



Transition from Employee to Entrepreneur

A Master's Thesis submitted for the degree of
"Master of Business Administration"

supervised by
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Vienna, 26th June 2015

Affidavit

I, **Ondrej Chovanec**, hereby declare

1. that I am the sole author of the present Master's Thesis, "Transition from Employee to Entrepreneur", 61 pages, bound, and that I have not used any source or tool other than those referenced or any other illicit aid or tool, and
2. that I have not prior to this date submitted this Master's Thesis as an examination paper in any form in Austria or abroad.

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Abstract

This study addresses the issue which is faced by most of the Professional MBA graduates from Entrepreneurship & Innovation specialization. They have just finished their MBA program. On the one hand they dispose with all necessary theoretical knowledge to start their own business and become entrepreneurs but on the other hand they are still well paid employees (mostly managers) with their houses/flats, families, cars, mortgages and with their high standard of living. And furthermore they are used to getting their salary every month.

This study is focused to compare successful managers (employees) with successful entrepreneurs and describes in depth the differences and issues with potential transition from employee to entrepreneur. Primary and secondary data were used within this study. The primary data are data collected by the interviews conducted within well paid managers and successful entrepreneurs. The secondary data are the data searched via internet and literature related to this topic.

This study creates a guideline for aspiring entrepreneurs (who are still employees) to guide them within the transition process to become an entrepreneurs. Firstly it describes all essential steps which need to be realized within the transition, such as entrepreneurial mind set, personal development, idea generation, identification of opportunities, strategy, creation of business plan, and other related issues. These steps are described both, based on theoretical knowledge from secondary data and compared with practical knowledge based on primary data.

Secondly it shows a practical example how the transition might be pursued. It includes usage of all upper mentioned essential steps in practice, taking into account information gathered from the real entrepreneurs too.

Table of contents

Table of figures	4
List of tables	5
List of abbreviations.....	6
1. Comparison of employees and entrepreneurs	7
1.1 Introduction	7
1.2 Entrepreneurship	7
1.3 Definitions (income quadrants)	8
1.4 Differences between employees and entrepreneurs (based on secondary data).....	12
1.4.1 Entrepreneurial approach	17
1.5 Differences between employees and entrepreneurs (based on primary data - interviews with employees and entrepreneurs).....	19
1.5.1 Profiles of the interviewees (entrepreneurs).....	20
1.5.2 Profiles of the interviewees (employees - managers).....	27
2. Guideline to transition to entrepreneur	33
2.1 The power of decision	33
2.2 The power of excuses and procrastination	34
2.3 Action plan	36
2.4 Find a mentor and/or a role model	36
2.5 Decision related to the control of the company.....	37
2.6 Stress management and work life balance	38
2.7 Preparation	38
2.8 Business idea generation	38
2.9 New business opportunities evaluation	41
2.10 Opportunity assessment plan.....	44
2.11 Business plan.....	46
2.11.1 Business plan format and content.....	47
2.12 Summary	49
3. Real life example of the transition	50
3.1 Profile of aspiring entrepreneur.....	50
3.2 Decision to become an entrepreneur	50

3.3 Action plan	51
3.4 Business idea	51
3.5 Personal financial projection plan	51
3.6 Basic analysis of the business idea.....	52
3.6.1 Service description	52
3.6.2 Market analysis	54
3.7 Operations	56
3.8 Sales plan (forecast)	56
3.9 Pricing strategy.....	57
3.10 Cost calculation	58
3.12 Summary	59
Appendix: Questionnaire/Interviews	62

Table of figures

Figure 1 Income Quadrants	8
Figure 2 Top Reasons to Become an Entrepreneur	11
Figure 3 Stevenson's Conceptualization of Entrepreneurial Management	13
Figure 4 The Most Important Skills for Any Entrepreneur	15
Figure 5 When to Start?	16
Figure 6 Forces Driving the New Entrepreneurial Mindset	18
Figure 7 Evaluation Criteria for Business Opportunities	41
Figure 8 Ways to Generate Revenue Streams	43
Figure 9 Why Many New Ventures Fail	44
Figure 10 GDP Growth Prediction	54
Figure 11 Mortgage Loan Market Development	54
Figure 12 Debt Ratio Development	55
Figure 13 Development of Real Estate Prices	56

List of tables

Table 1 Action plan	51
Table 2 Family financial plan.....	52
Table 3 Sales forecast.....	57
Table 4 Cost forecast.....	58
Table 5 Break even calculation	59

List of abbreviations

BP	Business Plan
CEO	Chief Executive Officer
MBA	Master of Business Administration
MLM	Multi-level Marketing
PMBA	Professional MBA
USA	United States of America
VC	Venture Capitalist

1. Comparison of employees and entrepreneurs

1.1 Introduction

Many employees work very hard for years and years, they get better and better positions, salaries, they work for good companies, but back in their mind there is still one unfulfilled wish. Wish to have their business and eventually reach financial freedom.

They feel that if they do not try to build their own business, they will regret it until the end of their life, but the circumstances to start immediately are never perfect from their perspective.

Purpose of this study is to help them to understand all topics related to the transition to entrepreneur and provide them with guidance within this process.

1.2 Entrepreneurship

Entrepreneur is a person who is able to create an idea and implements it (Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013). There are several entrepreneurial types according to Ray Smilor book “Daring Visionaries”. He recognizes three basic types of entrepreneurs:

Aspiring entrepreneurs

These people are still not entrepreneurs, but they dream of it. They still have not decided finally but they once tend to leave their secure jobs and become entrepreneurs.

Lifestyle entrepreneurs

These people are entrepreneurs who built the company/companies to fit their own style of life. They would like to earn money for them and their families and live with the company – be involved and have the company under control. The company is their “baby” and they do not want to get rid of it. These are usually the companies with app. from 20 to 30 employees and the founder is often a CEO. This set up has also some limitations especially from funding perspective. It is very unlikely that these companies will attract/accept external equity investors who expect high returns on their investment. These companies are usually funded by personal savings of the owner, or by family & friends money. In the later stages might be funded by debt financing (Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013).

Growth entrepreneurs

These entrepreneurs want to grow as fast as possible. These are the companies which create many vacancies and their founders are not driven by an ownership of the company. The founders' motivation is to grow the company and they do not have a problem with dilution of their share within the company. Equity financing is often used to secure resources for the dynamic growth. The founders are able to sacrifice ownership for growth of the company and its value (Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013).

1.3 Definitions (income quadrants)

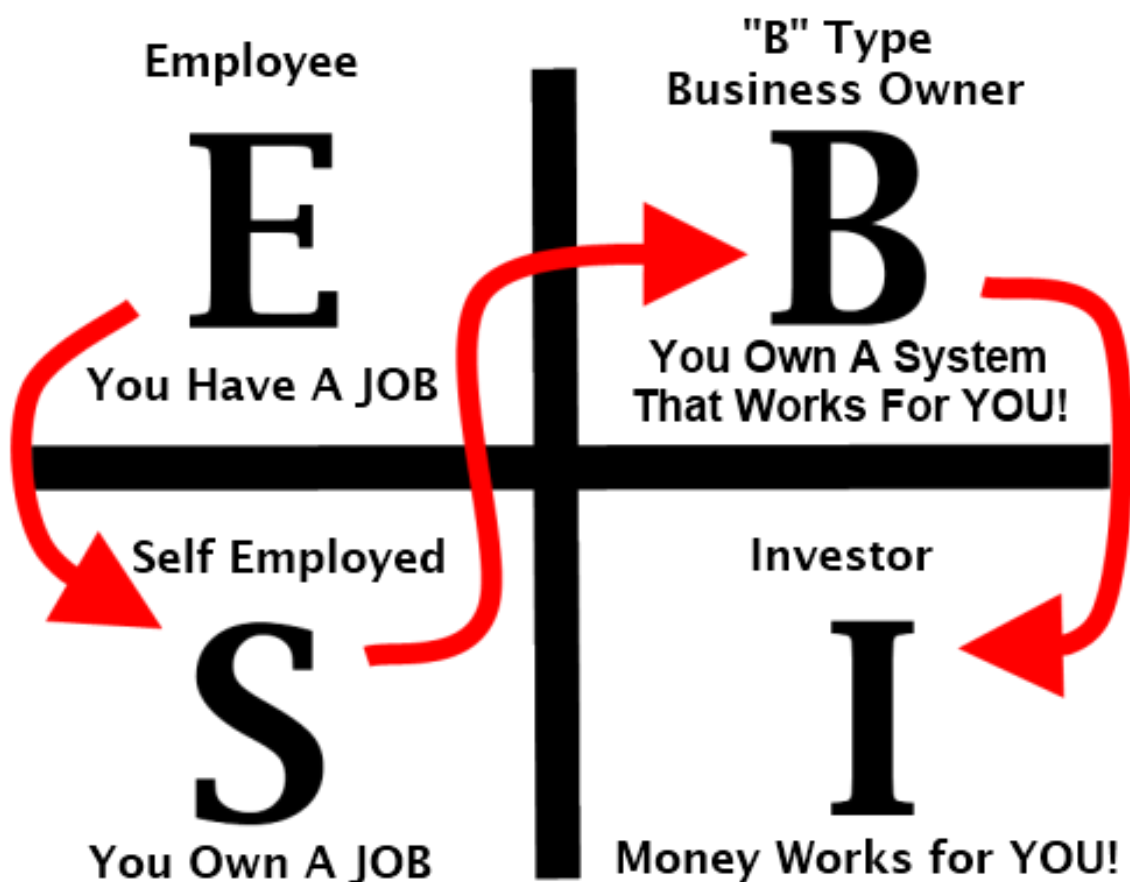


Figure 1 Income Quadrants

Source: <http://bryanphelps.net/cashflow-quadrant/>

Robert T. Kiyosaki in several of his books (such as The Business of the 21st Century, 2011) explains the basic differences between four cash flow quadrants from which the money comes from. He describes that not the quantity of money is important, but the quality (from which

quadrant it is generated). This study is focused to help people with their transition out of the E quadrant.

CASHFLOW Quadrant states for four different methods of income generation.

Quadrant E (employee)

In this quadrant are people who want a save and stable job with benefits. It does not matter if the employee is a cleaning lady or a manager. Most important for them is to have certainty and stability. Fear from failure, need of regular income and fear from changes influences their thinking. These people tend to develop their careers in big companies. They might be ambitious, but they always need to be sure about their regular income. The most of the MBA students are in this quadrant and they tend to become top managers within this quadrant. MBA gives them a competitive advantage towards others, but the significant disadvantage is that still high percentage of their income is consumed by taxes.

The most of people live in this quadrant because educational system and culture is set up in the way to lead people to this quadrant. The most of the parents teach their children to go to school, get good marks to be eligible to get a good job in a big company.

Employee works for someone else and pays a lot on taxes.

(Robert T. Kiyosaki, The Business of the 21st Century 2011; Robert T. Kiyosaki, Unfair Advantage 2011).

Quadrant S (self employed)

In this quadrant are people who think, that if something has to be done correctly, it needs to be done personally by them. It does not matter if the person is doctor, lawyer or accountant. They just don't believe that others are able to manage assigned tasks correctly. The problem within this quadrant is that at the moment they stop working, the income stops as well. These people are important part of their businesses such as, doctors, lawyers, movie stars, sportsmen, owners of restaurants, etc. Many people are pushed by their needs to be more independent or to have more freedom, and that is usually the reason why they are moving to Quadrant S. In this case you are an owner of your business but even if you have your own employees you are still heavily involved in the business and the business does not proceed well without you being there. That means you have to work for your business – business does not work for you.

Self employed works for himself.

(Robert T. Kiyosaki, The Business of the 21st Century 2011; Robert T. Kiyosaki, Unfair Advantage 2011).

Quadrant B (business owner)

In this quadrant are the big businesses built. Motto of the people in this quadrant is: “I am looking for the best people”. In this quadrant the business works for an owner and does not require their permanent attention. If you have an income from this quadrant you are becoming financially independent. Success in this quadrant means having leadership skills and excellence in working with people because persons in this quadrant accept bigger challenges than they are able to manage personally. Expertise in concrete areas is not the only thing which is required – we can see that entrepreneurs such as Bill Gates, Walt Disney or Thomas Edison have not even finished their studies. Most important is to be able to transfer your idea into the big business, which creates vacancies and wealth. In this quadrant are typically created companies with 500+ employees, such as Apple, Virgin, Google, etc.

Business owners have others to work for them.

(Robert T. Kiyosaki, The Business of the 21st Century 2011; Robert T. Kiyosaki, Unfair Advantage 2011).

Quadrant I (investor)

Typical motto of the people in this quadrant is: ”How can I raise money for my project? How can I earn more money utilizing other people’s money and pay less on taxes?”

The main differentiator of the people in this quadrant is utilization of other people’s money. The typical representatives of this quadrant are John Bogle and George Soros.

Investors use money to work for them.

(Robert T. Kiyosaki, The Business of the 21st Century 2011; Robert T. Kiyosaki, Unfair Advantage 2011).

Top Reasons to Become an Entrepreneur

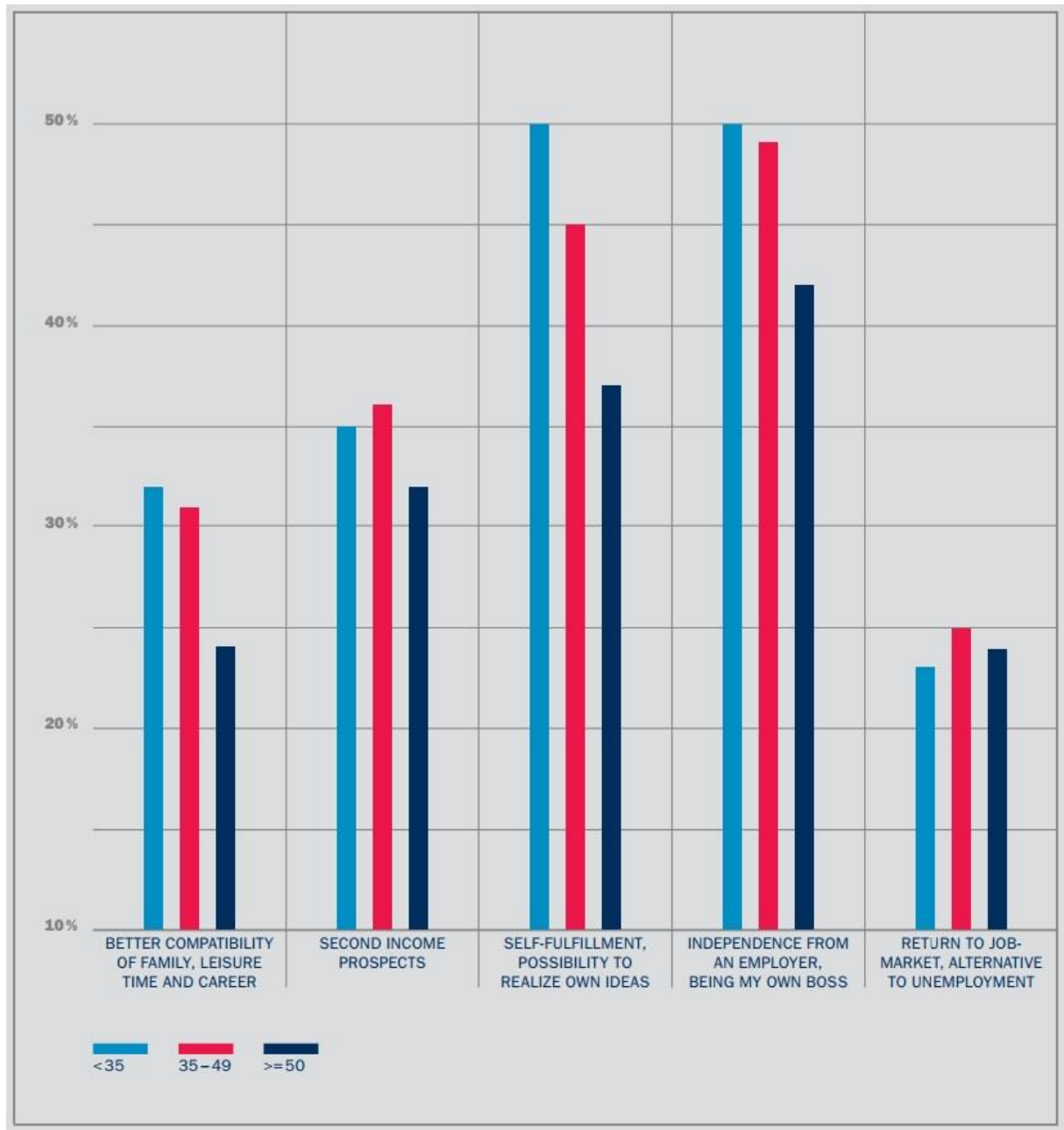


Figure 2 Top Reasons to Become an Entrepreneur

Source: <http://nextshark.com/new-report-reveals-fascinating-statistics-about-entrepreneurs/>

“The survey asked entrepreneurs about the main driving force behind their entrepreneurial spirit. Each age group responded in chorus for each reason — “independence from employer, being my own boss” was the top reason for every age group followed closely by “self-fulfillment, possibility to realize own ideas.” “Return to job market, alternative to unemployment” and “better compatibility of family,

leisure time and career” were the least popular reasons to become an entrepreneur.”
(<http://nextshark.com/new-report-reveals-fascinating-statistics-about-entrepreneurs/>)

1.4 Differences between employees and entrepreneurs (based on secondary data)

Harvard Professor Howard H. Stevenson explains the differences between entrepreneurs and employees on few nice examples as well:

Related to strategic orientation

Entrepreneur is driven by opportunities.

Employee is driven by control over resources.

Entrepreneurs are looking for opportunities they are not limited too much by the resources they have to their disposal. Employees are too much focused and limited by thinking of their resources - they think, they do not have enough money to start a business. Entrepreneur would firstly close the deal and secondly look for resources. This is the typical difference in approach of entrepreneurs and employees.

If the employee wants to start the transition, he needs to start to think how he could get necessary resources (Robert T. Kiyosaki, Before You Quit Your Job, 2012).

Related to organizational structure of leading the business

Entrepreneur tends to build flat organizational structure and strategic partnerships.

Employee tends to build formalized vertical multilevel structure.

Entrepreneur wants to have his organization flat and flexible and he wants to utilize strategic partnerships. Employees want to build hierarchical structures with them on the top of the structure. Formalized organizational charts mean a lot for employees.

Related to reward

Entrepreneur is oriented to building teams and team work and is driven by values.

Employee is driven by certainty and positions.

Employees want secure job, regular income, feeling of certainty and opportunities in career growth. Sometimes the title means more to them than salary. Entrepreneurs are mostly driven by passion, mission, they want to own the business and deliver the team work result.

Stevenson's Conceptualization of Entrepreneurial Management

<i>ENTREPRENEURIAL FOCUS (PRO-MOTER)</i>	<i>CONCEPTUAL DIMENSION</i>	<i>ADMINISTRATIVE FOCUS (TRUSTEE)</i>
DRIVEN BY PERCEPTION OF OPPORTUNITY	← STRATEGIC ORIENTATION →	DRIVEN BY CONTROLLED RESOURCES
REVOLUTIONARY WITH SHORT DURATION	← COMMITMENT TO OPPORTUNITY →	EVOLUTIONARY WITH LONG DURATION
MANY STAGES WITH MINIMAL EXPOSURE AT EACH STAGE	← COMMITMENT OF RESOURCES →	A SINGLE STAGE WITH COMPLETE COMMITMENT OUT OF DECISION
EPISODIC USE OR RENT OF REQUIRED RESOURCES	← CONTROL OF RESOURCES →	OWNERSHIP OR EMPLOYMENT OF REQUIRED RESOURCES
FLAT, WITH MULTIPLE INFORMAL NETWORKS	← MANAGEMENT STRUCTURE →	HIERARCHY
BASED ON VALUE CREATION	← REWARD PHILOSOPHY →	BASED ON RESPONSIBILITY AND SENIORITY
RAPID GROWTH IS TOP PRIORITY; RISK ACCEPTED TO ACHIEVE GROWTH	← GROWTH ORIENTATION →	SAFE, SLOW, STEADY
PROMOTING BROAD SEARCH FOR OPPORTUNITIES	← ENTREPRENEURIAL CULTURE →	OPPORTUNITY SEARCH RESTRICTED BY RESOURCES CONTROLLED; FAILURE PUNISHED

Figure 3 Stevenson's Conceptualization of Entrepreneurial Management

Source: <http://eprints.qut.edu.au/5561/1/5561.pdf>

Utilization of other people's resources

Entrepreneurs utilize opportunities despite of thinking about resources which they currently dispose with. They learn how to use other people's resources effectively. Employees want to hire people with a purpose to manage them and lead them. Entrepreneur wants to utilize resources so they manage things/people differently- they are trying to influence others (Robert T. Kiyosaki, Before You Quit Your Job, 2012).

Waiting for perfect situation

Employees are afraid of mistakes and potential failures. Even those employees who are aspiring entrepreneurs tend to wait too long. They hide their fear with trying to get perfectly ready for the transition. They wait for perfect situation and the most of them never see themselves ready to take the final step out of their jobs.

Making a deal by entrepreneur consists of three basic parts: Search for best people, look for a good opportunity, raise the money. It happens very rarely that all these three needs are fulfilled at once at the beginning. Only one thing is usually fulfilled and an entrepreneur has to put the other two things together afterwards. Compared to employees, they do not wait for having everything perfect. They feel when the product/service has to be launched to the market (even though it is not perfect), because to wait sometimes means to miss the opportunity. The nice example is OS Microsoft – when it was launched, it got frozen very often, but Bill Gates has chosen the right moment to launch it to the market and he really utilized the opportunity (Robert T. Kiyosaki, Before You Quit Your Job, 2012).

Education & Age

When starting your own business is education very important, this is also confirmed by interviews conducted within this thesis (primary data). It is not necessary to have a formal education, but research findings clearly show that entrepreneurs are not less educated than average population. Formal education of course helps in creation of social network of an entrepreneur.

The Most Important Skills for Any Entrepreneur



Figure 4 The Most Important Skills for Any Entrepreneur

Source: <http://nextshark.com/new-report-reveals-fascinating-statistics-about-entrepreneurs/>

“Entrepreneurs were asked which aspects of entrepreneurship education are most crucial to someone looking to start their own business. The greatest percentage fell on “basic business skills” with 42 percent, followed by “leadership and management skills” and “entrepreneurship in practice,” both with 37 percent. Not on the graph are the top three learning institutions ranked by entrepreneurs to learn these skills (other than being self-taught), which include “Schools and secondary education” (37 percent), public startup-programs (33 percent) and then universities and higher education at the bottom (32 percent).

Another side statistic shows that young people under the age of 35 believe universities hold the most responsibility in teaching entrepreneurship, while all age groups agree that schools and secondary education should teach entrepreneurship in general. But when it comes to their actual entrepreneurial education, only an underwhelming 11 percent are fully satisfied. The next most positive group, 32 percent, are satisfied but believe their education could be improved. Lastly, 42 percent of entrepreneurs report dissatisfaction with their educations.”
(<http://nextshark.com/new-report-reveals-fascinating-statistics-about-entrepreneurs/>)

The most entrepreneurs start their careers when they are from 22 to 45 years old. There are also milestones ages when are aspiring entrepreneurs more inclined to start their careers (25, 30, 35, 40, and 45). In general male entrepreneurs tend to start in early 30s and female entrepreneurs in their middle 30s. Sometimes are people also tending to start their entrepreneurial careers when the children left home, because there are fewer financial concerns afterwards (Robert D. Hisrich/ Michael P. Peters/ Dean A. Shepherd, Entrepreneurship, 2013).

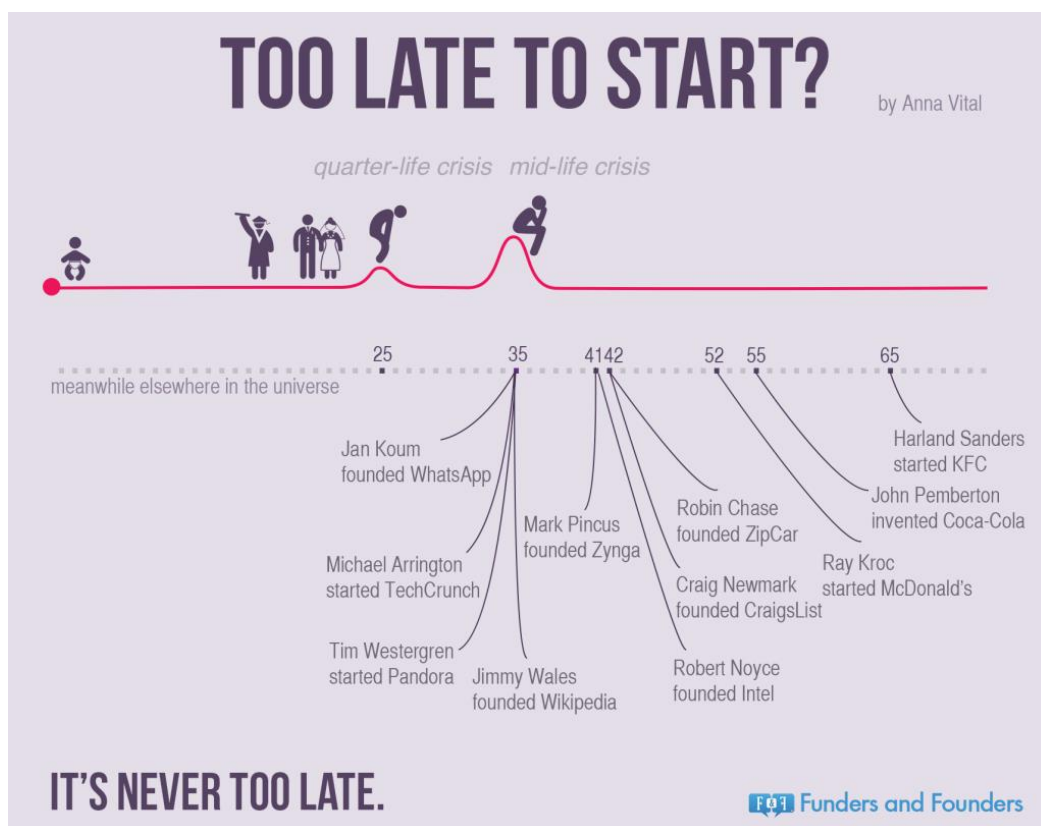


Figure 5 When to Start?

Source: <http://epreneur.tv/are-you-too-old/>

Related to knowledge

Success in the job usually means knowing the answers to the questions. If they do not know the answers they might be laid off. In the case of entrepreneur deep knowledge is not required.

“ Entrepreneurs differ from employees in that they must be sufficiently well versed in a whole set of entrepreneurial skills wrote Uschi Backes-Gellner of the University of Zurich in Switzerland and Petra Moog of the University of Siegen in Germany.

On the other hand, they say that employees are "specialists who work for others and whose talents are combined with those of other specialists (employees) by the entrepreneurs."

In their study, Backes-Gellner and Moog analyzed survey data from 2000 German college students. Their analysis showed that people with a broader portfolio of experiences were more likely to have a "disposition toward entrepreneurship." Qualities that predicted against entrepreneurship included a desire for job or income security, as well as, perhaps surprisingly, having an apprenticeship or internship — since those lead to specialization.

Their study built on a decade's worth of research.

The "jack of all trades" theory first came from Stanford University economist Edward P. Lazear, whose studies of Stanford MBAs show that students who take a broad range of classes and a wider range of jobs are more likely to become entrepreneurs. A follow-up German study replicated those results.”

(<http://www.businessinsider.com/personality-difference-between-entrepreneurs-and-employees-2015-2>)

1.4.1 Entrepreneurial approach

Transition to entrepreneur requires the following basic changes/skills (Robert T. Kiyosaki, Before You Quit Your Job, 2012):

- Acceptance of uncertainty
- Change of basic attitude towards freedom
- Eligibility to do business without money
- Focus on opportunity, not the resources

- Self-education
- Responsibility for your business
- Management of people and resources
- Giving orders, not following them
- Shift the problems to opportunities
- Appreciate independence not dependence

According to the book Patterns of Entrepreneurship Management (Jack Kaplan & Anthony Warren, 2013) entrepreneurs are great in taking decision based on incomplete information and they can manage ambiguity very well. They can find opportunities in a very unclear and chaotic environment. They are usually very optimistic, positive thinkers, perseverant, energetic and action oriented. They are very good in communication, networking and leadership. They are able to tolerate risk and oriented to long term goals. They do not analyze new ideas to death, but they execute – this is often an obstacle for employees, because they often overanalyze things and are afraid to start executing them.

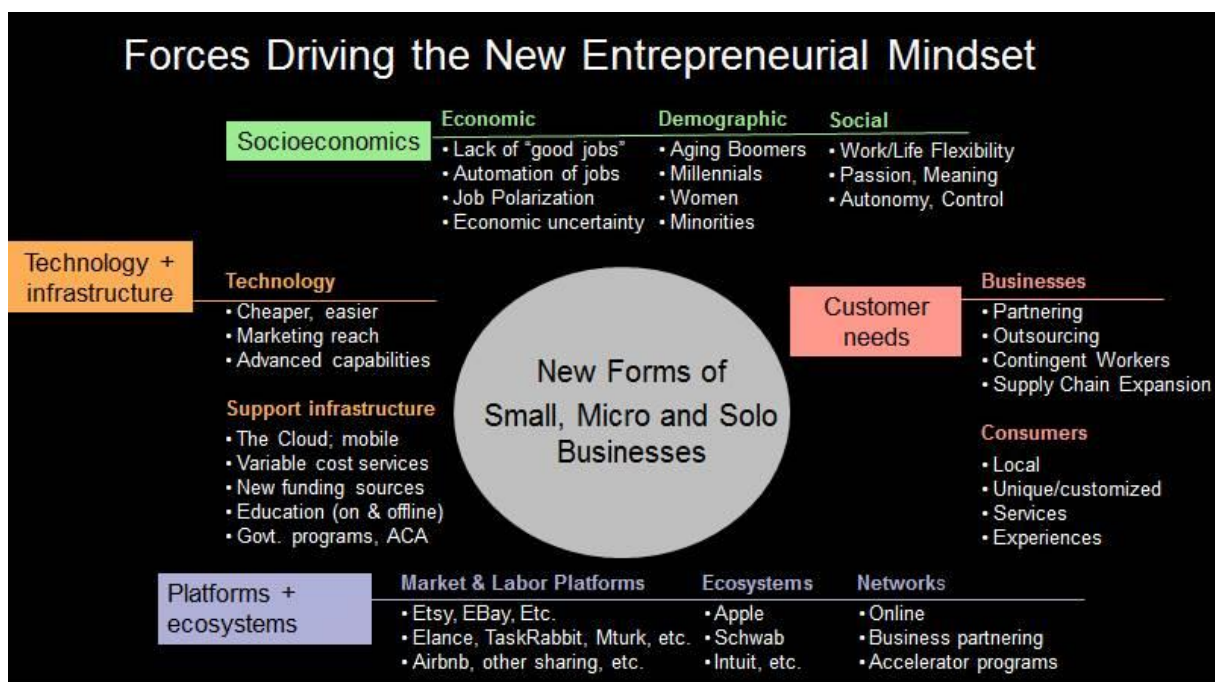


Figure 6 Forces Driving the New Entrepreneurial Mindset

Source: <http://genylabs.typepad.com/.a/6a00d8345675df69e201b7c6cb0238970b-pi>

1.5 Differences between employees and entrepreneurs (based on primary data - interviews with employees and entrepreneurs)

Goal of the interviews:

To find out basic behavioral patterns and differences between successful employees (managers) and entrepreneurs and collect insights related to starting your own business.

Target group:

Managers (employees) with yearly income from 50 000€ to 100 000€ (average yearly income in Slovak republic is 10 296€).

Entrepreneurs with at least five employees (not being in family businesses).

Country where the interviews were conducted:

Slovak republic

Set of questions/areas discussed with Entrepreneurs/Managers

- Type of businesses
- Number of employees/subordinates
- Education
- Foreign languages
- Employers
- Positions
- Current age and age when they started their own business
- Business plan
- Planning horizon
- Transition preparation
- Financial issues related to the transition to entrepreneur
- Diversity of social network
- Family support when starting their own business
- Regular self-education
- Support systems (role model, mentor, advisory board, etc.)
- Family background
- Uncertainty and Fear management

- Visions/visualizations/"law of attraction"
- Regular sport activities
- Self-development/life philosophy/spiritual development/self-motivation (any other special techniques/tools)
- Do they feel as leaders of their life?
- Why are you an entrepreneur?
- Have you ever thought of being an entrepreneur?
- Why do you think you have reached a success in your career?
- How they see difference between them and their employees
- How did you come to your business idea?
- Who are their friends and acquaintances (employees or entrepreneurs)
- Expert or "jack of all trades"?

1.5.1 Profiles of the interviewees (entrepreneurs)

Ned

Ned is 42 years old entrepreneur who as CEO leads his "lifestyle" company with app. 50 employees. Company provides financial intermediary services for retail customers.

Ned has secondary school education and special certificated course in network engineering which he has taken in Australia. He can speak English fluently and has started his career as croupier in Casino. He started his own business when he was 24 years old, which was a small car mechanics (a passion of his) focused mainly on changing of tires. He had sold his first business after 4 years when he went for studies to Australia.

His current planning horizon is from 3 to 5 years. When he started his first business, he had no structurized business plan or any special preparation to become an entrepreneur. He has funded his first business from his personal savings and had his family mental support (parents were employees and they did not supported his business financially). He treats his social network as diverse and the business ideas came from his hobbies. He educates himself mostly via internet on off and on basis. His mentor was his grandfather (who was an entrepreneur). He tries to behave fairly towards others, believes in reciprocity and tries to give something back to his employees (not only the money). He believes in "law of attraction" sets the visions for him and his company and visualizes these visions for himself. He feels as a leader of his

life and feels so self-confident that has no fear from potential failure – he has 100% focus on his goals, believes in innate talent and constantly works on improvement of services which he provides to his clients. He feels as an expert and “Jack of all trades” as well. 30% of his acquaintances and friends are entrepreneurs. He tries to focus on delivering a good service (money is not primary for him) and sees as his strengths: honesty, perseverance, creation of team and systematic approach.

Andrew

Andrew is 34 years old entrepreneur who as CEO leads his company with app. 40 employees. One of his companies provides property management/maintenance services, the other one sells advertising space. His biggest company with app. 150 employees went bankrupt a couple of years ago mostly due to bad payment discipline of its suppliers. Andrew’s equity partner is business angel (inactive role within the company) – his old friend. His goal is to grow the company and sell it – he does not treat it as lifestyle business.

Andrew has university education (economics) and speaks English and German fluently. He has started his career in marketing communication where he spent 7 years (1 year in advertising agency and 6 years as marketing manager in an international company producing electronics). He started his own business when he was 28 years old and he established all his companies at once.

His current planning horizon is 1 year and he monitors fulfillment of yearly goals on quarterly basis. When he started his first business, he had structured business plan and preparation to become an entrepreneur took him last 12 months of his employment. He funded his first business from his personal savings and equity raised by business angel. He had no mental family support (parents were successful employees, but they did not support his business financially). He treats his social network as diverse and the business ideas came from his observation of environment which he does on purpose. He has no passion for the business he is in, but he feels that he could not realize his potential as an employee. He educates himself mostly via technical magazines. His role model was his former manager and he has informal technical advisory board. He believes in “law of attraction” and sets the visions for him. He feels as a leader of his life and feels under the stress when he does not have financial buffer. He feels as a “Jack of all trades” and 30% of his acquaintances and friends are entrepreneurs. His strengths are excellent communication skills, excellent memory, strong goal orientation, perseverance and systematic approach. He does regular sport activities. His recommendation

towards aspiring entrepreneurs is to start as soon as possible – the later it is the more difficult it is. He thinks that using a mentor (entrepreneur) and angel investor who actively supports the company with his know how might be very useful.

Richard

Richard is 36 years old entrepreneur who co-owns several companies with app. 150 employees. He mostly positions himself as an investor with no executive management role within his companies. His companies pursue business in various areas, such as real estate development (he has already built hundreds of flats), catering, architecture, restaurants, car dealers, laundries, rental of premises etc. He has great work life balance. Richard has a business partner, who complements his personal weaknesses.

Richard has university education (management) and speaks English fluently. He started his career providing laundry services at campuses when 22 years old.

His planning horizon is from 1 to 2 years. When he started his first business, he had very basic one page business plan and no preparation to become an entrepreneur. He funded his first business from his personal savings. His first big real estate project (when he was 24 years old) was funded by debt financing provided by his mentor from USA and his friends. He had mental family support (parents were successful employees but they did not supported his business financially). He treats his social network as diverse and the business ideas came from his observations or others who approached him as a business angel. He does not educate himself on regular basis. He believes a lot in establishing a support system (role model, mentor, advisory board). He believes in “law of attraction”, visualization of visions and sets the visions for him. He feels as a leader of his life and tries to secure his life balance with having his family expenditures under control – he tries to be humble. He feels as a “Jack of all trades” and 40% of his acquaintances and friends are entrepreneurs. His strengths are communication skills, team creation skills, creativity, fair approach towards others, effectiveness. He does regular sport activities. His motivation to become an entrepreneur was not to work for money – he wanted the money work for him. He sees as a biggest difference between him and his employees the risk perception. Things with key importance for him are: passion for what he is doing, work life balance, following personal values, good team and suitable business partner (he needs a business partner in every business).

Ronaldo

Ronaldo is 36 years old entrepreneur who co-owns 7 fast food restaurants (runs them from CEO position), pub and pizzeria restaurant with total app. 80 employees. Ronaldo has secondary school education and he spent 4 years at Law University. He speaks English and German fluently. He started his career having a shop with electronics, when he was 16 (it went bankrupt). He worked as an employee only 6 months which he hated (claims department).

His planning horizon is from 2 to 3 years. When he started his first restaurant (pizzeria), he had quite well structured business plan and preparation to become an entrepreneur in franchise pizzeria (owned by his classmates). He funded his first restaurant from his personal savings, friends & family money and bank loan. He had mental family support (parents were successful employee/entrepreneur). He treats his social network as diverse and the business ideas came mostly from his friends. He educates himself mostly via social networks. He believes in establishing a good support system (role model - father, mentor – father of his friend, advisory board). He believes in hard work, “law of attraction”, visualization of visions and sets the visions for him. He is positive thinker. He feels as a leader of his life and feels huge stress and pressure when risks a lot. He feels as a “Jack of all trades” and 80% of his acquaintances and friends are entrepreneurs. His strengths are communication skills, fair approach towards others, perseverance. He does regular sport activities. His motivation to become an entrepreneur was money and passion for gastronomy. He sees as a biggest difference between him and his employees the risk perception.

John

John is 63 years old entrepreneur who owns factory producing shading systems (runs it from CEO position) with app. 15 employees. John has university education (construction engineer). He speaks German fluently. He started his entrepreneurial career producing ceramics art, when he was 38. He worked as an employee for 12 years mostly in construction business- also on managerial positions.

His planning horizon is up to 1 year. When he started his first business he did not have any structured business plan and preparation to become an entrepreneur. He funded his first business from personal savings, family money and a bank loan. He had mental family support (parents were employee/entrepreneur). He does not have diverse social network and the

business ideas came from his friends and hobbies. He does not educate himself on regular basis – he is big believer of common sense. He does not have any support system (role model, mentor or advisory board). He believes in hard work, “law of attraction”, visualization of visions and sets the visions for him. He is positive thinker and believes that if somebody else can do it, he can as well. He focuses 100% on solutions and his rule is to wail over failures max. 1 hour. He feels as a leader of his life and feels stress and pressure when risks a lot (currently is financially independent so does not feel stress any more). He does not feel as a “Jack of all trades” and 50% of his acquaintances and friends are entrepreneurs. His strengths are passion for what he is doing, perseverance (he had daily plans before and monitored its fulfillment on daily basis) and self-confidence that if you work hard, you will get the positive outcome. He does not do regular sport activities. His motivation to become an entrepreneur was dissatisfaction at previous employment. He sees as a biggest difference between him and his employees the risk perception, goal orientation and perseverance.

Tulius

Tulius is 36 years old entrepreneur who co-owns company which provides telecommunication solutions, from guaranteed internet connections, through cloud services, webhosting, voice solutions to comprehensive services for homes. Company has app. 50 employees. He used to be a part of management team in the past but currently works only at non-managerial position within the company and as a member of the supervisory board. Tulius has a business partner, who complements his personal weaknesses.

Tulius has university education (management) and speaks English and German fluently. He started his career/business providing tax refund services for Slovak students who worked during the summer in USA when he was 23 years old.

His planning horizon is 1 year in business and to 3 years in private life. When he started his first business, he had very basic business plan and no preparation to become an entrepreneur (only the university – many graduates of this university are entrepreneurs). Since then they prepare detailed business plan for each project they plan to launch. He funded his first business from his personal savings, other businesses from friends & family money plus debt financing from banks. He had mental family support (parents were successful employees). He treats his social network as diverse and the business ideas came from his observations, friends' ideas or others who approached him as an business angel. He educates himself daily, mostly looking for best practices. He did not have a role model or mentor but he uses advisory

board (few friends). He believes in “law of attraction”, visualization of visions and sets the visions for him. He felt as a leader of his life before but currently is his life driven a lot by his children. He is in stress and under pressure when risks a lot. He feels as a “Jack of all trades” and 50% of his acquaintances and friends are entrepreneurs. His strengths are communication skills, interpersonal skills, analytical thinking, team creation skills, people management, and good sales skills. He does regular sport activities. His motivation to become an entrepreneur was to try it (he has never been an employee). He sees as a biggest difference between him and his employees the risk perception, self-confidence, need of regular income. He believes in karma and tries to face and address every issue openly and notwithstanding. His recommendation to aspiring entrepreneurs and to early stage entrepreneurs is to have a strong financial back-up in family, friend or business partner. It eliminates a lot of stress and gives person great self-confidence in negotiations with partners and in doing business in general, especially when are things not going well.

Jokus

Jokus is 37 years old entrepreneur who as a CEO leads two companies with app. 10 employees. One of his companies’ sells advertising space and the other one intermediates long term rentals of real estates. He tries to launch one new project every other year. Other his companies/projects went either bankrupt or are in preparation phase.

Jokus has university education (construction engineer) and speaks English fluently. He has started his employee career in sales – selling advertising sales and renting construction equipment. He started his own business when he was 30 years old. His current planning horizon is 3 years. When he started his first business, he had very basic business plan and almost no preparation to become an entrepreneur. He funded his first business from his personal savings and equity raised by business client (he has already paid him out). He had no mental family support (parents were employee/entrepreneur; they did not supported his business financially). He treats his social network as diverse and the business ideas came from his observation of environment which he does on purpose and ideas of friends. Passion for the business he is in sees as a crucial thing to be successful. His motivation to start his own business was limited income as an employee. He educates himself mostly via social media. He does not have any support system in place. He strongly believes in “law of attraction” and sets the visions for him. He tries to eliminate stress and pressure using technique of eventual acceptance of worst case scenario. He does not use debt financing. He feels as a “Jack of all

trades” and 30% of his acquaintances and friends are entrepreneurs. His strengths are correctness, relationship management, and belief in success, sales skills, perseverance and systematic approach. He is used to watching motivational videos or reading motivational books. The biggest difference which he sees between him and employees is need of certainty and maybe worse family foundations.

Phil

Phil is 35 years old entrepreneur who co-owns company which provides software for telecommunication industry. Company has app. 11 employees. He is active member of a management (responsible for sales). He also works on other projects which are currently in a preparation phase.

Phil has university education (management) and speaks English fluently. He started his career as an employee mostly working in banking sector.

His planning horizon is 3 years and on monthly basis monitors fulfillment of milestones and on daily basis fulfillment of daily targets. When he started his first business, he had very basic business plan. The preparation of his first business took him 6 months in parallel with his employment. He funded his first business from his personal savings and savings of his business partners (it generated revenues very soon). He had mental family support (parents are successful employee/entrepreneur). He treats his social network as diverse and the business ideas came from his observations and friends. He educates himself on off and on basis, mostly via social networks. He did not have a role model or mentor but he uses advisory board (few friends). He believes in “law of attraction” and feels as a leader of his life. He is in stress and under pressure when risks a lot –has no tool how to eliminate it. He feels as a “Jack of all trades” and as an expert as well. 70% of his acquaintances and friends are entrepreneurs. His strengths are communication skills, interpersonal skills, perseverance. He does regular sport activities. His motivation to become an entrepreneur was personal freedom. He sees as a biggest difference between him and his employees: no need to become an entrepreneur, resourcefulness and knowledge to evaluate the things correctly.

Summary of the Entrepreneurial Interviews

The most of the interviewees are building lifestyle businesses and are heavily involved in management of their companies. The only entrepreneur which acts like an investor is Richard and partially Jokus – they have great work life balance and are clearly benefiting from being

entrepreneurs. The most of the entrepreneurs have university education and every one of them speaks at least one foreign language (might be influenced by interviewer's social network). Amazing is that the only entrepreneur who had structurized business plan when he started his first business was Andrew – others had none or very basic “one page” plan. Their transition preparation was compared to MBA student very poor – usually none or up to one year in parallel with their employment. Their planning horizon was mostly up to 3 years. Interviews confirm that entrepreneurs mostly have diverse social network, family support and mostly fund their business in early stages by their savings and family and friends money. The entrepreneurs mostly self-educate themselves but I would say less then employees (managers). They are mostly from financially well-established families (might be influenced by interviewer's social network) and believe in positive thinking, law of attraction, setting up visions and some of them use technique of visualizing the visions. Entrepreneurs do not use all “support systems” elements but most of them have at least informal advisory board – on the other hand many of them confirmed that mentor/role model would have helped a lot if they had had one. Most of them feel stressed when they risk a lot and they do not have a technique how to eliminate it – they mostly use “positive thinking” approach or the ones who are able to cope with it extremely well are very self-confident with their skills. Entrepreneurs feel being leaders of their life and mostly do regular sport activities. Interviews with chosen sample of entrepreneurs have not shown any visible patterns in area of life philosophy or any special self/spiritual/personal development techniques. Motivation for starting their own business was mostly no satisfaction in their employment, need for self realization, money, and independence. The reasons of their success are mostly perseverance, risk acceptance, good communication skills, ability to build good team, goal orientation. Entrepreneurs are mostly “Jack of all trades” who came to their business ideas by their observations, were approached by others or ideas are aligned with their hobbies. They mostly started their businesses in their twenties and app. 50% of their friends are entrepreneurs.

1.5.2 Profiles of the interviewees (employees - managers)

Michal

Michal is 35 years old manager (finance) in a big international company which is a supplier in automotive industry. He has been with the company for 9 years and he was also twice assigned abroad (2 years in Germany, 1 year in the USA). He has 18 subordinates who are located in a few locations. He has never been an entrepreneur and never thought of it. He feels

good as an employee and has no ambition to become an entrepreneur. He does not think it is something suitable for him.

Michal has university education (economics) and speaks English fluently. He started his career in the USA and then moved back to Slovakia. He has been working in finance since he finished his university studies.

His planning horizon is from 1 to 3 years and monitors fulfillment of the goals on quarterly basis. They have personal development program within the company, which needs to be followed. He regularly educates himself by reading technical magazines (he educated himself more, when he did not have children). He does not treat his social network as diverse. He had a role model (usually his managers) and a mentor (he has chosen one of the managers within the company on purpose) and uses advisory board off and on. He believes in “law of attraction”, sets the visions for him. He feels as a leader of his life. He welcomes a bit of stress, but tries to avoid permanent and huge pressure by having sufficient “emergency” savings. He feels as an expert and only 10% of his acquaintances and friends are entrepreneurs. His strengths are communication skills, interpersonal skills, hard working, people management, structurized approach, goal orientation, flexibility, socializing skills, perseverance. He does regular sport activities. He tries to manage his energy resources and recharges his energy regularly. He splits on purpose his work and family life. Both of his parents are employees (middle class).

Pavol

Pavol is 34 years old manager (head of marketing) in a bank, where he has been working for 4 years. He has app. 50 subordinates. He has never been an entrepreneur and sees more benefits in being employed.

Pavol has university education (economics), MBA from abroad and speaks English and German fluently. He has started his career in the public sector and then moved to advisory and banking industry.

His planning horizon is 3 years. He regularly educates himself by reading a lot of books and has also a personal coach. He treats his social network as quite diverse. He had a role model and mentor (he has agreed with one of the top managers within the company on purpose) and uses advisory board (former colleagues). He believes in “law of attraction”, sets the visions for him and visualizes them. He feels as a leader of his life and eliminates stress by applying

Steven Covey principles of balance. He tries to apply work life integration and tries live based on his personal values and principles. He feels as a “Jack of all trades” and 60% of his acquaintances and friends are entrepreneurs. His strengths are self awareness (complementing of his weaknesses by other team members), self-education, luck, drive and ability to build a good team. He does regular sport activities. Both of his parents are entrepreneurs.

Felix

Felix is 37 years old manager (head of global on-line marketing) in a worldwide software company, where he has been working for 3 years. He has app. 15 subordinates. He has never been an entrepreneur and wants to be an employee – his opinion is that as an employee will reach his professional goals sooner and easier. His goal is to be one of the best experts in on-line marketing in Europe.

Felix has university education (banking) and speaks English and German fluently. He has started his career in banking sector and then moved to online marketing sector.

His planning horizon is 3 years. He regularly educates himself by reading a lot of books and has built rituals for him (for example 1 hour education per day). He treats his social network as quite diverse. He is big believer of support system and it helps him a lot (mentor, role model, advisory board). He strongly believes in “law of attraction”, sets the visions for him and visualizes them. He feels as a leader of his life and eliminates stress by positive thinking and trying to permanently improve his skills. He feels as an expert and 10% of his acquaintances and friends are entrepreneurs. His strengths are passion, self-education, luck, interpersonal skills, perseverance, and systematic approach. He does regular sport activities. His parents are successful entrepreneur/employee. He focuses on work life balance, building useful rituals and reads extremely many books (he has a special method for fast reading of books).

Sedrik

Sedrik is 36 years old manager (finance) in worldwide international advisory company. He has been with the company for 12 years. He has 15 subordinates and has never worked for any other company. He has never been an entrepreneur and never thought of it – he is risk averse and needs security of employment. He feels good as an employee and has no ambition to become an entrepreneur. He does not think it is something suitable for him.

Sedrik has university education (economics) and speaks English fluently. His planning horizon is from 1 to 2 years and monitors fulfillment of the goals regularly (it is standard in their company). They have personal development program within the company, which needs to be followed. He regularly educates himself by reading Harvard Business Review. He does not treat his social network as diverse. He had a mentor (he has chosen one of the managers within the company on purpose) and uses advisory board. He sets the visions for him. He feels as an expert who is a leader of his life and only 10% of his acquaintances and friends are entrepreneurs. His strengths are professional know-how, interpersonal skills, hardworking, open mind and ability to increase engagement of the people. He does not do any regular sport activities. His parents are employee/entrepreneur.

Tomas

Tomas is 36 years old manager (Head of Direct Sales) in an international insurance company, where he has been working for 7 years. He has 7 subordinates. He has never been an entrepreneur and likes the comfort of being employed, regular income and feels successful at work.

Tomas has university education (economics) and speaks English, German and Hungarian fluently. He has started his career in banking sector and then moved to insurance industry.

His planning horizon is up to 1 year. He does not regularly educate himself and treats his social network as diverse. He had a role model (brother) and a mentor (his manager). He feels as a leader of his life and eliminates stress by good planning and preparation (short term). He tries to keep a work life balance and not care too much about negative things happening around. He feels partially as a “Jack of all trades” and partially as an expert. 40% of his acquaintances and friends are entrepreneurs. His strengths are fair approach towards others, good communication, structured approach, analytical thinking, treats company where he works as his own. He does regular sport activities. Both of his parents are employees.

Bruno

Bruno is 36 years old member of the management board (Sales Director) in a software company, where he has been working for 6 years. He has 3 subordinates. He has thought of being an entrepreneur and was involved in establishing a family business (a hotel), but at the end of the day the hotel was sold. He likes the comfort of being employed, regular income and

feels successful at work. He hopes for becoming a shareholder within the company and sees it realistic.

Bruno has university education (economics) and speaks English and Russian fluently. He has started his career in airline industry (his passion) and then moved to banking industry.

His planning horizon is 5 years. He does regularly educate himself in technical areas which are needed for his job and treats his social network as diverse. He has a role model (father) and feels as a leader of his life. He eliminates stress by having sufficient financial reserves and feels self-confident within his profession. He treats his position as a very stable one. He feels as a “Jack of all trades” and 50% of his acquaintances and friends are entrepreneurs. His strengths are interpersonal skills (innate and also learned), good communication, empathy, good sales skills, good social network. He does not do regular sport activities. Both of his parents are successful employees (they had a family business previously).

Robin

Robin is 36 years old sales manager working in the bank. He has been with the company for 5 years. He has app 120 subordinates and has worked in banking industry for 10 years. He has never been an entrepreneur but many times thought of it – he is somewhat risk averse and needs certain level of security. He does not feel good as an employee and has ambition to become an entrepreneur.

Robin has university education (economics), MBA and speaks English fluently. His planning horizon is 2 years and does monitors fulfillment of the goals on yearly. He regularly educates himself by reading books and watching inspirational videos. He treats his social network as diverse. He had a mentors (usually direct managers), personal coach and tries to work on his personal development permanently. He sets the visions for him and visualizes these visions for him. He is positive thinker and believes in “law of attraction”. It is difficult for him to cope with uncertainty and does not have a specific tool to eliminate stress. He feels as a “Jack of all trades” who is partially a leader of his life and only 10% of his acquaintances and friends are entrepreneurs. His strengths are interpersonal skills, strategic thinking, communication, goal orientation, effectiveness, people management. He does regular sport activities. His parents are successful employees.

Suzan

Suzan is 33 years old manager (Head of Product Management) in an international telecommunication company. She has been with the company for 2 years. She has 25 subordinates and has previously worked in banking industry. She has never been an entrepreneur and never thought of it – her husband is entrepreneur and she feels that one stable income in family is needed and furthermore she does not have an entrepreneurial idea.

Suzan has university education (telecommunications) and speaks English fluently. Her planning horizon is 2 years (it was 5 previously). She regularly educates herself by reading technical magazines and learning English. She does not treat her social network as diverse and sets the visions for her. She feels as a “Jack of all trades” and as a leader of her life and only 10% of his acquaintances and friends were entrepreneurs (currently more because of her husband). Her strengths are fair approach, luck, solution searching approach, will to move forward. She tries to eliminate stress by good preparation for the job and by creating financial reserves. Her life philosophy is positive thinking and following the inner values. She does not do any regular sport activities. Her parents are employees.

Summary of the Employees' (Managers') Interviews

All interviewees have university education and every one of them speaks at least one foreign language. Interviews confirm that managers mostly have diverse social network if they work in sales or marketing, if not the network is more homogenous. Their planning horizon is mostly up to 3 years, which is in line with entrepreneurs. The employees mostly self-educate themselves even more than entrepreneurs. They are mostly from financially well-established families (might be influenced by interviewer's social network) and also believe in positive thinking, law of attraction, setting up visions and some of them use technique of visualizing the visions. Managers often use “support system” elements - most of them have/had mentor and some of them have role model or advisory board. Most of them eliminate uncertainty and stress with creating financial reserves and by improving their skills/value on the market. Employees feel being leaders of their life and mostly do regular sport activities. Interviews with chosen sample of employees have not shown any visible patterns in area of life philosophy or any special self/spiritual/personal development techniques. The reasons of their success are mostly good communication skills, ability to build good team, goal orientation, systematic approach, self-education, interpersonal skills, and correctness. Employees are mostly “Jack of all trades” if they work in sales and marketing, if not; they tend to be experts.

They mostly do not aspire to become entrepreneurs, in particular if they are well paid experts in big companies. App. 26% of their friends is entrepreneurs which confirm what Donald Trump or Robert Kiyosaki is used to saying: “If you want to change, change your friends”. Interviews have not confirmed any pattern related to family background (whether the parents are entrepreneurs or employees) but within the interviewees were on purpose not chosen entrepreneurs within family businesses. But we may say that strong family background helps a lot in case of entrepreneurs – in early stages in particular.

Based on conducted interviews and set of areas which were discussed with both groups, it might be said that the differences are not so significant. The differences between regular employees (not well paid managers) and entrepreneurs would be much more visible. In general seems that managers in particular in sales and marketing are from knowledge and skills perspective well prepared for entrepreneurial activities. Being an entrepreneur seems to be more matter of attitude, approach and risk perception.

2. Guideline to transition to entrepreneur

2.1 The power of decision

If a manager really wants to become an entrepreneur, the decision has to be taken. They need to be 100% sure that they want to make a transition. They have to be sure what they are after. What is very common that opponents come and challenge their decision or distract their beliefs. There are three types of opponents: external, close family and friends and internal opponent (yourself). All of these opponents will try to disturb them within their transition. They will try to disturb them in their activities which they have set up to execute the transition. They will try to keep them in the status quo because they do not want to lose them as friends or they just do not want them to be different or more successful. (Robbins Anthony, Re-Awaken the Giant Within, 2013)

The most important thing is to be identified with a new role and abolish limiting beliefs which were built in the past (related to their identification with employee status). The beliefs are crucial because they usually evaluate and tell you what is possible and what not. They influence every action and every feeling that we experience. That is the reason why it is so important to change them, because otherwise they will not let you do the change and

successfully finish the transition. To abolish these beliefs is very helpful to start on purpose with identification with entrepreneurial role – you have to start thinking like an entrepreneur. You have to create in yourself a sense of certainty that you are the one identified with a new role and you are going to successfully make the transition. You can for example use technique of Anthony Robbins called “Hour of Power” which also consists of part where you visualize the things like they have already happened and you start to be grateful for them. Based on his research it immediately activates different style of thinking and different approach how you look at the things. His idea is to build a daily ritual that will help you to reach lasting change in behaving and thinking. As an example he recommends to start daily morning running where you set up your mind for the upcoming day and where you identify yourself with your goals (Robbins Anthony, Re-Awaken the Giant Within, 2013).

Robin Sharma also recommends similar technique/exercise in which he recommends to start waking up earlier (at 5 a.m.) and start your day with sport, identification with your goals, than review of fulfillment of your previous day goals and scheduling the goals and activities for the upcoming day. He is used to saying: “change is hard at first, messy in the middle and gorgeous at the end”.

https://www.youtube.com/watch?v=-xC_DbgpPAc

2.2 The power of excuses and procrastination

Many aspiring entrepreneurs are always looking for excuses, why they cannot leave their jobs (Robert T. Kiyosaki, Before You Quit Your Job, 2012). The typical excuses are:

- I do not have enough money to start my own business.
- I cannot quit my job – I have to feed my family.
- I am still not prepared to start my own business. I have to learn more about it.
- I do not have a right “idea”.
- I have insufficient social network.
- I am not clever enough.
- I do not have enough time. I am too busy with doing other things.
- Building my own business would take too long and requires a lot of effort.
- I am scared. Building my own business is too risky.
- I am too old.
- I am still young; I still have a lot of time to start my own business.

At the end of the day it causes that the most of the people stay in their jobs keeping procrastinating.

Robin Sharma in his video: “How I Beat Procrastination” (<https://www.youtube.com/watch?v=bLp9EimaEQI>) addresses this issue and explains how to start doing the things which seemed to be impossible for you before. In this video he explains that there are always many setbacks, obstacles and challenges in life and also many doubters, critics and disbelievers so what is really crucial is perseverance and trust in yourself. He recommends a few tools to beat the procrastination and reach your goals.

1) Dream collage and obsession statement.

Write down on paper your magnificent obsession statement and create your dream collage (picture of your company headquarters, picture of your employees, your car etc.). He recommends reading this statement and looking at the collage every morning when you wake up and every evening when you go to bed. The statement should be written in the way how the goal was already reached. For example “I am the entrepreneur of the year 2018”. He explains that the most of the things are run by our subconscious mind which works mostly on pictures so it is really important to change its perception. This programming of our subconscious mind might be pursued by upper mentioned technique/tool which should significantly help in changing your mindset. If the mindset is not changed, it will sabotage your will to make a transition very often.

2) Start doing the things which you were resisting to do before.

It will train your brain and subconscious mind to do the things which you were not used to do before and it will start to be a new standard for your brain.

3) Exercise at least 30 minutes a day.

Regular exercise is very powerful tool how to increase productivity. Robin Sharma even recommends exercising twice a day to refresh and restart your brain. Also the interviews conducted within the successful managers and entrepreneurs confirmed that most of them work out on regular basis.

4) Create a distraction free environment

Work alone as much as possible, clean up everything around to not be distracted by the surroundings. Ability to keep focused is crucial thing in reaching the success.

5) Release your self-sabotage

Number one reason for procrastination is fear. People were taught not going out of their comfort zone by their parents, teachers, television, etc. Typical messages of society are: “You cannot be so rich” “You cannot be the best in the world”, “Not everybody can be an entrepreneur”. It is natural that when they want to enter an unknown, they are scared and threatened because this is the typical reaction of subconscious mind. To overcome this obstacle you have to leave the person who you were before and become a new one who does the things which he was previously frightened of.

2.3 Action plan

It is very important to schedule activities and milestones which will lead you to transition. Of course the deadlines should be set up very clearly. The action plan must be very specific and realistic. Action plan will help you to start thinking about all necessary steps which need to be executed within the transition. If I for example need to know basics of accounting to start my own business, I can schedule in the action plan 30 minutes every day to study an accounting book. Very useful is to have this plan written down on the paper and to review and monitor fulfilling of this plan regularly.

2.4 Find a mentor and/or a role model

As it is clear from the interviews with entrepreneurs that they did many mistakes on their pathway, which could have been avoided if they have had a Mentor or a Role model. If you have that chance, try to find somebody who is already there, where you want to be and try to tap into their knowledge. Try to learn the way how they think, what are their beliefs, rituals, what techniques do they use etc. It will definitely save you a lot of difficulties and time and it is always smarter to learn on other peoples’ mistakes. Especially for first-time entrepreneurs who have very limited skills, knowledge and resources is external help very useful. In the early stages is very important to do as less mistakes as possible and with the help of a mentor/role-model are the chances to launch a successful business much higher. First-time entrepreneurs should look on purpose for mentor or informal business advisors. It is very important to start building a network as soon as possible because it takes time to build a trust. Very useful people in your network are in particular, lawyers, bankers, sales persons, venture capitalists, business angels, etc. These professionals have very strong networks which might help you to get a connection to the right people. Creating of business network might help a lot in various situations when advice, capital or decision is appreciated.

2.5 Decision related to the control of the company

The decision related to the level to which entrepreneur wants to control his company is very important and should be done in the very beginning. It strongly influences their potential funding options and involving potential business partners as well. It is proven that failure rate is lower in the case the company was founded by two or more partners – typical examples are Google, Apple, Microsoft, etc. Advantage of two and more founders is wider knowledge, substitution and possible complementary personalities. Disadvantage might be potential mismatch of the founders in the future, which might create significant problems for the company.

When you look for a business partner it is worth considering the following questions:

- Do you have same aims in life?
- Do you have complementary skills?
- Do you have different personal networks?
- Is there a trust and honesty between you and him/her?

If the answers are positive it is a good starting point for further discussions (Jack M. Kaplan, Anthony C. Warren, *Patterns of Entrepreneurship Management*, 2013).

Related to the control of the company is also necessary to mention very often mistake of founder, which is insufficient self-reflection related to their managerial skills. They have to be aware that having idea, passion and ability to launch a business does not mean that they have all managerial skills. Actually the skills needed for launching the business are very different to skills needed for management of the company in later stages. Skilled investors usually do not invest into the companies in which the founders are not willing to replace themselves with experienced senior management. Especially if the entrepreneurs want to shift themselves into more favorable quadrants (Business Owner or Investor) and do not want to be heavily involved in the management of the company in long-term, they have to be prepared to shift the management of the company to professional managers.

Funding of the venture is also very limited if the founders are not willing to leave the control of the company to others. Potential options are limited to debt financing, bootstrapping methods and sometimes only to family & friends money (Jack M. Kaplan, Anthony C. Warren, *Patterns of Entrepreneurship Management*, 2013).

2.6 Stress management and work life balance

You have to keep in mind that starting your own business is extremely time consuming. In the early stages entrepreneurs usually work from 50 to 70 hours weekly. The divorce rate of entrepreneurs is much higher than other peoples' so by professor Kaplan are recommended at least these things to be kept in mind:

- Try to work smarter, not harder
- Watch your time management
- Spent some personal time with family and friends
- Communicate regularly and maintain good relationship with your business partner
- Do not talk all the time about your company – your family have also important things to say
- Delegate whenever it is possible

(Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013)

2.7 Preparation

If an aspiring entrepreneur is still employed it is recommended to start preparation for entrepreneurship during the job. Important is to save as much money as possible, to be able to invest your savings when needed. It is also recommended to study literature related to entrepreneurship including stories of successful entrepreneurs.

2.8 Business idea generation

The general rule is that you want to start your business in a growing market, so try to focus on such markets. Business ideas often come from your own observations or from others, so important is to be a good listener and observer.

The book Entrepreneurship (Robert D. Hisrich/ Michael P. Peters/ Dean A. Shepherd, 2013; 88) recommends not forgetting to follow the market trends – these trends often provide new opportunities on the market. For the next decade are within this book mentioned following trends:

- Green trend - there have been a plenty of new opportunities within the green sector lately
- Clean energy - clean energy creates a significant concerns of consumers all around the world

- Organic orientation - the growth of organic food market is over 20% yearly
- Economic trend - the impact of economic trend always creates opportunities
- Social trend - such as Facebook, LinkedIn, etc.
- Health - as the world population ages, the market will grow
- Web - new forms of communication and purchasing are created permanently

Examples of sources of new ideas

- Consumers (consumers are always good inspiration, you can either monitor their behavior or ask them to express their opinions)
- Existing products and services (monitoring of competitive products is crucial to keep the pace with competitors and also might be very inspiring for implementation of new ideas)
- Distribution channels (members of the distribution channels often dispose with valuable information related to feedback and ideas from consumers)
- Research and development (own research and development is in general greatest source of new ideas)

(Robert D. Hisrich/ Michael P. Peters/ Dean A. Shepherd, Entrepreneurship, 2013)

Examples of methods of generating ideas

There are several methods, how one can generate and test new ideas and one of the most popular are brainstorming, focus groups and brainwriting, etc.

Brainstorming

It is a method how are new ideas generated within an organized group of people. The four basic rules of brainstorming are:

- **There are no dumb ideas.** Brainstorming session is not a serious matter that requires too serious solutions. It is important to keep all participants involved.
- **Don't criticize other people's ideas.** Brainstorming is not a debate, discussion or forum for one person to display superiority over another.
- **Build on other people's ideas.** Often an idea suggested by one person can trigger a better idea by another person. Building of ideas leads to out of the box thinking and great ideas and this is exactly the goal of brainstorming.

- **Reverse the thought of “quality over quantity.”** Within the brainstorming quantity of ideas prevails over the quality. The more creative ideas the better. The facilitator should even motivate participant to come up with as many ideas as possible.

(<http://www.isixsigma.com/tools-templates/brainstorming/brainstorming-rules/>)

Brainwriting

It is very similar to classical brainstorming sessions, but participant have more time to express their ideas and the ideas are written down on special cards. The ideas are generated in silent environment. The groups usually consist of 6 participants. Advantage of brainwriting is that participants can be also spread geographically and cards on which are the ideas written down might rotate within the participant electronically. (Robert D. Hisrich/ Michael P. Peters/ Dean A. Shepherd, Entrepreneurship, 2013)

Focus groups

A focus group consists of a small number (8-12) of relatively similar individuals who provide information during a directed and moderated interactive group discussion (Popham, 1993). The participants are mainly chosen with respect to their ability to provide insights on the topic of the interest. The goal of the focus group is mainly to test or create new product ideas.

2.9 New business opportunities evaluation

Preferred evaluation criteria for business opportunities types by first-time vs. serial entrepreneurs

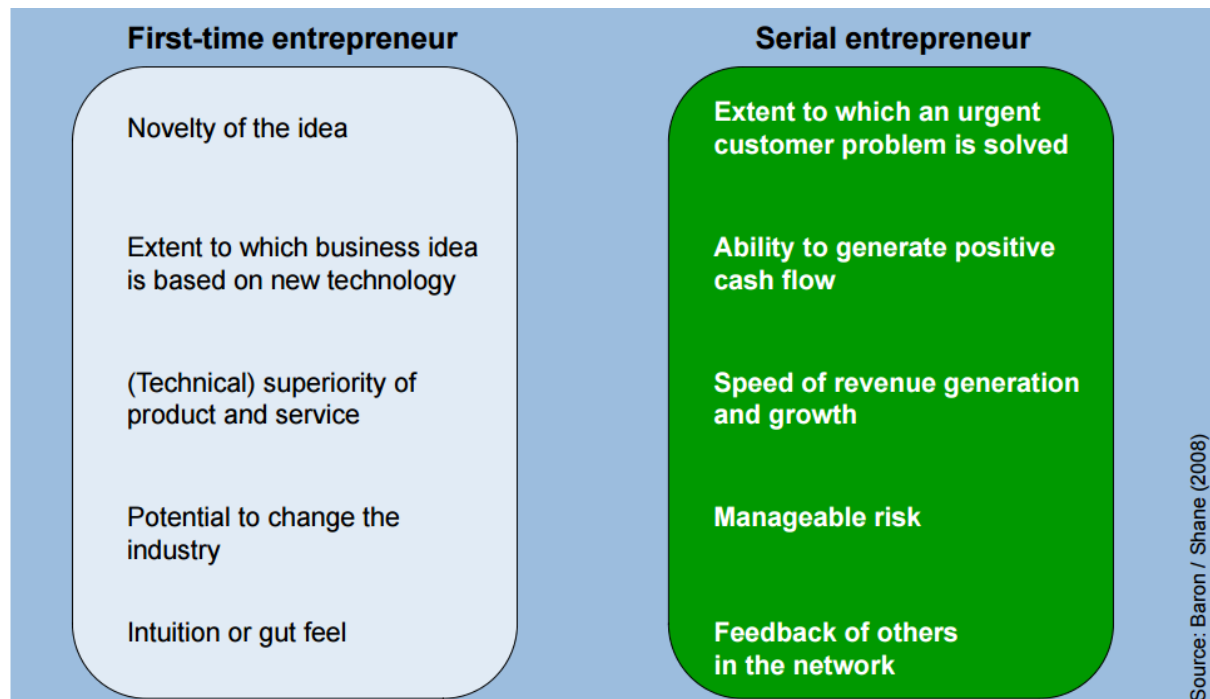


Figure 7 Evaluation Criteria for Business Opportunities

Source: PMBA 2014 – Business Core - Entrepreneurship & Innovation – Prof. Christian Lüthje

Professor Christian Lüthje recommends considering potential new business opportunity from ten perspectives which are: Value proposition; Customer quality and customer relationship; Market attractiveness; Intellectual property protection; Key partners; Revenue streams; Cost structure; Team; Financing, risk-return ratio and exit options;

To consider these perspectives is also very useful when deciding on starting your own business.

Value proposition

Is the value proposition closely linked with important and unsatisfied customer need?

Does product offer clear added value compared to the actual market offers? Is there a willingness to pay that is high enough? Is the product compatible with trends?

Customer quality and customer relationship

Do customers have a negotiation power? Does the business depend on few powerful customers? Can the company build up strong customer relationship? Can the customers be tied to the business (e.g. by building up switching costs)? Is there a high risk to generate many unprofitable customers?

Market attractiveness

Is potential market large? Is the business in growing industry? Could market be saturated soon? Are customers already available? Are customers even paying before delivery? Is the product or service the first of a growing family? Could the key resources be used to serve other markets or customer segments? Are there severe barriers to market entry to overcome?

Competition

Are substitute products and services available? Are there barriers to imitation and market entry followers? How quickly will competition in the market intensify? How will competitors respond to the market entry of the new business? Could these reactions harm the success?

Intellectual property protection

Is it protection by patent possible? Are the patents easy to uphold the claims? Can the firm fight against patent infringement? Is the product difficult to imitate? Can the firm keep critical knowledge secret while selling the product/service?

Key partners

Are all the key resources already deployed and available in the right place at the right time? Is it possible to outsource key activities that cannot be executed in-house? Is the business too dependent on a few powerful partners? Is there a risk that partners collaborate with competition? Are potential partners willing to support the business? Is there a risk that cooperation partners will be reluctant to cooperate? Are cooperation partners bonded by existing contracts? Are the key partners already known? Is it possible to reach contracts and agreements with them?

Revenue streams

Are there diversified revenue streams? Does the business depend on one revenue stream only? Are the revenue streams sustainable? Are the revenues predictable? Does the business

generate revenues before incurring very high expenses? Are the margins high enough to ensure a high rate of return?

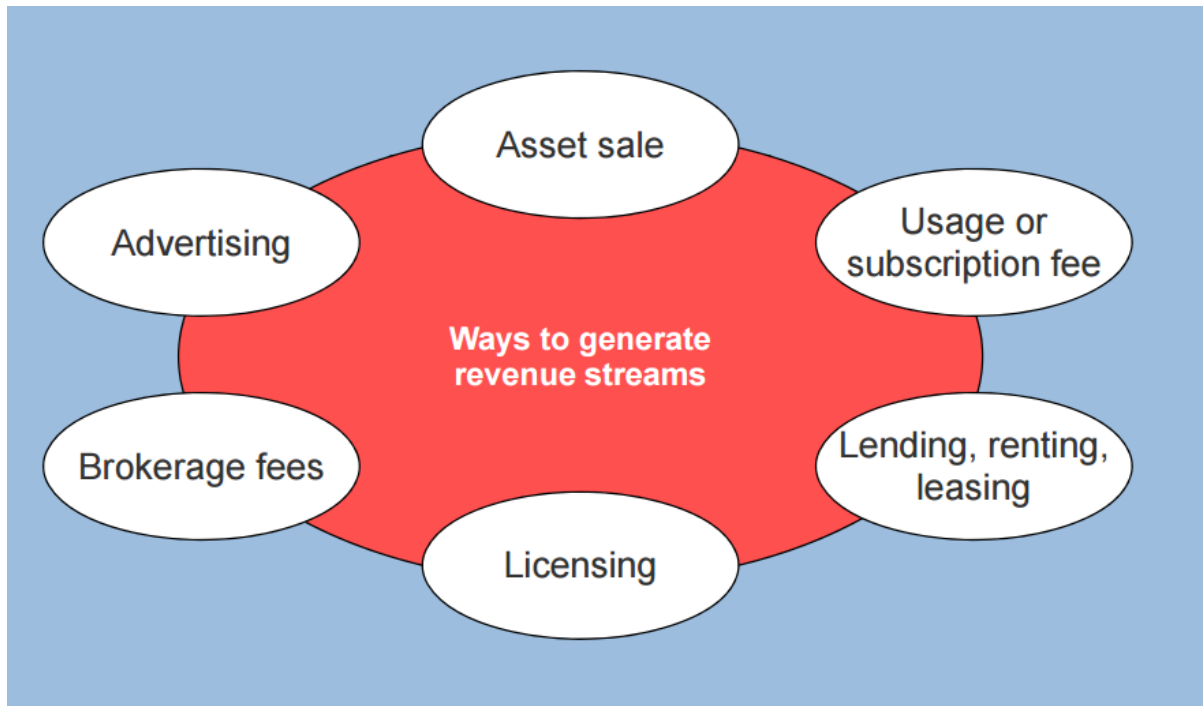


Figure 8 Ways to Generate Revenue Streams

Source: PMBA 2014 – Business Core - Entrepreneurship & Innovation – Prof. Christian Lüthje

Cost structure

Are the costs predictable? Which costs threaten to grow more quickly than the revenues they support? Are the operation and production costs efficient? Does the business use too costly resources to achieve desired results? Does the business benefit from economies of scale? What are the costs for building up customer relationships? What are the costs for developing the channels? What is the cost of selling and distribution in relation to the product or service price?

Financing, risk-return-ratio and exit options

How much capital will be needed for the development of the product or service? How much capital will be needed for setting up operations? How much capital will be needed for capital in the first years? Is there a risk for assuming too much debt leading to debt service problems? When will break even be reached? Are the expected returns at least 5 times higher than the total investment? What will be return on equity compared to other firm in the industry? Is there a high risk coming from regulations, governmental restrictions and legal requirements?

Are there very uncertain assumptions in the financial forecasts? Is there a realistic exit option within 5 or latest 7 years? Is a trade sales or another type of acquisition realistic?

When creating a team

Do the team members cover different areas of expertise and skills required to run the business? Do the team members bring different networks into the firm? What is the exit plan of the team members? Is there a consensus in the team regarding key business goals, growth orientation, main strategies, and company culture?

A lot of books recommend to entrepreneurs to prepare structurized opportunity assessment plan and business plan. Both plans are very useful for aspiring entrepreneurs and for potential business partners or investors as well, but it is important to keep in mind most often failure reasons mentioned below as well.

The most often reasons why many new ventures fail

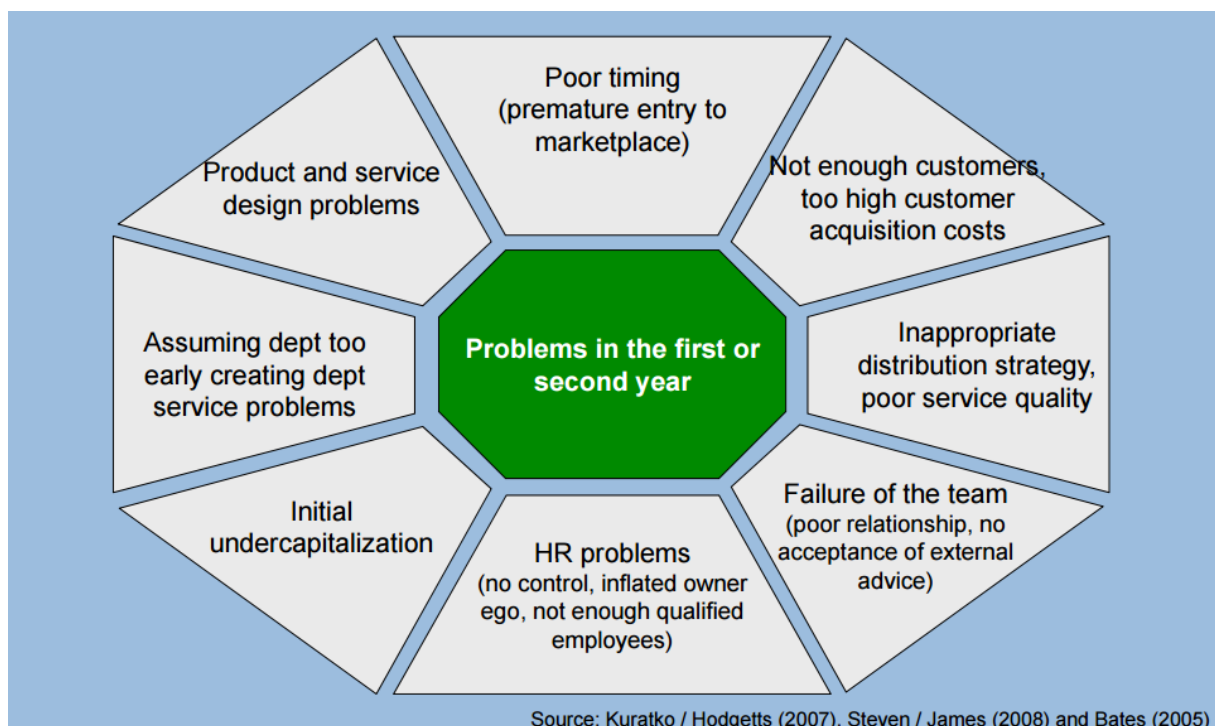


Figure 9 Why Many New Ventures Fail

Source: PMBA 2014 – Business Core - Entrepreneurship & Innovation – Prof. Christian Lütthje

2.10 Opportunity assessment plan

Goal of the opportunity assessment plan is to be a basis for making the decision to either act on an opportunity or wait until another, better opportunity arises. It is not equal to business

plan because it focuses only to opportunity, not the venture. It is shorter and mostly focuses on whether the idea has a profitable market with a need for product or service (might be the part of the business plan). Choosing a right idea is crucial for reaching the entrepreneurial success so it is recommended to prepare some kind of opportunity assessment plan for everybody who wants to start new business. In general should the plan have four sections (Robert D. Hisrich/ Michael P. Peters/ Dean A. Shepherd, Entrepreneurship, 2013, p. 121):

Section 1 (develops the product/service idea)

- *A description of the product or service.*
- *The market need of the product or service.*
- *The specific aspects of the product or service.*
- *The competitive products available fillings this need and their features.*
- *The companies in this product market space.*
- *The unique selling proposition of this product or service.*

Section 2 (focuses on the market)

- *The market need filled.*
- *The social condition underlining this market need.*
- *Any research data available to describe this market need.*
- *The size, trends, and characteristics of the market.*
- *The growth rate of the market*

Section 3 (focuses on entrepreneur and the management team)

- *Why does this opportunity excite you?*
- *How does the product/service idea fit into your background and experience?*
- *What business skills do you have?*
- *Do you know someone who has these skills?*

Section 4 (focuses on timeline and steps which needs to be done)

- *Identifying each step.*
- *Determining the sequence of activities and putting these critical steps into some sequential order.*
- *Identifying what will be accomplished in each step.*

- *Determining the time and money required at each step.*
- *Determining the total amount of time and money needed*
- *Identifying the source of this needed money.*

(Robert D. Hisrich/ Michael P. Peters/ Dean A. Shepherd, Entrepreneurship, 2013, p. 121)

2.11 Business plan

Business plan (further referred as BP) is a document which describes everything which is connected with starting a new venture – it answers the questions, where you are, where you want to be, and how you want to get there.

Before preparing the business plan it is important to define for yourself what its purpose is. The most often reasons why aspiring entrepreneurs prepare BPs are that they want to have on paper for themselves everything related to their new potential business or they want to use it as a measurement tool against which they measure their performance or they want to use it as an official document for external parties (e.g. investors, suppliers, business partners, employees, etc.).

Outcome of the interviews with entrepreneurs in Slovakia was that most of them either did not have any BP, when they started their first business or had very basic one (mostly one page plan). The true is that all of them funded their first businesses from own savings or family & friends money, so they did not need it for external purposes. Despite of that I would recommend even for entrepreneurs aspiring for lifestyle business to have at least executive summary plan (from 2 to 5 pages) which will contain the most important information about the business and its direction.

Before writing a regular BP is important to decide about selected group to which is this plan targeted (e.g. business angel, VCs, business partners, bankers, etc.). BP should be tailor made for its target group. (Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013)

2.11.1 Business plan format and content

Creating the Title Page and Table of Contents

The title page should include contact information, which means the name, address, and phone number of the company and the CEO.

Executive Summary

Many people do not have time to read whole BP so executive summary should be done as a synopsis of the BP. It should have app. from 2 to 3 pages.

Overview of the Company, Industry, Products, and Services

This section should include description of the company, its legal form and fundamental activities and nature of the business. It should be able to answer the questions: what is the businesses, who are the customers, where will the business be done.

Marketing Analysis

The marketing section of the business plan should consist of and describe:

- *Market Opportunity*
- *Competition*
- *Marketing Strategy*
- *Market Research*
- *Sales Forecasts*
- *Support Material* (e.g. industry studies, letters of support, etc.)
- *Physical Description* (includes photographs, drawings or brochures of the product)
- *Statement Regarding Use and Appeal* (should emphasize unique product features)
- *Statement Regarding Stage of Development* (description of the stage of development, e.g. prototype, quality testing, etc.)
- *Testimonials* (list of experts who are familiar with the product might be included)

(Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013)

Marketing and Sales plan

Should describe how the business will implement the marketing plan to achieve expected targets.

(Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013)

Pricing Strategy

This section should address policies related to pricing, discounting, gross margin, etc.

Advertising and Promotional Strategies

Should describe how you will communicate to the customers that you have a product or service which will satisfy their needs.

Operations

In this section should be addressed product/service development, manufacturing, maintenance and support.

Management Team

- *The management team* (description of management team, including their experience and skills).
- *Organizational chart* (should present relationships and divisions of responsibility within the organization).
- *Policy and Strategy for Employees* (selection of employees, incentives, benefits, training program, etc.).
- *Board of Directors and Advisory Board*

Financial Plan

This section should clearly formulate credible projections of the financial performance of the venture and should include:

- *Set of Assumptions* (assumptions on which the projections are based)
- *Projected Income Statements* (quarterly projection of the first years and yearly projections for the next four years)

- *Projected Cash Flow Statements* (very detailed for the first two years and yearly projections for the next three years)
- *Current Balance Sheet* (company's financial position at the beginning)
- *Other Financial Projections* (e.g. breakeven analysis)

Funds required

This section should answer the question how much money is required and when.

Exhibits

- *Census data and other population statistics*
- *Market potential*
- *Process flow (operations)*
- *Detailed financial*

(Jack M. Kaplan, Anthony C. Warren, Patterns of Entrepreneurship Management, 2013)

2.12 Summary

If the person wants to finish the transition to entrepreneur successfully, it is very important to switch mind set to the entrepreneurial type of thinking, to prepare action plan with concrete deadlines, do not underestimate preparation for transition, to have a clear vision related to the need of control over the venture, to learn techniques how to generate business ideas and evaluate them and prepare business plan (at least executive summary plan). If these areas are covered the management of the transition and related knowledge will be definitely better than management and knowledge of most of the entrepreneurs who have participated within the conducted interviews. Good preparation means less likely failure, but in practice we can see that interviewed entrepreneurs reached the success despite of all obstacles and lack of preparation, so it seems that their biggest advantage/ differentiator might be finally their extraordinary mind set, psychology and approach which have to be also taken into consideration.

3. Real life example of the transition

3.1 Profile of aspiring entrepreneur

Norbert is 35 years old manager in one of the biggest banks in Slovakia. He is mostly responsible for the distribution of banks' products via third party sales networks, which are mostly so called "brokers". Norbert earns 50 000€ yearly (gross salary), which is app. 2 700€ net per month (including yearly bonus). He has been working in banking industry for 12 years in various positions and within third party distribution for last 5 years. He has sales management skills and quite strong business network particularly in banking industry. He is married and has no children yet. He has just come to the milestone and to the conclusion, that if he does not start his own business now, he will never.

3.2 Decision to become an entrepreneur

As Norbert feels, he will do it now or never! He discussed his thoughts with his wife and shared with her all the dilemmas he had. He has her support and they have agreed that Norbert will analyze his business idea and start preparation process in detail to come to the final decision with the idea. Norbert decided with a support of his wife to keep his current job until he analyzes, prepares, evaluates and decides about this idea. Norbert has decided that his goal is to build lifestyle business for him. Robert's wife is 30 years old and they do not plan to have children in next 2 years.

3.3 Action plan

Norbert prepared for himself basic action plan which he wants to follow:

Basic action plan (prepared on July 1, year 1)	
Action	Deadline
Search for Mentor	July 31
Projection of personal (family) financial plan	July 31
Decision related to control of the company (whether he needs a partner)	August 31
Improvement of relationship with key people in social/business network (related to potential new business)	August 31
Opportunity assessment	August 31
Executive summary plan	August 31
Filing a notice at work (2 months' notice period)	August 31
Launch of the company (legally)	November 1
Regular activities	
15 minutes daily watching YouTube videos of successful entrepreneurs	
60 minutes daily reading books related to entrepreneurship	
15 minutes daily watching YouTube videos related to management of changing the mind-set (e.g. Robin Sharma, Tony Robbins, Robert Kiyosaki, etc.)	

Table 1 Action plan

3.4 Business idea

Norbert has a lot of experience related to financial intermediary services from his current job and he thinks he has found a good business opportunity in this field. Based on his observation, there is a gap on the market in providing professional intermediary services specialized purely on mortgage loans. The fact is that on the market are many companies offering financial advisory services which are able to contract individual financial agents, but almost none which does offer experts focused only on mortgages.

3.5 Personal financial projection plan

Norbert's monthly net income is 2700 €

Net income of Norbert's wife is 1000 €

Their family savings are 30 000€.

Their monthly expenditures are: 1 600€ (mortgage 500€, car leasing 300€, utilities and other expenditures related to their apartment 200€, other 600€)

If Norbert quit his job and would start his own business and his wife kept her job their monthly negative cash flow would be - 600 €.

Family financial plan

Month	1	2	3	4	5	6	7	8	9	10	11	12
Expenditures	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600	1600
Income	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
net CF result	-600	-600	-600	-600	-600	-600	-600	-600	-600	-600	-600	-600
cumulative result	-600	-1200	-1800	-2400	-3000	-3600	-4200	-4800	-5400	-6000	-6600	-7200
Savings	29400	28800	28200	27600	27000	26400	25800	25200	24600	24000	23400	22800

Table 2 Family financial plan

Based on this basic projection Norbert knows that he can invest 20 000€ from his savings if he is able to start generating positive cash flow (at least 600 €) in the 13th month of his entrepreneurial activities (he will still be able to keep on his account financial reserve of 2800€).

3.6 Basic analysis of the business idea

3.6.1 Service description

Based on the example from Czech Republic, Norbert knows that there exist many “mortgage brokers” who do not offer any other financial products and they are very successful on the market. They are experts in mortgage field and based on the revenues they reached in the last years, he has to admit, that they are very successful. He misses such successful companies in the Slovak market and sees it as an opportunity.

Individual financial agents in Slovakia are used to having contracts with big multi-level marketing companies, which have intermediary contracts with banks and insurance companies, based on which the commissions are paid. It is very costly and demanding to pursue financial advisory services as an individual financial agent, because it is industry strictly regulated by Slovak National Bank.

The most of the companies in the market try to manage individual agents and their performance, which is something what some of them really do not like. Broker (MLM) companies are even trying to push them to sell products which they do not like – such as life insurance products.

Based on the discussions with brokers Norbert knows that many of them would appreciate if there was a fair non-MLM company on the market which is just able to provide them with appropriate product support and commissions and will not try to manage them or push them to building teams.

That means Norbert has to be firstly able to attract individual brokers who want to pursue their services individually (not managers of teams or aspiring managers in MLM) and want to be purely oriented to mortgage business and secondly the service provided by these brokers must attract sufficient number of potential customers. So it is in fact primarily Business to Business service, even though the individual brokers will provide their services under the brand of Norbert's company. Last, but not least Norbert has very good name and is well known on the market so the company established and lead by him is likely to be perceived very trustful.

Norbert has defined his unique selling proposition as following:

- non-multi-level approach
- expert on mortgages (purely)
- high quality service for individual brokers

In Slovakia are not available official data related to performance of concrete companies providing financial advisory services to retail customers, but Norbert as a banker has quite good knowledge of the market and he knows that intermediary market is growing market.

3.6.2 Market analysis

Prediction of GDP growth in Slovakia

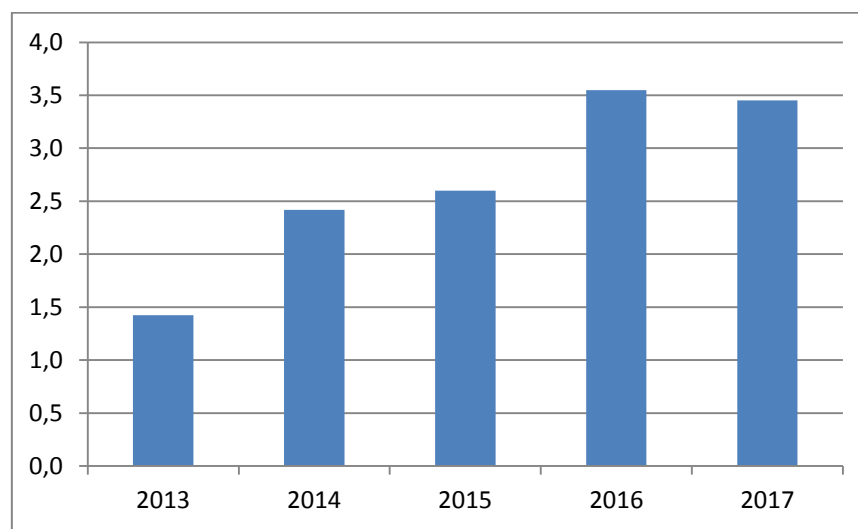


Figure 10 GDP Growth Prediction

Source: www.ako-investovat.sk

Development of mortgage loan market in Slovakia



Figure 11 Mortgage Loan Market Development

Source: www.fincentrum.com

Norbert as an expert, who has been working with mortgages for 5 years knows that the mortgage market is booming and there was increase almost 30% on year on year basis. He also knows that there was decrease of average interest rate by almost 0.9% p.a. in the last 12 months. GDP development prediction is also positive. We can see in the upper graph that

average interest rate on mortgage loans has declining trend and sold volumes are extremely high. This trend is strongly supported by ECB which has lately announced liquidity supportive programs which are supposed to help to meet the inflation targets. There are no expectations within the next one or two years which might have negative influence on mortgage funding costs or final interest rate for the clients. Debt ratio of Slovak households is also one of the lowest in the European Union, so the market is definitely not saturated or close to it. The prices of real estate properties have been quite stable lately. Trend of refinancing of mortgages from original bank is from year to year stronger which also positively influences the attractiveness of mortgage intermediary services and market growth.

Development of debt ratio of households in Slovakia

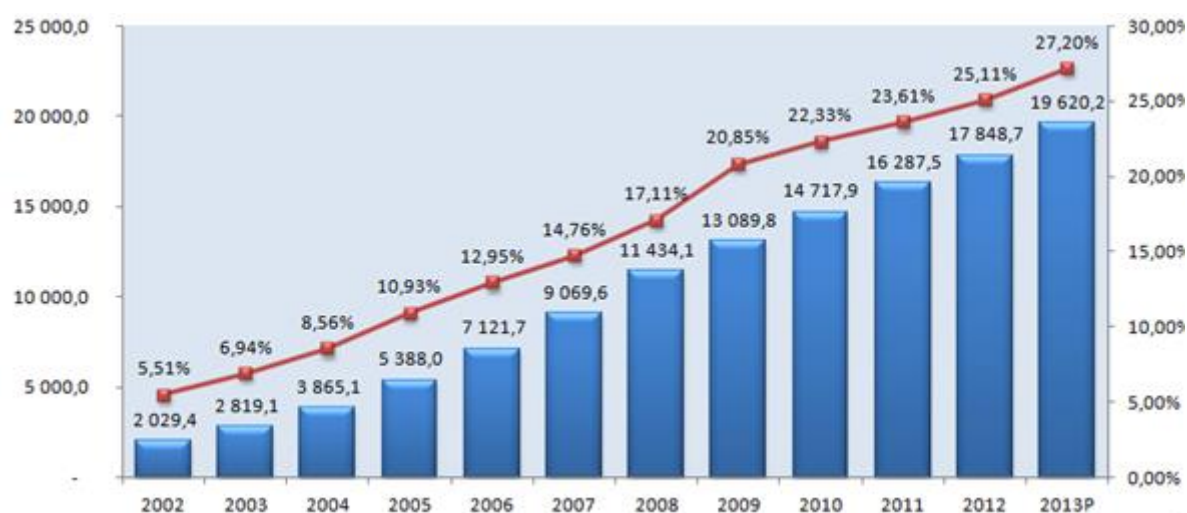


Figure 12 Debt Ratio Development

Source: www.ako-investovat.sk

Average real estate prices per square meter (Slovakia & Bratislava)

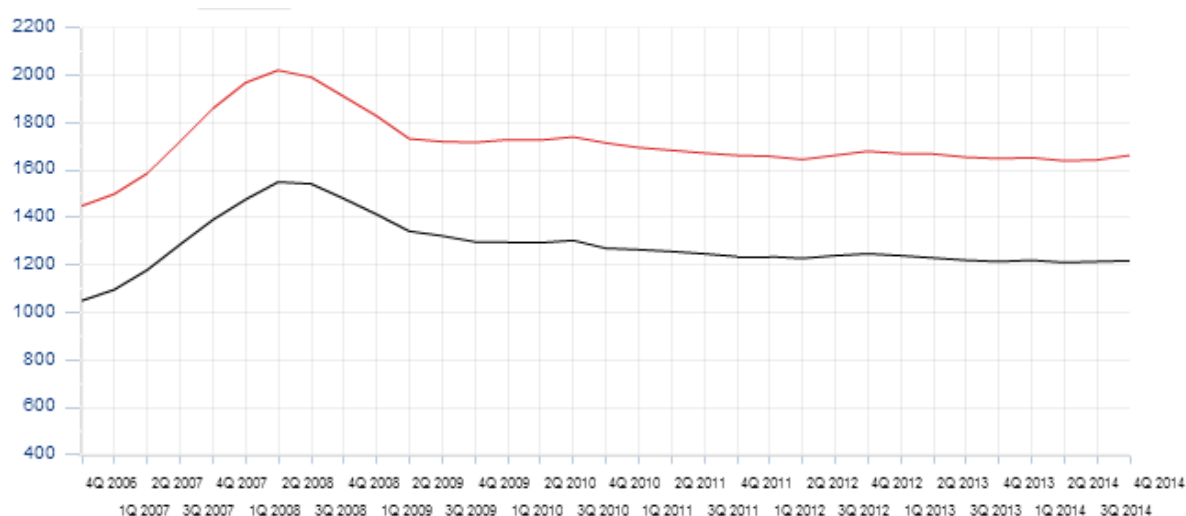


Figure 13 Development of Real Estate Prices

Source: www.hnonline.sk

— Bratislava — Slovakia

3.7 Operations

Based on his experience Norbert knows that he will need to rent representative premises for him to attract individual brokers, show reliability and create trust. He will also need to by specific software for commission calculation, evidence of brokers, information sharing, etc. He will try to outsource everything what is possible to be outsources. He will try to keep organization flat and in the beginning will try to do as much administrative work by himself as possible.

3.8 Sales plan (forecast)

Based on his experience Norbert assumes that average performance of broker within his company will be two pieces of intermediated mortgages per month with average ticket size of 70 000€.

Sales forecast

Month	1	2	3	4	5	6
Number of individual brokers	2	4	6	8	10	12
Number of sold mortgage loans	4	8	12	16	20	24
Volume of sold mortgages	280 000	560 000	840 000	1 120 000	1 400 000	1 680 000
Cumulative Sales in pcs	4	12	24	40	60	84
Average ticket size	70 000	70 000	70 000	70 000	70 000	70 000
Cumulative Sales in volume	280 000	840 000	1 680 000	2 800 000	4 200 000	5 880 000

Sales forecast

Month	7	8	9	10	11	12
Number of individual brokers	14	16	18	20	22	24
Number of sold mortgage loans	28	32	36	40	44	48
Volume of sold mortgages	1 960 000	2 240 000	2 520 000	2 800 000	3 080 000	3 360 000
Cumulative Sales in pcs	112	144	180	220	264	312
Average ticket size	70 000	70 000	70 000	70 000	70 000	70 000
Cumulative Sales in volume	7 840 000	10 080 000	12 600 000	15 400 000	18 480 000	21 840 000

Table 3 Sales forecast

3.9 Pricing strategy

The most of the MLM companies on the market pay from 65% to 75% of the commissions which they receive from the financial institutions to sales network, which means that they have to cover headquarter costs and expected profit from this margin, which is from 25% to 35%. Norbert will have only one level organizational structure and will keep his operations low cost so he may effort to pay 80% of the commission to the final seller (individual broker). He will pay one of the top commissions on the market, which should attract the best sellers from the market who do not have ambitions to become managers in MLM and prefer not to sell insurances. Norbert expects average commission contracted with the bank on the level of 1.5% from the loan amount.

3.10 Cost calculation

Cost forecast (cash outflow)

Month	1	2	3	4	5
Software	5 000	100	100	100	100
Rent of premises	500	500	500	500	500
Marketing costs	500	500	500	500	500
Hardware	1 000	0	0	0	0
Other services (accounting, cleaning, etc.)	200	200	200	200	200
Lawyer	1 000	100	100	100	100
Total	8 200	1 400	1 400	1 400	1 400

Cost forecast (cash outflow)

Month	6	7	8	9	10	11	12
Software	100	100	100	100	100	100	100
Rent of premises	500	500	500	500	500	500	500
Marketing costs	500	500	500	500	500	500	500
Hardware	0	0	0	0	0	0	0
Other services (accounting, phone, fuel, etc.)	200	200	200	200	200	200	200
Lawyer	100	100	100	100	100	100	100
Total	1 400	1 400	1 400	1 400	1 400	1 400	1 400

Table 4 Cost forecast

Norbert is expecting total expenditures in the year one in the amount of 23 600€, which seems promising, because even if he is not able to generate anything in revenues, he is able to cover these costs from his savings (22 800€).

3.11 Break even calculation

Break even calculation

Month	1	2	3	4	5	6
Cash outflows	8 200	1 400	1 400	1 400	1 400	1 400
Sales	280 000	560 000	840 000	1 120 000	1 400 000	1 680 000
Commissions	4 200	8 400	12 600	16 800	21 000	25 200
Margin (20% of commissions)	840	1 680	2 520	3 360	4 200	5 040
Total	-7 360	280	1 120	1 960	2 800	3 640

Break even calculation

Month	7	8	9	10	11	12
Cash outflows	1 400	1 400	1 400	1 400	1 400	1 400
Sales	1 960 000	2 240 000	2 520 000	2 800 000	3 080 000	3 360 000
Commissions	29 400	33 600	37 800	42 000	46 200	50 400
Margin (20% of commissions)	5 880	6 720	7 560	8 400	9 240	10 080
Total	4 480	5 320	6 160	7 000	7 840	8 680

Table 5 Break even calculation

3.12 Summary

Based on the forecast and assumptions, which were basis of this calculation seems that Norbert's business plan is positive. He does not feel need to prepare full scope business plan because he plans to use it just for himself and does not expect showing it to potential external stakeholders. Based on this simplified analysis he decides to proceed with his transition to entrepreneur and keeps following the original action plan. He decided for establishing limited liability company due to the tax benefits and due to low initial expenditures. For now he decides not to involve any business partner or investor.

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Appendix: Questionnaire/Interviews

Survey - Entrepreneur

Name: Ned

Businesses (lifestyle/growth): lifestyle

Number of Employees: 50

Education: secondary

Foreign Languages: English

Previous Employers: croupier in Casino

Motivation to start own business: freedom

Age (when you started your first business)/Current Age: 24/42

Did you have a structurized business plan when starting your business? no

Planning horizon (before and now): 3-5

Transition preparation: No

Transition & financial issues (source of capital): personal savings

Diverse social network (when starting your first business): yes

Family support (when starting your first business): mental support

Regular self – education: yes

How did you come to your business ideas: hobbies

Role model & support system (mentor, advisory board, etc.): partially

Family background (entrepreneurs or employees?) & family financial background:
employees/basic

Life philosophy/self-motivation/personal development/spiritual development: reciprocity

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: self-confident

Visions & visualizations (law of attraction): yes

Regular sport activities: no

Why you are a successful entrepreneur but your employees (managers) are not?

Honesty, perseverance, creation of team and systematic approach

The most of your friends are employees or entrepreneurs? 30% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? Both

Survey - Entrepreneur

Name: Andrew

Businesses (lifestyle/growth): growth

Number of Employees: 40

Education: university

Foreign Languages: English, German

Previous Employers: advertising agency, producer of electronics

Motivation to start own business: self-fulfillment

Age (when you started your first business)/Current Age: 28/34

Did you have a structurized business plan when starting your business? yes

Planning horizon (before and now): 1 year

Transition preparation: yes (within his last employment)

Transition & financial issues (source of capital): savings & business angel

Diverse social network (when starting your first business): yes

Family support (when starting your first business): no

Regular self – education: yes

How did you come to your business ideas: observations

Role model & support system (mentor, advisory board, etc.): yes

Family background (entrepreneurs or employees?) & family financial background:
employees/very good

Life philosophy/self-motivation/personal development/spiritual development: nothing special

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: nothing special

Visions & visualizations (law of attraction): yes

Regular sport activities: yes

Why you are a successful entrepreneur but your employees (managers) are not?

excellent communication skills, excellent memory, strong goal orientation, perseverance, systematic approach.

The most of your friends are employees or entrepreneurs? 30% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey - Entrepreneur

Name: Richard

Businesses (lifestyle/growth): growth

Number of Employees: 150

Education: university

Foreign Languages: English

Previous Employers: N/A

Motivation to start own business: he does not want to work for money – he wants money to work for him

Age (when you started your first business)/Current Age: 22/36

Did you have a structurized business plan when starting your business? very basic “one page” business plan

Planning horizon (before and now): 1-2 years

Transition preparation: yes

Transition & financial issues (source of capital): personal savings/mentor

Diverse social network (when starting your first business): yes

Family support (when starting your first business): mental support

Regular self – education: no

How did you come to your business ideas: observations or aspiring entrepreneurs who approach him as a business angel

Role model & support system (mentor, advisory board, etc.): yes

Family background (entrepreneurs or employees?) & family financial background: employees/very good

Life philosophy/self-motivation/personal development/spiritual development: nothing special

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: tries to keep his family expenditures on low level

Visions & visualizations (law of attraction): yes

Regular sport activities: yes

Why you are a successful entrepreneur but your employees (managers) are not?

communication skills, team creation skills, creativity, effectiveness, risk perception

The most of your friends are employees or entrepreneurs? 40% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey - Entrepreneur

Name: Ronaldo

Businesses (lifestyle/growth): growth

Number of Employees: 80

Education: secondary

Foreign Languages: English, German

Previous Employers: FMCG – claims department (for 6 months)

Motivation to start own business: money and passion for gastronomy

Age (when you started your first business)/Current Age: 16/36

Did you have a structurized business plan when starting your business? yes

Planning horizon (before and now): 2-3 years

Transition preparation: yes (franchise)

Transition & financial issues (source of capital): personal savings, friends and family money, bank loan

Diverse social network (when starting your first business): yes

Family support (when starting your first business): yes

Regular self – education: yes – social networks

How did you come to your business ideas: friends

Role model & support system (mentor, advisory board, etc.): yes

Family background (entrepreneurs or employees?) & family financial background:

employee, entrepreneur/very good

Life philosophy/self-motivation/personal development/spiritual development: nothing special

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: no

Visions & visualizations (law of attraction): yes

Regular sport activities: yes

Why you are a successful entrepreneur but your employees (managers) are not?

communication skills, perseverance, fair approach towards others, risk perception

The most of your friends are employees or entrepreneurs? 50% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey - Entrepreneur

Name: John

Businesses (lifestyle/growth): lifestyle

Number of Employees: 15

Education: university

Foreign Languages: German

Previous Employers: Construction company

Motivation to start own business: dissatisfaction with previous employment

Age (when you started your first business)/Current Age: 38/63

Did you have a structurized business plan when starting your business? no

Planning horizon (before and now): 1 year

Transition preparation: no

Transition & financial issues (source of capital): personal savings, family money, bank loan

Diverse social network (when starting your first business): no

Family support (when starting your first business): yes

Regular self – education: no

How did you come to your business ideas: friends, hobbies

Role model & support system (mentor, advisory board, etc.): no

Family background (entrepreneurs or employees?) & family financial background:
employee, entrepreneur/good

Life philosophy/self-motivation/personal development/spiritual development: common sense believer, hard work

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: no

Visions & visualizations (law of attraction): yes

Regular sport activities: no

Why you are a successful entrepreneur but your employees (managers) are not? positive thinker, 100% focus on solution, perseverance, self-confidence, risk perception

The most of your friends are employees or entrepreneurs? 50% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? no

Survey - Entrepreneur

Name: Tulus

Businesses (lifestyle/growth): lifestyle

Number of Employees: 50

Education: university

Foreign Languages: German, English

Previous Employers: N/A

Motivation to start own business: he wanted to try it

Age (when you started your first business)/Current Age: 23/36

Did you have a structurized business plan when starting your business? only basic one

Planning horizon (before and now): 1 year

Transition preparation: no

Transition & financial issues (source of capital): personal savings, family & friends money, bank loan

Diverse social network (when starting your first business): yes

Family support (when starting your first business): yes

Regular self – education: yes

How did you come to your business ideas: friends, observations, aspirational entrepreneurs

Role model & support system (mentor, advisory board, etc.): partially

Family background (entrepreneurs or employees?) & family financial background:
employees/very good

Life philosophy/self-motivation/personal development/spiritual development: he believes in karma

Do you lead your own life or do you rely on others (reactive approach): off and on basis

Uncertainty & Fear management: no

Visions & visualizations (law of attraction): yes

Regular sport activities: yes

Why you are a successful entrepreneur but your employees (managers) are not?

communication skills, interpersonal skills, analytical thinking, team creation skills, people management, sales skills, risk perception, self-confidence

The most of your friends are employees or entrepreneurs? 50% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey - Entrepreneur

Name: Jokus

Businesses (lifestyle/growth): lifestyle/growth

Number of Employees: 10

Education: university

Foreign Languages: English

Previous Employers: advertising, construction company

Motivation to start own business: limited income as employee

Age (when you started your first business)/Current Age: 30/37

Did you have a structurized business plan when starting your business? only basic one

Planning horizon (before and now): 3 years

Transition preparation: no

Transition & financial issues (source of capital): personal savings, equity partner

Diverse social network (when starting your first business): yes

Family support (when starting your first business): no

Regular self – education: yes

How did you come to your business ideas: observations, friends

Role model & support system (mentor, advisory board, etc.): no

Family background (entrepreneurs or employees?) & family financial background:
employee, entrepreneur/solid

Life philosophy/self-motivation/personal development/spiritual development:
motivational videos and books

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: eventual acceptance of worst case scenario

Visions & visualizations (law of attraction): yes

Regular sport activities: yes

Why you are a successful entrepreneur but your employees (managers) are not?

communication skills, relationship management, risk perception, sales skills, perseverance, systematic approach

The most of your friends are employees or entrepreneurs? 30% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey - Entrepreneur

Name: Phil

Businesses (lifestyle/growth): growth

Number of Employees: 11

Education: university

Foreign Languages: English

Previous Employers: banking

Motivation to start own business: personal freedom

Age (when you started your first business)/Current Age: 30/35

Did you have a structurized business plan when starting your business? only basic one

Planning horizon (before and now): 3 years

Transition preparation: 6 months within his employment

Transition & financial issues (source of capital): personal savings

Diverse social network (when starting your first business): yes

Family support (when starting your first business): mental support

Regular self – education: off and on basis (social networks)

How did you come to your business ideas: observations, friends

Role model & support system (mentor, advisory board, etc.): partially

Family background (entrepreneurs or employees?) & family financial background:
employee, entrepreneur/solid

Life philosophy/self-motivation/personal development/spiritual development:
motivational videos and books

Do you lead your own life or do you rely on others (reactive approach): yes

Uncertainty & Fear management: no

Visions & visualizations (law of attraction): yes

Regular sport activities: yes

Why you are a successful entrepreneur but your employees (managers) are not?

communication skills, risk perception, perseverance, interpersonal skills, knowledge to evaluate things correctly

The most of your friends are employees or entrepreneurs? 70% of his acquaintances and friends are entrepreneurs

Specialist or “Jack of all trades”? partially

Survey – Employee (Manager)

Name: Michal

Position: Manager - finance

Employer: international company – automotive industry

Number of subordinates: 18

Education: university

Foreign Languages: English

Previous Employers: big international companies

Planning horizon: 1-3 years

Age: 35

Regular self – education: off and on basis

Diverse social network: no

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
employees/good

Life philosophy/self-motivation/personal development/spiritual development: internal
energy management, work life balance

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: emergency savings

Visions & visualizations (law of attraction) yes

Regular sport activities: yes

Why are you not an entrepreneur? Have you ever thought about it? Never thought of it.
Not suitable for him.

Why you are a successful Manager? communication skills, hard work, interpersonal skills, people management, structurized approach, goal orientation, flexibility, socializing skills, perseverance

The most of your friends are employees or entrepreneurs? 10% are entrepreneurs

Specialist or “Jack of all trades”? No

Survey – Employee (Manager)

Name: Pavol

Position: Head of Marketing

Employer: Bank

Number of subordinates: 50

Education: university, MBA

Foreign Languages: English, German

Previous Employers: public sector, banking, advisory services

Planning horizon: 3 years

Age: 34

Regular self – education: yes

Diverse social network: yes

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
entrepreneurs/good

Life philosophy/self-motivation/personal development/spiritual development: work life integration, personal values and principals

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: Steve Covey principals of balance

Visions & visualizations (law of attraction) yes

Regular sport activities: yes

Why are you not an entrepreneur? Have you ever thought about it? He sees employment as more beneficial

Why you are a successful Manager? self-awareness, self-education, luck, ability to build a good team

The most of your friends are employees or entrepreneurs? 60% are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey – Employee (Manager)

Name: Felix

Position: Head of on-line Marketing

Employer: international software company

Number of subordinates: 15

Education: university

Foreign Languages: English, German

Previous Employers: banking, on-line marketing

Planning horizon: 3 years

Age: 34

Regular self – education: yes

Diverse social network: yes

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
entrepreneur, employee/very good

Life philosophy/self-motivation/personal development/spiritual development: work life
balance, building useful rituals

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: positive thinking, permanent improvement of his skills

Visions & visualizations (law of attraction) yes

Regular sport activities: yes

Why are you not an entrepreneur? Have you ever thought about it? He sees employment as more beneficial

Why you are a successful Manager? self-education, luck, interpersonal skills, perseverance, systematic approach

The most of your friends are employees or entrepreneurs? 10% are entrepreneurs

Specialist or “Jack of all trades”? partially

Survey – Employee (Manager)

Name: Sedrik

Position: Director

Employer: international advisory company

Number of subordinates: 15

Education: university

Foreign Languages: English

Previous Employers: no

Planning horizon: 1-2 years

Age: 36

Regular self – education: yes

Diverse social network: no

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
entrepreneur, employee/good

Life philosophy/self-motivation/personal development/spiritual development: no

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: no

Visions & visualizations (law of attraction) yes

Regular sport activities: no

Why are you not an entrepreneur? Have you ever thought about it? He is risk averse.

Why you are a successful Manager? professional know-how, interpersonal skills, hard work, open mind, ability to increase engagement

The most of your friends are employees or entrepreneurs? 10% are entrepreneurs

Specialist or “Jack of all trades”? no

Survey – Employee (Manager)

Name: Tomas

Position: Head of Direct Sales

Employer: international insurance company

Number of subordinates: 7

Education: university

Foreign Languages: English, German, Hungarian

Previous Employers: banking

Planning horizon: 1 year

Age: 36

Regular self – education: no

Diverse social network: yes

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
employees/solid

Life philosophy/self-motivation/personal development/spiritual development: work life
balance, positive thinking

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: good planning and preparation

Visions & visualizations (law of attraction) yes

Regular sport activities: yes

Why are you not an entrepreneur? Have you ever thought about it? He is satisfied as an employee.

Why you are a successful Manager? fair approach, good communication skills, analytical thinking, ownership approach, structured thinking

The most of your friends are employees or entrepreneurs? 40% are entrepreneurs

Specialist or “Jack of all trades”? partially

Survey – Employee (Manager)

Name: Bruno

Position: Head of Sales (Board Member)

Employer: software company

Number of subordinates: 3

Education: university

Foreign Languages: English, Russian

Previous Employers: banking, airlines

Planning horizon: 5 year

Age: 36

Regular self – education: yes

Diverse social network: yes

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
employees/very good

Life philosophy/self-motivation/personal development/spiritual development: work life
balance

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: emergency financial reserves and uniqueness of his
knowledge

Visions & visualizations (law of attraction) yes

Regular sport activities: no

Why are you not an entrepreneur? Have you ever thought about it? He was an entrepreneur and hopes for partner position within the software company.

Why you are a successful Manager? good communication skills, interpersonal skills, sales skills, good social network, empathy

The most of your friends are employees or entrepreneurs? 50% are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey – Employee (Manager)

Name: Robin

Position: Manager - Sales

Employer: Bank

Number of subordinates: 120

Education: university

Foreign Languages: English

Previous Employers: banking

Planning horizon: 2 year

Age: 36

Regular self – education: yes

Diverse social network: yes

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
employees/ good

Life philosophy/self-motivation/personal development/spiritual development: positive
thinking

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: emergency financial

Visions & visualizations (law of attraction) yes

Regular sport activities: yes

Why are you not an entrepreneur? Have you ever thought about it? He would like to be an entrepreneur.

Why you are a successful Manager? good communication skills, interpersonal skills, self-education, people management, goal orientation

The most of your friends are employees or entrepreneurs? 10% are entrepreneurs

Specialist or “Jack of all trades”? yes

Survey – Employee (Manager)

Name: Susan

Position: Head of Product Management

Employer: Telecom industry

Number of subordinates: 25

Education: university

Foreign Languages: English

Previous Employers: banking

Planning horizon: 2 year

Age: 33

Regular self – education: yes

Diverse social network: no

Role model & support system (mentor, advisory board, etc.) yes

Family background (entrepreneurs or employees?) & family financial background:
employees/ basic

Life philosophy/self-motivation/personal development/spiritual development: positive thinking, following of inner values

Do you feel responsible for your own life or do you rely on others/state as well: yes

Uncertainty & Fear management: good preparation, emergency financial reserves

Visions & visualizations (law of attraction) yes

Regular sport activities: no

Why are you not an entrepreneur? Have you ever thought about it? She does not want to become an entrepreneur.

Why you are a successful Manager? fair approach, luck, solution oriented, will to move forward

The most of your friends are employees or entrepreneurs? 10% are entrepreneurs

Specialist or “Jack of all trades”? yes