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DanubeChance 2.0
Embracing failure to facilitate second-chance entrepreneurship in the
Danube region

Output 3.2

Methodology on Second-chance Entrepreneurship readiness

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Table of content

Table of content	2
1. Introduction	3
2. Methodological approach	3
3. Self-assessment business diagnostic tools structure development	4
3.1. Basic and psychological characteristics	5
3.2. Strategic management and development	6
3.3. Operational and stakeholder management	7
3.4. Financing and market aspects	8
3.5. Resilience and innovativeness aspects	9
4. Methodology guidelines	10
Annex D – Partners	11



1. Introduction

The purpose of this document is to set-up the methodology and the procedures for the Self-assessment tool kit necessary to be implemented in order to evaluate the managerial skills of the stakeholders defined within the DanubeChance2.0 Project. The methodology takes into account the characteristics of an entrepreneur, describes the steps required to carry out the Self-assessment, defining at the same time the indicators underlying the Self-assessment process, in correlation with the national and/or RIS3 strategies.

Delivery D3.2.1, called “Check your Second-chance Entrepreneurship Readiness”, is part of Activity 3.2 of the DanubeChance 2.0 project. The main objective of the deliverable consists on creating and designing a self-assessment business diagnostic tool for honest enterprise that will identify the most relevant characteristics. The self-assessment tool are guidelines that each entrepreneur has to follow in order to have a successful business and is composed based on the policy benchmarking activity (A3.1).

The tool will provide an instrument for tracking the performance of the business, by offering both methodological advice on how to perform the evaluations and also methods to identify the most relevant aspects needed for business success, as well as the indicators that should be followed for the business assessment. A well-defined business and a manager that knows its weakness and its strengths, how to use information and the previous experience is a manager that won't face failure again.

The activity of creating the tool is coordinated by PP2, UTCN, but the tool is jointly created by all DanubeChance2.0 partners. The results of the methodology will be used by PP3 to create a report based on it, linking different indicators defined into the tool. For this reason, concept notes were developed by partners to help develop the diagnostic tool. The tool applies to all relevant stakeholders (e.g. second-chance entrepreneurs, failed entrepreneurs and successful entrepreneurs, new starters) and develops a set of indicators that will help you decide whether your business will be successful or not. The indicators will be found in this concept notes structured on the main characteristics that a good entrepreneur must contain.

The concept notes are provided in English, but each country can translate it into their preferred language and conduct the interview in this language.

2. Methodological approach

In order to support the second chance entrepreneurs, and their efforts to start a new business and market re-enter, the “Self-assessment” business diagnostic tool was created. The “Self-assessment” diagnostic tool focuses on determining **the potential of second chance entrepreneurs in re-entering the market**, and also in **creating a set of indicators to guideline honest entrepreneurs**. The target groups of the interview are the following:

-Second-chance entrepreneurs who have restarted a business and are acquainted with regional support structures;



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- **Distressed companies** who have financial problems and is unable to pay its financial obligations;
- **Failed entrepreneurs** who went bankrupt with their company and/or are in the process of restructuring (e.g. insolvency procedures) and want to start another one;
- **Successful entrepreneurs** who funded established and successful enterprises making use of existing support structures;
- **Young starters** who want to open a business and need a cold analysis of both their business leadership but also of their business plan.
- **Experts on bankruptcy and second chance** who have to analyse if a business is sustainable or not.

The “Self-assessment business diagnostic tool” is composed by a set of indicators, applicable to stakeholders through a set of questions, grouped around the characteristics that each entrepreneur must possess, but taking into account the stakeholder type at the same time.

The tool kit is given in English, but it **can be held in national languages**. The “Self-assessment business diagnostic tool” is a tool that each business person should take, before opening a business. The working instructions provided in the next chapter (chapter 3) also serve as the basis for the tool reports compiled by PP3 (Centre for Social Innovation).

3. Self-assessment business diagnostic tools structure development

The objective of the self-assessment tool is to identify the characteristics needed by an entrepreneur to succeed. The proposed scoring tool provides a method for determine (fig.1):

- the personal and technical characteristics needed;
- the capacity to manage, lead and finance a business;
- the capacity to promote the business;
- the use of strategic planning and innovation into a business.

Also, information concerning:

- contact person;
- information about business;

will be include into the tool.

In order to develop the tool, it is very important to understand the main components of it.



Figure 1 Characteristics that serves for the self-assessment tool



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In order to obtain an efficient tool, indicators that measure the self-assessment capacity were followed:

- Basic and psychological characteristics (capacity to collaborate, capacity to respond to stress, capacity to learn and reflect, capacity to plan the business).
- Strategic management and development;
- Operational and stakeholder management (documentation, key processes performance, resource monitoring);
- Financing and market aspects;
- Resilience and innovativeness aspects

For each category, the respondent must provide a score from 1 to 5, according to the scale below.

- 1 - total disagreement
- 2 - disagreement
- 3 - neutral
- 4 - agreement
- 5 - total agreement

A spider diagram that represent average resilience scores for individual business will be designed. The diagram can be compared across countries. Countries with a high score have successful business and a smaller failure rate.

The spider diagram will objectively measure the state of the art for every business, providing data to support stronger decision making. A second chance restarter must learn from mistakes, but also to know how the lead the business. Each group of indicators will have a target, which describes the capacity of opening a business within a clear timeframe. The spider diagram will be regarded as a tool for comparing business, including the implementation plan, operational performance, financial status, but also the capacity of the person of doing business, and give the second chance entrepreneur fixed and measurable sets of expectations to work towards and achieve.

Applied correctly, the self-assessment tool can provide information regarding the strengths and the weaknesses of the entrepreneur. It also offers information regarding the steps that you have to follow so that your business turns into a successful one.

3.1. Basic and psychological characteristics

The first step of the self-assessment tool is to identify the basic and psychological characteristics that produce a successful entrepreneur. The most important features that entrepreneurs have to possess is the ability to perceive the importance of the business on personal life and to obtain the necessary resources needed for the business success. Other characteristics that have to be followed are: positive attitude, the ability to overcome risks, ingenious and creative; credibility and reputation; received support from family.

The basic and psychological characteristics are divided into 3 categories:

- the attitudes towards risk posted by entrepreneurs;
- the psychological and individual characteristics relevant to entrepreneurs' success;
- the enabling environment.

The considered indicators for basic characteristics are presented in table 1.



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Table 1. Indicators used for basic and psychological characteristics:

Basic and psychological characteristics indicators		Scale
Indicator 1	You are ready to take risks and deal with uncertainty in business	1-5
Indicator 2	Family / friends / society support your business venture	1-5
Indicator 3	Business performance and personal life are well balanced	1-5
Indicator 4	The business founder is critical to the success of your business model	1-5
Indicator 5	You are proficient in performing business environment and risk analyses	1-5
Indicator 6	You have a good credibility and reputation in the marketplace	1-5
Indicator 7	You understand that failure is a normal part of doing business	1-5
Indicator 8	Internal reasons for former business failure have been analysed	1-5

3.2. Strategic management and development

Before starting a business, the first thing a potential entrepreneur must do is to check whether it is possible to turn the business idea into reality, meaning that you must see if the idea is profitable, clear and attractive. Then it is very important to have a good business plan, plan that will involve thinking about the prospect of your business and of the stages necessary for the development of the business. The business plan must consider the previous experience, the learned lessons and ways of including the experience into the business.

Also, you must see if you have the necessary resources needed to start a business, including technical skills, finance, know how, equipment, management, human resources.

In order to lower the risk of any business, it is necessary to plan the actions and future results. In this idea, every entrepreneur should be able to answer the question:

- ✓ Where do you intend to get in the future?
- ✓ Where is the business leading to?

Defined objectives and strategies help us to see the steps to be taken in the future.

Because it is related to a future that we do not know, strategic planning can be influenced by unforeseen factors. That's why, when planning, flexibility must be an important factor, so that the plan can be adapted to the changing realities of economic and social life.

Common problems that may occur are:

- Economic downturns;
- Legislative changes;
- Order failure by vendors;
- Disturbances in distribution;
- Essential changes in market demand;
- Personal problems of the patron.

It is very important to emphasize that the business plan needs to be constantly updated, according to the factors involved in the development of the business. It is necessary to compare the proposed objectives with the achieved ones, to make an analysis of the possible deviations, as well as a solution search to adapt and remedy the business to the new conditions. (fig.2)

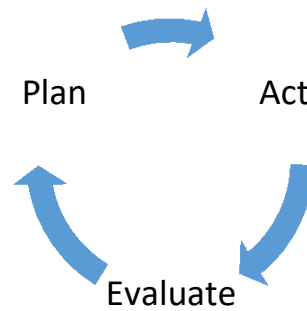


Figure 2 Evaluation of the business

The indicators that need to be followed at this step are (table 2):

Table 2. Indicators used for Strategic management and development

Strategic management and development		Scale
Indicator 1	Your business has developed organizational vision, mission, values and competencies	1-5
Indicator 2	There are considerable favourable opportunities for the business	1-5
Indicator 3	You have a clear understanding of the value chain regarding your products and processes	1-5
Indicator 4	The different stakeholders of the business have mutually beneficial relationships	1-5
Indicator 5	You are confident in the capacity to transform opportunities into innovative projects	1-5
Indicator 6	The company provides support for overall employee learning and development	1-5
Indicator 7	The business has developed contingency plans for unforeseen situations	1-5
Indicator 8	Former business failure led to better understanding of strategic intend	1-5

3.3. Operational and stakeholder management

Operational management refers to efficiency, control and design of business practices in the context of production and manufacturing goods or services. The main objective of operational management deals with maintaining the production function within the limits of the quality, quantity and time parameters.

Stakeholder management deals with identification, study, planning and communicate with partners. By defining and identifying the influence and the level of interest of the peoples, groups and organizations that could develop appropriate strategies and tactics of the business, stakeholders are involved throughout all the lifecycle of the project.

In order to develop an efficient Stakeholder Management Plan, several steps need to be followed:

- Identify, recognize and acknowledge stakeholder;
- Identify the strategies and mechanisms that will be used
- Manage Stakeholder Engagement
- Control Stakeholder Engagement.



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The indicators used for this section are presented in table 3.

Table 3. Indicators used for Operational and stakeholder management

Operational and stakeholder management		Scale
Indicator 1	There is good documentation and monitoring of business processes	1-5
Indicator 2	Your key value creation processes leads to operational performance	1-5
Indicator 3	Employment of staff is performed according to skills and perspectives	1-5
Indicator 4	You have a well-defined planning methodology available for tracking business evolution	1-5
Indicator 5	Within the business objectives, responsibilities, budgets are established adequately	1-5
Indicator 6	You perform continuous resource monitoring (materials, financial, personnel)	1-5
Indicator 7	The business can outsource some activities in case of difficulties	1-5
Indicator 8	Internal early warning indicators for failure have been defined	1-5

3.4. Financing and market aspects

Any business needs during its lifetime of financing. You have to decide which is the best financing source, which is the amount of money you need for the business success, if you afford the bank rate or what is the financial situation that indicates the performance of a firm over a certain period of time.

Also, business financing help you determine the sale price, taking into account the total costs and the profit. The answer to:

- ✓ How much does it cost to produce?
- ✓ Will I have losses or profit?
- ✓ Is it worth it for my company to produce that product?

will determine if your business is a successful one, or not. In the market economy, the determinant factor in setting the price policy is the market, besides the need to cover the costs.

Marketing is a consumer – oriented activity with the role of satisfying the consumers, planning the creation, pricing and promoting ideas / products (fig.3). The main elements that must be consider in marketing activities in order to succeed are:

- Defining the market;
- Defining the market demand (consumer; client; final client);
- Determining market groups for the product;
- Finding the right pricing strategy (differentiation, minimum price, trap product to attract the customer)
- Finding the product required by the market;
- Finding the right product distribution channel (direct sale, through wholesalers, through retailers)
- Finding the right communication channel with the clients (advertising, promotions, direct sale)
- Analysing the competition;
- Product-position on the life cycle curve;
- Competitor price analysis;

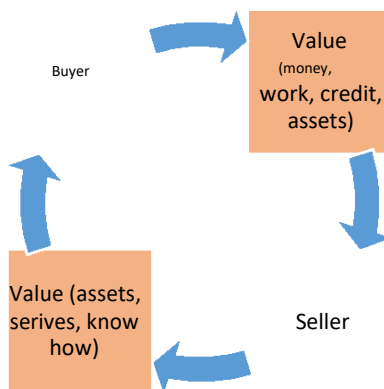


Figure 3 Marketing activity

The indicators that need to be followed at this step are (table 4):

Table 4. Indicators used for Financing and market aspects

Financing and market aspects		Scale
Indicator 1	There is a large number of funding possibilities identified for your business	1-5
Indicator 2	Debt repayment plans have an acceptable length of time	1-5
Indicator 3	Market share, sales and exposure, including distribution are well established	1-5
Indicator 4	Market analysis is done using modern data collection and processing	1-5
Indicator 5	The business is sensitive to the length of the customer payment deadlines	1-5
Indicator 6	The survival of the business is influenced by the liquidity level	1-5
Indicator 7	There is an emergency financing source available to the company	1-5
Indicator 8	Target market has been approached precisely and adequately	1-5

3.5. Resilience and innovativeness aspects

In a constant changing time, each business must adopt measures never considered before, in order to face challenges. No matter the age and size of the company, any company must have the capacity to renew itself, adopting innovation changes.

Resilient companies develop a portfolio of product innovations, adopting experimental strategies, in all parts of the company. Innovative companies must test new strategies and innovate aspects of its business model, such as pricing or industry alliances.

The indicators that need to be followed at this category are presented in Table 5.

Table 5. Indicators used for Resilience and innovativeness aspects

Resilience and innovativeness aspects		Scale
Indicator 1	The business and its products are difficult to imitate	1-5
Indicator 2	The company employs innovative approaches and generates outputs and results	1-5
Indicator 3	Your venture has proper crises management mechanisms	1-5
Indicator 4	The business relies on the number of new products/service introduction to the market	1-5
Indicator 5	You are ready to adopt and implement a restructuring plan	1-5



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Indicator 6	There are enough specific policy measures that support second chance entrepreneurs	1-5
Indicator 7	There are components of your business that can be reused if problems appear	1-5
Indicator 8	You have a better understanding than before of the driving factors behind the organization	1-5

4. Methodology guidelines

The concept note developed contains the indicators needed to be followed.

The self-assessment process is an integral part of the solutions proposed by the Danube Chance 2.0 project and is meant to ensure the quality and success of the business. With respect to its design and implementation, the project consortium expects to have clear procedures and documents, that should be used with ease.

The development team of the self-assessment tool expects that, based on the current methodology and recommendations, the evaluation process should take place for the benefit of the beneficiaries and the stakeholders, by providing valuable insights and helping each entrepreneur to determine its personal features.



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Annex D – Partners

Partner name	Members of SC
ERDF + IPA + ENI	permanent partners
ERDF LP	IFKA Public Benefit Non-Profit Ltd. for the Development of the Industry
ERDF PP1	Steinbeis 2i GmbH
ERDF PP2	Technical University of Cluj-Napoca
ERDF PP3	Centre for Social Innovation
ERDF PP4	Pomurski Technology Park
ERDF PP5	Pannon Business Network Association
ERDF PP6	Union of Slovak Clusters
ERDF PP7	Centre for Entrepreneurship Osijek
IPA PP1	Serbian Chamber of Commerce and Industry
IPA PP2	Republic Agency for the Development of Small and Medium Enterprise
ENI PP1	Organization for Small and Medium Enterprise Sector Development
ENI PP2	Institute of Market Problems and Economic-Ecological Researches of NAS Ukraine
ASP1	Ministry for Industry, Energy and Mining of Republic of Srpska
ASP2	EURADA European Association of Development Agencies
ASP3	Ministry of Economy, Entrepreneurship and Crafts of the Republic of Croatia
ASP4	Ministry of Economy, Moldavia
ASP5	Central European Initiative Executive

Self-Assessment Questionnaire for Business Diagnostic Tool

1 - Basic and psychological characteristics	0.0
1.1 You are ready to take risks and deal with uncertainty in business	
1.2 Family / friends / society support your business venture	
1.3 Business performance and personal life are well balanced	
1.4 The business founder is critical to the success of your business model	
1.5 You are proficient in performing business environment and risk analyses	
1.6 You have a good credibility and reputation in the marketplace	
1.7 You understand that failure is a normal part of doing business	
1.8 Internal reasons for former business failure have been analyzed	
2 - Strategic management and development	0.0
2.1 Your business has developed organizational vision, mission, values and competencies	
2.2 There are considerable favorable opportunities for the business	
2.3 You have a clear understanding of the value chain regarding your products and processes	
2.4 The different stakeholders of the business have mutually beneficial relationships	
2.5 You are confident in the capacity to transform opportunities into innovative projects	
2.6 The company provides support for overall employee learning and development	
2.7 The business has developed contingency plans for unforeseen situations	
2.8 Former business failure led to better understanding of strategic intend	
3 - Operational and stakeholder management	0.0
3.1 There is good documentation and monitoring of business processes	
3.2 Your key value creation processes leads to operational performance	
3.3 Employment of staff is performed according to skills and perspectives	
3.4 You have a well-defined planning methodology available for tracking business evolution	
3.5 Within the business objectives, responsibilities, budgets are established adequately	
3.6 You perform continuous resource monitoring (materials, financial, personnel)	
3.7 The business can outsource some activities in case of difficulties	
3.8 Internal early warning indicators for failure have been defined	
4 - Financing and market aspects	0.0
4.1 There is a large number of funding possibilities identified for your business	
4.2 Debt repayment plans have an acceptable length of time	
4.3 Market share, sales and exposure, including distribution are well established	
4.4 Market analysis is done using modern data collection and processing	
4.5 The business is sensitive to the length of the customer payment deadlines	
4.6 The survival of the business is influenced by the liquidity level	
4.7 There is an emergency financing source available to the company	
4.8 Target market has been approached precisely and adequately	
5 - Resilience and innovativeness aspects	0.0
5.1 The business and its products are difficult to imitate	
5.2 The company employs innovative approaches and generates outputs and results	

5.3 Your venture has proper crises management mechanisms	
5.4 The business relies on the number of new products/service introduction to the market	
5.5 You are ready to adopt and implement a restructuring plan	
5.6 There are enough specific policy measures that support second chance entrepreneurs	
5.7 There are components of your business that can be reused if problems appear	
5.8 You have a better understanding than before of the driving factors behind the organization	

Contact information
Name:
Company:
Email:
Business situation: successful / failed/ distressed / starter

The marks are from 1 to 5, where:

- 1 - total disagreement
- 2 - disagreement
- 3 - neutral
- 4 - agreement
- 5 - total agreement

Detailed information can be found in O3.2, Methodology on Second-chance E-ship. Readiness

