

YOUTH RIGHTS ADVOCACY TOOLKIT

Annex: Youth Entrepreneurship

Table of Contents

- [1. Why should we talk about youth entrepreneurship?](#)
- [2. What is entrepreneurship?](#)
- [3. What are the qualities of a successful entrepreneur?](#)
- [4. How can I generate a business idea?](#)
- [5. How to develop a business plan?](#)
- [6. What is marketing?](#)
- [7. How to set prices?](#)
- [8. How does the business operate?](#)
- [9. What is record-keeping?](#)
- [10. Why is saving important?](#)
- [11. What are the human rights obligations of entrepreneurs?](#)

1. Why should we talk about youth entrepreneurship?

Young people face particular challenges in exercising their right to work, which leads to high rates of youth unemployment. Entrepreneurship, being a self-employment activity, can help youth become economically independent and, at the same time, contribute to economic growth and job creation.

Youth entrepreneurship alone, however, is not a solution to youth unemployment, but it can be seen as an important complement to broader youth employment and other policies.

More in depth...

While young people have a growing interest in self-employment, they face numerous barriers often preventing them from realizing their entrepreneurship potential. These barriers are explained, among others, by the following factors:

- Lack of awareness of youth potential for entrepreneurship results in a lack of encouragement or even negative social attitudes.
- Education and training programmes generally do not do enough to nurture entrepreneurial attitudes and skills.
- Lack of previous work and entrepreneurial experience is a major factor impeding business creation and the effectiveness of entrepreneurial activity.
- Fewer financial resources and difficulty obtaining external finance, including debt finance, hampers business start-up.
- Limited business networks and business-related social capital have negative consequences for starting a business and gaining legitimacy.
- Market barriers, including a bias in financial markets against supporting youth-owned businesses and “discrimination” in product markets.

To address these barriers, comprehensive measures and programmes should be implemented at multiple levels, including those aimed at promotion of entrepreneurship culture, inclusion of entrepreneurship education at different education levels, improvement of the legal and regulatory environment, improving access to affordable finance and introducing business development services and support schemes.

2. What is entrepreneurship?

The word “Entrepreneurship” is derived from the French verb *entreprendre* which means “to undertake”. It refers to the process of identifying viable business opportunities and mobilizing resources to convert those opportunities into a successful enterprise through creativity, innovation, risk taking and progressive imagination.

More in depth...

Though the above definition is not universally agreed on, it reflects some of the key aspects of entrepreneurship: finding opportunities, creating business and bearing risk, and exposes some of the qualities of entrepreneur, which will be further explored in Question 3.

Among the features of an entrepreneurial activity, the following are usually mentioned:

- a set goal;
- an element of risk;
- personal commitment;
- planning and preparation;
- a commitment of numerous resources.

Though the words “entrepreneurship” or “business” are usually associated with commercial activities, entrepreneurial organizations can also be non-profit, or make profit “with purpose”, which is called “social entrepreneurship”. For example, entrepreneurial activities can aim at tackling social issues such as environmental concerns, unemployment, stresses on the health care system, managing deficits, technological advancements, and human rights concerns.

3. What are the qualities of a successful entrepreneur?

Being an entrepreneur means not only having professional knowledge and business practices, but also having certain skills, attitudes and personal characteristics.

There are several characteristics which are usually associated with individuals who successfully engage in entrepreneurship. Among them are critical and creative thinking, goal-setting and goal-orientation, resilience and risk tolerance, communication and teamwork, planning and organizing, as well as interpersonal and leadership skills.

More in depth...

It is considered that in order to be successful, an entrepreneur should be able to:

- stay motivated and committed to their business;
- think creatively (“outside the box”);
- solve problems and handle stress;
- set goals, develop a plan to achieve them, and carry out the plan;
- collect and analyze information;
- take risks;
- make decisions and act upon them;
- identify opportunities and generate ideas suitable to the opportunities;
- recognize trends and take advantage of them;
- demonstrate leadership;
- work well in a team;
- listen to others;
- negotiate and persuade;
- motivate and encourage others;
- have high ethical standards based on respect, integrity, fairness, compassion, truth, and courage.

Before you start your business, you can think of what qualities and characteristics you already have, and which of them need improvement. There are many ways to improve your business skills and alter your characteristics. You can, for example:

- talk to people in business to learn from them;
- get training, enroll in a course to study specific areas you need to improve in;
- become an assistant/apprentice to a successful business person;
- read literature that will help you develop your business skills;
- read articles about businesses and think about their problems and methods;
- consider finding a partner who would complement your strengths and weaknesses, instead of going into business entirely on your own;
- try to develop the described skills and attitudes by applying them in your daily activities. For instance, you can practice discussing the advantages and disadvantages of any situation or idea, increase your motivation by making a plan for your future, develop the ability to assess problems and take risks, learn how to deal with crises situations better, become more open to new ideas and other people's views and improve your ability to learn from mistakes.

4. How can I generate a business idea?

Every business is born from an idea. Business ideas should come from observation, from finding a potential opportunity, or from trying to forecast what people or other businesses might want. It is an idea about what products you are going to offer or what services you are going to provide; where and how you are going to sell them and who are you going to sell them to.

More in depth...

To come up with a business idea, you should first identify a business opportunity. Opportunities occur when people discover a problem of some kind that can be helped with a product or service, or when people decide they have certain needs or wants to satisfy.

The sources of opportunities can be various factors including growing and evolving economies and economic niches, technological change, social change, demographic change, or political changes such as war, tariffs, and embargoes. Other conditions that create opportunities include shortages, surpluses, price response, and shifts in demand.

To think of business opportunities, you can ask yourself what things you find frustrating about your society:

- What kinds of things should be there, but are not?
- What things make you really frustrated and angry?
- What things do you find that don't work properly and should be fixed in some way?

When you see a business opportunity, you need to develop your thoughts into a business idea. A business idea is a short and precise description of the basic operation of the business. Your business idea will tell you:

- **What product or service will your business sell?** Your business idea should be based on a particular skill that you have. Maybe you have experience with or have been trained in a specific line of business.
- **Who is your business going to sell to?** Will you only try to sell to a specific type of customer or to everyone in an area? It is important to be clear about who you intend to sell to.
- **How is your business going to sell its products or services?** You can sell in many different ways. A manufacturer can, for example, sell either directly to customers or to retailers.
- **Which need will your business fulfill?** Your business idea should always have the customer and the customer's needs in mind. It is important to find out what customers want when you work out your business idea.
- **What impact will your business have on the community, the natural environment and human rights?** Your attitude and people's view on your business will determine your success. If you exploit labor, damage the natural environment (waste generation, water wastage, deforestation) or affect the rights of local populations, people might avoid your business.

When generating a business idea, it is best to try and keep an open mind. The first goal should be to think of as many ideas as possible and make a list of all the business opportunities you can think of. Business ideas can be generated through using your own and other people's experiences, investigating your environment (including natural resources, people's abilities and skills, institutions, industries, import substitution, waste products, etc.), and brainstorming.

Before going very far in developing an idea or opportunity, it is important to consider the criteria of feasibility, demand, usefulness and profitability.

5. How to develop a business plan?

The most important factor in beginning a successful business is careful planning.

Sometimes a business might seem like a good idea before the careful planning stage. It is possible that after some planning, certain problems cannot be solved and the best course of action is to abandon the idea. At that point, all that is lost is some planning time.

A business plan is a basic planning tool. It is a written summary of your proposed business, which includes information about the plans, operations and financial details, its marked opportunities and strategies, as well as the entrepreneur's personal background.

More in depth...

A business plan is a document used to summarize an entrepreneur's business aspirations, secure legal authority and mobilize resources to launch the business.

When you are developing a business plan, think about the following issues:

1. The product

- Why would customers buy the product/service?
- Are the product specifications clear and acceptable?

2. The market

- Geographical description of the business location.
- Is there local demand for the product and if not, how can it be created?
- Who are the big competitors, how can you counteract them and their influence?
- How many competitors does the business have? If they are many, your market share is low, which means that aggressive promotion is necessary to ensure visibility.
- Does your product need publicity and if so, what expenses would that incur?
- What is the trend in the selling price? Is there any seasonality?

3. Technical factors

- Have you selected all the necessary equipment? What are your reasons for this selection?
- If you buy machinery, check if you have a guarantee and if after-sales service is included.
- Do you know where to source the equipment from? Who is the supplier?
- Do you have the necessary skills and if not, where can you get them?

4. Infrastructure

- Is the working/selling space adequate for your business operation to function?
- Are ownership/tenancy documents for the land/shop/workshop in order?
- If water is required for your business to operate, is it available close by?
- Do you have/need a supply of electricity?
- Is transport of raw materials or finished products a critical factor and if so, how do you plan to handle it while minimising costs?
- Do you need to register your business? What are the legal requirements?

5. Financial analysis

- Have you done financial calculations of needed costs, resources, income etc?
- Have all the costs of production been included in your calculations?
- Does the business generate enough cash from the beginning so as to meet immediate liabilities (e.g. rent, loan repayment)?
- Check your cash flow projections. Are they realistic?
- Check all estimates of capital required as well as running costs.

6. Compliance with human rights and environmental standards

- Will your business have an impact on the local communities and the environment?
- How will it contribute to a human rights enhancing economy?
- In what ways will your business uphold environmental protection?

Your business plan could include the following sections:

- A. Table of contents
- B. Executive summary
- C. Business description

- D. Personal background of a business owner
- E. Market research, analysis, and plan
- F. Organization and management
- G. Production plan/operating schedule
- H. Risk reduction
- I. Financial plan and budget

To develop a business plan, it is necessary to conduct a market analysis, which is explored in Question 6, and a financial analysis.

Financial analysis is required to form a budget of an enterprise. A budget is a calculated estimation of the value or price of the project and is always composed of the **expenses** – the costs of the project – and the **income** – the resources brought into the project to cover the expenses.

To start an enterprise, it is necessary to mobilize resources, which requires exploring what resources (including money, staff, training, equipment) are needed, what resource mobilization mechanisms (e.g. writing proposals, holding fundraising events, selling services, etc.) are available, and who can act as resource providers for your business (e.g. banks, micro-credit agencies, government agencies, and charitable organizations).

During the financial analysis, you should investigate as many sources of funding as possible in order to secure the best terms and conditions of repayment. The most important types of start-up funding are owner's private money, loans (personal or from a lending programme) and grants.

6. What is marketing?

Marketing is an important part of starting and running a business. It is the effort to identify and satisfy customers' needs and wants. Marketing involves the knowledge and all the processes you undertake to sell your product.

Marketing answers the following questions:

- Who are my customers?
- What are my customers' needs and wants?
- How can I satisfy my customers?
- How do I make a profit as I satisfy my customers?

More in depth...

Before starting a business, it is absolutely important to know the market conditions in which the business will be operating. The market analysis, or market research, provides data about customers, products, services, prices, advertising, competition, and consumer behavior.

To do market analysis, you can:

1. Talk to **potential customers**. Ask them:
 - What products or services do they want to buy?
 - What do they think about your competitors?

2. Observe **your competitors' businesses**. Find out about:

- What products or services do they provide?
- What prices do they charge?
- How do they attract customers?

3. Ask **suppliers and friends in the business**:

- Which products do they sell the most?
- What do they think about your business idea?
- What do they think about your competitors' products?

You can also use sources such as trade publications, magazines, the Internet, accountants, lawyers, and other professionals, financial institutions, Chambers of Commerce, libraries, consulting firms, town/city councils, government agencies, and interest groups, to acquire more information about the products or services you want to provide, your competitors and new trends.

The market analysis will help you to develop your marketing strategy, which should be based on the information about the **4 Ps**:

- **Products/services your customers want.** Products/services you sell should relate to the needs and wants of the customers. You should always analyze which of your products or services sell well and which don't, and listen to the feedback from the customers to improve your business.
- **Price your customers are willing to pay.** Pricing refers to the process of setting a price for a product/service. Your prices must be low enough to attract customers to buy and high enough to earn your business a profit. To set your price, you should know your costs, how much the customers are willing to pay, your competitors' price and how to make your price more attractive.
- **Place where your business should be located in order to reach your customers.** Place means the different ways of getting your products or services to your customers. If your business is not located near your customers, you must find ways to get your products/services to where it is easy for customers to buy. For example, you can sell products directly to the consumers or use retail distribution and wholesale distribution.
- **Promotion to use to inform your customers and attract them to buy your products or services.** Promotion means informing your customers of your products and services and attracting the customers to buy them. Promotion includes advertising, sales promotion, publicity and personal selling.

7. How to set prices?

To be able to set your prices and make financial plans, you need to calculate all the money needed to operate your business. Costing is the way you calculate the total cost of making or selling a product, or providing a service. It will allow you to calculate the net profit you can make from your business.

Price is the monetary value of a product or service that you charge to cover your total costs and profit that you desire to receive on each unit of product or service.

More in depth...

There are two types of costs associated with running a business, and both of them should be taken into account while setting the price of your product or service:

- **Fixed costs.** These are costs that do not change with the level of production. They are incurred even if no production takes place, e.g. rent of premises.
- **Variable costs.** These are costs that increase or decrease in direct proportion to the level of production, sales volume or the amount of services you provide, e.g. raw materials, stock, cost of packaging, transport, handling of products and electricity (if machines are used).

To estimate the total cost of each unit of your product/service, you have to add up the variable cost per unit with the fixed cost per unit. You can refer to the International Labour Organization's [Start Your Business: Manual](#) for a detailed explanation on how to calculate both costs.

The final price for your product or service should be set taking into account all of the following:

- **The total cost of your product or service.** If your total cost exceeds the price customers would be willing to pay, your product or service is not likely to be profitable.
- **The price customers are willing to pay for it.** The amount customers are willing to pay for your products or services also depends on how you market them.
- **The price charged by your competitors.** It will be difficult for you to charge higher prices than your competitors for identical products.

In order to increase your profit, you can either increase your revenue or reduce your expenditure. Revenue can be increased by adjusting the marketing 4Ps: product, price, place, and promotion. For example, you can sell more by reducing price, aggressively promoting your product, changing places where it is sold, increasing quality or making it more attractive. Expenditure can be reduced by taking measures on cost components between the producer and consumer, for example through acquiring supplies from more affordable sources or joining with other traders to reduce the cost of transportation or selling costs.

8. How does the business operate?

A business organization needs careful planning, coordination, implementation and controlling so as to ensure its proper management and smooth operation.

In addition to profits from your business, its success will also depend on the legal form in which it operates, the organization's internal structure and procedures, its employees, and compliance with legal obligations and responsibilities.

More in depth...

Before starting your entrepreneurial activity, you should decide which legal form you will select for your business. Different forms of business organizations exist, including sole proprietorship, partnership, corporation, limited company, co-operative, and franchise. However, the options may vary depending on the country or countries where you will operate.

As you select the legal form for your business, you should take into account such factors as advantages and disadvantages, ease of creation, legal costs, longevity, necessary financing, taxes and tax exemptions, liability (limited versus unlimited) and administration.

When you run a business you have legal responsibilities, and you should be aware of the regulatory system that applies to your situation. Things to consider include taxes, payroll deductions, labor standards, copyright, health and sanitary regulations, licenses and permits, environment and safety, and human rights.

The internal structure of your organization will depend on its legal form and applicable laws and regulations. Often business organizations have a main representative body (e.g. the General Assembly), which makes decisions by voting, and an executive body (e.g. the Executive Committee) which guides and coordinates activities of the organization by delegation from the representative body. Usually, organizations also have a finance officer or an internal auditor - a professional responsible for internal control and who checks financial records of the organization and reports findings to the representative body.

The productivity of your business will to a large extent depend on the people you employ and the way they are managed. In return for their wages, employees bring knowledge and skills to benefit your business. Therefore, the selection and performance of your workers will greatly influence the success of your business.

When recruiting employees you should:

- Determine the work to be done in your business:
 - Step 1: List the kind of work to be done and the skills and attitudes needed;
 - Step 2: Estimate the number of workers involved;
 - Step 3: Determine who should do the work.
- Attract suitable applicants and interview and select the right workers.
- Help the new worker settle in and understand your business (induction).

Another important feature of successful businesses is procedures that ensure looking toward the future, for example regular staff meetings; regular evaluations of the business, the market, and the competition; careful analysis of financial statements; attention to small problems; and identifying and implementing new ideas or products.

A business organization should also have human rights policies and processes in place appropriate to its size and circumstances. First, it must institute a policy commitment to meet

the responsibility to respect human rights. Second, it must undertake ongoing human rights due diligence to identify, prevent, mitigate and account for its human rights impact. Finally, it must have processes in place to enable remediation for any adverse human rights impact they cause or contribute to. These obligations are detailed in the UN [Guiding Principles on Business and Human Rights](#).

9. What is record-keeping?

Records refer to the information created, received, and maintained as evidence by an organization, in pursuance of legal obligations or in the transaction of business.

Record-keeping is a systematic process of compiling similar or related information resulting from business activities or operations and storing it in files/folders for the purpose of tracking and assessing the performance or operations of a business.

More in depth...

It is important to have a functioning record-keeping in place, as it helps to:

- find and solve problems in a business;
- control business capital, especially cash;
- show the direction of the business;
- plan for the future;
- oversee expenditures, costs, and profit;
- analyze business development over time.

Record-keeping tools, such as books and forms, are critical to a successful business, and should be put in place before the business is launched. These tools help to ensure that documents are stored safely and methodologically. They can include daily sales record forms, receipt books, cashbooks, profit and loss statements, cash flow statements, and stock reports. You can find some of the sample forms in the Deutsche Stiftung Weltbevölkerung's [Entrepreneurship Development Training Manual](#).

10. Why is saving important?

Savings are money or other assets kept over a period of time, usually not to be consumed immediately but in the future. Savings can be kept in a bank or any other safe place where there is no risk of loss or spending.

There are many advantages to saving when you run a business. Saving funds allows to:

- provide for specific needs in the future;
- have access to monetary or other assets whenever needed;
- ensure financial independence;
- make one's own resources inaccessible for others without one's approval;
- safely store surplus;
- acquire skills for proper money management and self-discipline;
- qualify for certain types of loans.

More in depth...

Savings can be done through:

- Small but regular deposits – this happens when you decide to sacrifice current consumption (use of assets, e.g. of money and goods) in order to increase the availability of assets for future consumption. It therefore involves postponing expenditures in order to accumulate a sizable amount of resources for future use.
- Automatic deductions from salaries, wages or income - this type of saving is not voluntary. It is a system used by most employers under the labor law.

There are several possible forms of saving:

- **Informal saving:** Savings societies, village banking
- **Traditional forms of saving:** Buying assets (e.g. houses, animals, art works), holding cash in “safe” places, such as pots or mattresses.
- **Formal savings:** Bank savings account; savings account with micro-finance institutions.

11. What are the human rights obligations of entrepreneurs?

Business can have a profound impact on human rights. This impact can be positive, for example by delivering innovation and services that can improve living standards of populations, or negative, for example where business activities destroy people’s livelihoods, exploit workers or displace communities.

The [Guiding Principles on Business and Human Rights](#) were developed by the United Nations to clarify the different roles and responsibilities that States and companies have to address business impact on human rights. According to the Guiding Principles, all business enterprises should respect human rights, meaning that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.

More in depth...

The Guiding Principles clarify that the standard of responsibility for business with regard to human rights is to respect human rights, and they elaborate on the steps that companies must take to “know and show” that they do so. This responsibility means companies must know their impact, avoid human rights infringements and address any potential or actual impact. If companies find that they have caused or contributed to harm, they must provide for or participate in effective remedy processes.

An minimum list of the core internationally recognized human rights the companies must respect is contained in the International Bill of Human Rights (consisting of the [Universal Declaration of Human Rights](#) and the main instruments through which it has been codified: the [International Covenant on Civil and Political Rights](#) and the [International Covenant on Economic, Social and Cultural Rights](#)), coupled with the principles concerning fundamental rights in the [ILO core conventions](#) as set out in the [Declaration on Fundamental Principles and Rights at Work](#).

Depending on circumstances, business enterprises may need to consider additional standards, for instance, where they may have adverse human rights impacts on specific groups of population. In this connection, United Nations instruments have elaborated further on the rights of indigenous peoples; women; national or ethnic, religious and linguistic minorities; children; persons with disabilities; and migrant workers and their families.

The Guiding Principles clarify that the responsibility of businesses to respect human rights is independent of States' ability or willingness to fulfill their duty to protect human rights, and exists over and above compliance with national laws and regulations protecting human rights.

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