



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development and Cooperation SDC
Agenția Elvețiană pentru Dezvoltare și Cooperare
Швейцарское управление по развитию и сотрудничеству

Moldova Small Business Handbook

Citește în limba Română



Читать на Русском языке



This publication is made with the support of the Swiss Cooperation Office / Representation of the Embassy of the Swiss Confederation in the Republic of Moldova. Its content does not necessarily reflect the views of the donor.

Moldova Small Business Handbook Contents

		Pre-Start-up	Growth Phase Company	Mature SME	Page
	Forward				
	Book Overview Case Study				
Book 1 - Business Primers					6
1	Chapter 1: What's a Moldova Business Primer?				6
2	Chapter 2: Starting a Business in Moldova				7
2.1	How to Pick the Right Structure for Your Business	x			8
2.2	Registering a Business in Moldova	x			13
2.3	Licensing & Authorizations	x			19
3	Chapter 3: Operating a Business in Moldova				22
3.1	Hiring and Firing				23
3.2	Overview of Accounting in Moldova	x			30
4	Chapter 4: Regulatory Information				36
4.1	Public Procurement	x	x	x	37
4.2	Moldova IT Parks	x			39
4.3	Overview of Taxes in Moldova	x			44
5	Chapter 5: Threats and Mitigation				50
5.1	What to do in Case of Control (Don't Panic!!)		x	x	51
5.2	Corruption	x	x	x	54
5.3	Protecting Your Investment	x	x		57
5.4	Business and Government Culture in Moldova	x	x	x	60
Book 2 - Business Tools					64

					64
1	Chapter 1: What is a Business Tool?				
2	Chapter 2: Getting to Know Your Partners and Yourself				65
2.1	Picking Your Partners	x	x		66
2.2	Intentional Relationship Building - IRB	x	x	x	69
2.3	The Myers Briggs Type Indicator - MBTI	x	x	x	72
2.4	Personal and Team SWOT	x	x		75
3	Chapter 3: Ideation and Brainstorming				78
3.1	Brainstorming Basics - No Wrong Answers	x	x	x	79
3.2	Six Thinking Hats	x	x	x	81
	Six Thinking Hats (Worksheet)	x	x	x	
4	Chapter 4: Business Planning Tools				85
4.1	SWOT Analysis	x	x		86
4.2	Lean Canvas	x	x	x	91
4.3	Problem Interviews with Customers	x	x	x	98
4.4	Cost Analysis	x			104
4.5	Forming an Operating Budget	x	x	x	110
	Operating Budget (Template)	x	x	x	
4.6	Pricing Strategies	x			116
4.7	Developing a Marketing Plan	x	x	x	121
4.8	Competition Analysis and Positioning	x	x	x	127
4.9	Centro App	x			132
4.10	Checklists and Accountability Tools		x	x	134
	Afterward and Special Thanks				137

Welcome to the Moldova Small Business Handbook

Welcome!

On behalf of the authors of this guide and the Moldovan Small Enterprise Alliance (AIM) I want to welcome you to our book. We have worked hard to try and create a useful, practical guide to running a successful small business in Moldova. Whether you are just starting out with an idea or dream or you have been building a company for a few years already we hope that this book will have information to make your life easier and your company more successful.

When we talk about the topic of “doing business” we must first realize that there is no one right way. In fact, some of the best known entrepreneurs in the world (think: Steve Jobs) are famous because they “thought different” and approached old problems in a new way. Creativity and a willingness to do things a totally new way are core to making a successful business. Because of this, our Handbook does not seek to guide you step by step to making your business a success. No one can guide you like this and in many cases, you will have to find your own way. Something only you can do. What we do try to do is to provide you with the best information and latest techniques so that you can approach whatever business problem you are working on with the best information and tools possible.

To do that, we have divided this Handbook into two sections: Moldova Business Primers and Business Tools. In Book 1: Moldova Business Primers, we will provide introductions to the key aspects of doing business in Moldova. These topics are very country specific and include introductions to ideas like local taxes, registration and regulation and more. None of these sections is meant to be an “in depth guide” to the topic.

For example, our section on taxes in Moldova will not result in you having an accounting degree, or being able to do your own accounting. Instead, we seek to give you the vocabulary and basic understanding of the topic so that you can 1) plan and forecast and 2) know what questions you should be asking of accountants, lawyers, bureaucrats or whatever other person or group you need to engage with.

In Book 2: Business Tools, we introduce some of the latest business planning tools alongside more classical tools and techniques. Our goal here is to help you approach your company as scientifically and intentionally as possible. These tools are universal and are not rooted in the Moldovan market specifically - though they apply here just as much as they would somewhere else.

Finally, it is important to note that this is a Handbook not a Curriculum. We don't expect anyone to read this book front to back and find every section useful or applicable to you. We do believe that there are ideas, tools and techniques in this book for all companies. So we encourage you to use what applies to you and to always remember - no one knows your company like you do. So no one knows the help you need like you do.

Thank you again for picking up the Moldova Small Business Handbook and good luck! Whether you are starting a new company or seeking to improve the one you have, we wish you luck in the adventure and road ahead!

David Smith

General Editor,

Moldova Small Business Handbook

Book Overview Case Study

Sample Use: A Case Study

In our sample, we will take a man named Ivan Ivanovich. Ivan loves to cook and has spent time working in restaurants both in Chisinau and abroad in Europe. After working hard for some years Ivan has decided he wants to follow his dream of opening his own restaurant. But where to start?

The first thing Ivan knows is that he needs some help. He doesn't have a lot of money and he is thinking he might want a business partner to share the work. He starts with [Tool 2.2: Intentional Relationship Building - IRB](#) which teaches him how to be collisionable and how to start leveraging his network to look for people who might be helpful for him. At this point, Ivan has met a lot of people and realizes he needs to better understand his needs so he does a [Tool 4.1: SWOT Analysis](#) - first on his idea to open a restaurant, and then a [Tool 2.4: Personal and Team SWOT](#) to evaluate how his own strengths and shortcomings might affect the company. After thinking through these ideas in depth, Ivan reads [Tool 2.1: Picking Your Partners](#) and comes up with a list of the attributes he wants in his team. He gets lucky and meets Mircea, a passionate cook who also dreams of running his own restaurant. Together, they re-do the [Tool 2.4: Personal and Team SWOT](#) and even read through the [Tool 2.3: The Myers Briggs Type Indicator - MBTI](#). Both of them know that being business partners is like getting married - it's best to think it through before just suddenly deciding.

Now that Ivan and Mircea are confident that they will make a good team, they start thinking about how to refine their idea. Both dream of a restaurant but their visions are not concrete. It's time for them to work on their business idea more. They start with [Tool 3.1:](#)

[Brainstorming Basics - No Wrong Answers](#) which teaches them techniques for generating new ideas and respecting each other's contributions. After lots of great brainstorming they start to focus

their idea on a tapas bar. Both Ivan and Mircea have been to Spain and think this will be an awesome new concept in Chisinau. But to make sure, they try [Tool 4.3: Problem Interviews with Customers](#) with Customers. This process teaches them ways to validate their ideas and talk with prospective customers directly. With this feedback in hand, Ivan and Mircea decide it's time to start writing a business plan.

Instead of sitting down and trying to write a formal, official plan, Ivan and Mircea use [Tool 4.2: Lean Canvas](#). This allows them to create a quick (under 1 hour) business plan and get lots of new ideas about their potential customers, marketing and other key topics. Based on the ideas from their plan, the team decide to use [Tool 4.3: Problem Interviews with Customers](#). Through this tool, they formulate a mini-test kitchen for friends and strangers both to see how they react to their tapas idea and to get feedback. They learn a lot but mostly get positive feedback! Now it's time to get serious and start their company.

Both Ivan and Mircea know some friends and family who are willing to invest in their new idea. What they don't know, is how to actually go about forming a company and accepting investment? They use [Primer 2.1: How to Pick the Right Structure for Your Business](#) to realize that their best option is to form an SRL. With this information, they go ahead and use [Primer 2.2: Registering a Business in Moldova](#) to understand the process of starting the company. At this point, they decide to split their efforts. According to their Team SWOT analysis and early conversations they know that Ivan is really detail oriented and meticulous with details. Because of this they

decide Ivan will take the lead on the official government questions.

Ivan starts working through [Primer 2.3: Licensing & Authorizations](#) to understand if they need licenses to work and who to talk to about getting permission to open the company. He also reads through [Primer 3.2: Overview of Accounting in Moldova](#) because he knows they need an accountant to help them file paperwork and to help setup contracts when they find a location for the business.

Meanwhile, Mircea starts working on the menu and uses [Tool 4.4: Cost Analysis](#) to evaluate their proposed dishes. After also reading [Tool 4.6: Pricing Strategies](#) he starts working on a budget using [Tool 4.5: Forming an Operating Budget](#) (and the [Operating Budget \(Worksheet\)](#)). Because of this, Mircea knows how much they need to charge and how many people they can afford to hire based on their estimated sales.

Meanwhile, they start looking for a location for their dream company. They meet with real-estate agents and walk all over town looking for buildings for rent. Mircea and Ivan both know that they don't have that much money so they are looking for a small place - ideally one that was a restaurant before. Mircea finds some options and really likes one in a small neighborhood with a lot of current cafes. He uses [Tool 4.8: Competition Analysis and Positioning](#) to evaluate their idea more in the context of their potential new neighbors. Together, Mircea and Ivan use [Tool 3.2: Six Thinking Hats](#) for some structured brainstorming about this location. They want to really think hard about it before deciding anything.

Finally, they decide this location is perfect for them. They want to present it to their investors but need a more concrete business plan than their canvas. For this, they use the [Tool 4.9: Centro App](#) for help. Also, they carefully review [Primer 4.3: Overview of Taxes in Moldova](#) to make sure they understand how much they will have to pay and don't charge too little. They're in luck! The investors love the location and are impressed with the business plan they came up with. It's time to start opening the restaurant.

While Ivan works on the Notification to Function and Mircea looks for suppliers (after reading the [Primer 5.4: Business and Government Culture in Moldova](#) of course) they slowly get closer to opening day. As they

do, they work with [Tool 4.7: Developing a Marketing Plan](#) to make sure they will have enough customers to fulfill their budget plans. Finally, they read [Primer 5.3: Protecting Your Investment](#) which lets them know that it's worth the money to install security cameras and other precautions to take.

Sadly, along the way there have been some problems with officials who were making it hard for them to get documents and certifications. That makes them read [Primer 5.2: Corruption](#) and to prepare a plan for the future with [Primer 5.1: What to do in Case of Control \(Don't Panic!!\)](#). None of this solves all their problems, but it helps them understand what they can do.

Opening day comes! And goes. Now they are running a tapas restaurant every day and working like they never have before. Times are tough but they are so happy they did as much planning as they did ahead of time because now they hardly have time to think. After a few months, they realize that their few employees are not really responsible enough when the boss isn't around. This leads them to look back to [Tool 4.10: Checklists and Accountability Tools](#) and develop strategies to make their team work smarter and better. This way Mircea and Ivan can start breathing a little easier and thinking of how far they've come.

When they do have this time to think, they realize just how well they did because of all their planning. But also, how many mistakes they made (so, so many). That's normal! But it doesn't make it acceptable. So they start going back and revisiting their assumptions. They update their Lean Canvas (something they decide to do every 4 months of the first year) and they revise the budget to see where their assumptions worked and where they didn't. As the years go by, they pull out their Handbook less and less as systems get organized and their company finds its stride. But that doesn't mean they never check back - they still update their Lean Canvas and develop new marketing plans all the time. Business after all is never static, you never know what challenges or opportunities you will find and so they are always ready to jump back in and make a new plan!

Note!

Ivan and Mircea never even looked at [Primer 4.1: Public Procurement](#) or [Primer 4.2: Moldova IT Parks](#) because it didn't apply to them. Your company will be the same! Not every section will work for you - just use what's useful!

Book 1 - Business Primers

Chapter 1: What is a Moldova Business Primer?

Welcome to Book 1 of the Moldova Small Business Handbook: Moldova Business Primers! The first question you might have is - what is a Business Primer? In this book, you will find sections that will each address a topic that is important to doing business in Moldova specifically. From taxes, to regulations and more we seek to give you introductions on a variety of topics you will need to run your business legally and successfully in Moldova.

Throughout this Handbook, we address a lot of topics and we do not expect every topic to apply to every company. Because of this, every section starts with a header block. Here we try and explain who this topic is for? What you should expect to get from it? When in a business cycle is it most relevant? And more. We encourage you to be your own guide through this book picking and choosing the information that you need to know to make your company a success.

[Read Online](#)

[Read More](#)

[Contact Us!](#)



The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.



Chapter 2: Starting a Business in Moldova

Read Online

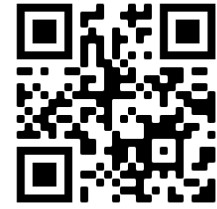
Read More

Contact Us!



The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.



Primer 2.1 How to Pick the Right Structure for Your Business

Why useful?	Choosing the legal structure for your business will affect your taxes, administrative overhead and can limit the types of business you are able to conduct.
Who needs it?	Anyone interested in creating a business in Moldova.
When do they need it?	Pre-Startup <input checked="" type="checkbox"/> Growth-Phase Company <input type="checkbox"/> Mature SME <input type="checkbox"/>
What should you expect from Primer?	This Primer is an overview of the different business structures so that anyone looking to start a new business can understand the pros and cons of each type. Like all of our Primers it is not exhaustive but should start as a jumping off point for future questions and decision making.

Step 1:

Understanding the Primary Business Forms in Moldova

When you start thinking about how to structure your business in Moldova, the first question you need to ask is “do I want to conduct business as an individual or as a juridical entity?” Both options have multiple possible forms all of which have pros and cons. Broadly speaking though we can say that these are the main differences

Individual Entities	Juridical Entities
<ul style="list-style-type: none">• Are legally identified as a person who is personally responsible (and liable) for all legal questions and debts for the business• Have simplified registration processes• Pay simplified tax rates• Require only single entry accounting and have smaller fiscal reporting requirements• Have restrictions on access to credit and capital• Have restrictions on their types of business they can conduct	<ul style="list-style-type: none">• Are identified as a juridical entity• Limit the Liability of the founders / owners• Require full accounting and financial reporting• Are eligible for credits and loans as a business

The predominant individual entity ome exceptions.

Step 2:

Understanding Individual Enterprises (IEs)

People running a small business as an Individual Enterprise account for around 35% of all companies registered in Moldova.

2.1 What is an IE?

The Individual Enterprise is a way for a person to conduct business as themselves (or with the members of their family). You are issued a separate fiscal code for your business activities but in every other way you are an individual. A person can only found 1 IE. There are no “shares” or investors, just a person and their family. The IE *can* hire employees.

2.2 Taxation Snapshot

- 7% from annual taxable income up to 31140 lei;
- 12% from annual taxable income after 31140 lei.

2.3 Pros and Cons of Forming an IE

Pros

- Registration is easy and inexpensive
- Simplified fiscal reporting

Cons

- The founder and their family bear unlimited liability for the debts and obligations of the IE
- The IE's assets are the same as the owners assets
- There are very limited opportunities for credits and loans

Examples of Company Types Operating Under this Format

- Handymen (Painters, plumbers, etc)
- Individual professional (accountant, social media marketer, lawyer, etc)
- Home Craft Business (candlemaking, handicrafts, etc)

Understanding Limited Liability Companies (SRLs)

3.1 What is an SRL?

An SRL (Limited Liability Company) is the most popular type of business organization in Moldova with over 55% of registered businesses. With an SRL you are allowed to conduct most types of business (with required licenses) and the liability of the shareholders who are called “founders” is limited. SRLs are flexible and can be small offices of 1-2 consultants or multi-national businesses with 1000s of employees.

3.2 Taxation Snapshot

- 12% of Profits
- Other taxes by business type (VAT, salary taxes, excise taxes, etc)

3.3 Pros and Cons of Forming an SRL

Pros	Cons
<ul style="list-style-type: none"> <input type="checkbox"/> Relatively easy to setup and manage <input type="checkbox"/> Flexible for lots of types of business (licenses may be required) <input type="checkbox"/> Limits the liability of the members <input type="checkbox"/> Is owned by “members” with a maximum of 50 	<ul style="list-style-type: none"> <input type="checkbox"/> Full double-entry accounting is required <input type="checkbox"/> Has increased reporting requirements to various agencies

3.4 Is an SRL Like a Limited Liability Company in Other Countries??

Not exactly. While Moldova’s SRL concept is borrowed from the format in the US, UK and other countries there are a few issues that are quite different.

- The “statute” or bylaws are created with the founding of the company and filed with the state. This statute outlines the details of governance.
- Member’s ownership is determined by share (statutory) capital that is fixed in the statute. It is often set at 100 lei (corresponding to 100% of ownership) but can be any amount greater than 1 lei. Transferring shares by person to person sales is allowed. Creation of new shares or diluting the share pool is not.
- Guided by a Statute (bylaws) that is filed with the state. Changes to the Statute must be approved by the state and require all members to sign off (in many cases to be physically in Moldova or represent themselves via Apostilles)
- Many operations from the structure of the company to filing authorizations may require the physical presence of members / shareholders in Moldova.

Examples of Company Types Operating Under this Format

- Manufacturers of all sizes - from small workshops to large international automotive manufacturers operating in Moldova
- Service Industries - marketing companies, accounting, law firms and more
- Restaurants of all sizes - from small bodegas to Andy’s Pizza
- Trading companies of all sizes

Step 4:

- ❑ Almost any type of business excluding banking, insurance, financial services and limited others.

Other Legal Structures of Business in Moldova

- ❑ **“Smallholder / Family Farm”** - This legal structure is designed for family farms and small scale agribusiness. The founder and their family members make up the “members” of the farm collectively.
- ❑ **“Simplified Tax Regime for Individuals Performing Independent Activities”** - This form replaces the previous “Entrepreneurial Patenta” system and allows people to perform certain entrepreneurial trade activities (see Read More for restrictions) without any legal form.
- ❑ **“Patenta”** - this is an old form that is no longer issued. It was replaced by the “Simplified Tax Regime for Individuals Performing Independent Activities” but holders of Patentas who got them before the law changed can still operate and do business.
- ❑ **“Joint Stock Company - SA”** - This is a publicly traded company where shares in the form of stock are traded on an exchange. These tend to be large companies or former state enterprises that were privatized and sold to the public. This format has increased reporting, taxation and public transparency requirements when compared to others.

Step 5:

What About a Company Registered Outside Moldova?

In Moldova, there are some types of businesses that may decide not to incorporate in Moldova at all. Or, not to incorporate in Moldova first. Here are some example considerations:

- ❑ **Online Stores** - Moldovan banking has limited or no ability to accept online transactions and send this money to your company. If you want to accept payments online you will need to do so abroad.
- ❑ **SRL Foreign Management** - If you want to form an SRL but you or some of your members do not live in Moldova you may encounter issues. Because Moldova is a paperwork and stamp oriented bureaucracy physical presence is often required for company paperwork. You may not want to ask your investors to hop on a plane or send an Apostille document (which can be costly) every time a report needs to be filed.
- ❑ **SRL Share Ownership** - when compared to Limited Liability Company (LLC) structures in other countries Moldova’s SRLs have serious drawbacks in share management. In other countries, you could add new members by selling them shares of your company by diluting the current share pool. In Moldova this is very complicated and you should check with an accountant before planning on any such flexible share arrangements.
- ❑ **Using Foreign Online Services** - If your company plans on using online services such as facebook advertising, google advertising or others, this can seriously complicate your life in Moldova. This is because Moldova is very inflexible in the types of receipts it needs and its definition of “importing services” which may involve customs.
- ❑ **Intellectual Property (IP) Concerns** - While Moldova does have some intellectual property protections, some companies choose to register and protect their intellectual property in a country with more predictable laws and courts. You should consult an IP lawyer when considering this.

In the case that your company would be impacted by any of these concerns you should consider forming a parent company. Many Moldovan IT companies do this for example. Their company in the UK, the Netherlands or somewhere else close and convenient will process online payments, contract with partners (facebook, google) and work in Moldova through a captive SRL that they create. They can then send money back to Moldova to pay staff and run the day to day company.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 2.2 Registering a Business in Moldova

Why useful?	This Primer provides a step by step process for you to know how to register your new business.
Who needs it?	Any local or foreign investor (both individuals or legal entities) who intends to start a business in Moldova.
When do they need it?	Pre-Startup <input checked="" type="checkbox"/> Growth-Phase Company <input type="checkbox"/> Mature SME <input type="checkbox"/>
What should you expect from Primer?	A step by step guide for registering a business in Moldova and introduction to terms and questions you will need to decide.

Note: This Primer assumes you have read [Primer 2.1: How to Pick the Right Structure for Your Business](#). We will specifically focus on SRLs as they are the most common business type to register.

Step 1:

Where do you Register a Business in Moldova?

When planning to open your SRL you need to go to the Moldovan Public Services Agency (PSA). PSA registers all business entities incorporated in Moldova (not just SRLs). The information about location, work hours and contacts can be accessed by visiting the official PSA site: <http://asp.gov.md/>

In order to register your company you will need to the founders or duly authorized representative(s) of the founders present at the PSA.

Step 2:

Picking a Company Name and Outlining Business Activities

2.1 What's in a Name?

Before worrying about your new company's name, it is important to realize that there is no requirement for you to operate your company under your registered name. Furthermore, the name registration does not create a trademark on the name or brand. The name is just an official name you select for the company formation.

Tip: all official company names appear on Bon-Fiscals and sometimes follow the operational name of the company. For example, you might get a Bon-Fiscal that says "McDonalds" at the top, but "xyz SRL" at the bottom.

2.2 Picking Your SRL's Name

Before you go to the PSA you and your co-founders should prepare several names for the future company. This is in case your first choice is already taken or it somehow conflicts with the rules (names using Moldova, Chisinau or other cities are prohibited. Other restrictions may apply - ask when registering). It is also possible for you to reserve a name for a future company (without founding it) for up to 6 months.

2.3 Identifying Business Activities

Additionally, when registering the company you must include in the founding documents a list of business activities that your future company is going to perform. To save time, it is important to choose the business activities before going to PSA. The business activities of the future company must be selected from the official classificatory of business activities CAEM rev.2. As many activities as you want may be added without restriction. It is better to add these when registering the company because adding them later will take time and incur fees.

The official classificatory of business activities CAEM rev.2 can be accessed by visiting:

<http://www.statistica.md/pageview.php?l=ro&idc=385>

Step 3:

Identify Your Administrator

3.1 What is an Administrator and What are Their Duties?

In Moldovan law, the Administrator of the company is a *legal designation* as the person who manages the company and represents it. It is important to realize that this role is completely a bureaucratic and legal one - this person does not have to actually run the business day to day but they do have to manage compliance day to day. The Administrator must..

- Sign for the company in all company contracts and government reports
- Assure that the company is obeying the law at all times (the Administrator is personally criminally liable in case the company breaks the law)
- Perform duties outlined in the company Statute on reporting to company founders and being responsible for official meetings

3.2 Who Can be an Administrator?

In practice the Administrator of a Small Business is most often one of the owners, but not always. The administrator of the future company can be a Moldovan citizen or a foreign national with no previous criminal records. They must be physically present in Moldova in order to sign and stamp relevant documents. The Administrator is not required to be a founder or employee of the company though this is the norm.

Step 4:

Identify Your Legal Address

The Legal Address is the headquarters of a company. It is included in the Company's Incorporation Documents, and is the place where the company will receive mail and legal notices. The address may be

- A place owned by one or the company founders
- A place rented by the company founders (e.g. an office)
- A special registration address - you can contract with a specialized company that performs services of providing legal addresses for company registrations.

The founders of the future company need to have a document that confirms the address where the future company will have its legal address. If you or your co-founder owns the premises, documents on ownership have to be presented (e.g., contract of sale). If this is rented premises, the rental contract has to be provided. Further, in most cases, a written statement issued by the owner in which he/she gives consent to register a company at the indicated address is required. This document has to be signed by the office owner and legalized at the notary.

Step 5:

Deciding on Your Statutory Capital

Every SRL requires a Statutory Capital which represents the founding money invested in the company. The minimum required amount is 1 lei representing 100% ownership of the company (in the minimum case 100 bani = 100%). Founders' ownership of the company is determined by their contribution to this Statutory Capital. Each founder is required to submit, in full, their contribution identified in the Statute within 6 months from the date of registration of the company.

Statutory Capital may be both cash and in-kind. That said, there is little reason, in practice, to have a Statutory Capital set greater than the minimum when a company is founded. If there is some technical reason to adjust the Statutory Capital (for example there can be tax benefits by importing equipment or assets into the Statutory Capital) you may do it later. Consult your accountant for more information.

Step 6:

What Documents Should You Bring?

3.1 Founders Documents - Fisical Persons

- Personal identification documents for the company's founders (Passport for non-residents with the Moldova entry stamp. Foreign Residents should use their residence permit)
- Personal identification documents for the company's future administrator
- Power of attorney for any founders not physically present
- Statement of the effective beneficiary

3.2 Founders Documents - Juridical Persons

- An extract from the commercial registry of home jurisdiction (containing all major information about the founding company);

- Copies of the Founding Documents and of the Statute / Bylaws;
- A document representing a company resolution to form a new SRL in the Republic of Moldova issued by the founding local/foreign company. This document must contain the desired company name, administrator, Business Activities, the size of share capital and legal address of the future company
- Statement of the effective beneficiary.

Note on Foreign Documents: All documents for registering a company in Moldova obtained outside Moldova shall be correspondingly legalized or Apostilled (or legalised by a Moldovan Consulate in case the country of origin that has issued the documents is not a party to the 1961 Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents). No apostil is necessary for documents issued in CIS (the Commonwealth of Independent State) countries, Lithuania, Latvia, Czech Republic, Slovakia, Azerbaijan, Turkey, Hungary and Romania, with which Moldova signed bilateral agreements.

The documents issued in foreign languages shall be translated in Romanian and the translator's signature have been legalized by a duly commissioned notary in Moldova.

3.3 Incorporation Documents

As a matter of practice, the PSA drafts the incorporation documents and a founder decision in a special form that is supplementary to the decision provided by the founder (aka you don't need to bring them).

3.4 Statute (Bylaws)

The company's Statute is the main constituent act of the future company. There are 2 options for preparing your Statute.

- Using a Standard Statute - the PSA will provide a standard operational Statute. If you choose this option, you just need to sign it. A copy of the Standard Statute is available online at this link: <http://www.e-services.md/?q=ro/content/descarca-formulare>
- Amending the Standard Statute - In the case that you have to introduce some particular requirements, desires and wishes you will need to appeal to a private lawyer or to a law firm for help drafting. This can then be presented to the PSA for their approval.

3.5 Other Documents

- Legal address documents (referenced above)

Step 7:

Registration Time Frame, Costs, Fees, and Stamps

The fees for registering companies with the PSA are in total amount around 1600 lei (standard 24 hour registration).

The PSA provides options for expedited services in which company registration can be completed within 4 hours (same day). In case of an expedited registration, fees increase 4 times.

Apart from the registration cost, the applicant has the option to order a stamp, the cost of which may vary between 200 lei and 450 lei. If you have a stamp, you empower it in your founding documents and it is required when signing official company contracts, etc.

Note: It is strongly recommended you get a stamp while founding your company. While the whole idea is archaic and optional in the law most companies and government offices do not respect this law and require stamps anyhow. It will be much easier for you to have a stamp.

Detailed information about registration costs and fees can be accessed by visiting the official PSA site:

http://asp.gov.md/sites/default/files/pdf/acte-institutionale/Anexa_2_Lista_serviciilor-CIS-08-07-2019.pdf

Step 8:

Completing the Registration!

When you return in 24 (or 4) hours for your documents your company is officially registered. A unique state identification number IDNO is attributed to each entity at the date of its registration. The IDNO is a numeric code, consisting of 13 numbers (for SRLs, sometimes different depending on legal form). This code is assigned to all legal entities upon state registration and is destined for their identification within informational system of the Republic of Moldova. The identification number (IDNO) is also considered as tax code of the business entity.

After it has been registered by the Public Services Agency, the newly business entity is automatically registered at Fiscal, Statistical, Medical Mandatory Insurance and Social Security authorities. You're done! Your SRL is officially Registered!

Step 9:

Opening Your Bank Account

Once you have your registration documents (and optional Stamp) in hand you need to proceed to the bank and open a business account. In order to operate, the company has to open an account at any commercial bank. The procedure of opening a bank account is relatively simple and is performed usually within 3 business days. For working with local clients and suppliers, the company has to open a lei account (because payments in foreign currency among Moldovan residents in Moldova are prohibited). For working with international clients and suppliers there can be opened accounts in foreign currencies. After the bank account is opened, the founder(s) has to deposit the Statutory Capital.

9.1 Picking a Bank

As of today, 11 commercial banks operate in Moldova, namely:

- BC „COMERȚBANK” S.A.
- BC „VICTORIABANK” S.A. (Small Business Lender)
- BC „MOLDOVA - AGROINDBANK” S.A. (Most Rural Branches and ATMs)
- BC „Moldindconbank” S.A. (Small Business Lender)
- BC „EuroCreditBank” S.A.
- „Banca de Finanțe și Comerț” S.A.
- BC „ENERGBANK” S.A.
- BC „ProCredit Bank” S.A. (Have ATMs where you can deposit company’s cash without waiting in line)
- Banca Comercială Română Chișinău S.A. (does not accept American founders - FATCA)
- BC „EXIMBANK” S.A.
- BC Mobiasbanca - OTP Group S.A. (does not accept American founders - FATCA)

There are many ways to pick the best bank for you. We recommend talking to other business owners about their experiences and talking to your accountant about the best online banking systems (they can be very different bank to bank for commercial accounts).

Step 10:

Next Steps

It is important to remember that just because you have registered a company does not mean you are ready to conduct business. You may need legal authorization to operate dependent on your industry. See [Primer 2.3: Licensing & Authorizations](#) for more details.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 2.3 Licensing and Authorizations

Why useful?	Opening a new company does not translate into being allowed to function. This Primer outlines the steps required to legally open and start doing business.
Who needs it?	Anyone opening a new business in Moldova
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME []
What should you expect from Primer?	A *brief* overview of the Licensing and Authorizations process. This topic differs widely by industry and get substantially more complicated for many complex types of business out of this guide's scope (e.g. Financial Services). We offer an overview here with steps that will help you get the answers you need for your business.

Step 1:

Understand

Once you have registered your business and opened a bank account this **does not** mean you are able to start doing business! In Moldova, most types of companies require licensing or authorizations to begin working. This process can be expensive and time consuming but ultimately will differ widely based on your industry. This Primer is meant to simply introduce these topics and give you important first steps you need to take to go out and understand what your company's licensing and authorization needs will be.

First, definitions:

Business License - A business license is a document you must apply for certifying your ability to conduct certain types of trade. These may be restricted by the government for safety reasons or in order to maintain strict oversight over these industries. They must be renewed periodically.

Authorizations - An authorization is a document indicating you have met the required standards to operate your business and paid fees associated with such. There may be different types of authorizations associated with health and safety but the key one for each company is the "Notification to Function" which confirms that your company may open and work.

Step 2:

Do I need a License?

When planning to open your new company is it important to look right away and see if you need a license to activate in your industry. Some examples of companies that need licenses include:

Production or Import of alcohol or tobacco (ethyl alcohol, liqueurs, beer, etc);

- import, storage and/or use of explosives (including fireworks)
- pharmaceutical activity;
- activity with precious metals and precious stones; the operation of pawnshops
- collection, storage, processing, marketing and export of waste and scrap of ferrous and non-ferrous metals, spent batteries and accumulators, whether or not processed
- Many more...

For a complete list, look online at the Public Services Agency - <http://www.asp.gov.md/ro/node/82>

NOMENCLATURE OF PERMISSIVE DOCUMENTS (Licenses, authorizations and certificates)

Annex nr. 1 from https://www.legis.md/cautare/getResults?doc_id=120955&lang=ro#

These licenses account for around 65% of all standard business licenses but not all! Certain financial and insurance services are regulated by the National Bank or The National Commission of Financial Market (NCFM). Other industries such as Energy Production or Public Broadcasting have additional licensing requirements. Do clear research on your industry to make sure there are no specific requirements.

The term of validity can be of 1, 3, 5 or 8 years. In order to extend the term of validity of the license, the holder has to submit a request for extension and to pay the required fee. Fees will differ by each license.

For full information about needed Licenses/notifications you can look directly to the Law on Internal Trade - https://www.legis.md/cautare/getResults?doc_id=112409&lang=ro

Step 3:

Obtaining Your Authorization/Notification to Function

Whether or not you need a license, you will need an Authorization to Function in most industries. This authorization certifies that you have met the health and safety requirements for your industry and gives you the right to sell products. In order to understand what is required of you in this process you need to go off-line (physically) to the office the General Directorate for Trade, Public Food and Services, with prior reservation, accessing the link <https://comert.chisinau.md/programare.php?l=ro>.

The government lists some of the requirements online but in practice, physical visits are required because the laws change and the websites are not always updated.

Also, you can obtain your notification of the commencement of trade, online by accessing: <https://actpermisiv.gov.md/#/ep/permit/23>

Both online and offline ways to submit your notification can be done by accessing <http://www.comert.chisinau.md/slideoneview.php?l=ro&idc=58&t=/Informatii-utile/Actele-necesare-pentru-initierea-activitatii-de-comert&>

For non-Chisinau companies, look to your local chamber for guidance.

For more information and to identify if your activity requires a notification of the commencement of trade you need to verify the annex nr. 1 of https://www.legis.md/cautare/getResults?doc_id=112409&lang=ro

In order to identify if your activity requires a Sanitary-veterinary Authorization you need to verify the annex nr. 3 of https://www.legis.md/cautare/getResults?doc_id=112409&lang=ro

In order to identify if your activity requires a Sanitary Authorization you need to verify the annex nr. 4 of https://www.legis.md/cautare/getResults?doc_id=112409&lang=ro

Step 4: Displaying Your Documents

Once you receive your Authorizations or Licenses you will need to display them in the manner required by law. This will differ by industry but may include:

- Company Extras
- Authorization to Function
- Health or Sanitary Authorization
- Licenses
- Registered Book of Complaints
- Consumer Protection Hotline Information
- Tax Service Hotline Information
- etc

Before opening, be sure to work with your Accountant and HR specialist to assemble all the required documents for posting. It is key that you post all the correct documents prominently to avoid problems later during controls.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Chapter 3: Operating a Business in Moldova

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 3.1 Hiring and Firing

Why useful?	In order not to commit a violation of labor law and to understand your rights and responsibilities with regards to your workforce you must be oriented on this topic.
Who needs it?	Any company that works in or intends to start business.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [] All companies that have employees. Existing companies can also review the correct application of labor law.
What should you expect from Primer?	A basic introduction to regulation of employee-employer relationships

Step 1:

Introduction and Basic Definitions

It is important to understand that the Moldovan Labor Code is incredibly complicated and bureaucratic. In most countries, labor law seeks to regulate and mediate the relationships between employer and employee. In Moldova, it additionally seeks to define and control these relationships in a variety of ways linked to the Soviet past. For example, in most countries, if you hire a shop assistant, you must conclude a contract (higher than the minimum wage) and they have a job. In Moldova, you must first grant them a job title. There is a 460 page book of job titles for you to pick from. You chose “shopkeeper 1st level.” This job has its own minimum wage and requirements set down by the government. While this example is over-simplified and intentionally silly there is a point. Following the law here for labor contract relations is not for a novice. When hiring employees you need to consult with an expert in labor law. **You cannot do it yourself.**

So who is a potential employee? Anyone over the age of 16 yrs of age is eligible to work in Moldova. From the age of 16-17 employees are only allowed part time commitment, and from 18 you may hire someone full time.

With the written consent of parents or legal representatives, and if the work activity will not endanger health, physical and mental development, training and professional training, it is possible to hire someone at the age of 15.

What is an individual employment contract (CIM)?

The individual employment contract (CIM) is an agreement between the employee and the employer, through which the employee undertakes to perform a job in a particular specialty, qualification or position, to comply with the internal regulations of the unit, and the employer undertakes to ensure the conditions provided by the Labor Code, by other normative acts containing norms of labor law, by the collective labor contract, as well as to pay on time and in full the salary.

Step 2:

Understanding Internal Company Regulations

What are the Internal regulations of the Company?

The internal regulations of the Company are a legal act that is drawn up by each employer, and is approved by the order (disposition, decision, decision) of the employer.

The internal regulations of the company must contain the following provisions:

- safety and health at work within the unit;
- respect for the principle of non-discrimination, the elimination of sexual harassment and any form of violation of dignity at work;
- the rights, obligations and liability of the employer and employees;
- work discipline in the company;
- disciplinary offenses and sanctions applicable under applicable law;
- disciplinary procedure;
- work and rest regime.

Your company's legal requirements for your internal regulations will differ by industry.

The company's internal regulations may also include other regulations regarding employment relationships in the company. The internal regulations are brought to the notice of the employees, under signature, by the employer and produce legal effects for them from the date of notification. The obligation to familiarize the employees, under signature, with the content of the internal regulations of the Company must be fulfilled by the employer within 5 working days from the date of approval of the regulation.

The internal regulations are displayed in all the structural subdivisions of the company.

Step 3:

Hiring

Once you identify a person you would like to hire into your company (or to hire yourself for that matter), you will need to go through the hiring process outlined in the law.

What are the documents required for employment?

Request all the necessary documents for employment (specified in art. 57 paragraph (1) of the Labor Code) from the person who is employed by your Company, namely:

- identity card or other identity document (passport of a citizen of the Republic Moldova, service passport, residence permit, etc.);*
- military records - for recruits (recruitment certificate) and reservists (military booklet);*
- diploma of studies (diploma of secondary specialized studies, bachelor's or master's degree), qualification certificate confirming the special training - for professions that require special knowledge or qualities;*
- the medical certificate, in the cases provided by the legislation.*

By all these acts it is sought that the person can prove the fulfillment of the general and special conditions of validity of the individual employment contract.

Careful! Labor law provides in certain cases (for the employment of minors or for employment in the fields of health, public catering, education, the movement of means of transport and in other areas provided by current legislation) that a person may be employed only **on the basis of a medical certificate**, which certifies that the person concerned is fit to perform that work. These certificates are managed and issued by competent government authorities and are usually renewed yearly.

Prior to employment, the employer has the obligation to inform the person about: the

- conditions of activity in the proposed position, the
- content of the individual employment contract,
- the notice periods to be observed by the employer and the employee in case of termination of activity.

The information in question will be the subject of a draft individual employment contract or an official letter. In addition, upon employment, the employee will be provided with, in addition:

- the Company's internal regulations,
- information on occupational safety and health requirements related to his activity,
- collective agreements (if applicable),
- collective bargaining process (if applicable).

Step 4:

Employee Contracts (CIM)

What is the term for which the individual employment contract is concluded?

As a rule, the individual employment contract is concluded for an **Indefinite Period** or **Fixed Period**.

Indefinite Period or permanent employment contracts are the norm. **Fixed Term** Contracts may only be applied in specific cases expressly provided by law (art. 55 of the Labor Code) including but not limited to the following.

- for the period of carrying out temporary works with a duration of up to 2 months;
- for the period of carrying out seasonal works which, by virtue of the climatic conditions, can be carried out only in a certain period of the year;
- with foreign citizens who are employed in the territory of the Republic of Moldova;
- for the period of internship and professional training of the employee at another unit;
- with people who study at educational institutions for full-time courses;
- for the period of accomplishing a certain work;
- for carrying out works related to the increase of the volume of production or services provided, whose temporary character (up to one year) can be argued by the employer;
- And more*

What is the probationary period?

A probationary period may be established to verify the employee's professional skills. The probation clause must be provided in the CIM. In the absence of such a clause, the employee is considered to have been employed without probation.

If the result of the probationary period is unsatisfactory, this is stated in the order regarding the dismissal of the employee, which is issued by the employer until the expiration of the probationary period, without the payment of the severance pay. The

employer is not obliged to give reasons for the decision on the unsatisfactory result of the probationary period.

The general term of the probationary period is a maximum of 3 months. But the specific duration will vary based on how much technical or professional proficiency the job requires. It can be expanded up to 6 months for specific high-level positions (director, administrator, deputies, chief accountant, etc) specifically outlined in the labor code. For unskilled workers, it is usually limited to 30 days.

In which cases is the application of the probationary period prohibited?

The Labor Code prohibits the application of the probationary period in case of concluding the individual employment contract with:

- persons who have not reached the age of 18;
- persons employed through competition;
- persons who have been transferred from one unit to another within the company;
- pregnant women;
- people with disabilities;
- persons employed on the basis of an individual employment contract with a duration less than 3 months.

Step 5:

Termination of the Employment Contract (CIM)

CIM termination is considered the last day of work. The CIM ceases on the basis of the order issued by the employer, which is brought to the employee's notice, signed, at the latest on the date of dismissal. The individual employment contract may be terminated:

1. in circumstances that do not depend on the will of the parties;
2. at the initiative of one of the parties;
3. by written agreement of the parties.

In which cases does the individual employment contract end in circumstances that do not depend on the will of the employer and the employee?

The individual employment contract is terminated in circumstances beyond the control of the parties in the event of: the

- expiry of the CIM term concluded for a specified period (from the date provided for in the contract), unless the employment relationship continues in fact and neither party has demanded their cessation;
- completion of the work provided by the CIM concluded only for the period of accomplishing a certain work;
- end of the season, in case of CIM signed for the fulfillment of the seasonal works;
- death of the employee, declaration of his death or disappearance without a trace based on a court decision;
- force majeure, confirmed in the established manner, which excludes the possibility of continuing employment,
- Etc.

How may Employees Terminate their CIM?

The employee has the right to resign, i.e. the dissolution of the CIM by notifying the employer, with a written request, **14 calendar days in advance**. This 2 weeks notice applies to most positions and employees. The director / administrator, his deputies and the chief accountant are entitled to provide one **month's notice**.

Firing / Dismissing an Employee

If an employee believes that they have been unreasonably fired, they may bring a challenge in court. If the court sides with the employee the employer will be required to hire them back and may owe damages. It is critical to know how and when you may dismiss an employee.

Firing / Dismissing an Employee is only allowed under the following circumstances

- unsatisfactory result of the probationary period (art. 63 paragraph (2) of the Labor Code);
- change of the owner of the Company - only regarding the head of the company, his deputies, the chief accountant (art. 185 of the Labor Code);
- reduction of the number or staff of the Company (art. 88, art. 183, art. 184 and art. 186 of the Labor Code);
- finding that the employee does not correspond to the position held or the work performed due to his state of health, in accordance with the medical certificate;
- finding that the employee does not correspond to the position held or the work performed due to insufficient qualification, confirmed by decision of the attestation commission;
- repeated violation by the employee, during a year, of work obligations, if disciplinary sanctions have previously been applied;
- the absence without justified reasons of the employee's work for more than 4 consecutive hours (without taking into account the lunch break) during the working day;
- presentation at work in a state of alcoholic, narcotic or toxic intoxication, established in the manner provided by art. 76 lit. (k) of the Labor Code;
- the commission by the employee at work of a theft (including in small proportions) of the patrimony of the unit, established by decision of the court or of the body competent to which it applies the application of administrative sanctions;
- the commission by the employee who directly handles monetary or material values of culpable actions if these actions can serve as a basis for the loss of the employer's trust in that employee;
- the signing by the head of the unit (branch, subdivision), his deputies or the chief accountant of an unfounded legal act which caused material damage to the unit;
- serious breach, even once, of work obligations;
- the presentation by the employee to the employer, at the conclusion of the individual employment contract, of some false documents, fact confirmed in the established way;
- the employee's refusal to be transferred to another locality in connection with moving the unit to this locality
- etc.

When can't the employer fire the employee?

It is not allowed to dismiss the employee during their stay:

- on medical leave,
- on annual
- leave, on study,
- on maternity leave,
- on partially paid leave for childcare up to the age of 3,
- on unpaid additional leave for care the child aged from 3 to 4 years,
- during the fulfillment of state or public obligations

except in cases of liquidation of the unit.

Understanding Practical Realities

In the previous steps we have considered the Labor Law in Moldova as it is written. In this step we will talk about a few realities of the system as it actually exists. This is NOT an endorsement of the following information or a suggestion that you run your company in a way contrary to the law. But it is important that we recognize the realities of the marketplace so that we understand competition as well as common (if illegal) practices.

On Moldovan Courts

It is a sad reality that Moldova's justice system has serious challenges and does not always work as desired. Furthermore, the backup in the courts system is usually perceived such that cases may not be addressed in a timely manner. Whatever the truth of the situation, these perceptions cause both employees and employers to seek to settle matters outside of courts when possible.

Practical Power Dynamics Between Employers and Employees

In Moldova, a reading of the Labor Code would give a person the impression of employee labor protections as strong as what might be expected in France or a similar nation. This is because the laws are written in a way to strongly favor employees in many cases. In reality though, the power dynamic between employees and employers strongly favors the employer. Labor Unions are practically non-existent and where they do exist they work for the employer not the union members. The lack of court recourse often means

that employees cannot defend their rights even when they are clearly violated. The presence of corruption at all levels further complicates this situation. The reality is that the power dynamic is one that favors those with money and power.

“Voluntary Release” in Place of Termination

In many cases, employees are pressured to voluntarily quit their contracts rather than be fired. This can be beneficial to both parties to avoid long, protracted legal processes when the outcome is known (for example, in the case of theft). In other cases, it can be used to abuse the employee's rights. In any case, it means that few employees are ever officially “fired” in a way that will show up in their employment workbooks.

In some cases employers will create dismissal forms that employees are required to sign the day of their hiring. They are undated and the employer will date them whenever they want to dismiss an employee without consequence. Actions like this are contrary to the law (in spirit and often letter) but are common.

Payments in Envelopes and Unofficial Employment

Many companies hire employees unofficially and pay them in cash. This process is called “payments in envelopes” and is common and even dominant depending on the sector of the economy. This unofficial hiring is done for the following primary reasons:

- To economize on taxes. Paying cash, or even paying minimum wage with cash bonuses, allows the employer to save substantially on taxes.
- To allow for financial punishments. In Moldova it is illegal for employers to punish employees by taking money from their paychecks. If the paycheck itself is not legal, employees are not protected.
- To avoid the lengthy processes associated with hiring employers, especially for temporary work.

Taken together, we can realize that the Hiring & Firing situation in Moldova is very complicated. It is in your interest to immediately hire a professional to assist you with

these processes. Most accounting firms will also provide Human Resources services. Be sure to consult on this process before trying to hire employees.

Read Online



The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Read More

Contact Us!



Primer 3.2 Overview of Accounting in Moldova

Why useful?	Knowledge of the steps to be followed by a foreign or local investor in order to set up a correct accounting and tax system. .
Who needs it	Any local or foreign investor (both individuals or legal entities) who intends to start a business in Moldova.
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME [] Pre-startup or foreign investment, in order to start the business correctly, from the very beginning, to avoid errors or subsequent problems, to eliminate financial and legal risks
What should you expect from Primer?	This Primer will introduce you to the process of tax reporting and accounting system for businesses in Moldova, presenting the steps that must be followed.

Step 1:

Understand

In Moldova, all legal entities must perform certain book-keeping and accounting functions in order to correctly pay taxes and remain compliant. Your job (if you self report) or your Accountant's job is to make sure you properly deal with the authorities and pay your taxes.

Note! When controlling fiscal matters and taxes most countries aim for simplified systems and aggressively audit companies to detect fraud and illegal action. In Moldova, the FISC and authorities are not well designed to look for fraud and *instead look for mistakes*. Consequently, the system is not simple or straightforward and you are penalized not for theft but for small errors. Please take this into account when considering whether or not to hire a professional accountant or to go it alone.

Regardless of the organizational-legal form, the subject of taxation has the following obligations:

1. to calculate the taxes;
2. to report and submit the tax reports;
3. to pay the calculated and reported taxes.

Whether you keep the accounting records by yourself or hire someone to help you, it depends how much you know, how interested you are and how much time you have for it. However, even if someone else keeps the accounting records, it is important and

necessary for you to understand in general the process, because, in the end, you are responsible for bookkeeping.

- ❑ Detailed information regarding bookkeeping can be found in The law of accounting and financial reporting, and in the National Standards of Accounting.

Note: The requirements regarding the keeping of the accounting records do not extend to the holder of the Entrepreneurial Patenta.

Step 2:

Organizing a New Firm

After registering your business, the information regarding the Administrator goes automatically to the Tax Service, National Bureau of Statistics, National Social Insurance House and National Medical Insurance Company. You are now responsible for conducting the company legally and reporting as required by law.

The administrator is responsible for accounting and financial reporting. The accounting can be organized by an in-house accountant or by contracting a specialized company. Whoever will be the company's accountant, must register as the accountant of the company at Tax Service.

The tax reports can be presented electronically and on paper. The company is obligated to report electronically if it is VAT payer, or has 5 and more employees or is resident of IT Park.

In order to report electronically, The tax report can be submitted electronically through an account on <https://servicii.fisc.md/>

In order to get an active account, you must register an account and conclude a connection agreement with <https://ctif.gov.md/>. In order to make the registration, you must call 022 82 22 22. Also you can get a prior consultation regarding the tax system by calling 080 00 15 25.

Once connected you must create your electronic signature. The electronic signature can be performed at:

1. <https://ctif.gov.md/>
2. <https://www.semnatutura.md/>
3. Or in-store via your phone operator (Orange or Moldcell). In this case you will be able to sign documents right from your phone.

Once you are registered and have an electronic signature you can use these for the periodic filing of reports.

Step 3:

Monthly, Quarterly and Yearly Reporting

Once registered, the company must present tax reports. The tax reports presented by companies can be classified:

1. monthly tax reports (required if you have at least 1 employee)
2. quarterly tax reports (usually regarding local taxes)
3. annual tax reports (even if the company does not have activity)

Financial Statements

Once registered, the company must keep accounting, in order to present the Financial Statements in the term of 120 days from the end of the year.

Depending on the categories of entities (micro, small, medium, large, small group, medium group, large group) provided in the Accounting and financial reporting Law, the entity may draw up:

1) complete financial statements; or	a) the balance sheet; b) profit and loss statement; c) the situation of the changes of the equity; d) cash flows statement; e) explanatory note.
2) simplified financial statements; or	a) the balance sheet; b) profit and loss statement; c) explanatory note.
3) shortened financial statements.	a) the shortened balance sheet; b) the shortened profit and loss statement; c) explanatory note.

Step 4:

Reporting New Contracts

Rental Contracts

Once your company has concluded a rent contract for an office, store, deposit etc. the rent contract must be registered at Tax Service as the company's subdivision. You have 60 days to do this from the date of the contract. The subdivision can be registered electronically through servicii.fisc.md the section e-Cerere.

Reporting employees

Once your company has hired or fired an employee, in the term of 10 working days the company must report about this in order to activate/deactivate his/her medical insurance.

Step 5:

VAT

The company has the obligation to register as VAT payer in case it makes sales of more than 1200000 lei in every 12 consecutive months. The company can be registered as VAT payer from the beginning. For companies which are providing services usually is not advisable to become VAT payers, while trading companies, or companies which buy expensive stuff from the beginning is advisable to become VAT payers.

For more information about VAT and other taxes see [Primer 4.3: Overview of Taxes in Moldova](#)

Step 6:

Understanding Facturas and e-Factura

6.1 What is a Factura Fiscal?

A Factura Fiscal is an invoice confirming a purchase between two juridical persons in Moldova. Facturas are official documents listing the goods purchased, the information of both companies, VAT amounts (if relevant) and more. It is required that every company keep copies of facturas for every single purchase they make.

Important! A factura is itself a type of “agreement” between the companies to make a purchase or sale. It is not a confirmation of payment. If the buyer pays cash they must still get a bon-fiscal (usually stapled to the factura fiscal). If the company pays by transfer this is not needed as the sale is confirmed by bank records.

6.2 E-factura

The E-factura system was designed in order to help businesses operate more electronically, without using old paper of strict evidence facturas (which the company was supposed to order from the Tax Service), losing a lot of time on this process. Now, the companies have the following opportunities:

1. To use e-factura
2. to order the series and the range for facturas

Both options assume the use of [servicii.fisc.md](#) system and of the electronic signature. In case of e-factura, you must use the section e-factura from [servicii.fisc.md](#). The e-factura system allows you to export/import the facturas from/in 1C software, which is very comfortable for accountants and saves a lot of time.

Here is a comparison of standard paper facturas with the two version of e-factura available:

Standard Factura Fiscal	On purchase, the seller must print the factura and sign and stamp it. The buyer must also sign and stamp it. Each party keeps a copy.
E-factura Small Cycle	The e-factura is signed electronically only from Seller's side, while the Buyer can't sign it electronically (usually because the Buyer don't use the e-factura system). In this case, the Seller must print the e-factura on paper in 2 or 3 copies, to sign and stamp it, then to bring it to the Buyer, and after the Buyer sign and stamp it, to take it back.

	Advantage over Standard Factura Fiscal: if there were lost a copy, it can be easily printed one more, while for old strict evidence facturas it was required to make a notary authenticated copy and to publish the info about the lost in Official Monitor, which cost time and money.
E-Factura Big Cycle	Big cycle means that the Buyer and seller sign the e-factura from their sides electronically using the same section e-factura from servicii.fisc.md and both, the Seller and the Buyer, don't contact physically in order to sign and stamp the factura.

Step 7:

Understanding Receipts and Bon Fiscals

For direct to customer sales paid with cash or card it is required to issue a Bon Fiscal. This is a legal document authorizing the sale in the form of a customer receipt. In order to issue Bon Fiscals you must buy and register a fiscal printer which the state may use to audit your compliance on VAT taxes. There are various regulations and requirements associated with Bon Fiscals, recording daily sales totals and more - talk to your accountant or the sales team who set up your fiscal printer to fully understand your legal responsibilities here.

Guest Check (simple receipt): In some circumstances, companies issue a simple (non-fiscal) receipt for goods to their customer. One example of where this is required is at a restaurant when the waiter brings the check to your table. You then say you will pay by cash / card and the final check is done in the system and the bon-fiscal is printed (correctly identifying it as a cash or card payment). This arrangement can be used for tax evasion if the client does not know they did not get a fiscal check - make sure to check with your accountant to know if this setup is legal or appropriate for your business type.

Step 8:

Conclusion

In conclusion, it is important to be mentioned that keeping accounting is one of the basic problems you must solve from the beginning. The accounting can be kept by yourself, on at the beginning of the business. Once your business is growing, accounting and reporting becomes more complicated and special knowledge is required.

Things you can do yourself:

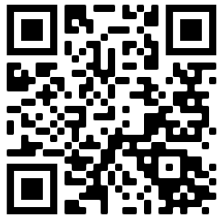
- Obtaining commercial notifications
- Registering cash machine
- Making online payments
- Issuing facturas
- Submitting simple tax reports
- HR documents

Areas you will need professional help

- Making salary, vacation and sick leaves calculations (Payroll)
- Complicated tax reports regarding VAT and salaries
- Financial Statements
- Registering transactions in Accounting software using special accounts
- Even the things you can do by yourself, will become more complicated as you grow and professional help may be beneficial

So be smart, hire an accountant, and take your time to take care of your business.

Read Online

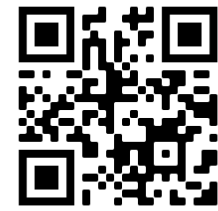


Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Chapter 4: Regulatory Information

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 4.1 Public Procurement

Why useful?	There are numerous opportunities for Small Businesses to do business with the government via Public Procurement.
Who needs it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] Any companies providing goods or services desired by contracting agencies.
When do they need it?	Ongoing.
What should you expect from Primer?	A brief introduction to the Public Procurement system in Moldova and where you can find more information.

Step 1:

Understanding Public Procurement in Moldova

The process the Moldovan Government uses to buy goods and services is guided by national law as well as integration with EU directives. The process is managed by the Public Procurement Agency, an autonomous part of the Ministry of finance. While there are different guidelines based on the size of the procurement, in general, all government purchases over 80,000 MDL are governed by the public procurement process outlined below.

Who can participate? Any resident, or non-resident, individual or juridical entities are eligible to bid on public procurement contracts.

Step 2:

Finding Procurement Opportunities

All open Public Procurement opportunities must be listed publicly. An online system is used here: <https://tender.gov.md/ro>

Listed tenders can be “Open” or “Restricted.” Open tenders are open to all applicants. Restricted tenders have a set of application criteria that establish eligibility.

Step 3:

Bidding on Contracts

The contracting agency will fix a location, date and time for the submission of bids. Your proposal must be delivered on time in two separate envelopes corresponding to the “technical” and “financial” proposal criteria outlined in the posted opportunity. These will be evaluated separately.

Upon delivery of the tender the contracting agency will issue a receipt indicating the date and time of your submission. Keep this for your records.

Step 4:

The Selection Process

In awarding the contract, the Public Procurement Agency has a detailed process outlined in law to evaluate the candidate's

- Ability to perform the professional activity;
- Economic and financial capacity;
- Technical and/or professional standing;
- Quality assurance standards;
- Environmental protection standards.
- Contracting authorities have to indicate the qualification and selection criteria for public procurement in the contract notice.

Following eligibility concerns, the criteria for awarding public procurement contracts are limited to:

- the most advantageous tender in technical and economic terms; or
- the lowest price

Step 5:

Other Small Acquisitions

For small purchases, the law allows the authority not to organize an award procedure, but allows the authority to direct procurement from a particular supplier, provider or performer.

The estimated value below which no award procedures is required are:

- 80,000 lei, excluding VAT, for contracts for goods and services
- 100,000 lei, excluding VAT, for performing works contracts.

The open tender is used for awarding the majority of public procurement contract regardless of their purpose.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 4.2 Moldova IT Parks

Why useful?	The Moldova IT Park law is an essential tool for companies working in the IT sector.
Who needs it?	Any company working in IT or planning to startup in the IT sector (detailed list below). This law *only* applies to IT companies.
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME [] Established companies can also apply and change their status.
What should you expect from Primer?	This Primer will introduce you to the benefits of the Moldova IT Parks Law, who can benefit and an overview of how to register your business.

Step 1:

Understanding Moldova IT Parks

Moldova's Information Technology Parks's Law no. 77 was adopted on 21.04.2016 and is active for 10 years (and may be renewed). This law allows for companies working primarily in the IT sector to have a simplified tax regime. The goal is to attract foreign investment in the sector, and to help local companies come out of the shadows and operate legally.

IT Park residents benefit from significant tax benefits and facilities, the essence of which consists in applying a single tax of 7% on sales revenue.

What is a "Park?"

An IT Park is not a physical space and any company can virtually join one. Being a member does not require your company to be located in any specific locality.

Step 2:

Who Can be a Resident?

A resident of an IT Park may be any legal entity (with local, foreign or mixed capital) or individual registered in the Republic of Moldova as a subject of entrepreneurial activity, that is engaged in one or several activities provided for in Art. 8 of the Law no. 77/2016.

Main activities (according to according to CAEM-2 and CSPM rev. 2, and described in Art. 8 of the Law no. 77) carried out in information technology park Moldova IT Park are:

1. **(26.11) Manufacture of electronic components (modules)**
2. **Software editing activities:**
 - a. **(58.21) computer game editing activities**
 - b. **(58.29) editing of other software products**
3. **(59.12) motion picture, video and television programme post-production activities**, based on the use of specialized high-performance computing equipment.

- 4. **Information technology service activities:**
 - a. **(62.01) customized software development activities (customer-oriented software)**
 - b. **(62.02) information technology consulting activities**
 - c. **(62.03) management activities (management and operation) of computing means**
 - d. **(62.09) other information technology service activities**
- 5. **Information service activities:**
 - a. **(63.11) data processing, web page management and related activities**
 - b. **(63.12) web portal activities**
 - c. **(72.11) research and development in biotechnology:**
 - d. **(72.19) other research and experimental development on natural sciences and engineering**, based on the use of specialized high-performance computing equipment.
 - e. **(74.10) specialized design activities**, based on the use of specialized high-performance computing equipment.
 - f. **(85.59) other forms of education, limited to training in computer science**

Note: The main activity is the activity, which brings 70% or more of income from sales of the IT park resident.

Tax Benefits of IT Park Membership

3.1 The Single 7% Sales Tax

The peculiarity of the tax regime consists in application by IT Park residents of the single tax in amount of 7% on sales revenue registered monthly in the accounting records. The minimum amount of the single tax is determined monthly for each employee in amount of 30% from the average monthly salary per economy, forecasted for the year. The single tax is calculated and reported on a monthly basis.

Note: The amount of the average monthly salary per economy, forecasted for 2020, is 7953 Moldovan lei, which constitutes approximately 400 Euro)

Example. A company - resident of the IT park, earned in January 2020 revenues from sales in amount of 20,000 Euro, while in February 2020 - 1,000 Euro. The company has 10 employees. What is the single tax amount to be paid?

January	2020	February	2020
7% on sales revenue	30% of forecasted average monthly salary per economy	7% on sales revenue	30% of forecasted average monthly salary per economy
1 400 Euro (20 000 Euro x 7 %)	1200 Euro (400 Euro x 30% x 10 employees)	70 Euro (1 000 Euro x 7%)	1200 Euro (400 Euro x 30% x 10 employees)

Conclusion	Conclusion
The company will pay a single tax in amount of 1400 Euro for January 2020.	The company will pay a single tax in amount of 1200 Euro for February 2020.

3.2 What taxes and fees does the single tax include?

The single tax includes all taxes and duties on the company and employees with some small exceptions.

Includes	Does not Include
<ul style="list-style-type: none"> <input type="checkbox"/> tax on income from entrepreneurial activity (corporate income tax) <input type="checkbox"/> tax on income from salary <input type="checkbox"/> social security contributions due by <ul style="list-style-type: none"> <input type="checkbox"/> employees and employers <input type="checkbox"/> health insurance contributions <input type="checkbox"/> due by employees and employers <input type="checkbox"/> local taxes <input type="checkbox"/> tax on real estate <input type="checkbox"/> tax on roads 	<ul style="list-style-type: none"> <input type="checkbox"/> withholding taxes (ex. tax on dividends) <input type="checkbox"/> Value Added Tax (VAT) <input type="checkbox"/> Excises
<p>Important: Once the title of resident of IT park has been granted, the company is no longer obliged to pay the aforementioned taxes.</p>	<p>These taxes and duties shall be paid by residents of IT parks in the generally established manner.</p>

Other types of income (e.g. financial, exceptional income, etc.) are considered to be taxed by applying the single tax and are not taxed separately.

Step 4: **Becoming an IT Park Resident**

Becoming a resident of a Moldovan IT Park is usually done within a week as long as the company fulfills all eligible criteria.

- Submission of an application to the Administrator of IT park;
- Submission of documents related to its registration
- Signing a contract with Administration of the IT park.

Step 5: **Other Benefits**

- Possibility of simplified employment of IT specialists from abroad, by performing IT Visa for 2 years with the possibility of extension after expiration;
- Possibility of simplified employment of IT managers from abroad, by performing IT Visa for 4 years with the possibility of extension after the expiration;
- facilitating communication between companies and state institutions;
- friendly and open community.

Step 6:

How Does Employee Taxation and Government Benefits Work?

6.1 Income Taxes on Salary

Salary payments received by the employees of residents of IT parks are considered as finally taxed. The employer (resident of IT park) shall not calculate and withhold the social security contributions, health insurance and income tax on salary from employees salary.

6.2 Social Insurance

All employees of residents of IT parks benefit from all types of state social insurance benefits such as allowance for temporary incapacity for work caused by ordinary disease or work-related accidents, maternity leave, sick child care allowance, etc. These benefits are calculated at a salary equivalent to 60% of the average monthly salary in the economy (for 2020 it is 7953 lei=400 Euro) regardless of the actual amount of salary received for the work performed in the park. This means that an employee with a salary of 1000 Euro/monthly has the same social insurance as an another employee with a salary of 10000 Euro/monthly.

6.3 Medical Insurance

Regarding medical insurance, there are no differences compared to the employees of other companies that are not residents of IT parks. Employees are registered and covered in the compulsory national health insurance system.

Step 7:

What Extra Obligations are Required from Residents?

- Payment of the monthly membership fee
- Submission of quarterly report to the park administration
- Performing of Annual verification (audit required)
- Notifying its employees, in written form, about the specifics of social and medic insurance as well as income tax

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 4.3 Overview of Taxes in Moldova

Why useful?	Taxes are a key “cost” as well as administrative task when operating your business. You need to understand the structure of taxes before you start drafting your business plan.
Who needs it?	Business owners.
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME []
What should you expect from Primer?	A “crash course” in Moldovan taxes so that you can understand your costs and the key decisions you need to make in terms of company tax policy.

Step 1:

Understand - the Major Taxes in Moldova

This Primer is meant as an introduction and “crash-course” to Moldovan Taxes. It is *not* meant as a tool to help you calculate and pay your taxes. This requires a professional accountant. Our goal here is that you have enough information to accurately plan and forecast for your business and to ask your accountant the right questions.

So how do taxes work in Moldova? While there will be exceptions based on industry and many special cases, most companies will primary pay the following 3 taxes:

1. Value Added Tax (VAT) (for VAT payers)
2. Salary Taxes
3. Profit Taxes (usually for VAT payers)/Income Taxes (usually for non-VAT payers)

Additional, smaller or industry based taxes exist and will be briefly introduced as well. Consult with your accountant to understand the tax situation for your specific industry.

Note: This does not apply to holders of the Entrepreneurial Patenta, IT Park residents and others who are subject to separate rules and tax regimes.

VAT and Income Tax

2.1 Income Taxes

All non-VAT payers usually pay a tax on all gross income of 4%. This special regime continues until you become a VAT payer. It's calculation is simple, if you sell a product for 100 lei then you must pay 4% or 4 lei in taxes. This is included in the price not added on top (not a sales tax).

2.2 Understanding VAT

A Value Added Tax or VAT is a tax on the value you add to a product. First, how do we calculate the VAT rate? Let's assume a VAT rate of 20%. VAT is "included in the price" so if you buy an item for 100 lei you need to use the following formula to calculate VAT

$$\text{Price without VAT} = \text{Price} \div (1 + \text{VAT}\%)$$

$$\text{VAT} = \text{Price} - \text{Price without VAT}$$

So, for example, if you buy an item for 100 lei the price without VAT is $100 / (1 + .2) = 83.33$ lei. That means out of the 100 lei you are paying 16.67 lei in VAT.

So now we know how to bring VAT out of a price. Let's understand what "Value Added" means with a simple example. In our example, a Farmer raises a chicken, sells it to a butcher who sells it to an alimentara who sells it to an end customer. Each makes some profit along the way and owes taxes on the value they add. The transaction is outlined below.

Simplified Calculation				
		Farmer	Butcher	Alimentara
1	Price with VAT	MDL30.00	MDL55.00	MDL75.00
2	Price no VAT	MDL25.00	MDL45.83	MDL62.50
3	VAT per Transaction	MDL5.00	MDL9.17	MDL12.50
4	Value Added	MDL30.00	MDL25.00	MDL20.00
5	VAT Paid to Gov	MDL5.00	MDL4.17	MDL3.33

Here is an explanation of what is happening row by row:

- 1.) In Row 1 "Price with VAT" is what each economic agent charges their customer. This is the price paid and the number indicated as a total in the bon fiscal or factura fiscal. If you are a persona fizica this is just "the price."
- 2.) In Row 2, "Price no VAT" is the price with VAT removed using the formula above.
- 3.) In Row 3, "VAT per transaction" is the VAT calculated using the formula above. This is the total amount of VAT that is reflected on each receipt at the time of sale. This is not VAT paid to the government at each stage. Instead, this reflects the total VAT to date. For example, the Butcher's VAT of 9.17 includes the Farmers 5.00 lei. In

this way, the final customer's check showing 12.50 lei VAT is the total amount paid to the government. We'll see how this works in Rows 4 and 5.

- 4.) In Row 4, "Value Added" we have a calculation showing how much each economic agent added in value. The Farmer (in our simple example, neglecting feed, etc) paid nothing for the chicken so he added 30 lei in value when he sold the chicken for 30 lei. The butcher killed and carved the bird and sold it on for 55 lei. His value added was 25 lei. The Alimentara then sold the final customer for 75 lei adding a value of 20 lei to the chicken.
- 5.) In Row 5, we see how much each economic agent pays to the government. Their VAT contributions are made with the formulas listed above based on the value they added. So the farmer pays 20% VAT on his 30 lei value add for 5 lei VAT. The Butcher pays 20% VAT on his 25 lei value add for a total of 4.17 lei. Finally, the Alimentara pays 20% VAT on its value add of 20 lei for a total of 3.33 lei. If you add these up $5 + 4.17 + 3.33 = 12.50$ lei. The amount reflected in the customers final check.

So how does this all work? Basically, your accountant keeps track of all the VAT you spend (your VAT input) and how much VAT you owe on your sales (your VAT output). What you actually owe the government is the VAT on your sales - the VAT credit you have built up.

If you are the alimentara, this means that you owe the government $12.50 - 9.17 = 3.33$ lei.

Obviously, this example is simplified considerably. One major idea that you should keep in mind though is that VAT input does not just include direct Cost of Goods Sold. If you are the butcher and you buy a new set of knives, the VAT you pay on those goes to a credit as well. This can have a major effect on your decision making if you are making large investments and plays a role in when you choose to become a VAT payer.

Also, when you buy stuff (if your company is VAT payer) you must take in consideration that it is more convenient to buy from VAT payer companies, if the price is the same. In case you have to choose between buying from a VAT payer and the price is 120 lei or from a non VAT payer and the price is 100 lei, then there is no difference.

VAT is calculated and paid monthly, while income tax is paid quarterly and at the end of the year.

2.3 Becoming a VAT Payer

Any company may choose to be a VAT payer any time. Companies *must* register to become VAT payers if they do more than 1,200,000 lei of any 12 consecutive months. If you are not going to pass this threshold in a year then there is no sense in applying for VAT. If you will pass it at some point, then you must evaluate your options. In order to decide whether or not it is in your interest to become a VAT payer or to delay it until you are forced to be you should take into account a number of factors.

- 1) **Income Tax of 4% is far less than VAT** (standard rate in Moldova 20%). In the simplest example, this is advantageous and will save you considerable money. If you pass 1.2 million lei in the first year you will pay 48,000 lei in taxes (4%) vs up to 200,000 lei as a VAT payer (depending on your margins and value add). If all other factors are equal you can delay being a VAT payer and give your company a boost in your early sales.
- 2) **Major Capital Investments.** If your company is investing a lot in equipment before you launch this is all VAT deductible IF you are a registered VAT payer. So if you invest 2 million lei in equipment before launching, this results in a -333,333 lei VAT

credit that the state owes you. In most cases you don't get this back (see 2.5 below for exceptions) but it acts as a credit against your future sales.

- 3) **Import / Export Considerations.** If your company is going to import goods, indifferent if your company is VAT payer or not, you must pay VAT to customs. In case you are VAT payer, the paid VAT to customs goes in credit, if not, it is just an expense. The VAT rate for export is generally 0%. If your company is VAT payer and is exporting, then you can get back the VAT from the state budget (not all, but according to an approved formula).

At the end of the day, the situation will be very specific to your company. But it is critical that you engage with this question immediately. An experienced accountant will be able to advise you correctly, but if your accountant does not have clear experience you will need to ask the right questions. This is a major decision and you don't want to make a mistake - it's your money!

2.4 VAT Rates in Moldova

Moldova has 3 VAT rates for different goods and services.

VAT 20% - this is the standard VAT rate for all shops, manufacturing and other companies

VAT 8% - this rate applies to certain types of agricultural production including bread, milk, dairy and more

VAT 15% - (introduced May 1, 2020) is a rate for the HoReCa (Hotel, Restaurant, Cafe) sector. It applies to all food, drinks and services not subject to excise tax (alcohol) that are served in these establishments.

2.5 VAT Reimbursements from the Government

VAT paid to the government in excess of VAT owed from sales is considered a credit against future sales. In limited situations you may apply to have this VAT returned to you in cash.

These groups can benefit from VAT reimbursement (with lot of exceptions):

- companies for which is applied VAT 8% - this rate applies to certain types of agricultural production including bread, milk, dairy and more
- exporting companies at 0% VAT rate
- leasing companies
- for capital investments

for deliveries of own production of phytotechnics and horticulture in natural form, of own production of animal husbandry in natural form, live and slaughtered meal and for deliveries of sugar beet sugar as own production, made by economic agents

Step 3:

Salary Taxes

Taxes on salaries in Moldova are calculated by the employer and paid by the employ
The basic schedule of taxes is the following:

	Income Tax	Social Fund	Health Insurance	Total
Employee	12%	6%	4.5%	
Employer	0%	18%	4.5%	
Total	12%	24%	9%	45%

The actual calculation, based on basic deductions and work contract (full time / part time) is more nuanced and requires your accountant to work out monthly. Two important terms are the “brut” and “net” salaries. The “net” salary is what the employee actually gets in their pocket after taxes. The “brut” salary is the net salary + the employee taxes. What is most important is that all of these taxes, whether paid by the “employee” or the “employer” are in fact paid by you the “employer.” This is because most practical hiring is done via the net salary - employees mostly want to know what they get in their pockets.

The salary taxes are calculated and paid monthly.

While this practice may differ by industry the result is the same - you must plan as if their salary is the net + all taxes because that is what you pay for them to work for you.

Step 4: Profit Taxes

The tax on profit is usually paid by VAT payers. The profit tax rate is 12% (except household farmers - 7%). In order to determine the profit tax, first you must calculate your profit=income-expenses. Also, take in consideration that not all expenses are deductible while some of them are partially deductible (for example if you buy stuff from an entrepreneurial patenta, this expense will be not deductible). Let’s imagine that your company during the year made income of 50000 lei, expenses 30000 lei from which 10000 lei were paid to Entrepreneurial patenta. Your taxable profit=50000-30000-(10000)=30000 lei. Profit tax=30000 lei*12%=3600 lei.

Profit tax is paid quarterly in advance (you must estimate it during the year). At the end of the year, any discrepancy where you owe more taxes must be paid until 25th of March of the next year.

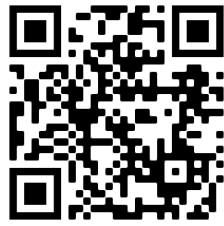
Step 5: Other Taxes

- Excise Tax
- Green Taxes
- Local Taxes
- Road taxes
- Real estate tax etc.

Local taxes are usually paid quarterly. The most common local tax is fee for commercial and / or service units. The exact amount of the fee is established usually yearly by the local authority. For example, in Chisinau for a shop of <50 square meters you will pay 3600 lei per year (more information about the local taxes rates in Chisinau you can find

<https://www.chisinau.md/lib.php?l=ro&idc=531&t=/Informatii/Taxe-locale>).

Read Online



The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Read More

Contact Us!



Chapter 5: Threats and Mitigation

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 5.1 What to do in Case of Control (Don't Panic!!)

Why useful?	Controls (inspections) are a fact of life in any business environment. In Moldova, they are a major problem for many small businesses. It is helpful to know what is coming and how to prepare.
Who needs it?	All business owners and managers
When do they need it?	Pre-Startup [] Growth-Phase Company [x] Mature SME [x]
What should you expect from Primer?	You will get a basic understanding of controls and tips for preparing yourself and your team for them

Step 1:

What is a Control?

A “control” is any kind of inspection by a government agency on your business after you begin functioning. These inspections come to test compliance and safety for your business. They can recommend or require you make changes and can levy fines if they uncover you are out of compliance.

Step 2:

Who can Control my Business?

Anyone with a “process of control” document. In theory, there should be limits on the government agencies conducting controls but in practice these limits are very commonly bypassed by agencies and local public administrations. Examples of controlling agencies include the FISC, ANSA & Sanipid (Health Departments), Labor Department, City, town or Raion local government, Fire Department, Police and more.

Step 3:

When can my Business be Controlled?

Broadly speaking controls are either “scheduled” or “unscheduled.” In either case the controlling agent needs to present you with their ID and with a “process of control” document to prove this is a legitimate control. Without documentation you are not required to participate and they may be acting in an illegal manner.

3.1 Scheduled Controles

A scheduled control is essentially a compliance or process audit from a government agency. They can last from one day to many months and generally require you to assist them with an in-depth analysis of your company’s paperwork and documentation.

All agencies are required to post their schedule of controls online. This means that the FISC (for example) will post a list of companies they will control in 2020 and the month they will conduct the control in. If you check the schedules of control for each year you

should be able to see if you are scheduled. They are not always easy to find, check the government website for controls as a starting point:

<https://controale.gov.md/acasa>

One other option is to google your company's IDNO and see if you come up. Sometimes google will find agencies have posted the list on some obscure page not easily found on the controale.gov.md site.

3.2 Unscheduled Controls

Unscheduled controls are “surprise” controls. These tend to spot-check specific compliance issues and are less in-depth than scheduled controls. Unscheduled controls can happen for a number of reasons and are sometimes arbitrary seeming. Some examples of common unscheduled controls include:

- ❑ **Bon Fiscals** - the FISC will send agents to many businesses every year to make sure you issue bon fiscals to customers. They will pose as customers and make a purchase to make sure you issue the bon. After this, they will normally control your cash register and daily register reports (X report)
- ❑ **Complaint Controls** - is a client or other community member lodges an official complaint against your business you may be controlled on this basis. In many cases, you do not have a right to know who complained but you can see what the complaint was.
- ❑ **Emergency Controls** - the government can declare an emergency and use it to conduct unscheduled controls at any time. An example would be a business having a tragic fire and the government pushing widespread fire safety controls.
- ❑ **Other** - officials may use other reasons to conduct an unscheduled control. Due to very arbitrary legislation and regulation it is hard to know if they are right to do so. In general, if they have a control document then they have a legal right to control you.

Step 4:

Understanding the Control Culture in Moldova

To understand Moldova's control culture, it is helpful to take an example of a Moldovan businessman who recently visited the US and talked to a local businessman. He asked - how are your health department inspections here? The American businessman said, “you mean Steve? He's very helpful. He helped us set up our safety processes”

This is **not** how controls work in Moldova. In most countries, controls are about consulting to encourage compliance and seeking criminality (tax fraud, serious health violations, etc). In Moldova, *controls are about finding mistakes*. Most inspectors begin a control with the idea that they will find something no matter what (and they will).

The attitude of controllers is sometimes caused by their desire to extract bribes from you (see [Primer 5.2: Corruption](#)). Other times it stems from their own ignorance of the law. Finally, Moldova has a quota of fines it needs to meet monthly. Sometimes they just fine you because their bosses told them to fine someone.

Either way, it is critical that you know your rights.

Step 5:

Know Your Rights

Educate yourself and Know Your Rights before they even walk in the door. Since there are many agencies and different types of controls we can't go through all processes here for all industries. But make preparedness a culture in your company - especially in HR and Accounting.

For in-depth ideas of your rights look to the following webpage:

<http://controale.md/>

Remember - the law protects your rights and they never have a right to intimidate you.

Step 6:

Tips and Tricks

While every control and controller is different, here are some tips and tricks to help you through the process.

- ❑ **Don't Panic!** Controls are a fact of life. Some are worse than others but you'll get through it!
- ❑ **Prepare your Team** - controls are *very* document heavy. Have your accountant and HR person keep all your documents very organized and make sure they are ready to be with you during the controlling process whenever needed.
- ❑ **Ask Questions and be Polite** - controllers like their ego flattered a bit. Ask them professional questions and politely listen to the answers. You may even learn something!
- ❑ **Don't be Combative** - do not argue with controlling agents. If they have a document of control they have a legal right to be there. Arguing with them does not help.
- ❑ **Be Firm** - Do not let them push you around. Know your rights and demand documentation from them. Remember, the law protects your rights and they never have a right to intimidate you.
- ❑ **Keep them in their Lane** - politely, but firmly, keep them in their lane. If a health official asks to review your labor contracts or anything outside the purview of their control document do not let them.
- ❑ **Ask the Community!** - if you aren't sure what is going on or want help ask other companies! Join a business association or ask a facebook or online community.

Step 7:

Conclusion

Don't Panic!! Controls sound terrible (and sometimes are) but they are a fact of life and business. If you are not doing anything wrong you should not worry too much. Just be prepared, mentally and with all your paperwork, and things will be ok.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 5.2 Corruption

Why useful?	Corruption is a fact of life that plagues all businesses in Moldova. Understanding this and preparing for it up front is critical.
Who needs it	All business owners.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x]
What should you expect from Primer?	An overview of corruption in Moldova, mitigation techniques and ways to, and not to, fight back.

Step 1:

Understanding Corruption for Small Businesses

When talking about corruption in Moldova we consider three main situations.

1.1 Paying a Bribe to Save Time

While applying for authorizations or other permissive acts the law specifies the maximum time in which the officials have to respond. In many cases this is 30 days after you apply. In some cases officials need that time to evaluate your application, but in many cases they simply need to sign a paper. It is common practice for officials to delay their response right up to the legal limit as a measure to coerce you into *offering a bribe*. In this case, they may ask you for a “gift” to make things go faster, or they may not and rely on you to offer one. The amount of the bribe or gift can vary but in many cases can be quite small - hundreds, not thousands, of lei.

1.2 Paying a Bribe to make a troublesome official go away

While undergoing inspections or controls in your business bribery and corruption is common. Inspectors will often act in a rude or aggressive manner to try and intimidate you and create an atmosphere of fear. Their goal is to bully you into a position where you will pay them in order to make them leave you alone. In many cases, they will threaten you with extreme fines and then claim that you can save yourself by paying them something right there - maybe half. The amount of the bribe or gift can vary but in many cases can be quite small - hundreds, not thousands, or lei. Alternatively, free services from your company are often demanded.

It is important to understand that these officials are not well paid and in many cases far less expert in their field than you are. They rarely look for fraud or genuine misconduct and rely on looking for errors in your paperwork or processes which they can harass you for.

See [Primer 5.1: What to do in Case of Control \(Don't Panic!!\)](#) for more suggestions

1.3 Raider Attacks and business takeovers:

The phenomenon of mafi-like characters (criminals, local police, prosecutors, etc) coming to a business person and demanding a percent of the profits in return for protection OR

outright raiding (stealing) the company from the founders does happen in Moldova but is uncommon in the cities and uncommon for small companies. This issue can be a much larger issue regionally and by industry.

Step 2:

Understanding Bureaucracy and Corruption = Time Wasted

With the exception of Raider Attacks, most petty corruption in Moldova is a threat to businesses because it is a major waste of time and energy. Bureaucracy in Moldova is designed in such a way to favor local officials using their personal discretion to slow your company down as much as they want for almost no reason. As such, withholding a critical authorization for 30 days is well within their rights and they know how much it will hurt your company. This is their leverage.

Step 3:

Strategies for Mitigating the Risk of Corruption

While working to open your company you should include in your planning strategies to mitigate the problems of corruption. Here are some suggestions.

3.1 Plan for Time Wasted

When building your business plan it is always critical to plan for unexpected delays. As you consider issues of authorizations and licenses in Moldova assume you may have additional delays while officials slow your process down in order to extract bribes. Make sure your team is prepared for this and you have planned financially for small delays here and there.

3.2 Be Firm. Know the Law. Know your Rights.

Most corrupt officials asking for bribes during controls or inspections do so arbitrarily. This is not to say that they could not find something wrong to fine you for, it is simply to say that mostly they don't try to. They make things up or rely on shouting to intimidate you into submission. Know the law and be sure of your processes. Know your rights and never accept verbal threats. Officials need to write official protocols if they find something wrong. These protocols protect your rights, they give you time to fix problems and they specifically call the official to be responsible for their inspection. Always make them sign.

See [Primer 5.1: What to do in Case of Control \(Don't Panic!!\)](#) for more suggestions

3.3 Build a Reputation

If you are known to pay bribes, they will come back again and again and tell their friends. If you are known never to pay you can protect yourself via your reputation.

3.4 Be Confident that you are Right.

Corrupt officials thrive on causing fear, shouting and belittling their victims. They believe they have a divine right as a public official to abuse whoever they feel like. They proudly drive their Land Rovers through the streets while stealing from honest working people. Do not buy their story. They are "public servants" and their job is to serve. If they are corrupt then they are the problem not you.

Step 4:

Defending Yourself with the Justice System

If you are being abused by a corrupt official and need to fight back you should be very cautious before going to court. In many cases, prosecutors and other officials in the justice system are party to the schemes and abuses. It is a very sad thing to say, but there are few cases of small companies successfully defending themselves using the justice system. Talk to an experienced lawyer and seek out other companies who were in a similar position to yours before making your decision.

Step 5:

Using the Media

If there is one thing that corruption cannot tolerate, it is transparency. In many cases it can be to your benefit to contact local media, or to share your story on social media, in order to find support in pushing back against corruption.

When considering this option, remember, you have to tell your story in a way that the public understands. The gritty details of fiscal processes or an inspection are often hard to understand for people who are not experienced in running a business. Work hard in crafting your story to win the maximum possible support. This public support can cause local officials to back down or to reverse direction. There is always risk with this and any other technique to fight back against a corrupt state. Before taking any action seek advice from a lawyer and other businesses and associations who have experience in this area.

Step 6:

Don't Fight Alone (we are Stronger Together!)

No matter what your situation or what other strategies you try, don't be alone! The system that allows corruption to thrive requires corrupt officials to be able to isolate and intimidate companies. Any one company, no matter how strong, is a target. It is in your interest to find a community. Join a business association in order to find support from other business and advice and help on dealing with authorities. We are all #StrongerTogether.

Find The Moldovan Small Enterprise Alliance online at www.sme.md for more info!

Read Online

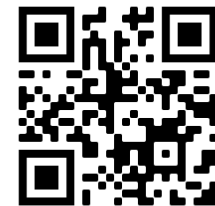


Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 5.3 Protecting Your Investment

Why useful?	Every business involves risk, some controllable and some not. Planning for risk is key to protecting your investment.
Who needs it?	Business owners or those responsible for operations.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME []
What should you expect from Primer?	An introduction to risk mitigation strategies in Moldova.

Step 1:

Understanding Business Risk

While planning your company you should think hard about the potential risks in your industry or business plan. Issues such as theft, accident, fire and more can cripple or kill a business if you are unprepared. Look for specific recommendations and best practices for your industry for making a plan. This Primer is not meant to be an exhaustive conversation about risk but will highlight some best practices and realities specific to doing business in Moldova.

Step 2:

Understanding Business Insurance

Moldova has a very underdeveloped private insurance sector. While it would be inconceivable for a small business to operate in the EU without insurance in Moldova this is quite normal. Some insurance companies have products for small businesses but in general you will have to come with a very clear idea of what you want covered because few offer standard policies (e.g. you will have to write your own policy). In place of insurance, various other mitigating strategies outlined below are common. Talk to local insurance companies or brokers as you see fit but prepare for them to be confused about what you want.

Step 3:

Security Cameras

It is strongly recommended that any brick and mortar business have security cameras. If your shop is broken into and robbed the police first ask about cameras. If you don't have any, that might be the end of the conversation and any serious attempts to solve the crime. Furthermore, employee theft or questions of fraud will also require cameras to prove the case. In the eyes of the Moldovan police security cameras are not just the main investigative tool - in many cases they are the only one.

Cameras should cover areas where cash transactions take place, entrances and exits and areas where valuable stock is stored (including your cash safe). Additionally, you should have cameras covering all customer areas in case of disputes between customers or accusations against staff.

Having good camera coverage in Moldova is the closest equivalent to small business

insurance in other countries. The police use them to judge liability and exact financial compensation (e.g. someone breaks your window, it's on camera and the police find that person and make them pay for it).

Note on privacy compliance: Moldova has strict laws about the privacy of individuals in public places. Posting a sign that clearly indicates cameras are recording is required. Consult a lawyer before releasing ANY images to 3rd parties.

Step 4: Security and Fire Alarm System

In almost every case companies are required to have a contract with a security and fire alarm company. These companies have the following services

- ❑ Fire alarm. These can be local or automatically call the fire department. Check regulation for your industry to know what is required. Included are the emergency switches that employees can use to trigger an alarm.
- ❑ Anti-breakin Detection. Motion sensors, door alarms, glass-break sensors. When the system is armed it will call the security company if there is a break-in and they will call you.
- ❑ Physical Security. Security personnel from the company you hire will respond in the case you call them. You can install a secret call button by the register or someplace convenient to trigger a silent alarm. Alternatively, you can call them on your phone.

Note: In most cities or large towns in Moldova security companies respond in minutes to your call and almost always will beat the police. Often, police respond to break-ins or physical emergencies hours later to take statements but not to interdict a crisis in progress. In these cases, a security company and staff trained to utilize them are critical to protect your business.

Step 5: Get to Know Your Local Police

As noted in Step 4, local police are very often not the first responders to a crisis at your business. But they are the ones who will be instrumental in getting justice in the case of a break-in or other criminal activity. Your experience with the police will vary from town to town with some departments being highly professional and expert and others being unprofessional and corrupt. In any case, it is in your interest to meet the police officer(s) responsible for your region. They will know common problems, local hooligans and will be able to advise you in advance how best to avoid problems. It is always better to meet them before you have a crisis, not during one.

Read Online

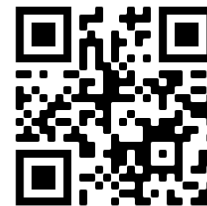


Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Primer 5.4 Business and Government Culture in Moldova

Why useful?	Understanding culture, your own and that of organizations and countries, is key to planning how to work successfully with others.
Who needs it?	New business owners in Moldova - local or foreign.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x]
What should you expect from Primer?	An overview of company, entrepreneur and government culture in Moldova with ideas on how to adapt and challenge your thinking

Step 1:

Understanding - What is Culture?

Google defines culture as

“the ideas, customs, and social behaviour of a particular people or society.”

In our context, we will talk about the business and entrepreneurial culture in Moldova. This applies to social norms, standard processes and approaches and thinking on issues that drive behavior.

Does This Apply to Everyone? NO!!!!

Any study of a group or country’s business culture is bound to result in a general overview rather than a set of hard rules. None of the ideas or information below are implied to represent all people or even a broad norm in society.

Step 2:

Entrepreneurial Culture in Moldova

Moldova has a very underdeveloped entrepreneurial culture but one that is growing. When understanding the culture around entrepreneurs and startups in Moldova there are a number of major differences from more developed ecosystems and markets.

2.1 The Value of Failure

Mainstream entrepreneurial thinking in the West is that failure is good. Failure is how we learn and how we gain experience. People who have started a company that later failed (bankrupt, etc) are more likely to get investment and loans later. This is because they gain experience and credibility in this process.

In Moldova failure is not valued and the prospect of failure is feared.

2.2. Competition vs Cooperation

Competition is good. It’s good for the market and it is good for companies. When you are competing to make the best product or provide the best services the people you are

competing against are forcing you to be better. This in turn improves your company. Furthermore, more competitors in a marketplace can have the effect of growing the market. For example, if there are more restaurants in a city they will compete more, but more people will go out to eat more often because of the options. In this way a rising tide floats all boats.

In Moldova these ideas are new or totally foreign. Many companies hate and fear competition. At times, they prefer to copy people directly or even get involved in schemes (planting negative reviews, or more illegal options) rather than letting the competition improve them.

2.3 The Gas Station Problem - Business Ecosystems

Take a scenario, two roads meet at an intersection out in the country. Lots of cars drive here so an entrepreneur opens a gas station. The station is successful and in time, someone opens a store across the street. After some more time passes another person opens a small cafe. Three businesses open and because they each solved a customer need they form an ecosystem - and all companies get richer. In Moldova, in the same scenario, there will be 3 gas stations and they will all go out of business.

This story is meant to stress the idea that companies frequently overcompete (creating a gas station across the road from a gas station) rather than fill a new customer need.

2.4 “Secret Businesses”

“**Secret Businesses**” is a funny term for people who say they have companies in some area but that they are secret. This is very common with people starting new companies or planning a startup. People are afraid others will steal their ideas. This is a terrible practice if you want to be successful because it wildly misunderstands one of the core ideas of entrepreneurship. Ideas are cheap. Everyone has ideas. The determination to bring those ideas to life? That is rare.

By hiding ideas you are unable to get critical feedback on your ideas when you need it most - before you invest your time and money. The chances your idea will be stolen are incredibly small. The chances you will miss ideas and opportunities because you kept them secret are very high.

2.5 General Community Support

Starting a company is one of the most stressful and difficult things that you can do. It's critical that you go into such a process with a good support network of friends and family that are supportive. Unfortunately, the lack of an entrepreneurial culture in Moldova sometimes results in a lack of this support from even close friends. It's not uncommon to hear people say “nice idea but you know it'll fail right?” This is a combination of general aversion to new ideas and pessimism about the Moldovan economy in general that many people have. Haters gonna hate - find your community.

2.6 Finding a Community

Recognize and value those friends who are supportive while you try and start your company. And make more such friends! Consider joining a Business Association to meet other people who are, or have, gone through the same struggles you have. By building a culture of associating with other entrepreneurs we not only help ourselves, we help each other succeed as well. This is because....

2.7 The Economy is NOT Zero Sum

Many people have a perception that there is a finite amount of resources (customers, money, etc) in every market space and that you can only make money by taking a greater share of these resources. Just like sharing a pie, every piece I eat is one you can't have. This is zero-sum meaning, in order for one person to win, other people have to lose. It is a very common mistake to start thinking this way for new business people but it is false.

The economy is not zero sum and our contributions to it grow the pie. Recognize zero-sum thinking and remove it from your business planning and company culture. It is toxic and based on logical fallacy.

Step 3:

Big Business Culture in Moldova

In Moldova, big businesses (including international companies) also have a somewhat underdeveloped business culture. Like entrepreneurial culture it is changing but slowly. Here are some key points to understand.

3.1 Customer Service Culture

Moldova is very new to a business culture oriented on customer service. This includes obvious things like employees being cold or unfriendly to customers but goes much deeper. One example we found was a company that bought lots of widgets from a retailer. That retailer suddenly stopped carrying widgets. When asked "why?" they replied "because you buy them all! I have to keep these shelves stocked and if you buy all of them I can't do my job." In this case you can see that the culture was to stock the shelves, not serve the customer. And those things clashed in a way that directly hurt the customer. Often this is because of...

3.2 Big Bosses and Strong Hierarchy

Moldova has a business where the "boss" is highly self important and often unapproachable to lower level employees. Because of the distance created here the incentives at the Boss level (sell more product) can clash with the incentive at the employee level (keep the shelves stocked) and neither knows that something bad is happening. This is because of the...

3.3 The Middle Management Problem

Moldova has an underdeveloped middle-management culture and workforce. In some cases, the middle management spend most of their time trying not to anger the "boss" and do not focus on the problem of actually managing their staff. Examples of this include a company not answering the phone for months to fill customer orders but to suddenly show up in a customers business with everything they need and more because the boss will eat lunch there. This combination of strange incentives and behavior focused upward to the boss not down to the client makes it difficult to do business with some large companies in Moldova. In order to mitigate this threat...

3.4 Work with Other Small Companies!

Consider building relationships with other small companies for your supply chain. Not only will they be more reliable (because you often deal with the owner) but they will help refer you to other trustworthy companies. Thus, you buy your supplies and build your

Step 4:

community.

Government Agencies Culture in Moldova

When dealing with the Moldovan Government at any level (local health inspector up to agency directors) it is important to realize there is little to no culture of “Public servants.” If you are coming to Moldova from the US, EU, etc, you are used to a government culture that sees you as their client. You are the taxpayer who pays their salaries and they, in turn, are “public servants.” They work for you.

Moldova is *not* like this. Government employees are often rude, abusive, neglectful, and worse. They treat you like they are better than you and that you should be grateful to them that they speak to you at all. This “apparatchik” vs “public servant” attitude can make getting even the simplest things accomplished very difficult and time consuming.

When going to deal with the authorities, hope for the best - there are honest and good people out there - **but prepare yourself for the worst.**

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Chapter 1: What's a Business Tool?

Welcome to Book 2 of the Moldova Small Business Handbook: Business Tools! The first question you might have is - **what is a Business Tool?** In this book you will find sections that each address some topic on how to successfully plan for and run a business. These sections are not Moldova-specific and represent some of the latest thinking and planning tools for businesses anywhere in the world. You will learn about brainstorming techniques, how to evaluate and pick partners, the power of an operating budget, how to analyze your competition and how to plan your marketing strategy. All these ideas are designed to help you think through your

business idea as methodically as possible and to help you make the best decisions you can.

Throughout this Handbook, we address a lot of topics and we do not expect every topic to apply to every company. Because of this, every section starts with a header block. Here we try and explain who this topic is for? What you should expect to get from it? When in a business cycle is it most relevant? And more. We encourage you to be your own guide through this book picking and choosing the information that you need to know to make your company a success.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Chapter 2: Getting to Know Your Partners and Yourself

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 2.1 Picking Your Partners

Why useful?	Picking business partners will be one of the most consequential decisions you make, and one of the hardest to change once you have made it. Thinking hard about this topic up front can be the difference between success and failure.
Who needs it?	Anyone thinking of starting a business with partners.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [] Before you do it! The best time to evaluate your team and think critically is before you found a business. That said, this Business Tool will also be helpful if you already have a business partner but you want to take a more critical analysis of your relationship.
What should you expect from Primer?	This Business Tool is designed to help you ask critical questions about who you go into business with so you can make this hugely important choice with eyes wide open.

Step 1:

Understanding Business Partners

If you are considering opening up your company with partners it is important to approach this relationship deliberately and with a lot of thought. In a lot of cases there is a temptation to start a company with a friend or family member because they share your passion or you get along with them well. *Be careful!!!* Being business partners is not like being friends, or coworkers. You will spend more time with this person than anyone else in the world during your startup time. You will disagree and likely argue with them. You will have to make serious decisions about money and strategy. You will have to do it all while the enormous stresses of starting a new business are weighing both of you down. Becoming partners can be like a marriage - you will spend all your time together and you have to work hard at the relationship.

So, Why have business partners at all?? Here are a few reasons:

- To bring skills to the team you don't have
- To compliment your personality style and work style
- To have extra hands and help before you hire staff
- For financial reasons (both as investors, and to bring on skills without hiring staff)
- To have someone as invested as you: emotionally and financially.

If you are considering someone particular for your business partner, or you are setting out to find a partner, the following steps will give you some considerations and ideas.

Step 2:

Setting Expectations

2.1 Have a Serious Talk about Expectations

Before you start a company together you should get to know each other's expectations. As questions like:

- How much time do you see yourself contributing to this company? What kind of hours will you work?
- (if investing) How quickly do you need to see a return on this investment?
- How much money do you need to make from this company to get by? What happens if we have a hard time and aren't making money?
- What is your short / medium / long term vision for this company? Are those visions compatible?
- What is my level of trust in this person? What is their level of trust in me? (think about personality, judgement and character)

2.2 Create a Decision Making Structure and Put it in Writing

No matter what type of company you are creating you need to agree up front on a decision making process and put it in writing. Think about bylaws that you all agree on and talk them through in depth. Think about things like "if the majority owner makes a decision will everyone follow it?" or "if we have an impasse / tied vote who breaks the tie? How do we make a decision?"

Some of this process will be in your Statute (if you have an SRL) or other legal formation documents. But don't just trust the law on issues - talk them through and set expectations.

Step 3:

Understanding Personality Types

When you are considering partnering with someone you should take a hard look at their personality and how it conflicts with or compliments yours. For this we have a few Tools elsewhere in this book. See...

[Tool 2.3: The Myers Briggs Type Indicator - MBTI](#) - an in-depth look at personality types and how they interact.

[Tool 2.4: Personal and Team SWOT](#) - a simple tool to evaluate you and your team

When using these tools or having discussions generally pay specific attention to "Strategists" vs "implementers." Every new company needs an idea person - someone driven by the vision who sees the "big picture." This person thinks about company problems strategically. Just as critical is having a strategist is having people who buckle down and just get things done. These implementers put the strategy to work and move the company forward. You might be both - so might your partner. But if you are both strategists with your heads in the clouds or both implementers only seeing the thing right in front of you there will be issues.

Step 4:

Managing Disputes

You will have disagreements - maybe even fights. This is natural both in stressful relationships and in the creative process. The key is managing them.

4.1 Communication is Key

You have to talk through your issues before they fester. If you are ignoring small problems now in your partnership you can guarantee they will get bigger later. Also, practice solving small problems will give you tools to manage crises later.

4.2 Structure Your Conversations

If you and your partner(s) are having trouble talking through a problem and passions or anger is in the air STOP! Most such issues happen because you are talking by each other

(not to each other). For this you should consider picking a structure for the conversation and then working through the issue strategically. Some examples for this (found in our book) are:

- ❑ [Tool 3.1: Brainstorming Basics - No Wrong Answers](#)
- ❑ [Tool 4.1: SWOT Analysis](#) - start breaking down the problem into simple categories
- ❑ [Tool 3.2: Six Thinking Hats](#) - the Red Hat helps capture emotional issues and understand them in the context of the issue.

4.3 Having a Plan

Over time your relationship will evolve, especially in times of stress. Make sure you have a plan for working through disputes so they do not fester. Some companies have an outside arbiter (maybe an experienced mentor in the business community) who they turn to for check-in conversations. Some partners have planned social gatherings - one dinner a month together where you don't talk business. Whatever your strategy, have a plan and stick to it!

Step 5:

Conclusions - Good Luck!!

Just like marriages, there are some business partnerships that will not work. Maybe one partner isn't holding up their end of the deal (not working enough or fulfilling their expectations), maybe the partner's visions for the company are irreconcilable. On the other hand, many business partnerships will lead to lifelong friendships, collaborations and can change the world! While there are risks and pitfalls whenever you bring together different people and visions there is also the potential for greatness.

A great team is better than the sum of its parts, and if you pick the right partners, you will do more together than you ever could do separately. Good Luck!!

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 2.2 Intentional Relationship Building - IRB

Why useful?	All businesses rely on relationships to function. It is critical that you treat those relationships as intentionally cultivated elements of your success.
Who needs it?	Any business owner or manager at any stage of company development.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x]
What should you expect from Primer?	This primer is designed to introduce some ideas and concepts for you to try in your community! The main thing you should take away is the need to be “collisionable” and to take your relationships seriously.

Step 1:

Understanding IRB

What is “Intentional Relationship Building” or IRB? Well IRB is no one thing but a series of techniques and ideas designed to help you approach relationships intentionally in order to support growth for yourself and your business. What does it mean to be “**intentional about relationships?**” Well, to understand this, we first have to recognize that we all make lots and lots of connections every day. Most of these connections, like seeing someone on the bus or saying hi to your neighbors, are just habits for you. Probably you don’t think of them at all.

IRB is about getting you to think about your relationships and how important it is to connect with people in the context of your new business. As a business owner you meet *far* more people than you would have before. From suppliers of materials to partner companies connections underlie almost every type of business. Often, we are so busy with our own world and work that we deal with these connections just as much as we need to. We take a delivery and say thanks but don’t get to know the person. We meet someone at a networking event but then forget their name and company really fast if it didn’t directly connect to yours.

Being “intentional” about your approach to connections and relationships means creating strategies to leverage the fact that in all these small encounters in our lives big opportunities can be waiting.

Step 2:

General Techniques

IRB is more than just being good at “networking” but to start we need to think about the basics.

- Have Business Cards - It may seem old fashioned but you need business cards!! You never know when you will be having a casual conversation with someone and you find they have a company that sells that thing you really need. Swapping contact information doesn’t always require cards but more often than not you’ll be happy you have them.
- Send Followup Emails - After meeting someone (and trading business cards) always send a followup email. It can be as simple as “nice meeting you the other

day, let's touch base later about (whatever interesting thing you talked about).” The point is for you and them to remember the connection and have a digital trail (we all lose business cards).

- ❑ Remember People's Names - This is a big one. No one likes it when you forget their name. Some people are naturally gifted with remembering names and faces. Some people aren't. If you know this is a problem for you “be intentional” about it! Develop a plan or strategy. Some people say the name 3 times in a conversation. Others make flash cards later (google around for other options. Whatever you need to do, make it your goal to remember people's names.
- ❑ Don't Be a Salesman - IRB and networking are not sales. No one likes someone who is constantly trying to promote themselves or a product. Answer people's questions but don't be a walking sales pitch.

Research Your Meetings - When you know you will be meeting with a person or company that may be interesting to your goals research them! Showing that you understand their business right off the bat flatters them and helps everyone save time.

Step 3:

No Secret Business!

A wise entrepreneur once said - “Ideas are cheap, everyone has ideas. Determination is the difference between an entrepreneur and a dreamer.” While there are a lot of messages in this quote the most important is that *your idea will not make your business succeed. You will make your business succeed - if you find the right help.*

Lots of first time entrepreneurs will be very secretive about their business idea. This is 100% different from experienced serial entrepreneurs who literally tell everyone they meet about their ideas. The secret they know that first timers don't is in the quote above - ideas are cheap. The second step is “connections are valuable.” Because of this your best move is almost always to be very open about the business you want to build. If you are secretive about it you will miss opportunities to talk to, and meet people who can help you get it done.

Step 4:

Be “Collisionable”

Zappos CEO Tony Hsieh believes the key to an entrepreneur's success is being “collisionable.” What this means is that you should live and work in such a way that you run into people and interact with them more. This idea of “maximizing serendipitous encounters” is built on the more you share about yourself and your ideas while learning about other people the better you will know your community and the more inspired and fine tuned your ideas will become.

The truth is, most business ideas start with chance encounters. Maybe a conversation with a friend who tells you about an idea or problem you could solve. Maybe it was going into a new shop and realizing “hey, I can do this thing better!” Or maybe you just walked down the street, tripped on a pothole and thought “I wonder if I can make a company fixing this community problem?” In all these cases you need to be colliding with people and elements of your community for the idea to spark. This only gets more important after you start your business. New encounters will help you fine tune ideas and get inspiration from unlikely places.

Step 5:

Understanding Your Channels

In order to go out and “collide” with more people you need to understand what channels are available to you. By using these channels and leveraging the community that is already around, you will be able to best put these ideas to work.

- ❑ Sector Associations - If your industry sector has an association - join it! Restaurants, IT, Creative Business, Agrobusiness, Windowmakers, Wine Makers, Moldova is full of business associations. Find your local chapter and get active.
- ❑ General Business Associations - Outside of your sector there are various cross-sector groups. You can find links at the end of this Tool.
- ❑ Clubs - In some areas there are clubs of businesspeople or entrepreneurs. But don't stop there - look for any clubs relevant to your idea and get involved.
- ❑ Other Community Groups - Churches, civic groups and universities all represent different parts of a community. You need to find the groups best to connect to for your business idea.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 2.3 The Myers Briggs Type Indicator - MBTI

Why useful?	The MBTI is a personality test that helps us understand and categorize the differences between people's personalities. This scientific approach helps us understand business partners, employees and more.
Who needs it?	Any people thinking of going into business together should take the MBTI and talk about the results. Managers should take an MBTI to understand themselves better and to gain perception into employees and how employees see them.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] While considering your business partners, or evaluating your management style.
What should you expect from Primer?	The MBTI does not tell you if you are or are not compatible with someone. But it does open your eyes to what you should and should not expect in a relationship.

Step 1:

What is the MBTI? / Taking the Test

The Myers Briggs Type Indicator is a self-reported psychological test that examines how people approach situations and make decisions in the world. It sorts people into 16 personality types based on the answers to a number of questions. There are no wrong answers and it is important to realize that all 16 personality types have strengths and weaknesses depending on the situation they are in.

The first step to gaining the advantage of the MBTI is to take the test yourself. There are numerous places online to take the test for free. Here are a few we recommend :

<https://www.16personalities.com>

<https://www.truity.com/>

<https://www.personalityperfect.com>

Once you have taken the test and have your score proceed to Step 2

Step 2:

What the Letters Mean

E - Extrovert Talkative / outgoing,	I - Introvert reserved / private, prefer slower pace	T - Thinking make decisions with logic and	F - Feeling make decisions based on values and the situation of
---	--	--	---

likes fast paced environments, works through ideas well in a group, gains energy from social interaction	with time to think work / think inside their own head, social interactions drain them and they need to "refuel" with alone time	reasoning, value justice / fairness, enjoy finding flaws in an argument, reasonable, level headed	others, value harmony and forgiveness, like to please others warm, empathetic
S - Sensing focus on how things are, focus on facts and details, prefer ideas with practical use, like literal, specific, descriptions	N - Intuition imagine how things can be, see the big picture and connections enjoy ideas and concepts outside of application like figurative, poetic, descriptions	J - Judging prefer matters settled, respect rules and deadlines like step-by-step instructions, make detailed plans	P - Perceiving like keeping options open, see rules and deadlines as flexible improvise as they go, spontaneous and enjoy surprises ds

Step 3:

The 16 Personality Types

There are *lots* of good websites that can help you break down your personality type with descriptions, details and examples for careers, etc. We encourage you to take some time and read through these results - especially yours and your prospective business partners or teammates.

Step 4:

What Can We Learn From This?

The key reason to take an MBTI and to talk about the results with your team or business partners is to understand your own team's strengths and weaknesses (you may even consider using the results in your [Tool 2.4: Personal and Team SWOT](#)).

4.1 Building The Right Team

If you are building a new team or partnership, you can use these results to help you recruit and create a balanced team. Too many introverts means you may lack in sales and pitch potential. Too many big picture people and you will lack in detail oriented tasks. Every business or project needs a different type of team composed of different diverse skills. The MBTI gives you a structured way to look at what you have - and what you need.

4.2 Getting the Best Out of Your People

You can also use an MBTI to think about your current team and to maximize your potential. For example, imagine you have a customer service representative. They are

hard working and form good relationships with customers which means good sales for you. You are considering promoting them to a management position but this person has struggled with detail oriented tasks like writing reports - something they would have to do a lot more of if they are promoted. Your instinct is to just train them and hope they get better because they are so good otherwise.

When you ask your employee to take an MBTI you see they are an EFNP. Given this information and your understanding of personality types you realize that this person will not excel at the paperwork job you are considering them for just because they are excelling in their current job. They are much more valuable to your company using their talents and skills working with customers and not behind a desk. Using this information you can position them somewhere they will succeed best and do the best possible job for your company.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 2.4 Personal and Team SWOT

SWOT = Strengths, Weaknesses, Opportunities, Threats

Why useful?	This Tool helps you analyze your team's strengths and weaknesses in the context of your business or project.
Who needs it?	The partners or management team.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [] All the time! Your company can change and new projects can start. Ideally, use this tool to evaluate yourselves before you start a project. But it can also help as a check-in when evaluating how your team is functioning.
What should you expect from Primer?	An overview of your team's strengths and weaknesses as well as some ideas to address them.

Note: this Tool assumes a basic familiarity with SWOT analysis. If you have never done a SWOT analysis or want a refresher on how it works see [Tool 4.1: SWOT Analysis](#).

Step 1:

Defining Your Goal

For the purpose of this exercise first define the goal you are working on. If you are a startup it could be your business proposition or idea - e.g. "starting a digital marketing company." If you already have a company make it your project goal - e.g. "building a new online store."

Your goal should be clear and well defined to get the best results from this exercise.

Step 2:

Your Personal Strengths and Weaknesses

Your first task is done individually. Each member of your team should evaluate your own strengths and weaknesses. Honesty is critical for you to get a real picture of you and your team's capabilities. Try and see yourself from the standpoint of your partners and colleagues.

When assessing your Strengths ask yourself:

- What are you good at naturally? Talents and natural born gifts

- What skills have you developed over time?
- What makes you unique and special?

When assessing your Weaknesses ask yourself:

- What are examples of your negative work habits?
- What negative personality traits impact your work?
- Do you have any relevant gaps in education? Is there specific training you need?
- What do other people see as your weaknesses? What would they ask you to improve?

Step 3:

Compare Notes

Once you have all individually worked through your Strengths / Weaknesses analysis you should compare notes. Suggest additions and changes to your teammates and be open to their honest analysis of you. The more open and honest you all are (while being respectful) the more clearly you will be able to see your Opportunities and Threats.

Now you are ready to fill out 2 squares of your SWOT Analysis. Put all your strengths and weaknesses on the chart with your names next to each attribute.



Not it's time to think as a team not as a group of individuals. Look at your Strengths and Weaknesses and see if one person's strengths cancel out another person's weaknesses. Discuss your results as a team and see where your overall Strengths and Weaknesses lie.

Step 4:

Opportunities and Threats

Just like a normal SWOT it can be helpful to think of Opportunities and Threats as external factors - outside your team but affecting your project goals. With a focus on your goal, make a list of the external opportunities and threats that your team perceives with the project.

For help thinking about Opportunities and Threats see [Tool 4.1: SWOT Analysis](#) Steps 4 & 5.

Step 5:

Bringing it all Together

Once you have your completed SWOT Analysis you can now start talking about strategies to Maximize Opportunities, and Minimize Threats. For more tips and tricks on this topic see [Tool 4.1: SWOT Analysis](#) Step 7.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Chapter 3: Ideation and Brainstorming

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tools 3.1 Brainstorming Basics - No Wrong Answers

Why useful?	More ideas are better! Sound brainstorming technique can maximize the number of new ideas your team comes up with so that you pick the best one for your situation.
Who needs it?	All teams!
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] When starting a new company or project initiative.
What should you expect from Primer?	This primer introduces the basics of successful and constructive brainstorming in a team. More complex ideas are presented in later Tools but without a full acceptance of the basics none of them will provide useful results .

Step 1:

What is Brainstorming?

Brainstorming is a technique where you and your team outline a problem and try and find solutions by gathering a list of spontaneous ideas. The goal is to unlock the creativity of all your team members and to see the broadest possible set of solutions to your problem.

Step 2:

No Wrong Answers

The most important of all the rules of “Rules of Brainstorming” is that there are no wrong answers. It is critical that all participants feel that the environment is open and accepting so that everyone contributes to their maximum. When you are in a brainstorm the goal is to come up with ideas - you can assess them later as a team.

Step 3:

The 4 Rules

Traditionally, there are considered to be 4 Rules that govern a successful brainstorming session.

1. No Judgements. Accept the ideas of all of your team members even if you disagree with them. The point is not to debate each idea but to get the maximum number of ideas to consider. There will be lots of time for critical debate later.
2. Think Freely. No ideas are silly, impractical or impossible when brainstorming. Just like you don't judge other people's crazy ideas you need to feel free to submit your own!
3. Big Numbers. The more ideas, the better. Try setting a goal for yourself - find 20 or more solutions before having a discussion about any one idea.
4. Many heads are better than one. Brainstorming sessions should welcome as many voices as are practical. Everyone brings their own perspective and ideas

and with more heads you will be more successful creating ideas and refining each other's work.

Make sure all participants know the rules up front and everyone buys into them. One person being judgemental or critical (especially the boss) can ruin a brainstorming session.

Step 4:

Brainstorming Techniques

There are *many* creative techniques for brainstorming - we will go over some of them in later parts of this chapter. For now, consider that in the context of our 4 Rules above there are a few ways to conduct a simple brainstorm.

- ❑ Group Meeting - In this setting everyone gathers around and just talks. Ideas are thrown out and discussed and a relaxed setting is used to help people loosen up and ideate!
- ❑ Facilitated Meeting - You can add some structure by appointing someone a facilitator. This person can take notes in a way all can see (e.g. a whiteboard) and help organize the output as the team talks.
- ❑ Silent Brainstorming - A silent brainstorm is one where all participants start by brainstorming alone before bringing their ideas together. For example, a facilitator might give everyone 10 sticky notes and say "come up with 10 ideas in the next 5 minutes." At the end of the time all participants stick their notes on the board and read each others. In some groups, especially ones where people might be afraid to speak up, this can help open the team's creativity.

Note: if you are facilitating a brainstorm it is very important that you write down or state each participant's ideas just as they say them - no paraphrasing or editorial. This helps everyone keep maximum ownership of their ideas and keeps the facilitator neutral.

Step 5:

Try it Out!

Whatever techniques you decide to try out the main idea is to try them! Teams will face challenges not once but many times. The more you work in a creative, collaborative way, the better you will get at it. Don't worry if your first brainstorming session didn't produce the results you wanted - try again!

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 3.2 Six Thinking Hats

Why useful?	6 Hats is an advanced brainstorming and group discussion technique to help diverse groups get the most out of their ideation and creativity, reduce wasteful back-and-forth arguing, and provide a balanced and comprehensive perspective.
Who needs it?	All teams!
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] Anytime you have a problem that needs discussion or brainstorming!
What should you expect from Primer?	You will get an overview of the 6 Hats process as well as examples of how to use it. This primer introduces the basics of successful and constructive brainstorming in a team. More complex ideas are presented in later Tools but without a full acceptance of the basics none of them will provide useful results .

Step 1:



Understanding 6 Hats Methodology

The idea behind 6 Hats is that the human brain thinks and approaches problems in distinct and different ways (e.g. facts based, emotional, creative, etc). We can identify and channel these approaches to a problem best when we identify how we are thinking and organize our thoughts as a team.





Enter the 6 Hats. Each metaphorical “hat” represents a distinct type of thinking about a problem (outlined in Step 2). We “put on” a hat to signify that we are going to be thinking in that way and for the group to all approach a problem the same way. Obviously, no real hats are required - most people just say “I have a yellow hat idea” and then talk about it.

Step 2:

What do the Hats Stand For?

White Hat 	This is where you identify all the data and information that is known and unknown about an issue.	Black Hat 	Using black hat thinking, you look at all the bad points of the decision.
---	---	--	---

Step 3:

<p>Red Hat</p> 	<p>With the red hat, you look at problems using intuition, gut reaction, and emotion.</p>	<p>Green Hat</p> 	<p>The Green Hat is for creativity.</p>
<p>Yellow Hat</p> 	<p>Use the yellow hat to think positively.</p>	<p>Blue Hat</p> 	<p>The Blue Hat is for process control</p>

How to Use the Hats

Just like any other brainstorming situation you need to start by defining your goal. In most cases this is going to be the problem or issue that you will be considering as a team.

When beginning the 6 Hats process start with the Blue Hat. In most cases this is the hat you will use the least. The team leader should announce to the team the purpose of the discussion, the process of doing 6 Hats and inform them that anytime they need to clarify the process they should put on a Blue Hat for such questions.

<p>Blue Hat</p>	<p>White Hat</p>	<p>Red Hat</p>
<ul style="list-style-type: none"> • What is the goal of this meeting/discussion? • What is the process we will use? (include what the order of hats will be) • How will the meeting/discussing be managed? 	<ul style="list-style-type: none"> • What do you know about your topic? • What do you not know about your topic? • Focus on facts and data here (Do not include logic, assumptions, inferences or judgement) 	<ul style="list-style-type: none"> • Use red hat to express your “gut” emotions and concerns. gut emotions don’t need to be explained (i.e. no asking “why do you feel that way?”) • Note all red hat emotions from participants and move on.
<p>Black Hat</p>	<p>Yellow Hat</p>	<p>Green Hat</p>

Step 4:

<ul style="list-style-type: none"> ● identify potential problems, threats, concerns and worse case scenarios ● Do not use this for emotional reactions (e.g. I really feel uncomfortable about this idea). Those are Red Hat 	<ul style="list-style-type: none"> ● Think of potential benefits, opportunities and best case scenarios ● Do not use this for emotional reactions (e.g. I really love this idea!!). Those are Red Hat 	<ul style="list-style-type: none"> ● Creative and crazy ideas are encouraged
--	---	---

The team should try as much as possible to go through all hats as a group. Constrain your ideas to that hat while you are working.

An Example of 6 Hats Brainstorming

Scenario: You and your team are looking to open a taco restaurant. You have found a potential location to rent and begin renovations. You want to work through all aspects of this decision before committing to a contract.

Here is the chart they came up with

Blue Hat	White Hat	Red Hat
<ul style="list-style-type: none"> ● Topic Goal: to discuss how suitable this location is for our taco restaurant / business plan ● We will go in the order white > yellow > black > red > green 	<ul style="list-style-type: none"> ● The rent is \$1000 ● The location has high foot traffic ● There is parking ● It is 50 sq m large ● It was previously a restaurant ● The location has not been inhabited for 3 years ● We don't know if there is a mold problem ● We don't know how much heating will cost with the old insulation ● We don't know if they had problems with neighbors. ● etc.. 	<ul style="list-style-type: none"> ● Doug - the \$1000 rent makes me very nervous ● Fred - I don't feel comfortable until we talk to all the neighbors
Black Hat	Yellow Hat	Green Hat
<ul style="list-style-type: none"> ● The location is in bad shape and needs remodel - \$\$\$ ● If we rent and remodel now we will open into winter - slow season ● etc... 	<ul style="list-style-type: none"> ● The location is just what we were looking for ● The size is big enough to manage our business but small enough for us to afford remodel ● etc.. 	<ul style="list-style-type: none"> ● Jane - What if we offered to buy the place not rent? ● Jane - Could we make the landlord a partner to cut down remodel costs? ● Jane - What if we close in winter and save on heating?

Step 5:

After running through the exercise the team might decide they have a clear picture of the situation and make a choice. OR they might say “I really like the Green Hat idea Jane had about buying not renting - let’s do another 6 hats round and explore that.” Another possibility is that the team agrees that the Red Hat positions are most important and these gut emotions need to be addressed - maybe by more research. The outputs will depend on the situation.

Some Ideas for Blue Hat

When you and your team put on your Blue Hat and decide how you want to structure your conversation it’s important to realize that there are a lot of ways you can use the 6 Hats Method. You can use the hats in a pre-established order or just use them on an impromptu basis, you can go through the hats in a variety of orders, and you can decide how strictly you want to apply the rules for each hat . We suggest trying different versions and picking the right method for you and your team. Here are a few examples of common ideas:

1. **White, Black, Yellow, Red, Green** - If you already have a clearly defined idea you want to explore, start by using White Hat and identify everything you know and don’t know about the situation (For things you don’t know you can phrase it as questions so you know to come back and address them later). Then work through the Black, Yellow and Red hats to analyze your key idea. Then wrap up with the Green hat to brainstorm ideas to address any problems or ideas you might have came up with
2. **Start with Green** - If you don’t know exactly what idea you want to explore, start with green and just brainstorm crazy ideas for a while. Then choose a few ideas to discuss and use the other hats to analyze and explore those ideas.

Start with Red - If you know your team has strong feelings and emotions about an issue you may want to start with Red and get them all into the open. Once you have recorded all the Red Hat information proceed to the other hats with a clearer mind.

For a downloadable [6 Thinking Hats worksheet follow this link](#)



Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Chapter 4: Business Planning Tools

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.1 SWOT Analysis

SWOT = Strengths, Weaknesses, Opportunities, Threats

Why useful?	A SWOT analysis helps you see through your ideas and enthusiasm and objectively understand your business attributes.
Who needs it?	You! Startups, business owners, managers, pretty much everyone and any stage can benefit from a clear eyed analysis of their business.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [] Anytime you are doing a self evaluation for your company or idea
What should you expect from Primer?	You will learn what a SWOT analysis is, how to conduct one and how to use the results to make better business decisions.

Step 1:

Understanding SWOT

A SWOT analysis is a tool to help you understand the Strengths, Weaknesses, Opportunities and Threats in and around an organization or project. A SWOT analysis can be conducted at a company level to look at your overall trajectory and to help in planning or it can be done at a project level to evaluate one project you are working - for example a marketing campaign. You can also do a “personal SWOT” to analyze yourself, your partners or your team - we will cover this specific case in [Tool 2.4: Personal and Team SWOT](#).

In most cases a SWOT analysis is shown in a grid like this.



The goal of your SWOT analysis is to ask yourself and your team what your company or project's Strengths, Weaknesses, Opportunities or Threats are and to put them into a clear chart for you to analyze.

Note: Internal vs External

Many people will apply the attributes of "Internal" or "External" to their SWOT analysis to help clarify the source of each factor. Strengths and Weaknesses are "Internal" factors because they generally deal with something that is within your company's control. A weakness you might have is "high employee turnover" but you and your team can take action to fix this problem - therefore it's internal.

Opportunities and Threats are considered "External" factors because they are largely outside of your control. A threat of a strong competitor opening across the street from you is not something that you or your team can control for example.

It is not critical to view your SWOT analysis via the internal vs external lens but it does help some people better focus their brainstorming and teamwork.

Step 2:

Understanding Your Strengths

Your strengths are things that your company has that are a beneficial asset to it. These could include:

- Things your company does well
- Unique values that you can provide your customers
- Internal resources - skilled employees, organized processes, etc
- Assets such as specialized technology, intellectual property, etc

Step 3:

Identifying Your Weaknesses

When thinking about your company's weaknesses you need to be as clear eyed and self critical as possible. Many people don't like to talk about their weaknesses but identifying them is critical to working to minimize or eliminate them entirely.

To identify your weaknesses start with the simple question "what is holding us back as a company?" The things you identify may include

- Material or financial limitations
- Areas where your competition is better than you
- Lack of clarity in your value proposition or selling strategy
- Areas where you lack complete plans

Step 4:

Seeing Opportunities

What things in your environment will allow you to grow, improve sales or profits and generally be better at what you are doing? The answer to that question will be your list of Opportunities. Examples of opportunities might include:

- Market conditions - underserved market in your area, lack of competition, etc
- Strong customer desires for some element of your product
- Good community support
- Good press or media or strong marketing performance generating hype

Step 5:

Recognizing Threats

When thinking about the Threats facing your company it is important to try and look at the broadest possible set of risks that could threaten your success.

Examples of threats include

- New competitors entering your market
- Regulatory, political or stability questions (including Corruption)
- Bad press or negative perceptions in popular media of your company or industry
- Souring customer attitudes

Step 6:

An Example SWOT Analysis

We are going to go through a SWOT analysis now with an example company - in our case it will be a small Pizza restaurant. Here is the analysis our pretend company came up with.

Strengths	Weaknesses
Authentic recipes Great chef Loyal customer	Bad location (not downtown) No organized
Opportunities	Threats
Our town is growing and more people are eating out Lots of people	A pizza delivery chain is opening in our town A new burger

Right away we can see a picture of our company in front of us. Just by looking at the information in front of us we start to see various moves we can make to improve our company's sales and shore up our future.

Acting on Your SWOT Analysis

After conducting your analysis we need to go block by block and have a discussion of each element of SWOT. In many cases, just getting this information into the open is enough to inspire you and your team to start making plans! In other cases, more structure can help make the results more useful. In a big picture way, we need to understand how to...

7.1 Using Your Strengths

The first thing to do is to realize that your company has strengths and to ask yourself if you are using them to as much as you can. Maybe you aren't advertising those authentic

recipes enough? Each company will have a different story here but in all cases you need to ask yourself - are we maximizing our strengths? If "no," how can we use them more?

7.2 Addressing Your Weaknesses

By critically identifying your weaknesses and bringing them into the open you can start to come up with ideas to fix them or to minimize their effect. For example, if organized marketing is a weakness you should work on a marketing plan. Some weaknesses, like having a difficult location, are not easy or practical to address. But you can minimize them but doing something like delivery.

7.3 Acting on Opportunities

By identifying the opportunities around your business you open up the conversation about how you need to act on them. If lots of people order take-out you should consider delivery! In many cases your opportunities can be used to address your weaknesses!

7.4 Mitigating Threats

By their nature threats are not something you can control. If a competitor is moving into the market you can't stop it. But by being aware you can start making strategies to mitigate these threats and to make sure your company is facing them head on. If a chain is coming to town you should start marketing your "localness" and connection to the community! Rely on your loyal customers and make a plan to brand and market in such a way to address this competition!

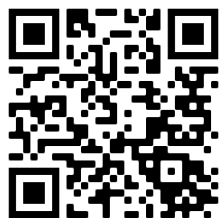
7.5 Tying it All Together

In many cases you can use elements of one SWOT box to help you with another. For a short introduction to this idea take a look at the following SWOT strategies matrix!

	Opportunities	Threats
Strengths	Strength - Opportunity Strategies Which of your strengths can be used	Strength-Threat Strategies Which of your strengths can be used to mitigate the threats that you have identified?
Weaknesses	Weakness-Opportunity Strategies What actions can you take to minimize or eliminate company weaknesses based on the opportunities you identified?	Weakness-Threats Strategies How can you minimize your companies weaknesses in order to mitigate or avoid the threats that you face?

This is just one example of the types of questions and strategies that you can pull out of your SWOT analysis. Every company and team is different so take and use the best parts that will work for you!

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.2 Lean Canvas

Why useful?	Quickly define the core aspects of your business model and identify key assumptions about your new organization, product, or service. Rather than spending months writing a business plan that is based on theory, this document enables you to begin testing your new business idea in days.
Who needs it?	New organizations (startups) or companies testing a new product/service.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] When determining what to sell and how to sell it.
What should you expect from Primer?	This primer introduces the steps that should be taken when completing and using the Lean Canvas..

Problem 2	Solution 3	Unique Value Proposition 4	Unfair Advantage 9	Customer Segments 1
	Key Metrics 8		Channels 5	

Cost Structure 7	Revenue Streams 6
----------------------------	-----------------------------

Step 1:

Preparing Information for the Lean Canvas

Before sitting down by yourself or with a team to complete a Lean Canvas, it is best to collect information and stories about the problem your product/service intends to solve. The “Problem Interview” tool offers a detailed structure regarding how to collect this information (see [Tool 4.3: Problem Interviews with Customers](#)). If you do not have the opportunity to complete problem interviews prior to beginning the Lean Canvas, it is important you have a clear answer to the following questions:

- Who will buy this product/service?
- What problem or difficulty does this product/service solve for my customer?
- Why does my customer want this problem solved?

Step 2:

Preparing Materials

Materials:

1. **Lean Canvas (paper A3 or larger)**
2. **Thin-Tip Black Marker**
3. **Green Sticky Notes (7cm x 7cm)**
4. **Pink Sticky Notes (7cm x 7cm)**

Print or draw a Lean Canvas on a paper size A3 or larger (using a horizontal piece of flipchart paper works well). You may write directly on the canvas, however we recommend using two colors of sticky notes and a black marker in order to organize the type of information on the canvas.

If you have green and pink sticky notes, when adding information to your canvas, use “green” notes to add information you have already tested and verified as true. Use “pink” notes to add information based on your assumption of what is true. When you initially complete your canvas, it is normal to have most of the document full of “pink” notes -- this is okay. These pink notes represent threats to your business. It is then your goal to “de-risk” your business by proving your assumptions (the pink notes) to be true or false, then filling the canvas with proven facts (green notes).

You can write a word or phrase for each sticky note, or (even better) you can draw a small picture that describes the idea for each sticky note. For example, if you are writing the “problem” of your customer is related to spending too much time waiting for the service, you can draw a picture of a clock on the sticky note.

Box 1:

Customer Segments

The success of your business is centered around whether or not you solve your customer’s problem -- that’s why they will pay you. Your product or service will eventually solve the problems (or enable the desires) of your customers. Therefore, we start the Lean Canvas by defining 1-3 “segments” or types of customers.

- Who will buy your product or service?

Example: “Urban Business Professionals” or “Clothing Retail Store Managers”

Group customers by the problems or desires they have. For instance, a restaurant may consider male and female clients to be in one group because they both eat at the restaurant equally. On the other hand, male and female clients may be defined as different customer segments (groups) because the men are upset with the problem of long waiting times and the women are upset with the problem of poor aesthetic and service. Don’t settle for grouping customers by age, gender, or location—consider who has similar problems related to the product you intend to sell. This will help you define an optimal solution and marketing strategy going forward.

Box 2:

Problem

Consider the life of your customer before they find out about your product or service. What are they struggling with? What do they desire most? Be as specific as possible when defining what problem you will be solving for the customer, considering both what is the problem and why it is a problem.

- What problems of each Customer Segment do you intend to solve?

Example: “Frustrated Waiting 45+ Mins for Order” or “Current Apparel Loses Quality After 4 Wears”

A great way to determine what to place in this section is to complete “Problem Interviews” ([Tool 4.3: Problem Interviews with Customers](#)). During these discussions with potential customers, you can ask questions about what challenges they are currently facing.

Box 3:

Solution

Your “solutions” are the products or services you offer. It is possible your customers will pay for some “solutions,” but receive others for free. Define at least one solution for each problem you have identified. Do not write any solutions that are not connected to a customer’s problem - *you can’t solve a problem they don’t have*.

- How will you solve your customers’ problems?

Example: “Online Reservations or Pre Orders” or “Fortified Cotton Lasting 15+ Wears”

Box 4:

Unique Value Proposition

Whereas your solution is “what” you provide customers, your value proposition is “why” customers should care. When you spoke with potential customers about their current problems, why were those problems so upsetting? What negative emotions did those problems create? Your value proposition describes the positive emotions and outcomes your customers receive when they purchase your product or service. It’s why your customers *really* buy from you. You may not be the only company with this value proposition, but it should be “unique” compared to the current solution your customers are receiving.

- As a result of providing Customers your Solution, how are their lives improved?

Example: “Stress-Free Date Nights” or “Fewer Purchases, Saving Time and Money”

Box 5:

Channels

Channels are about how we connect to things. Two types of “channels” are helpful to determine—production and marketing.

7.1 Production Channels

Production channels describe how you are getting your product or service to the customer. This is a quick note explaining from where you are collecting resources, how

you are constructing the product or preparing for the service, and how you are delivering the solution to your customer.

7.2 Marketing Channels

Marketing channels describe what tools and platforms you will use to notify customers about your products and services. A great way to identify the right marketing channels is to ask potential customers where they are researching for a solution to the problem you have identified. Are they searching Google? Do they ask a Facebook group? Do they go to the supermarket? Do they attend a business expo? Wherever your customers are looking for a solution is usually the best place to present your product or service.

- What will you do in order to provide Customers your Solution?
- How will Customers find out about your Solution?

Example: “Facebook and Tripadvisor Pages and Ads” or “Booth at Fashion Expo”

Box 6:

Revenue Streams

Revenue streams are the various ways you make money. Usually, this defines the price for the products and services you offer. It also describes the way you sell the products, such as selling monthly subscriptions, one-time-buy products, packages of multiple products in one.

Additionally, some businesses create valuable by-products as they are producing their product or service (e.g. scraps, data, or knowledge). In some circumstances, these by-products can be sold to others in order to generate more revenue. Such a circumstance would be a carpenter selling furniture to customers and sawdust to stove pellet makers. Another example would be a consulting firm selling their marketing advice to customers, then compiling all its research into a single book or course and selling this to the public.

- How will your business make money?

Example: “Lunch Specials for 49 MDL” or “Monthly Subscription of 2 Garments Shipped to Your Home per Month”

Box 7:

Cost Structure

Your business costs can be categorized into three segments: Startup Costs, Monthly Fixed Costs, and Variable Costs.

Startup costs describe the one-time investments you need to make in order to get started with your business or take your next step in growing the company. This might include buying new equipment, or paying for an accreditation course.

Monthly Fixed Costs are expenses that do not change with the number of products or services you provide. Examples include monthly salaries you pay or the cost for rent. Even though these costs may change from month-to-month, you still have to pay the same amount whether you sell a single unit or 500 units.

Variable Costs are those that are affected by the number of units you sell. For example, packaging is a variable cost – you spend 15 MDL for one box when you sell one product and you spend 300 MDL on 30 boxes when you sell 30 products. If you were to sell zero

products, you would not have to spend any money on boxes (but you would still pay for the “fixed” expense of rent for the production facility).

- How will your business spend money?

Example: “15,000 MDL for Industrial Oven” or “70 MDL per Product for Delivery”

Box 8:

Key Metrics

By identifying what is most important to measure and monitor in your businesses, you can define the standards and performance expectations for your business. The 3-5 “metrics” you measure most closely should be those that directly impact the success of your business. For example, if you know customers have a big problem if they have to wait 15 minutes or more to receive their order and want to wait 10 minutes or less, one “key metric” would be maintaining an average wait time of less than 10 minutes. If your average is at or below 10 minutes, you’re “successful” in that area and you can focus on improving other areas of the business. If your wait time is 13 minutes, that’s a red flag and you know you need to focus on identifying the cause of the long wait times and solving the issue.

When you identify the most important 3-5 metrics to measure, you can focus your team on what’s going to impact the success of your business. Because the day-to-day of business brings many small problems that appear to be urgent, it can be easy to lose perspective on what is going to enable or inhibit the long-term sustainability of the company.

Consider selecting metrics related to how you solve your customers most frustrating problem, or what determines if a providing a service is profitable or not profitable.

- How does your company define success?

Example: “250 New Clients Per Month” or “Maintain a Product Return Rate of 5% or Less”

Box 9:

Unfair Advantage

A truly sustainable advantage for your business is one your competition cannot purchase. You may have the best equipment now, but that only lasts until your competitor buys better equipment six months from now. You may have a lower price, but that’s only until your competitor finds a way to sell for even less than you. You may have more passion today, but tough times in business will come and the next young entrepreneur will soon exceed your level of “passion.” Instead of focusing on being “better” than your competition, focus on being “different.”

Your unfair advantage describes ways your business will leverage something unique to your business or something you wish to develop, which no one can quickly copy. It is “unfair” because few people, if anyone, have access to your advantage. Examples could include an important relationship, relevant experience, or your company culture. No matter how much money your competitor has, they cannot change the fact you are the cousin of an industry expert, or that you spent 10 years in Germany perfecting your craft, or that your employees love coming to work and trust one another. By identifying and protecting such advantages, you can increase the long-term security of your company.

What do you have or will you develop that competitors cannot buy?

Example: “8-Year Apprenticeship with Industry Leader” or “Employee Training and Development Systems”

Step 3:

Testing

Congratulations! By now, you’ve filled up your canvas with a smattering of green and pink sticky notes representing your strategy for starting or reinventing your business. This is an important first step in identifying the right product, marketing, and operational plan for your business. But, it’s only the first step.

Even more important than completing your first Lean Canvas is testing your Lean Canvas. As stated earlier, all the pink notes on your canvas (your assumptions about what you believe your customers need or how your business will operate) represent threats to the longevity of your business. Some are critically important, such as those in the Problem section. However, all the pink notes need to be validated and turned into green notes (proven facts).

To begin testing your business strategy, identify 1-3 pink notes at a time that you believe will have the greatest impact on the direction of your company (i.e. if the assumption you wrote is not true, the business idea might not work). Speak to customers, collaborate with others in your industry, or create test products to begin validating your assumptions, one by one, until your canvas is full of green notes. To read more about how to test your product and business idea, see the tool “Testing Your Product and Market.”

Step 4:

Converting to a Business Plan

Once most (if not all) initial assumptions from your canvas are validated and you have begun testing or selling your product, it may be helpful for you to convert your one-page Lean Canvas strategy into a longer form business plan. If you are seeking investment, a business plan is typically required. You may transfer information from sections of your canvas to act as an outline when writing your business plan, as shown below.

Business Plan Section	Lean Canvas Section
1) Cover	
2) Executive Summary	Value Proposition & Testing
3) Company Description	Customer Segments, Problem, & Solution
4) Market	Customer Segments
5) SWOT and PESTLE Analysis	
6) Products & Services	Solution & Revenue Streams
7) Marketing & Sales	Value Proposition & Marketing Channels
8) Operational Activity	Production Channels
9) Ownership & Management	

10) Risk Assessment & Mitigation	Key Metrics, Unfair Advantage, & Testing
11) Action Plan	
12) Budget & Break Even Analysis	Cost Structure & Revenue Streams
13) Funding Request	
14) Team	
15) Appendices	

For more help elaborating a full business plan see [Tool 4.9: Centro App](#).

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.3 Problem Interviews with Customers

Why useful?	The greatest risks to your business are misunderstandings or false assumptions regarding the problems, needs, and desires of your potential customers. This exercise helps mitigate that risk and provides priceless insights that will enable you to build the right product and sales processes.
Who needs it?	All business leaders who are starting a new company, launching a new product, or creating a new marketing campaign.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] When starting a new company or project initiative.
What should you expect from Primer?	This primer will equip you to identify the problems your potential customers are facing, why they are a problem, and how they are currently being solved.

Problems to be Solved:	Who Has These Problems:
1	1
2	2
3	3
4	4
5	5

Complete After Problem Interviews

Customer Segments:	Problems / Challenges / Discomforts:
1 <i>Ability to pay:</i>	1 <i>Intensity of problem:</i>
2 <i>Ability to pay:</i>	2 <i>Intensity of problem:</i>

3 <i>Ability to pay:</i>	3 <i>Intensity of problem:</i>
4 <i>Ability to pay:</i>	4 <i>Intensity of problem:</i>
5 <i>Ability to pay:</i>	5 <i>Intensity of problem:</i>

Step 1:

Identify the Problem to be Solved

List the problems, discomforts, or challenges of your potential customers, which you plan to solve. List these problems under “Problems to be Solved.”

If you do not yet have a specific idea for what products or services you will be selling, think about what challenges or problems people in your expected market are facing and trying to solve. Even better is if these potential customers are currently paying for a solution, but not satisfied with what solutions are currently available.

Step 2:

Identify Who Has The Problem (Potential Customers)

In order to fully understand the problem you are trying to solve, you need to understand the person or organization that is facing the problem. Under “Who Has the Problems,” write the description, as specifically as you can, for the potential customer or customers who are facing the problems you already identified. On line #1, write down the title or description of the potential customers who have the problem you wrote down on line #1 to the left. Then do the same for the rest of the lines.

Step 3:

Prepare for the Interview

Problem Interviews, or interviews with potential customers about their needs and problems, provide a structured way for entrepreneurs to learn from the market. You will learn if what you believe are your customers’ problems are in fact recognized by potential customers as problems or challenges that need to be solved.

When completing a “Problem Interview,” or a short discussion with a potential customer, you should try to understand five things:

1. What is my customer's problem?
2. Why is it a problem?
3. Who has this problem?
4. How do they currently solve this problem?
5. What's not good enough about the current solutions?

You should complete at least ten Problem Interviews before deciding how to move forward. However, we encourage you to continue conducting several problem interviews every six months to make sure you are always aware of your clients' current needs and their changing desires

The information you learn from the Problem Interviews will later enable you to select which products and services to offer, for what price to sell them, how to promote or advertise your business, and how to maintain loyal customers.

Step 4:

Set a Goal and Hypothesis for Your Interviews

Before you go out and begin speaking with potential customers in the context of "Problem Interviews," you first need to establish a learning goal and learning hypothesis.

Your learning goal should state what specific information you wish to receive or understand from your potential customer.

The learning hypothesis should estimate how many of the potential customers you interview will answer in a certain way, in order to prove what you have learned. For example, if Angela's learning goal was "to determine if wealthy people in the city are or have been actively seeking new cuisines to cook at home," her hypothesis could be "at least two out of five of the wealthy people I interview will have previously searched for and purchased exotic foods to cook at home." If three out of five she speaks with say they have, then Angela will have an indication there is a "need" her potential customers are willing to pay to have solved. If zero or one person she spoke to said they previously searched for exotic foods at the market, then Angela will need to identify a different problem or a different target customer.

Step 5:

Write a Script

It is helpful to have a “script” of questions ready to ask the person you are interviewing to ensure in every interview you get the answers you need to the most critical questions. However, you should not limit yourself to the questions you write in the script. Instead, if you hear the person you are interviewing say something interesting about how they felt, how they previously solved the problem, or about their concerns—you should always be ready to ask follow-up questions in order to learn more and understand the customer’s need better.

The questions asked during the interview should be “open” and intended to get the interviewee to share their stories and emotions/reflections related to a time when they encountered the problem you are trying to solve. Initial questions should start broad and general, then work their way to be specifically related to your learning goal.

Here’s an example script that you could use or adapt for your own Problem Interview:

1. What’s the hardest part about [problem]?
2. Can you tell me about the last time that happened?
3. Why was that hard?
4. What, if anything, have you done to solve that problem?
5. What don’t you love about the solutions you’ve tried?

Step 6:

Create a Plan

Before you interview your potential customers, create a plan for who you will speak with and how you will guide the conversation. Keep in mind the target group you have identified as potential customers. As you’re preparing, keep the following in mind:

Do:

- Remember your goal.** As you engage in a conversation with your potential customer, make sure by the end of the discussion you have data to support or deny your hypothesis.
- Speak face-to-face.** You want to have open conversation with your potential customer and learn about their previous experience, emotional reactions, and the story behind the problem. The best way to learn this is by having a face-to-face conversation in person.
- Listen, ask questions, and take notes.** You should do less than 20% of the speaking during the conversation. The Problem Interview is your time to learn and hear from your customer. Your time to speak will come later.

Don’t:

- Don’t sell.** This is not the time for you to pitch your product or service as a solution to the customer. Doing so will give the person you’re speaking with a bias in favor of your product or service. This means the person may tell you they have a big problem and would like to buy your solution, but later will never pay for your product or solution. Therefore, it’s best to listen to how they currently deal with the problem and save your sales pitch for later.
- Don’t talk about the future.** Your customer knows just about as much about the future as you do - nothing. Well-intentioned customers may tell you they would

like to pay for a solution or take the time to fix their problems in the future. What's more important for you to find out is whether or not they have previously attempted to solve the problem and how. Facts are more important than assumptions. "I think I'll buy more organic food in the future" could be an assumption of your customer. What's more important to find out is whether or not that person has ever purchased and eaten organic food in the past—and how regularly and how much they paid. The risk is, the potential customer may tell you they would like to buy organic food, but when you offer to sell it to him or her, the desire to buy organic food is not enough for them to pay more than the conventional produce.

- ❑ **Don't take too much time.** The whole Problem Interview should take between five and fifteen minutes. You don't want to upset the potential customer by wasting his or her time, so ask the questions you need in an efficient manner. If the person you're interviewing desires to keep sharing, feel free to extend the conversation.

Keys to Problem Interview Success:

1. Focus on emotional reactions. The emotions associated with the problem your potential customers are trying to avoid or the emotions associated with the solution they seek will later be key when convincing someone to buy your product or service. For instance, if people say they are "scared" because they "don't trust" your competitor, then you can later offer this person "peace of mind by working with a trustworthy partner." Be sure to write down the emotional reactions that come up during the Problem Interviews.
2. Find out how much they are spending. If a potential customer is currently solving their own problem, find out how much time, money, and energy he or she is spending in order to obtain a solution. This will later help you gauge how much you can charge or how much time your customer may be willing to spend in receiving your solution.
3. Determine how they find solutions. Do they speak with friends and family? Do they search online? Do they walk through the local market? Wherever your customer segment is currently researching how to solve their problem will later inform you where you should advertise your product or service.
4. Listen to multiple problem stories. Perhaps the reason why the problem was difficult was because it was different every time the customer encountered the problem. Therefore, try to hear and take notes on at least three separate times the potential customer encountered the problem and attempted to solve it.
5. Use the "5 Why's" to get to the core problems. To understand the deep desire and challenge associated with the problem you seek to solve, ask five "why-based" questions in a row to your potential customer in order to learn more.

Step 7:

Conduct 5+ Problem Interviews

Using the script and plan you've created as a guide, speak with five or more potential customers about the challenges they are facing related to the problem your business intends to solve.

Step 8:

Segment Potential Customers

Reviewing your notes from the interviews, it is now time to group your potential customers and define each of their unique needs. What unites each group (or, “customer segment”) is not necessarily their age or location or similar personalities; it is the mutual frustration with a common problem and their desire for you to solve it.

You should note if each customer segment has a “strong,” “average,” or “weak” ability to pay for a solution (for the moment, this is based on your gut feeling or assumption). Likewise, write down the general “intensity of problem” the customer segment is facing—meaning write if the difficulty and pain your potential customer faces while living with this problem is “high,” “medium,” or “low.”

Step 9:

Conduct 5+ More Problem Interviews

Reflecting from what you’ve learned in the earlier Problem Interviews and based on your segmenting of potential customers, adjust your script and the group of individuals you plan to interview. If one segment appears to be more promising, focus on speaking to more potential customers in that segment, in order to learn more about their current challenges and desires. After the interviews, complete the segmenting exercise once more.

Step 10:

Select a Customer Segment and Problem to Solve

Based on the facts you collected from the interviews and your categorization of customer segments, select up to three primary problems to be solved with your new business or product. The best case scenario is to select a very specific customer segment, with a “strong” ability to pay, facing a very specific problem, with a “high” intensity. In this case, you will have a better likelihood of being able to sell this customer segment a solution.

Another important factor to look for is whether this customer segment is currently attempting to solve the problem or already paying for a solution. If the potential customer is not searching for a solution to the problem you have identified, you will likely struggle to convince the individual to pay for your solution.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.4 Cost Analysis

Why useful?	Having a basic understanding of how much it costs your business to produce one unit of your product or service is critical for ensuring you are set up to make a profit. It helps you set the right prices for your products, as well as can enable you to identify ways to reduce expenses as an organization.
Who needs it?	All business
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME [] When starting or when introducing a new product/service.
What should you expect from Primer?	Determine what it costs you to make each product, what is your profit margin per product, and estimate what is your monthly break-even point.

Step 1:

Sell For a Profit

As business owners, in addition to making a great product or service, you must also sell it for a profit. This means the price of a product must be more than all the costs associated with creating and selling the product. The price of a product minus its costs is the “margin,” which could represent a profit (positive) or a loss (negative).

$$\text{Price} - \text{Costs} = \text{Profit/Loss}$$

If your profit margin is above zero (your price is greater than your product costs), your business makes money every time you sell the product. If your profit margin is below zero (product costs are greater than price), your business loses money every time you sell that product. In such a case, the more items you sell, the more money your business loses!

This is why it is so important to know what it costs to make each product or provide a service, then price the product or service higher than the cost.

Step 2:

Identify Direct Costs

Select one of your products or services and write all the costs that are directly associated with producing and selling one unit.

Direct Costs for Product: _____

Item	Cost
_____	_____
_____	_____

Step 4:

Analyze Product Price vs. Cost

Next, mark any prices that are equal to or lower than the cost of producing and selling one unit.

Additionally, review the price of each product and service and mark any prices that are significantly higher than the price/cost of alternate solutions (similar products or other ways to solve the same problem your business is solving).

Price vs. Cost Analysis

Product	Unit of Sales	Price per Unit	Costs per

Example:

Product	Unit of Sales	Price per Unit	Costs per
T-Shirts	150 MDL	T-Shirts	75 MDL
Sweaters	300 MDL	Sweaters	300 MDL
Gloves	150 MDL	Gloves	250 MDL
Pants	800 MDL	Pants	750 MDL
Shorts	500 MDL	Shorts	300 MDL
Sandals	450 MDL	Sandals	500 MDL

The products and services you just marked represent risks to your business. Now that you have identified where these risks are, you can begin working to mitigate (or reduce) each risk. The unprofitable products (marked in red) are a risk because you will be losing money with each unit of this product or service you sell—the more you sell, the more money you lose! Likewise, the overpriced products (bold) present the risk that customers

may not be willing to pay extra money compared to other alternative ways they could solve the same problem.

Step 5:

Analyze Your Production and Market

Review the red items and consider if you can increase the price, decrease the direct costs, or both. Ask yourself “is it possible to make the price greater than the cost of the item?” If not, you may have to eliminate this product/service from our business. The exception is for “loss leaders,” or products you intentionally choose to sell for a financial loss in order to encourage greater brand awareness or loyalty. Think of it like a marketing expense. While this is a common practice in large organizations, be very cautious to sell for a loss if you are just beginning your business because this can lead to great cash flow difficulties or a lack of perceived value in the quality of your products.

Also, think carefully about the items in bold. Do you have proof your customers are willing to pay a higher price for your product compared to similar, less expensive products? Consider how you will explain to curious customers why they should pay more to buy your product or service. Describe your “differentiation.”

For more on this topic see [Tool 4.6: Pricing Strategies](#)

Step 6:

Break-Even Point Analysis

Your “break-even point” helps you know how many units of products or services you must sell in order to pay for all your company’s expenses. By knowing this number, you can set useful operational/sales goals for your team in order to sustain and grow the company.

Likewise, if you are planning a new business, analyzing your “break-even point” will help you determine how reasonable or likely it is for your business to sell that many units. After calculation, if you determine your break-even point seems too high, you have three options.

1. You can find a way to sell more products. This could mean changing the location of sale, changing store hours, increasing product promotion, offering improved customer support, or many other strategies.
2. You could attempt to lower the direct costs of producing and selling the product. For instance, you could buy materials in bulk for a lower price or the product could be sold with a less expensive packaging or wrapping material.
3. You could increase the price of the product or service. Keep in mind, however, that increasing the price beyond your customer’s budget or willingness to pay may discourage customers from buying the product or service.

Calculating the break-even point for businesses that sell only one product or service is much more simple than calculating the break-even point across multiple products and services. Therefore, if your business has one major product or service, with other small and seemingly insignificant side products and services, it will be easiest for you to calculate the break-even point for your business’ main product and know that sales of the other products and services will bring in additional profit to the business.

ONE-PRODUCT BREAK-EVEN POINT

The formula for calculating break-even point is to divide your fixed costs by the profit margin, or your product price minus direct costs (formula below)

Break-Even Point = Fixed Costs / (Price - Direct Costs)

Break-Even Point: The number of units you must sell in one month to begin making a profit.

Fixed Costs: The amount of costs associated with running your business for one month, which do not change based on the number of products you sell.

Price: The price for which you sell one unit of your product.

Direct Costs: The costs associated with selling one unit of your product [see Step 2].

Once you complete the above calculation, the resulting number is the quantity of units of this product or service you must sell during one month, in order to pay all company expenses but make zero profit. If your business sells more units than this, you will make a profit that can be used to grow the company.

MULTIPLE-PRODUCT BREAK-EVEN POINT

To calculate the break-even point for businesses selling multiple products, you will need to estimate the ratio of how many of each product will be sold during one month (we will call this the “sales mix”). If you are currently operating the business, review any data you have already collected on which products sell more frequently. If you have yet to open your business, speak with others who have similar businesses to estimate how to calculate your sales mix. In addition to the sales mix, you will need to know your fixed costs and the price and direct costs associated with each product or service.

We recommend using a spreadsheet to calculate a multi-product break-even point, as this will allow you to quickly test how adjusting your sales mix will affect the breakeven point for

$$\text{BEP} = \frac{\text{FC}}{[\text{SM}^a * (\text{P}^a - \text{DC}^a)] + [\text{SM}^b * (\text{P}^b - \text{DC}^b)] + [\text{SM}^c * (\text{P}^c - \text{DC}^c)]}$$

each product. The formula for a multi-product break-even point is as follows:

Break-Even Point: BEP

Fixed Costs: FC

Sales Mix (%) of Product A: SM^a

Price of Product A: P^a

Direct Costs of Product A: DC^a

After you have calculated BEP, then multiply by SM to determine the BEP for each product.

BEP * SM^a = BEP for Product A

BEP * SM^b = BEP for Product B

BEP * SM^c = BEP for Product C

Step 7:

Assess Your Break-Even Point

Assess how realistic is the break-even point you have calculated. If realistic, continue forward in developing your marketing plan. If the number seems too high, consider how to increase your product price, decrease direct costs, or develop ways to enable this number of sales more feasible.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.5 Forming an Operating Budget

Why useful?	Careful planning is the key to profits and profits are the key to business success. One of the most important planning tools for your company is your Operating Budget.
Who needs it?	All Business Owners.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] It is never too early, or too late, to start running your business with a plan.
What should you expect from Primer?	An overview of how to create an Operating Budget + tips on how to use it to help you run a profitable company.

Step 1:

What is a Budget?

Most people think of budgeting in household terms. You know your income, your expenses, and you can basically plan how much you have to spend each month and when you need to conserve money. Business Budgeting is much the same! It is where you track your income and expenses, where you make projections, set targets and make plans! Without targets for the future, you cannot measure your successes or decide you need to make a change. Simply put, an Operating Budget is your roadmap to profits.

Many people do their personal budgeting in their heads. They think, "I know my paycheck, my basic expenses (rent, utilities, food, etc), I don't need that written down." Many business owners do the same and seek to manage their company with their "gut." While you might do your monthly household budget in your head you MUST write out your company budget.

Understand: A Budget is NOT an accounting document and is not your accountant's job. Accountants (especially in Moldova) are number wizards focused on reporting to the government. They do not know what it takes to run your business - just how to report on what you do, good or bad. The running of your business is your responsibility and so you must make and keep your budget yourself - after all, it's your money.

Step 2:

Why You Need a Formal Operating Budget

Firstly, let's get one thing straight - in business, you have one job. Being profitable. This is how you pay yourself, your staff and keep your dream alive. Without profits your company is just a hobby that is quickly going to go away. A Budget is your map to profitability. If you follow it, you will get there. If you don't have one, you will get lost.

When you have formed your budget you will start by setting yourself targets - how much you need to sell, what your costs should be, what your labor cost should be, etc. Once you have set these targets, you must fill in your budget every budget period (more on that in Step 3) to check your progress. This will allow you to see problems and to correct them. Without this iterative process of setting targets, evaluating progress and making changes, you are flying blind.

To do this you need a written budget that you update regularly. The actual form of the budget may differ by industry and you can find good templates online. For our purposes, please refer to [Operating Budget \(Worksheet\)](#) for an example.

Step 3:

Budget Period

One decision you need to make up front is your budget Period (aka, how often do you fill this out). This will depend a lot on industry and your circumstances. For some top level guidelines consider:

- ❑ Regularity - you must keep up with your budget. If you decide to keep a weekly budget you might find it is too much work. If you don't fill the budget out regularly enough, it won't be helpful for you to see trends and make corrections.
- ❑ Comparability - you should be able to compare each budget period to the others. For this, you need to keep key parameters fixed, e.g. number of days in the budget period. For this reason, calendar months are not always the best.

We recommend you consider a 4 week (28 day) budget period. This fits both the criteria above and fixes sales variables (e.g. each budget has the same number of days and same number of weekends vs weekdays). For many companies, especially brick and mortar retailers, this makes sense. But choose the right period for you. Some companies use calendar months. Others do weekly budgets.

Note on Income / Expenses: All aspects of a budget must be considered on an "accrual" basis. This is an accounting term that means you should record sales or purchases at the moment you make them - not when you actually send or receive the money. This will allow you to view your business within the period you set clearly.

Step 4:

VAT and Taxes

How should you reflect Taxes in your budget? This is a complicated question and gets to a core question - what are taxes to my company? The answer - an expense. Like any other.

Because of this you need to include taxes wherever they are found. For example, if you pay your salesperson 7,000 lei / mo this is NOT your payroll expense number. You need to record what you pay - not what they get. Because of this, your Payroll Budget should

read 7,000 lei + taxes for that person. The same goes for monthly environmental taxes, property taxes or others.

VAT is an Exception. Because of the way that VAT is calculated and paid it is best to think of it differently than other taxes. It is neither an income, nor an expense. The best way to think of VAT is as "the government's money" that you just hold for a while.

Because of this, you should not reflect VAT anywhere in your budget - not in sales, not in expenses. This will simplify things for you considerably.

Step 5:

Organizing Your Budget

In order to organize your Budget you must first categorize your Income and Expenses. Many decisions will depend on the type of company you have but there are some top

level categories that will be consistent. Once again, refer to [Operating Budget Worksheet](#) for an example of how this all comes together.

3.1 Income / Sales

The first section of your budget should be your income / sales. In this section you must categorize your income into clear streams that you want to track. This will be different for each business. Maybe you want to track online sales vs in-store sales. Maybe you want to track different product categories.

Taking the example of a restaurant, you might chose the following categories:

- Food sales
- Non-alcoholic Drink
- Beer and Wine
- Cocktails and Liquor Sales
- Merchandise (t-shirts, stickers, etc)

In this example, we have defined our product categories very clearly, but we haven't gone into too much depth (e.g. "Food" is not broken down into "Appetizers, Soups, First Course, Dessert, Lunch, Dinner"). For some companies, this might be good to keep things general. Others might want more details. The key is finding a balance of what you can keep up with reporting and what details you need.

In each category, you will report your income from those sales for the period so you know just how much income you make and what percent of your overall income it is.

3.2 Cost of Goods Sold (COGS)

One of the most important parts of making your budget is understanding your COGS. For help calculating costs by product see [Tool 4.4: Cost Analysis](#). Once you know the cost of every product that you sell then you can group this information together, combine it with your sales information, and see your overall COGS.

For your Budget, it may be a good idea to track your COGS in the same Categories as your Sales. Taking our example from above, you can say that you Sold 150,000 lei in Category "Food" and had a COGS of "52,000" lei or 35% in that category. This is a clean and easy comparison. Consider this when picking your Categories for both Income and COGS.

Note 1: Should Labor be included in COGS?

Good question. The answer is "it depends" but probably not. You'll see that in [Tool 4.4: Cost Analysis](#) Labor cost is included in the cost of the product. That is reasonable to do when setting a price but often not practical in a Budget. Why? Because Labor costs are often in inflexible contracts. People may be paid by hour, or are salaried. They are not usually paid by how many tacos they cook (in a restaurant example). Because of this labor costs will not track with other COGS cleanly and should be put in a separate category.

Note 2: COGS Cannot be theoretical!!

It's critical that you create cost analysis by product but it is not enough. You also need to conduct regular inventories in order to find loss or unexpected problems. Maybe some products break or are lost. This needs to be reflected here in your COGS. We recommend conducting a full inventory in line with your COGS categories in each Budget Period you choose.

3.3 Labor and Payroll Expenses

In this Section, we need to gather all of our Labor and Payroll expenses. Make sure to include all your staff and the taxes on their salaries! This needs to reflect the sum total of your expenses in payroll. It is usually good to Categorize salaries by job title or by team. For the restaurant example we would put "cooks" and "waiters" together while keeping "accounting" and "managers" in their own categories. Every business will be different here. You need to choose categories that will help you see the impact these salaries have on your business and let you make good decisions about controlling costs and valuing your team's contribution as a percent of sales.

Should you include your own salary here?

YES!!!! You are the business owner and are an integral part of making it run! You need to value your time from day 1. This is a major mistake many new business owners make when they forget to plan for their own needs or perhaps think "I'll just make money out of profits later." This is a major mistake. There is **always** something to spend profits on. You can reinvest them, expand the company or something else. Because of this there is always an excuse where you might put the company ahead of yourself. This is a TRAP and you need to make sure you budget for yourself to take care of yourself.

3.3 Controllable Expenses

Controllable Expenses are things in the Budget that you can control to some degree every month. Some of these costs are "Variable" in that they change with the overall sales and others are discretionary. Examples include:

- Marketing Budget
- Services
- Benefits for Staff (coffee and snacks)
- Office Supplies
- Operating Costs not in COGS (cleaning supplies, etc)

3.4 Non-Controllable Expenses

Non-controllable Expenses are things in the Budget that you do not control and must pay month to month no matter what. Examples include

- Rent
- Utilities (might be Controllable - depends on your business)
- Fixed Tax Payments (Environmental Tax, Authorizations Taxes, etc)
- Fees (Municipal garbage pickup, etc)
- Services (IT Support for your computer system, Fiscal Printers, etc)

Keep in mind, some Non-Controllable Expenses might not be paid in your Budget Period. For example, business Authorization Taxes / Fees might be paid quarterly. You will need to adapt that payment to your period (weekly, 28 days, monthly, etc) to include in the budget.

Step 6:

Putting it All Together!

Ok, take a deep breath! This may seem complicated but it really isn't too bad. The first thing you need to do is to sit down and organize your whole budget for yourself. Use the information in this Tool as a guide but only you know your business and what you really need to track - so adapt it to your needs!

Some things to keep in mind when doing your first budget

- Make sure to include **EVERYTHING**. You need all your sales and all your expenses in here. That doesn't mean you need a category for absolutely everything (including "Misc Expenses" as a category is a good idea) but it does mean that everything you spend money on needs to be here *somewhere*.
- Not good at computers or excel? That's ok! There's not one way to do a budget and you can 100% make a great budget with pencil, paper and a calculator. Don't think that you have to do this the same way as anyone else - the Budget is your tool. Your map to profit. Make it your own.
- Use your Team. As a business owner you need to manage the budget to keep track of *your* money. But that doesn't mean you can't get help. Rely on your accountant for Labor expenses (including all those complicated taxes). Use your managers to report sales to you. Use your team to make this as painless as possible for yourself.
- It gets easier in time. The first time you work out and update your budget can be tough. But just like anything in life, practice makes perfect! Each time you do this it'll get easier until it's second nature.

Step 7:

Making Projections and Setting Targets

Ok, once you have all your sections in the budget it's time to use your budget. So far we have talked about inputting your Income and Expenses over time. This will tell you how your business is working and give you a snapshot of your company in time.

What you really need to know how *should* your business be working. To do this, you need to set targets. Set a target number of sales for the next few months (or budget periods). Set target COGS and Labor numbers. Play with all these factors to understand what your profits will be in different scenarios. Eventually, decide on the plan for your company and commit yourself to making it happen.

In our [Operating Budget \(Worksheet\)](#) we have the "Budgeted" numbers on the right. This is where you put your plan. Then you fill in the "Actual" numbers for the period on the left. This allows you to compare how you are doing very easily.

Step 8:

Use Your Budget

Finally, remember that the Budget is a Tool not a Task. This is not something to do and toss in a drawer later. This is something that helps you make money. So once you do your budget, sit down with your partners or team and talk about it. How well did you hit your benchmarks? What are the problems we have? What can we change? Any Tool is only as good as the person using it let's it be. Use your budget and find your profits!

For a budget template - check out our [online / downloadable reference](#).



Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.6 Pricing Strategies

Why useful?	Your pricing strategy will determine how much profit you make from each sale, it will influence your customer's perception and it can inform you about the volume of business you need to be successful.
Who needs it?	All business owners selling products (the principles apply to services but this Tool is focused more on products).
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME [] RIGHT AWAY!! One of the biggest mistakes new entrepreneurs make is failing to understand their pricing strategy from day 1.
What should you expect from Primer?	This tool will help you think about pricing strategically. We will talk about common misconceptions and present various strategies for you to consider.

Step 1:

Value Perception and How to Think About Pricing

Many first time business owners approach pricing by looking at their new product and saying “*how much would I pay for this?*” or “*how much would my friends pay for this?*” This will lead you to thoughts like “well, I like things to be cheap so I can save money” (especially since most entrepreneurs are forced to be very frugal in their startup phase) or “I wouldn't want to charge my friends *that* much!” This line of thinking usually results in you initially pricing products or services too cheaply and having to raise prices later - *something that customers do not like*.

Just as bad is someone who says “*I want my prices to be x high so that I attract a wealthier clientele.*” This thinking puts too much emphasis on a causal relationship between higher prices and wealthy clients. Usually this results in you initially pricing products or services too high and alienating your potential customers.

So what to do? How to strike the balance? The first thing to realize is that pricing is about balancing 2 concerns

1. How much money do you need to make to be profitable? (see Step 2)
2. How much is your customer willing to pay for the value you are giving them?

To start answering how much your customer is willing to pay you need to look closely at your customer segments and putting yourself in their shoes (See [Tool 4.2: Lean Canvas](#) for help with customer segments). See step 3 for some techniques to help.

Step 2:

Understanding Cost + Margins

For an indepth dive on this topic see [Tool 4.4: Cost Analysis](#).

While planning your business it can be really easy to get caught up in your big idea, how cool it is, and how much you think your customers will love it. But you can't lose track of the big picture - running a business means your purpose is to make profits. To do that you need to fully understand what goes into each of your products and how much money you will make from each sale.

Definitions

Self Cost - this is the total cost to your company to produce a product. It should include all components and ingredients in your product as well as direct labor costs.

Gross Profit Margin GPM - this is the amount of profit left over when you subtract Self Cost from the Sale Price of your product.

For example, if your business sells widgets this means

Component A (1 lei) + Component B (3 lei) + Component C(0.30 lei) + Labor to make 1 widget (2 lei) = Self Cost(6.30 lei)

So, if you sell your widget for 10 lei...

Sales Price (10 lei) - Self Cost (6.3 lei) = GPM (3.7 lei)

Reflecting the Gross Profit Margin as a percent can be a major tool in understanding how much money you will make on a product. To do this use the following formula:

$$\text{GPM} = \frac{\text{Price} - \text{Self Cost}}{\text{Price}}$$

In our example with the widget this means we have a GPM of 37%. This means that 37% of every product we sell is profit. That amount might be great in some industries and make you a lot of money. In other industries, where there are lots of other costs not included in the direct production of a product (rent, admin labor, etc) this might be really low.

Often it helps to understand what GPM you need to make the amount of money you want. Let's say you determine that you need to make a 45% GPM. You can use the following formula to work backwards and reprice your widget.

$$\rightarrow \text{Price} = \frac{\text{Self Cost}}{1 - \text{GPM}}$$

In this case we find we need to price our widget at 11.45 lei .

Pricing isn't all about math and we will talk about customer psychology, value proposition and more in the next steps. But pricing ***cannot*** be done without you doing the math

and fully understanding your product because you will need to look at your specific costs while evaluating the strategies we talk about below.

Step 3:

Picking the Right Strategy for You

Here we will go through various ways for you to develop your company's pricing strategy. No business is exactly like any other and some of these ideas may apply more than others to your situation. While there is no silver bullet that will get you the best prices right away, there is a *right answer* - the price point that makes you the most money. So spend time considering various options before deciding on a strategy.

3.1 Gross Profit Margin (GPM) Formula

Using what we learned above and working with what we learned in [Tool 4.5: Forming an Operating Budget](#) we can work out the GPM% that we need to make in order to cover our costs. Sometimes you can compare this to standards in your industry and pick a pricing equation from that. Either way, this is where we must start because it will tell us our minimum viable price.

For our widget example, we know the Self Cost is 6.30 lei. Selling for anything less than that is obviously a bad idea. Maybe we know that in our industry a standard GPM is 30%.

In this case we can use the formula above to calculate that we should sell our widget for 9 lei.

3.2 Value to Customer (Working Backwards)

In Step 1 we talked about putting ourselves in our customer's shoes and trying to determine how much they are willing to pay. If we can get a good answer to "what will my customers pay for this?" we can work backwards to determine a price. For example, let's say you are manufacturing widgets. If you conduct customer interviews ([Tool 4.3: Problem Interviews with Customers](#)) and discover that your customers are willing to pay 20 lei for a widget you can compare that number to your Self Cost and calculate the GPM.

In our widget example we know our self cost is 6.30 lei. If we sell for 20 lei we have a GPM of 68.5%. This definitely covers our direct costs!

3.3 Comparables on the Market

In addition to interviews we can get an idea of what our customers are willing to pay by looking at comparable products on the market. When doing this it is really important to correctly analyze who really is your competition and to evaluate your products against theirs. For more tips in this area see [Tool 4.8: Competition Analysis and Positioning](#).

Step 4:

Tips and Tricks

Since we are talking here about customer perception a lot it can be helpful to think of some ways you can help mold the way your customer sees a price. This doesn't mean "tricking" your customer but it does mean recognizing that your customer's psychology can affect whether they say yes or no to buying your product. These are just a few

common pricing ideas - look online for more related to your specific industry.

4.1 Perception Rounding

Ever wonder why items in the US are always \$9.99 and not just \$10.00? It's because most customers see and react to the first number in a price most strongly. \$9.99 and \$10 are basically the same price but the customer sees them as \$9 and \$10. This means that the customer sees the price as a full \$1 cheaper.

In Moldova you can do this with the lei. A customer will be more willing to pay 49 lei than 50 lei for many products. Similarly, a customer may not see much difference between 50 lei and 55 lei. But for you, over 100s of sales, that 5 lei can add up.

4.2 De-Emphasizing Price Changes

No customer likes seeing prices raised and the more often a customer comes to you the less they will like to see prices go up. The reality though is that you will have to raise prices sometimes. Maybe you miscalculated about something or maybe your costs go up over time. Here are some ways to disguise price raises or to manage customer expectations:

- Reorganize your product lineup. You can take advantage of times when you add new items or remove old ones to also change your prices. You'll already be changing some aspects of your business so making another change doesn't stick out so much.
- Keep the Price, change the product. Let's say your company makes a coffee but the price of coffee goes up. You can keep the same price but decrease the serving size a bit to make up for it.
- Directly Communicate with your customers. In some cases the best move will be to tell your customers "we're really sorry, but we had to raise prices for x or y reason." They will not like the price change but will like that you communicated with them about it.

4.3 Product First Price Second

If you are in an industry where you are selling a lot of products at various price points make sure to design your shop / menu / price list so that people see the products before the price. If you emphasize the price too much then that is the only thing they will look at. It's much better for them to fall in love with that awesome sweater you sell and then to think about how much they are willing to pay.

4.4 Charging for Extras

In Moldova it is very typical to charge for lots of extras in addition to a base price. Maybe this means charging more to have ketchup with your french fries, or hidden fees at a store. This is an effective way to bring the price up higher than a person thought they would pay but it also makes customers feel like they are being tricked and that you aren't being honest with them. If you are considering this idea, think really hard if it's worth the risk.

4.5 Loss Leaders

A loss leader is a product you sell at little to no profit in order to attract customers into your store. The idea is that when they come in to buy your loss leader they will also spend money on other products you sell. A classic example is how American construction stores sell drywall and some simple building materials for almost nothing because they know you will also buy screws, tools and other project materials while you are there. This

can be a strong strategy for some companies but be careful that your customers really will buy your other products!!

Legal Note: *The Republic of Moldova has numerous regulations on how prices must be displayed and what types of margins are legal (e.g. selling products for less than they cost you can be illegal in some places.) Consult your accountant to make sure your ideas are in compliance with all local rules and regulations.*

Read Online



The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Read More

Contact Us!



Tool 4.7 Developing a Marketing Plan

<p>Why useful?</p>	<p>Craft a message and deliver it in a way that produces results for your business. These steps help you to get past just communicating to the public and start converting new customers!</p> <p>Your Marketing Plan Will:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Clarify your strategy and direction for managers, employees, and investors <input type="checkbox"/> Reduce difficulty of operational decision making & prioritization <input type="checkbox"/> Reduce time to market <input type="checkbox"/> Reduce costs associated with failed product launches or ineffective advertising <input type="checkbox"/> Ensure effective customer experience <input type="checkbox"/> Establish path for company growth
<p>Who needs it?</p>	<p>Marketing and Senior Leadership</p>
<p>When do they need it?</p>	<p>Pre-Startup [x] Growth-Phase Company [x] Mature SME [x]</p> <p>When planning and designing a new marketing campaign.</p>
<p>What should you expect from Primer?</p>	<p>Step-by-step instructions how to focus your plan on a particular customer segment, craft a message that inspires them to buy from you, and evaluate the effectiveness of your marketing campaign.</p>

Think of marketing your product like fishing—to succeed, the fisherman must know where the fish are, present the bait in a visible and attractive manner, and have a strong hook to catch the fish. You cannot catch fish if you cast your line in an empty pond without fish (or with the wrong type of fish). You cannot catch fish by placing an empty hook next to the fish and hoping they will bite. Nor can you catch fish if you use a hook that is far too big to fit in the fish’s mouth.

You must market your business where your potential customers (fish) are looking, communicate an emotionally attractive value proposition (bait), and present a clear call to action or sales offer (hook) your customer can afford to buy. Do not assume your business should present or advertise your products in the same place as other businesses. Instead, be sure to find the “pond” where your customer segment is located. Use the right “bait” or value propositions for each customer segment to excite and convince them to bite. Ensure the “hook,” or price and sales method, is accessible to each customer segment.

Step 1:

Define Customer Segments (your market)

Decide who you will be “speaking to” through your marketing plan. Who are the customers you are trying to convert? Who are the decision-makers who need to be convinced of your value? Who are your loyal fans who need to be reminded you exist?

Group your audience (i.e. “customer segment”) by the problems they are facing, which your business is solving. When selecting the target segment for your upcoming

marketing campaign, consider the following:

- What is the intensity of need of the segment? (*the higher, the better*)
- What resources do you require to satisfy their need? (*the less the better*)
- What is their ability to pay? (*the higher the better*)
- What level of access or proximity do you already have? (*the higher the better*)
- What level of awareness does the segment have of you? (usually, *the higher the existing awareness the greater the immediate ROI – but campaigns targeting new segments can pay off in brand awareness and customer generation for years to come*)

After your initial analysis, select up to three target customer segments for your marketing plan. If your marketing plan intends to address multiple customer segments, you will likely need to develop for each segment an individual marketing campaign (a group of marketing and advertising activities focused on a specific target segment, purpose, and period of time). Typically, the more focused you can be on a single customer segment for a particular campaign, the more effective the campaign will be due to having a very clear and direct message.

Step 2:

Identify Their Problem and Your Solution

For each customer segment you have selected, identify the core problem or need they are facing, which you intend to solve. Then, define the specific product or service you are offering that will solve each problem you have identified.

For more information on how to do this, see the [Tool 4.2: Lean Canvas](#).

Step 3:

Define Your Value Proposition

For each solution (product or service) you intend to market, define “why” the customer should care about the solution. Move past “what” the individual receives, but instead focus on telling the story of how, after purchasing your product or service, their life or their business will be better. Consider the negative emotional consequences they currently face when they are without your solution (e.g. loneliness, fear, shame, dissatisfaction, frustration), then contrast this by explaining how the customer will feel and benefit as a result of purchasing your product or service (e.g. “empowered to grow the business,” “peace of mind that family is safe,” “confident in personal and professional abilities”).

This vision or depiction of how your customer’s life will be better after buying from you will be the core message you communicate through all aspects of your marketing campaigns.

For more information on how to do this, see [Tool 4.2: Lean Canvas](#).

Step 4:

Identify Direct and Indirect Competition

List the ways your potential customers are currently solving the same problem you intend to solve. Each of these alternative solutions represent a competitor to your business.

Direct competitors are other businesses selling similar products or services to yours, which offer a solution to the customer problem you have identified. For example, if you have a casual dining restaurant solving the problem of a local lack of access to affordable

and comfortable evening dining for young people, your direct competition would be other restaurants offering affordable and comfortable dining in your area. List all the direct competitors you can identify.

Indirect competitors are anything (not only other businesses) that solve the problems of your customers, which you have selected to solve. For example, indirect competitors to your casual dining restaurant could include a formal restaurant (solving the hunger need), a sauna (solving the need for friends to gather and talk), or a supermarket (solving access to affordable food). While these solutions may not fit exactly what your target segment is looking for, they do constitute your competition and your marketing plan will have to

convince your potential customers that the solution you are offering is different and better than these alternatives. List all the indirect competitors you can identify.

The fact you have identified competitors is a positive. If you cannot identify any competitors, it either means you do not understand your customer segment well enough yet or that your customer does not feel the need to solve the problem you have identified. Either way, you should review [Tool 4.3: Problem Interviews with Customers](#) help you better understand your potential customers.

Step 5:

Define Your Differentiation

Now that you have a list of your competitors, it is time to clarify what makes you unique or “different” than the others. While many businesses are tempted to explain how they are “better” than their competition, such marketing is only temporarily beneficial and rarely can create a lasting advantage over your competition. For that reason, you should define how your value proposition is *different* than everyone else.

Write down what your business will be known for, listing how you are different than your direct and indirect competitors.

For more information on how to define your differentiation, see [Tool 4.8: Competition Analysis and Positioning](#).

Step 6:

Craft Your Message

Your marketing message should clearly communicate to your potential customers:

1. What they should buy
2. Why they should buy it
3. How they can buy it

To craft your message, compile the information you have already listed above by answering the following questions:

- What is your customer’s problem?
- What is your solution (the product or service you’re offering)?
- How will your solution positively impact your customer’s life or business (your value proposition and differentiation)?
- What step can they take to buy your solution (your “call to action”)?

Then, construct the information you just wrote into a succinct message your marketing team can understand, which will be used to create materials for the marketing campaign.

1. We are targeting ... _ [customer segment description] _

2. Who are struggling with ... _ _ [problem statement] _ _ _ _ _
3. We will sell them ... _ _ [product/service] _ _ _ _ _
4. As a result, they will benefit from ... _ _ [value proposition] _ _ _ _ _
5. This is unique because we ... _ _ [differentiation] _ _ _ _ _
6. Our goal is for them to ... _ _ [call to action] _ _ _ _ _

Step 7:

Identify Early Adopters

Because adequately addressing your entire market can be costly and time consuming, identify a “niche,” or small group of potential customers from your target market, who will be your initial focus for your marketing plan. This niche, which we will refer to as your Early Adopters, should be easy for you to access, have a strong need for your product/service, and have a high ability to pay.

When selecting your Early Adopter group, consider the following factors:

- Market size -- how many people are in the group?
- Competitor presence -- is the group already loyal to your direct competitor?
- Willingness to buy (intensity of need) -- is the group already paying for or searching for a solution to their problem?
- Ability to pay -- how easy is it for this group to afford your solution?

After you have determined who you will target as your Early Adopters, define the following for the group:

- What are their general demographics?
- Where are they physically located?
- Where are they searching for a solution to the problem you will be solving?
- What is their current solution of choice (your competitor)?
- How much are they paying for this solution?
- Why will they choose your product/service over the competition?

Step 8:

Identify Your Channels and Marketing Tools

The best place to capture the attention of your early adopters is to be present where they are currently looking for a solution to the problem you intend to solve. If your customer is primarily searching for a solution to their problem using Google, then you would benefit from a website and strong SEO. If your customer is searching for a solution at the local supermarket, you would benefit from a stand and advertisement at that supermarket. If your customer is asking friends to recommend solutions, then you would benefit from equipping and incentivizing your customers to refer your business to their friends and family.

As you select the location of where you will reach your Early Adopters (and later the entire target segment), you must also identify the marketing tools you will use to engage and capture new customers. Remember, you should not simply copy what your competitors do—perhaps their marketing is out-of-date, expensive, or ineffective. Consider what are creative, fast, and inexpensive ways you can begin reaching and building a relationship with your potential customers.

The following are a list of potential marketing tools, which you may select from based on which will be the easiest and most effective ways to reach your Early Adopters:

Exterior Signage	Giveaways
In-Person Meetings	Promotions
Phone Calls	Billboards ^[L1] _[SEP]
Business Cards	Radio Commercials
Sign Next To Kiosk	TV Commercials
Word-of-Mouth	Facebook Page/Group
Brochures	Website ^[L1] _[SEP]
Packaging	Facebook Ads ^[L1] _[SEP]
Free Consultation	Google SEO/PPC
Conferences	YouTube Channel
Host Events	Podcast ^[L1] _[SEP]
Self-Written Articles	Blog ^[L1] _[SEP]
News Stories	Webinars
Whitepaper	Google My Business
Newsletters	LinkedIn Page

Step 9:

Define Success Metrics

1. Goal (to achieve by the end of the marketing plan)
2. Milestones (to a achieve periodically throughout the marketing plan)
3. Success Metrics (to regularly monitor in order to determine if you are on-track to achieve the milestones and goal)

Set your goal for the marketing plan, defining for yourself and your team what “success” means. Describe how you expect the marketing plan to positively impact your organization.

Next, establish milestones, or smaller goals, that will enable your team to reach the ultimate goal.

Then, determine what “success metrics” you can monitor, which will indicate whether or not you are on-track to achieve the milestones you have set. When selecting your metrics, go deeper than merely tracking the number of people you speak with or the number of visitors you receive. Instead, measure the level of engagement you generate from customers. You can measure items such as:

- Percentage of people visiting your store or website who purchase an item.
- Percentage of people who see an advertisement who complete the call to action.
- Percentage of customers who refer your business to a family member or friend.

Step 10:

Analyze Results

As your team monitors success metrics, spend time as a team every 2 weeks to analyze how well customers are responding to the message you are presenting. If the data is positive, showing that customers are responding well to your message and engaging your business, then continue developing content with the same message to share. If customers are not responding well (e.g. not connecting with your value proposition or

expressing interest, but not purchasing), review the data to determine what assumptions you made during the planning process that may be false. False assumptions could include the following:

- Targeted customers have the problem you intend to solve.
- Targeted customers are willing to pay for a solution to this problem.
- Targeted customers emotionally connect with and desire the value proposition you are offering.
- You have selected a price customers are willing to pay.
- You have selected the right product/service features that fit your target customers.

You have selected the right location and marketing tools that enable you to get your message in front of customers.

Step 11:

Redesign and Repeat

Both during the implementation of your marketing plan and (especially) after the completion of your marketing plan, reflect on what you learned from the successes and struggles you observed. Keep in mind that often, marketing campaigns require at least one month before any noticeable response can be seen, and the benefits of a particular campaign may take years to fully develop.

Based on your analysis and learnings, design your next marketing campaign—tweaking your message to either better fit your existing customer segment or to address a new segment. Then, continue to complete the remaining steps as described above.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.8 Competition Analysis and Positioning

Why useful?	By knowing your competition and identifying how you are alike, you can make an informed decision regarding how to price your products and communicate your “differentiation.”
Who needs it?	All businesses.
When do they need it?	Pre-Startup [x] Growth-Phase Company [x] Mature SME [x] When starting a new company or project initiative.
What should you expect from Primer?	You will be able to communicate to your team what other businesses you are like, who you are different from, and understand how to research (and borrow from) operational and marketing best practices of your closest competitors.

Step 1:

Identifying Competitors

Identify how you believe your potential customers are currently solving their problem without buying your product or service. This will help you understand the price your customer may be willing to pay, the priorities of how your customer makes a decision to buy something, and how your business can be “different” than the competition (which is more powerful and sustainable than only being “better” than your competition). If you can differentiate by solving a unique problem or a common problem in a unique way, you will increase the likelihood of your success when marketing your business.

Consider the “alternatives” or available ways your customer could solve this problem. Think about what other products the customer could buy, what the customer could do themselves in order to solve the problem, or what circumstances could get rid of the pain or discomfort of the problem.

Direct Competitors: Offer similar product/service to your target customer.

Indirect Competitors: Products, services, or solutions that solve the same problem or need your business is addressing.

Create a list of direct and indirect competitors to your business.

Step 2:

Identify Features of Your Direct Competition

Select one of your products or services and compare it to a similar product being sold by your direct competition. Determine which competitors have what you deem to be important “features” in their product offering. Examples of possible features include:

- Low Price
- Long-Lasting Quality
- Beautiful Aesthetic

- Pleasant Customer Service
- Fast Delivery
- Available Add-Ons
- Variety of Options
- Customization Options
- Etc.

The key to eventually selling your product or service will be in convincing your potential customer that you can solve their problem in a unique or superior way. Therefore, identify the most important deficiencies of your direct competitors—or what’s “not good enough” about the way they are solving the problems of your potential customers. For instance, maybe they sell great tasting coffee, but their cafe is loud and it takes 30 mins to get your drink. Maybe the process is complicated and confusing. Maybe your competitor’s product is dangerous and causes stress.

List the features of competitors’ products in a table, noting whether or not each product has the important feature.

	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Your Business
Feature 1					
Feature 2					
Feature 3					
Feature 4					

Example:

	Jungle Cafe	Cool Bean Cafe	Lover Cafe	Fun Time Cafe	My Cafe
Professional Atmosphere					X
Accepts Credit Cards		X		X	X
Fresh-Roasted Beans	X	X			X
Full-Service Kitchen	X		X	X	

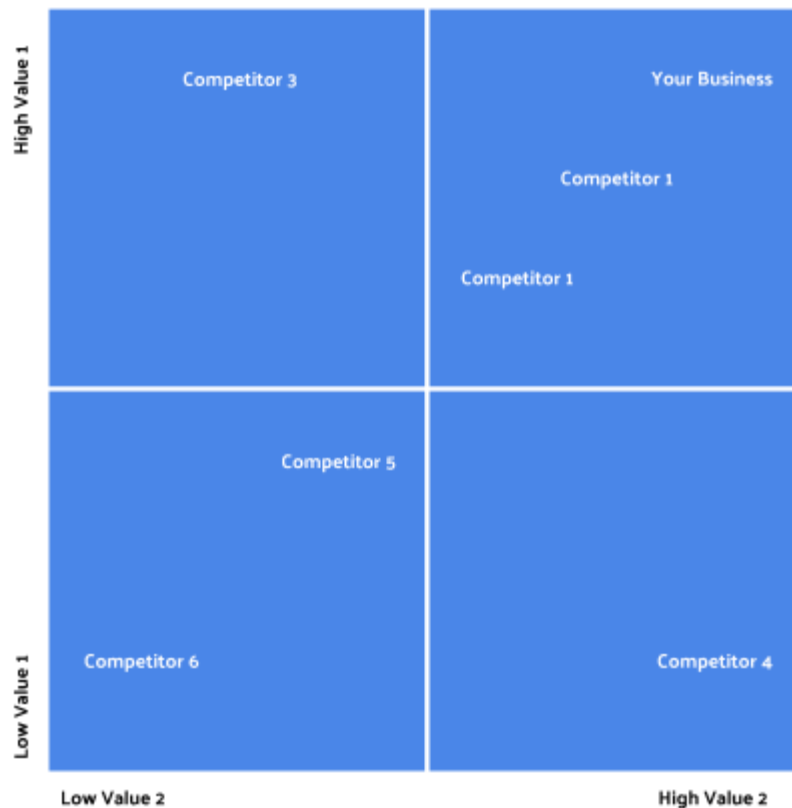
Step 3:

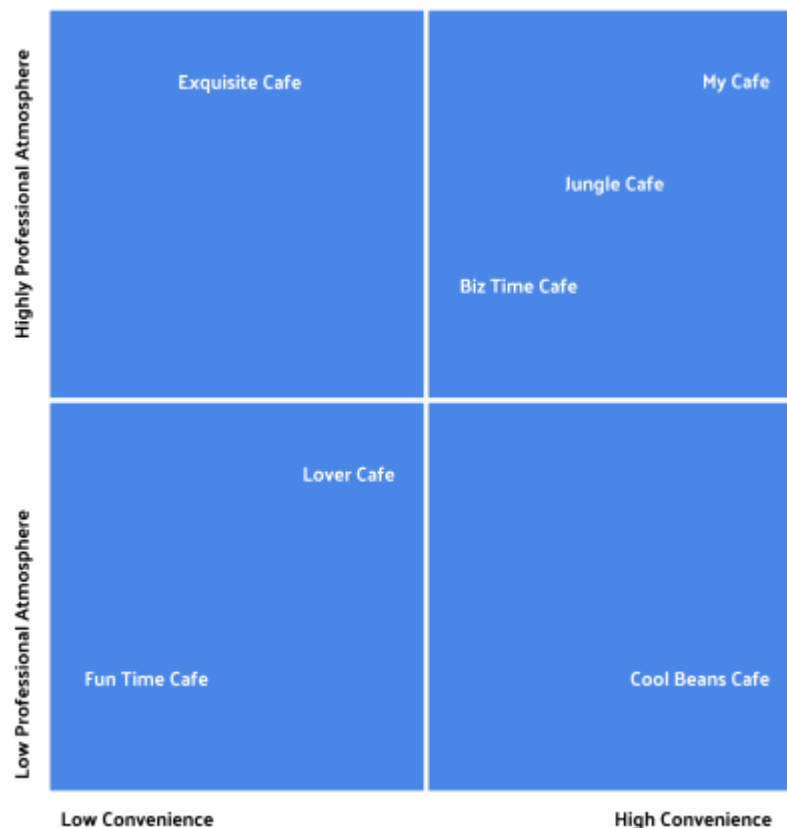
Identify Your Position

The act of “positioning” your business is intentionally determining how you want customers to compare you to your competition. What do you want to be known for? You should determine your answer by assessing what is most important for your target customer.

Based on the exercise above, determine what will be two key values you want to be known for. Try to identify values that are “different” or unique to your business. It’s okay if competitors overlap in one or the other value, but try to identify a combination of two values that are both unique to your business and highly important to your customers.

After you have identified the two values, place your direct competition in a matrix describing how strong or weak that value is for their business.





Step 4: Identify Your Closest Competitors

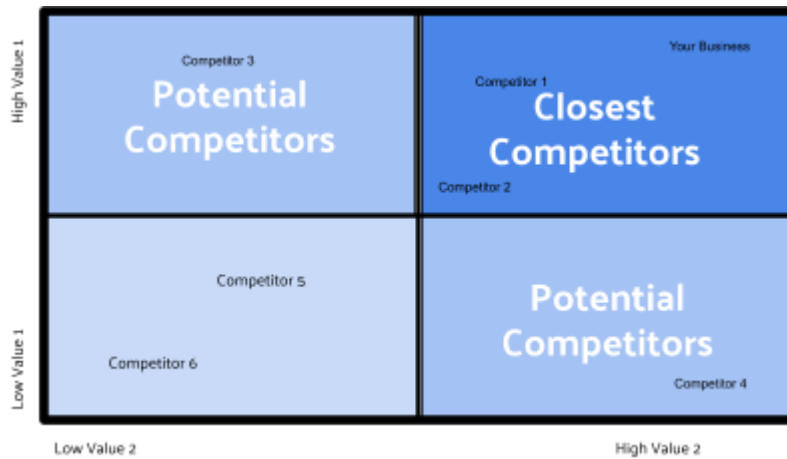
As you review the matrix you created, identify those competitors that you have placed in the same quadrant as your business, as well as the upper left and bottom right quadrants. Your closest competitors will be in the top right quadrant, meaning these are direct competitors that your potential customers could easily choose to purchase from instead of buying from your business. Research how they price their products, service customers, and market their business. Because your customers will associate your business with your competitors in this quadrant, they will likely expect your price and quality to be relatively close to these competitors. Meaning, while your price will likely be higher than those competitors placed in the bottom left quadrant, you will need to be competitive on price with those competitors with you in the top right quadrant.

If your matrix has properly identified the two most important values for your target customer, businesses in the “Potential Competitors” quadrants pose less of a threat to your company. However, if they are very strong in a value that is important to your customer, you can study their business and pricing model to learn from how you can best service your customers.

Step 5: Craft Your Positioning and Differentiation Message

Based on the top two values (or value propositions) you have identified for your business, which are highly important to your customers, explain how your business delivers this value to your customers in a unique manner. Emphasize how your business is “different” than the competition (not just “better”). Describe how your customer’s lives will be positively impacted as a result of using your product or paying for your service. For more

information on how to craft this message, see the tool on Developing Your Marketing Plan. See [Tool 4.7: Developing a Marketing Plan](#) for more information.



Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.9 Centro App

Why useful?	The Centro App is a beginner friendly app to help you structure your ideas as a full fledged business plan.
Who needs it?	Business owners looking to organize and present their business plan to others
When do they need it?	Pre-Startup [x] Growth-Phase Company [] Mature SME []
What should you expect from Primer?	A quick overview of the Centro app, how to use it with other Tools in this book, and where to find it.

Step 1:

What is the Centro Business Planning App?

The Centro Business Planning App is a free application available on iOS or Android that will help you create a business plan. The app guides you through the process step by step with simple questions. The idea is that with no prior experience you can go through the app and produce a business plan to present to investors, creditors or other stakeholders.

The app works in English and Russian. There is no Romanian version currently.

Step 2:

Who Should Use the Centro Business Planning App?

We strongly recommend starting by creating a Lean Canvas ([Tool 4.2: Lean Canvas](#)) to work out your business plan with your team. But when you want to make something more formal, to present your idea investors, creditors or other stakeholders the Centro App is for you. You can be a first time business owner or have years of experience, the Centro App will walk you through the modern best practices and help you organize your presentation.

Step 3:

What Does the Business Plan Involve?

Your business plan will include Vision and Mission statements, customer and market analysis, personal and business financial planning, and more.

For a [sample output from the Centro App see this link](#)



Step 4:

How Should I Start?

Download the app at the following links to get started!

[Google Play Store](#)



[Apple App Store](#)



Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Tool 4.10 Checklists and Accountability Tools

Why useful?	In most startups, so many things happen at once it can be hard to keep track. You need to consider what systems to put in place to maintain control.
Who needs it?	Any business owner who manages employees in retail, hospitality, production or other areas where you are not present at every moment of your workday.
When do they need it?	Pre-Startup [] Growth-Phase Company [x] Mature SME [x] It is never too early or too late to check your internal systems.
What should you expect from Primer?	A brief overview of why accountability tools matter and some simple suggestions.

Step 1:

Imposing Your Will

The first thing to understand about employee accountability is that ***they are accountable to you***. This is your business and it is their job to execute on your plans, procedures and processes. What this means in every business is different but there are some common problems and tools that we will cover in this Tool.

Step 2:

Understand: There is no such thing as “Common Sense”

When you open a new business and your employees forget to turn the lights on, don't greet customers, or choose to wear their cool new 5 inch heels on your factory floor, you, as a business owner, may quickly find yourself banging your head against the wall saying “how can they not understand this! It's common sense!?” So what is common sense?

Wikipedia states, “*common sense, based on a strict construction of the term, consists of what people in common would agree on: that which they ‘sense’ as their common natural understanding.*”

But when you think that your employees should “*just use common sense and do what needs to be done the way you want it done*” what you are really talking about is a type of mind reading. You need to recognize that there is no such thing as common sense and if your employees aren't doing what they need to do it is because you have not successfully told them what they need to do and how you want it done.

Step 3:

Utilizing Checklists

One way to communicate what you want to your staff is to use checklists for all opening and closing procedures + any other daily processes that often go wrong. To start this building your checklists first go through each process and write down everything that makes you mad when it isn't done, is late or isn't done right. After this, incorporate your manager (if you have one) or your staff in this process and go through it with them. Once you all understand each other write a step by step list and print copies to be filled out and signed every day. There is no such thing as too much detail here - for example, if you need some lights turned on, consider numbering and labeling the light switches. This way you can reference them directly in the checklist.

Remember: There is no such thing as common sense.

Step 4:

Building Clear Job Descriptions

Communicating your expectations should start in the hiring process. To the best of your ability, build out job descriptions that reflect what your employees work will look like day to day. If you are a startup and everyone is expected to be flexible and wear many hats - say that. Expectations are critical for people to do a good job and to be satisfied at work.

Step 5:

Having Fixed Cash Handling Processes

When it comes to imposing your will and making people accountable, nothing is more important than cash handling. No matter how much you like and trust your staff, a disorganized and chaotic cash process may provide too much temptation for someone to take something. And that chaos will limit your ability to figure it out. To limit your problems consider:

- Having fixed, written, procedures that everyone follows with cash - including you!
- Record all transactions item by item - using a point of sale or cash register with a database is best.
- Check your systems regularly to make sure that all cash, from customer to bank, is tracked and the process can be audited by you.

Step 6:

Following Up

No amount of good systems will help you keep control of your business if you just put them down on paper and move on. Systems need to be implemented and checked regularly. To do this, make sure that you follow up!

- ❑ Check the Checklists! If you use checklists make sure to check them daily. If you don't your staff will quickly consider themselves "trained" and stop using them.
- ❑ Follow up on Job Description Expectations. Try and regularly sit down with employees and see how well their job fits their expectations. Are they doing different work than they planned? More or less? Sometimes simple, informal, communication helps both you and them manage your expectations.
- ❑ Always Check Cash Handling. This should be obvious - it's your money after all! But many business owners cut corners here because there is lots of counting and record keeping. The reality is, if you aren't *always* checking up on your cash handling you can never be certain if everything is going well. It's your money, don't put it risk after you have worked so hard to earn it.

Read Online



Read More

The Moldova SME Handbook is free to download and use. Follow the links for versions in Romanian, Russian, and English!

And contact us with suggestions, questions or corrections.

Contact Us!



Afterward and Special Thanks

Afterward

Thank you for reading our Moldova Small Business Handbook, we hope you found the many Tools and Primers here useful as you plan or grow your business. If you would like to contact us please do! We would love to hear your feedback as well as corrections and suggestions for new content! This book was written and designed to take advantage of the principles we outline in the text itself. Like business, this book is a dynamic process and will change over time given your feedback and in response to changes in the business environment in Moldova. It is because of this that we have spent so much time building a “book” that is really an online document, crosslinked and free to access. Check back periodically, we may have added something :)

And if you would like to join a community of Small and Medium Business in Moldova please consider becoming a member of the Moldovan Small Enterprise Alliance (AIM). Follow this link to learn more:

sme.md

Special Thanks and Acknowledgements,

The following companies, organizations and individuals played a key role in contributing to this Handbook.

Created By	The Moldovan Small Enterprise Alliance (AIM)
General Sponsor	Swiss Cooperation Office/ Representation of the Embassy of the Swiss Confederation to Moldova (SCO Moldova)
Content Creation	OSE Moldova & Planeta Express SRL - Lead Author and Editor David Smith Jizdan and Partners - Contributing Author & Chief Technical Consultant Andrei Jizdan Taxaco - Content Contributor Iuri Cicibaba Mathew Rutter - Contributing Author