PLAN is shaped as a tool to help the promoters, to define and systematize the second and third elements of the business creation process, and it can be an extra element to help achieving the fourth one, business success.

5.1. The entrepreneur

How many times people will have asked themselves: why don't I create my own company? Or, do I feel capable of carrying out a business activity as self-employed?

The normal answers are: "Yes, I have sometimes wanted to do it, but I never thought I would be able", "This is not the right time", or "It's not for me".

If all the possible answers were analysed, we would realize that they can be summarized in two different kinds of people:

-Those who think are able, but don't have a clear project or entrepreneurial idea.

-Those who don't consider being self-employed as a professional alternative.

Both have to realise that faced with a crisis and survival situation like the current one, a new entrepreneurial culture is starting to arise interest in our society; and in future years, the habits and conducts in universities, financial world and in society in general will have to change substantially. A new step in the post-industrial society is being taken and the entrepreneurial culture is changing. The big multinational companies, the great financiers or the yuppies are no longer trendy. It is the culture of the self-employment and the entrepreneur. Our society needs small entrepreneurs who generate employment and share wealth.

But, who is the entrepreneur? : The entrepreneurs, with inherent abilities and other learned attitudes, under the shield of leadership, commit themselves and before the members of their organization or group to generate wealth, assuming some risks.

From this definition, it is true that not everybody can be an entrepreneur, but it is a shame that our society is deprived from people who having those conditions, are wasted and go unnoticed. If to this limitation we add the current unfavourable social and economical conditions, the motivations for business creation are reduced substantially.

But this situation cannot be the excuse and shelter for the lack of investment and to not generate wealth. Only the resolution to achieve success in business, with the target always on the clients, will lead to success and we cannot leave the factors that surround us become a break for new projects.

5.2. The search of a business opportunity

This second element is essential, as much as the first, since there is no entrepreneur without an entrepreneurial idea. This entrepreneur-idea pairing is indissoluble; the only thing the entrepreneurs need to find is their business opportunity.

The key question is, where can I find my business opportunity? The answer is very easily said but very complex in its content. The business opportunities are in the imperfections of the market/product pairing. A market imperfection is what makes a market have higher profits than another; therefore a company will have competitive advantage over the competition if it knows how to use those market imperfections to its favour.

5.3. The perfect allocation of the company's resources.

If we consider that a company is the management of material, technical, economic, human and information resources with the final goal of making a profit, everybody is

aware that, to achieve that goal, the allocation of those resources must be optimised.

There are mainly five kinds of resources within a company:

- Material resources: an entrepreneurial project will be feasible if the productive investment generates enough economic resources to pay off in a reasonable period the economic investment made. There must always be coherence between the investment and its expected use. In economic terms this is called Profitability.
- Technical resources: the choice of a technology or a manufacture process is a decision that can contribute to the success or failure of a company.
- Economic resources: a project is considered viable analysing it from the profitability point of view. Therefore, there are two parameters that define it: a profit and an investment.

It is always mentioned that the funding of a good investment must not be an obstacle for it; it is true, but reality always shows two things: first, that it is not easy to access the funding; and second, that a bad financial policy can end up crippling a company.

A bad forecast of the situation of the treasury during the first twelve months after the creation of a new company, or the lack of financial alternatives can be an example of the cause of its disappearance.

- Human resources: within a society like the current one, controlled by the existence of SMEs and based on the production factor of their employees' knowledge, the perfect allocation of human resources becomes essential in a modern and contemporary company. Policies for hiring, maintenance and development of human resources must become part of the Strategic Plan of the company and it must be one of the most important decisions for the entrepreneur.
- Information resources: the information is the most important intangible asset for the company. If managed efficiently, the company will be able to respond better to the changes in their environment and to identify the market opportunities quicker.

5.4. The importance of the entrepreneurial success

We cannot forget that an entrepreneur is a person capable of making decisions assuming a risk, with the final target of generating wealth. This would only be possible if success is achieved. But the question is: how to achieve entrepreneurial success? There is no certain way to do it. We cannot forget that any entrepreneurial activity involves a risk. The entrepreneurs will have to eliminate as many uncertainties as possible and adapt to the three elements previously mentioned, searching for a measured certainty, using information, organization and planning as their tools. In addition to these three tools, the resolution to achieve success will be the basis of their luck.

To end this guide, we have compiled a Decalogue of recommendations that will help the entrepreneurs achieve success:

1. We are slaves of our habits. Educate and be slave of good habits. By repeating them you will reach excellence.
2. Persistence and perseverance to reach success will turn every failure into the seed of a future victory.
3. Enthusiasm is the source of creativity and imagination, and gives the vitality needed to transform what is normal and dull into innovation.
4. Austerity as rule is a good fellow traveller.
5. Faith moves mountains and the desire to achieve the target is its vehicle.
6. When considering how to achieve a target, burn the vessels that have taken you there so you are never tempted to go back.
7. A wise person learns from own experiences, a happy person learns from others' experiences and a fool person does not learn from any of them. There is no worse enemy to achieve success in business than an experience with no meaning and training badly acquired.

8. Everything in life is temporary and the same way as a disease goes away, failures also go, and when victory comes I will enjoy it thinking it will also go, and I will never think I am so important or become so arrogant and reserved to the extent that I forget that happiness must be shared.

9. A weak person lets the emotions control the actions; a strong person makes the actions control the thoughts. And how will I control my emotions? With enthusiasm, clarity, happiness and knowledge I will improve my personality.

10. Don't leave for tomorrow what you can do today. Act now, because tomorrow may never come.