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ENTREPRENEURSHIP IN THE EUROPEAN RURAL AREAS

Self Employment as a Career Option

Self Employment

Learning Objectives for this Session

- The Pros and Cons of Self Employment
- The Right Idea
- The Action Plan
- The Practicalities Self Employment

The Pros and Cons of Self Employment



The 'Pros'

- **You:**

- **It:**



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The 'Cons'



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The Right Idea

- To Create Value and Generate Income
- Steps from idea generation through to operating a profitable business....

REMEMBER:
Stay Focused on Your Goals!

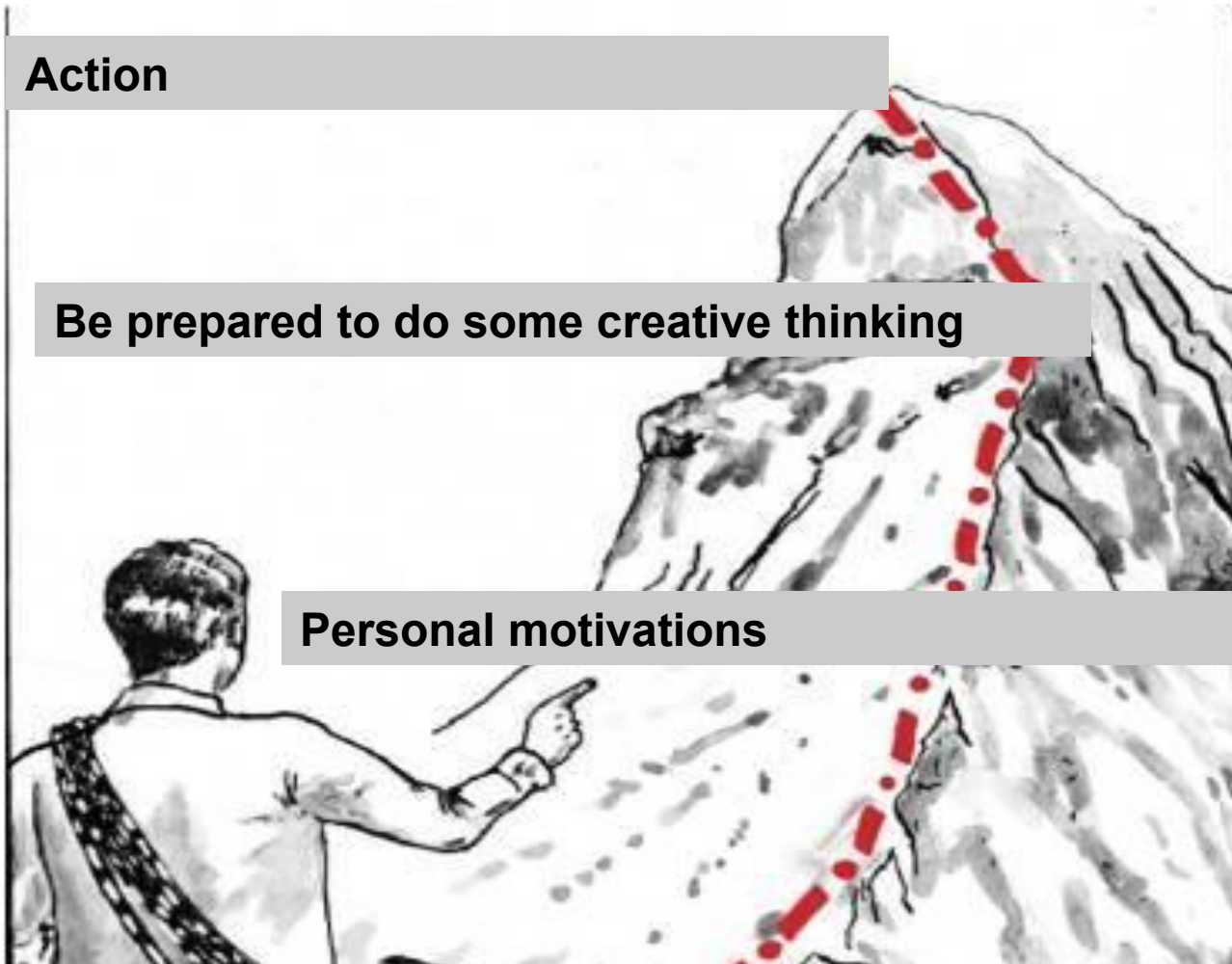


Action

Be prepared to do some creative thinking

Personal motivations

The journey towards self-employment



- Observe.....



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Imagine:

Thinking.....

outside the
box



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- Act on your idea.....



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Planning for self employment.....



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YOUR Self Employment BUSINESS PLAN... getting from idea to invoice

WHY?

Problem? Solution?

WHO?

Customers?

Collaborators?

WHAT?

Product/service?

Costs?

Sales (income)

HOW?

WHEN?

WHERE?



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Implementing your Business Plan



IMPORTANCE OF COLLABORATION

- **No individual has all the answers**
- **Take advice!**

Managing a business start-up

- Scope out the challenge
- Structure the boundaries
- Sort tasks for execution
- Be prepared to accept and learn from failure

The Practicalities Self Employment

- Different Self Employment Options
- Sources of Finance
- Profit
- The Importance of Cashflow

Self Employment Options

- Sole Trader**
- Partnerships**
- Limited Company**



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Key costs for a small business

- Equipment / Vehicles
- Stock
- Legal / Professional
- Advertising
- Accommodation costs
- Interest and charges
- Wages or drawings
- Other unanticipated costs



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Sources of finance

- Personal/family investment
- Bank finance
- Business Grants
- Asset Finance
- Alternative loans
- Investors – Equity/
Angel



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Personal Investment

- Personal savings
- Family & Friends
- Use of equipment



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Bank finance

- Overdraft Facility
- Credit Card facility
- Term Loan



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Bank finance

- **Character** – Good character - honesty, integrity , reliability , hard working.....
- **Capacity** – Ability to repay: Does the business have the cash-flow to meet the repayments? Are the projections realistic?
- **Capital** – Extent of personal commitment ('skin in the game') How much has been invested by the promoter and what percentage is external debt?
- **Collateral** – What security is available in personal or business assets should things not work out?
- **Conditions** – What are the market conditions and trends in this sector and what may be their impact on this business?



Costs Involved in a Business

- **FIXED COSTS**
 - **Costs which are not affected by the level of activity of the business: premises (rent, rates), vehicles, equipment, insurance, bank interest...**
- **VARIABLE COSTS**
 - **Costs which are directly affected by the level of activity in the business: staff, inputs/raw materials, electricity, fuel (e.g. delivery costs)....**



Examples of Typical Profit Margins

- Low 20% - Supermarkets
18% - Newsagents
25% - Music Stores
- Medium 32% - Toy Store
33% - Printers
35% - Pet Shop
45% - Florists
45% - Fast Food Outlets
- High 65% -- Opticians



The importance of Cashflow

- “Cash is the oil that lubricates the business engine”



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The Cash Flow Forecast

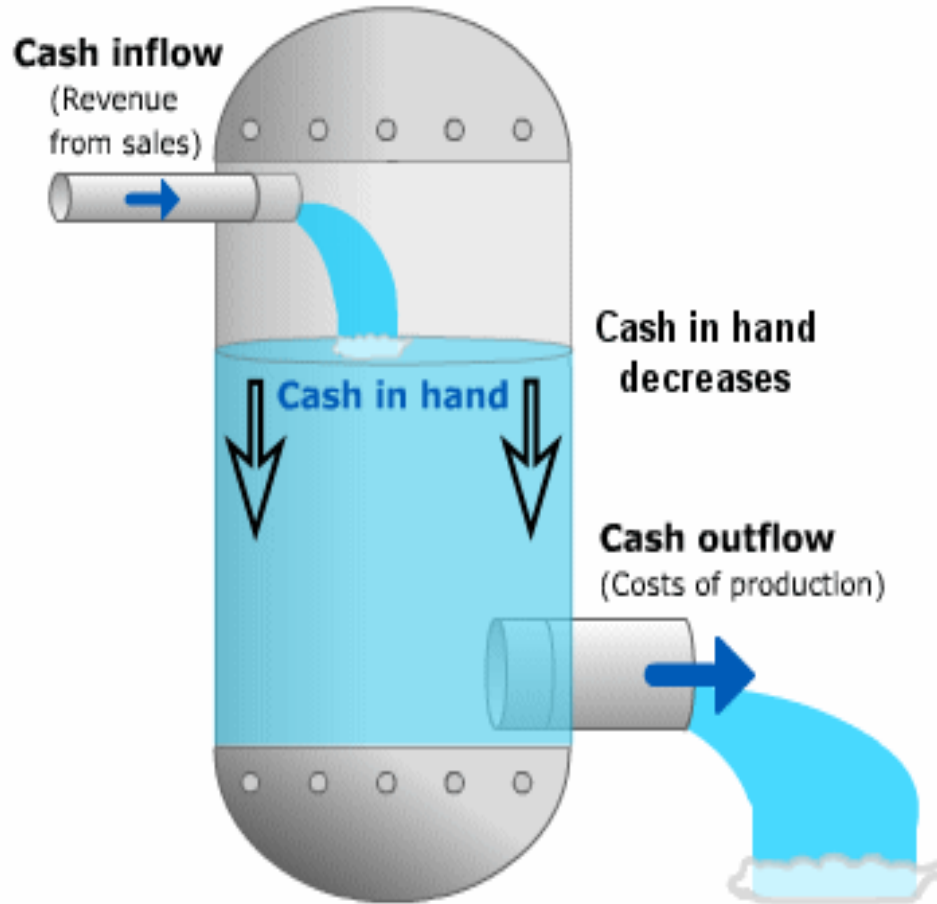
- To identify potential cash shortfalls before they happen.....



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Indications of Cashflow Problems



- Overtrading – failure to fulfil orders on time
- Returned Cheques
- Bank Letters / Fees
- Supplier problems



EXERCISE

YOUR Self Employment BUSINESS PLAN... getting from idea to invoice

WHY?

Problem/solution/improvement

WHO?

Customers

Collaborators

WHAT?

- . Product/service
- . Costs?
- . Sales (income)

HOW?

WHEN?

WHERE?



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YOUR Self Employment BUSINESS PLAN... getting from idea to invoice

WHY?

Problem/solution/improvement

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YOUR Self Employment BUSINESS PLAN... getting from idea to invoice

WHAT?

Product/service

Costs?

Sales (income)

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YOUR Self Employment BUSINESS PLAN... getting from idea to invoice

WHERE?

- ?
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YOUR Self Employment BUSINESS PLAN... getting from idea to invoice

WHO?

Customers

Collaborators

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Questions?



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