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Establishing an Indian Startup in Germany: First steps, Opportunities and Recommendations

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ABSTRACT

Startups are the companies that have been recently formed and offer a new and innovative product or service and startups normally have a good potential to rapidly grow as a company. In recent years there has been a huge increase in the number of startups that are launched by budding entrepreneurs all over the world.

With the development of internet, social media and e-commerce it is becoming increasingly easier for young innovators to quit their jobs and become their own boss by launching a startup, as funding are readily available from various different sources and marketing and promotion can be done through the internet and social media.

Despite the startup culture being so popular and a huge number of startups being launched every month all across the world, most of these startups end up in failure and don’t survive more than a couple of years. One of the main reasons of the failure of the startup is that the entrepreneurs, for the lack of experience do not know how to properly build a company, as having a good business idea I only half the process in establishing a successful startup.

The aim of this study is to understand the systematic approach that should be followed in order to develop a business idea into a successful startup and the steps involved in preparing for the launch so that the startup has a good chance of survival.

1. Introduction

1.1 Research Background

According to Kritikos (2014), “Entrepreneurship is one of the career dreams of many people around the World. The creation process of a successful startup that will generate a future small and medium enterprise (SME) and potentially will generate in a far future a multinational enterprise is attracting increased attention from national governments and researchers. Such importance is related to the impact of the new businesses on the generation of new job opportunities for society.”

As Cuervo, Ribeiro, Roig(2007) explains, “individual entrepreneur detects or creates business opportunities that he or she then exploits through small and medium-sized firms, normally participating in funding the capital for that firm, carries out the role of arbitrator, or simply “sells the idea” of the business project. The “corporate entrepreneur” or the chief executive of large firms must also be considered. This figure is no longer limited to efficiently managing the firm’s assets and coordinating and controlling its activities. He or she must anticipate, articulate and manage change. In other words, corporate entrepreneurs must reinvent the firm on a daily basis, creating new enterprise (spin-offs) and developing company networks. When discussing the figure of the corporate entrepreneur, one must also consider the key shareholders that take an active part in the firm, along with managers that share in making up the firm’s basic competences.[1]

“Entrepreneurship has a pronounced regional dimension. Differences in startup rates, in entrepreneurial attitudes, and the success of newly founded businesses between regions

[1] Cuervo, Ribeiro, Roig(2007); Entrepreneurship: Concepts, Theory and Perspective. Page 1

indicate a distinct importance of space and the local environment for entrepreneurship. Empirical research has shown that such differences are not at all elusive but tend to be rather persistent and to prevail over longer periods of time."[2]

According to Osterwalder and Pigneur (2010), "Every new business starts with an initial idea. It may include a completely disruptive innovation or just a new way to generate and capture value from its target market."

As Fritsch, Schmude (2006) explains "much is expected from newly founded firms. They should advance structural economic change, create new jobs, and promote innovations. However, it was often shown that many of the newly founded firms do not survive long. To track cohorts of newly founded firms over time is an important way for assessing the long run effects of new businesses. Because these long run effects may differ considerably over time as well as across industries and regions, these dimensions should be taken into account in such an analysis."[3]

Germany has one of the strongest and most stable economy in the European Union and is considered an economic powerhouse around the world with thousands of business that include small single person owned business to large multinational cooperation's. A major portion if these business is formed by the small family owned businesses which are one of the major factors that contribute to the German economy being so strong. This coupled with the German government's willingness to support and help new businesses, irrespective of the fact whether these business are owned by German citizens or foreign nationals, has resulted in Germany becoming an ideal location to establish a startup.

[2] Michael Fritsch, J. Schmude (2006), Entrepreneurship in the Region. Page 1
[3] Michael Fritsch, J. Schmude (2006), Entrepreneurship in the Region. Page 62

This is the entrepreneurial age. Entrepreneurs are driving a revolution that is transforming and renewing economies worldwide. Entrepreneurship is the essence of free enterprise because the birth of new businesses gives a market economy its vitality. New and emerging businesses create a very large proportion of innovative products that transform the way we work and live. They generate new jobs.[4]

According to Osterwalder and Pigneur (2010), “The entrepreneur faces many different challenges in the stages of the entrepreneurial process. At the early stages, the first objective is to generate a robust business plan that will convince customers and future investors of its market value. Also, a feasible business plan starts with the idea that will generate value for its target market. However, during the process of launching and developing a startup, many problems and new challenges come up for the entrepreneur to solve.”

As the startup market is extremely competitive in nature, and a large percentage of startups go bankrupt within the first few years of establishment, it is important that the budding entrepreneur have a clear and well thought out plan for how to properly and systematically launch his business venture in a way that gives the startup fighting chance of survival. The aim of this thesis is to identify and explain the steps involved in successfully establishing a new business venture in Germany.

[4] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 1

1.2 Research Gap

Every year thousands of students and working professionals in India decide to go abroad for bachelors and master's degrees in their respective field. For many of these students Germany has become a favourite destination to get their higher education, as the standard of education provided is very high with minimal tuition fees. This makes Germany a very attractive option for people from all over the world.

Even with such a large number of students coming to Germany for higher education, and with some students having extensive working experiences in their field of work, a very small percentage of these students think about starting their own business ventures after finishing their education even though Germany has a very strong economy and is one of the most startup friendly countries in the world because of the high spending power of the German citizens and the surrounding European countries in general. A common factor attributed to that is simply the fact that they just don't know the process of how to establish a new business venture in a foreign country.

There is no in depth literature available for foreign nationals on the steps involved in establishing a new business in Germany? What are the formalities involved in registering a company with the German government or the different types of companies that are present in the German economy and the different ways in which they can get capital required to help with the initial phases of setting a startup.

1.3 Research objectives, problem, and questions:

The main goal of this research is to perform a detailed analysis of the process of setting up a new business in Germany. To fulfil this goal the thesis is based on the 5 important themes which are important for starting a new business, these topics are:

1. Pre Entrepreneurship Phase
2. Creating a business plan
3. Choosing the structure of a company,
4. Funding
5. Marketing

The research is centered on the challenges of starting a new business and the steps a new entrepreneur can take to minimise risks to his company and the planning involved in the initial stages of the business.

The main topics discussed in this thesis are based on relevant books, what I learned during the course of my studies and information collected from various sources on the internet.

Apart from that the content of this research are based on 6 main books:

- William D. Bygrave: The Portable MBA in Entrepreneurship
- Jeffery A. Timmons: New Venture Creation
- Eric Ries: The Startup Way
- Cristopher A. Bartlett, Sumantra Ghoshal: Managing Across Borders
- Sven Hollensen, Marc Opresnik: MArketing- A Relationship Perspective
- Philip Kotler, Gary Armstrong: Priciples of marketing

1.4 Basic Considerations before Starting the Business

Before starting a Startup in Germany there are a few things an entrepreneur should always be prepared for both mentally and emotionally, as at first it may seem easy to start a new venture but the process is often difficult and the path to setting up your own business can be often times very exacting both financially and emotionally.

- A budding entrepreneur must prepare himself to work at-least 70-80 hours a week in the beginning, as it takes a lot of hard work to establish a new business and if the entrepreneur works at the leisurely pace of 40 hours a week the launch gets delayed or the entrepreneur misses out on important deadlines, which a company can hardly afford to do in the early stages of its establishment.

- Setting up a new company or business takes a lot of mental strength on part of the budding entrepreneur and provides a tough test of an entrepreneurs abilities to deal with stress, as in the beginning of a startup there is no guarantee of fixed monthly income. Then there is the added fear of failure of the startup which would result in all the hard work going to waste and all the money that was invested also being lost and leaving the entrepreneur with a lot of debt.

- A young entrepreneur in the process of setting up a new business should not expect a fixed monthly income or salary for the work he does. Often times in the early stages of a startup the entrepreneur has to take up a second job to make ends meet and pay monthly bills.

1.4.1 Self-Evaluation:

Another essential thing a potential entrepreneur should do before starting a business is to do a self-evaluation of himself to get a clear picture of his current situation and the state of his mental and financial situation, as this helps in realising ones strength and weaknesses and gives a clear picture of whether the entrepreneur is ready to start a new business and gives an overview of the areas in which the entrepreneur needs to improve or work hard before the entrepreneur is finally ready to hit the market with his new product or service.

An entrepreneur can do a self-evaluation by answering following questions:

1. **How well do I know myself?**
    - What is my attitude towards life?
    - How do I handle problems?
    - What Personal skills do I have that will help the business?
    - What are my strengths and weaknesses?
    - How I deal with stress and anxiety in day to day life?

2. **Do I know what I want?**
    - What is my motivation
    - Personnel drive
    - What are my goals

3. **What is my motivation for launching this startup?**
    - Personnel dreams to be fulfilled?
    - Lack of independence while working in a company?
    - Differences with colleagues in current work environment?
    - Limited room for creativity

4. Am I mentally ready for this?

- How much work experience do I have?
- What is my knowledge in the field?
- Do I have relevant contacts and network in the industry?

5. Am I ready to take financial risks involved with self-employment?

- No regular and guaranteed income
- Do I have other sources of income to support myself

1.4.2 Ideal Qualities of an Entrepreneur:

Most research about entrepreneurs has focused on the influence of genes, family, education, career experience, and so forth, but no psychological model has been supported. Successful entrepreneurs seem to be of both sexes and in every imaginable size, shape, colour, and description.[5]

According to Dollonger (2002) "An entrepreneur is someone with the capacity to lead a business to success and is willing to take the risks in order to accomplish their goals."

"Successful entrepreneurs share common attitudes and behaviors. They work hard and are driven in an intense commitment and determined perseverance, they see the cup half full rather than half empty, they strive for integrity, they burn with the competitive desire to excel and win, they are dissatisfied with the status quo and seek opportunities to improve almost any situation they encounter, they use failure as tool for learning and eschew

[5] Jeffery A. Timmons (1994); New Venture Creation, page 24

perfection in favour of effectiveness, and they believe they can personally make an enormous difference in the final outcome of their ventures and their lives."[6]

Even though an entrepreneur learns a lot in day to day running of a startup, they are expected to have a certain sets of skills and have certain characteristics. An ideal aspiring entrepreneur should have following qualities to increase their chances of success:

- **Product and Market Knowledge:**

An entrepreneurs should know the markets they want to operate in well and should have required management skills in order to make a startup successful.

- **Social Skills:**

An entrepreneur should have good social skills which comes in handy when trying to make right connections and to build an extensive network in the industry. A good entrepreneur is never afraid to reach out to people with more experience in the industry for advice and help.

- **Willingness to take risks:**

An important ability of a successful entrepreneur is the willingness and the ability to take calculated risks in order to expand the business and to exploit any unexpected opportunity that arises to enhance the profit or the reputation of the startup. However the advantages and disadvantages should be thoroughly evaluated as taking to many unwanted risks may result in total failure.

[6] Jeffery A. Timmons (1994); New Venture Creation, page 24

- **Goal Oriented and Hardworking:**

An entrepreneur places high demands on himself and sets goals for himself and the startup which he then tries to achieve through hard work and commitment. Entrepreneurs are highly motivated and continuously strive for improvements.

- **Money Management Skills:**

Initially for any startup money is the most important and as such has to be managed carefully and utilised wisely. Successful entrepreneurs plan for the present and future obligations very cautiously and always try to have some money set aside for emergency or unexpected situations.

- **Proactive and Independent Working:**

A successful entrepreneur should be proactive and lead his employees from the front, instead of waiting for someone to tell him what to do and should have confidence and belief in his ability to get things done.

- **Open-Minded:**

An entrepreneur should be open minded and willing to learn from his mistakes in order to exploit new opportunities or to reconsider things he might be doing wrong or inefficiently. This quality is especially important for startup owners as they have to be flexible and have to adapt to feedback of their customers in order to grow and survive in a competitive environment.

- **Exit Strategy:**

A good entrepreneur should always be ready with an exit strategy in case the startup begins making losses. As the failure rate in startups is relatively high it is important to let

go of a startup that cannot be saved rather than investing more time and money in a sinking business.

2. Starting a new Business:

Once the self-analysis has been done and the entrepreneur has identified his areas of strength and weakness it is time to push forward with the startup development. A lot of startups begin with the budding entrepreneur having identified a problem in the market to which he or she feels he can provide a solution to. It can start with an idea or a vision that the entrepreneur has that he wants to develop into a successful business or it can be a problem the entrepreneur has faced himself.

The process of launching a startup can be divided into 5 systematic steps:

1. **Analysis and understanding of the market**
    - Detailed and analysis of the target market and competition
    - Analysing the target customers
    - Developing a product with unique selling points
    - Deciding a name for the startup

2. **Conceptualising**
    - Developing a business plan
    - Identifying the target market
    - Identifying the target customer group

3. **Adapting**
    - Setting priorities.

- Reanalysing strategies.

4. **Implementing**

- Getting funds to start the business
- Developing a good marketing strategy

5. **Starting**

- Deciding the opening date.
- Setting realistic and achievable goals for the future

2.1 Types of Business in Germany:

2.1.1 Startups:

According to Niel Blumenthal, cofounder and CEO of Warby Parker “A startup is a company working to solve a problem where the solution is not obvious and success is not guaranteed,”

Startups are the company which are newly formed from scratch and everything is built from zero. Startups have a certain risks involved and future success is difficult to predict. Before launching a startup an entrepreneur has to fully analyse the market that is to be entered. An entrepreneur launching a startup has to build relationships with customers and suppliers and secure financing for the early years of the startup, all before launching the startup. Apart from that an entrepreneur has to also deal with the legal procedures involved with forming a company in Germany. However since a startup is built from point zero, the company can be built around the entrepreneurs own unique ideas and philosophies.

2.1.2 Takeovers:

A takeover is when an acquiring company makes a bid in an effort to assume control of a target company by purchasing a majority stake in the target firm and if the takeover is successful, the acquiring company is then responsible for the targets company's operations, holdings and debt.

A takeover can be of 2 types

- **Friendly Takeover:** A friendly takeover is one in which the management of the target company is informed in advance about a bid to be made and normally the board of the target company is in favour of the takeover as it would serve in the better interest of the company.

- **Hostile Takeover:** A hostile takeover is when the board of the target company knows about the takeover, and are against the takeover but the company taking over stills buys the company irrespective of the support of the target company's board.

2.1.3 Franchises:

Franchising involves buying a pre-existing and established product with a specific business model from a parent company or franchisor. A franchise is a business opportunity that allows the franchisee to start a business by legally using someone else's name, expertise, ideas and process. As a franchisee the entrepreneur has the right to sell products and services of a parent company. The parent company provides the franchisee with brand name, production process, know-how, marketing concepts, etc. and supports the franchisee in setting up business.

As a franchisee the entrepreneur must establish a legally independent company contractually bound to the parent company. After the company is set up, the franchisee is bound to pay a license fee and a percentage of the annual profit generated to the parent company.

2.1.4 Spin-Off Company:

A spin-off company is formed when an existing department of an established company is split and is formed into a separate company. This new sin-off company is usually then managed by a senior employee of the old company and continues to receive orders from the parent company. In time however the goal of the spin-off company is to become independent of the parent company and allows the parent company to focus on the core business.

2.2 Business plan:

According to Schwetze, Vaseghi (2007) “a business plan, in principle, can be seen as a document that commercialises your business idea as a whole towards potential investors and stakeholders. A business plan is successful if you succeed in conveying to the reader the most significant opportunities and growth capacities of your company realistically.”

“A business plan describes how a new business will meet its primary objectives over a given period of time. It is both a strategic document that can act as a roadmap and a tool for securing funding and communicating with stakeholders. For a startup business, planning is key to developing a thorough understanding of the target market, competition,

market conditions, and financing opportunities. Comprehensive planning will include identifying startup costs, as well as examining financial resources and future projections."[7]

"Business plans are used primarily for raising capital and as a means of guiding growth. A business plan is a document that convincingly demonstrates the ability of your business to sell enough of its product or service make a satisfactory profit and be attractive to potential backers. A business plan is also a selling document that conveys the excitement and promise of your business to any potential backers or stake holders."[8]

According to Bruce R. Baringer, "A business plan can be defined as a written narrative, typically 25 to 30 pages long, that aims to describe all the aspects of a business venture. The aspects in question seek to answer what a new business intends to accomplish and how it intends to accomplish it. Crafting a business plan usually serves dual-purpose for most businesses; it is used for both internal and external reasons. Internal reason is to understand all the necessary aspects of the new venture that might have otherwise gone remarked. The external reason is to raise money and attract high-quality business partners."

For most potential entrepreneurs the first step towards starting a business is the presence of an original business idea and the desire to become self-employed. For that the normal process is to thoroughly analyse the original business idea, personal situation of the entrepreneur and the economic effects of social and legal frameworks within a country. A comprehensively written report of these analysis and considerations is called a business plan.

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[7] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor's confidence 11
[8] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 122

A business plan is a written business document that describes in detail a company's goals, the strategy to be implemented to achieve the said goals, the time frame in which the goals are to be achieved, target market of the company, technology to be used, and management team. A business plan explains how the business idea and the expansion should and will be implemented by the company and discusses the potential and the risks involved for the startup.

2.2.1 Objectives of writing a Business Plan:

"Writing a business plan is no fun. For many entrepreneurs, the mindset associated with writing a business plan is akin to that associated with root canal surgery or periodontal work. It's not something you look forward to. It's something that goes on for a long while with repeat sessions of agony."[9]

However writing a business plan has many benefits and can serve following purposes:

- To sell the business idea to investors and customers.
- To get bank loans.
- To get funding from investors.
- To attract partners.
- To obtain contracts essential to the new business.
- To attract employees.
- To form a working guideline for the management team.

2.2.2 Who is a business plan intended for:

A business plan can be written addressed to any of the following organisations or people:

1. Banks

[9] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 120

2. Existing partners
3. Potential Investors
4. Potential partners
5. Potential Customers
6. Management Team
7. Company Employees

2.2.3 Characteristics of a good Business Plan:

- Should fit the business requirements
- Should be realistic with achievable targets
- Should be neatly structured, clear and to the point (20-30 pages)
- Should be comprehensive and consistent
- Should clearly define roles and responsibilities
- Should have clear marketing strategies
- Should be financially well prepared
- Should be flexible and changeable

2.3 Structure of a Business Plan:

2.3.1 Executive Summary:

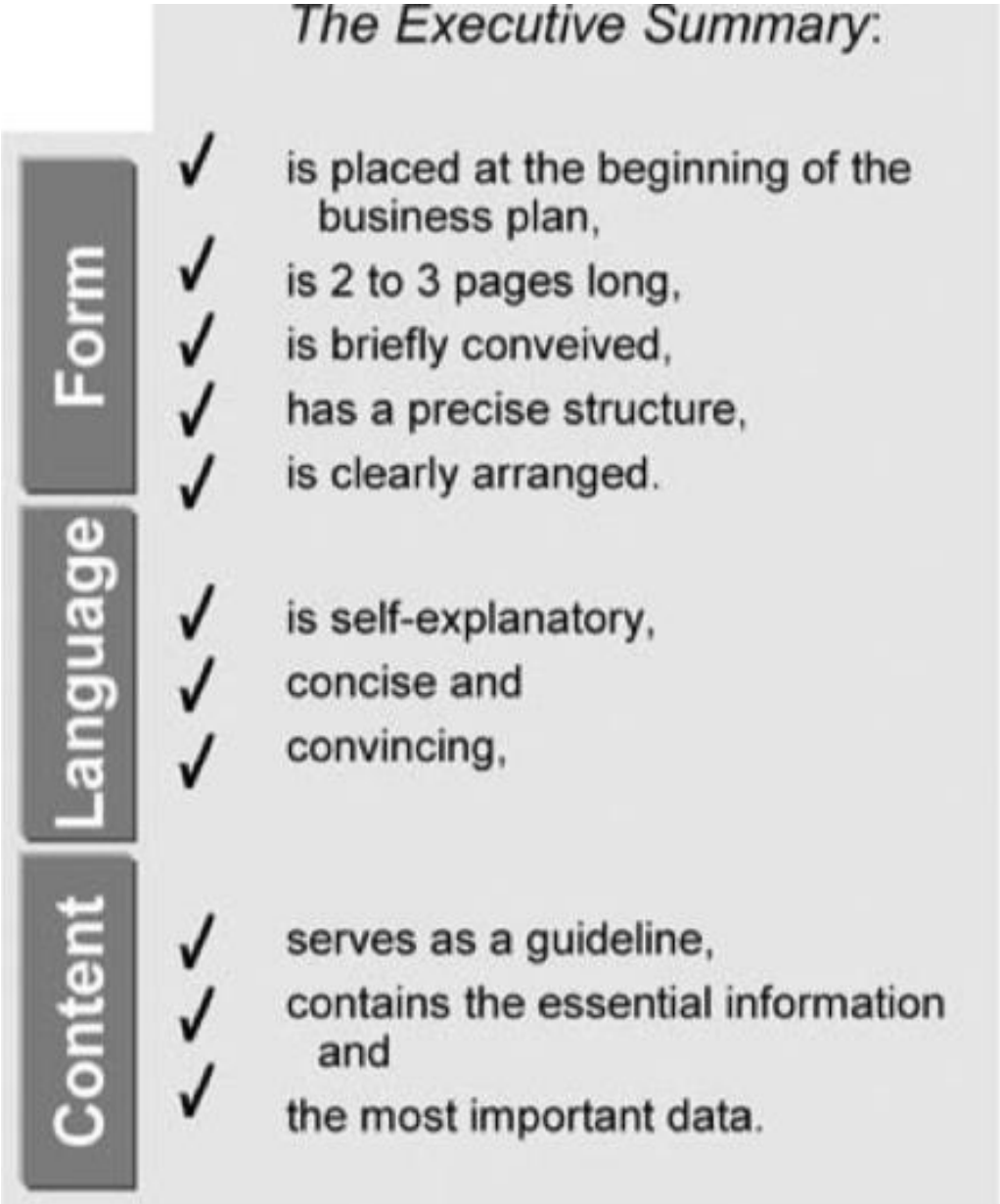

Figure: Main Requirements of an executive Summary

Figure: Main Requirements of an executive Summary[10]

[10] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor's confidence, Page 26

“The executive summary compiles the essential statements and conclusions of the business plan in a very concise form. For the majority of readers the executive summary will present the most important section of the business plan, because:

• It ensures a quick introduction into the main topics,

• It gives a short overview of the enterprise.

• It provides the investor with the core statements and conclusions of your enterprise strategy and success factors.”[11]

The summary presents the company ideals and future business projects to the readers. An executive summary should be logically structured, interesting and captivating and the main aspects of the business should be explained in brief and such essential information and insignificant facts and figures should be saved for later section of the business plan.

A good executive summary should try to answer following questions:

- What is the business idea?
- What are the goals?
- What is the target market for the business?
- What product or services is the business offering?
- What is the target market potential?
- Who are the target customers?
- What is special about the business idea?
- What are the financial requirements?

[11] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor’s confidence, Page 21

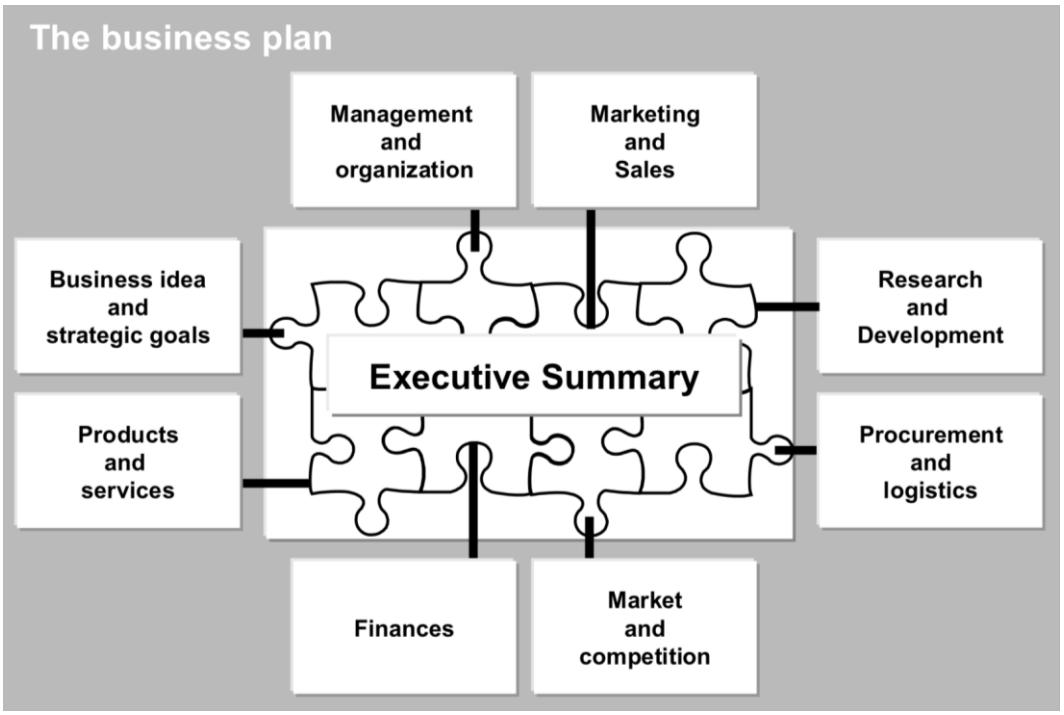

FIGURE: INFORMATION SOURCES OF THE EXECUTIVE SUMMARY

- What are the potential risks?
- What are the chances for success?

2.3.2 Business Idea and Strategic Goals:

"One has to tackle a business idea intensively in order to advance it and make it a true business objective. In many conversations with entrepreneurs and founders we perceive again and again that the business idea is either described insufficiently or not at all. A good idea is far from being automatically a good business idea. We often find that scientists, for instance, being quite convinced of a discovery they have made, hardly ever have any idea of approaching the market."[12]

This section can also be used to describe in detail the company's strategy to enter the market and its plan to tackle the competition. Ideally a company's business idea and market strategy should be flexible enough to incorporate customers demand or to make use of the advances in technologies to improve the product.

[12] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor's confidence, Page 2

Strategy is one of those words that gets misused because it is applied to so many different aspects of business life. It is really a buzzword for your company's overall approach to producing and selling its products/services and its goals to maximising success. In describing your company's strategy, though, there needs to be logical consistency

between what you say you plan to do and what the rest of the plan will support.[13]

Fig: Hierarchy Business Ideas and Strategic goals[14]

A good business idea and strategic goals section should try to answer following question:

- How or when was the idea for the company developed?
- What is your business idea?
- What are the products or service the company wants to provide?
- What is the entrepreneur's vision for the company?
- What are the goals that the company wants to achieve?

[13] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 131
[14] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor's confidence, Page 37

- What is the revenue model of the company?
- How the company plans to achieve those goals?
- What are the benefits and advantages that your company offers?
- How do plan do manufacture and distribute the products?
- What are the customers demand from the product or service provided?
- What is the strategy to win new customers?
- How sustainable are the revenue models?
- What are the investments needed for the company?

2.3.3 Product and services offered:

"A major area of consideration is the company, its concept for its product and services, and its interface with the industry in which it will be competing. This is the context into which it will be competing. Information needs to include a description of the industry, a description of the concept, and a description of the product and services to be offered, the proprietary position of these product or services, their potential advantages and entry and growth strategy for the product or service."[15]

In the previous section while describing the business idea a brief introduction has already been given about the product or services the company wishes to provide such as customer benefits, market the company wishes to target and revenue model of the company. In this section these components of the business plan are explained in detailed.

If the product to be offered has any special features that will give it an advantage over the competition then these features should be described in detail as it will make the product

[15] Jeffery A. Timmons (1994); New Venture Creation, page 426

appealing to the potential investors. Any plans for expanding the product line or developing the product further to improve it should be explained in full.

This chapter should try to answer the following questions in the report:

- What product are you trying to launch?
- What are the special features of the product?
- Which is the customer group targeted?
- How attractive is the product market?
- What are the plans for product distribution?
- What advantages do you have over the competition?
- What is the structure of the product portfolio?
- What is the estimated lifecycle of the product?

2.3.4 Market Research and Analysis:

"This section of the business plan is one of the most difficult to prepare, yet it is one of the most important. Other sections of the business plan depend on the market research and analysis presented here. For example the predicted sales levels directly influence such factors as the size of the manufacturing operation, the marketing plan, and the amount of debt and equity capital you will require. Yet most entrepreneurs seem to have great difficulty preparing and presenting market research and analysis that show that their ventures sales estimates are sound and attainable."[16]

No company can do without knowledge of the market. Well-founded market studies and the experience gained from them, enable a company to position itself accordingly and gain

[16] Jeffery A. Timmons (1994); New Venture Creation, page 428

unique market and product advantages. Investors always want to be sure that the trader has meticulously analysed and understood his target market and, accordingly, developed the ability to meet his needs.

“Market is not a virtual term, but a real force field of individual customers who want to purchase products and primarily fulfil their needs and wishes. Hence certain products compete with one another. Within your business plan you should consider both the market for your products as well as the character of your competitors. The results of your market and competition analysis will form the indispensable basis for the entire planning of sales and marketing.”[17]

Market disclosures are often superficial and vague in many business plans. The demand for new products is usually considered secure. However most of the times new product launches fail mainly due to lack of market acceptance and overestimation of market potential.

A good market and research segment of a business plan should try to answer following question:

- What is the market size for the product?
- What is the market potential?
- How is the target market segmented?
- What is the market growth forecast for your product?
- What are the factors affecting market growth
- What are the buying trends of the customers?

[17] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor’s confidence, Page 65

- Are customers easy to reach and receptive?
- What are the entry barriers in the market?
- How is the market structured?
- What is the market share your company is targeting?
- What is the market share of your competition?

2.3.5 Competition:

"Entrepreneurs are quick to minimise the significance of competitors. In an entrepreneurs view the competitors are flawed in important ways, producing and inferior product or providing poor service. The fact is if competition are attracting customers, it is for a good reason. For a business plan to have credibility, it must analyse the competitors objectively, both in terms of their strengths and weaknesses. The best business plan include a complete competitor assessment."[18]

By analysing the competition a company can find out the strength and weaknesses of its competition and from there deduce who among the competition is their greatest competition or who posses the maximum risk to the wellbeing of their own company. What is important to note in the competition analysis is that this is not limited to domestic or established companies. Often the strongest competition comes from the corner where it is least expected. As with the market analysis, relevant information on the competitive situation can be obtained from suppliers, customers, experts and association officials.

As explained by William D. Bygrave (2000), "in order to win market share a successful market strategy is very important. It is necessary to first determine the competitors and their market behaviour and tactics. First step should be identifying who among the

[18] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 136

competitors are imitators, price breakers or innovators. Furthermore, you should realise how large the market share of your competitors is and understand the strategic advantages by which they have obtained their market shares. In particular you should identify who has priority in determining the key market rules (product leader, price leader, market size etc.).”

This chapter should try to answer the following questions in the report:

- What are your closest competitors?
- In what markets are they active?
- What markets are important for your competitors?
- What is the market share of your direct competitors?
- How can you take your direct competitors market share?
- What are the strengths and weaknesses your direct competitors?
- How can you exploit your competitor’s weaknesses?
- What are important business strategies of your competitors and how can you tackle them?
- What are your strategies to gain an advantage over your competitors?
- What are the strategies of your competitors that give them an advantage over your company?
- What additional product features and services does your competitor offers?
- What are your strategies to react to market changes faster than your competitors?

2.3.6 Marketing:

"Marketing requires separate work and a distinct group of activities. But it is first, a central dimension of the entire business. It is the whole business seen from the point of view of its final result that is from the customer's point of view."[19]

The main function of marketing plan is form a strategy to achieve the sales projections forecasted by the management. A marketing plan tries to exploit any advantage the startup might have over its competitors by building its strategy around those strengths. In general a marketing plan explains what a startup needs to do and gives guidelines on how to do it.

Now that the market performance has been defined in the previous chapters, it is now time to convince potential investors that corporate activities are geared towards providing customised services. In addition, it should be demonstrated that the company has the ability and the resources to effectively anchor its products and services in the market through the efficient use of advertising, sales and distribution. For this reason, the task of the entrepreneur is to develop a coherent marketing concept.

This chapter should try to answer the following questions in the report:

- According to which geographical criteria's is the market segmented?
- According to which demographic criteria's is the market segmented?
- What is the strategy to sell the product?
- How will the product or services be advertised?
- What will be the mediums used to promote the product?
- What will be the advertising budget?

[19] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 72

- Who is in charge of promoting the product (internal, external)?
- How will the promotion give your product advantage over the competitors?
- What is the distribution strategy?
- Who will be responsible for the distribution?
- How will the distributors be selected?
- How will be the product or services priced?
- How will the prices be decided?
- What will be the profit margins?
- How will you justify the price of your product or services?

2.3.7 Financial Projections:

According to Harold Geneen, The former chairman of IT&T, “to be good at your business you have to know the numbers—cold”. Although Geneen’s words are oversimplified, they are nevertheless true for both planning new businesses and managing ongoing operations. In all business whether they are new ventures or established smaller business or larger cooperations— superior management means having a sense for the future financial implications of decisions that must be made today. Geneen knew that to ignore numbers was dangerous. If you ignore the numbers, particularly the numbers that relate to the future, pretty soon your business will begin to ignore you.[20]

The financial projections are essential to assess of the investment opportunity and represent the financial requirements of the company calculated to the best of your knowledge. The main purpose of a financial plan is to give an estimation of the company potential and to give a time frame of when the company should be able to achieve financial

[20] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 148

independence. It can also subsequently work as a guideline to managing the finances of the company by using financial benchmarks. A good financial plan also looks at the alternative ways of financing a company should the original financing plan should not work for some reason.

Financial projections are used to express the business goals formulated in the business plan by the assumptions made in numbers (marketing, sales, profits etc.) in terms of concrete financial requirements of the company. It can be said that the main objective of writing financial projections is to show how the company's financial position will develop when all the set goals of the company are achieved as planned.

Generally financial projections can be classified as long term and short term financial projections. While the long term financial projections give a forecast for a period of three to five years, short term financial projections deals with the current financial year for the company.

This chapter should try to answer the following questions in the report:

- What are the revenue forecast for the year?
- How has the revenue for you company developed in comparison with the industry?
- What factors influence the cost of the product?
- What are the cost control measures taken by the company?
- What are the major risks involved in the market that can affect the revenues?
- What are the plans to tackle these risks?
- What is the profit forecast for the year?
- What are the factors influencing profits?

- What are the projected cash flows?
- What are the factors influencing the cash flows?
- How will the sales volume develop in coming years?
- When will the company be able to reach breakeven point?
- What are the plans for cost control?
- What are the plans to offer discounts, royalties etc. to the customers?
- What are the forecast for capitalisation?
- What is the equity structure of the company?
- What are the factors affecting the equity structure of the company?
- How much investment is needed for the company?
- What are the plans to get this investment?
- What are the factors influencing annual net income at the company?

2.3.8 Risk Analysis:

The risk analysis serves both the entrepreneur and potential investors to estimate the entrepreneurial risks of the company. A certain willingness to take risks forms the basis of every entrepreneurial activity. Both the investor and the entrepreneur consciously take certain calculable risks and in order to minimise these risks it is important to do a risk analysis for the company, so that the startup is well prepared for any risks involved in the operations.

“The development of a business has risks and problems and the business plan invariably contains some implicit assumptions about them. You need to include a description of the risks and consequences of adverse outcomes relating to your industry, your company and its personnel, your product’s market appeal and the timing and financing of your start-up. If

the venture has anything that could be considered a fatal flaw, you have to discuss why its not. The discovery of any unstated negative factors by potential investors can undermine the credibility of the venture and endanger its financing."[21]

Through careful analysis of the risks involved it is easier to recognise the problems in a venture faster and thus can be managed more effectively. Since the investors will at some point address the issues of potential risks involved in the start-up, by doing a risk assessment beforehand, its gets easier to earn the trust of the investors.

A venture can face 2 basic types of risks:

- **Internal risks:** Internal risks as the name suggests are the risks a company face because of the internal factors. Internal risks are the risks that a company can minimise and have a say in. A few examples of internal risks could be
    - Management related (ex. Inaccurate assessment of market trends)
    - Production related (ex. unforeseen delays in production)
    - Marketing related (ex. insufficient marketing budget)

- **External risks:** External risks as the name suggests are the risks a company face because of the external factors. External risks are the risks that a company can not minimise and have no say in. A few examples of internal risks could be
    - Economy related (ex. Inflation)
    - Law Related (ex. Trade barriers)
    - Social (ex. Social taboos)

[21] Jeffery A. Timmons (1994); New Venture Creation, page 437

A few common risks to consider when writing a report on risk analysis:

- Shortage of cash.
- Competitors reducing the prices.
- Potential unfavourable market trends.
- Manufacturing costs exceeding the estimates.
- Missing the sales projections.
- Missing project development deadlines.
- Difficulties in procurement of raw materials.
- Inability to get bank credit.
- Larger development costs than calculated.
- Running out of cash after getting orders.

2.3.9 Manufacturing:

This part of business plan is used to explain to investors how the production process operates. This is where you explain the company's plan to smoothly operate the manufacturing process of the product to be offered and the plans to tackle any existing problems or the problems that may arise in the future, that may hinder or delay the process of delivering the finished product to the customers.

"The operating and manufacturing plan needs to include such factors as plant location, the types of facilities needed, space requirements, capital equipment requirement, and labour force requirements. For a manufacturing business, the manufacturing plan needs to include policies on inventory control, purchasing, production control, and which parts of product will be purchased and which operations will be performed by your work force. A service business may require particular attention to location (proximity to customers is

generally a must), minimising overhead, and obtaining competitive productivity from a labour force."[22]

It is important to be clear on what process of manufacturing your company plans on doing themselves and what manufacturing processes the company wants to outsource. Explain in detail all the manufacturing methods involved in the production and what will be the stages involved in production.

This chapter should try to answer the following questions in the report:

- Where and how will the manufacturing take place?
- What are the advantages and disadvantages of the manufacturing site (labour, raw materials)?
- Are there any legal obligations related to manufacturing site?
- What will the manufacturing costs be?
- What are the factors affecting manufacturing costs?
- What are the cost of raw materials?
- Will there be extra seasonal production loads?
- What are the plans to tackle these seasonal loads?
- What will be the standard lot sizes?
- What are the equipment needed to start the manufacturing?
- Is there sufficient funding available to buy manufacturing equipment?
- Who are the potential subcontractors and what are the cost incurred for subcontracting?

[22] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor's confidence, Page 68

2.3.10 Management:

"The assessment of the management and their ability to manage a variety of different market and company situations plays a particularly important role. In this context everything depends on the management's experience in leadership and in dealing with crises, as well as their knowledge of the industry. The description of the management and the organisation might be very subjective. Therefore, you should pay particular attention to the topic."[23]

It is a common opinion that the investors invest in the people involved in a startup above all else. Even though the product, idea, technology or the target market are all important factors, ultimately however it is the entrepreneurial and professional competence of the management team and the employees is what makes a new venture successful.

The skills and qualifications of the management are usually crucial for the success of a company. The assessment of the management is therefore very important for the investors. It is important to have a balanced management team with members specialising in all major fields. If gaps exist, it makes sense to point this out and explain how these gaps should be filled. It is also of interest to the investors with which external consultants, lawyers, advertising agencies, banks and trustees the company already cooperates or intends to cooperate in the future.

This means that only a company with a complete and qualified management team has good chances of success. Building a company requires a variety of talents that hardly a single person can cover alone. Since the idea for a start-up company is usually new, there are no standard recipes for solving the upcoming problems. A team with complementary

[23] Schwetze, Vaseghi (2007); The Business Plan; How to win your investor's confidence, Page 41

skills and qualification can solve problems better than an individual. A well balanced team should have know-how and should be capable in all areas of corporate management including marketing, sales, production, development, financing, etc.

This chapter should try to answer the following questions in the report:

- How is the management team structured?
- How diverse is the qualifications of the management team?
- What are the specialisations of the members?
- Is the management team offered further training courses?
- How are the roles and responsibilities divided among management team?
- What is the average age, experience, and background of the management team?
- What are the standards and criteria's for choosing the management team?
- What are the strength and weaknesses of the management team?
- How many more members are needed for the management team?
- What is the strategy to recruit missing personnel?

3. Registering a company in Germany:

Before registering a company in Germany a budding entrepreneur is faced with a decision of registering the company with the German government. Germany offers a variety of choices in this regard and the entrepreneur has to carefully decide how he wants to register his company, as this forms the backbone of how the company will operate in the future and how the financial regulations will be sanctioned by the German government on the new company.

An entrepreneur has to do a lot of research before he decides to register the company as even though it is possible to change the legal form of the company later on, it is however time consuming and costly.

In Germany there are 4 main forms in which a company can be registered:

- Sole Proprietor (Einzelunternehmen)
- Partnerships (Offene Handelsgesellschaft, OHG)
- Stock Corporations (Aktiensgesellschaft, AG)
- Limited Liability Corporation (Gesellschaft mit beschränkter HaftungGMBH)

3.1 Sole Proprietor (Einzelunternehmen):

This is the simplest and the least regulated form of company type of the 4 types of companies you can register as in Germany. To register a sole proprietor company requires one person who is registered as the founder and there are no compulsory minimum capital requirements to register this company. Registration is required in the commercial register and the local trade office. The person who register this company has to keep in mind that he or she will be liable for all the liabilities and debt with his entire private assets without limitation for any financial claims. There is no distinction made between private and business assets of the sole proprietor and this must be taken into account when doing the tax declarations as all financial assets of the person are taxed as income or assets.

Advantages of Einzelunternehmen:

- Very low cost for starting.
- You keep most of the profits.
- Establishing and operating the business is simple.

- It is easy to change the legal structure later of the circumstances change.

Disadvantages of Einzelunternehmen:

- There is no liability limitations and the sole proprietor is fully liable with his private assets.
- There is limited capacity to raise capital.
- Retaining high caliber employees can be difficult.
- It can be Gard to take holidays.

3.2 Partnerships (Offene Handelsgesellschaft, OHG):

To register a partnership in Germany you need at least two people and like einzellunternehmen there are no rules regarding minimum capital. The partners in OHG have unlimited liability in solidarity with their entire private assets. Since the partnership is not taxable, the income and the assets of the partners are taxed directly. Every partner in the company is legally obliged to participate actively in operating the business unless the partnership agreement (*Gesellschaftsvertrag*) provides otherwise.

Advantages of OHG:

- It is possible to have several participants or partners.
- A partner cannot do transactions alone without the consent of other partner.
- Establishing the company is still relatively simple.
- No minimum capital is required to register the company.
- Due to taxation on private assets, there is no extra tax burdens.

Disadvantages of OHG:

- The partners bear unlimited liability, in worse case till bankruptcy.

- The creditor has the right to collect debt from all members and from each of them
- In case of withdrawal or exclusion from the company, the partner continues to be liable for the debts of OHG after up to 5 years from the date of withdrawal or exclusion.

3.3 Stock Corporations (Aktiensgesellschaft, AG):

“In order to set up a stock cooperation there must be at least five members. The minimum required share capital is €50,000, and these shares are the only ones that may be (but need not be) listed on the stock exchanges. Articles of association, authenticated by a court or notary, are initially required to set up an AG, and it only becomes a legal entity when it has been entered in the Commercial Register. The name of the AG is usually taken from the purpose of the enterprise and it must show the words "Aktiengesellschaft (AG).”

An AG must have a managing board, empowered to decide all matters relating to the operation of the business and appointed by and answerable to the supervisory board. The shareholders of an AG exercise their power to control its policies at regularly scheduled general meetings.”[24]

Advantages of Aktiensgesellschaft:

- Shareholders are only liable for their respective portion of share capital.
- Tax progression can be broken through the splitting of profit.
- Shareholders remain anonymous to the public.
- The entrepreneur and his employees can be insured by the AG against accident and illness.

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Disadvantages of Aktiengesellschaft:

- Startup costs are relatively high.
- High administration costs for logs, annual reports, bookkeeping etc.
- There are strict accounting rules that a company has to follow.
- AG's earnings and capital as well as shareholders income and assets will be double taxed.

3.4 Limited Liability Corporation (Gesellschaft mit beschränkter Haftung, GMBH)

Limited liability corporations or as they are known in Germany GMBH's are the most common type of company is Germany. GMBH's are ideal for entrepreneurs who do not want to be liable with their private assets in case the business starts making losses.

A single person is sufficient to register a GMBH corporation with the German government. A minimum of 25000 Euros is needed as capital to register a GMBH and the entrepreneur is not personally liable for the company's debt with his or her private assets. To establish a GMBH the company must be registered with the Commercial register at the local government office. An official name of the company must contain "mit beschränkter Haftung".

Shares in a *GmbH* are not embodied in a certificate and can't be quoted on stock exchanges. It is possible to transfer the shares by the means of notarised documents. For operating and officially representing a GMBH a managing director is required, who is also officially represent the company to the public.

Advantages of GMBH:

- Private assets of the entrepreneur are not liable against company debts.
- Companies can hire a managing director from outside.
- Foreign nationals can freely register or invest in a GMBH.

Disadvantages of GMBH:

- Relatively higher cost of establishment.
- Higher administrative costs.
- It is necessary to comply with strict accounting rules.
- It can be difficult to obtain a bank loan for a GMBH.

4. Finance:

The financial plan is the central component of a business plan. It is read very carefully by potential investors, usually following the executive summary and the section on the founders or management. The figures of the financial plan reflect the individual plans of the start-up such as, for instance, procurement, production and sales plans in quantitative terms. This means that the financial planning is very complex and that its quality depends primarily on the other subordinate plans as well as on the fundamental assumptions made by the founder.

“Knowledge of financing strategies as well as the function and mechanism of different financing instruments is necessary to recognise and counteract in good time threatening financing crises and liquidity bottlenecks. Within this context, special importance should be attached to the optimisation of the capital and risk structure during the phases of start-up and growth. Numerous young enterprises had promising business models at their

disposal, yet the main reasons for their insolvencies were financing problems which they were unable to resolve. The founders were in many cases not in a position to obtain external capital for overcoming the crisis and to manage their payment flows effectively."[25]

This section highlights the importance of financial aspects within a company. To have a solid foundation in a new venture it is important to have a good financial basis and should be planned carefully and thoroughly. In this section I will discuss how a startup can be set up in a structured way from the beginning by using the financing concepts.

4.1 Financial Planning:

In financial planning the entrepreneur forms and provides an in depth strategy for 1 year in how to maintain the operational and other costs for the startup and a basic overlay to maintain costs for the next 2-3 years. The financial plan formulated has to be realistic and detailed. Through the process of financial planning it becomes easier to recognise problems early on in a startup and thus the startup can be well prepared to tackle the problems as and when they arise.

One of the key questions that a bussing entrepreneur faces in the startup phase is of the resources needed, namely how much capital do I need to make ends meet in the short and medium term.

"There are three core principals of entrepreneurial finance, 1) more cash is preferred to less cash, 2) cash sooner is preferred to cash later, 3) less risky cash is preferred to more risky cash. While these principals seem simple enough, entrepreneurs, chief executive

[25] Christine K. Volkmann, Tokarski, Grünhagen (2010); Entrepreneurship in a European Perspective, Page 283

officers, and division managers often seem to ignore them. To these individuals, financial analysis seem intimidating, regardless of the size of the company. Even management teams, comfortable with the financial issues, may not be adept at linking strategic and financial decisions to their companies, challenges and choices."[26]

It is therefore important that the entrepreneurs develop and realise a suitable financial plan to optimise their financial structure by taking into consideration their specific characteristics and objectives of the company.

A financial Plan consist of 3 basic areas that can be used to avoid the risk of making financial mistakes in the future:

- Budget Planning
- Capital requirement
- Liquidity planning

4.2 Budget Planning:

A primary task an entrepreneur faces is to create a budget for the startup to forecast expected income, expenses and cash needs. Budget planning is a key component in the initial phases of a startup. As there is no past information to work with, an entrepreneur must create a budget using their best guesses on income and expenses, also known as profit and loss statements.

[26] Jeffery A. Timmons (1994); New Venture Creation, page 443

A budget primarily shows how profitable a business can develop from the perspective of the company. It forecasts the calculated revenues which are taken at a lower value than expected a precaution.

The revenue is calculated by multiplying the forecasted sales volume with the selling price and deducting the other expenses such as wages, insurance, rents, etc from the final value. This way whatever is left is the net revenue that a startup is forecasted to generate. There are two basic types of budget planning:

- **Short term planning:** Short-term budgets cover periods of three, six or twelve months depending on the nature of the startup. Short-term budgeting has the advantage of accuracy in budgeted figures which relate to future activity.

- **Long term planning:** Long-term budgets normally cover periods of 3 to 5 years. Long term budgets have the advantage that they forecast the future problems that can arise in the operations long before they arise so that the company has ample time to prepare for the problem.

4.3 Capital Requirement:

"How much money does my venture need? When is it needed? How long will it last? Where and from whom can it be raised? How should this process be orchestrated and managed? These are vital questions to any entrepreneur at any stage in the development of a company."[27] These are the questions that need to be answered in this section.

[27] Jeffery A. Timmons (1994); New Venture Creation, page 450

In addition to the existing personal resources of the enterprise founders, borrowed funds from credit institutes or additional external equity financing from business angels or venture capital companies are usually required, in particular for growth oriented high-tech start-ups. Investors and lenders will only provide funding if the start-up project offers good prospects and promises sustained profit making.

The actual requirement for capital can be derived from the liquidity plan. The total capital requirement is deduced from what, when and how many financial resources are required in terms of peak demand for liquidity. The capital requirement of the start-up is to be planned in such a way that the profitability is secured and the solvency is guaranteed at any time. Therefore the capital requirement must not be rated too low, but neither too high.[28]

A capital requirement plan gives detail about how much capital is needed for the startup to be established and for the smooth operations for the next few years after the establishment of the startup.

A new venture may require capital for any of the following reasons:

- **Capital to start the business:** these includes the costs incurred at the starting of the business such as consultation fees for professionals, initial marketing activities, insurance costs, etc.

[28] Christine K. Volkmann, Tokarski, Grünhagen (2010); Entrepreneurship in a European Perspective, Page 155

- **Capital to maintain operations:** this the capital that an entrepreneur requires for the day to day operations of a startup. The capital that is needed in direct operations is mostly a short term resource such as labor costs, rent, insurance costs, electricity bills, etc. there are also additional funds required for purchasing consumables such as raw materials, furnished products that are outsourced from external sources, etc.

- **Capital to make investments:** this is the capital that is needed for the smooth functioning of a startup in the longer run. It takes into consideration all the investments necessary for the production of product or the provision of services. This include capital required to buy machines, real estate, office furniture, etc.

4.4 Liquidity Planning:

Liquidity planning means to keep track of the relevant payment flows (in-payments and out-payments) which are set against each other; i.e., a liquidity plan or cash budget is cash-based rather than accruals-based [Timmons/Spinelli (2004)]. This cash based approach is essential since, in principle, an enterprise must at any time be able to fulfil its payment obligations in due time. Put in simple terms, liquidity means that there is always enough money on the account of the new enterprise. Thus the liquidity plan (cash budget) is the heart of financial planning. In-payment and out-payment items (or cash in- and outflows) must be taken into account, both for the regular business as well as for capital expenditure items.

“Liquidity planning is the key instrument in financial planning for startups. Liquidity planning involves ensuring that a company remains solvent at all times for the foreseeable future. Liquidity planning helps give an overview of how much free liquidity can be managed in the

future. Liquidity planning is generally considered part of the short term finance planning with the main function of having a coordination between in and out payments."[29]

4.5 Funding a Startup:

"How business start-ups are financed is one of the most fundamental questions of enterprise research. Financial capital is one of the necessary resources required for enterprises to form and subsequently operate. Capital decisions and the use of debt and equity at start-up have been shown to have important implications for the operations of the business, risk of failure, firm performance, and the potential of the business to expand."[30]

Projects, businesses, and companies need capital to conduct their business. This capital is used to invest in fixed capital and in working capital, so that the business can make its products, meet the market needs, pay its taxes and provide a return to the investors. In return for the capital, the company issues financial instruments, such as share and bond certificates. These financial instruments or securities must be attractive to investors in amount, timing and risk of the return that they promise.[31]

When starting a new venture, it is important for the budding entrepreneur to be able to generate a sufficient amount of capital, especially for the startups that rely on new knowledge or technology. These types of businesses often require a lengthy development process from "idea" to profit-generating businesses. The capital needed can be acquired from a variety of different sources, and the availability of capital from these sources within

[29] Christine K. Volkmann, Tokarski, Grünhagen (2010); Entrepreneurship in a European Perspective, Page 147
[30] Cassar, G. (2002) The financing of business start-ups. *The Journal of Business Venturing*, 19, page1.
[31] Frank Kenneth Crudwell; Finance for Engineers (2008), page 507

a country will have a great impact on the respective county's startup rates, survival rates and early development of businesses.

Financial resources are required for an enterprise to form, and subsequently operate smoothly. Hence, the financing of startups is one of the fundamental questions in enterprise research. Due to the role new businesses play in employment growth, competition and innovation, financing decisions of startups have high implications on the overall economy. Furthermore, these decisions, and how they explain the use of debt and equity, have important implications on how the business is able to operate, the risk of failure, performance of the business, and the potential for future expansion of the enterprise.[32]

4.6 Sources of Funding:

There are many different sources of funding that a startup can use to get the capital that they need for operations. However with so many options, choosing the right source of financing can be confusing for the budding entrepreneur. It is therefore important to compare the advantages and disadvantages of the different sources funding relative to the startup. Discussed following are some common funding sources:

Self-Financing:

Self-financing is an internal source of funding and is essential in the early stages of a startup. In the really early stage of a startup it is vital that an entrepreneur has some personnel savings to start the initial works of setting up the business, as it is really hard in the early stages to get a funding from outside as the startup has not yet been established.

[32] Cassar, G. (2002) The financing of business start-ups. *The Journal of Business Venturing*, 19, page 261-283.

Depending on the size, capital needed, degree of early growth sometimes the capital provided by the entrepreneur in early stages is most times either enough or provides a significant part of the overall capital required to develop and establish a startup.

In cases of an entrepreneur using his own money to fund the startup, it is a common practice that the entrepreneur would also be employed outside of the startup. As in the early stages of establishing the startup, the business does not generate sufficient revenues and a second job helps to cover the living expenses for the entrepreneur.

An entrepreneur's personal resources include their personal debt capacity, which relies on the entrepreneur's earnings in existing employment and credit history. It also important for an entrepreneur to have a secondary source of income in the early days of a startup as many entrepreneurs accumulate debt in order to finance their startups.

Advantages of Self-Financing:

- An entrepreneur has total control of the business.
- Entrepreneur has full ownership of the startup.

Disadvantages of Self-Financing:

- If the business fails all the hard work and savings are wasted.
- It takes time to save enough money for an entrepreneur to fund his own business.
- Entrepreneur misses out guidance and mentorship from angel investors who have wide professional networks and industry expertise.

Family and Friends:

Funding through family and friends is also considered an internal funding source which is used by entrepreneurs in the early stages of establishing an startup. Entrepreneurs who don't have enough capital saved for early setup of a startup can get funding by asking friends and family for the initial startup capital.

Generating capital through family and friends can be often unstructured and unsystematic as the business is still in the early stages. If possible this situation should be avoided as it may lead to conflict and misunderstanding later on about equity share or the repayment terms of the capital borrowed. It is therefore better to have this round of funding properly and legally formalised with clear terms and conditions.

This round of funding is mostly generated by the promise of equity subscription or convertible notes or simply a loan from someone you know. In most cases the startup is till in the early stages and has no reliable valuation at this point and because of that it is better to try and raise a capital without mentioning the valuation of the startup.

Advantages of funding through family and friends:

- Faster funding process.
- Flexible repayment options.
- Direct contact with the capital provider.

Disadvantages of funding through family and friends:

- The amount of capital that can be generated is limited.
- Risk of damaging personnel relationship with the investor.
- Additional fear of losing the money of your loved ones.

Angel Investors:

This is generally the first round of funding that a startup gets from an outside source that was not originally in the network of the entrepreneur. Angel investors are mostly people having a high income who are willing to invest in a startup idea and new projects which they believe will be successful or which are of some importance to them personally, financially or non-financially.

Entrepreneurs usually go for this round of funding when the initial setup of the startup is complete and they have a basic infrastructure for the startup in place complete with a business plan for the angel investor to go through. This round of funding is needed to refine the product further and make it accessible to the target market.

This is a risky stage of funding for angel investors, as the entrepreneur still don't have a proven business case. It is because of this reason that angel funding is often raised from multiple angel investors.

Advantages Angel Funding:

- Entrepreneur get access to valuable sector knowledge and contacts of the angel investor.
- No repayment or interest required on angel funding.
- Flexible business terms.

Disadvantages of Angel Funding:

- Loss of complete control over the startup as an owner.
- Profit generated has to be shared with the Angel investors.
- It can take a lot of time and effort to find the right angel investor.

Venture Capital:

Venture capital firms are one of the most common source of funding for startups and an entrepreneur often turns to venture capitalists for financial help. These venture capital firms provide financial assistance, strategic assistance, introduction to potential customers, etc.

Getting funding from a venture capital firm is generally considered convenient and easy in any stage of the startup ranging from initial setup phase to the point where the business is listed on the stock market.

Venture capitalists are professional investors seeking new business opportunities to maximise their return on investment in the shortest period of time. Apart from financial support a venture capitalist also provides guidance, counselling and support of the management, access to professional network, etc. in order to maximise his returns.

Advantages of Venture Capital firms:

- Venture capital firms can provide large sums of capital.
- Venture capitalists provide expertise and industry connections.
- Venture capital firms are easy to find as they are listed in business directories.
- Since venture capital is not a loan, entrepreneur does not have to pay if he makes losses.

Disadvantages of Venture Capital firms:

- Venture capitalists often ask for large percentage of equity in return for the funding.

- Venture capital firm will most probably add a member of their team to the management team of the startup.
- There is very limited freedom in how an entrepreneur runs his business.

Crowd Funding:

Crowd funding involves funding a startup by taking small amounts of capital from a large number of people, usually via the internet. This type of funding makes use of the vast networks an entrepreneur of his friends, family and colleagues via different social platforms to get the word out about the business, with the goal of attracting new investors.

Crowd-funding is a relatively new phenomenon where the customers become investors. Several people, or a crowd, fund a new project, and each investment is normally relatively small, but the sum of the investments from the entire crowd can constitute a significant source of capital. Crowd funding in recent years has become a famous among startups and growing businesses as a source of alternative funding and is an innovative way to get funds for new businesses.

It can also be a way of cultivating a community around the offering. By using the power of the online community, a startup is able gain helpful insights into the market trends and get access to new customers. The incentive to make such investments, other than contributing to realise a project one believes in, is a share of potential profits proportionate to one's investment.

Advantages of Crowd Funding:

- A fast way to raise finance with no upfront fees.

- Apart from raising capital can also be a good form of marketing resulting in media attention.
- A good way to test public's reaction to the product.

Disadvantages of Crowd Funding:

- Requires a lot of time, effort and dedication to raise capital.
- A lot of interest has to be built before the product can be launched.
- If the product is not patented, someone might steal the idea.

Bank Loans:

Getting funding from banks is convenient for short term working capital for new ventures in the initial stages to setup the business. Bank loans generally require entrepreneurs to submit some form of security in form of assets or credit. This however might be problem for startups as they have neither credits nor tangible assets in the early stages. It is because of this reason that banks rarely give out loans for startup, especially the knowledge based startups who specialise in providing services.

To get a bank loan to fund a startup, entrepreneurs have to provide personnel assets as security or the personal liability. Banks also impose a lot of restrictions on the companies in terms of liquidity of the firm to ensure a startups ability to repay the debt and interests. This affects the financial freedom of the company.

Advantages of getting a bank loan:

- Bank loans are convenient and readily accessible.
- There is an option for multiple loans from banks.

- Entrepreneur does not have to share the profits.
- Lower interest rates as compared to private investors

Disadvantages of getting a bank loan:

- Lengthy and time consuming process.
- Not suitable for startups as they have limited assets.
- Risk of losing collateral or assets if the startup fails.

5. Marketing Planning:

According to Tom Harris (2010), marketing can be defined as “The strategies employed across the entire process of designing your offering to meet the needs of the customers you want to sell to, and the mechanisms by which you promote it and finally deliver it to their satisfaction.”

The foundation of contemporary marketing management and entrepreneurial success is the marketing concept which provides an orientation for conducting business, a way of thinking, and a basic approach to business problem. Although the marketing concept seem obvious, a surprising number of entrepreneurs still fail to grasp its far reaching implications. The marketing concept is a customer oriented philosophy that is implemented and integrated throughout the business to serve customers better than competitors and achieve specified goals.

According to Kotler and Armstrong (1994), “Marketing is the business function that identifies an organisations customer needs and wants, determines which target markets it can serve best, and designs appropriate products, services, and programs to serve these markets. However, marketing is much more than just an isolated business function— it is a philosophy that guides the entire organisation. The goal of marketing is to create customer satisfaction profitably by building value laden relationships with important customers. The marketing department cannot accomplish this goal by itself. It must work closely with other organisations throughout its entire value delivery system, to provide superior value to its customers.”

Marketing requires separate work and a distinct group of activities. But it is first, a central dimension of the entire business. “It is the whole business seen from the point of view of its final result that is from the customer’s point of view.”[33]

The main purpose of marketing planning is to present the product or services offered to potential target customers in a way that makes the product and services more appealing. Marketing plan can be used as guidelines to the future marketing and advertising efforts and plays an important role in the future success of the startup.

Developing a market plan can be divided into 5 stages:

- Assessment of the current situation
- Setting the marketing goals
- Strategic Planning
- Analysing the marketing mix
- Implementing and controlling marketing plan

5.1 Assessment of the current situation:

Assessing the current situation of the startup can provide vital information regarding where the company is at present, how it got there and where the company is headed from there. This information plays a vital role in formulating a strategy for the future of the startup.

Assessment of the startups situation is further divided into 3 systematic steps:

1. **Internal marketing analysis:**

[33] William D. Bygrave (2000); The Portable MBA in Entrepreneurship, page 148

Internal marketing can be described as any form of marketing within the organisation which focuses attention on the internal activities that needs to be changed in order that the marketing plan can be implemented and that enhances external performance. Internal marketing can be broadly interpreted as those activities that improve internal communications and customer marketplace performance.[34]

For a startup to be able to recognise potential situation that might affect the company adversely at an early stage, it is important to do a detailed analysis of the internal situation that the company finds itself in. A detailed internal analysis of the company also helps in identifying resources that are available to the company, the potential of its employees, and gives an insight into the risk factors that the company might face in the future and also the factors that might bring success to the company.

Internal market assessment is a relationship development process in which staff autonomy and know how combine to create and spread new organisational knowledge. This may include ongoing training and encouragement of formal and informal communications at a tactical level and adaptation of supportive management styles and personal policies, customer service training and planning procedures at strategic level. Hogg et al., 1998)

After the internal market analysis is the done a startup can formulate its marketing strategy accordingly. After the startup has analysed its internal strengths and weaknesses it can formulate its strategy based on two views:

- Market Orientation view: Market orientation is the strategy a startup formulates based on the demands of the market and is an outside in perspective of marketing, where the strategy is influenced by the external factors.

[34] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 44

- Resource Based View: A strategy formulated by a startup based on the resource based view, is influenced by the company's own resources. That means the strategy seeks to use a company's resources to the maximum.

- **External marketing analysis:**

Doing an in depth external market analysis helps a new business such as a startup to evaluate its current situation as compared to other companies already catering to the target market, and what is the current reputation of the startup in the eyes of the potential customers.

An external market analysis gives a startup an insight on the general condition of the market the startup is trying to enter and also how the product they are offering is different from what is already being offered in the market. It also helps the management team to form a good marketing strategy as it also gives an insight into, the preferences of the target customers, gaps in the current market that the startup can exploit, current technological advancements and so on.

An extensive external marketing analysis can be divided into 2 parts:

- **Micro analysis:**

Micro analysis is the study of the external factors influencing a start up at the micro level that means the factor that have a direct effect on the startup. In micro analysis the factors such as the market, the customers and their preferences, factors influencing the customer choices, the submarkets related to the product or service the startup is planning to provide, current and future trends, etc. are studied in detail.

Another major part of micro analysis is the analysing your competition. Analysing what your competition is doing, how they are doing it, and how they are attracting customers plays an important role in how you formulate your own marketing strategy.

- **Macro analysis:**

Macro analysis involves analysing the factors that a company might not be able to influence directly but that have the potential influencing a new venture. These are the factors that affect the market that the startup is planning to enter and sets the rules of how a new should function in order to maximise their influence and grab a market share for a company's product.

The macro environment consists of a number of broad forces that influence not only the company but also the other stakeholders and actors in the microenvironment.[35]

There are 4 forces that that affect a macro environment namely, Political, Economic, Social and technological and analysing these forces is called PEST Analysis.

- **Political Factors:**

The political environment consists of laws, government agencies, and pressure groups that influence and limit various companies and individuals in a given society. Political and legal forces can highly influence marketing decisions by setting the rules by which business can be conducted.[36]

- **Economic Factors:**

[35] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 61
[36] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 62

The economic environment consists of factors that affect consumer buying power and spending patterns. Nations vary vastly in their levels and distribution of income. The state of national and international economies affects business directly in a number of ways, for example it affects the interest rates and hence the cost of borrowing.[37]

- **Social Factors:**

Another important factor that influences market trends are the social and cultural factors of the region that a company targets as the intended market. Different culture and societies across the globe have different buying habits that a startup needs to take into account before they form a marketing strategy for that particular market as different cultures have different taboos, values and traditions.

- **Technological factors:**

The technological factors involves forces that create new technologies, generateing new products and market opportunities. It is perhaps the most dramatic force now shaping a company's future. Technological advances has a major impact on aspects of marketing and as such can provide ample opportunities for new product generation and also threats to existing markets. The technology also affects the way in which marketing and especially market research is carried out.[38]

- **SWOT analysis:**

After doing an intensive internal and external analysis influencing a new startup the next step for a new entrepreneur is to evaluate the strength and weaknesses of the startup in comparison to its competition and based on the preferences of the customers targeted,

[37] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 63
[38] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 67

and through this evaluate the opportunities the startup might be able to capitalise on the threats that startup might face now or in the future. This detailed analysis is called SWOT analysis.

Successful swat analysis is basically a process of finding the optimum fit between the firm's controllable strengths and weaknesses and controllable opportunities and threats of the firms environment in which it operates, and not just today's environment, but also that of the predictable future. It provides a means by which all the key internal and external issues can be summarised in a glance. The SWOT analysis facilitates the development of a strategy that capitalises on a company's strengths, minimises any weaknesses, exploits emerging opportunities and avoids, as far as possible, any threats.[39]

SWOT analysis to devise marketing strategies can be done by taking into account the following guidelines:

Strength:

Analyse the startups strengths and all the things that give your startup an advantage over the competition, from an internal as well as external point of views. Think what the key points that make your product attractive to the customers over the competition are. What are the special features of your product that stand out?

Weakness:

Analyse the weakness of your startup from both internal and external point of views. Think about what are process that can be eliminated to improve the services and product? What are the things that your competitors are doing differently and what can be learned from it?

[39] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 82, 83

Opportunities:

Analyse how and when the startup can increase its market share. Think about possible ways in which the company can exploit he change in government policies, technological developments in the sector, etc. to increase its profit or the market share. Try to predict the future trends in the market that may result in new opportunities for the startup.

Threats:

Analyse the external factors, that the company cannot control, that may affect the startup financially or operationally in a bad way. Even though the company may not be able to influence these threats, it is still important to analyse them in detail so that the startup is prepared for them in the best possible way. Think about what is the competition doing that may hurt the startup market share. What are the technological advances or the change in customer demands that might arise, that can hurt the startup?

After doing the SWOT analysis, the application of the SWOT analysis is the matching of specific internal and external factors, which create a strategic matrix. The four combinations are called:

1. **Strength/Opportunity:** This combination shows the startup's strengths in relation to the opportunities.

- **Strength/Threats:** This combination shows the startup's strengths in relation to its threats.
- **Weakness/Opportunities:** This combination shows the startup's weaknesses in relation to its opportunities.
- **Weakness/Threats:** This combination shows the startup's weaknesses in relation to its threats.

5.2 Setting Marketing Goals:

An essential part of marketing planning is the formulation of a clear, long-term goal. This helps the company set the performance benchmarks and parameters, which are to be achieved through entrepreneurial decisions and measures. By formulating such long-term corporate goals, a consistent profiling of the company in the competitive environment is ensured, thus preventing a reactive marketing strategy.

Once the situation analysis is completed, medium to long-term marketing goals can be determined. A distinction can be made between quantitative and qualitative goals. While the former focus primarily on market economic goals, the qualitative goals are mainly concerned with market psychological concerns.

Lake (2018) points out in her article that, “when it comes to creating a successful marketing strategy, setting clear objectives is essential to the plan's success. While the specific purpose of the marketing goals might change, all marketing objectives have identical principles i.e. they are specific, easy to measure, can be achieved, are not too ambitious, and designed for a specific period. A marketing objectives must be formulated and written in a particular way to get the results you want.”

“Setting marketing goals requires that firms set strategic objectives-specific and measurable performance standards for strategically important areas. The startup’s mission needs to be turned into detailed supporting objectives for each level of management. Furthermore, a startup cannot set realistic, realisable, objectives until it has the requisite information but, on the basis of experience, marketing management will nonetheless have tentative on sales volume, market share or whatever indicators represent progress

towards accomplishing the firms vision. What these tentative will be influenced by subjective estimates of what is considered reasonable at the time in relation to what resources are likely to be available?”[40]

When setting the market goals, it is important to take into consideration market strategy and review the marketing plan from all angles such as micro, macro, internal, external factors, etc., a marketing plan can have 4 main types of goals that it wishes to achieve:

1. Increasing Profits
2. Gaining Marketshare
3. Increasing product awareness by product promotion
4. Increasing the startups product portfolio

5.3 Strategic Planning:

After analysing the situation and setting marketing goals in the previous section, it is now time to form a marketing strategy to achieve the goals set by the marketing team. In this phase, the information gathered in the previous phases are used to form a marketing strategy that explains how the startup plans to compete with the other companies in the market and explains the overall game-plan of the startup for finding new customers.

Marketing strategies shows the path that can be followed to fulfil the strategic marketing goals set by a startup. They reflect the medium to long-term focus of the company's market development, especially with regard to behaviour towards customers, intermediaries and competitors. The basic task of marketing strategy is to find ways to

[40] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 113

keep a company competitive in the relevant markets, by finding ways and implementing strategies which gives them an edge over their competition and makes the product or services offered appealing to the target customers.

In this phase of marketing planning the management looks at the strengths of the startup and uses them to form a strategic marketing plan and this marketing plan forms the guidelines for the objectives which the startup wants to achieve.

In the following section I will try to explain the steps involved in writing a successful marketing strategy:

Defining the company Mission:

The first step in forming a marketing strategy is to first identify the company mission and motto. The whole marketing strategy for a company revolves around the mission of the company, which defines what is it that the company is trying to achieve and the image that the company is trying to portray for its target customers.

“A company mission describes, who they are and what the overall purpose of their mission is. It is a company reason for being and reflects people’s idealistic motivations for doing the company’s work by capturing the soul of the organisation. The core purpose or mission of a company is like a guiding star on the horizon continuously providing direction and inspiring change. It is important to state that mission statements should not only be defined in technology terms, but also with respect to the market and in terms of customer needs as

products and technologies eventually become outdated, but basic market needs may last forever."[41]

"It is common practice for modern companies to form mission statements for companies that are statement of the organisations purpose— what it wants to achieve in the larger environment. A clear mission statement acts as guiding light for its employees, so that they can work independently and yet collectively towards a common goal."[42]

Company Business Portfolio:

"Guided by the company' goals and mission statement, the next task of the marketing team is to develop a company's business portfolio— the collection of business and products that make up the company. The best business portfolio is the one that best fits the company's strength and weaknesses to the opportunities in the environment. To form a business portfolio a company must analyse the different sections of the company and decide which should receive more, less or no investment and develop growth strategies for adding new products or businesses to the portfolio."[43]

To develop a business portfolio the management team identifies the important sections of the startup that contribute to the functioning of the overall company but function independent of each other. These independent sections are called the strategic business units. After identifying the strategic business units within the company, the management identifies their importance to the overall wellbeing of the company and a decision is made on as to which strategic business unit needs support and or investment and which

[41] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 111
[42] Kotler, Armstrong (1994); Principles of Marketing. Page 34
[43] Kotler, Armstrong (1994); Principles of Marketing. Page 36

strategic business units have no important role and thus receive less support and investment.

The strategic business units that are identified can then be classified under one of the four categories using a BCG Matrix. The 4 categories in a BCG Matrix are as follows:

1. **Stars:** Stars have a high market share in a high growth market.
2. **Cash cows:** Cash cows have a high market share in a low growth market.
3. **Question marks:** Question marks have a low market share in a high growth market.
4. **Poor Dogs:** Poor dogs have a low market share in a low growth market.

After classifying the strategic business units in one of the above four categories the company can then decide what to do with their SBU's. They can either invest money in these business unit to increase its market share, or it can put efforts to maintain the business unit's market share with minimum investment, or it can decide to maximise their short term profits from the business unit without giving importance to its long term market share, or the company can decide that the business unit is of no significant importance to the business and eventually sell it to minimise its losses or just close that business unit.

Marketing Strategy:

According to Hollensen and Opernik (2010), "one aspect of strategic management is to develop precise strategies for achieving company objectives. The developed strategies must respond to the market environment and provide specific guidelines for decision making. As different companies face different combinations of internal and external factors, the strategies developed by one organisation are unlikely to be entirely adoptable by the other organisations. At a more general level, however, it is possible to discern the

recurring patterns in the strategies adopted by organisations. These recurring patterns are called generic marketing strategies."[44]

The generic Marketing strategies can be classified in four basic categories:

1. Market Penetration Strategy:

Companies which have developed a product for a market that already exist and already have a customer base for the said product or service, try to make space for them in the existing market by trying take away the customers of their competitors by having a better product or by reducing the price on their competitors, or by providing a product that has more features.

Other strategic options in terms of market penetration involve buying competitors and to protect the penetration already gained by discouraging competitive entry. Market entry barriers can be created by cost advantages, high marketing expenditures and high switching cost.[45]

- **Product development strategy:**

Companies which already have an established product in an already established market, might try to gain a greater market share in the said market by increasing the number of features offered in the product, or they might reduce the prices of an old product to target economy of scales, or they might launch a new product to replace an older model of the product.

[44] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 116
[45] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 118

This marketing strategy adopted by companies to gain the market share by improving their products is called the product development strategy.

- **Market development strategy:**

"Market development entails the promotion of new uses of existing products to new customers, or the marketing of existing products and their current uses to new market segments. The strategy involves the following strategic possibilities:

- Geographic expansion (new countries/regions)
- New segments/customer groups"[46]

- **Diversification strategy:**

Diversification is when a company launches a completely new product in a new market. It can often be a risky move for companies, especially if the company has no prior knowledge in the field of the product or services offered.

5.4 Marketing Mix:

"Once the company has decided on its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix. The marketing mix is one of the major concepts in modern marketing. Marketing mix can be defined as the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to influence the demand for its product. The many possibilities can be collected into 4 groups of variables known as the four P's:

- Product

[46] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 118

- Price
- Place
- Promotion”[47]

Product:

The product that a startup wants to offer, forms the core around which all the strategies and management activities revolves. The product offered and its quality is what ultimately decide how successful a startup or a new business venture will be. An entrepreneur while making the product policy should consider all the factors that are related to the product and product launch of the startup such as the quality of the product, product range, after sales maintenance and service etc.

Price:

How the product is priced will eventually decide how much profit a startup will make and how successful the product will be among the customers and such should be carefully decided after doing market research and studying the factors which influence the price both internally and externally.

As Hollensen, Opresnik (2010) explains, “pricing is the most important marketing mix decision, price being the only marketing mix variable that generates revenue. Pricing is not a single concept but a multidimensional one with different meanings and implications for the manufacturer, middlemen and the end customers. Pricing strategy is of great importance because it affects both revenue and buyer behaviour”

Place:

[47] Kotler, Armstrong (1994); Principles of Marketing. Page 46

Place is referred to as marketing mix factor that involves the placement and distribution of the product that a startup wants to offer. The main purpose of this marketing mix factor is to get the product to the target market at the most affordable price possible. A strategy is formed so that the startup has the right product available at the right place at the right time and in right quantities.

Promotion:

"Promotion is the process whereby marketers inform, educate, persuade, remind, and reinforce consumers through communication. It is designed to influence buyers and other stakeholders. Although most marketing communications are aimed at consumers, a significant number also address shareholders, employees, channel members, suppliers, and society. In addition, effective communication is a two way road: receiving messages is often as important as sending them."[48]

[48] Hollensen, Opresnik (2010); Marketing: A Relationship Perspective. Page 272

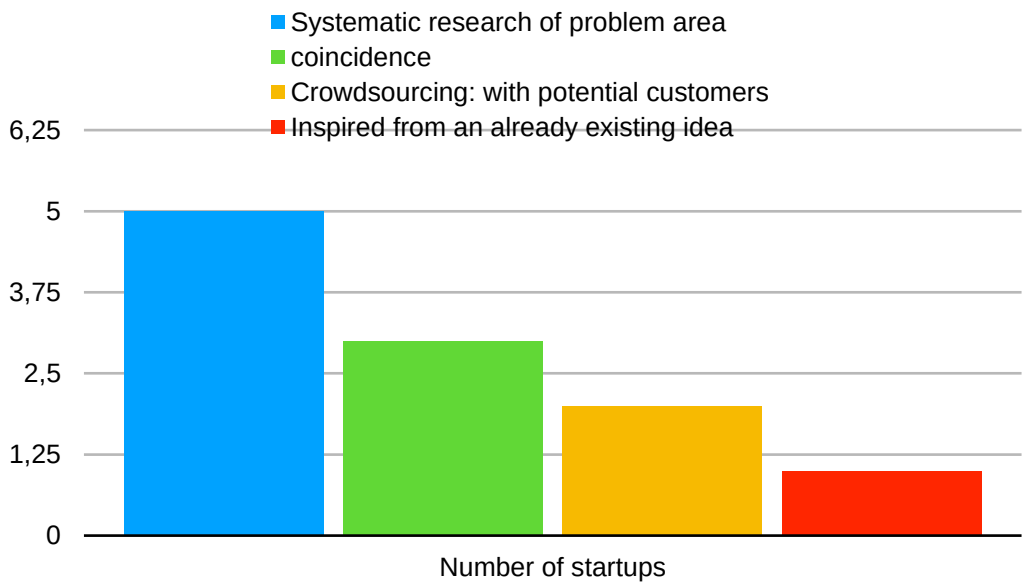
6. Survey:

To understand the mindset of a successful entrepreneur and to better understand the startup landscape in Germany I decided to do a small survey with successful startup owners in Germany and compare the things in common between them. To conduct the survey a quantitative questionnaire with 11 questions was made with different types of questions and sent to be filled by successful startup owners.

There were 2 methods used to contact the founders and co-founders. The first one was through the xing.com's premium feature, where in I was able to send direct messages to successful startup entrepreneurs and was able to invite them to undertake the survey and the second method was sending invitation emails to the startups through the German Startup Group" on Facebook, to take the survey.

6.1 Result of the Survey:

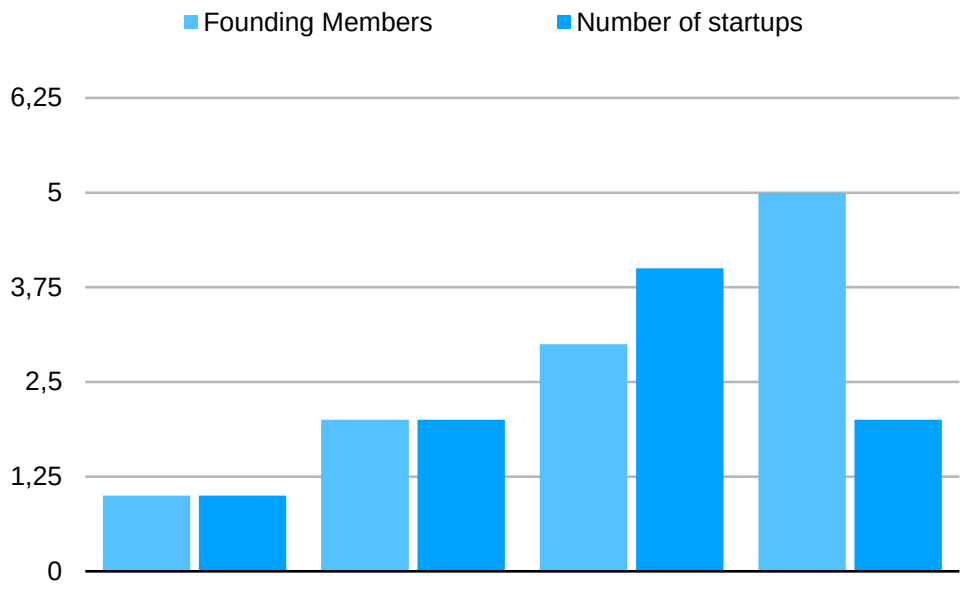
1) How did you come up with the idea for the startup?



Over 60% of startups have found their business idea through systematic search. Of this, ten percent even use crowdsourcing with potential customers, in other words by further expanding their creativity pool.

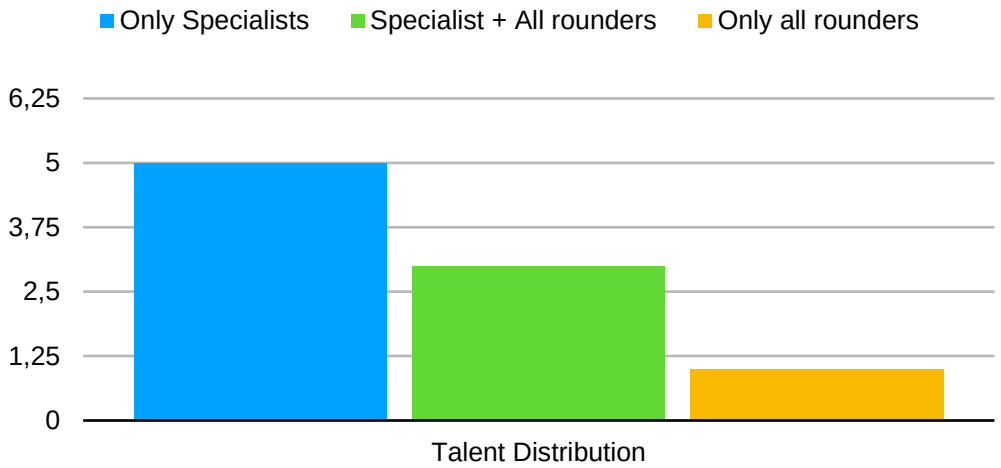
This clearly shows that good ideas cannot only emerge unexpectedly in a non-specific context, but also through the will to systematically generate a business model. To a lesser extent an already existing idea can be used as an inspiration and be better implemented to enter the market.

2) How many people where there in the founding team?



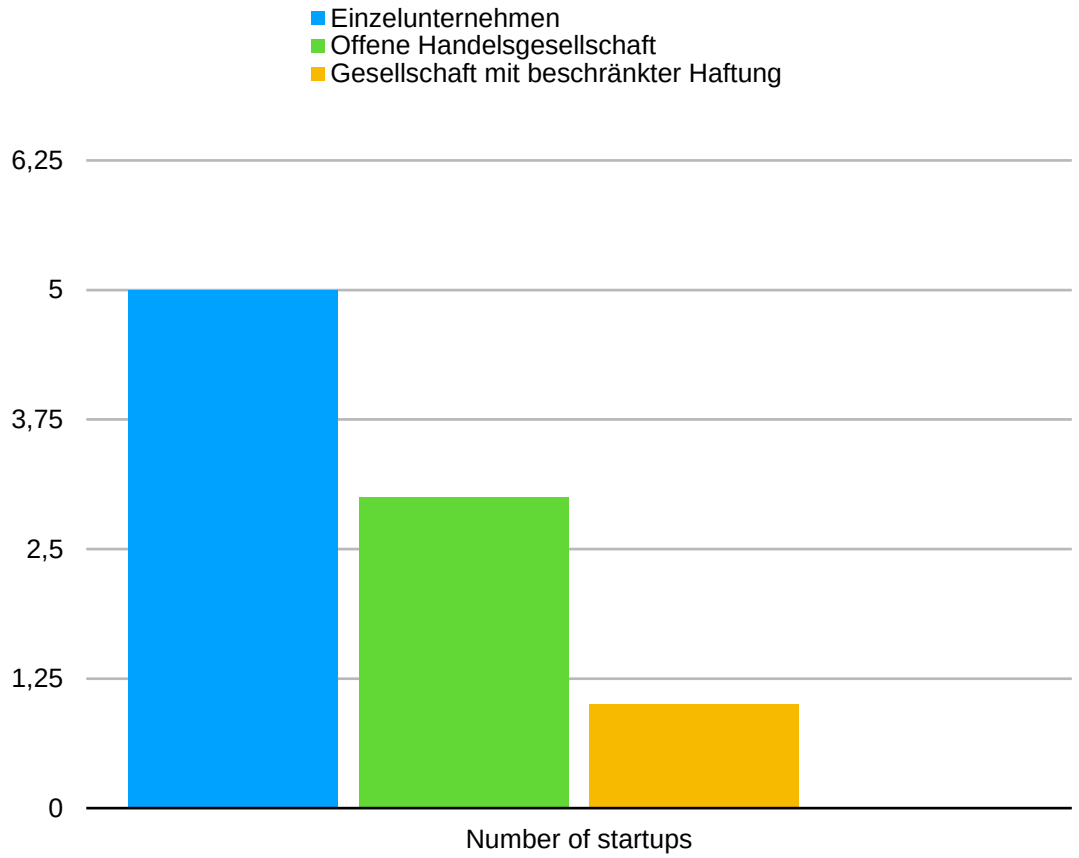
On average the number of founding members rounded up to 3 members on average in a successful startup setup. A startup team should be small and to the point as in the beginning the startup does not have enough funding to have many members on board.

3) Where the members of the founding team specialists in their respective fields or where they all-rounder's?



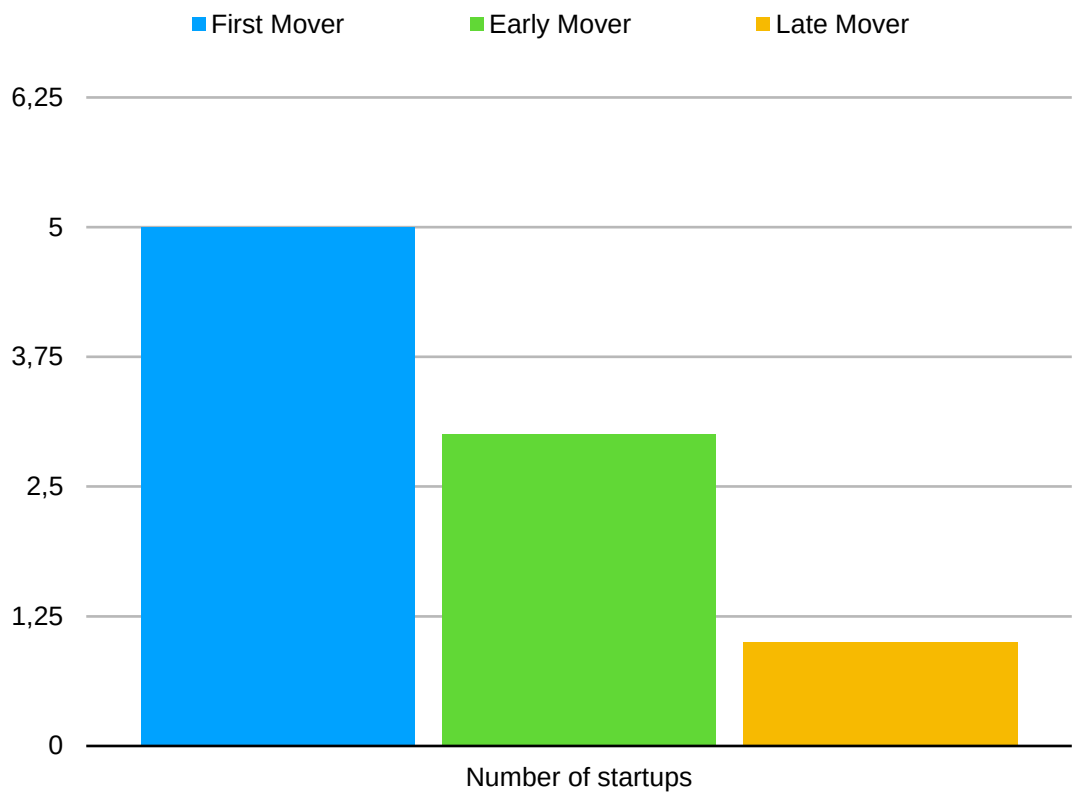
I majority of the startups that took the survey a founding team was mostly compromised of a mix of both specialists and all-rounder's with a minority of the team's starting with only generalist know how. It can thus be concluded that in the field of technical industry it is important that the team have specialists in their respective department in order to be successful.

4) What legal form was chosen to register the startup?



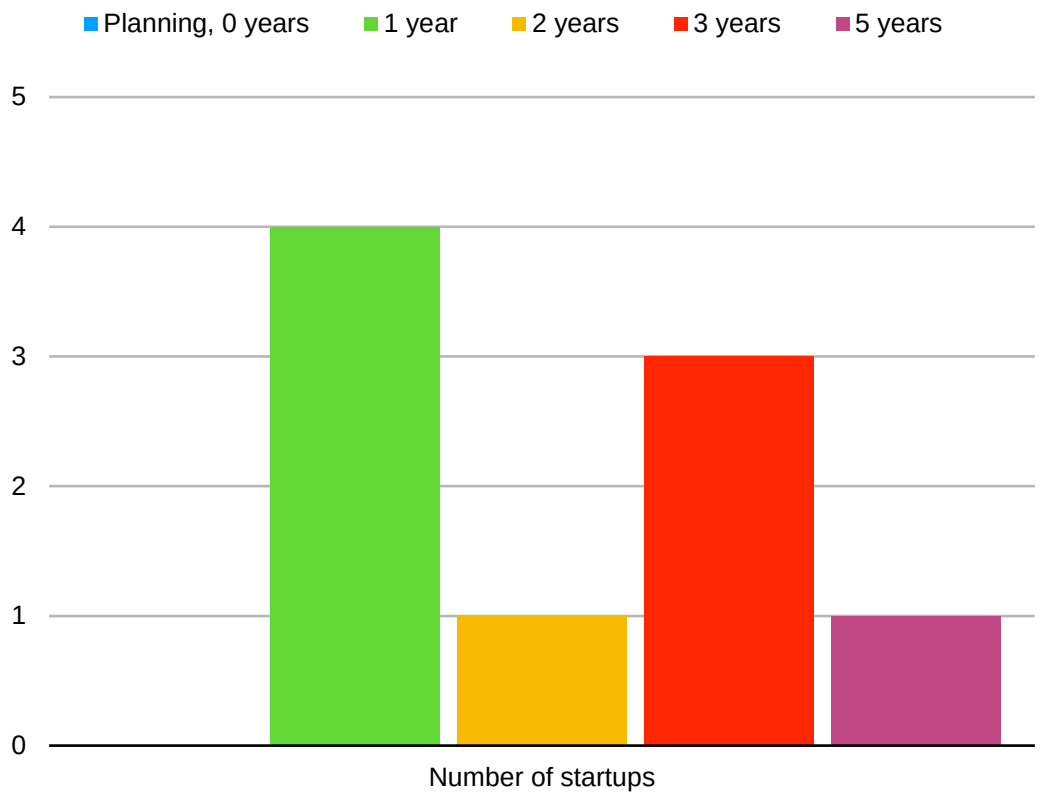
The choice of legal form at the foundation is balanced. Half of the participants chose a limited liability company with registered capital, while the other half opted for a form without a capital contribution, in this case a sole proprietorship or an open company. No foundation took place as a limited partnership or joint stock company.

5) What was the market entering time for the startup?



Only one company was founded in an already mature market. Almost all the companies which took part in the survey considered themselves to have entered the market relatively if not at the very beginning. This highlights the importance of early entry in the startup industry, as the early movers are often times the most successful.

6) For how many years in advance did you plan your strategy?

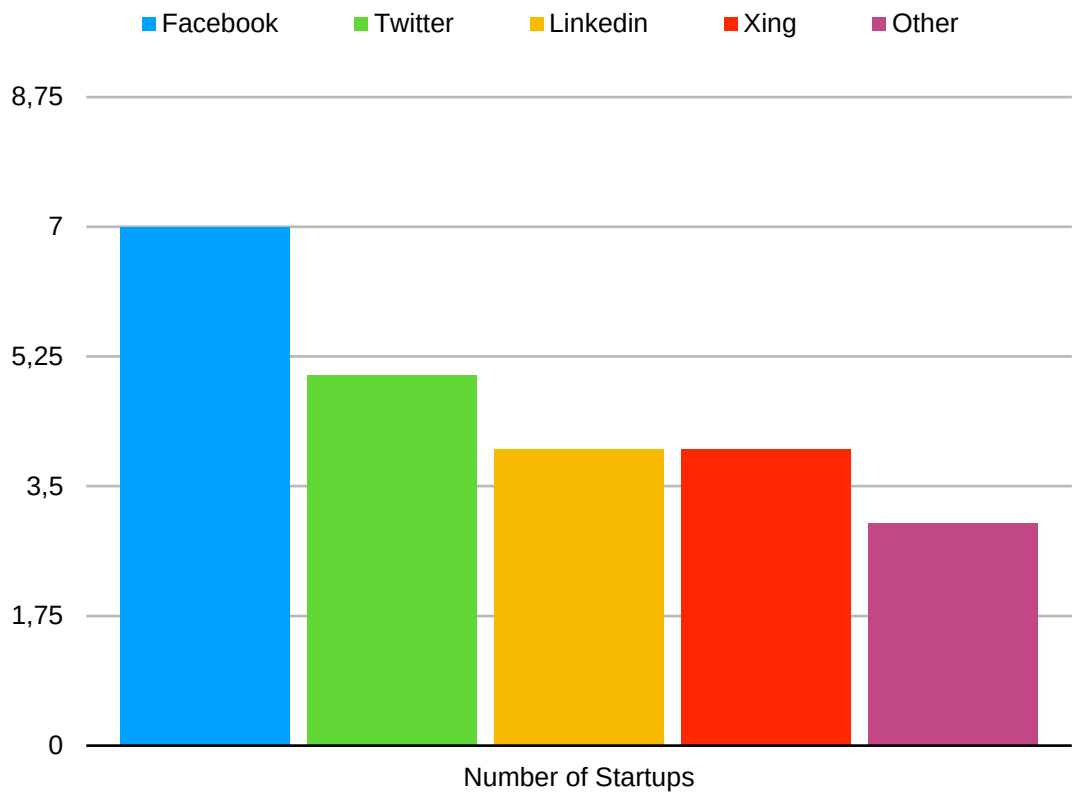


Nearly all companies planned their strategy at least a year ahead. About half of the participants planned one year into the future, while the other participants planned up to 5 years ahead. This makes it clear that almost all successful startups plan at least a few years in ahead and are prepared for the future.

7) What kind of strategy did you plan?

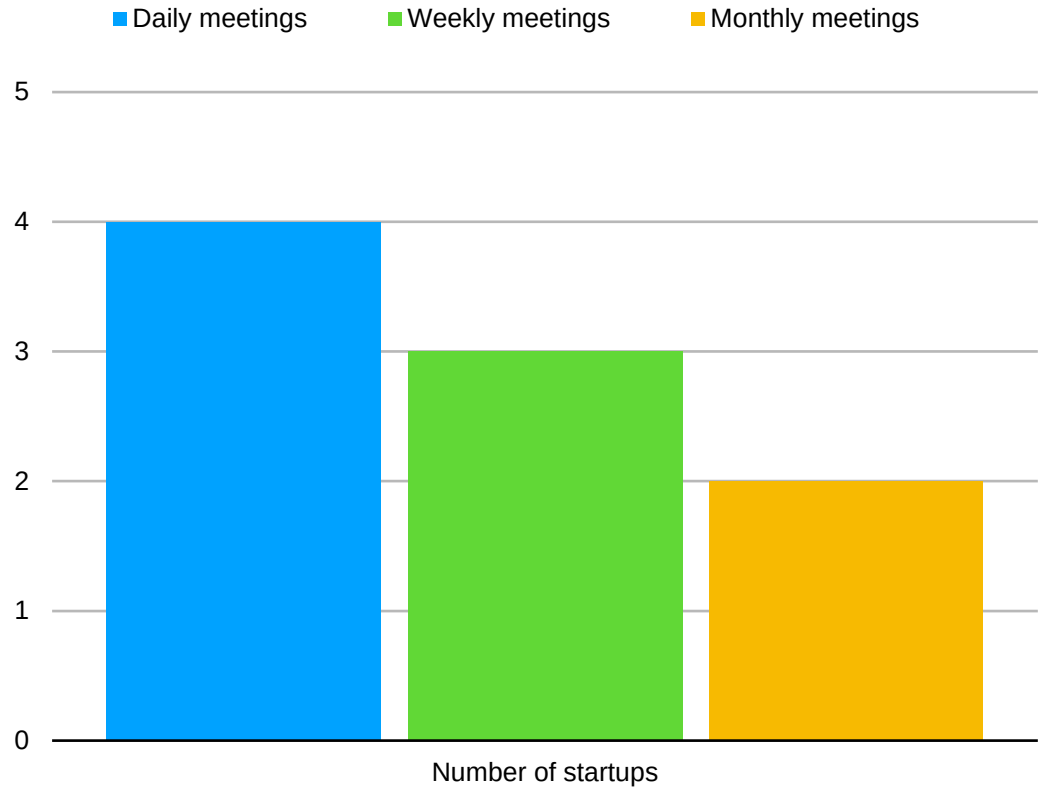
It is clear that to be successful the companies all had the essential areas thoroughly planned and therefore it can be said that extensive and long term strategic planning's are essential to ensure the success of a startup.

8) Did you use social media for promotion, if yes which social media was used?



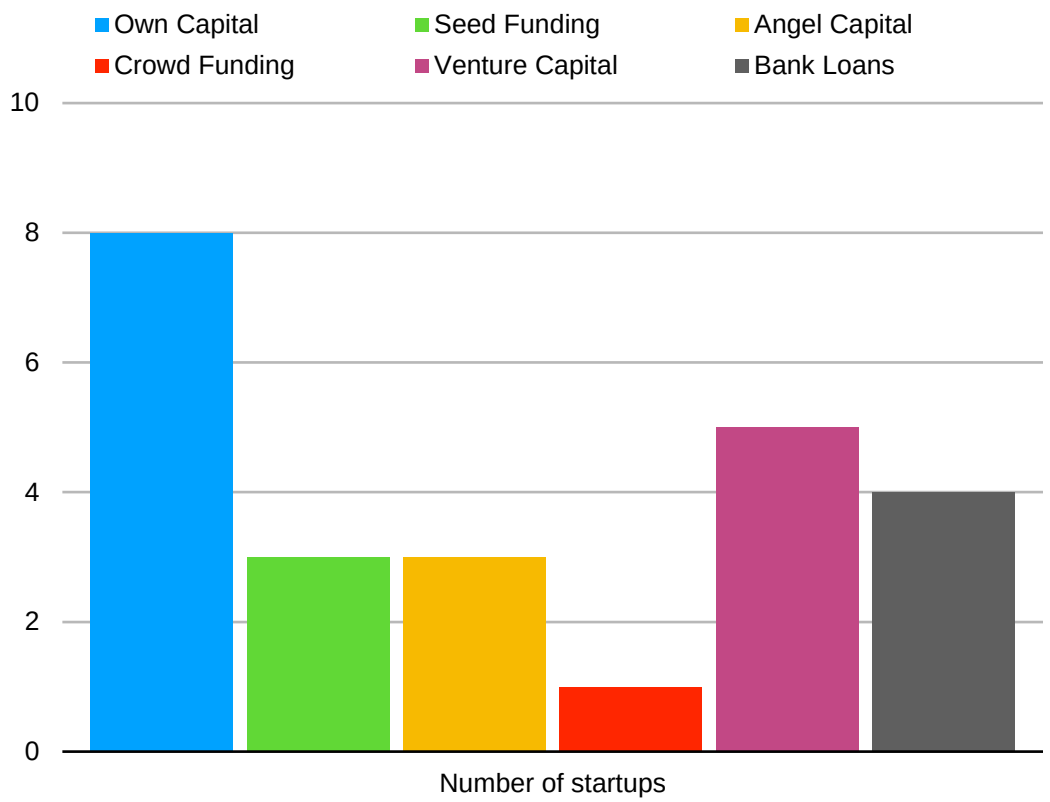
Social media played an important role in terms of promotion for all the startups that participated in the survey and Facebook was by far the most popular and most used platform in social media to promote the startups business, closely followed by Twitter, LinkedIn and Xing.

9) How often were the strategies discussed in the team?



Communication among the management teams also played an important role in the success of the startups and most successful companies held daily meetings to discuss strategies and targets to have a better understanding of the direction in which the business was going.

10) How the funding was secured for the startup?



It is clear from the data that all the successful startups had more than one resource when it comes to funding the startup. Almost all the startups that took part in the survey said they were initially funded by equity or their own capital. The second most popular form of getting the funding was from venture capitals. Bank loans were equally popular among the participants of the survey. From this it can be said that it is important for entrepreneurs to seek out different sources to get the required amount they need to run their business as depending too heavily on a single source might be dangerous.

6.2 Interpretation:

From the survey it can be interpreted that, even though most startups start with an idea of how an entrepreneur wants the things to be. How the idea is formulated is however not important as most successful entrepreneurs believe that most successful ideas gain their competitive advantage through product and industry innovation.

Team is another important part of a startup. It is the team that ensures that the startup is kept competitive in the market. All the successful startups starts with a diverse team of both specialists and generalists which can handle a wide range of tasks, and it is pretty common for startups to start with small teams in the beginning.

As for the legal form startups sometimes start as sole proprietorship and later move on to GMBH, as it gives them freedom and flexibility in how they want to operate and it is also clear that most successful startups try to enter the target market relatively early as it helps them gain a big market share and this in turn increases the probability for success.

It was important for the startups to plan for a few years ahead after the launch of the company and nearly every participant planned at least one year for the operational, financial and marketing strategy and business meetings were held on regular basis to make sure the smoother operations and to tackle problems that arise on short intervals. Social media was used extensively for marketing and promotion and Facebook was one of the most used social media platform.

In addition to equity and entrepreneurs own capital, a large number of companies resorted to venture capital. Contrary to the popular belief that venture capital dominates the startup

sector, bank loans was surprisingly popular among startup owners to get the required funds.

7. Conclusion:

In this research the author does a systematic analysis of the steps involved in creating a business venture and how can an idea be nurtured into a business from early stages to the point of launch and formulating essential and required strategies involved and a step by step guide on how to form successful strategies for your new business.

There are six key segments in this research that involves doing a self-evaluation for the budding entrepreneur to check if he is mentally and financially ready to face the challenges involved in setting up a new business.

The second part of the research informs the potential entrepreneurs about the types of legal companies that can be registered with the German government, the legal requirements to register these companies and their advantages and disadvantages so that the entrepreneur can evaluate his situation and needs and choose a company form that best suits his requirements.

The third part of the research deals with the topic of business plan. It elaborates on the needs and benefits of writing the business plan and gives an insight into the important steps involved in writing a successful business plan.

The fourth part explains the ways in which an entrepreneur can get the required funds to fund his business idea. It gives an in depth knowledge of the types of funding that is available for the entrepreneur and how to get it.

The fifth part of the research deals with the topic of marketing. It explains the various components of a marketing strategy and steps involved in a successful marketing strategy and how to write it.

The final part of the research includes a small survey and makes a comparison of the strategies of various successful startups to gain an insight into the practices followed by them and common strategies deployed which results in success.

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Attachment: Questionnaire:

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Dear Sir or Madam,

In cooperation with the University of Applied Sciences Mittweida and Prof. Serge Velesco from the faculty of Wirtschaftsingenieurwesen, I would like to examine the behaviour of successful startups in order to discuss it in my master thesis.

By participating in this survey, you are helping me to better understand the Startup landscape in Germany.

If you are interested, I will leave a copy of the result of the survey as well as a copy of my master thesis for you.

Thank you for your participation.

Yours sincerely,
Gaurav Bisht

1 How many people were there in your founding team?

2 How did you come up with the idea for the startup?

- ○ Systematic research for a problem area
- ○ Crowdsourcing: with potential customers
- ○ Crowdsourcing: with experts
- ○ Crowdsourcing: with competitors
- ○ Coincidental
- ○ Inspired from an already existing idea

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The survey has been created by the means of Q-Set.de.

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3 What legal form was chosen to register the startup?

- Einzelunternehmen
- Offene Handelsgesellschaft
- Gesellschaft mit beschränkter Haftung
- Aktiensgesellschaft

4 Where the members of your founding team specialists in their respective fields or where they all-rounders?

- Only specialist
- Specialist + all rounders
- Only all rounders

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5 What was the starting capital for the startup?

6 What was the market entering time for the startup?

- First mover
- Early mover
- Late mover

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7 What kind of strategy did you plan? More options can be chosen?

- Operational Strategy
- Financial Strategy
- Sales and Marketing Strategy

8 For how many years in advance did you plan your strategy?

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9 Did you use social media for promotion, if yes which social media was used

(Multiple answers are possible)

- [ ] Facebook
- [ ] Twitter
- [ ] Linkedin
- [ ] Xing
- [ ] Other

10 How often were the strategies discussed in the team?

- ( ) Daily meetings
- ( ) Weekly meetings
- ( ) Monthly meetings

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11 How was the funding secured for the startup?

(Multiple answers are possible)

- [ ] Own capital
- [ ] Seed funding
- [ ] Angel funding
- [ ] Crowd funding
- [ ] Venture capital
- [ ] Bank loans

Send the questionnaire >

No changes possible any more after sending the questionnaire. Many thanks for answering these questions!

The survey has been created by the means of Q-Set.de.

Host of the survey: Mr. Gaurav Bisht, E-Mail: bisht.gaurav1(at)gmail.com

Selbstständigkeitserklärung

Hiermit erkläre ich, dass ich die vorliegende Arbeit selbstständig und nur unter Verwendung der angegebenen Literatur und Hilfsmittel angefertigt habe.
Stellen, die wörtlich oder sinngemäß aus Quellen entnommen wurden, sind als solche kenntlich gemacht.
Diese Arbeit wurde in gleicher oder ähnlicher Form noch keiner anderen Prüfungsbehörde vorgelegt.

Mittweida, den 30.10.2018

Gaurav Bisht