

S SELF-EMPLOYMENT

Self-employment, whether collective or individual, is a career opportunity that more and more people are choosing.

In this document you will find the most important features of the profile of an entrepreneur, the different types of corporation and brief information on all important aspects which must be taken into account when creating a company.

As time goes by there are an increasing number of people who decide to create their own company, either on an individual basis or as part of a group, as a way of developing their professional career.

Creating a company is a challenge which requires a great deal of positive thinking and imagination to drive on the project, overcome obstacles and go on ahead when things become difficult, or to take on situations which seem insurmountable above all when the lack of resources makes itself felt.

Being a business man or woman is a profession one must learn and perfect in order to be successful. The creation of a company is born out of an initial idea, not yet very defined or specific, and this is added to a desire to establish oneself on one's own.

We can find inspiration for ideas by:

- ✓ **Detecting a necessity**, whoever detects a necessity ahead of time, and knows how to satisfy it suitably has great possibilities of being successful in their business project.
- ✓ **Detecting scarcity**, sometimes it is not necessary to have a great, blinding idea. It is enough to simply discover something that is not being done and which if put into practice could be successful.
- ✓ **Detecting a deficiency**, very related to the previous points, these ideas come up when somebody realizes that something is being done but not correctly, or it could be done better. This is the case of professionals who leave a company in order to set themselves up on their own in the same type of activity.
- ✓ **Enjoy the work**, it is necessary to know a great deal about the matter; no doubt you are going to spend many hours working at it.
- ✓ **New applications for old projects**, what would happen if somebody had decided to use the phone to send letters? Well, they would have invented the fax. These ideas are usually the fruit of genius and technical expertise.



- ✓ **Changes in society**, it is necessary to be watchful of people's desires and necessities. Who would have said a few years ago that someone would make a living tying up their clients and making them jump head first off a bridge?

EARLY CHALLENGES

When somebody is considering the possibility of setting up their own business they are often faced with numerous difficulties:

- ✓ A skeptical environment, people reluctant to change who constantly declare dreaming is not good, that you must accept the reality though this is not as one would wish.
- ✓ The complexity of the administration processes, the diversity of the aid existing and the way to access it.
- ✓ The difficulties in obtaining the necessary funding with the best conditions possible.
- ✓ Lack of planning. Having a dream, or a hope or an ambitious objective in life is necessary if you want to progress, but this does not mean throwing yourself at an adventure without the essential minimum planning for what you need to know and what could happen.

A great deal of new company failures originate in the lack of adequate planning which would, at least, have allowed the fundamental aspects to have been evaluated. In the following sections they are dealt with.

INITIAL PLANNING

The company plan, in the planning made before a selfemployment project is undertaken as a minimum the following aspects have to be considered:

1. Your own capacity.
2. The product or service.
3. The market.
4. The finance.
5. The organization.

These five aspects appear in what is called the company plan, and show the present and the future of the project. It is a presentation document and allows you to see the planned progress of the business, as well as to detect any deviations that may occur in order to rectify them in time.

This reference has to pass the first analysis, made calmly, and at the same time it must detect the opportunity in the market. It must deal with the first criticism and the first set backs associated with setting a company up.

Entrepreneurs, when they are starting up a business activity, have to design a task or work plan which provides a solution to all the matters identified as weak points. It must also verify the strong points which point to a prosperous future.



1. Your own capacity. It is necessary to reflect on and be aware of your own possibilities, and those of your partners if you have any, if you want to make your project a reality. Right from this stage you must foresee the initial obstacles and set-backs that could arise later to make the project unviable. Improvisations and surprises can render a project unrealizable, leading it to cause losses both to yourself and to third parties.

2. The product or service. There are many business which may appear profitable from the client's or customer's perspective but which, in fact, require a lot of hours work to keep them going. It is necessary to know the suppliers, the payment conditions, the terms, the service characteristics, the investment necessary to produce, the infrastructure, the cost of the technological evolution, the organizational forms, the permits necessary, etc. This does not happen in big companies. Small scale commerce or services need for there to be a certain degree of mastery of all the preparation processes for the product or service, vital if you want to successfully take on the business project.

3. The market. The market is frequently forgotten about. The appearance of a new company always implies an increase in the supply of the products or services within a defined space, and therefore it implies capturing clients. However good or original a product may be it always requires careful planning, including awareness of the skills, prices worked with and the elements that can make the product more attractive and allow changes in the consumers' behaviour to be detected. You must study how the product is made available, how it is distributed, what advertising is necessary to launch it, as well as the suitable sales price for it to be competitive and profitable. In this section it is necessary to remember that being competitive today is not limited to just our immediate surroundings, but that we live in an increasingly interconnected world in which the maximum distances are reduced to one or two days' transport time. World communications are instantaneous.

4. The finance. Take into account when you want to raise external funding it is necessary to convince the investors of the opportunity and the viability of the project, and to provide them with the necessary guarantees to assure returning the loan. Savings banks and banks have to respond before their clients and shareholders, and also before the Bank of Spain. Therefore it will be necessary to:

- ✓ Present a well prepared project.
- ✓ Demonstrate the entrepreneur believes in the project and has also invested their own resources in the business they want to start
- ✓ When you ask for a credit or loan, fundamentally the bank will study:
 - The project contents, the product or service characteristics, the sales and financial plans.
 - The existence of experienced people who believe in the viability of the project.
 - The guarantees the entrepreneur can offer to assure paying back the loan in the conditions and within the time limits agreed.
 - If the entrepreneur invests their own economic resources this is a good sign. If a person who wants to create a way of earning a living, or to improve their economic position, does not have the intention of investing



all they can in the project, it will be difficult to convince somebody else to invest their money, especially if this investment is through a loan.

For these reasons it is fundamental to work on the financial plan in detail, and to study the resources that can be contributed and what will have to be asked for.

The Servicio de Auto-Empresa (services for just starting, go-it-alone companies) offers technical help and can advise on the best way of obtaining the resources that may be needed. The credit company which advises the entrepreneurs commits itself to the projects and certifies them if it considers them viable. In addition, the banks and savings banks with which the SOC has signed agreements offer the certified projects finance on favourable terms

5. The organization. It is necessary to structure the company, to analyze what the most efficient legal form is, how the collaborators should be contracted and how the company should be organized for maximum efficiency and effectiveness.

PHASES IN THE CREATION OF A COMPANY

The creation of a company goes through several stages, which are generally as follows:

1. First analysis for setting up the company.
2. Drawing up the business plan.
3. Securing resources and taking the risk.
4. Getting the company off the ground.
5. launching the company.

LEGAL FORMS

- ✓ **Individual businessman / woman:** this is a physical person who carries out an economic activity in an organized, continuous fashion. Normally they are called a self-employed person.
- ✓ **Partnership:** this is a contract between two or more people who invest money or assets, or work together to develop an economic activity.
- ✓ **Cooperative company:** this is a legal entity which brings together people with the same socio-economic interests or necessities with the objective of offering a service or product.
- ✓ **Limited company:** this is a company in which the shareholders invest resources in common to develop some kind of business activity with the objective of making a profit.
- ✓ **Private limited company:** this is a legal form in which the share capital is divided into equal, undividable and cumulative participation stakes. Under Spanish law cannot be called "shares".
- ✓ **General partnership:** this is an unlimited trading company in which all the partners, under a collective name, bind themselves to participate in the rights and obligations according to the agreed proportions.



- ✓ **General and limited partnership:** this is a trading company with two types of partners; the limited partners whose liability is limited to the capital they have contributed, and the collective managers who direct the company, work for it and sometimes also contribute capital.
- ✓ **Workers' limited company:** halfway between the cooperative and the limited company, this legal form allows the co-existence of non-working shareholders, shareholder workers and nonshareholding workers.

THE ENTREPRENEUR

Normally the profile of an entrepreneur has the following characteristics:

- ✓ Ability to take decisions.
- ✓ Capacity to manage.
- ✓ Personal autonomy.
- ✓ Innovative.
- ✓ Creative.
- ✓ Desire to do better.
- ✓ Audacious and capable of assuming risks.
- ✓ Balanced.
- ✓ Capable of assuming responsibilities.

Advantages (pros):

- ✓ Develops their creativity, responsibility and abilities.
- ✓ Allows them to develop personally.
- ✓ Improves social recognition.
- ✓ Facilitates autonomy at work.

Cons:

- ✓ Is obliged to be available always.
- ✓ Implies not having a fixed salary.
- ✓ Does not have the labour law rights of a salaried worker.
- ✓ May suffer stress associated to the daily activity and business performance.
- ✓ Their level of income fluctuates.

HELP FOR SMALL COMPANIES (SERVEI D'AUTOEMPRESA)

When one has the idea of setting up one's own company a great many doubts and questions appear. In the "servei d'Autoempresa" you will find information and advice for entrepreneurs in the planning stage, and about the aid they can apply for to help make their project of creating a company a reality.

For further information:

- ✓ Departament de Treball de la Generalitat de Catalunya.
- ✓ CIDEM.
- ✓ Servicio de Asesoramiento advice service for the creation of companies.
- ✓ Setting up companies, the legal forms, general processes, aid and incentives.



INVESTING UNEMPLOYMENT BENEFIT IN YOUR OWN COMPANY

The one-off payment of unemployment benefit is a measure to encourage employment and aims at facilitating the setting up of self-employment initiatives: starting a work activity on your own account or as a partner / worker in a cooperative company already set up or just founded.

There are different ways of receiving the lump sum: aid for making the investment necessary in order to start the business, and aid to subsidize social security and national insurance contributions while the business is developing. For further information, forms and information about the granting of this aid, contact an Oficina de Trabajo (Job Centre).

FRANCHISES

One form of self-employment, and establishing yourself for your own account, is taking out a franchise. The franchise sector accounts for 10% of retail trade in Catalonia and employs over 50 000 people.

A franchise is a legal form which relies on constant collaboration between companies in the commercialization of a product, service and/or technology.

The franchisor is the person who starts the legally and economically independent company. In addition, he or she promotes a franchise network under their responsibility and charge.

The franchised retailers buy the idea of the original business. Types of franchises

- ✓ Production franchises: the franchisor manufactures the articles commercialized in the franchise establishments, and also is the franchise owner. Examples: "Mango" and "Canadá House".
- ✓ Services franchises: these provide a particular service, the formula of which belongs to the franchisor and passes it on to the franchised centres. Example: advice, teaching centres and restaurants, etc.
- ✓ Commercial franchises: with this franchise the franchisor gives the shops the necessary elements in order to sell the products or services to the end customer.
- ✓ Industrial franchises: when the franchisor gives the right to manufacture the product, use the technology or commercialize the products, the brand, the administration procedures, management or sales techniques.
- ✓ Distribution franchises: the objective of this franchise is to distribute a product or products, including those manufactured by the franchisor or when they act as a central purchaser. Example: "Día" supermarkets and "Repsol".
- ✓ Corner franchises: this is when an activity is developed in a specified, differentiated space within a shop, shopping mall or a bigger space.

Aspects to be taken into account by the franchisee.

- ✓ Form a part of a business that has already been tested and shown to be profitable by the franchisor; the products and / or services are exclusive.



- ✓ The person taking on the franchise is guaranteed the brand's prestige; this offers national and / or international acceptance.
- ✓ The franchisee can receive technical assistance, management advice and continuous training from the franchisor, from the moment the business is set up and when it is an ongoing concern.
- ✓ Advertising and marketing are covered by the franchisor.
- ✓ The initial economic cost is high.
- ✓ The franchisees do not have complete freedom in taking the management decisions of the company; they are subject to the decisions taken by the franchisor.
- ✓ The franchisees will regularly have additional costs for running the business, in accordance with the franchise contract.
- ✓ The franchisor may have the right to buy and to rescind the contract.
- ✓ Although the franchise is part of a chain of franchises, the franchisee will never have the right to ownership of the brand.

Steps to acquire a franchise

Before investing it is necessary to consider how much money you will need to count on, evaluate the project's strong points and to clearly define the objectives. The steps to be followed are:

1. Define objectives; investment, take advantage of the premises, self-employment, etc.
2. Define the business sector.
3. Select the brand (logotype, image...)
4. Ask the experts for advice.

