

PROBLEMS OF ENTREPRENEURS IN EARLY ENTERPRENEURSHIPS AND THE ENVIROMENTAL SCIENCE

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Abstract

Most people start business without ever carrying out a thorough, honest appraisal of themselves and their personal and business need and goals. Without this appraisal, the potential to succeed in business is very limited. It is interesting that many successful entrepreneurs have not had university education and were discontented with life at school.

Key words: business, plan, many, personal, venture, marketing, environment

ÚVOD

The Business Plan

One of the first steps when setting up a new business venture, or when expanding an existing one, will be the preparation of a business plan.

The business plan will help you monitor your project successfully. Every month or so, you can check it to see if your business is moving towards your goals, and remedial action can be taken in case it is not.

First of all, there may be problems directly related to your business: cash flow problems, shortage of capital, lack of skilled workers, weak technology, new competition.

In order to have successful business venture, it is vital to have a marketing budget. Many small businesses or companies in Slovakia do not have a marketing budget and this is a serious demerit.

There are many ways of setting a marketing budget. A common method is to allocate a fixed percentage of forecasted sales on a calendar basis. The budget will have to include much more than advertising and public relations.

Most new businesses start under – capitalized and this makes them vulnerable from the start. It is very much easier to raise money before starting your venture than months later when you have met unexpected obstacles.

Financiers often call the cash flow forecast the „heart“ of business plan for it is as important to a company as profitability, especially in periods of rapid expansion or high rates of inflation. The

forecast sets out in figures what the business plan sets out in words. It is a forecast of cash flowing in and out of the business on a monthly basis for twelve months ahead, or longer.

The time spent in assessing your cash requirements and monitoring your cash flow is vital. You will be able to spot potential cash shortfalls in time. You will also be able to spot potential surplus cash which you can then use effectively.

The really important thing with a cash flow is not to underestimate your overheads which are often larger than you imagine. For example, rent, local taxation, salaries, insurance, heating, and light.

In a fast – growing business the venture may make good profits but have a poor cash flow position because the profits are insufficient to cover the larger increase in stock. As a new entrepreneur, you may use more materials than you have originally estimated. Your suppliers may increase the price of materials. Your customers may take far longer to pay than you anticipated.

The Marketing Plan

A marketing plan is a sign of a mature business. It is a specialized form of your business plan. It is the degree of planning which is done that distinguishes successful business from those that are less so. A business which does no planning or very little planning, often has crises when unexpected problems arise. Many small ventures in Slovakia do very little planning, often because they feel they lack the time.

It is difficult to set up a marketing plan immediately on starting a business because things are yet too new. A marketing plan should be done yearly and referred to every few weeks to check on progress, lack or fit. Without the plan, market opportunities will be missed, you will be unlikely to find lenders other than for very small amounts, and your business will lack a sound basis for expansion.

Having decided on your goals, you will then have to decide on your promotional mix – in other words, which combination of advertising and promotional methods you are going to use. For small business, certain kinds of advertising would be pointless and a waste of money.

Advertising and promotional budget are essential for a sound marketing plan.

There are four commonly used ways of setting a budget:

1. Treat advertising and promotion as a fixed expense and set aside a percentage of your forecast turnover.
2. Add up your other expenses and then allocate what is left to advertising.
3. Allocate funds as come up projects.
4. Many small business people use flexible budgeting, meaning they set a fairly low budget, based on their own experience.

There are four strategic marketing variables: product of service, price, place, promotion.

One of your aims will be to analyse the strengths and weaknesses of your business. This is known as a SWOT analysis: Strengths, Weaknesses, Opportunities, Threats. Your marketing plan sets out the marketing strategies for your business.

Factors which will influence your pricing policies:

- quality of your goods,
- your marketing objectives,
- your business costs,
- your competition,
- character of your target market,
- your location,
- sensitivity of your target market to price changes,
- service you provide.

Remember that selling new products to new customers can be as risky as setting up a new venture. Your prime objective is to satisfy customer requirements and some go to very great lengths to achieve this.

Upstanding Entrepreneurial Attitude – Environmental Protection

More and more starting entrepreneurs are currently acquiring principles of considerate entrepreneurship. Neither of the proponents of such way of running business claim that companies should give up on their primordial goal of making profit and to solely concern about the environment, instead. They point out that should the companies add concern for the environment to their attempt of making profit, they will bring benefits not only to themselves but to a society as a whole.

All, even starting ventures, affect the environment, since:

- they use the materials
- they consume energy and water
- they produce waste
- they release sewage, waste gas, and so on

Small and medium-sized enterprises (SMEs) may not only be at loss, but may, just like their large counterparts, also benefit from the protection of the environment by reducing their costs:

- Availing technologies that are healthy for the environment
- Using renewable materials and resources (energy, natural resources)
- Recycling of waste materials

SMEs are responsible for 60 to 70 per cent of industrial air pollution within the European Union.

The most common difficulties of SMEs with the environmental protection:

- Low awareness of potential hazards and environmental problems,
- Lack of human and financial resources,
- Insufficient access to information and training in the field of environmental science.

Options of SMEs in the environmental protection:

- To comply with European and national legislation,
- To use the grant and supporting programs to protect the environment,
- Preference for environmentally non-threatening products.

CONCLUSION

Reasons for business failure are implicit

Some of the reasons for business failure are implicit in this book, but it may be useful to look at some others and their causes.

Many small entrepreneurs experience bitter disappointment when they enthusiastically launch a new venture only to experience business collapse a year or two later. However, if businesspeople know where they have gone wrong, it is often possible to start over on a sounder basis.

One of the main causes of business failure is inadequate finance. For example, you may put an excellent product on the market which meets market need, but you may have insufficient finance to advertise and promote it.

Low pricing is another common reason. Most new, small businesses tend to set their prices too low, frequently undervaluing their own time.

However, one of the most quoted common reasons for failure is poor financial control. For example, if accounts are months in arrears, a company may find that its contracts are actually

costing the business more than they had originally. Business can lose financial control in various ways. For instance, by buying too much stock or equipment, or expensive machinery without sufficient planning.

Sometimes a business will expand more rapidly than its working capital permits. Small entrepreneurs will find their products in great demand, so they buy more raw materials and take on more employees. Probably, no provision was made for expansion in the business plan.

A different situation arises when there is insufficient trade for your business. You may have to give up your venture. On the other hand, you may be able to improve your marketing strategies and reduce your overheads.

Failure to put the profits back into the business is another reason for failure, as well as lack of market research.

Apart from the various financial reasons for business failure, there is often a failure in human relationships which may seriously affect the success of a new venture.

As a new entrepreneur, you may feel you are unlikely to encounter these dangers. The need for good communication grows with the level of expansion. It is important to keep your employees accurately informed about the progress of your business - where it is going and why.

As a new entrepreneur, you need to reconsider your personal goals, as well as your business goals. Running a business is a very hard work and people do not always accept the change to their life – style when setting up a new venture.

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