



Werner Pepels

# From Founder to Manager

15 Lessons on Business Administration  
for Start-ups in Germany



Edition Wissenschaft & Praxis

WERNER PEPELS

From Founder to Manager



Werner Pepels

# **From Founder to Manager**

**15 Lessons on Business Administration  
for Start-ups in Germany**



Edition Wissenschaft & Praxis

Bibliographic information of the German national library

The German national library registers this publication in  
the German national bibliography; specified bibliographic data  
are retrievable on the Internet about <http://dnb.d-nb.de>

Cover: © iStock/worldofvector

All rights reserved.

© 2024 Edition Wissenschaft & Praxis

Duncker & Humblot GmbH, Berlin

Typesetting: Textforma(r)t Daniela Weiland, Göttingen

Printing: CPI Books GmbH, Leck

Printed in Germany

ISBN 978-3-89673-800-4 (Print)

ISBN 978-3-89644-321-2 (E-Book)

Printed on no aging resistant (non-acid) paper  
according to ISO 9706 ☺

Internet: <http://www.duncker-humblot.de>

## Preface

This is, very important, not a guide to starting a business, but much more an enabler to enhance its success rate, because starting a business means lots of opportunities and freedom, but also lots of challenges and risks. Business founders therefore need business basics. Ideas alone are not enough. Whether it's a business plan, which is required by every lender, for example, or the choice of the appropriate legal form – without sound business management knowledge, failure is almost inevitable.

On an international level, there is a clear boom in start-ups, in the meantime also in Germany. The signs for a successful start-up are therefore generally favorable. Entrepreneurial initiative is increasingly being called for in all areas of business and politics. By starting their new businesses, start-ups contribute to overall economic prosperity and to improving the country's employment and competitive situation.

In the specialized literature market a multiplicity of councellers with the usual hints and cheats for the business start-up is already offered. In view of this market situation, any new publication in this subject area must therefore face the question of its justification. The justification in this case is quite simple, this book has a different mission. Since founders of new businesses mainly come from non-economic professional and educational backgrounds, they often lack basic business knowledge relevant to the founding of a company. For them, therefore, the only option is to turn to traditional introductory works on business administration, which, apart from often being perceived as too theoretical, are only able to satisfy their specific needs in a rather unspecific way. Or, on the other hand, to turn to practical authors who usually sell untested patent remedies, but hardly explain transferable practical cases, and whose findings are therefore only transferable to others to a very limited extent.

Therefore it is meaningful to document the practically important knowledge of the management under the special aspect of the business start-up and to make it market-effective accessible to prospective users. To represent this adequately only succeeds authentically, if one exhibits solid economical training, didactic experience in the knowledge transfer and independent founder expert's assessment. However, this is rarely realized in one person. The author however has both sound business administration knowledge from study as well as occupation as consultant and key account manager, he can build on many years university lecturer experience (management professor and textbook author) and was active even some years as founder and/or partner of three marketing consulting firms, of

which one became straight insolvent, one from the outset remained suffering, but the third then offered a reliable and very successful income basis.

This work addresses itself due to its systematic-analytical interpretation with meaningful theory foundation, in addition, descriptive application-referred contents, which are aligned to the concrete conversion in the business startup, particularly to the following target groups. On the one hand to current founders and entrepreneurs, whose business startup is just pending or is only short past, in order to arrange for them the relevant, economical core knowledge, on the other hand to students with business start-up ambitions at scientific and applied universities in technical and other, non-economical disciplines as well as to participants of fastidious advanced training meetings and working persons, who think intensively about an economic independence. Reasonable professionalism of these respective activities is assumed.

The aim of this guide is to clarify the complexity of a business start-up project and to help ensure that avoidable “sticking errors” do not jeopardize the existence before it has even been ramped up.

The author would like to thank the publisher Duncker & Humblot, Berlin, in particular Dr. Andreas Beck, Dr. Maria Schellstede, Lisa Wötzel, heads of the editorial office, Heike Frank, head of production, Anke Geidel, Production, for the opportunity to realize this work. Any remaining shortcomings are nevertheless the sole responsibility of the author. Thanks also to Hanser Verlag, Munich, for the accommodating release of the English-language rights.

In this sense much success is wished to all readers with the conversion of these book contents. However, one should by no means forget that for every founder celebrated in the media, there are dozens in the shadows whose personal perspective is often limited for decades to come due to economic mistakes. In this respect, this decision should be considered extremely thoroughly.

The naming of generally descriptive designations, in particular brands/products/companies etc., in this book is for practical illustration purposes only. The rights of the respective trademark owners are expressly respected. The publisher and author assume that the details and information in this book are correct and complete at the time of going to press, but cannot accept any liability for this.

The complex legal framework can only be summarized in a business book. It is therefore no substitute for legal advice in individual cases.

Unless otherwise stated, all statements refer to conditions in Germany.

Krefeld (Germany), 2024–2–16

*Werner Pepels*

# Table of Contents

<b>Introduction</b> .....	15
<b>1. Economic basics of business start-up</b> .....	19
1.1 Overview of economic players .....	19
1.1.1 Types of operations .....	19
1.1.2 Types of companies .....	20
1.2 Objects of management .....	22
1.3 Responsibility as an entrepreneur .....	24
1.3.1 Sustainability of business activities .....	24
1.3.2 Social integration engagement .....	26
1.4 Constitution as a young enterprise .....	29
<b>2. Constitutive framework for business start-ups</b> .....	32
2.1 Choice of the legal form of the enterprise .....	32
2.1.1 Selection criteria .....	32
2.1.2 Sole proprietorship .....	34
2.1.3 Relevant forms of partnerships .....	34
2.1.4 Private company .....	36
2.1.5 Relevant forms of corporations .....	39
2.1.6 Change of legal form .....	43
2.2 Choice of operating location .....	43
<b>3. Activity basis of the young enterprise</b> .....	46
3.1 Determination of the business model .....	46
3.2 Utilization of the core competence .....	50
3.3 Activation of sources of potential demand .....	52
<b>4. Finding an innovative business idea</b> .....	54
4.1 Dimensions of innovation .....	54
4.2 Processes for generating ideas for innovations .....	56
4.3 Knowledge as the fourth production factor .....	60
4.4 Securing industrial property rights .....	61



<b>5. Business processes in the young enterprise</b> .....	65
5.1 Value-added architecture .....	65
5.1.1 Value chain structure .....	65
5.1.2 Value chain width .....	68
5.1.3 Value chain depth .....	69
5.2 Process environment .....	70
5.2.1 Business process .....	70
5.2.2 Process model .....	72
5.2.3 Process design .....	73
<b>6. Basic informational functions in operation</b> .....	75
6.1 Personnel and organization .....	75
6.1.1 Collective regulations .....	75
6.1.2 Individual regulations .....	76
6.1.3 Organizational structure .....	79
6.2 Leadership and entrepreneurship .....	82
6.3 Decision making .....	85
<b>7. Basic monetary functions in the enterprise</b> .....	88
7.1 Cost accounting and calculation .....	88
7.2 Financing and investment .....	99
7.3 Bookkeeping and accounting .....	105
7.4 Tax collection und tax types .....	110
<b>8. Basic physical functions in operation</b> .....	112
8.1 Procurement and logistics .....	112
8.2 Production and quality .....	115
8.3 Market information and sales .....	118
<b>9. Market performance as bottleneck</b> .....	121
9.1 Pricing .....	121
9.2 Sales design .....	125
<b>10. Success controlling in the young enterprise</b> .....	130
10.1 Planning of activities .....	130
10.2 Control of activities .....	131

10.2.1 Risk treatment .....	131
10.2.2 Value analysis .....	133
10.2.3 Key figure analysis .....	134
<b>11. Strategy concept in the young enterprise .....</b>	<b>139</b>
11.1 Status quo analysis .....	139
11.2 Strategy framework .....	143
11.3 Objectives .....	145
11.4 Strategic variables .....	149
11.4.1 Competitive advantage .....	149
11.4.2 Competitive behavior .....	151
11.4.3 Competitive timing .....	152
<b>12. Start-up funding as a bottleneck .....</b>	<b>154</b>
12.1 Financing principles .....	154
12.2 Forms of start-up financing .....	158
12.2.1 Venture capitalists .....	158
12.2.2 First stage financing .....	159
12.2.3 Expansion stage financing .....	162
<b>13. Business plan as a milestone .....</b>	<b>165</b>
13.1 Structuring .....	165
13.2 Formatting .....	167
13.3 Project planning .....	169
<b>14. Development perspectives of the young enterprise .....</b>	<b>173</b>
14.1 Growth options .....	173
14.2 Procedures for company valuation .....	176
14.3 Growth content .....	178
<b>15. Overcoming an early crisis in a young enterprise .....</b>	<b>182</b>
15.1 Ad hoc activities .....	182
15.2 Preventive approaches .....	187
<b>Literature references .....</b>	<b>189</b>
<b>Index .....</b>	<b>191</b>

## List of figures and tables

Figure 1: Types of operations .....	20
Figure 2: Types of companies .....	21
Figure 3: Production factors (E. Gutenberg) .....	23
Figure 4: Stakeholder groups .....	27
Figure 5: Legal forms of the enterprise .....	33
Figure 6: Modules of the business model .....	47
Figure 7: Elements of core competence .....	50
Figure 8: Dimensions of innovation .....	54
Figure 9: Types of industrial property rights .....	63
Figure 10: Structure, width and depth of the value chain .....	66
Figure 11: Value chain (M. Porter) .....	67
Figure 12: Requirements for business processes .....	72
Figure 13: Dimensions of the organizational structure .....	80
Figure 14: Organization charts single-line functional specialization (Principle) .....	81
Figure 15: Decision situations .....	86
Figure 16: Different cost sizes .....	88
Figure 17: Classification of cost accounting .....	89
Figure 18: Operational accounting sheet (BAB) .....	91
Figure 19: Cost accounting schemes .....	91
Figure 20: Target costing (Principle) .....	95
Figure 21: Break even points .....	96
Figure 22: Forms of financing .....	99
Figure 23: Cash transactions in operations .....	105
Figure 24: Balance sheet (Principle) .....	106
Figure 25: Elements of the enterprise resource planning .....	112
Figure 26: Alternative production functions .....	115
Figure 27: Connection of validity and reliability .....	118

Figure 28: Main elements of market performance	121
Figure 29: Price innovation and price variation	123
Figure 30: Sales channel (width, depth, structure, method)	126
Figure 31: Key figure analysis	134
Figure 32: Simple performance measurement system	136
Figure 33: Industry structure analysis	140
Figure 34: SWOT tableau and TOWS matrix	142
Figure 35: Four fields portfolio (BCG)	143
Figure 36: Strategic framework and goals	144
Figure 37: Target pyramid	146
Figure 38: Options for competitive advantage	149
Figure 39: Options for competitive behavior	151
Figure 40: Options for competitive timing	152
Figure 41: Rounds of early stage financing	159
Figure 42: Rounds of expansion stage financing	162
Figure 43: Selected time management tools	171
Figure 44: Options for corporate affiliation	173
Figure 45: Options for company valuation	176
Figure 46: Company growth content	178
Figure 47: Preventive approaches	187
Table 1: Scoring analysis (rating example)	58
Table 2: Utility value analysis (ranking example)	59
Table 3: Progressive calculation	92
Table 4: Retrograde calculation	93
Table 5: Break even point calculation (examples)	98

## List of abbreviations

AG	Stock corporation (Aktiengesellschaft)
APV	Adjusted present value
BAB	Cost allocation sheet (Betriebsabrechnungsbogen)
BEP	Break even point
BGB	German civil code (Bürgerliches Gesetz-Buch)
BPO	Business process outsourcing
BPR	Business process reengineering
BSC	Balanced score-card
CIP	Continuous improvement process
CRM	Customer relationship management
CV	Curriculum vitae
DCF	Discounted cash-flow
DPMA	German patent and trade mark office (Deutsches Patent- und Marken-Amt)
EAT	Earnings after taxes
EBITDA	Earnings before interest, taxes, depreciation, amortization
ERP	Enterprise resource planning
EÜR	Proceed surplus statement (Einnahme-Überschuss-Rechnung)
GDP	Gross domestic product
GmbH	Limited liability company (Gesellschaft mit beschränkter Haftung)
GWB	Act against restraints of competition (Gesetz gegen Wettbewerbsbeschränkungen)
HGB	German commercial code (Handels-Gesetz-Buch)
HWK	Chamber of crafts (Handwerkskammer)
ICT	Information and communication technology
IFRS	International financial reporting standards
IHK	Chamber of industry and commerce (Industrie- und Handelskammer)
IPO	Initial public offering
KG	Limited partnership (Kommanditgesellschaft)
KPI	Key performance indicator
M & A	Mergers and acquisitions
OEM	Original equipment manufacturer
OHG	General partnership (Offene Handels-Gesellschaft)
p.c.	per cent
PDCA	Plan-do-check-act
PEF	Private equity fund
PIMS	Profit impact of market strategies
R & D	Research and development
ROE	Return on equity
ROI	Return on investment
SBU	Strategic business unit
SCM	Supply chain management
SPAC	Special purpose acquisition company

SWOT	Strengths, Weaknesses, Opportunities, Threats
TOWS	Threats, Opportunities, Weaknesses, Strengths
USiG	Value added tax act
VAT	Value added tax
VC	Venture capital
VRIO	Value – Rarity – Inimitability – Organization
WACC	Weighted average cost of capital



## Introduction

In a capitalist economic system, survival of the fittest applies. Only the most flexible prevail, second-rate solutions disappear, except perhaps in the area of state subsidies, but these cannot be sustained over the long term either. Therefore, it is important to understand and internalize the guidelines of the system. It is necessary to first familiarize oneself with the economic fundamentals of starting a business in the social market economy. This includes understanding the economic actors, the object of economic activity, the social responsibility of entrepreneurs and the necessary constitution as a young enterprise. This is the content of *chapter 1* of this book.

In this course some constitutive decisions have to be made, which already contain the nucleus of success. If the wrong course is set here, this will lead to competitive disadvantages which, in view of the dynamics of the markets, can hardly be made up for in any other way. In this context, the choice of the legal form of the company and the choice of the operating location must be considered above all. To do this, the various implications of the options must be known in order to be able to identify the most sustainable and resilient solution in each case. This is the subject of *chapter 2*.

Central to the success of the young company is determining the success factors which will enable it to establish itself and survive in the market. A variety of elements can be named for this purpose, but only three elements stand out from a business management point of view. The *business model* shows how structures and processes should be designed so that a market existence can be created. The *core competence* identifies the success lever which can help the young company to assert itself on the market. And the *source of potential demand* clarifies where the returns from the demand to compensate the invested resources should come from. Without a very clear picture of these three success factors, success remains only random and thus extremely unlikely. This is the content of *chapter 3*.

A prerequisite for market existence is that the young company must be able to provide greater benefits to those who demand its services than comparable other providers. This requires a differentiated business idea. In turn, vague, ill-conceived ideas are not enough; these have no justification for market existence and thus no chance. On the contrary, all successful founders had very concrete plans about their respective business ideas. Of course, fortunate coincidences, accompanying circumstances, positive external influences, etc. came along, but these did not lead to a change of the business idea, but at best to an optimizing adjustment. In most cases, founders' business ideas are innovative, so it is important to find, train and protect such new ideas. This is the content of *chapter 4*.



In addition to the structure of existence, operational processes are increasingly important. The most important factor is the creation of value. Only this legitimates to the market existence. That means however by no means that one should make everything itself, completely on the contrary. One should only do what one can do better than others. What others can do better, one should on the other hand, buy in from them. The operational value chain in its width and depth provides information on how this can be integrated skilfully and efficiently. It is then important to dovetail external and internal services by coordinating processes as frictionlessly as possible. This process environment is the decisive yardstick for the successful implementation of a concept. This is the subject of *chapter 5* of this book.

In order to establish an entrepreneurial existence, very precise ideas about the basic function of operational coordination in personnel and organization are required. In most cases, these are decisive for success and form the basis of the existence. Especially in the entrepreneur himself qualities like leadership and entrepreneurship must be present. This can hardly be learned, but must already be “in the genes”. Anyone who does not have these qualities has no chance of success. But not everyone who has it is really a suitable entrepreneur. At the same time, there are always important decisions to be made at forks in the road which require this intuition, but above all also analytical and systematic thinking. This is the content of *chapter 6* of this book.

Likewise, very precise ideas about the basic functions of business capital management are required. This includes significant functions such as cost accounting and calculation, financing and investment as well as bookkeeping and accounting. Even if these tasks are outsourced to consultants/experts, which is recommended in a large number of cases, it is still important to know the framework conditions and interrelationships so as not to be dependent on the expertise of outsiders who may not be sufficiently familiar with and able to comprehend the start-up scenario. The underlying facts may be dry and unspectacular, but they are nevertheless to be regarded as the lifeline of existence. This is the content of *chapter 7* of this book.

Finally, it also requires very precise ideas about the basic functions of merchandise management in procurement and logistics, in production and quality, and in market information and sales. And in the end, it’s not the brilliant idea which makes the difference, but the pedantic processing of critical variables in the value chain. Before one stumbles over seemingly boring and insignificant inadequacies here, this should definitely be prevented. This is the content of *chapter 8*.

In fact, every company lives only from the presence and reward of its products and services on the market. All activities must absolutely be customer-driven. Far too many founders are enamored of technology or overconfident of their entrepreneurial abilities. In the end, however, an opportunistic, error-intolerant demand decides on the prosperity or ruin of the existence. In this respect, marketing is considered a bottleneck for the success of any company, and it is always the bottleneck which limits the success of the overall project. The “thickest boards”

are the pricing policy and the distribution policy. In this context, it is important to consider the valid options and to knowledgeably select the most suitable of them. This is the subject of *chapter 9*.

However, success is also decisively influenced by the planning and control of operational activities. Both elements belong firmly together and are meaningless without the other. For this reason, it is first necessary to keep the planning fundamentals in mind and to implement their results. It is then essential to check these results to see whether or not the desired targets have been achieved. This is content of controlling, which therefore means significantly more than just check, but steering the young company. For this purpose, a number of tools are available to help stay on course. This is the content of *chapter 10*.

For a successful existence, the elaboration of a strategic conception is essential, if one does not want to depend on lucky coincidences. Three elements are essential for this: first, a thorough analysis of the current situation; second, the exact definition of the target content; and third, the appropriate setting of strategic parameters. Without these orientations, one is mainly dependent on luck, i. e. a very risky basis. A variety of tools are available for the status quo analysis. The target contents result from derivation from the superordinate company goals through progressive concretization. And in view of densely occupied, highly competitive markets, the strategy is increasingly determined above all by the competition. This is the subject of *chapter 11*.

In order for a business to be set up in the first place, it is often necessary to provide start-up support, which is offered in a variety of forms today. Various financing instruments and sources can be used. In view of the wave of start-ups, the opportunities in this area have also been greatly expanded. The fact that there is a lot of investment-seeking, vagabond capital and only a few profitable alternative investment options is an advantage here. Investors are therefore willing to accept even higher risks. In this respect, there is hardly any bottleneck for founders. In addition, the state also provides start-up subsidies to further reduce the unemployment figures. However, there are considerable bureaucratic hurdles to overcome, which should not be underestimated. This is the subject of *chapter 12*.

In order to obtain financing or subsidies, it is necessary to provide the financiers with a coherent concept of the basis and structure of the business start-up. The business plan has become an established document for this purpose. In it, the founder(s) transparently present the framework and content of their desired activity. Important here are the principles of simplicity through concentration on the core factors, exactness through comprehensible data and facts, and resourcefulness to overcome adversity. This is the content of *chapter 13*.

After a successful launch, there must be no gap in development. Rather, there must be pre-conceived and planned perspectives on how the young company will fuel its further growth. This can take place organically, i. e. through internal growth, which is comparatively low-friction but also slow, or inorganically through