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DanubeChance 2.0

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

Output 6.3

Monitoring of “business re-structuring” initiative

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List of Abbreviations

DC2.0	Danube Chance 2.0
AF	Application Form
WP	Work Package
AP	Activity Number
PP	Project Partner
SC	Second-Chance

1. Introduction

Financial and operational re-structuring of 3-5 honest failed entrepreneurs willing to re-start the business with the help of professional acceleration was a pilot action of Danube Chance 2.0 project within the WP6 "Second-chance business re-structuring initiative". It tended to prepare a solid ground for honest failed entrepreneurs receiving a new chance to business success.

An important part of this pilot action was also the Monitoring of the “business re-structuring” initiative, a complex activity, that aimed to add valuable input to WP4 “Second-Chance” Entrepreneurship Community Strategy, in terms of comparison and conclusion for strengthening second-chance ecosystems in the Danube region. Monitoring of the “business re-structuring” initiative was carried out in all 8 countries, where the pilot business incubation program was delivered. The following document summarizes **briefly and concisely the key findings within this monitoring process**.

2. Methodological Approach

Within the preparatory activity 6.1 Planning of local pilot second-chance „business re-structuring“ initiatives a methodology for pilot activities was elaborated. The methodology was designed to cover all stages of the pilot action implementation, including the monitoring process of the mentoring program.

Therefore, the DC2.0 Lead partner IFKA, headed by Krisztina Karip-Horváth, developed jointly with WP6 leader PTP a one-page template for each pilot country. The main goal was to design **a brief, concise, user-friendly and easy-to-use demonstrative template**, which will provide a clear overview of the results and impact of the mentoring program and indicate a clear path and direction and possible approaches in designing support services for re-starters, especially for policymakers.

During regular WP6 meetings, pilot project partners were informed about the progress, the draft document was presented to them and they could comment, add, correct, suggest and upgrade the proposed template. The final document created after coordination with the partners is the following **One-pager**:

Monitoring – Incubation Program

Country:

How many companies applied for the pilot program?	How many companies were selected?	How many of them were saved? / How many of them were helped to start over?

What was the value-proposal for the entrepreneurs? Why they applied for the program?
(max. 300 characters)

On what basis were the companies selected? Rather, who can be saved? Or rather, who doesn't?
(max. 200 characters)

What would have been in demand from the companies yet, but the program did not provide it? (E.g. more mentoring, plus counselling, etc.)
(max. 300 characters)

What were the benefits of the program for the companies?

On the following fields:

Product/ Service	Sales	Marketing	Finances
Administrative	HR	Personal skills	Intangibles

In general:

(max. 200 characters)

Will there be follow-up towards companies after the end of the program? If so, what kind?
(max. 200 characters)

3. Monitoring of „business re-structuring” initiative

Number of companies that have applied for the “business re-structuring” (mentoring) program:

Hungary (IFKA)	8
Germany (SEZ/s2i)	4
Romania (UTC-N)	3
Slovenia (PTP)	4
Croatia (CFE)	17
Serbia (CCIS)	5
Republic of Srpska/Bosnia and Herzegovina (RARS)	8
Moldova (ODIMM)	9
Total	58

Number of selected companies:

Hungary (IFKA)	4
Germany (SEZ/s2i)	3
Romania (UTC-N)	3
Slovenia (PTP)	4
Croatia (CFE)	3
Serbia (CCIS)	5
Republic of Srpska/Bosnia and Herzegovina (RARS)	5
Moldova (ODIMM)	5
Total	32

55,2 % companies that have applied for the mentoring part were selected based on the 6 selection criteria.

Number of saved companies / Nr. of entrepreneurs who were helped to start over:

Hungary (IFKA)	3
Germany (SEZ/s2i)	3
Romania (UTC-N)	3
Slovenia (PTP)	4
Croatia (CFE)	3
Serbia (CCIS)	5
Republic of Srpska/Bosnia and Herzegovina (RARS)	5
Moldova (ODIMM)	4
Total	30

The results show a **93,75 % success rate**. 30 out of 32 entrepreneurs/mentees showed a high level of motivation and willingness to cooperate in the mentoring program. They received help in overcoming difficult business situation and saving business and/or in starting over with the same or new business idea.

3.1 Value proposition for Second-Chance entrepreneurs

Results have shown, that entrepreneurs have applied for the program primarily and mostly because of the **high-quality, individual, tailor-made, confidential, free-of-charge coaching and mentoring** to achieve different, multiple goals. They were seeking support in their operational restructuring and re-start opportunities and improving business knowledge and skills, business idea development and its realization through financial projections and better expertise in identifying early warnings and threats.

They wanted to enter the market and try advanced knowledge and skills because they believed that through a mentoring program, they would **gain the knowledge they needed to achieve significant success over past experiences**. Some of the selected entrepreneurs have been running their business for many years, others were start-ups, but a majority of them needed **support and knowledge in business management**.

Entrepreneurs had the **possibility of professional assistance from in-house and external experts**. The program offered them advisory support in the field of

marketing consulting/skills, business planning, market analysis, new product development and product improvement, strategic management, governance, quality and financial management/education, economic analysis, innovation, control system, operational processes, intellectual property protection, branding, assistance in preparing applications for support programs for companies and entrepreneurs, advising and coordinating access to funds, new technologies and advisory orientation for next business steps and strategic business decisions and many other.

Important to mention, that in some cases entrepreneurs participating in the pilot action were **former participants of the Trial and Error Academy**. They chose to continue and deepen the collaboration with the DC2.0 project partner with the inclusion into the pilot action due to the previous positive experience in receiving business support and gaining new business knowledge and skills.

3.2 Selection of SC entrepreneurs for the incubation program

Participants for the pilot action were selected based on the 6 carefully defined selection criteria¹: status of the company/entrepreneur, the evaluation of participant`s character linked to the business and personal background, the level of innovation and a high potential of the business idea, potential for the re-start/market re-entry of the entrepreneur, the level of motivation and willingness to cooperate in pilot activities and last but not least the level of potential support/help within the project partner that offers free-of-charge supporting services.

Despite a common unified selection tool, the project partners had the possibility to perform the evaluation and a customized selection procedure based on the applications they received and their resources for the pilot action. Some of the criteria may have more relevance than other – not equally important.

We can summarize that most partners have focused in the selection procedure on **whether the company is in a difficult situation, on the problems it faces and if the mentoring service will help it in solving the problem.**

Some of the project partners focused on **support and strengthening the companies**, and for other PP`s **a rescue was the most important goal**. In the selection process they focused mostly on those who can be saved and on those

¹ Methodology elaborated by PTP; Deliverable 6.1.2 Selection criteria for the participants of the pilot action (financial and organizational re-structuring) and business fact-sheets

who have a solid potential and real chance for re-start considering its history of failure (Why he/she failed?), its new business idea and its capability to re-start. One of the most important criteria was furthermore if the entrepreneur was willing to cooperate and accept advice.

It is premature to claim if the companies were saved. However, we can say at least with certainty that the entrepreneurs gained a lot of knowledge and courage to run their businesses and face the problems that may occur in future.

Selected companies were mostly the ones that are facing business difficulties, which are additionally expressed in 2020 and 2021 due to the changed business conditions caused by the COVID-19 pandemic.

3.3 Benefits for companies / SC entrepreneurs

Second-chance entrepreneurs gained new knowledge, received advice and consequently improved during the incubation program in different fields. Main benefits of the program for the mentees are summarized below:

Product / Service

- Presentation of the own product and service to the stakeholders
- Structuring the production process
- Determination and modification of the product range
- Development of new products/services
- Defining new profile for the company
- Support in the durability test of products (expiration date)
- Analysis of product components
- Enhanced and better-structured product line/business model

Sales

- The fundamentals of the sales management
- How to promote the company's benefits to the end customer
- Pricing
- Customer relationship
- Advertising/sales promotion
- Development of a sustainable commercialisation strategy
- Improving negotiation skills
- How to build a new sales team
- Calculation of the production price of the product
- Analysis of potential sales channels

- Supplier and customer analysis
- Promotion of investment location
- Price calculation and market adaptation

Marketing

- The basic of the Marketing mix and Value proposition definition
- Promotion; new marketing opportunities
- Market research
- Creating its own brand
- Strong web presence, effective presentations
- Improved digital marketing skills; social media, e-mail marketing; webpage creation or modification
- Updated awareness of promotional activities
- Acquired Croatian Quality national label (ERDF PP7)
- Development of marketing plan and advertising
- Created social media ads

Finances

- Basic of finance: Understanding the structure and elements of the Balance Sheet and Income Statement
- Determining the unprofitable processes
- Evaluation of the business model – Updated business model
- Development of the financial plan for 3 years
- How to calculate the cost of different sources of capital
- Advice on funding sources
- Development of a new business plan
- Improved financial management; finance check – business analysis based on the revenue, turnover, balance sheets
- Elevated knowledge of financial management and financial sources/revenue
- Development of SWOT analysis
- Access to finance

Administrative

- Importance of the document management
- How to organise the activities so that they don't become suffocating
- Contracts: signing, terminate, methods of dispute resolution, relationship with suppliers
- Improvement of general administrative processes, e.g. tax preparation

- Knowledge of where to stop in business
- Support in the trademark protection

Human Resources

- Understanding of the recruitment process
- How to find the team that can help you
- Motivating employees
- The process of hiring and firing employment
- Structure of employment contracts.
- Ability to deal with fear and failure in team and leadership roles
- Proposals for hiring new employees based on the business analysis/turnover

Personal skills

- Improvement of negotiation and business communication skills (with the banks and suppliers)
- Improvement of general resilience and dealing with failure
- Knowledge of how to start dealing with conflicts
- Improved presentation skills
- Product photography skills
- Personal marketing development

Intangibles

- Access to knowledge
- Risk and stress management
- Accepting the failure as an opportunity to learn and grow
- Restarting of business activities

3.4 Possible improvements of the “business re-structuring” initiative

Despite the fact the “business re-structuring” initiative/program was good structured, successfully implemented, well accepted and appreciated among entrepreneurs in all 8 countries, there is always room for progress and improvement. Based on the feedback from entrepreneurs and experience gained within the mentoring program, most project partners agree that **the lack of financial incentives and access to finance** is the biggest obstacle to restarting a business or overcoming problems. Entrepreneurs are always seeking financial aid

and advice on how to choose the right type of financial support for their business model.

Unfortunately, **financial support was neither foreseen nor possible within this program**, but it would certainly be very welcome for better, more successful development of business and realization of entrepreneur`s business ideas. Especially if we consider that with their financial reports, they can hardly get suitable credit loan from commercial banks. Further, commercial banks demand a high level of collateral for potential placements which re-starters can hardly provide.

Therefore, one of the project partners (CCIS) proposes that it would be **recommendable to establish a special program that would be supported by commercial banks** and would allow access to the necessary financial resources on acceptable terms for re-starters.

Other noteworthy suggestions for improvements from PP`s:

- More hours of mentoring/coaching (in marketing, investment planning, export-import procedures).
- Consulting related to industrial licensing (specific need)
- Longer period of mentoring; not necessary significantly more hours of mentoring, but a longer time span (e.g., 1 year)
- More joint mentoring meetings as the entrepreneurs would like to meet other entrepreneurs with the same issues as them and exchange the experience i.e. learn from each other.

3.5 Follow-up after the end of the program

The incubation program was implemented between November 2020 and April 2021. Project partners provided services to entrepreneurs on an individual, tailored-made level and at different time scales and scopes. On average, mentoring lasted somewhere between 3-6 months.

Most partners state, that they will stay in touch with entrepreneurs and **continue to monitor, help and advise them to some extent also in the future**; especially in terms of additional financial, sales and HR assistance. In addition, most of the PP`S plan to include entrepreneurs in support activities within other national and European projects, where this is possible.

In Germany (SEZ/S2i) these entrepreneurs will be invited to regular events about national and European funding to support them finding the right financing instrument for their re-starting business/ projects.

And in Hungary (LP IFKA) entrepreneurs will be invited to the programs organized in the project, which can be interesting for them. They will have the possibility also to participate in the new Hungarian **counselling program, which supports re-starter**.

Moreover, in Moldova (ODIMM) they are currently **developing a support program for second-chance entrepreneurs**, which the entrepreneurs will be able to benefit from in the future. A very similar situation is in Bosnia and Herzegovina, Republic of Srpska (RARS), where they plan to set up a Program for second-chance entrepreneurship in the Republic of Srpska.

And in Croatia (CFE) they even plan to implement this kind of mentoring program as their **regular service** due to positive experience in the past months.

4. Conclusion

The Danube Chance 2.0 pilot action was carried out in 8 countries. During the WP6 preparatory activities (A6.1) partners from Serbia (CCIS), Bosnia and Herzegovina – Republic of Srpska (RARS) and the lead partner from Hungary (IFKA) decided to join partners from Slovenia (PTP), Germany (SEZ/S2i), Romania (UTC-N), Croatia (CFE) and Moldova (ODIMM) in the pilot action implementation.

32 entrepreneurs were included in practical second-chance acceleration and business plan re-make services for second-chance entrepreneurs. Project partners engaged in-house and/or external experts and mentors, who worked intensively and closely with entrepreneurs. In total, **34 mentors, coaches** were involved in the incubation program.

Entrepreneurs received within a tailor-made mentoring program personalized support and gained new knowledge on different fields. The mentors **tailored the mentoring process to the different needs of entrepreneurs**. Although the support was individually implemented, the content of mentoring was pretty similar in all countries. For example, mentors supported entrepreneurs in the field of business planning (with focus on SWOT analysis; new or modified business plan, adapted to the current market), resolution of role conflicts, marketing mix and development of a marketing plan, access to finance, market, supplier and customer

analysis, modification of the company profile, assistance in the proper management of the workforce, development of new skills and knowledge and many more. Mentoring services were also related to providing other relevant information for the companies to restart business activities.

Due to a very **confidential business relationship** and a „friendly-like” open communication entrepreneurs were very satisfied with the guidance, mentoring. With our help, the entrepreneurs have learned how to make brave, decisive and calculated decisions regarding business management. Through mentoring program entrepreneurs got motivated and encouraged to take risks and develop new skill as a prerequisite for their future success.

In some cases, such as in Hungary (IFKA), partners have put a lot of emphasis on the **successful matching of the mentor and the entrepreneur**. In Hungary the initial step of the programme was to meet each of the candidates and assess their coaching needs. Concerning the requested expertise, they looked for the right coach and organised an initial contact between mentor and mentee. They put particular attention that both parties had a good feeling at a personal level with each other. The chemistry between them was very much important for the successful implementation of the coaching.

And in Serbia (CCIS) an additional benefit for participants was the business performance tracking tool, which was provided by the mentor. This tool serves participants, in the long run, to control the results of their companies on a monthly basis and measure the profitability of the business.

Based on the information received from the partners, we can conclude that the implementation of the pilot program was overall a success. The results are very encouraging and positive and certainly have a multiplicative and sustainable effect. But there is still room for progress and improvement, mostly in terms of financial support and access to finance for entrepreneurs. In the prolongation of the project (period 7), it is advised to include proposals for improvements in the second round of the mentoring program. As far as this is possible, of course.