

# Knowledge capsule

## SELF-EMPLOYMENT – A WORK ALTERNATIVE

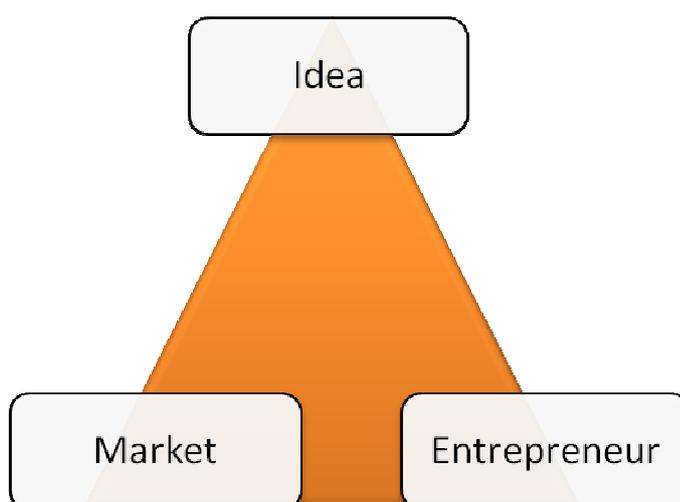
### Context

If years ago it seemed that setting up a company was a complex undertaking, things have changed a lot since. The increased educational level of the population, policies to support entrepreneurship, the appearance and subsequent development of the internet – to name some of the factors that have led to change – have awakened the entrepreneurial spirit of many people, as many barriers have disappeared or are no longer as insurmountable. Today, setting up one's own business is certainly an option when thinking of a future career.

### Creating employment ourselves – another way of finding work.

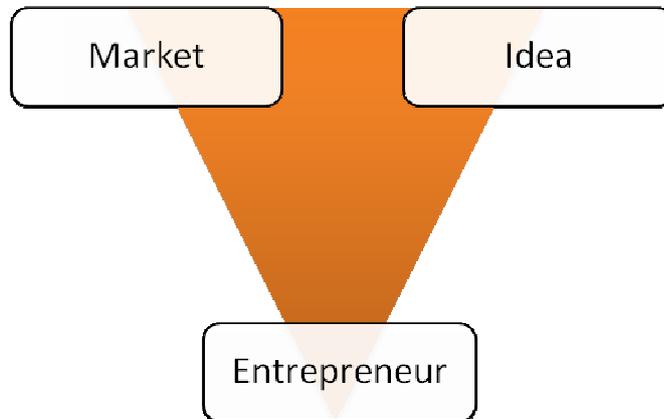
**What does starting up a business, or creating one's own work, mean?** Starting up or creating a business is a process in which one or several people come together under a legal entity to start up a business, after having worked on an idea (preferably using a business plan). The aim is to start and continue a business activity on a regular basis, and assume the rights and responsibilities related to it. Independent professionals, self-employed or freelancers are individuals but they are also part of a company.

**What factors are involved in the process of starting up a business?** There are three main aspects that underpin setting up one's own business: the business idea, the market and the entrepreneur. Traditionally, these have been represented as follows:



The equilateral triangle indicates that the three factors have the same importance; all three have to be taken into account equally in order to be successful. A more contemporary interpretation,

however - which is based on the importance of competencies and personal development - puts the entrepreneur (ie the person) at the base of the triangle.



### The entrepreneur

Determination, a commitment to personal and business success, perseverance and self-discipline to take advantage of opportunities offered by the market, taking risks, creativity, a spirit of self-improvement, adapting to change, personal autonomy... all of these are the personal attributes that an entrepreneur needs. It's what is called the "entrepreneurial spirit".

In order to implement their business plan, entrepreneurs need a set of skills and knowledge so that they can take on certain responsibilities and take decisions. That is, there is a set of key competencies that a professional needs in order to be an entrepreneur.

For an entrepreneur, the most important competencies are:

- ✓ **Initiative and creativity.** Initiative enables appropriate opportunities to be identified in order to create a business. It creates productivity and brings innovative proposals to life that can lead to business opportunities. This search for innovation also involves creativity, since it helps to generate original approaches and solutions.
- ✓ **Customer/service orientation.** This means directing one's own actions towards satisfying the express needs of the organisation's customers (internal or external).
- ✓ **Management skills.** This is the capacity to plan, organise, lead, establish coordination and control the company's activities. Management-related skills and knowledge include:
  - An integrated view of the organisation.
  - Resource and time management.
  - The ability to solve problems.
  - The ability to plan and organise.
  - Concern for order and quality.

- ✓ **Leadership.** Refers to the capacity of a professional to influence and guide members of his/her team to achieve objectives. To this end, they need to communicate and clarify objectives and responsibilities, facilitate cooperation between the different roles, and promote colleagues' personal development.
- ✓ **A development orientation:** This involves prioritising, deciding and acting at all times with a view to improving on both qualitative and quantitative results. This requires personal attributes such as a continuous desire to better oneself, competitiveness, discipline, adaptability and ability to learn.
- ✓ **Strategic orientation.** This refers to the ability to come up with long-term solutions and broad concepts in one's daily work. It enables planning, anticipating changes and acting on the basis of potential different future scenarios.
- ✓ **Team working and collaboration.** This refers to the ability to get results when the task involves participating in teams and cooperating with other workers. It requires knowing how to build relationships, handle teams and create a network of effective relationships.

There are tools for evaluating entrepreneurial potential. However, we should also note that these skills can be acquired, worked on and improved.

### The idea

The business idea may come from observing and identifying the needs of people and organisations in new niche markets, or the potential for improving existing products and services. The more usual sources for finding business ideas comes from analysing the following:

- ✓ **One's own personal characteristics and attributes:**
  - Training received.
  - Professional experience gained.
  - Network of professional and personal contacts.
  - Hobbies or skills.
- ✓ **Observing the social environment.** Due to changes in society, different variables are undergoing change, and these may give rise to new requirements. These variables include:
  - A higher educational level and greater purchasing capacity, which leads to an increase in consumption and in the variety of products and services available.
  - A new way of organising time. Saving time because of technology and because more women are going to work are two of the variables that lead to new products and services appearing.

- A greater awareness of modern society's problems means that new forms of business – such as fair trade or organic agriculture – have emerged.
  - A greater awareness of the environment, looking at alternative energies, recycling and biological products can provide the source of new products and services.
- ✓ **Observing the market:**
- Studying the market enables you to see which products and services are not currently being offered, or find ways of improving on those that are already on offer.
  - Applying new uses for existing products on the market.
  - Identifying services or products available in foreign markets but which have not yet been introduced to the local market.
- ✓ **Observing the political and legal environment:**
- The application of new regulations requires experts to implement them.
  - The government's promotion of active policies to drive specific sectors leads to new businesses appearing in these areas.
- ✓ **Observing the technological environment.** Constant technological evolution means ideas can be found in fields such as:
- Communication networks: the appearance and improvements in the speed and quality of information transmission across these networks has enabled a broader range of products and services to be offered.
  - The growth of telecommunications affects many industries, and products and services are being developed that significantly improve on existing technology.

## The market

As discussed previously, exploring the market helps to come up with business ideas, as it helps to identify needs and opportunities. In-depth analysis of the market - where you aim to launch your new product or service - also helps to identify those variables that will be key to your success in creating, growing and establishing your business. The following should therefore be taken into account:

- ✓ **Defining and understanding the characteristics of the target market.** In order to get to know a target market, it is important to get a quantitative understanding of potential customers. They can be divided into three basic groups: actual, probable and possible customers. Equally, while it is important to know who the potential target market is, it is also helpful to understand what it is like – that is, understand the characteristics of future customers and their expectations. Knowing this helps in assessing the relevance of the product or service and the extent to which it will have an impact on the potential target market.
- ✓ **Studying the competition.** It is also important to know the approximate number of competitors and their profiles. It is a mistake to think you have no competitors because even with an innovative product, there are substitution products that meet (albeit partially) the associated requirement. Therefore, it is important to study the competition so you can anticipate how they will react to a new product or service coming onto the market. At the same time, studying competitors provides useful information that can be applied to the new business (benchmarking).

- ✓ **Understanding and being able to communicate the product or service's characteristics.** Understanding your product involves understanding in detail all the intrinsic characteristics or attributes of your product or service. It is also important to know how to sift out the benefits to the target market so that these can be effectively communicated through the right channels.
- ✓ **Planning a strong commercial strategy.** Having collected the relevant information (as described previously), it is important to analyse and set sales objectives. This then forms the basis of the strategy and operations plan. There are many different types of strategy, one example being differentiation based on price, quality or innovation. Your plans will need regular monitoring to ensure they are being adhered to.

In addition to analysing these four aspects, to guarantee future businesses viability, you are strongly advised to write a business plan that covers other variables of the self-employment plan in more detail.

### Conclusions

- ✓ There are three factors involved in the process of starting up a business: the idea, the market and the entrepreneur.
- ✓ Potential entrepreneurial skills can be identified, assessed and improved.
- ✓ The entrepreneurial idea may come from a range of sources including: exploiting your own personal characteristics and attributes, and observing the social, political, legal and technological environment.
- ✓ Both the idea and the market should be analysed and developed as part of a business plan.
- ✓ Self-employment is an achievable work option.

### Key concepts

**(Independent) professional = Self-employed (entrepreneur) = Freelancer:** Individual who regularly conducts professional activities on his/her own account and who assumes the rights and responsibilities arising from these activities - including unlimited liability, payment of income tax, collecting VAT where appropriate, and paying self-employed national insurance in most cases.

**Self-employment:** Creating one's own job, working on one's own account.

**Business plan:** Tool that enables business opportunities and ideas to be analysed in an objective way, with the aim of assessing their technical, economic and financial feasibility. It is also an effective means of presenting your business project to other people.

**Key competencies:** Competencies involve a set of observable behaviours that include the knowledge, skills, attributes and values needed to do a job, such that it can be done at the right level of efficiency. That is, when talking of a competency, we mean those characteristics that are intrinsic to individuals and which are displayed through conduct, and related to a greater ability to do the job with more success. When referring to key competencies when setting up a business, we mean those skills and attributes that will facilitate business success.

**Sources of markets:** A specific segment with differentiated characteristics (perhaps quality, price, geographical area and so on) that is not currently saturated with existing products and services. For

this potential market segment to be appealing, it needs to be sufficiently large to yield a profit.

**Benchmarking:** Ongoing process used in strategic management, involving taking leading companies in the industry as a point of reference with the aim of applying, adapting and improving the organisation's strategies.

## **Bibliography**

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Mateo Campoy, Daniel. (2006). Entrepreneurial Management. Strategies and Skills for Today's Entrepreneur. Vigo: Ideaspropias

Ridderstraale, Jonas and Nordstroem, Kjell (2000). Funky Business Forever. Madrid. Pearson Educación S.A.

Saco, Raquel y Mazza, Maga (2004) Learning to Create a Micro Company. Barcelona: Editorial Paidós.

## **Webography**

### **BarcelonaNetactiva**

[www.barcelonanetactiva.com](http://www.barcelonanetactiva.com)

### **Entrepreneurs**

[www.emprendedores.es](http://www.emprendedores.es)

### **SME Portal (Department of Industry, Trade and Tourism)**

[www.ipyme.org](http://www.ipyme.org)

### **ACC1Ó Innovation and Development Centre (CIDEM)**

[www.cidem.com](http://www.cidem.com)

## **Webography for the Barcelona Activa - Human Capital website**

We offer a number of options within the Human Capital website to provide you with more information on self-employment and the factors involved:

**About ENTREPRENEURS:**

- Person > Key Competencies > **Career Audit Capsule I: Self-awareness**
- Person > Key Competencies > Key Competencies Application

**About the MARKET**

- Market > Economic Sectors > Sector Reports
- Person > Definition of Career Plan > Career Audit > **Career Audit Capsule II: Jobs market**

**About IDEAS**

- Person > Professional Interests > **Applying Business Ideas**