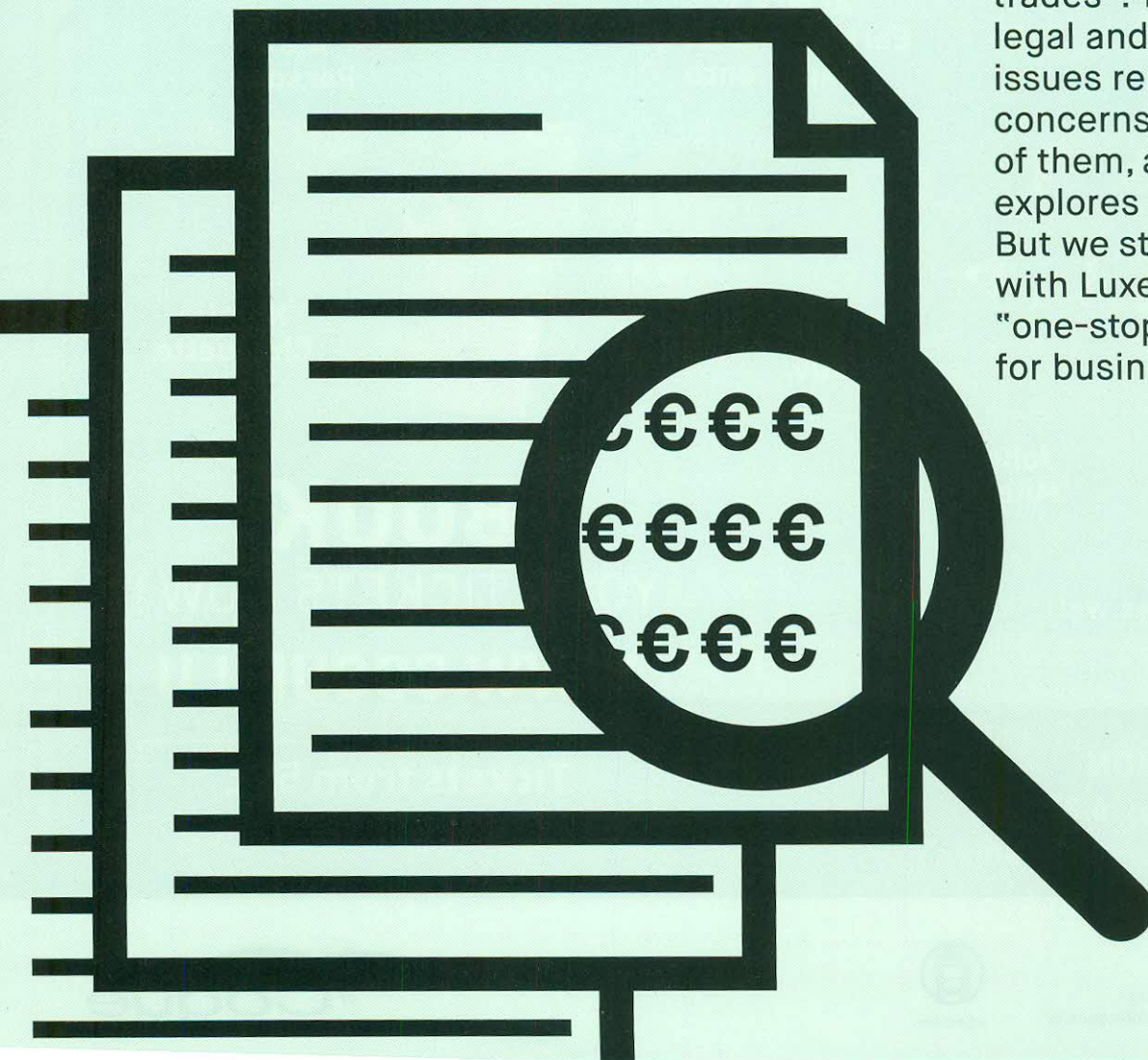


Building a business

Any company founder will tell you they need to be a “jack of all trades”. Yet finance, legal and management issues remain top-line concerns for all of them, as *Delano* explores in this section. But we start by checking with Luxembourg’s “one-stop shop” for business owners.



1. Simplification for startups

For the next edition of Entrepreneurs Days on 9 October, the House of Entrepreneurship will welcome Zev Siegl, one of three Starbucks co-founders, as its keynote speaker. Today, Starbucks boasts some 30,000 stores in 78 countries—not to mention \$25bn in revenue. And it all began as a humble startup.

This edition is bound to be a success, if the figures for 2018 hold up: according to the House of Entrepreneurship, last year's Entrepreneurs Days welcomed over 1,030 attendees—well over their initial target of 600.

But events are just one of the services provided by the House of Entrepreneurship. As its entrepreneurship director, Tom Baumert, explained, the mission and skill set of the 30-odd staff members (some 36 if factoring in Nyuko) are quite broad but aim to be a one-stop shop for entrepreneurship, consolidating a number of stakeholders in business creation.



Tom Baumert
Entrepreneurship director
House of Entrepreneurship

“We had a big company that was here for two days and got appointments, one after the other,” Baumert says, describing one case. The company was able to meet with the Adem jobs agency, Luxinnovation promotion group and others all in the same short timeframe. “They basically got an overview on Luxembourg and in touch with the most important ministries for them, on the same day and same place... that’s something that didn’t exist before.” Of course, most passing through their doors aren’t such large companies: Baumert states that some 99% of them are SMEs, about half of which are in the process of creation. And, while the House of Entrepreneurship doesn’t provide legal advice or create business plans (see next article), it has touchpoints with local partners and incubators, enabling it to serve as a facilitator. “We can bring them together with the right ministries, administrations, semi-public institutions,” Baumert says.

Startup nation

Baumert points out that the term “startup” is not always one which is agreed upon. “I think there’s a problem of understanding, because [some] thought of a startup as a new company, others are talking about startups, as in a startup nation. These are the ones that are more thinking about the unicorns—the Amazons and Facebooks of the world,” he says.

“I would say there are 300 startups in Luxembourg maximum. All the other ones, and we have 4,500 business creations, are traditional businesses.” While traditional businesses can normally approach a bank with a tight business plan and ask for a line of credit, innovative startups are looking for angel investors or venture capital, getting on the stock market, even planning a quick exit strategy and, as Baumert explains, it’s the former types of businesses which are more of their main customers.

While Baumert says he is pleased with what the team is able to offer, they are continuously trying to improve. “One part which is evolving is the viability centre (centre de prévention), helping companies that [are having difficulties]. That’s something we are trying to develop over the course of the year.”

Baumert also cites the Go Digital initiative as a success. Part of their challenge is general awareness-raising among traditional businesses—say, restaurants—in how they can embrace digitalisation, whether through the use of social media, customer

relationship or sales management systems or other digital tools. Baumert says their initiative is “very hands-on, with over 7,000 people in our workshops,” adding: “There’s a voucher system behind it with the ministry of the economy to get funding to digitalise the company, and this is really important for us because as a chamber of commerce we are talking about the third industrial revolution, and so on.” Once again, here the House of Entrepreneurship can point companies to the voucher system, but the implementation lies elsewhere. “We help them know the system and get into it and get basic information about digitalisation, but when it comes to the point really of an implementation phase, there are private actors that can do it better than we do and are specialised to do so.” ×

↳ www.entrepreneursdays.lu

WORDS Natalie A. Gerhardstein

2. Making your case

Some companies need cash to get off the ground; others need external funds to grow and thrive. Either way convincing investors can be a daunting prospect. *Delano* spoke with Guylaine Bouquet-Hanus at the House of Entrepreneurship to get some advice for founders seeking to secure financing.

AARON GRUNWALD What information do entrepreneurs need to include in their business plans?

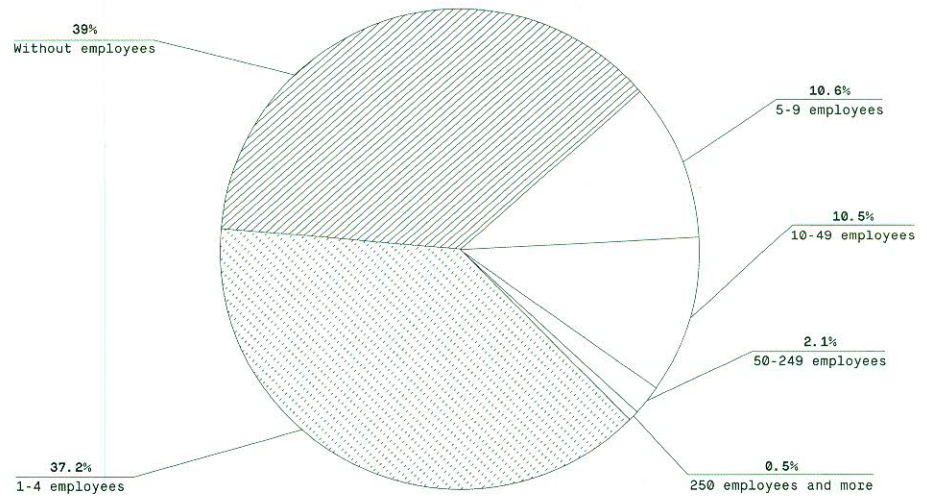
GUYLAINE BOUQUET-HANUS There is actually no right or wrong way to write a business plan as long as you (and your potential business partner) are comfortable with the format. You might prefer a traditional business plan format if you are very detail-oriented or a comprehensive business plan if you foresee requesting financing from traditional sources like a banking institution. You will have to outline your funding requirements over the next years under a specific section. It is crucial to specify whether you are seeking debt or equity funding and the terms of funding you are looking for (duration, conditions, covenants, etc.).

Giving a detailed description of how you will use your funds (e.g., buy equipment or materials, pay salaries or cover working capital needs) is also compulsory. Furthermore, you have to complete your funding request with financial projections (in general over →

“We help them know the system and get into it.”

Luxembourg companies by size, 2016

The vast majority of Luxembourg companies are SMEs. Roughly 3 out of 4 firms have less than 5 employees; 4 out of 5 have less than 10.



Source → Statistec

the next three to five years). Your goal is to provide information [to demonstrate] that your business will be growing and become a success story. If your business is already established, you can include income statements, balance sheets and cash flow statements for the last three to five years. If you are starting out, then include forecast income statements, cash flow statements and working capital



Guylaine Bouquet-Hanus
Business manager
House of Entrepreneurship

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“Clearly explain your projections.”

projections. This is a great place to use graphs, diagrams and charts to tell the financial story of your business.

Is there a big difference between securing finance for a startup versus a more established company that needs to grow?

At the beginning, the only collateral a new entrepreneur can provide for securing their financing requirements are [their] personal reputation, professional expertise and the quality of their business plan. Financing will likely come from non-traditional sources... As a business matures, however, its track record and viability become clearer and further traditional financing options can be unlocked.

What other advice do you have for entrepreneurs looking to finance their firm?

Even if you are not a “financial person”, as a business owner and leader, you must keep an eye on your expenses and learn how to thoroughly understand financial statements and budgeting. Many new businesses have failed because the entrepreneur was not able to adjust spending to avoid running out of cash. Establishing a detailed, month-by-month budget is important, and this budget must be regularly reviewed and updated. Understanding your financial statements, or getting a partner to help you get the

big picture on metrics, will also help you answer typical questions from prospective investors such as “What are the company’s three-year projections? What are the key assumptions underlying your projections? What future equity or debt financing will be necessary? What are the factors that limit faster growth? What are the key metrics that the management team focuses on?”

↳ www.houseofentrepreneurship.lu

WORDS Aaron Grunwald

3. Laying legal groundwork

When is it “too soon” for a startup to begin worrying about legal issues? “The simple answer is ‘it’s never too soon,’” according to Olivier Reisch. A partner with DLA Piper, a law firm, Reisch knows startups are focused on getting their product onto the market, and “all the finer legal details might not necessarily be the first priority. But I have seen quite a number of cases where that came back to bite the startup afterwards.” He cited the example of a small Luxembourg firm “that was heavily dependent on a hardware manufacturer in China. And instead of seeking any legal support, they just kind of winged it.” While that worked fine for a while, “at some point, there was a disagreement on certain provisions in the agreement,”

Photo → Vincent Flamion Photography