Strong prospects and greater freedom

For new entrepreneurs, entering into self-employment is synonymous with independence – with the freedom of being your own boss and of turning your business ideas into a reality. Founders of new start-ups strive particularly hard for success. And according to the 2014 Global Entrepreneurship Monitor (GEM) Country Report for Germany, their prospects here are especially strong. When it comes to offering favourable conditions for start-ups, Germany ranks above average in an international comparison. One reason is public funding. Other strengths associated with Germany include intellectual property rights and the availability of competent advisers nationwide.

Start-ups rejuvenate the German Mittelstand

Start-ups also play an important role in the overall economy, serving to rejuvenate the German SME sector. These start-ups bring new ideas onto the market and encourage established companies to stay innovative.

The large number of small and medium-sized enterprises means

Jobs: Each and every entrepreneur creates at least one new job, even if it is only their own.

Competition and structural change: New companies offer new products and procedures which serve to challenge existing companies and drive competition.

Innovation: Many entrepreneurs turn innovative ideas into reality. These ideas are crucial for fostering progress, growth, and competition.

Freedom and stability: Companies play a role in strengthening our democracy and our social fabric. This means that economic responsibility is spread across many shoulders.

Social importance: Start-up statistics show just how important these companies are to the economy. Start-ups account for

- 99.6 % of all companies offering products and services subject to VAT
- 59.2 % of all jobs subject to social security contributions
- 82.2 % of all training places
- 55.5 % of net value-added of all companies (value of all goods produced and services rendered).

(Source: JIM Bonn 2015)
Ten steps towards creating a start-up

Creating a start-up requires thorough preparation. Setting about this task can often feel like an uphill struggle. But break up this task into more manageable chunks and it soon becomes much easier to surmount.

1. Self-employment: Good idea / bad idea?

When they finally come to launch their own business, most entrepreneurs fulfil a dream – the dream of being their own boss, of realising their own ideas, and of experiencing success of their own. But success does not come by itself. It must be generated through the hard work and commitment of the entrepreneur. Even then, there is no guarantee.

Next step: If you are considering the option of becoming an entrepreneur, you first need to stop and ask yourself: am I the right kind of person to set up and manage a business? Try to find out what a typical day in the life of an entrepreneur might look like. Speak to others who are self-employed. Read interviews with persons who have set themselves up in business or even biographies. And importantly, speak to your family about the idea of self-employment. After all, you will need their support.

Your challenge: Becoming self-employed is not for everybody. If it were, everyone would be self-employed! Try to be honest with yourself when weighing up the pros and cons.

Further information:
The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See www.existenzgruender.de
You the entrepreneur

2. Testing things out: Will my idea actually work?

What is it that you actually want to do? Building up a career as an entrepreneur always starts with a good business idea.

Next step: Find out whether there will be enough clients for your business idea. Who will your clients be? Try to pinpoint what your future clients will expect from you. Will you be able to fulfil all of their expectations or do you need to adjust and improve your idea? Try to research who your competitors will be. Which companies already offer a similar product or service? Most importantly: what makes your product or service different to those offered by your competitors? Remember: you don’t always have to reinvent the wheel. Try to find out whether it might be possible to “sell” a similar idea by setting up a franchise. Or you might be able to take over an existing company because the owner is finishing and is looking for someone to carry on the business.

Your challenge: It’s the market that decides whether your idea is good, not you!

3. Before launching your business: Gathering information and advice

The more you know, the better the chance that your start-up will work. You will find a whole range of different experts who can tell you all you need to know about starting up a business.

Next step: In your first advisory meeting, try to establish the following:
- Does your business idea have the potential to take off?
- Have you correctly assessed the market?
- Are your financial considerations realistic?
- Is self-employment a “sensible” risk for you?
- Do you possess sufficient knowledge – specialist and otherwise?

Your challenge: Remember: When a start-up fails, it is often due to a lack of information.

Further information:
The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See www.existenzgruender.de
You the entrepreneur

Start-ups and liquidations
1,000s

<table>
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<tr>
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<th>Liquidations</th>
<th>Balance</th>
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<td>2014</td>
<td>348</td>
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</tr>
</tbody>
</table>

Source: IfM Bonn 2015
4  Business planning

Now that you have decided to realise your business idea, make sure nothing is left to chance. You now need to turn your business idea into a detailed plan. Your financial backers will want to see this plan as well.

**Next step:** Put your business plan down on paper. This will enable you to order your thoughts and gain greater security. First try to establish what specialist knowledge and business knowledge you possess. Is this sufficient? In what areas do you need to expand your knowledge? Next try to describe the product or service that you plan to offer. Draft a detailed description of your future clients and competitors. If applicable, provide details of personnel planning. Work out how much you want to charge for your product or service. Decide what legal form your company is to have, which distributors you will use, and how you are going to advertise your product or service, and communicate with your clients. Key task: Do the sums to see whether your business will work in practice and whether it will be profitable. Try to estimate as precisely as possible whether your prospective turnover will cover all operational and private costs and whether you will make a profit.

**Your challenge:** Your business plan needs to take into account all of the factors that may be crucial to the success of your business.

1  Further information:

The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See

www.existenzgruender.de

Planning your start-up

5  Calculating how much start-up capital you will need

Most start-ups cost money before they make money – money for office equipment, materials, warehouse space, rent, building conversions etc.

**Next step:** Work out how much capital you will need to launch your business. Remember that it might take several months for your business to get off the ground and that you will need sufficient funds to cover this period. How much will you need to cover running costs during this period? Don’t forget to factor in your living costs as well.

**Your challenge:** Make sure that you don’t budget too tightly. It is always useful to have a financial buffer for any unexpected costs.

1  Further information:

The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See

www.existenzgruender.de

Financing

6  Raising start-up capital

Now look at how much money you have available to you.

**Next step:** If this is not enough, think about who might be able to lend you money on a private basis. You might be able to find someone willing to buy a stake in your business. Ask banks about their lending conditions. And don’t forget that the federal and Länder governments also offer a range of funding programmes for start-ups. All sources of money added together make up your financial plan.

**Your challenge:** When you go to the bank to talk about a loan, you will need to convince your adviser that you will be able to pay the loan back. You therefore need to prepare for the meeting well.

1  Further information:

The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See

www.existenzgruender.de

Financing

7  Registering your business, applying for permits

Most entrepreneurs can start to operate straight away and do not require a permit or licence. All that they have to do is register their company prior to commencing operations, irrespective of whether this is their main or secondary source of income. However, certain trading activities will require a special permit.

**Next step:** If you are unsure as to whether your company falls under the category “trade” or “professional services”, you will need to contact the Chamber of Industry and Commerce (Industrie und Handelskammer – IHK) or Institute for Liberal Professions (Institut für Freie Berufe) who will be able to advise you. Ask your local Chamber of Industry and Commerce or Chamber of Crafts (Handwerkskammer – HWK) whether or not you require a permit to operate your business. The Chamber of Crafts will also be able to tell you whether a Mastercraftsmen’s certificate is required. Entrepreneurs offering professional services can contact the Institute for Liberal Professions to find out whether they need a licence from their chamber. Most start-ups fall under the category of “trade” and will need to be registered at the operators’ local trade office (Gewerbeamt). Start-ups offering “professional services”, on the other hand, must be registered with the local tax office (Finanzamt). Operators of start-ups in both of these categories will also have to contact a number of further authorities and institutions when they commence business activities.

**Your challenge:** Many of the formalities that must be undertaken before a start-up is launched can only be completed in a specific sequence. This means that you need to start with this process in good time.

1  Further information:

The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See

www.existenzgruender.de

Formalities and public authorities
8 Sorting out tax matters

As soon as you have received your tax number, you can start issuing invoices and “earning money”. Shortly after your start-up has been registered, your tax office will send you a “tax registration form” (Fragebogen zur steuerlichen Erfassung). If your company falls under the category of “trade”, the tax office will be notified of your company registration by your trade office. Companies falling under the category of “professional services” will have already been registered at the tax office and automatically registered for tax purposes. The tax office will work out how much your first tax payments will be based on the details you provide on the tax registration form (i.e. the legal form of your company and how much turnover and profit you expect to make).

Next step: When preparing to launch a start-up, entrepreneurs must settle two questions (ideally with the help of a tax adviser):
• What types of tax will your company be subject to?
• When do these taxes have to be paid? The main issue that you need to clarify here concerns advance tax payments (e.g. for income tax).

Your challenge: Make sure you make your advance payments on time. Don’t forget that if your advance payments are too low, you will need to have sufficient funds available when your corrective payments are due. It is therefore a good idea to make slightly higher advance payments than you are asked for.

Further information:
The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See www.existenzgruender.de
Taxes

9 Insuring your company and getting personal cover

No-one can insure against the general risk associated with operating a business. However, this risk can largely be contained. This firstly requires a well-thought-out business plan, and secondly, insurance. Insurance can be taken out to cover risks such as burglary, fire, the breakdown of machinery that leads to a halt in production, or negligence leading to liability claims. Personal insurance involves covering yourself for all possible life situations, such as unemployment, old age, accident, or illness.

Next step: Before taking out business insurance, you need to know where the main risks for your particular business lie. As far as personal insurance is concerned, you will need to insure yourself for all events that could lead you to incur financial costs that could not possibly be absorbed, for instance if you were no longer able to work due to accident or illness.

Your challenge: Insurance policies differ in terms of what they cover, how much they cost, and what conditions must be fulfilled. You should therefore look at different options for each kind of insurance before deciding on the right one for you.

Further information:
The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See www.existenzgruender.de
Insurance and personal health and security provisions

10 Following the launch: Accepting business advice and support

Young entrepreneurs are bombarded with a range of different pressures each and every day. They are responsible for business planning, negotiations for loans, personnel management, and much more.

However, they can’t be an expert in every area. Although this is true, there are still entrepreneurs that refuse the help of a business adviser, being adamant that they can manage on their own.

Next step: Continue to make use of advisory and coaching services for businesses. You don’t have to learn the hard way. Instead, look to draw upon the experience of experts and learn from the mistakes of others.

Your challenge: Individual and comprehensive business advice usually costs money. However, the money invested normally pays off quickly and you can also receive government funding to help you cover the costs.

Further information:
The business start-up portal set up by the Federal Ministry for Economic Affairs and Energy: See www.existenzgruender.de
Advice and Information
Help to get you started

The Global Entrepreneurship Monitor (GEM) Country Report for Germany reports year-in-year-out that the level of infrastructure for new businesses here in Germany is a particular advantage for start-ups when compared with other countries. This means that Germany has a unique network of institutions, initiatives, and financial support programmes to help start-ups get on their feet.

Chambers of Industry and Commerce (Industrie- und Handelskammern – IHK) and Chambers of Crafts (Handwerkkammern – HWK)

The Chambers of Industry and Commerce and Chambers of Trade are the first points of contact for new entrepreneurs and business-people in industry, trade, services, or the crafts who are looking to receive business or legal advice (in some Länder / region, these initial points of contact are called “Startercenters”). The individual chambers offer a range of services, such as examining business concepts (which might, for instance, have to be presented at a meeting to discuss a loan or submitted as part of an application for a start-up grant). They also offer seminars for both new and established entrepreneurs. For a list of addresses of all of the chambers of industry and commerce, please go to www.dihk.de. For the addresses of the chambers of trade, please visit www.zdh.de.

Business promotion

Agencies and societies for business promotion at both regional and municipal level offer a range of different services for entrepreneurs, including business consultations, piloting services to guide you through the bureaucratic jungle, as well as special assistance with building projects or the hunt for the right business location. There is a whole host of business developers who are able to offer small loans for start-ups.

Innovation, technology and business-incubation centres

Innovation, technology and business-incubation centres have been set up to provide entrepreneurs and young companies – and sometimes tech firms – with an affordable location from which to run their business. They also offer organisational and technical infrastructure (e.g. for administration and office), all types of company services (e.g. secretariat service), financial assistance (e.g. affordable rent prices), and management consulting. They are usually set up by the local municipal administration. For a list of locations with innovation, technology and business-incubation centres, please go to www.innovationszentren.de.

Employment agencies

Part of the work of employment agencies in Germany is to promote the creation of start-ups among unemployed persons, particularly by providing start-up grants. (In certain cases, the employment agencies are responsible for handing out back-to-work bonuses for start-ups to persons in receipt of Unemployment Benefit II (Arbeitlosengeld II).) For a list of all employment agencies in Germany, please go to www.arbeitsagentur.de.

Professorial chairs / networks for start-ups

Universities and higher education institutions are providing more and more start-up initiatives and are increasingly offering seminars and lectures on setting up a business. The number of professorships in the field of entrepreneurship at public and private universities and higher education institutions in Germany is constantly expanding (currently numbers around 130). In addition to university-based start-ups, for which support has been provided through the EXIST funding programme – an initiative of the Federal Ministry for Economic Affairs and Energy, there are also a large number of regional start-up networks for students, graduates, and scientists. For a list of holders of professorial chairs at the Förderkreis Gründungs-Forschung e.V. start-up research association, please go to www.exist.de.

Start-up fairs

Start-up fairs take place in Germany every year at both regional and supra-regional level. These fairs provide information, training sessions, and individual advice on all aspects of start-ups. The Federal Ministry for Economic Affairs and Energy regularly participates in trade fairs and similar events for new entrepreneurs.

Start-up initiatives

Start-up initiatives at national, regional, or local level help new entrepreneurs to brainstorm ideas for their own company, draw up business plans, and manage their company, and are usually free of charge. These initiatives are often designed to act as networks that will support start-ups over a longer period. Those considering starting up a business can take advantage of a range of different advisory sessions – each dealing with a specific aspect of business start-ups – which can be combined in accordance with their needs / how much time is available.

Business-plan competitions

Business-plan competitions provide competitors with information, training sessions, and individual advice to help them develop their own individual business plan. These competitions are usually divided up into three different stages: brainstorming ideas, drafting an overall strategy, and drawing up a detailed business plan. Participants submit the relevant work at the end of each stage. This is then assessed by a panel from the organisation hosting the competition. The competitors who have submitted the best entries go through to the next stage. Those who go on to win the final round are crowned overall winners.
Funding opportunities

Advice, training, coaching

The Federal Government and Länder governments share joint responsibility for the funding of business advice, training, and coaching.

Advisory services prior to the launch

Certain Länder offer grants to help cover the costs of advisory services. These can be issued for services that help you prepare for the launch of a start-up which are provided by business or start-up advisers. Other Länder (e.g. Brandenburg) have set up advisory facilities (piloting services) which provide free advice for anyone interested in starting up a business.

Advisory services after the launch

The new programme “Promoting entrepreneurial expertise” brings together the various existing post-launch advisory programmes: “Promoting entrepreneurial expertise via corporate consulting”, “Coaching for start-ups in Germany”, “Turn-around advice”, “Round Table”.

The new “Promoting entrepreneurial expertise” programme provides grants towards advisory services. It is directed at:

- young companies which have not been on the market for longer than two years (young companies)
- companies from the third year of existence (existing companies)
- companies experiencing economic difficulties – irrespective of the age of the company (companies in difficulty)

The programme can be used to fund advice in the following main areas:

General advice: on all commercial, financial, staff-related and organisational aspects of corporate management.

Specific advice:
- for companies run by women, migrants or people with recognised disabilities
- to improve the integration of staff with a migrant background
- to help design work for staff with disabilities
- to attract and safeguard skilled workers
- to promote equality and compatibility of family and working life
- to help design age-appropriate work
- on sustainability and environmental protection

Advice on safeguarding companies:
- for companies in difficulty on all aspects of restoring efficiency and competitiveness
- Also, general advice can be funded to deepen the measures to restore efficiency and competitiveness

Applications

Applications must be made online to a “Leitstelle” unit. All these units are listed on the application platform of the Federal Office for Economic Affairs and Export Control. > www.bafa.de

German Start-up Prize

The German Start-up Prize is awarded for outstanding performance in the development of innovative and sustainable business ideas, and the creation and nurturing of new companies. It is presented across the categories of school pupils, start-ups, rising stars, and lifetime achievement. Those participating in the competition can take advantage of an extensive range of consultancy services. The German Start-up Prize is awarded by partners stern, Sparkassen, ZDF, and Porsche. The initiative is supported by the Federal Ministry for Economic Affairs and Energy as cooperation partner.

Investment promotion

Funding for new entrepreneurs is largely financed by the European Recovery Programme (ERP). Key federal funding programmes for new entrepreneurs are the:

- ERP Start-up Loan
- ERP Start-up Loan – Universal
- ERP Capital for Start-ups
- German Microfinance Fund
- German Micro-Mezzanine Fund
- EXIST Start-up Grant
- ERP Start-up Fund
- High-tech Start-up Fund
- Start-up grants (from the Federal Employment Agency)

Start-up funding goals

Each funding programme follows a specific goal, described below.

Subsistence benefits / social security: The Federal Employment Agency can provide subsistence benefits and social security benefits for unemployed persons starting up a business (paid out during the start-up phase).

Better access to loans: If you want to gain third-party finance, you’ll need to have equity. The KfW has therefore set up the “ERP Start-up Loan” funding programme to top up liable capital. This serves to increase the creditworthiness of start-ups and gives them greater capacity to act.

Investment and working capital finance: Promotional loans – which, like the ERP Start-up Loan – Universal, sometimes come with a grace period – can be used to finance investment and working capital. The ERP Start-up Loan can provide up to €100,000 for smaller projects.
**Venture capital:** Innovative, technology-based start-ups usually rely on venture capital. One source of investment that they might tap into is the High-Tech Start-Up Fund operated by the Federal Ministry for Economic Affairs and Energy; another is the ERP Start-Up Fund run by the KfW. Start-ups might also be able to secure investment from the public institution Mittelständische Beteiligungsgesellschaften der Bundesländer. They may also be able to attract investors from the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (association of private equity and venture capital companies) and the Business Angels Network Deutschland. However, these investors may expect higher returns on their investments.

**Collateral**

Many borrowers are not able to offer collateral or can only offer limited collateral. Start-ups may take advantage of certain funding programmes even if they do not have the level of collateral required by banks. These programmes include the ERP Start-up Loan – StartGeld and small loans financed by the German Microfinance Fund.

**Loan guarantees**

If a start-up does not have sufficient collateral, it can seek loan guarantees from guarantee banks in the individual German Länder.

**The federal funding database**

The federal funding database provides a list of all funding programmes offered by the German government, German Länder, and European Union, and also supplies detailed information on specific funding criteria and how to apply. The programmes listed are mainly aimed at start-ups, as well as small and medium-sized companies in industry and trade. The database also shows how the individual programmes are linked together, helping start-ups make full use of different government funding programmes available to them. The search can be filtered using the criteria “region”, “person / entity seeking funding”, “field in which the funding is to be used”, and “type of funding”. The database offers comprehensive information on the various funding programmes available, including an overview of the key details, followed by explanatory information.

**Funding advisory service – an initiative of the Federal Ministry for Economic Affairs and Energy**

The Federal Ministry for Economic Affairs and Energy offers a telephone advisory service for start-ups and owners of small and medium-sized companies to help them get to grips with the funding programmes offered by the German government, German Länder, and the EU. The service deals with questions such as: What types of funding is my start-up eligible for? What are the exact terms of the individual funding programmes? How can I apply for funding? Tel: 03018 615-8000  
foerderberatung@bmwi.bund.de

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**Start-up help for specific target groups**

**School pupils**

**The “Entrepreneurial Spirit in Schools” initiative**

The Federal Ministry for Economic Affairs and Energy has helped bring together a range of different initiatives, each with the aim of fostering (more) entrepreneurial spirit in schools. These often take the form of firms run by pupils, e.g. “JUNIOR” or “Jugend gründet”, or business plan games, e.g. “business@school” or “Schulbanker”. Background: Fostering a new culture of self-employment and entrepreneurship starts at school. This initiative has therefore been set up to help foster entrepreneurial spirit in schools and to provide teachers with ideas for projects and the materials they need. As part of the initiative, the Federal Ministry for Economic Affairs and Energy has started a series of publications called “GründerKlasse”, created an online game called “Be Boss”, and has set up a website which also offers eLearning programmes that look at how to teach children about starting up a business. See [www.unternehmergeist-macht-schule.de](http://www.unternehmergeist-macht-schule.de).

**German Start-up Prize for School Pupils**

The German Start-up Prize for School Pupils is the largest game of its kind in Germany. As part of the game, school pupils must develop a business plan for an imaginary start-up. The German Start-up Prize for School is awarded by partners stern, Sparkassen, ZDF, and Porsche. The initiative is supported by the Federal Ministry for Economic Affairs and Energy as cooperation partner.

**Students, graduates, and scientists**

**EXIST – Business start-ups in science and academia**

The “EXIST – Business Start-Ups in Science” programme is an initiative of the Federal Ministry for Economic Affairs and Energy that has been set up to foster entrepreneurship and a positive climate for business start-ups at higher education facilities and non-university research establishments. EXIST supports students, graduates, and scientists as they design and develop innovative, technology and knowledge-based start-ups. The initiative also helps to establish a culture of entrepreneurship throughout the institution.
EXIST is part of the Federal Government’s “High-Tech Strategy for Germany” and is co-funded by the European Social Fund (ESF). See [www.exist.de](http://www.exist.de)

**German Accelerator**
The German Accelerator is an initiative of the Federal Ministry for Economic Affairs and Energy that has been set up to help young German companies working in the field of ICT break onto the US market by spending a period of time in Palo Alto, Silicon Valley or New York City. The companies involved in the programme are also able to make contacts among experts in the US during their stay. The German Accelerator is partnered by EXIST. See [www.germanaccelerator.com](http://www.germanaccelerator.com)

**The “Digital innovations” competition for business start-ups**
The Federal Ministry for Economic Affairs and Energy has set up the “Digital innovations” competition for business start-ups to recognise business start-ups whose product or service is heavily based upon information and communications technology. Up to six prizes each totalling €30,000 are awarded for outstanding start-up ideas every time the competition is held. All prize-winners go through a programme of coaching and training that is tailored to their individual needs.

**Women Entrepreneurs**

**The National Agency for Women Start-up Activities and Services (bundesweite gründerinnenagentur)**
The National Agency for Women Start-up Activities and Services (German abbreviation: bga) provides information and services to promote female entrepreneurship in all sectors and phases of start-ups, consolidation and hand-overs of companies throughout Germany. It is funded by the Federal Ministries of Education and Research, for Family Affairs, Senior Citizens, Women and Youth, and of Economic Affairs and Energy. See [www.existenzgruenderinnen.de](http://www.existenzgruenderinnen.de)

**Hotline for female entrepreneurs**
It provides advice throughout the start-up process and company hand-overs, offers information about advisory services around Germany, and sets up contacts with experts.
Phone: 0711 1232532

**Professionals in the cultural and creative industries**

**The Cultural and Creative Industries Initiative**
The “Cultural and Creative Industries Initiative” has been set up by the Federal Government to give the branch an identity as an independent sector of the economy, to strengthen its competitiveness, and to enhance income opportunities for small and innovative creative businesses and self-employed artists. As part of the initiative, creative projects that are particularly outstanding are awarded the title “Cultural and Creative Pilots in Germany”. The initiative is coordinated by the Federal Ministry for Economic Affairs and Energy and the Federal Government Commissioner for Culture and Media. It is managed by the Centre of Excellence for the Cultural and Creative Industries, tel. +49 30 20 888 91-0.

**Handing businesses on to the next generation**

“nextt-change” intergenerational matchmaking for businesses
In order to bring entrepreneurs together with businesspeople seeking someone from a younger generation to take over their company, the Federal Ministry for Economic Affairs and Energy and the KfW have set up the nextt-change matchmaking website in cooperation with the Association of German Chambers of Industry and Commerce, the German Confederation of Skilled Crafts, the Federal Association of German Volksbanken and Raiffeisenbanken, and the German Savings Banks Association. Those interested can research the offers on the site or place advertisements themselves.

**The liberal professions**
The Institute for Liberal Professions at the Friedrich Alexander University Erlangen-Nuremberg provides advisory services covering every aspect of setting up a professional services business (the liberal professions).

Background: When setting up a business, all entrepreneurs have the same questions to deal with as they draw up their business plan. However, there are other aspects which are different for those seeking to set up a professional services business. The first task for the entrepreneur is therefore to establish whether or not his prospective business falls under the category of “professional services”. Tel.: +49 911 23565-0. See [www.ifb.uni-erlangen.de](http://www.ifb.uni-erlangen.de)

**Entrepreneurs with an immigrant background**
Some German Länder and municipalities offer special advisory services for immigrants seeking to start up a business. In addition, the start-up portal, an initiative of the Ministry for Economic Affairs and Energy, also provides information in English, French, Italian, Russian, and Turkish. See [www.existenzgruender.de](http://www.existenzgruender.de)
The business start-up portal: www.existenzgruender.de

The business start-up portal is an initiative of the Federal Ministry for Economic Affairs and Energy that has been set up to provide background information, expert advice, online tools, tutorials, and other practical advice on every aspect of starting up a business. It is the key port-of-call online for all entrepreneurs and young business people.

Starting your own business

- **10 key stages in starting up a business**: Overview of the 10 most important steps on the pathway towards establishing your own business.
- **Making decisions**: Help with making decisions on the basic form of your business, online tests to assess your entrepreneurial qualities, information for specific branches and target groups, ideas for different forms of business start-ups, tips on what business advice you need, initiatives and competitions, planning tools, and practical tips.
- **Preparations**: The most important information and planning tools for all aspects of business-plan development, practical tips.
- **Financing**: Getting the right financial advice, database of funding programmes, planning tools, practical tips.
- **Getting started**: Expert advice and practical help for new and young companies.
- **Start-ups in practice**: Examples of entrepreneurs.

Expert forum – an initiative of the Federal Ministry for Economic Affairs and Energy

The online expert forum draws together various experts from the Federal Ministry for Economic Affairs and Energy, the KfW banking group, the Rationalisation and Innovation Centre of German Industry (German abbreviation: RKW), the Association of German Notaries (Deutscher Notarverein e.V.), the Federal Association of German Management Consultants (Bundesverband Deutscher Unternehmensberater), social insurance associations, and other institutions. These experts are on hand to answer questions relating to all aspects of starting up a business.

Start-up workshop

- **Checklists and overview**: a selection of PDF files on (almost) all start-up issues.
- **The start app**: Mobile app covering support from the Federal Ministry for Economic Affairs and Energy.
- **BMWi-Businessplan**: Online tool and app “BMWi-Businessplan”.
- **Guide to the authorities**: Help and support with all the formalities.
- **Online tutorials dealing with various aspects of starting up and managing a business**: “Preparing for a meeting with the bank”, “Financing for start-up and expansion”, “Marketing for new entrepreneurs”, “Strength in numbers: Cooperation partnerships”, “Women entrepreneurs”, “Legal forms”, “Start-ups in professional services”, “The start-up adviser” eLearning programme, the “Opportunities and risks” eLearning programme.

Media library

- **Publications**: PDF downloads of “Start-up help”, the “Gründerzeiten” newsletters, as well as other brochures, flyers, and studies published by the Federal Ministry for Economic Affairs and Energy, ordering options.
- **Videos**: looking at various different aspects of starting up and managing a business.
- **eMagazine erfolghoch2**: offering news about the start-up scene.

Services

Updates, events, advisory services and addresses
Setting up a sideline business

The number of new sideline businesses has been booming for years. In the first half of 2015 alone, they accounted for almost half of all start-ups (according to figures from IfM Bonn). The term "sideline business as a self-employed person" is normally used to describe a business activity that is conducted by a self-employed person who is also gainfully active as a salaried employee or civil servant. Of those setting up a sideline business, many tend to be parents for whom part-time self-employment allows them time for their families, or are students, unemployed persons, or pensioners. There are a variety of reasons why setting up a sideline business is so popular.

Test phase

Entrepreneurs can use a sideline business to test out new business ideas. Many of these entrepreneurs start by assuming that the income generated by their sideline business will not be enough for them (and their family) to live on by itself. Setting up a sideline business (while often drawing a stable income from another source) allows them to see whether the business will actually generate more than expected.

Financing needs are low

The average sideline business is launched on less than €5,000, according to the KfW (2015). Most of the start-up entrepreneurs featured in the study were able to raise the initial capital themselves, without the need to turn to banks and have sufficient collateral for loans.

Limited time

Not all entrepreneurs would be able to run a “full-time” business, especially women entrepreneurs with children. However, a sideline business is often more manageable. Running a sideline business takes up an average of 18 hours per week, according to a 2013 study by INMIT, the Institute for Small and Medium-Sized Enterprises at the University of Trier. If the business is run together with other partners, the time that must be invested is reduced further still.

Reduced risk

Sideline businesses are usually set up by entrepreneurs working alone. Starting up a sideline business on your own provides the opportunity to find out whether a business idea can really generate a profit and whether there is a market for it, without being burdened by extra costs and additional responsibility for employees.

Additional income

A sideline business can also be used to stock up a fixed income from work as an employee. According to the INMIT study, a sideline business provides, on average, around a quarter of the entrepreneur’s total income. Setting up a sideline business in order to generate additional income is more common among men, whereas women are often trying to build up an alternative means of generating an income.

Typical sideline businesses

Many entrepreneurs with a sideline business provide services, predominantly working as business consultants or in the field of advertising. Other fields in which sideline businesses are typically set up include teaching, and the cultural and creative industry, as well as media and IT services (including website creation / maintenance, software consulting, and the development of social media applications). It therefore comes as no surprise that a greater proportion of sideline businesses provide professional services compared to the number of professional services start-ups in general (source: INMIT study).

Success factors for sideline businesses

The entrepreneurs with sideline businesses that were surveyed for the INMIT study were asked to name three important factors for a sideline business to be successful. The most common answers were: organisation, good time management, and flexibility of working hours. These answers are not surprising considering that entrepreneurs with a sideline business have to be able to juggle various different (business) activities and tasks at the same time.

Conditions for sideline businesses

- The employment or service contract may not contain any provisions that pose problems in terms of labour or competition law (e.g. provisions that ban the employee from taking up secondary employment).
- The sideline business must not prejudice the legitimate interests of the employer (e.g., the business must not compete on the same market as the employer’s).
- And the running of the sideline business must not take away from the employee’s ability to perform their duties or their dedication to the job.
An interview with Götz Werner, founder of the drugstore chain dm-drogerie markt and former director of the Institute of Entrepreneurship at Karlsruhe Institute of Technology, on the fear of taking business risks.

Mr Werner, the Global Entrepreneurship Monitor frequently attributes the low number of business start-ups in Germany to a widespread fear of failure – to the fear of taking business risks. Were you scared of the risk involved when you opened your first drugstore in 1973? After all, you had just given up a good job as managing director of a large drugstore chain.

Mr Werner: No, I wasn’t afraid at all. My father-in-law really didn’t like the idea of me giving up a well-paid job to all but start from scratch. He was worried about the financial security of his grandchildren and his daughter. But the company I was working for was heading straight for bankruptcy and the shareholders were not prepared to accept it. I wanted to save the company by switching to a new business model – the same model that I later based my own company on. The drugstore chain went bankrupt; I used the new business model and it worked.

How did you actually feel?

Mr Werner: I actually felt rather angry when nobody would take my ideas seriously. I thought: Just you wait! And then I handed in my notice and really showed them what I could do. Anger does not always have to be the precursor of course. What you do need is a feeling of what I call “constructive discontentment” with the status quo [that sparks new ideas of how to do things differently]. That’s really a basic requirement for innovation. “Destructive discontentment” is everywhere. “Anger” and “constructive discontentment” are stronger than fear. And as for innovation: Even back then, I had what it takes to be an entrepreneur. I was a dreamer but with a sense of reality and had this vision for a business model that would really work. I just knew that I had to pursue this vision. When you’re boldness and humility

in that situation, you go the whole road and no-one can stop you. With hindsight, I know that it could all have gone terribly wrong.

As someone who says of himself that he’s a dreamer with a sense of reality, surely you weren’t simply sleepwalking into this venture. You must have been aware of the risks. How did you deal with them?

Mr Werner: What I saw were the opportunities. But to be able to see these, you need to know your stuff. That goes without saying. As a trained chemist, I was a specialist and did know my stuff. Other people who did not see these opportunities did not know their stuff. And you also need a bit of luck. Mine was that I met someone who offered to rent me the shop premises. That was exactly what I needed.

What advice do you give to your students when it comes to dealing with risk? Just don’t think about the risks? Just trust your luck?

Mr Werner: No, of course not. I tell them that they first have to listen to themselves and work out what it is that gives them the ability to take that step and start their own business. And that no business adviser can take that step for them. If he could, then he wouldn’t be the adviser but the businessman. There is of course such thing as a rational kind of fear. If you are a business person who is not afraid of losing everything and of making a major mistake that causes everything to go down the drain – you are a bad business person. We have a nice little saying in German: If you don’t worry about anything, you’ll soon have many worries. Because when you do worry about things, you take care of them. You address the root cause of the problem and deal with it.

How did this rational fear make you feel? Apart from worried?

Mr Werner: It makes sure that you don’t get too cocky. If you want to start up a business, you need two different things. You need boldness – we agree on that one. And what you also need is humility. Things often go wrong because people are bold enough, but have too little humility. Too little humility makes people become cocky.

What do you do as a business person when you feel a sense of humility?

Mr Werner: That’s humility towards the customers. If you look at it more closely, what a business person actually does is constantly swamp his customers with new things that they’re not used to and perhaps don’t really understand. Lots of great ideas actually become flops because you underestimate the fact that the customers – who are the ones that really matter – don’t really know where you’re coming from. It’s not the size of the risk that causes many business people to fail, but the fact that they get too cocky and just do what they want themselves. They do this without asking themselves what the customers want, or whether they will actually find enough customers for it. It’s actually pretty simple.
Reducing requirements for small companies

Two key elements within the infrastructure for small companies in Germany are the reduced number of legal requirements and a simplified set of requirements for start-ups and business management. These rules are set out in the Small Business Promotion Act. The most important rules are listed and described below.

**Exemption from VAT:** Companies whose turnover plus applicable taxes did not exceed €17,500 in the previous calendar year and whose turnover in the current calendar year plus applicable taxes is not likely to exceed €50,000 are not subject to the payment of VAT.

**Exemption from the obligation to conduct double-entry bookkeeping:** Those operating small businesses are able to conduct what is known as single-entry bookkeeping if they are not considered as merchants, are not listed in the trade register, and do not exceed the limits for turnover, profit, and what are known as economic assets.

- **Turnover:** €600,000
- **Profit from a commercial activities or agriculture/forestry:** €60,000

**Statement of net income:** Small businesses whose turnover and profit do not exceed the above limits only need to fill in a simple form to declare their income using the cash receipts and disbursement method.

German Entrepreneurship Week

German Entrepreneurship Week takes place every year as part of Global Entrepreneurship Week (GEW). The GEW is a worldwide week of events which, in 2013 alone, attracted around 7.5 million young people across more than 140 countries, stimulating their interest in start-ups, entrepreneurship, and innovation. Events in Germany are hosted by the various chambers and business associations, and especially by schools, and include workshops, seminars, business-plan games, competitions, and much more. www.gruenderwoche.de