



# CRISIS INTERVENTION TOOLS & MANAGEMENT OF CHANGE IN MICRO-ENTER- PRISES

## Best Practice Report

Expertise by Evers & Jung

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EUROPEAN UNION  
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**EVERS JUNG**  
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## Index

1	Preface .....	1
2	Executive Summary .....	2
3	FIRMENHILFE - the consultancy hotline for entrepreneurs .....	6
4	Business Debtline .....	15
5	Finnvera .....	27
6	Unternehmer in Not.....	34
7	CzechInvest - The Czech Consultancy Register .....	42
8	Case study Daugavpils Region Enterprise Support Centre .....	48
9	ESIC - Tutoring and consolidation of micro and small enterprises.....	57
10	G.I.B. – Gesellschaft für innovative Beschäftigungsförderung.....	64
11	NBAS - Narva Business Advisory Services Foundation.....	71
12	Re-cr�er .....	80
13	Schuldnerhilfe K�ln e.V. ....	88
14	Transformando .....	95

## List of Figures

Figure 1	General remarks on Crisis Intervention .....	7
Figure 2:	Advice process.....	10
Figure 3:	Application process at BDL .....	18
Figure 4:	Advice process at the BDL.....	21
Figure 5:	The Finnvera team .....	27
Figure 6:	Crisis intervention process at Finnvera 1 .....	29
Figure 7:	Crisis intervention process at Finnvera 2.....	29
Figure 8:	Steps in the turnaround project.....	31
Figure 9:	the DnUAV Team.....	48
Figure 10:	The ESIC team .....	57
Figure 11:	NBAS advisory scheme .....	79
Figure 12:	The Schuldnerhilfe K�ln e.V. team .....	88



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**Figure 13: Transformando's approach:..... 98**  
**Figure 14: Lanzadera de Empresas (Business Launcher)..... 98**

## List of Tables

**Table 1: Anticipated output at BDL ..... 26**  
**Table 2: Example of Finnvera's risk rating system ..... 28**  
**Table 3: Customer Structure of Transformando ..... 96**  
**Table 4: Causes for the Crisis ..... 96**  
**Table 5: Contact Channels ..... 96**

# 1 Preface

“Crisis Intervention Tools and Management of Change in Micro-Enterprises” is supported by the “Innovative measures financed under Article 6 of the European Social Fund Regulation” programme of EU DG Employment, Social Affairs and Equal Opportunities. It is being implemented by five partner organisations: EVERS & JUNG/FIRMENHILFE (Germany) as lead organisation; Business Debtline (United Kingdom), ADIE (France); FACET/SEON (Netherlands) and Fundacion Un Sol Mon (Spain).

The project addresses the issues of analysing successful instruments for crisis intervention and management of change in micro-enterprises and dissemination of this innovation into further EU Member States.

It tackles the problem that cost efficient support barely exists for already existing enterprises. Classic business consultants are not appropriate because small enterprises and self-employed cannot or will not pay their fees and furthermore they often lack the specialized know-how for SME support.

Most of the existing advice and coaching schemes mainly offer start-up support, but despite the alarming number of insolvencies within the last decade, measures are needed to keep them going. In Western Europe more than 147.000 insolvencies were counted in 2005. Notably it is small and medium-sized businesses which are most prone to insolvencies. The damage caused as a result of this added up to 37.5 billion € in 2005. Furthermore, 1,5 Million workplaces were threatened or eliminated. This is only the proverbial “tip of the iceberg” because many more businesses are abandoned without insolvency.

There is not a problem with business failure in general. It is part of the self-healing strengths of every market economy that not-competitive enterprises fail. It has to be seen though, that a firm which is “not competitive” has fundamental weaknesses (e.g. wrong business idea, lacking entrepreneurial spirit of the founder(s)). If enterprises fail due to defaults which could have been easily prevented by giving them a little bit of support, this is definitely not fruitful market allocation but simply inefficient. In this context we estimate that every second business failure can be blamed on lacking support and guidance.

The major challenge of crisis intervention/prevention is to get in touch with the micro-enterprises that encounter difficulties as early as possible. One of the reasons for the high failure rate of this target group is that entrepreneurs look for assistance when it is already too late or even never.

Instruments which provide low-level access to independent, confidential and free advice (anonymous if required) and “bit-by-bit” solutions have the best chances to reach this difficult target group in an early stage of the crisis.

The aim of this project is therefore to assess existing and innovative Crisis Intervention support schemes, instruments and tools to develop pilot projects on Crisis Prevention and Intervention in Micro-Enterprises and to realise them in the Netherlands, Spain and France.

The approach was to compare the two existing telephone-based models of Crisis Intervention run by the project partners EVERS & JUNG and Business Debtline,

Birmingham with external “Best Practice” examples from further EU member states. In April 2005 we launched a “Call for Best Practice” and chose ten organisations to participate in the project. To assure clarity and comparability a common structure was compiled and used by all best practice partners.

The diversity of the depicted tools and measures is expected to serve as a valuable source of inspiration for the development of pilot projects and refining instruments and as an essential base for the further project proceedings. With the dissemination of this best practice report, we want to share our insights with other interested parties.

EVERS & JUNG and all project partners would like to thank all participants in the Call on behalf of the whole project team for their engagement and enthusiasm. We have very much enjoyed working with you and hope to resume our fruitful exchange in the near future.

## 2 Executive Summary

As the political and environmental surroundings in the particular member states of the EU vary, the support of entrepreneurial spirit takes a different position on the agenda of the responsible authorities. This has a severe impact on the extent of the provided funding.

It has been shown that the alignment of the services set in place depends most often on the available funding and is matched to the actual needs of the target group in a second step.

The spectrum from the services set in place ranges from advice, which is given solely via telephone to the offer of an integrated and holistic advice process which may also include the visit of the entrepreneur’s premises.

In detail the main issues of the presented services are the following:

**FIRMENHILFE, Germany:** FIRMENHILFE solely offers telephone advice to micro and small enterprises facing a severe economic situation or wanting to prevent a crisis. The project is funded by the ESF and the Ministry of Economy and Labour in Hamburg. If the caller is situated in Hamburg or its region, he is only charged the prevailing telephone costs. All other clients are charged an elevated tariff. Additional learning material is being charged irrespective of the geographic region of the caller.

**Business Debtline (BDL) United Kingdom:** BDL’s offer is also limited to telephonic advice and is addressed to micro and small enterprises having to deal with debt. The service is available all over England, Scotland and Wales and financed by both the British government and twelve banks.

**Schuldnerhilfe Köln, Germany:** The Schuldnerhilfe runs a Crisis-Hotline which mainly targets on indebted micro/small enterprises. Although the advice is conducted mainly via telephone, face-to-face meetings are possible. The clients are actively referred to seminars and training offered by the Chamber of Commerce and Industry. The offer is free of charge for the customer and is restricted to the area Bonn, Rhine-Sieg and Cologne.

**Unternehmer in Not, Austria:** This service consists of an online-platform where entrepreneurs of micro and small companies have the possibility to assess the health

of their business and provides them with free up-to-date information. The project is run without any additional financial resources.

**Czech Invest, Czech Republic:** Czech Invest runs a web-based consultants' register which includes only advisors that have proved to be capable to work with SME. Its main goal is to provide small companies which can't afford to take wrong decisions when choosing a consultant with the information that they need to take a right decision. The Czech Consultancy Register was set up with European funds as a part of the Czech Competitiveness Project.

**Daugavpils Enterprise Region Support Service (DnUAC), Latvia:** The clients of the DnUAC are business people of micro, small and medium enterprises. They took out benefit from a capacious consultancy which focused mainly on face-to-face advice but also integrated training courses for business improvement and field work at the site of the client. The offer was limited to the Daugavpils Region and was funded by the European PHARE programme.

**ESIC, Spain:** ESIC set up a programme which focuses on the tutoring and consolidation of micro and small enterprises and which is addressed to female entrepreneurs which have received micro credit from La Caixa. As the programmes' target is to establish the long term consolidation of new businesses, the consultancy is very intensive and takes about ten months. The service is mainly based on two face-to-face meetings and follow-up support via monthly telephone calls. The programme is financed by the European Social Fund and a governmental agency.

**Gesellschaft für innovative Beschäftigungsförderung (G.I.B.), Germany:** The G.I.B. does not act as a central address to turn to for companies in crisis but supports industrial development agencies with the setting up or further development of a local offer in the regions. These so-called "crisis contact units" aim strictly at small and medium sized companies and their usage is free of charge for the client. G.I.B. supports industrial development agencies willing to set up a unit with the provision of the relevant professional know-how and relevant learning material to go through with the client. The project is financed from funds of the federal-state North Rhine-Westphalia and the European Union.

**Re-cr er, France:** Re-cr er has set up a workshop approach to bring entrepreneurs that are facing difficulties or wanting to prevent them together, allowing them to learn from each other and to gain from the experiences of fellow-entrepreneurs. A workshop has 10-15 participants and is usually divided into 8-10 sessions which take place on a monthly basis. Re-cr er is mainly financed through the costs for the annual membership of each workshop participant (60 €).

**Narva Business Advisory Services Foundation (NBAS), Estonia:** Narva employs all communication channels to give advice to micro and small enterprises. Next to consultations it also offers seminars and training that deal with central aspects of management know-how and development of new business fields/financial sources. The organisation is funded by European sources. After an initial consultation, which is for free, NBAS generates income through consultations.

**Transformando, Spain:** Transformando aims at developing training methods for micro-enterprises which are run by socially excluded groups. In matters of crisis intervention a working plan is elaborated in the first session with the consultant processed in face-to-face meetings which take place every 15 days. 'To-dos' for the entrepreneur are followed up via telephone or email. To get a clear impression on the effectiveness of the guidance the entrepreneur is also visited at his premises. The

service is free of charge for the entrepreneur. It is financed by EU (50%), regional (25%) and local (25%) funds.

**Finnvera, Finland:** The turnaround programme of the micro-credit institute Finnvera only applies to entrepreneurs with a loan that exceeds 200.000 €. If the internal rating shows that the future prospects of the company are not too good, the turnaround team of Finnvera will work out a detailed internal analysis of the client's situation and an external consultant will establish an expertise on the condition of the enterprise at the premises of the client. Afterwards other experts (lawyers, tax advisors) are called in if necessary. If the company is likely to be saved, a stand still agreement during which all creditors will refrain from debt collecting is signed and the client has to agree on the to do's for the next two years on a mutual consent contract. In the turnaround programme all parties are paying for their own costs. The external consultant for instance is either paid by the client or the creditors.

For the installation of new Crisis Intervention and Prevention services the following key factors for good practice can be identified:

Most projects that are described in this report define business support to be more than "teaching" entrepreneurs how to do their liquidity planning or how to acquire new customers. It is essential for them that the entrepreneur overcomes psychological barriers and (re-)develops a hands-on mentality. In order to enable him to do so, the consultant needs to also dispose of a psychological background and has to undergo specialised training. It has to be said however, that the extend to what these "soft elements" are actually considered in the course of the consultancy differ a lot and depend last but not least on the financial background and the human resources available.

Experience shows that entrepreneurs, finding themselves in a severe economic situation often lack basic business knowledge and have difficulties to set up reliable liquidity planning. Learning material and controlling tools that are available on the market are often over dimensioned and not suitable for micro-enterprises. Furthermore the information is often laid down in a very academic level. To hang the hurdle a little bit lower and in order complement the face-to-face or telephonic advice in the most efficient manner, many project partners have set up their own learning material. Information leaflets transport compressed bit-by-bit information and can serve as homework in between two consulting sessions. FIRMENHILFE for example works with information from external sources and mixes it with "in-house productions".

To ensure a consistent high quality, some of the project partners and best practice partners dispose of rather sophisticated recruitment and training methods. Bringing a new team member into work, many of them work with a mentor approach. In this case an experienced colleague trains and supervises the new consultant. All partners agree, that the consultant shall not only dispose of business and management knowledge, but should also have also relevant working experience and empathy.

In order to establish an effective quality management process a regular evaluation process should be set in place. Most of the partners conduct customer satisfaction surveys on a regular basis. This measure could be supported via qualitative depth interviews and qualitative studies. The outcome of these surveys not only allow the partners to improve their services. To receive further funding it is essential that the applicant can document the impact of his offer.

Without generous funding, it is crucial for the success of a project that the working process is managed tightly. This is why the technical database has become an

indispensable element of many projects. Depending on the size of the company this could also be a rather simple solution like an access-based tool. It has also been shown, that a systemic method to write down the notes in the drop-down boxes in the database helps to bridge over inadequacies of the database for a certain period of time (see 4.2).

Looking at the business situation of an entrepreneur his personal circumstances can't be faded out. The partners agree that it is extremely relevant to take a look at the personal financial situation of the entrepreneur and to develop a feeling for his personal environment. It is true however, that a business consultant can't give advice in matters of life-crisis. In these cases he should refer to a relevant expert.

There is no use in having an interesting service, if no one is aware of it. To be working at full capacity and to receive additional funding it is necessary to spread the word. Many partners are members of diverse networks and take profit out of a mutual referral system. Although sometimes not self-evident, because of assumed conflicts of interest, cooperations with banks have proved to be very fruitful for some partners. It is however important that the service remains impartial and acts in the interests of the client despite these relationships.

In order to provide more room for options to businesspeople in distress, it is crucial that they contact the relevant authorities at a very early stage of the crisis. Therefore the project should have a very low threshold. Telephonic advice or advice over the internet seem to have clear advantages in this field. In order to map a holistic consulting process, the provider of an internet site or a hotline does not necessarily have to integrate face-to-face advice and further personal training in his offer. He could rather serve as a hub or clearing point by referring his client to other relevant providers. Taking into account that the offers for endangered companies are not always clearly visible for a layman, he brings his client a big step forward.

## 3 FIRMENHILFE - the consultancy hotline for entrepreneurs

### 3.1 Vision

FIRMENHILFE is an inbound telephone service for small and micro-enterprises in Hamburg. It is addressed to entrepreneurs who find themselves in a difficult economic situation. This specific target group has not been much addressed by science and consulting yet which both seem to concentrate on bigger units. Most start-up support is focused on the pre starting phase. Existing SMEs and micro-enterprises are often referred to business consultants which are very expensive (and therefore in many cases unaffordable) and often lack the specialised know-how for micro-enterprise support.

Against this background, FIRMENHILFE was set up to enable owners to react on their business crisis in an appropriate manner. It was founded in December 2001 by the consulting agency EVERS & JUNG represented by Dr. Jan Evers and Mr. Martin Jung. The FIRMENHILFE hotline is financed by the Ministry of Economics and Labour of the State of Hamburg and the European Social Fund. Besides the local telephone rate the customer is not charged any additional fees.

The FIRMENHILFE is represented by a team of experienced consultants, who have been engaged in the problems of small enterprises for many years.

The intention is to provide clients with hands-on advice rather than to instruct callers with complex and overstraining methods and instruments originally focusing on bigger companies. Furthermore, the consultants of the FIRMENHILFE are trained to use an analytical approach in order to deal with the customers' problems instead of getting caught up by them. This method keeps the consultant from giving an overwhelming and therefore confusing all-in-one-solution. Instead it offers the client step-by-step solutions and accompanies clients on their way out of the crisis.<sup>1</sup>

The general aim of FIRMENHILFE is to provide low-level access to independent, confidential and free advice (anonymus if wanted). It aims on preventing insolvencies and business failure of micro-businesses through early intervention and on activating the self-help ability of owners and employees to avoid and solve crises. In case it turns out that a turn around is not likely and debts are increasing, FIRMENHILFE also offers debt and insolvency advice in order to minimise loss.

To meet these goals the FIRMENHILFE adapted parts of the successful implementation of Business Debtline in Birmingham and refined them for the German context. To date, FIRMENHILFE has given guidance to more than 1,500 clients and is expected to have ongoing success.

The analytical approach of the consultants allows them to deal with the customers problems.

<sup>1</sup> Topics that FIRMENHILFE considers to be important are marked with a star-sign on the left-hand side.

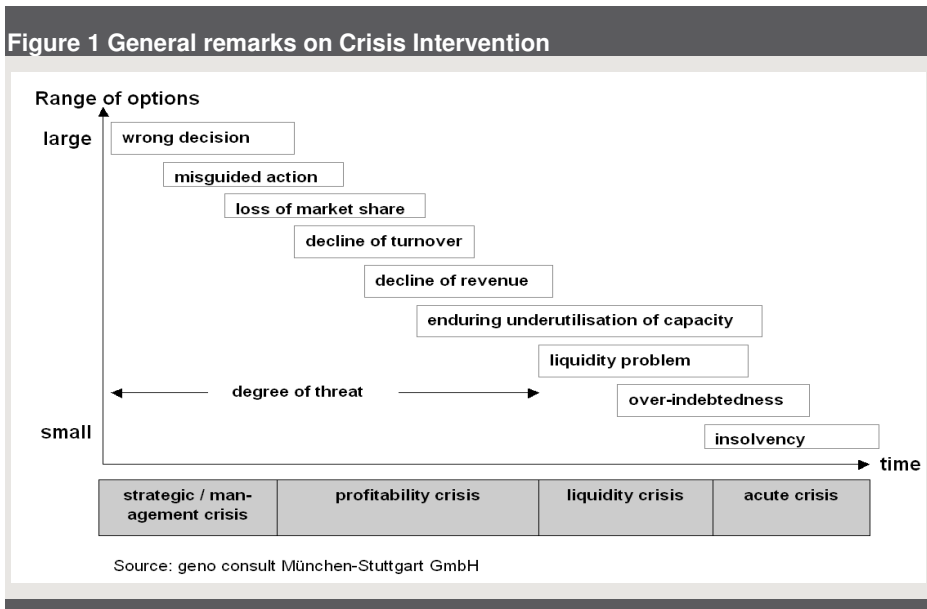
### 3.2 Target group and customer structure

The target group are existing small or micro-enterprises (up to 10 employees) and self-employed in business related difficulties in the state of Hamburg.

FIRMENHILFE targets small and micro-enterprises which are either facing a severe economic situation or have specific questions on business management topics. FIRMENHILFE also offers guidance to indebted companies and enterprises who are considering insolvency. Due to the fact that public information centres only offer advice on debt management to private individuals this offer is an important core element of FIRMENHILFE’s guidance.

FIRMENHILFE is for endangered micro and small enterprises and for those, who want to prevent a crisis.

It is a critical element of the FIRMENHILFE consultancy that the client contacts the hotline at an early stage of the crisis to provide room for action and therefore offer the entrepreneur a better chance to regain liquidity.



The earlier the better

It had been shown that most of the clients are male (59%). The majority of callers are between 35 and 45 years old (43%) and run an individual enterprise (79 %). Up to 39% of the affected enterprises originate from the services sector, 21 % from the trade branch, 17% are freelancer and 13% are craftsmen. 64% of all enterprises are solely run by the entrepreneur himself, 26 % dispose of 2 to 5 employees and 10% have more than 5 employees. 44% of the advised companies are less than 3 years in business, 17 % between 3 and 5 years and 39 % have been existing for more than 5 years.

Many clients are already facing cashflow problems mainly caused by management problems as well as mistakes in financing. While two thirds of them still have options open to solve the crisis, the rest of them should consider to close down their business in order to minimize debt and loss. The main reasons for crises are either lacking in financial planning and controlling or weaknesses in marketing and acquisition of new customers.

### 3.3 Business operations

FIRMENHILFE offers business support strictly by telephone, face to face support is not offered. The entrepreneur can call for support without appointment during the hotline times (Monday to Friday from 2 pm to 6 pm). The first call takes about 25-45 minutes. The entrepreneur describes his current situation and the reasons for contacting FIRMENHILFE. Step by step the consultant tries to find out the "hidden problems" by asking for facts like business volume, fixed costs, loans or other kinds of debts, acquisition and marketing activities, personal background etc.

In a second step the adviser asks for further information e.g. business plan or financial planning. In most cases the caller doesn't do any financial planning at all. FIRMENHILFE therefore provides specific excel sheets for budgeting and cashflow planning, acquisition controlling, listing of debts and creditors etc. Furthermore there are several leaflets with topics like acquisition strategies, crises with banks, insolvency and crisis management in general.

Accompanied by the information leaflets and excel tools FIRMENHILFE offers a medium or long term business support focussed on developing solutions for the existing problems and implementing a controlling system by regular telephone conversation. One important aim is that this 'training on the job' or 'learning by doing' leads to more sustainability of the enterprise in general.

It is important to consider that FIRMENHILFE has the approach to improve the client's **self-help ability**. That is to say that FIRMENHILFE only supports the entrepreneur but doesn't undertake active involvement in his situation. The approach is that the client has to stay active and prove the willingness to work on his/her situation. Therefore the clients are asked to call the FIRMENHILFE, advisers don't call the clients themselves.

The support mainly consists of advice in the following problem fields:

- Financial Planning / Controlling
- Feedback on business plan and concept
- Assistance in modification of business idea or products / strategic changes
- Feedback on marketing strategy and material
- Development and implementation of acquisition strategy: How to find new customers?
- Advice on public or private funds or loans for investments, projects, consolidation, expansion. Advice on supplementary allowances / social benefits
- Assistance in correspondence with banks and creditors
- Mediation between the bank and the entrepreneur (if the client wishes, the FIRMENHILFE talks to his/her financial advisor on the phone.)
- Advice on company succession / separation of associates
- Support on entrepreneur's decision of giving up the business or not.
- Consequences of business failure, insolvency and possible next steps to do

The telephone service has the approach to accompany the entrepreneur over a certain period and is supported by additional learning and controlling material.

## 3.4 Business organisation

### 3.4.1 Team organisation and structure

FIRMENHILFE has four consultants who are all employed at Evers & Jung. All of them take part in the conceptual advancement of the project. Each project member has successfully completed his studies and benefits from the economic focus of his education. Because of their longtime experience as consultant they have a great knowledge in matters of setting up a business, microfinance and management of company crisis. Before placing a new consultant in the FIRMENHILFE team, he / she has to undergo a long-term qualification in which milestones are defined solely for this project concept. The social education of the consultants is refined in team meetings which take part on a regular basis and include an expert.

To assure an appreciative interaction, It is important to the FIRMENHILFE that their consultants have a positive and non-judgmental approach towards people. Furthermore it must be clear that the consultant is the partner of the client and doesn't take any position against him e.g. when talking to his financial advisor. Although the consultant might point out weaknesses of the entrepreneur-abilities of the client, he should be never instructing.

### 3.4.2 Workplace

The FIRMENHILFE is part of the office rooms of Evers & Jung and consists of a separate office with an adequately equipped workplace. Additionally, the consultant is supported by a head-set and a database. The deployed software tool is based on a simple but reliable address database by the company Cobra. It has all options of modern CRM (customer relationship management) systems and tracks all contacts and allows tick boxes and drop down menus for statistics. It was customized recently to allow that the consultant has transparency over the clients actual needs at one glance: in one view the traffic light colours show for nine most relevant areas where action is required.

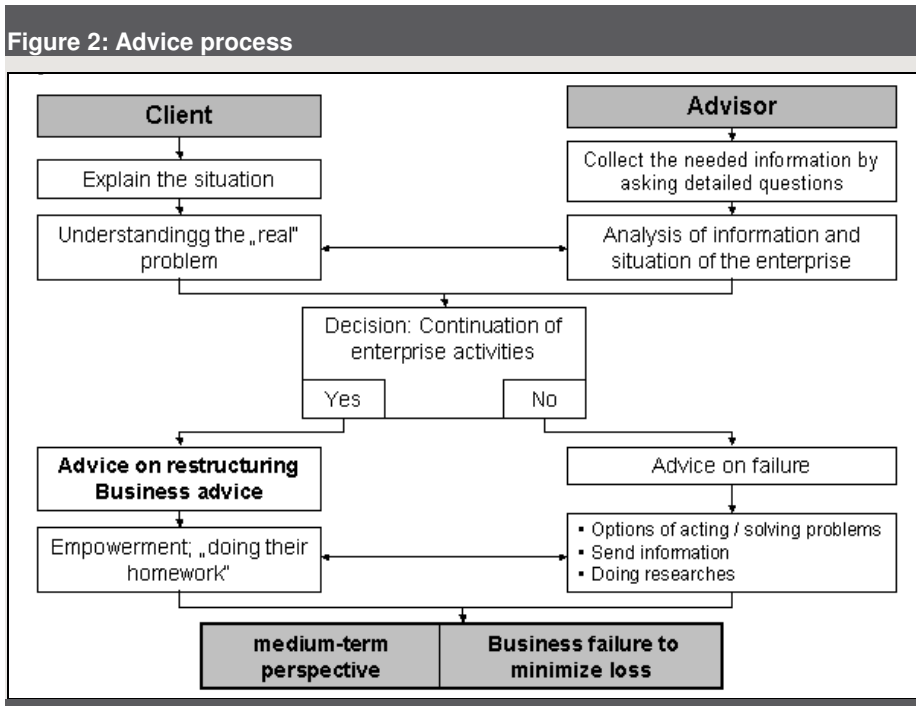
Furthermore, it enables him to record the given information in a simplified and more structured way. The user interface of this programme even assures that the consultant doesn't neglect to ask the client any questions. Only through a broad interrogation of the caller, can it be assured that the consultant gets a realistic overall impression of the situation of the company. Besides that it enables the gathering of statistical information of the FIRMENHILFE clients in general.

The deployed software tools has all options of a modern CRM-system.

## 3.5 Methodology

### 3.5.1 Structure of the advice process

The advice process could be described regarding the following illustration:



Whilst the first telephone contact with the client aims especially at clarifying the precise assignment of the FIRMENHILFE in this certain case and serves as a basis to find a first approach for the action that has to be taken, the second and the following calls should tie up to previous contacts. After the client has informed the consultant about his actual situation and the reason for calling, the consultant resolves to what degree the client regarded the given advice and in which way he / she finished the learning units with which he / she was assigned during the previous contact.

It is important to the FIRMENHILFE that the consultants are also aware of psychological aspects when talking to their clients. Especially the research results of the communication psychologist Friedmann Schulz von Thun serve as a valuable basis in matters of “active listening” and help to keep in mind in which way a message from the consultant can be interpreted by the client (Schulz von Thun speaks in this context of “four sides of a message”). When trying to evaluate the aptitude of an individual to run a business, the consultants of the FIRMENHILFE refer to the “Entrepreneur-Personality-Triangle” of Michael E. Gerber. According to him a successful entrepreneur disposes of manager, entrepreneur and expert characteristics that are more or less evenly balanced. In reality most of the entrepreneurs are dominated by their qualities as an expert and therefore need help to establish the other parts.

It must be said, that the above mentioned methods serve only as examples for the considerable knowledge of the FIRMENHILFE consultants in matters of psychological aspects. Next to that they are always aware of the fact that models like those

FIRMENHILFE consultants are also aware of psychological aspects when talking to their customers. Nevertheless they do not cling to theories but leave the individual in the foreground.

mentioned tend to pigeonhole people in a way that might not always be suitable. Therefore, they do not cling to any theories but leave the individual in the foreground. Nevertheless, the hands-on entrepreneur who solves problems in a proactive manner, is exactly the client FIRMENHILFE wants to work with. Although respecting the client on eye-level and taking him serious, the consultants of the FIRMENHILFE are actively supporting their clients to build on or establish these characteristics. This is why the FIRMENHILFE consultants make use of the leaflets which are described in the following chapter to provide their clients with homework.

It often occurs that a client finds himself in a severe life crisis. These problems can't be ignored when talking about the company-crisis because these situations are aligned in the majority of cases. Nevertheless, FIRMENHILFE can't offer professional help to solve personal problems and refers to the SORGENTELEFON - a telephone hotline where psychologists help people to overcome crises within their personal circumstances. Next to that FIRMENHILFE makes use of its mutual referral system when a client has questions that are linked to juridical or fiscal aspects. This is very useful because a lawyer, accountant or tax consultant is not necessarily well informed about certain fields that are interesting for entrepreneurs (e.g. Insolvency Code). FIRMENHILFE therefore, has a network of lawyers who have proved to be qualified and share the enthusiasm for the project. FIRMENHILFE also plans to introduce accountants and tax consultants to this network in the future.

To guarantee a consistently high quality standard, FIRMENHILFE has developed a handbook for consultants in which the regulations for the first and the following telephone calls are laid down. Furthermore, FIRMENHILFE has set up a self evaluation concept which starts with the external training of all consultants. The concept's aim is to evaluate the performance of a consultant on a regular basis by a feedback from that has to be filled out by another consultant who listens to his colleague while he is talking to a client. To give a certain frame to this evaluation process the questionnaire is divided into several topics like "allower performance", "empathy of the consultant", "quality of the given advice" etc. FIRMENHILFE has experienced that the performance of a consultant is stabilised on a high level as he/she is undergoing this process.

### 3.5.2 Description of instruments and tools

The leaflets and the EXCEL spreadsheets of the FIRMENHILFE cover a wide range of topics and are a significant part of the project. FIRMENHILFE disposes of 25-35 handouts. 14 of them are "self-made" the rest are adopted from the Federal Ministry and other free accessible sources. The idea behind this was the cognition that there is no use to reinvent the wheel where others already came to a result of high quality. The aim was to put all the means available on topics that have not been discussed (or have been discussed in an insufficient way) by organisations and institutions that deal with crisis intervention.

FIRMENHILFE set up publications on fields like "How to communicate with your bank?" and "How to find new customers?" and created a benchmark to integrate external information in their leaflet portfolio. To extract these high quality information from external sources, over 100 documents were looked over. The information, either of own or external origin, allow the client to inform himself about aspects of areas like marketing and acquisition but also Accounting and Controlling. The developed EXCEL spreadsheets allow an immediate transcription of the built up knowledge.

FIRMENHILFE cannot offer professional help in problems that are interlinked to personal crisis and refers to a suitable helpline if this appears to be the case during a consultancy.

To ensure a consistent high quality of the consultancy, FIRMENHILFE has developed a handbook in which the regulations on how to undergo a consultancy are laid down.

Instead of compiling new information leaflets on topics where already good publications existed, FIRMENHILFE addressed itself to topics that have not been (sufficiently) discussed and overtook already existing material to cover all relevant topics.

It is important to note, that the leaflets are not to be seen as an efficient method to put the client off or even get rid of him. They have to be understood as a possibility to deliver a certain "input" to an entrepreneur who is eager to learn, and therefore support the self-help character of the project. It is a strong concern of the FIRMENHILFE to maintain (or build up) the attitude of learning and self-development of their clients. This is why the material which is sent to the client will be discussed and talked about in the ongoing sessions. If the client didn't have time or interest to read the information provided, the cause for this will also be brought up.

In this context the EXCEL based programme MINI-CONTROL also represents an interesting opportunity. The programme was developed by EVERS & JUNG in order to enable entrepreneurs to overview their financial situation and influence certain parameters deliberately. Unlike the profit-based business assessment, the MINI-CONTROL tool shows the actual liquidity of the entrepreneur and allows us to generate an overview of its future development. It can therefore serve as an anticipated balance sheet.

Additionally, the FIRMENHILFE has an up-to-date internet presence which allows access to an overview of the aims and fields of action of the project. Next to that the visitor of the page can make use of a helpful list of institutions and organisations who can provide help for diverse concerns of entrepreneurs. If the client is looking for further ways to get informed on the internet, he will appreciate the listing of further links which are sorted according to their certain topic.

## 3.6 Acquisition

### 3.6.1 Marketing concept

The name FIRMENHILFE was selected as a result of a representative survey conducted in the circle of potential clients. The managers of EVERS & JUNG found out in brief informal surveys that the German equivalent for "Debtline" causes negative compounds due to the use of the word "debt". Something with a funny background like "Enterprise Ambulance" was regarded impious because the companies our services addresses would find themselves in a severe economic situation. Furthermore Mr. Evers and Mr. Jung decided to choose the word "Firma" - the German equivalent of "firm" - and renounced the word "company" or "business" because one can barely find entrepreneurs of small enterprises that say that their job is to "run a company or a business". In general they make use of the more understated word "firm". The outcome "FIRMENHILFE" (literally "Firmhelp") has proved to be a successful name with the compound of a serious company. The logo was selected in that understanding: conservative dark blue in colour and a symbol for trustworthiness.

Almost all organisations that are involved in the crisis management of entrepreneurs in Hamburg are informed about the project FIRMENHILFE. It has proved to be successful in acquiring new clients through its network-partners (e.g. chambers, the Federal Employment Office, banks, public authorities, debt. counselling offices) and selective distribution of project flyers.

At the first sight it seems amazing that companies and organisations that operate in similar business fields as the FIRMENHILFE, are willing to give advice to contact this institution. In fact most of them are happy to get rid of these problem cases because they want to stay focused in their core business field. Thanks to the FIRMENHILFE internet presence, more and more clients are acquired through this channel. It is planned to reinforce the establishment of the project through bank and insurance

The internally developed controlling tool MINI-Control enables even entrepreneurs, who are not very versant with the computer, to set up a reliable financial planning.

The name "FIRMENHILFE" was the output of a representative survey.

Companies and organisations are likely to cooperate with FIRMENHILFE because the service supports them in the handling of "problem cases".

companies in the course of cooperations. It has to be said, that the change in the channels by which the client finds the service, leads to a change in the focus of the guidance. E.g. Clients, who contact FIRMENHILFE by the initiative of a debt counselling office, tend to have very strong liquidity problems, whilst callers, who get in touch with the project through the internet, often have more options open to them.

Next to that, FIRMENHILFE published advertisement announcements and articles in popular newspapers. Whilst the announcements barely led to any reaction, the success of the articles was so overwhelming that the response was difficult to handle. FIRMENHILFE learned from this experience and is now publishing articles in the less popular district journals which are distributed for free to any household on a weekly basis.

Compared to advertisements, that have been placed in popular newspapers, the publication of articles was much more successful.

### 3.6.2 Networking, partners and referral channels

FIRMENHILFE takes profit out of several powerful media relations and is able to place articles in renowned journals, newspapers and magazines on a 1 or 2 year basis which is always linked to the presentation an actual incident (e.g. 1.000 counted client).

With many network partners the representatives of EVERS & JUNG already went into discussions to define existing interfaces and start a systematic professional exchange to find more approaches to better the situation of small companies in crisis.

FIRMENHILFE plans special events to provide an organisational frame for these intentions.

Business Debtline, Birmingham stays an important partner to share the know-how with. This institution has been running a crisis intervention hotline for ten years and has acknowledgeable success with its offer. The FIRMENHILFE does have a cooperation contract with this institution.

Next to that FIRMENHILFE has a practitioner exchange with the G.I.B. - Gesellschaft für innovative Beschäftigungsförderung - a company whose aim is to give advice to improve the employment situation with innovative methods. They have also been running a crisis intervention project for several years. Entrepreneurs of small companies can make use of this service on a face to face basis.

Additionally Martin Jung is a member of the board of directions of the VDG (Verband deutscher Gründungsinitiativen) which is an association of the German initiatives for start-ups. Mr. Jung uses this platform to shift the attention from building resources and opportunities for start-ups to the necessity of guidance after the formation of an enterprise where little attention is paid to so far.

## 3.7 Business development

### 3.7.1 Financial development

The total costs of the project count up to 236.993,34€. The share of personnel costs in the total expenses is almost 70 %. The share of the ESF (European Social Fund) funding is 45 %. The Federal State of Hamburg supports the project in bearing 43 % of the total expenses. Additionally the local savings bank HASPA overtook 10.000€ of the total project costs.

### 3.7.2 Project growth

The FIRMENHILFE like it is now, was and stays a regional service. Nevertheless, it is the strong wish of the project developers, that the project grows into other regions.

One important aspect of this growth is access to funding. At the moment the funding is 90% public and 10% private sponsoring. The objective is to grow the amount of money paid by banks to one third or half of the budget. Banks are direct beneficiaries of fewer insolvencies and more structured entrepreneurs make use of other financial resources e.g. banks and insurances. This is why FIRMENHILFE started a co-operation with the START-UP CENTER of the local bank HASPA. If customers of the HASPA enter a company crisis, they are referred to the FIRMENHILFE. Through the systematic advice of the FIRMENHILFE, the risk of default for granted credits can be diminished.

Another third of the future budget could come from the entrepreneurs themselves. This is problematic due to the difficult financial situations most callers are in. However, different ways are tested as the following:

Since February 2006 FIRMENHILFE leaflets are for sale over the internet. Customers are charged for every demand a small sum of Euros (i.e. 3,50 €) via a specialist ecommerce company who take over the encashment and charge around 30% of the income.

Furthermore it is an idea to establish a franchise model where FIRMENHILFE sells its know-how to organisations and institutions and allows them therefore to set up their own regional crisis intervention hotline. To assure the practicability of this project, it is important, that the franchisee has public credibility. That is to say that the institution is regarded to be serious and delivers high-quality in between entrepreneurial hands off advise (best would be entrepreneurs) but without for profit orientation (best would be public organisations). Let us see what we find.

Meanwhile the FIRMENHILFE leaflets are for sale over the internet.



## 4 Business Debtline

### 4.1 Vision

Business Debtline is a national telephone helpline service aimed at self-employed people and small businesses that are experiencing difficulties in paying their debts. It was founded in 1992 as a project of the Birmingham Settlement to provide both telephone advice and face-to-face casework to micro-enterprises in the Birmingham area. Initially aimed at small businesses on the brink of failure, it was launched as an insolvency advice service. Experience showed however, that for businesses assisted through the casework service, 4 out of 5 were able to survive the crisis and continue to trade.

In 1999, Business Debtline received 1,250 calls, 50% of which were from outside Birmingham. This was the basis for a successful three year pilot for a national service to England and Wales.

In 2004, Business Debtline was taken over by Money Advice Trust (MAT), a charity set up in 1991 to increase the quality and availability of free, independent money advice in the UK. It now provides a telephone based service only to callers from England, Scotland and Wales. The team consists of a manager and five advisers. A sixth adviser has been recruited and will begin employment in April.

Business Debtline provides a service to the self-employed to help them deal with both business and personal debt situations. It provides assistance in circumstances where people are unable to pay for expert advice. Through the delivery of telephone advice and supporting information, it aims to 'empower' its clients to deal with their circumstances on a 'self-help' basis providing ongoing support along the way as and when required.

In taking a holistic approach to the client's circumstances, Business Debtline in the initial call is able to identify and prioritise the client's needs and hence give them the available options to deal with their situation as a whole. The emphasis will be on protecting the client's business and personal assets as effectively as possible.

Whilst Business Debtline aims to keep as many small businesses trading as possible, it will also recognise situations where trading should cease and advise accordingly. The advisers will give advice on what the client needs to do even after trading ceases.

### 4.2 Target group and customer structure

Business Debtline targets existing small or micro-enterprises (up to 10 employees) based in England, Wales and Scotland. It deals with sole traders, partnerships and limited companies. BDL also provides advice to the self-employed after trading for specific business debt related issues.

64% of BDL clients are male. The majority of callers are sole traders (58%) with directors of limited companies (22%) and partners (9%). The remainder of callers are either employed or unemployed. Businesses seek the advice of Business Debtline at various different times within their life cycle. 43% have been trading for less than three years, 17% between three and five years and 40% over five years.

Business Debtline is for entrepreneurs that have problems interlinked to business and personal debt situations.



During the last six months, the main problem to callers was from personal creditors (20%). This can often be the case when a business is not generating sufficient income for the client to meet their personal needs or where they are funding the business via personal sources. 12% was from bad debts where clients have not been paid for work done, 11% from their bank, 13% from bankruptcy/insolvency and 10% from tax debt.

The level and type of debt along with the state of the business and stage of proceedings will effect the options still available to the client to deal with their situation.

The causes of their difficulties can be anything from poor business planning and financial management to changes of circumstances such as bereavement, illness or pregnancy.

### 4.3 Business operations

Business Debtline offers advice over the telephone only. This is a free phone number operating between the core hours of 9am and 5pm, Monday to Friday. The average call length is around 23 minutes but this depends on the complexity of the situation. For the majority of calls, the adviser will need to find out specific information to assess the client's needs. The adviser will allow the client to tell them their initial problem before carefully finding out all of the necessary information for them to advise correctly.

Once obtaining the information the adviser will then talk them through a step by step approach to deal with their situation. This will involve advising on doing a business and household budget to assess what levels of income they are able to draw from the business and whether they can reduce any of the current expenditure. They will also be advised on maximising their income through any benefits or tax credits that they may be entitled to. In doing this process the client is able to identify what they have available to negotiate with their creditors. The advisers will give them the options that are available to them and the implications of these.

The advice given will be backed up with supporting information in the form of Business Debtline's self-help information pack along with detailed fact sheets covering a range of topics. It can be difficult for the client to absorb all of the information over the telephone so this additional information is vital. The client is encouraged to call us back if there are any further queries. We can help them to do the budget sheet via an Excel spreadsheet as long as they have the information when they call.

Each call will be recorded on a confidential database. This will consist of the client's basic information such as name address, type of business, level of debt, how long trading etc. There will also be case notes to outline the content of each telephone discussion and hence allowing the next adviser to pick up the conversation the next time the client calls.

Business Debtline operates strictly on a self-help basis. BDL does not represent the client and will not take on case work. It provides support to the client for them to deal with their own debt situations. BDL specialises in the following areas:

- Business budgeting
- Prioritising debts
- Dealing with court proceedings
- Bankruptcy and limited company insolvency
- Repossessions of home, business and other assets

The heart-element of Business Debtline is advising on how to do a household budget and consultancy to shorten the current expenditure.

The telephone service is supported by the self-help information pack and detailed fact sheets.

Business Debtline operates strictly on a self-help basis.



- Tax debt
- Negotiating with creditors and bailiffs
- Dealing with most other debt problems a business may face

## 4.4 Business organisation

### 4.4.1 Team organisation and structure

Business Debtline currently consists of a Team Leader, responsible for maintaining overall delivery of the service. There are five advisers, consisting of a mentor, two experienced advisers and two trainees. A sixth experienced adviser has been recruited from National Debtline and will start in April 2006.

The mentor's role is to assist the team leader in quality monitoring and development of information along with coaching and supporting the advisers on call handling and technical queries relating to advice.

When commencing employment with BDL as a trainee, they will first go through a period of three months intensive training. This will consist of:

- Classroom based sessions run by external training organisations
- Internal sessions run by Team Leader or Mentor
- Visits to court
- Listening in to advice sessions given by experienced advisers
- Mock call scenarios
- Own research

Depending on their progression they will generally start taking calls after two or three months under supervision. After another three months they begin their period of assessment with a view to progressing to the experienced adviser level. The assessment will involve around a twelve week period in which their knowledge of numerous subjects is assessed. They are given research time and then will be assessed in 2 hour session by the team leader.

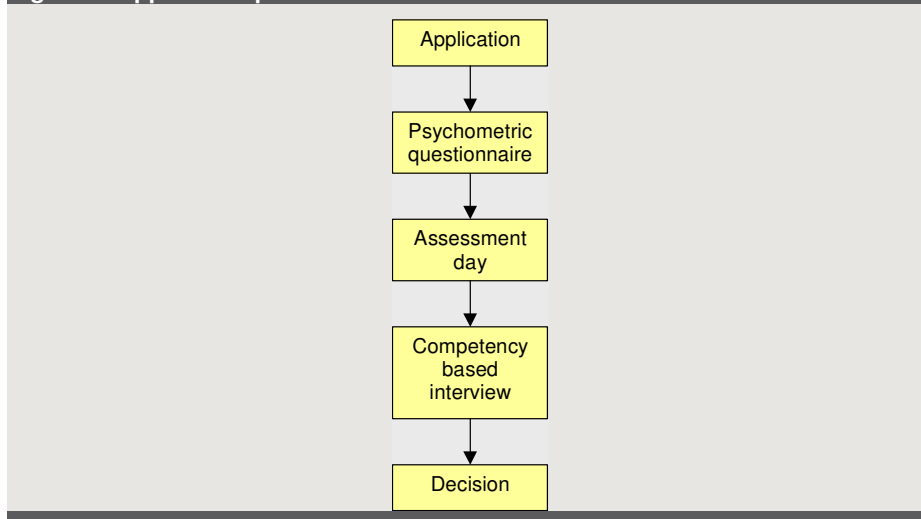
During this period their call quality will also be monitored via listening in to recorded calls. Their call statistics must also meet the required targets as well to assess their levels of productivity.

During previous recruitment campaigns, BDL has found it increasingly difficult to recruit staff that would be deemed to have sufficient knowledge and experience to qualify as a trainee. Therefore the most recent campaigns have advertised for both experienced and trainee positions. The process to recruit has become fairly scientific. BDL now uses a process designed to assess competencies and hence people's ability to bring transferable skills to the role.

After a supervision period of two to three months the trainee will start talking to the client.

The process is as follows:

**Figure 3: Application process at BDL**



**Application**

This will be fairly general outlining personal details, work experience, qualifications and supporting information as to why they are applying for the position. There is a psychometric test which allows us to see how well they might fit in to the team. If successful there is a further questionnaire to be completed on line ahead of an assessment day. This shows us their styles of working and any potential strengths and weaknesses.

**Assessment day**

The successful applicants will be short listed for an assessment day where they will participate in a group exercise as well as taking tests to assess there numerical and verbal reason capabilities.

**Competency based interview**

The final stage will be an interview. These are based on competencies as we are looking to assess transferable skills rather than actual debt advice. If applying as an experienced adviser, there would be some additional technical questions.

BDL is an equal opportunities employer and will not discriminate on grounds of age, gender, race, disability, sexual orientation etc.

**4.4.2 Workplace**

Business Debtline shares open plan premises with its sister organisation National Debtline. Both services are able to share resource and report to the same Chief Executive. BDL has a ‘pod’ consisting of eight work stations. Each work station has a PC, telephone with head set and space for advice material and resources. Each adviser has the database on their PC via a shared server. Each PC has access to the internet as well as specialist programmes for technical advice support. There is an excel spreadsheet version of the business and household budget sheet, fundamental to much of the advice.



The database is a simple access programme. The first page of which contains various fields to record the client's information. This includes a series of dropdowns which can be used for statistical analysis. The second page consists of the case notes. Once completing an entry the adviser can then select the option to send a letter. This will be a pre-written template which the database will automatically address to the client. Along with the letter there is a vast catalogue of additional information including fact sheets and leaflets that can be selected from further drop down menus. The letter will print off with the selected enclosures listed on a networked central printer, for the administration assistant to pack and send. The advisers do not have to send information manually. This saves valuable time for them to be able to answer more calls.

The BDL database is based on a simple access programme.

The advisers use a template to record the information to improve efficiency and clarity of the notes. Numbers 1-9 on the case notes will correspond with different types of information i.e. at number 1: record family structure, 2: employment status, 3: type of business premises etc. This takes less time to record and makes it easier for the next adviser to read.

To improve the efficiency of the service, BDL consultants use of a template to record the notes of the call.

Maintaining an up to date knowledge of the relevant law is essential to keeping the advice accurate. The advice support software is continuously updated and upgraded. We also subscribe to various bulletins from other organisations via emails and publications. There is an Information Officer responsible for distributing relevant updates to advisers of both Business Debtline and National Debtline. The services also share a library of reference material within the office.

Business Debtline has a telephone system that allows callers to queue whilst waiting for an adviser. The caller will go through the following process:

Initial call



Though to automated message giving **options 1 and 2**

Option 1

Speak to an adviser

Held on the queue for up to 10 minutes



Connected to an adviser

If in the queue for over 10 minutes the call will 'time out' and the caller will go through to a voice mail box giving the option to leave their name and address to receive the information pack. Business Debtline does not offer to call clients back.

Option 2

To order literature or if calling from the media



Connected to the administration assistant or voicemail box



There is also a separate out of hours message where people call whilst no advisers are on line. Again this gives the option to leave details to receive the information pack.

As Business Debtline advises to England, Wales and Scotland. The phone system is able to recognise where the call is coming from. We are then able to route the call to advisers trained accordingly i.e. only advisers trained in Scottish law can receive calls from Scotland.

## **4.5 Methodology**

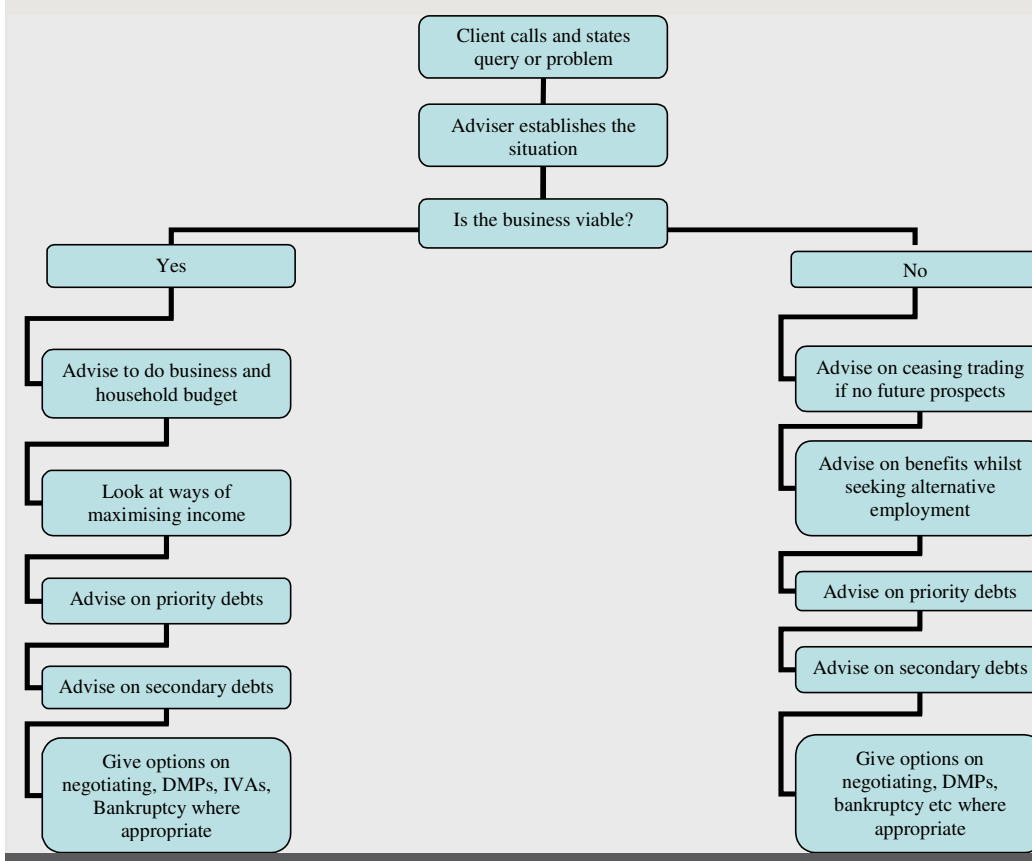
### **4.5.1 Structure of the advice process**

In the initial call the client will usually start by explaining their situation and concerns as they see it. Sometimes they are unsure of how to do this or where to start and hence the adviser will need to take control from the beginning of the call and ask specific information to establish the problem. Either way the adviser will usually need to find out this additional information to ensure that we are advising holistically. If for example the client states there are difficulties with a particular creditor, the adviser will acknowledge this but also find out all of the debts owed, at what stage of proceedings they are at etc. They will ask about what assets the client has so we can identify what may be at risk.

Business Debtline will not just look at the business but also the personal situation as well. Without doing this the client will not be able to improve their situation as a whole and so will not be in a sustainable position. We will look at maximising their income to make sure that they are in their best possible financial position to address their problem. With sole traders and partnerships their personal and business situation are certainly both relevant. For limited companies we will look at the company in its own right. It is still necessary to look at the personal as well.

The basic process is as follows:

Figure 4: Advice process at the BDL



At the end of the call the client will be asked if there are any further issues and encouraged to call us back as and when necessary. They will also be sent further information to back up the advice.

This is of course just an outline of the process and hence this has to be adapted to the needs of the client. Advisers have to use their skills and experience to decide how much in depth they should go in to particular areas of advice. If there is an extremely complicated call or one where there are emergencies such as risk of losing their home, the adviser will need to spend time to deal with this and may encourage the caller to call back when done this to give advice on less immediate problems. Alternatively fact sheets can be sent out for the less immediate problems with the client to call us back should they not understand.

The emphasis is on empowering the client to deal with their situations themselves. Business Debtline provides the advice, options and support but the client will actually carry out the actions. Advisers will need to be aware of clients' capability to do this. However unlike for personal debt, there are no obvious places for clients to be referred to for face to face advice.

Advisers need to gain the client's confidence and reassure them for example that this is a confidential service and completely impartial. If they wish to remain anonymous they can do so but we will need details should they require information to be sent out.

BDL's goal is to strengthen the self-help ability of the entrepreneur.



Business Debtline's website currently in redevelopment will go some way in to addressing this problem as all information will be available online.

Advisers often have to deal with clients feeling a range of emotions and have to respond to these accordingly. People in debt are often stressed and feel completely helpless. Advisers attend courses aimed at people working on helplines. Often people's fears are misguided i.e. they think they can go to prison when they can't. Business Debtline helps to reassure them of the actual facts and sometimes the worst possible scenario is not as bad as they think.

Where clients have problems that are outside of the remit of Business Debtline, advisers will 'signpost' callers to the relevant organisations i.e. 'Lawyers for Your Business' for technical legal issues or 'Business Link' for issues around start up or funding. We rarely get feedback from our clients as to how helpful these organisations have been however.

To ensure the quality of our advice, calls can be recorded and monitored. The Team Leader or Mentor will review calls and case notes. This is written up on to a document and then feedback is delivered at quarterly supervisions to the advisers or sooner if necessary. An addition to the monitoring of advisers, Business Debtline also conducts monthly surveys. This involves a sample of 100 clients who are asked to complete a brief survey to assess how satisfied they were with the service. A response rate of around 16% is typical.

We are currently obtaining permission from our clients to participate in a more detailed survey conducted by an external agency. This will allow us to gain more knowledge of how the service has assisted the survival of their business.

#### 4.5.2 Description of instruments and tools

Business Debtline has a vast catalogue of information to send to clients. Central to this is the self-help pack, 'Dealing with your Business Debts'. This is a 51 page booklet covering the fundamental process of dealing with debt and all types of creditors. Whilst this is a large document, the client will need this level of information to realistically manage their situation. The book is colour coded and headed to allow the client to navigate this to meet their needs. This book is sent to nearly all clients as long as they wish to receive information. Throughout the pack references are made to call Business Debtline where required. There is a separate self-help pack to callers from Scotland with the relevant legislation.

The pack itself includes a pull out version of the business and household budget which is integral to the process they will need to adopt to deal with their creditors. The idea is that they can have this separate from the pack and hence allowing them to fill this in as they read through.

If the client has difficulty completing the budget sheet they are able to call Business Debtline to go through this with an adviser. The adviser has an excel document of the budget which will automatically do the calculations including what offers to distribute to creditors and what to allow for in income tax etc. This document can then be printed off and sent to the client.

Business Debtline also has its own fact sheets covering more specific areas such as business leases and tax. There are 11 fact sheets for England and Wales. There is also access to National Debtline's 31 fact sheets as many of these are relevant to our clients. As well as BDL and ND's own publications there are hundreds of other leaflets available that have been ordered from other sources.

BDL has a vast catalogue of information material



It makes sense sometimes to keep certain fact sheets separate rather than including them as information contained within the self help pack. This is particularly the case where they contain information that is frequently changed. For example, we send a separate sheet on how to calculate tax and national insurance as the figures for this change every year in the annual budget. If this had been included in the pack, it would be very expensive to update each time as they are printed in large quantities to save on expense. It makes more sense to have them in a low cost format that can be easily changed and re-printed.

Often clients find it difficult to write various letters to their creditors particularly where they need to make reference to particular law. Sample letters can be sent for them to amend to their own requirements and send on to their creditors. We are also able to access court forms to either send to the client or assist them to complete.

The self help pack, fact sheets, sample letters and interactive budget sheet will all be included on the new Business Debtline website allowing the client to have faster and easier access to the information. The website is being designed to be as user friendly as possible ensuring that the user is only one or two clicks away from what they are looking for. It is broken down in to sections similar to the self help pack to ensure consistency. It will also have a search function if the client is unsure of where to look. One very important consideration when designing the website was to be able to access and update this 'in house' due to frequently changing law etc. The website will also have relevant links to other organisations that are appropriate to Business Debtline clients.

For the adviser there are various sources of reference material. This includes a library that is shared with National Debtline. It is important to select carefully what information to purchase as this can be extremely expensive. A quick source of information in using the 'Advisernet' software on each adviser's PC. This is a programme written and distributed by Citizen's Advice an organisation that specialises in face to face advice for individuals. Business Debtline buys the license to use this as it is a good source of referral at your fingertips.

Subscriptions to industry publications such as 'Adviser' and 'Quarterly Account' can be another effective way of obtaining up to date information at a relatively minimal cost.

Business Debtline shares its network with National Debtline including an email system. This is a good source of information sharing between advisers and team leaders. Many updates will be received by the information officer and distributed amongst advisers centrally. This is a cost effective way of keeping up to date with current legislation and updates.

## 4.6 Acquisition

### 4.6.1 Marketing concept

Business Debtline's marketing strategy has been extremely successful in 2005. When taken over by Money Advice Trust in January 2005, one of the initial concerns was that traditionally, Business Debtline had struggled to create sufficient awareness of its service. It was decided to hit this on a number of different fronts to deal with this fear.

Advice Network – The most effective way was through the network of advice agencies across England and Wales. These agencies commonly deal with personal debt but are not qualified to deal with business debts so it is a natural source of referral for Business Debtline to use. All of these agencies were sent mail shots advising of a 're-

BDL also disposes of sample letters the clients can make use of e.g. when negotiating with their creditors.

BDL made use of the Advice Network in England and Wales to announce its offer.



launch' of Business Debtline which included copies of our service guide leaflets and posters for them to display. Along with this they agreed to send an internal email across their network.

Advertising – A campaign was taken out to promote Business Debtline via Yellow Pages, the most nationally recognised phone directory which had traditionally been a good source or referral for Business Debtline. This does however come at a fairly large cost and upon reflection this may not be a method that is continued in future if the demand for the service is strong enough from other sources.

National Debtline – It made perfect sense that Business Debtline took advantage of its big sister organisation. As with the other advice networks, National Debtline specialises in giving telephone advice to individuals with personal debt situations, but is not qualified to deal with business debts. Sharing the premises encouraged a greater awareness amongst National Debtline advisers as to what Business Debtline does. This has steadily become our greatest source of referrals.

Press releases – In the early stages of 2005 the intention was to send monthly press releases to both raise awareness and the profile of Business Debtline. Whilst some were sent, demand was high enough and so this method became less necessary. It is important to consider the impact of press releases as if successful and printed in a major newspaper, the demand could be considerable to an already extremely busy service. This may be a future possibility again when the capacity of Business Debtline increases and will be used during the launch of the service in Scotland.

Industry publications – The advice network has certain publications where an advertisement can be placed relatively cheaply. Whilst the circulation is quite low, the target audience are specifically appropriate and as the publications are a trusted source of information, this can help to establish Business Debtline as an 'approved' place for them to refer clients to.

Funders – Surprisingly this is a source that has a great scope for improvement. Again when the capacity has increased, Business Debtline would aim to improve this as a source of referral. Currently fewer than 5% of our calls are referred from this source.

Business Debtline has a presence on nearly all of the relevant organisations that would receive contact from potential clients. This includes Revenue and Customs, Court Service etc. We have links to our websites and our number is published on letters that are sent out by creditors. The website has huge potential as the current site receives around 30,000 hits per month.

#### **4.6.2 Networking, partners and referral channels**

Business Debtline makes use of other members of the Money Advice Trust (MAT) network. Jon Elwes, Head of Communications and Fundraising has built a relationship with both funders and other advice networks. He has contacts within the media to help to raise the profile of Business Debtline and works closely with the Team Leader of Business Debtline to achieve this. Money Advice Trust also provides access to training.

Business Debtline or its Team Leader are members of various associations such as the Telephone Helplines Association, The Money Advice Association and advice UK. This provides Business Debtline with benefits from training and information to additional advertising and promotion. Through advice UK, Business Debtline also holds its consumer credit license, necessary for any organisation giving debt advice.



The team leader for Business Debtline is often asked to participate in consultations on various different issues. For example a six monthly meeting is held by the Inland Revenue to discuss with the advice sector their policies and procedures. The idea being that communication helps to see both sides of the coin and hence in working together it will ultimately help the tax payer to understand what is expected and why. This also allows us to feedback to the revenue difficulties that our clients are commonly coming across and that this can be looked at.

There are future possibilities for Business Debtline to present to the staff of some of its funders (i.e. the banks) the approach taken by Business Debtline in assisting businesses to survive. This may allow the banks to be more receptive to this approach and taking a more flexible line when dealing with their customers where appropriate.

## **4.7 Business development**

### **4.7.1 Financial development**

Business Debtline is financed by both the government and private sector. 40% is generated by the government with the remainder provided by a total of 12 banks. The current funding was secured over a three year period commencing January 2005. This is quite unusual for a project of this nature as traditionally funds were agreed over a 12 month period. No income is generated from our clients as the service is completely free including the phone calls themselves.

The total budget of the project is £893,000 over the three year period. The costs for 2006 are estimated to be £376,866. 55% will be staff costs.

We estimate to take 12,500 calls in 2006 which would amount to £30.14 per call. Approximately 70% of all calls will be the actual number of different clients advised. This amounts to 8750 clients and £43.07 per client advised.

These figures include all costs such as staff (55%), I.T. (16%), occupancy (7%) and publicity (22%) The costs for IT are high in 2006 due to the planned development for the website and database.

### **4.7.2 Project growth**

When Money Advice Trust acquired Business Debtline, the staff consisted of three advisers. David Cheadle was then officially appointed Team Leader in April 2005 after temporarily running the service for three months. 2005 saw an adviser resign for another position whilst another adviser on maternity leave decided not to return as was originally planned. In May 2005,

Business Debtline began a recruitment campaign which resulted in the appointment of an experienced adviser from National Debtline and two trainees. By the end of 2005 five advisers were on line and taking calls.

In 2005 Business Debtline dealt with 7,616 contacts. This consisted of 5,655 different clients showing that nearly three quarter of clients do not need to call us back.



2006 will see the recruitment of a further adviser in April with the possibility of another in September (though this is not in the existing plan). It is then the intention to recruit another adviser in April 2007. The anticipated output is as follows:

	No of advisers	Contacts
2005	5	7,616
2006	6	12,500
2007	7	17,500

2006 has already seen the expansion of the area that Business Debtline covers. This now consists of England, Wales and Scotland. There are no current plans to extend this further i.e. Northern Ireland. The potential for Business Debtline is great as there are still many avenues that it can explore for promotion of the service.

The focus for Business Debtline remains on the debt aspect of businesses. This differs from other approaches where there is a need for assistance with marketing and finance for example. In this position businesses may still have to pay for these services from other organisations. Our target markets are aimed at clients who cannot afford this advice as they are already experiencing difficulties and have liabilities that they are struggling to meet. For this reason, it would be impractical to expect the callers to be able to pay for any of our services or information.

The focus of BDL remains debt-counselling.

It will always be on the agenda to look for further sources of funding including the expanding on the network of commercial funders that we have. As we are now advising in Scotland, Business Debtline will be keen to approach the Scottish Executive and invite them to see what Business Debtline is about and how it works.

Other avenues could include providing external training and information to other organisations. There is a cost for our packs and fact sheets to other agencies for example. These avenues will need to be balanced as in the scheme of things, the revenue brought in will be relatively small compared with the time taken to deliver training for instance.

## 5 Finnvera

Figure 5: The Finnvera team



### 5.1 Vision

Finnvera plc is a specialised financing company and was created in 1999 by the merger of Kera Corporation and the Finnish Guarantee Board. The institution is 100% owned by the State of Finland.

Finnvera aims to foster the establishment, growth and development of SMEs by offering them (also direct loans) financing against collateral that is insufficient for other financiers. Thus the company does not compete with banks or other financial institutions, but it co-operates with these, complementing the financing supply of the banks.

Finnvera bases its financing decisions on a business analysis, which evaluates the current situation of the company, its market position and its future plans and development prospects for the business sector in question. Finnvera usually doesn't take any securities from outside the company and very seldom collateral from the entrepreneur. Because of the nature of operations, special attention is given to credit risk management and the identification of early warning signals.

Finnvera's turnaround model is based on a risk rating system. To achieve results which eliminate the subjective view of the business analyst as much as possible, Finnvera set up a reference table of rating points where indications from poor to excellent circumstances for entrepreneurship are displayed. The risk rating system of Finnvera has proved to be very reliable: It occurs that an entrepreneur is contacted by Finnvera sometimes even before he knows that his company is facing a crisis. Conducting the rating, the internal business analyst will consider the management, business and economic situation of the company.

The heart of Finnvera's turnaround model is a rating system.

The number of scores given to each criteria that is linked to the above mentioned aspects, ranges from 5 (excellent) to 1 (poor). The reached scores will be weighted, which allows the analyst to classify the company into a rating category ranging from A1 to D.

When a company falls into the lowest groups, internal specialists from the Enterprise Development Unit will start a turnaround project to provide a chance for restoring the viability of an SME and thus for preventing unnecessary bankruptcies (if the company is considered to be in a position where these measures do not contort the free competition in the markets).

**Table 2: Example of Finnvera's risk rating system**

B3	The company is in operational and/or financial difficulties. Without turnaround measures its operations will probably come to an end in a few years time.
C	The company is at risk of going bankrupt. It is not always possible to save the company, and even in successful cases, strong restructuring measures are required.
D	The company is insolvent.,

The specialist group will evaluate the future prospects of the enterprise and form a general view, which is deepened when opening the round table discussions with other creditors of the company.

## 5.2 Target group and customer structure

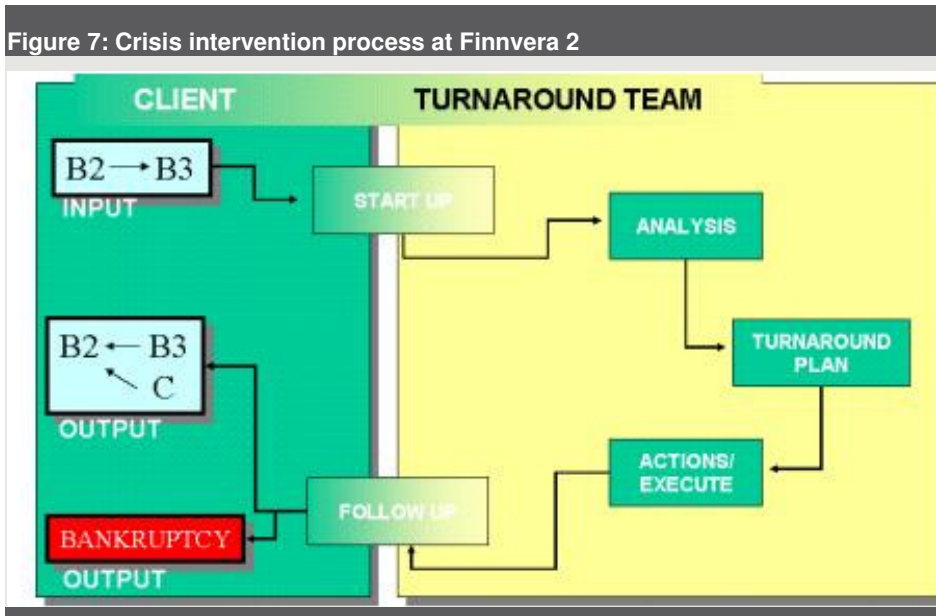
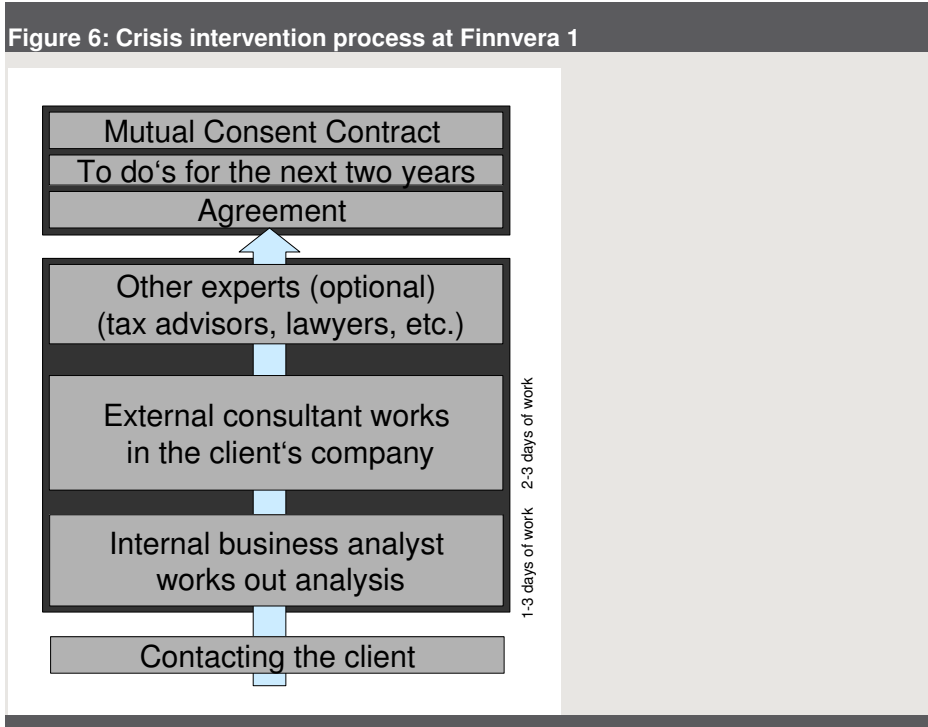
Each client with a loan or guarantee that exceeds 200.000€ has to undergo the rating procedure on a regular basis. About 5-10% of them belong to a risk category where intervention and the turnaround process are necessary. The clientele of Finnvera's turnaround team are evenly divided into different branches and also geographic areas and correlate with the general good economical situation in Finland in the last 4-6 years. A noteworthy exception is the greater amount (over 50 %) of companies which have been in the market over five years.

## 5.3 Business operations

The process involves a short period of stand still time (six months maximum) during which a long-term solution is sought for the company's short term financial problems (as in the Commissions guidelines for rescue aid) and the primary turnaround process. In the first phase a quick survey is usually made by an external consultant, either paid by the company itself or the group of creditors, which are interested in a survey analyses of the financial situation and viability of the enterprise. The survey developed by a broad project group is known as a turnaround analysis and can be downloaded for free from a special internet page (<http://www.pkt.fi/tma/>). It enables Finnvera to compare the internal and the external analysis of the client's company.

Finnvera and its project-partners have been a catalyst for the Finnish turnaround model and have trained about 80 consultants to use the analysis method. The intervention process can be displayed as follows:

The internal turnaround analysis will be compared with an external analysis in the client's premises.



A special stand still-agreement is often used in the first phase in order to protect the company. During this period all parties (usually creditors) which have signed the contract will refrain from debt collecting operations. The agreement is also downloadable from the internet page.

Finnvera and it's partners have also developed a high class training schedule for turnaround consultants which is organized by the SME Foundation.

The Foundation is privately owned and enjoys government financing. Foundations founders and active supporters are The Ministry of Trade and Industry (KTM), The

Finnvera is privately owned and enjoys government financing.

Regional Development Fund of Finland Ltd (Finnvera Oyj), The Confederation of Finnish Industries and Employers (EK), The Federation of Finnish Enterprises (SY) and The Finnish Institute of Management (LIFIM). Until now around 60 consultants have finished a one year training programme and have been given a certification by the Finnish Enterprise Development Professionals association, which is also engaged in this project to be an administrative basis for national development of turnaround matters.

From case to case other experts like tax advisors or lawyers are involved in the whole process of situation analysis and problem solving. A round table of all parties involved (banks, creditors) will be held occasionally and common solutions may lead to an agreement between these parties.

The final agreement typically is put into written form. In case there is additional financing granted by Finnvera, this agreement is often put as conditions into the contract (the bank literature calls this "Financial covenants").

## 5.4 Business organisation

### 5.4.1 Team organisation and structure

To prevent future damages, Finnvera has formed a special turnaround unit (enterprise development unit), in which Finnvera customers, when experiencing severe difficulties endangering the business itself, are given very close attention from Finnvera's Business Analyst (responsible for financing of customer) and a team of turnaround-process specialists (Development Managers). Finnvera's turnaround-team consists of lawyers, economists and engineers and they operate as a support organization to our regional offices and are stationed in major cities of Finland.

The enterprise development unit is in charge of customers that find themselves in a severe economic situation.

### 5.4.2 Workplace

Finnvera's personnel is using all Finnvera's databases and the CRM system, which is measuring the risk involved in each financing decision, assessment of the level of the risk in the credit portfolio from various viewpoints, monitoring trends in the risk position and compiling of prognoses on credit losses to be expected.

Finnvera's turnaround unit consist of five full-time development managers and a full-time business analyst. The network consists of approximately 100 external consultants and accountants and lawyers.

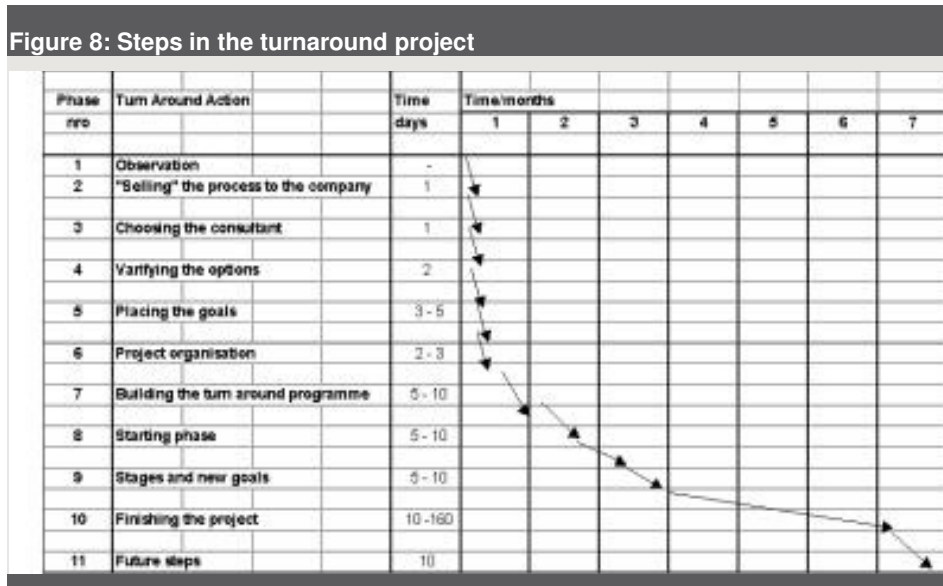
The turnaround team is decentralized in order to offer nearby service to Finnvera's regional offices and the customers.

## 5.5 Methodology

### 5.5.1 Structure of the advice process

Finnvera's development manager will collect the information from the database and the business analyst. From this side he'll also receive follow up information and public credit information and all 'Early warnings' parameters (cashflow, earnings yield etc).

Reliable and extensive information is fundamental, because Finnvera's development managers are the ones to contact the customer, to inform him about the need of a turnaround project and to make him committed to the further steps ahead.



The working field of Finnvera’s development manager is divided in to various business sectors. The development manager has therefore a sound experience of analytical research on a specific sector with financing knowledge. Furthermore, the entrepreneur gets a good discussion partner concerning the development of the firm and the focusing of future plans. A Finnish SME firm very seldom has an actual functioning board of management and even more rarely a board with members outside the firm or his/her family. This is the reason why a financier knowing the business sector is easily felt as a partner, whose ideas and questions are heard.

Excessive engagement in the customer and his/her business is prevented by granting only consultative tasks to the development manager. The financing decision is always made by another person or body.

**5.5.2 Description of instruments and tools**

Turnaround project and the general tools are described in the internet page <http://www.pkt.fi/tma/>.

One of the objectives of the Finnish Government's Entrepreneurship Policy Programme is to avoid unnecessary bankruptcies. Unneeded restructuring or bankruptcy of an enterprise can be prevented by rehabilitation of viable firms that are in financial difficulties. The failures of firms are often related to the entrepreneur's lack of experience and the fact that difficulties are recognised too late. It is essential that the problems that can be overcome are detected in time and that they are tackled promptly.

A tool has been developed for rehabilitation of enterprises, which requires half a day's work input, when the firm's situation is analysed reliably enough by means of around 30 questions. If the financial troubles are found to be manageable and the creditors unanimously agree, the firm is entitled to a so called 'grace' period. A grace agreement model has been created for this, allowing the debtors a six-month period for a more detailed analysis of the firm's situation and for start-up of a development scheme.

The scheme starts by the work of regional networks of experts. The aim is to base an operating model on regional expert networks which allows identification of a firm's rehabilitation needs in time and implementation of the business reorganisation process early enough and efficiently. The branded advisory services, such as the Kunto or Balanssi, of the Employment and Economic Development Centres can be applied in this development. Development aid from the Employment and Economic Development Centre is also an option.

## 5.6 Acquisition

### 5.6.1 Marketing concept

The operation model is to provide the training through the SME Foundation and the overall activity through the Finnish Turnaround Professionals Association. The training is a very formal almost authoritative function and the association offers seminars and possibility of networking.

Both functions have got a good media visibility and several articles have been published in national business papers.

Several seminars open to the public have been organised around the country.

Above mentioned web page was created.

Finnvera's marketing is done via the project and also by using Finnvera's own magazine and web page.

### 5.6.2 Networking, partners and referral channels

The Finnish Turnaround Professionals Association is providing possibilities for networking. The association has been negotiating about a partnership with international Turnaround Management Association.

Finnvera is also actively co-operating with Finnish public business service organizations, financiers and also local operators.

Finnvera is active in several European networks and associations set up by financial institutions for SMEs:

- NEFI (Network of European Financial Institutions for SMEs)
- ISLTC (Institutions in the European Union Specialising in Long-term Credit)
- EAPB (European Association of Public Banks)
- AECM (European Mutual Guarantee Association)
- EMN (European Microfinance Network)

## 5.7 Business development

### 5.7.1 Financial development

All parties are paying their own costs. There is a possibility for a SME to get support from local Employment and Economic Development Center (State authority) for part of the consultation.

The principal rule is that the enterprise covers also its own costs of the consultancy even though it has a possibility to receive the above-mentioned aid, but the aid covers usually under 50 % of all costs. Generally the main part of the cases is covered without any aid.

#### **5.7.2 Project growth**

Finnvera's turnaround teams operations cover about 250 clients each year. The number of cases has been increasing over the past years about 20-30 cases per year.

The next step is probably to extend the process to some lighter method to young micro-enterprises.



## 6 Unternehmer in Not

### 6.1 Vision

The online-platform [www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) ("businesspeople in distress") was launched in 2003. The platform offers low threshold access to up-to-date information, visiting [www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) is free of charge.

The promoter of the platform, Regina Haberfellner, has carried out projects on immigrant business since 1996. When carrying out studies on immigrant entrepreneurs and developing applied projects she realised on the one hand the increasing efforts on supporting start-ups through (online) information, guidance and counselling. For business owners in distress on the other hand no comparable information and support infrastructure had been available, neither for immigrant entrepreneurs nor for native ones.

At the same time more and more companies – with an increasing share of small businesses – went bankrupt and Regina Haberfellner was able to follow some of these cases up close. These observations showed that some of the bankruptcies could have been avoided through early (or earlier) interventions and others could have been supported to close down at an earlier stage when the consequences would have been less harsh for the stakeholders (e.g. creditors, business owner, social environment like family).

The complex and counterproductive interplay of the stigma on business failure and the individual emotion of being a loser and failure: leading to a tunnel vision, losing the activity to act proactively and/or irrational behaviour and decisions (at least from an outsider's point of view), often ending in severe social destabilisation and sometimes even resulting in apathy; the lack of easily accessible information and self-help tools for business owners in distress.

[www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) was launched although it turned out already at an early stage of conceptualising the platform that financial support for setting up, launching and maintaining the platform would be difficult to gather:

Vision:

- 1.) Giving business owners in distress and failed entrepreneurs a voice and their dignity back and
- 2.) Initiating the development of a Third Sector in Austria addressing self-employed and owners of small businesses.

The **primary aim** of the platform is to assist and to empower businesspeople in distress:

- to encourage them to brave their actual economic status and their individual fears;
- to sensitise them for options of action;
- to inform them about possible legal implications;



- to show them (mainly through testimonials) that there's also a life behind bankruptcy.

A **second aim** is to **sensitise** self-employed, owners of small businesses and even start-ups in general for early warning signs and typical pathways towards failure and bankruptcy.

A **third aim** is to tackle the stigma on business failure since the stigma in many cases fosters the "head-in-the-sand" policy of business owners in distress.

These aims are pursued through an holistic and integrated approach:

Holistic approach – a business in distress implicates a businessperson in distress: to offer businesspeople in distress an anonymous approach to elaborate information and a (virtual) place where they find addressed their fears too.

Integrated approach – from the cradle to the grave, from start-up to closure.

[www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) supplements the manifold and easily accessible online information on how to start-up a business.

## 6.2 Target group and customer structure

According to the described aims the target groups are:

- self-employed and owners of small businesses in distress;
- former business owners who had to close down their company / give up their business and still suffer from bankruptcy and over-indebtedness;
- self-employed, owners of small businesses and business starters interested in preventive measures;
- the general public.

To create a place where in particular affected but also interested persons can gather information (and maybe find themselves) anonymously was the main idea when launching the platform. Currently the platform is visited monthly by about 11,000 – 13,000 Unique Users (trend: upwards).

Due to contacts (telephone, email) we know that

- starters
- business owners facing serious financial troubles
- former business owners who went bankrupt
- family members of the latter two groups
- employees working in companies in distress
- professional groups (consultants, etc)
- and students (business schools, universities)

visit the platform.

Visitors have several options to deal with the offered content and the information they gather at [www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) from passive consuming to active contributing:

- They take the information and go on by themselves;

Unternehmer in Not tackles the stigma on business failure.



- They contact us via telephone or email to get some additional information;
- They have the possibility to comment the articles directly online and bring in their individual point of view or experiences;
- They can use the feedback form to give us hints what kind of information they prefer to have on the platform.

The platform offers also an SME-Online-Check. From a first analysis of the data we have some information about the business owners who had completed that self-assessment tool:

25% of them experienced the past 12 months frequent financial distress whilst about 18% were continuously liquid;

25% of the businesses were started up during the past 12 months, 57% showed a lifespan of more than three years;

the share of one-person-companies was 42% whilst about 41% had two or more employees when completing the check.

### 6.3 Business operations

The main service is internet-based. The content is produced by the owner, Regina Haberkellner, including related inquiries and carrying out interviews with (former) business owners and experts on special topics. Additionally there's technical support available through a company the owner is acquainted with.

Besides addressing the taboo of business failure, which covers no other Austrian internet service, the USP of [www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) are the firsthand reports of experiences carried out with former business owners who failed.

Additionally visitors of the platform contact the owner for additional information via email or telephone. The requests relate mainly to:

- business owners in distress try to find back their orientation, they feel lost and do not know where they can get support;
- failed business owners who do not know how to go on (ensuring livelihood, social benefits, how to find a job, private debt relief, possibilities to become self-employed again, etc.).

Business consultancy in the traditional form is not offered – neither free of charge nor costly. The email and telephone service takes more the function of a hub or a clearing point. Business owners do not get advice via email or telephone on how to save their company but they get advice on how and where to find (state-aided) support. Due to the fact that people read normally on beforehand articles published at the platform they have mostly very concrete questions e.g. debts with the social insurance agency or fiscal authorities or fears on how life can go on after bankruptcy.

An important task is to encourage people to get in contact with their creditors and to encourage them to use services of their interest group (mainly Chamber of Commerce which shows a rather complex structure).

The platform disposes of an SME Online-Check.

The USP of the platform are firsthand report of failed entrepreneurs.

Additional communication channels mainly serve as a clearing point to refer clients to other authorities.



Digression: Third sector in Austria

During the past decades a lively non-profit sector and numerous pilot projects have emerged addressing dependent employed, unemployed, migrants, women/men/families, consumers and even business starters. Besides the Chamber of Commerce (with obligatory membership) no equivalent support structure for self-employed and business owners has been developed, advice is regularly costly. There is, for example, debt counselling free of charge available for the non-self-employed but not for self-employed. They can make use of this service only after having closed down the company.

For members of the Chamber of Commerce there's a wide range of state-aided consultancy available varying due to Austria's federalism from province to province. These services however focus mainly on healthy companies although in some provinces consultancy for restructuring at reduced fees is also available. These services are due to the taboo not promoted actively and for business owners in distress often difficult to find. Additionally business owners in financial distress have often not paid their fees for the membership at the Chamber of Commerce and hesitate to apply for services of the Chamber.

Besides encouraging the (former) business owners, one of the main tasks when offering telephone and email services is to support them when trying to find orientation in the rather complex structures.

## 6.4 Business organisation

### 6.4.1 Team organisation and structure

The platform is online since August 2003, from the idea till the launch it took about 8 months. About one year of work at full-time equivalent has been invested so far. The core tasks of:

- adding new content,
- technical maintenance,
- email and telephone services,

take 350 hours per year (not including the development of the SME online-check). Additional time has to be invested into marketing activities like contacts with journalists and in network activities.

Content, email and telephone services are provided by the company owner, Regina Haberfellner, who brings in the know how as a sociologist, many years in carrying out research and applied projects on immigrant business and some years on studying computer sciences and national economies. Very helpful is the additional technical support offered free of charge by an acquainted company, in particular by setting up and maintaining the CMS.

### 6.4.2 Workplace

There are no face-to-face meetings with (former) business owners, except for carrying out interviews with failed business owners in order to publish firsthand reports and meetings with experts in order to prepare expert interviews.



The work is done in the office of Soll&Haberfellner Unternehmens- und Projektberatung and it is mainly desktop work and "remote communication".

## 6.5 Methodology

### 6.5.1 Structure of the advice process

Due to the taboo on business failure a conceptual pillar of the platform is to offer anonymous access, the role as a "clearing point" emerged over time and was not planned. Due to the stigma the idea was to offer a first step where business owners do not have to leave the anonymous area, where they can gather information and start to take their situation seriously without giving up their anonymity.

A virtual room offers these advantages: individuals can gather information already at a stage where they are not ready to speak within a face-to-face setting about their problems or worries. The idea was to reach people at this stage, to allow them to find:

- Information and
- identification (to read about their problems, about ways of coping with them, people who experienced the same).

Visitors are free to take the information they want to have and they are able or willing to deal with in this moment. They are free to print out content (all articles are available in a printer-friendly version) they might come back later by following their individual pace. People can therefore be reached at very different stages during the crisis process, which shows mostly a rather long time-span.

Most visitors find out about the platform through search engines, mainly through google requests. The huge majority leave the platform after having gathered the information of interest. Some of them comment on articles by describing their own experiences or their own point of view. Very few contact the platform owner directly as described above. Due to the limited resources, users are not encouraged to leave the virtual site and to get in direct contact. Detailed statistics on contacts via email or telephone are not available but the continuously kept records on working hours invested for the whole project show an average of about three hours per week for the role as "clearing point" and three to five individuals calling or emailing. It is assumed that these numbers will increase significantly in the case of changing the communication policy towards encouraging users to get in direct contact.

Crucial elements of the platform's success are therefore elements of web usability and offering visitors short ways to find relevant information. Full-text search is available as well as a keyword list.

Quality monitoring:

- There's a feedback form online; through individual contacts via email and telephone visitors offer feedback, too;
- through the article-related comments, inputs for new articles are collected.

### 6.5.2 Description of instruments and tools

The platform provides (February 2006):

- about 80 articles (including interviews with testimonials);

A virtual room offers the possibility to reach business people in distress in an earlier stage.



- about 50 newsworthy contributions ("short news");
- a self-assessment tool (SME online-check);
- a list of about 40 books;
- a list of about 70 web-links;
- a glossary (about 50 terms focusing on self-employment and indebtedness);
- a search facility through a list of about 100 keywords and full-text search;
- a monthly newsletter (with about 400 email-addresses).

The information channels are structured along main topics:

- towards crisis (prevention, coping with crisis, life after crisis);
- legal aspects (insolvency law, private debt-relief);
- financial aspects (on liquidity, loans, creditors).

Plans for the future:

On the one hand, the platform itself is planned to be upgraded further by offering checklists for downloads, further self-assessment tools etc. besides continuous complementing of the content.

On the other hand there are plans to complement the online platform with additional and financed services in order to fill the service gap for business owners in distress.

Additional financing is essential for the further development of the platform.

## 6.6 Acquisition

### 6.6.1 Marketing concept

The marketing concept is based on two main pillars:

- Promotion via internet  
[www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) was designed search engine friendly from the first moment onwards. Most of the visitors arrive at the platform through google requests. Additionally the platform is registered at web catalogues and other, mainly business-related websites refer to the platform (business portals, websites of professionals like accountants, consultants etc.).
- Promotion via mass media  
A second important source is mass media like daily, weekly and monthly newspapers, Austrian wide published magazines and Austria's Broadcast ORF. The platform has been mentioned already in many articles dealing with the problem of rising insolvency rates in Austria and has become a first address for journalists when preparing stories about the destiny of failed business owners.

### 6.6.2 Networking, partners and referral channels

There's regular contact with the Chamber of Commerce. In particular the Chamber of Commerce for Vienna has been interested in the platform from the very beginning and one outcome of these contacts has become the SME-online-check available at [www.unternehmer-in-not.at](http://www.unternehmer-in-not.at). Additionally there's regular contact to the department for



business services at the Chamber of Commerce, Austria and possibilities for further cooperation are in discussion.

Networking is an important resource for the platform in order to create new content and to ensure the quality of the content. Most of the networking activities are not at an institutional level but at an individual level to experts in related fields. To get in contact with these experts at an individual level is mostly rather easy since the high quality of the content offered and the innovative approach is acknowledged by them. This informal network includes lawyers and jurists, business consultants, employees of NPO and public administration.

## 6.7 Business development

### 6.7.1 Financial development

When preparing the launch of the platform relevant institutions were contacted in order to acquire funding. Due to the fact that:

- there was scepticism in many cases that a platform on business failure would be able to attract enough visitors,
- focusing on "business failure" has been seen as running contrary to the national and regional policies aiming at increasing the number of business starters and the self-employed rate,

these endeavours showed no success.

The platform was therefore initiated by investing individual know-how and time but without additional financial resources. Also the technical maintenance and continuous work on the content as well as the role as "clearing point" has not been financed so far and relies on the individual efforts of the owner as well as on the free-of-charge support through an acquainted company for technical support.

The SME-online-check was carried out in co-operation with the Chamber of Commerce for Vienna (co-financed through ESF) about one year after the launch of the platform (Nov. 2004). The owner's company then was contracted by the Chamber of Commerce, Austria to carry out an analysis of the so far completed checks in summer 2005.

Currently there are efforts in order to acquire financial resources for the platform. Due to the still increasing insolvency rates and in the meantime demonstrated acceptance of the platform the current negotiations seem to be much more promising than before the launch of the platform. Furthermore, there are endeavours to initiate socio-economic research on business failure and failed businesses in Austria.

### 6.7.2 Project growth

[www.unternehmer-in-not.at](http://www.unternehmer-in-not.at) started as a one person project with some additional technical support and that's still the current situation. Besides continuous updates the platform itself has been continuously developed further since the launch, namely:

- development and integration of the SME-online-check;
- integration of full-text search;
- a new channel on short newsworthy articles;



- a new channel "Tips from Experts;"

including the keyword-list and attributing all articles, expert tips, short newsworthy articles and recommended books to the keywords.

The number of visitors has been constantly rising up to about 12,000 per month. The platform contains currently about 800 pages.

Besides the endeavours for acquiring financing for the platform and plans to integrate further tools e.g. checklists and online calculation tools, there are plans to carry out research on the needs of business owners in distress and on the further life courses of failed business people.

## 7 CzechInvest - The Czech Consultancy Register

### 7.1 Vision

The Company Competitiveness Project (EUROPEAID/118455/D/SV/CZ) was established in April 2005 with funding from EU PHARE. Following accession to the EU in 2004, the Czech Government has enacted a National Development Plan (NPD). The global objective of which is to attain sustainable development based on competitiveness leading to a faster rate of economic growth than the EU average. A key priority is to improve the general business environment including support for the development of SMEs through improved access to funding and more effective levels of consulting support. With this in mind, the CCP has been created with the overriding objective of ensuring that “administrative systems and soft programmes aimed at supporting the development of competitive businesses in the Czech Republic are rigorously tested and demonstrably effective”. More specifically, the project seeks to realise three key objectives namely:

- Development of a system to evaluate and classify the quality and capacity of business consultants in the Czech Republic to enable transparent selection of appropriate consultants by potential customers;
- Creation of a Czech language Benchmarking Index and the Database that will enable companies to evaluate their current performance in key business areas compared with best practice both in the Czech Republic and in Europe;
- Development and delivery of a programme of soft support measures to help companies address areas of competitive weakness.

These three ‘components’ of the project have been developed in an integrated fashion through a contract issued to GFA Consulting Group by CzechInvest in Prague. The contract is due to end in November 2006 by which time CzechInvest will take over the management and further development of all three components (this has already occurred with the consultancy register which was completed in November 2005 – see below).

The Operational Programme Industry and Enterprise (OPIE) SWOT analysis shows that one of the key barriers for SME development is the lack of available investment capital. However, it is clear that limiting public intervention to hard measures (financial support for capital investment) may be insufficient. Many companies will not reap the benefits of new investment unless they are able to adjust their business strategies and processes to take advantage of the new investment.

Thus there is a need for a combination of hard (capital investment) and soft (consulting and training) measures to be prepared for Czech companies, as is generally the case among successful member state economies.

### Consultancy Register

One of the key issues for CzechInvest is to ensure that where a client company is receiving state aid or structural funds support they receive value for money and a quality of service commensurate with the impact required. CzechInvest thus wanted to create a register of consultants that enables both CzechInvest and potential users of grant aided consulting services to match the task with the appropriate consultant.

The National Consultancy Register (NRP) has been fully operational as of November 30 2005 and includes only those consultants assessed as being suitable to work with SME's in the Czech Republic. There are nearly 200 consultants already registered and all have been through a rigorous assessment process to establish their capability and credibility for working with SME's. The register is housed on a dedicated website [www.nrp.cz](http://www.nrp.cz) and is backed by a database managed by CzechInvest. Details of all applicants to the register (over 900 to date) are included in the database. Those who are assessed as suitable for registration have their details uploaded to the website so that they can be easily accessed by interested parties, in particular SMEs.

The register is structured to enable initial selection of consultants either by main specialism(s) or by locality or both. Additional background information is provided on each consultant so that the search can be refined further and a final list of appropriate consultants drawn up.

The Register is designed to be very user-friendly and easy to use. For example, users can click on a map of the Czech Republic to find out which consultants are listed in a particular locality. The same can be done for main areas or sub-areas of specialist expertise. Users can check the existence of the particular company to which the consultant belongs and also which other consultants from the same company are registered. Users can 'save' selected consultants into a 'shopping basket' which they can review to make their final selection.; Users can make contact with individual consultants by telephone or email.

The website and database were designed and developed by a Czech IT consultancy using state-of-the-art software in order to optimise ease of use and user friendliness. Management of the database and website is by CzechInvest.

### Benchmarking

Benchmarking is a well-established international technique for identifying areas of strength and needs for improvement based on evaluation of near competitors, international best practice or world-class performance depending on the starting point of the exercise. Since benchmarking exercises can be expensive, some of the worlds more competitive economies have now developed national benchmarking systems that enable individual SME's to compare themselves against similar companies in similar sectors of activity. The key requirements were therefore to evaluate existing international benchmarking databases and services and propose how best to develop such a service for the Czech Republic. Secondly, following approval, implement and test the system with at least 250 Czech companies. These have been largely achieved and the Czech Benchmarking Index (CBI) is currently being implemented through a group of trained Czech Benchmarking Consultants who are all registered on NRP. To date over 150 companies have been benchmarked.

The Consultancy Register allows entrepreneurs to match the task with the appropriate consultant.

The Benchmarking Index allows SME's to compare themselves with similar companies.

## Competitiveness Support

The Competitiveness Support Scheme (CSS) has as its primary objective the development and testing of programmes and programme delivery systems and structures, via a cost sharing grant mechanism that should have a direct impact on company performance.

The idea is to develop a single programme comprised of a range of related elements aimed at helping companies identify areas for improvement and create action plans to address key weaknesses. Drawing on international experience and taking account of the Czech environment, a multistage programme has been established with front-end evaluation/diagnostic mechanism to identify key issues, a delivery stage and an evaluation stage. The programme aims to support Czech SMEs use of consultants in competitiveness improvement by providing grant aid for up to 50% of the total costs of such support. The SME applies through the CzechInvest website, the application is reviewed and, if eligible, a Diagnostic Consultant (registered on NRP) visits the company to conduct a thorough review and eligibility check. On the basis of the consultant's report, the project is approved (or not). Part of the approval process is to ensure that the consultant selected by the company is suitable to carry out the project (this includes being registered on the NRP). If the project is successfully completed, and the consultant paid for his/her work in full by the company, then the grant funding is released to the company. It is intended that at least 50 SMEs will benefit from this scheme. Such a small scale pilot can act as a model for future such schemes where large volumes of relatively small amounts of money (e.g. from Structural Funds) can be channelled to benefit SME competitiveness.

In the course of the CSS an action plan for further improvement of the company is developed together with a consultant.

## 7.2 Target group and customer structure

Target group is any SME in the Czech Republic (according to EU definition of SME).

To date over 150 companies have been benchmarked (target 250) and around 100 companies have applied for a CSS grant (target 50 recipients). These companies come from many different business sectors and vary considerably in terms of size, structure etc.

It is not known how many companies have used the Register since such specific data on website usage cannot easily be collected (however, in terms of 'hits' it is known for example that there were nearly 1,000 unique visitors to the website in the month of November 2005 alone). From discussions with companies who applied to CSS, it seems that some SMEs are using the Register very systematically to help them find a suitable consultant. Others are somewhat more wary and rely on their own existing networks.

The CCP is intended primarily as a means for SME's to improve their competitiveness and therefore a wide range of client needs and interests are encompassed. These include business reviews/'health checks', strategic marketing, internationalisation, systems improvement, management development, financial restructuring, international certification, production / process improvement etc.

Contact with the project is through internet access ([czechinvest.org](http://czechinvest.org) or [nrp.cz](http://nrp.cz)), telephone, or email.

## 7.3 Business operations

The CCP is designed for easy and efficient access by users (primarily SMEs and consultants). Basically, the services consist of a register of consultants assessed as being suitable for working with SMEs, accessible through a dedicated website, a company benchmarking programme accessible through the CzechInvest website and a competitiveness grants scheme again accessible through the CzechInvest website. In all 3 cases, the application process is relatively simple and can be conducted online. Applications are reviewed by CzechInvest and, if successful, forwarded to the next stage of the process which is conducted by experienced, external professionals (NRP assessors, CSS Diagnostic consultants, Benchmarking consultants) who can determine real needs, suitability, eligibility etc. and can make recommendations in each case (for example concerning registration of a consultant or receipt of a grant by a company).

## 7.4 Business organisation

### 7.4.1 Team organisation and structure

For the CCP as a whole, the number of CzechInvest staff involved to date is 6.5 including the CCP Manager. There are also 3 international consultants and 1 local consultant provided to the project by GFA for purposes of design, development, initial implementation, capacity-building, and interim management.

For the NRP, the core administrative team consists of 2.5 CzechInvest personnel. Their functions respectively are: Register manager, database administrator, database assistant (part-time). This is supplemented by a team of 14 external assessors who conduct all the assessment and monitoring activity under contract to CzechInvest. Total hours vary depending on the number of applications/registered consultants to be assessed/monitored and the availability of each assessor. Generally the average time requirement of each assessor during a 12 months period is roughly 75 days.

For Benchmarking, there are 2 CzechInvest staff involved as administrators working in conjunction with a GFA international consultant. This is supplemented by a team of 15 benchmarking consultants.

For CSS, there is one GFA local consultant and one GFA international consultant, supplemented by 7 diagnostic consultants. No CzechInvest staff (except the CCP Manager) are so far involved in this component.

### 7.4.2 Workplace

The CCP is housed in two offices in CzechInvest's head office in Prague. One office is dedicated to the NRP and houses all of the staff of the NRP plus computerised database (3 terminals) plus hard copy files of all applications. The CCP Manager is also housed in this office. The other office contains the CBI and CSS components including all the GFA international and local consultants. Access to the respective databases for CBI and CSS is through 3 desktop terminals (for CzechInvest staff). GFA consultants are able to access the CzechInvest system including the relevant databases through their personal laptops.

## 7.5 Methodology

### 7.5.1 Structure of the advice process

In the case of CSS, the diagnostic review is done according to a structured framework but it is left to the consultant to decide how to conduct the diagnostic process. The actual project consultancy is a matter of agreement between consultant and client and methodology is left to the consultant (note, all registered consultants are tested in relation to their consulting skills, analytical techniques, business knowledge frameworks etc. in relation to working with SMEs).

For BMI, a specific structure is provided in the form of the benchmarking tool which is based on similar international models. Again, consultants on the NRP will have been tested regarding their basic consulting skills in respect of SMEs

For the NRP, the advice process is not pre-structured. It depends on how each registered consultant and his/her client wishes to work together. However, consultants wishing to be included in the NRP must be able to convince the assessors that the working process, analytical tools, basic business knowledge etc is sufficient for the purposes of working effectively with SME's on business development projects; otherwise the consultant would not be included in the Register. Each registered consultant is monitored during his/her first 12 months on the Register to ensure that the processes and methodologies used are effective. Monitoring also acts as a validation of the original assessment. If for example, a large number of consultants fail the monitoring after passing the original assessment, this may indicate a need to tighten-up or otherwise modify the assessment processes.

### 7.5.2 Description of instruments and tools

The main marketing tool is the CzechInvest website plus the dedicated NRP website. Information leaflets have been distributed by CzechInvest and there has been regular PR and media advertising since the inception of the project in May 2005. Media used include business journals and newspapers, TV, radio and banner advertising on internet sites. Such marketing has been highly effective in generating awareness and interest about CCP. For example, following media advertising and PR in June 2005, 630 applications were received from consultants wishing to be registered for the NRP.

## 7.6 Acquisition

### 7.6.1 Marketing concept

The marketing of CCP has focused both on the integrated nature of the project and also on the fact that each component can 'stand alone' as a worthwhile product or service to support SME development. A series of road shows conducted in September 2005 was designed to highlight the positive features of each of the three components as well as their overall integration. In general, the idea is to make CCP and the three components attractive to SMEs and easy to use so that they are readily adopted and rapidly disseminated throughout the Czech Republic.

The main concept behind the NRP is to reach as many SME's as possible in the Czech Republic with an offer of a transparent and easy to use system to find an appropriate consultant for their business. The main selling point for the user is that the

consultants have been pre-qualified through a rigorous assessment process as being suitable as 'generalist' SME consultants while also having at least one specialist area of expertise.

Overall, the approach is intended to reduce the resistance of SME's to the use of consultancy support and to provide a reliable and trustworthy system through which to conduct the selection of an appropriate consultant.

Similarly the concept behind the CSS is to increase the likelihood that SMEs will use consultants by offering to cover part of the costs of hiring a consultant. Therefore the CSS and NRP are mutually dependent since the operation of CSS requires a source of qualified consultants to be available to conduct competitiveness projects in SMEs. Equally, consultants on the NRP have an opportunity to be hired by SMEs who are looking for a suitable consultant in order to attract a CSS grant.

The BMI is intended to bring about a realisation of the importance of benchmarking to the future competitiveness of SMEs and a system for enabling SMEs to engage in the process (initially subsidised through CCP).

#### **7.6.2 Networking, partners and referral channels**

The CCP is part of an active, dynamic network which includes CzechInvest and its partners (both Government and private sector). The CCP acts as a 'doorway' into CzechInvest and the wider support network for SMEs. With regard to the NRP, the linkages between individual consultants on the Register and between consultants and CzechInvest and its partners means that the SME which uses the Register has the potential to access a wide range of other services and resources. This includes the CSS which provides up to 50% funding for consultancy services accessed from registered consultants and CBI which enables SMEs to measure their competitiveness on an international basis. These and other programmes are funded via EU Structural Funds. The network is highly accessible to SMEs, particularly via the [czechinvest.org](http://czechinvest.org) and [nrp.cz](http://nrp.cz) websites, reinforced by the high-profile marketing activity conducted by CzechInvest.

## **7.7 Business development**

### **7.7.1 Financial development**

Funding for the CCP has so far come from the European Union (PHARE). In future the main source of funding will be EU Structural Funds. At this stage income is not generated from CCP. However, in the case of CBI and CSS co-financing arrangements are in place such that the SME is expected to contribute a proportion (up to 50%) of the cost of the service. Currently, no charge is levied either to registered consultants or to users of the NRP.

### **7.7.2 Project growth**

It is unknown at the present time how the CCP will develop in the future since it is dependent on decisions to be made by CzechInvest.

## 8 Case study Daugavpils Region Enterprise Support Centre



### 8.1 Vision

Daugavpils Region Enterprise Support Centre (Latvian abbreviation: DnUAC) was founded in December 1994, in the frames of EU PHARE Programme. After the collapse of the Soviet Union and consequently the period of planned economy, the era of “wild capitalism” started in the territories of former Soviet republics. It was characterized by chaotic processes in all the spheres of life, crime and unemployment.

In 1993, the first three Enterprise Support Centres appeared in three Latvian cities. A year after three more organisations were established thus covering the whole territory of Latvia. The founders of the DnUAC became the Daugavpils City Council, the Daugavpils District Council, the Daugavpils University, the Riga UAC, the regional newspaper “Latgales Laiks” and two private persons.

The main objective of the Centre was to provide small and medium sized companies with business services like business consultancy, information and training. The premises of each centre were very well equipped with office equipment. The personnel received a profound modern training course in business areas. It gave the possibility to introduce new services in the network. Thus in 1995, a new service was developed giving assistance to start-ups in establishing a business including business plan writing. In 1996, the DnUAC suggested another service to SMEs, crisis prevention in small and micro companies.

In the period of 1994 – 2003, the number of clients increased to 2070 including those who received consultations, training and different sorts of information.

The DnUAC team received a profound training in business administration and management.

Initially the Centre was financed by the project. Over the course of time it was planned that the services will be paid either by the Ministry of Economics or a local municipality. Foreign consultants, managers of the project, tried to convince the government in the necessity of further support of the centres as the start-ups and micro-enterprises are not able to pay for business services. In addition, the Latvian network of UACs applied to the Latvian Government and the Ministry of Economics several times with the same request. Unfortunately it was not a success. Each centre had to find its own way of development.

DnUAC started fundraising since 1998. A number of small funds were operating in Latvia then. They successfully supported training in business issues of various groups of entrepreneurs. Gradually the funds were leaving the country, and it became more and more difficult to look for money. A team of well trained consultants could not work in an unstable situation for a long time and hence brain drain started.

Small funds successfully supported business training for entrepreneurs.

Currently the DnUAC occupies the premises in a remote district of the city, thus not attracting clients efficiently. The performance of the Centre is poor. The network of Latvian UACs does not exist any more. Former employees of the DnUAC occupy highly rated positions having gained much experience and practice.

## 8.2 Target group and customer structure

The target group of the DnUAC are SMEs, individual businesses and micro-enterprises located in the Daugavpils city and district. In the course of the work companies from other cities became clients of the Centre due to its professional skills and positive references.

Clients of the Centre are basically Russian or Latvian speaking business people. Training normally is conducted in two languages, Latvian as the official language of the country and Russian as the majority of the population in the south east of Latvia are Russians or Russian speaking, including Byelorussians, Lithuanians, Ukrainians, Poles, Jews, Tartars, etc. Their age varies from 19 to 62 years old with the group of 30 – 45 comprising 70%.

Training is conducted both in Russian and Latvian.

The largest part of the clients has a University diploma, about 20% have graduated from High School and only 0,7% have a primary education. In the Soviet period they worked as managers of different levels. Business education is absent or acquired by personal mistakes and experience.

The size of the companies varies from 3 persons up to 120. Normally these are companies with a limited liability (Latvian abbr.: SIA).

Metal processing and engineering have historically been key industries in Latvia as the country was a strategic manufacturing centre for the Soviet military and aerospace industries. The food-processing sector is another important industry in Latvian economy. Trade and service providing sectors are developing rapidly in the country. Wood-processing is a traditional industry in the country. The sectors mentioned above are presented in the clients' breakdown of the DnUAC.

In 1994-1995, a team of Latvian UAC consultants arranged a survey of SMEs in the four industrial sectors: wood-processing, bakery, fish-processing and milk-processing. The following main reasons for critical situations were identified: lack of management skills, poor marketing, insufficient financial planning and control. It resulted in developing a new service – crisis prevention in small and micro enterprises.

### 8.3 Business operations

Specialists of the DnUAC provide their services preferably face to face with a client. Information about the services is disseminated in the State Revenue Department, Daugavpils branch, in the Company Registration Agency, University, banks and other institutions. Articles and advertisements are regularly published in local newspapers. A monthly Newsletter was distributed among constant clients in 1995 – 1997. The basic principles of the DnUAC operations are confidentiality and customer satisfaction.

Working hours of the Centre are 9.00 – 18.00, Monday through Friday. The clients usually call to the Centre to register to the **consultation**. If he is a newcomer the administrator explains the rules and procedures and decides on the type of the consultation. At the appointed time a client comes to the DnUAC premises and describes the situation in his business to a consultant either in a separate room or at a separate table. All the visits are registered in a client's card and in the DnUAC files. The consultations normally last 15 – 60 minutes depending on the topic and problem. Sometimes it occurs that it is necessary for the entrepreneur just to speak out, to have somebody to listen to him. In these cases he usually finds the solution himself.

When a client requests a **business plan** it takes more time and effort. Both the client and the consultant come to an agreement as to who will put the plan on the paper – either the client or the consultant. A number of consultations are necessary to create a business plan. The consultant tries to have a complete picture of a future business with its production or services, management, marketing, cash-flow, personnel, supply and distribution, bank loans, partners, etc.

Business start-ups receive a folder with a number of papers including a list of required documents for company registration, sample of the regulations (statute), addresses of juridical companies, working hours of the Company Registration Agency, list of Daugavpils banks, costs of the services and a list of the DnUAC services. At the consultation a start-up can also receive some practical recommendations. He can also be registered for a training course for start-ups.

**Training courses** are aimed at start-ups and those who would like to improve their business performance. As a rule the following topics are covered: company management, efficient marketing, product development, financial planning, personnel management, business and time planning. In 1995 – 1998, courses in Business English were organised on the request of the business community. Over the course of time language centres were established having more opportunities for language studies. Since 1998, training courses are organised for different groups of entrepreneurs (doctors, craftsmen, rural tourist companies, rural micro-enterprises) in the frames of projects designed by the DnUAC staff and financed by small foreign funds located in Latvia.

Information is usually presented in a written form. In the nineties sources of information were limited in Latvia. Due to the cooperation with the Latvian Development Agency, foreign embassies located in Riga, numerous catalogues, information agencies in Riga, fax and Internet, it was possible to find information quickly and efficiently.

Daugavpils business club was established in 1997 and existed till 2000. It was the initiative of local entrepreneurs who liked the atmosphere and attitude of the DnUAC staff. Once a month, company managers gathered to their meetings to learn the Daugavpils business news, to exchange information, to discuss some urgent issues, to

DnUAC established a business club to give entrepreneurs the room to exchange ideas and experiences.

listen to an expert's opinion and just to meet each other. It had a positive impact on the business community on the whole and individual entrepreneurs in particular. DnUAC became a real focal point for the Daugavpils business people.

Normally 15 – 20 members participated at the meetings. They presented SMEs not only from Daugavpils, but from other neighbouring towns and regions like Kraslava, Livani, Yekabpils and others. Initially meetings of the business club were rather formal. Following the proposal of the participants coffee and snacks were added. Subsequently, some events and holidays started to be celebrated either in the DnUAC premises or in a café.

Entrepreneurship in Latvia appeared only after the collapse of the Soviet planned economy and the country's independence at the beginning of nineties, therefore big companies in the middle of nineties very often were in the process of privatisation. Their scope of interests and problems differed from those of small and micro-enterprises. At the very first meetings 1 – 2 managers of big companies were present at the club meeting, later on they realised that their requirements refer more to decision makers and politicians and stopped attending the meetings.

Thus the bulk of the business club participants consisted of the managers of recently registered, small and micro companies. Representatives from other sectors also took part in the meetings: Rector of the Riga International School of Economy and Business Administration (Daugavpils branch), Head of the Economic and Planning Department from the Daugavpils City Council, a journalist from a local newspaper, etc.

In the DnUAC staff an employee was appointed to elaborate a programme, to invite all the participants and to be responsible for moderation of the meeting. Proposals regarding the future programme were usually collected at the previous meeting. Since DnUAC received much information from various sources, it distributed it through different channels, the business club being one of them. A rotation principle was applied to moderate the meeting. First meetings were conducted by the DnUAC Manager, later other staff members built on the success.

## **8.4 Business organisation**

### **8.4.1 Team organisation and structure**

DnUAC has five full-time consultants. All of them have undergone specific business training provided by the PHARE project management company. In 1994 – 1995 it was "SQW" Ltd. and Durham Business School from the United Kingdom. In 1996 – 1998 Helsinki University Knowledge Services (HUKS) from Finland. The latter company provided a specific training for new consultants and on-the-job training for those who already had some experience working for the UAC network. Since 1998 all of the Latvian UACs work independently generating income themselves. A bookkeeper is a part-time employee. All the office work is controlled by the office administrator.

A new employee is familiarised with the existing norms and regulations as well as basic principles whilst working with a client. If he wishes to conduct training, the Director of the Centre works with him independently using interactive methodology. Each employee has to participate in at least one training course thus acquiring training skills and methods cultivated in the DnUAC.

While the EU PHARE Programme was being implemented in Latvia all the UAC network newcomers had to undergo a sufficient training in business issues and consultancy skills. A special training programme was elaborated to achieve the objective. Trainers usually were both from the project implementation company and from the UAC network.

When the PHARE programme finished, the Centre hired new employees on the competition basis. The criteria for a new employee were identified, an advert was published in local newspapers and the selection process started. Thus when a newcomer appeared in the office he was introduced to the staff of the Centre, familiarized with the rules and regulations of the Centre and had to study the materials of a special folder meant for new consultants. One of the more experienced consultants became a 'tutor' for a newcomer for the period of 3 months. At this time the Centre manager arranged regular meetings with both the tutor and with a newcomer. All the tasks were carefully discussed and planned. On the completion a thorough analysis was followed. Moreover we tried to participate in various free conferences and seminars thus establishing new contacts, disseminating information about the Centre and acquiring new skills and knowledge.

There is an economic department in the Daugavpils university. It was one of the sources for the staff candidates. Our requirements usually were related to some economic background, language skills (Latvian, Russian, English or German), communication skills, ability to work in a team, reliability and a wish to study. As the consultant profession was new for Latvia, we also learned from our friends and colleagues in other Latvian centres and from our foreign trainers.

Two volunteers from the American Peace Corps worked for the DnUAC. In 1994 – 1996 it was John Matlock and in 1997 – 1999, David Scully. The most significant impact was left by Nigel Seymour-Dale (2000 – 2002) a volunteer from the British organisation VSO ("Volunteers' Services Overseas"). He identified strengths and weaknesses of the Centre, helped to improve its performance and introduced many changes.

The services of the DnUAC were further promoted by two volunteers of the American Peace Corps.

#### 8.4.2 Workplace

The DnUAC is located in the centre of the city in the building of the City Marriage Registration Office. The building is the City Council's property. The Centre occupies two rooms of 16 and 65 m<sup>2</sup> connected by a door and a classroom of 36 m<sup>2</sup> located on the same floor.

A big room is equipped with furniture (computer tables and office chairs), a white board and a round table for meetings. Each employee has a computer, Internet connection and printer. There is a copying machine and a fax machine in the office as well.

Coffee-breaks can also be organised in the office. It is especially convenient for the evening training courses as there are no other catering opportunities in the nearest area.

There are tables and chairs for 20 trainees in the classroom equipped also with a white board, flip-chart and OHP. The tables are light enough to rearrange them for group work.

## 8.5 Methodology

### 8.5.1 Structure of the advice process

Crisis prevention in small and micro companies - most frequently the service is implemented through a company analysis. Below one can get familiarised with a real case in Latvia, the company analysis of a bakery. The Company Director applied to the DnUAC with the request to help them overcome the difficulties. It was suggested that not only the Director should be involved in the process but the whole staff as according to the Director's words they work as a team and everyone feels uncomfortable in the existing situation.

The team of 4 DnUAC consultants (one consultant remained in the office) went to the bakery located 90 kilometres from Daugavpils. The work lasted 5 days. It included the following 4 sessions and utilized various instruments and tools:

- Introduction  
DnUAC history and services, trainers and their background. Introduction of the programme. Acquaintance with the participants. Objectives.  
**Why the company needs analysis?** Notion of the company analysis.  
Instruments and tools: individual work, team work, discussions, brain-storm, SWOT analysis, on-the-job training, questionnaire, survey.  
**Business concept.** Components of the business concept.  
**Information gathering.** 1) Questionnaire. Establishment of groups. Clarification on filling in the questionnaires. 2) Group work: Clients, competitors, sales. Product, premises and equipment, purchases and reserves. 3) Personnel, organisation, bookkeeping, financial control, management. Home task – fill in all the questionnaires.
- Information gathering (cont.).  
Completion of the home task. Comments on presentation of materials. Presentation of the questionnaires' results. Structure of the company. Evaluation of the testing lists. Strengths and weaknesses in the diagram.  
**Assessment of existing product. Product development.** Matrix "Products – Clients". Purchasing criteria. Group work. Discussion and summary of the results. Boston Matrix. Designing of another questionnaire with the explanation and guidance. Home task – filling in the questionnaire (survey).
- Product development (cont.).  
Analysis of questionnaires  
Competitors' analysis. Instruments for competitors' analysis. Practical tasks. SWOT analysis. What is SWOT? Group work. Common SWOT.
- SWOT analysis (cont.). Presentation of SWOT analysis.  
Existing problems – possible improvements. Filling in the table on problems and improvements.  
Quick-fixes. Explanation, comments, group work.  
Conclusion. Observations of the DnUAC specialists. Recommendations on training and future cooperation. Relevant DnUAC materials – courses, seminars, exhibitions, projects. Evaluation of the work.

Crisis intervention at DnUAC starts most often with a company analysis.

Different methods and tools were used in the company analysis; group work, individual work, interviews, paper and field work, discussions and surveys. The principle of confidentiality was not violated which resulted in sincere answers.

As a result, the company sufficiently improved its performance, hired a marketing manager, introduced some changes in the management system and radical changes in bookkeeping. Financial control became more strict and precise. The Director of the bakery learned a lot of pleasant facts about the employees; they appeared to have sound ideas about company development.

One of the bakery employees said, "Your (*DnUAC team*) appearance was like a breeze, like a swallow of fresh air. We are working here for many years and it seems know everything about bread and its components. We were very sceptical about your work as you are not specialists in bakery. Now we know that it is not enough to be an expert in a narrow sphere. One has to know something about business theory if he wants to succeed in business. For the first time we had a number of very interesting didactical meetings when everyone could speak without fear for tomorrow. It was useful both for us and for our administration. Now we know what to do tomorrow and next month. We'll invite you to help us with the strategic planning."

To constantly improve the quality of DnUAC services some processes the DnUAC staff elaborated a questionnaire that should be filled in after each event – series of consultations, training course, seminar, company analysis, conference, club meeting, etc. It gave 'food for thought'. Areas for improvement were identified, new methods were discussed and frequently introduced and clients' performances were evaluated.

Another method of evaluation became very popular in the Centre, the 'lessons learned' session after each event. It was a more subjective approach though more precise and professional.

One more type of analysis was applied in the DnUAC – 'word of mouth'. It is a very specific evaluation that is typical to small communities. Each of the DnUAC employees had a wide personal network that increased constantly. Bad news spread fast, therefore unreliable consultants could not work in the Centre. Any mistakes were too obvious and known to a wide range of people. Fortunately, the reputation of the Centre remained positive and stable all the time. Small mistakes were corrected quickly and effectively.

### **8.5.2 Description of instruments and tools**

The number of leaflets and brochures was increasing every year starting from self-made A4 sheets and finishing with heavy "Compass" catalogues and other expensive books from embassies. Newsletters were sent out to the clients and were also available in the DnUAC premises, some banks, the Company Registration Office, universities and municipalities. This instrument did not bring many clients but successfully promoted the Centre. Many people in the city heard and read about the Centre and its services.

## 8.6 Acquisition

### 8.6.1 Marketing concept

DnUAC exposes the materials that are self-made and received from other sources of information: Latvian Development Agency, some foreign embassies (British, American, Netherlands, Danish, Finnish, German), Nordic Council of Ministers, etc.

After completing a training course by the DnUAC employees or with the introduction of a new service, a new leaflet appears. It describes a new service or course, informs about registering requirements and fees. At the beginning of operating the information was disseminated via usual mail but with the increase of clients it became unprofitable. The information appears in a newsletter, in local newspapers and disseminated through the personal network.

Different manuals on business plan writing are also available in the Centre. They are given for free to those business people who design the business plan themselves or come to the consultations.

Information days occurred on a regular basis in small towns and villages of South Latvia. They were not very popular as the number of entrepreneurs was not big in this part of the country – the government did not create conditions for SME development.

The most effective method is 'word of mouth'. When a group of people are trained at the course or a company analysis is implemented it is known very quickly in the city and in the region, especially having long-term results. Thus the number of clients is steadily growing.

Information days occurred on a regular basis, but since the number of entrepreneurs was not very big in the region, they weren't very popular.

### 8.6.2 Networking, partners and referral channels

Among the DnUAC founders there is a regional newspaper "Latgales Laiks". The Centre always has an opportunity to publish ads for a lower price. For two years, in 1998 – 2000, the articles on various business issues were published in the newspaper twice a month. The materials were prepared by the DnUAC staff. Other newspapers also published interviews with the Director of the Centre several times and description of events arranged in it as the activities of the DnUAC attracted much attention both on the local and regional level.

The Latvian Chamber of Trade and Commerce is one of the significant partners of the Centre. Applying joint efforts it was possible to organise business events on the national level, like Entrepreneurs' Days in Daugavpils, exhibitions and international conferences.

DnUAC worked in a close contact with the City and District municipalities. In 2000 – 2002, the Daugavpils City Council covered the costs of business consultations provided to the Daugavpils start-ups. It was a really good initiative as in south-east of Latvia the income level of the population is the lowest in the country, therefore free consultations became very popular.

Latvian network of Enterprise Support Centres was established in 1994 with the opening of 6 centres in the country. Services of the centres are similar but each of them has their own character. Specialists of all the centres have undergone a profound business training both locally and abroad in the frames of the EU PHARE Project. All the centres became members of the Latvian Association of Business Consultants.

Every summer after a hard year each centre in turn organised an informal event for all the colleagues from other centres. It promoted mutual cooperation and gave food for new ideas.

Every summer events were initiated to allow colleagues from all centres to come together.

## 8.7 Business development

### 8.7.1 Financial development

In 1994 – 1998, the DnUAC like other centres in the country did not have to generate income as all the costs were covered by the EU PHARE Project. Since 1998 the centres started working independently generating income with the help of business services. The DnUAC appeared in a less favourable situation due to the location in the poorest part of the country. Consultations were not well paid, especially when the City Council started covering their costs. Many clients got used to free services.

Fundraising became one of the solutions in a difficult situation. Project proposals were sent to different small funds in Latvia. 99% of them were supported thus giving a chance to remain on the surface. Numerous applications to the Ministry of Economy and other organisations were not effective. It was a difficult period of survival lasting from 1998 till 2003 when other founders decided to save the organisation. Currently it is hardly operating.

### 8.7.2 Project growth

If the European Funds were available in 2003, the organisation could operate more successfully. It was planned that each small municipality in South Latvia will have a person who could provide local inhabitants with minimal business information. A group of this sort of consultants could be trained in the DnUAC – a focal point for small and micro-enterprises. These consultants could have access to the database of the Centre and to all the sources of information. Moreover in difficult cases a DnUAC consultant might come to the consultation. Thus business services might be available both in the city and in far remote areas. Unfortunately the idea remained only on paper.

At present there are no companies in the city working with start-ups. They can receive a small advice in the State Revenue Department and in the Company Registration Office.

## 9 ESIC - Tutoring and consolidation of micro and small enterprises

Figure 10: The ESIC team



### 9.1 Vision

The program for “Tutoring and consolidation of micro and small enterprises” is sponsored and co-financed by the Instituto de la Mujer, a government agency integrated in the Ministerio de Trabajo y Asuntos Sociales of Spain, and by the European Social Fund. This program is addressed to female entrepreneurs who are recipients of financial aid in the form of microcredits, and it is aimed to assist them in the consolidation of their businesses (small and micro-enterprise).

The main goal of this program is to provide personalized advice in all management aspects during the start-up phase of the business. Emphasis is placed in the anticipation of the challenges to be met by female entrepreneurs during the kick-off process. This service is offered to qualifying businesswomen at no cost.

The service is rendered by professional consultants who meet with the clients face to face, elaborate a written report which is given to the customer, and then monitor their progress through regular follow up phone calls.

ESIC (Business and Marketing School) has been delivering this service since 2004 and has, as well, participated in the design and implementation of the program.

Currently, one third of the new businesses started in Spain are initiated by women. Given this fact, there is a need to support this trend by promoting the entrepreneurial spirit, reducing entry barriers and assisting businesswomen in the consolidation of their performance.

Up to March 2006, 280 women have participated in this program.

## 9.2 Target group and customer structure

This program is designed for women who have created their own companies and have received a microcredit. Companies participating in this program are in their initial phase of development, consolidation and growth in the market. In order to qualify for the program, businesses must have been running for at least 4 months; through this experience, owners are in a better position to identify their weaknesses and potential areas of improvement. It also permits a more effective environment for this advisory service.

To participate in the program, companies must have been working for at least 4 months. Only companies with four months of activity may be included in our database and tutoring and coaching becomes available to them. It is ESIC that contacts these companies to offer them the service. Occasionally, some of the companies are found to be in a critical situation, and others are found to be in real need of the tutoring service although not in a critical shape. Experience tells us that if companies are in critical situation at the beginning of the tutoring service, it is very difficult to find solutions that could bring the business afloat as a going-concern. In such critical situations, the service would consist in finding the least troublesome way to close down the business. Our job is more effective when the client company, even if experiencing some trouble, has a number of demanded products and a well-established body of customers, despite these being a small number of products and clients.

75% of the companies are individual companies and have reduced employment capacity. Regarding activity segmentation: 49% of the companies deliver some kind of service, 40% develop commercial activities and 11% are manufacturers. This program operates nationwide and the micro and small enterprises can be located in anyone of the different Communities of Spain. A high percentage of them lack the profile and training that a "professional business person" would possess. These deficiencies are assessed in the technical and professional assistance designed for each individual business.

One of the most frequent difficulties observed during the start up is the inability to gain clients. This is due to a number of reasons: lack of familiarity with the market, a faulty sales plan, insufficient funding, lack of commercial attitudes, a weak financial plan, and loose control of collections and payments. In most of the occasions, these difficulties have their root cause in a deficient business and technical education.

Even though a business plan has been elaborated before starting the activity, most of the owners do not understand its value as a management tool. In the light of this evidence, our consultancy service aims to assist the business person to use their management tools in their daily work, as well as to incorporate a planned business philosophy. In order to participate in these programs, the client must be recipient of a microcredit from La Caixa (the financial institution that has partnership with Instituto de la Mujer to provide microcredits to female entrepreneurs) and should have submitted her business plan to the Association who have an agreement with the Instituto de la Mujer.

### 9.3 Business operations

The business consulting and training service is delivered in the context of face to face meetings with the client and followed up with assistance over the telephone. Although clients have the possibility of using electronic mail, few of the companies make use of it, preferring the telephone service and the face to face meetings. It is observed that female participants highly value this personalized service and perceived the presence of the consultant in their companies' premises as a valuable technical and moral support.

The service is developed through the following phases:

The consultant analyzes the correctness of the business plan. An initial telephone contact is made with the client.

The **first meeting** with the client is appointed to elaborate a diagnosis of the situation of the company. Different business areas are evaluated during the diagnosis to detect deficiencies, needs, strengths and weaknesses, etc. The length of this first meeting is usually between 3 and 4 hours. According to the findings of the diagnosis, an ad-hoc action plan is developed by the consulting team.

A **second meeting** is scheduled to introduce the action plan to the client. In this meeting, the client is informed of the main needs and problems detected, as well as of the strategy designed to face these challenges successfully. Emphasis is placed in reaching an agreement between the client and the consultant about the plan implementation details. The duration of this meeting is usually between two and four hours.

During the following 10 months, client support is offered through monthly telephone calls with the purpose of advising on the implementation of the plan and to obtain feedback on its progress.

It is one only consultant that meets with entrepreneurs and guides the tutoring service. This way the service becomes individualized, which generates trust and confidentiality between the entrepreneur and "her" consultant.

The number of entrepreneurs tutored by each consultant varies between 2 and 25, and is established based on the consultants' availability, time schedule to set up meetings, analysis and preparation of both diagnosis and action plans, as well as on ESIC commitments to deliver the service to the entrepreneur. Sometimes, as many as 80 companies have been tutored throughout Spain during one single month, so this implies to have a good number of available consultants. On average, each company requires 15 consultant hours to hold the meetings and prepare the feasibility plan (not including traveling, follow-up or additional coaching time).

Follow-up is available through telephone to all entrepreneurs and it is conducted by one consultant. This follow up consultant may serve as many as 50 to 70 entrepreneurs depending on the phone calls planning.

Other services offered: - **Telephone coaching** to harness the managerial abilities of the clients, specifically: planning, prioritising of tasks, leadership, negotiation, etc. Therefore, this is a professional coaching service, not personal. This service is provided for three months with each client in parallel with, although independently from

The client is supported to realize his plan via monthly phone calls over a period of 10 months.

the consulting service. The calls are made every ten days and last around 45 minutes. In each conversation actions are planned that are evaluated in the next call.

This service is added to the tutoring service and it is usually welcomed by most of the clients. The structure of this service permits obtaining a clear picture of the company and the information required to support the client during a decision making process in line with the business situation (consolidated, surviving, crisis etc). It also provides important information pertaining the entrepreneur's attitude (degree of satisfaction for attained goals, future plans etc), forms of support needed (financial, training, litigation), decision-making strategies (future expectations, attitude before challenges, delegation), management conduct (sales profile, attitude towards problems solving), and finally limiting gender stereotypes (self-demanding, role conflicts etc). In this regard, a data base has been put together which includes these different items and a scoring system.

Most of the companies have difficulties in the commercial area which cause financial problems: Lack of clearly defined products or services offered; unrealistic assessment of clients' needs; lack of knowledge about competitors; poor business practices, such as (unplanned sales visits, communication gaps, inappropriate merchandising techniques etc).

## 9.4 Business organisation

### 9.4.1 Team organisation and structure

ESIC consulting team is made up by 15 consultants with a wide knowledge and experience in advising micro and small companies, approximately 40% of the members of this team are women. Coordination, leadership and support of this team is provided by a group of 4 employees. In terms of working procedures, individual consultants provide relevant information about the client business situation to the team coordinator. This information is the base to deliver follow up support to the clients months following the consultant's action. Prior to the beginning of the program, all team members receive training on the program objectives, work methodology, characteristics and specific demands of female clients, and micro and small companies. Throughout the program, meetings are held regularly between coordination and consulting teams.

Periodic meetings between representatives from La Caixa (the financial institution providing the funding for the microcredits system), experts from Spanish Business Associations and ESIC, are held to analyze the progress of the participating companies. These meetings allow sharing information, improving coordination and the detection of financial problems in participating businesses. Also, they enable special measures to be taken like refinancing troubled business and, in extreme cases, the dissolution of the venture with the minimum of cost and pain for the company involved.

There exists a confluence of interests in the sense that all parties win when companies are helped to consolidate. Our work with La Caixa is based on principles of honesty and cooperation. These principles have driven all our interaction when making decisions about the measures to take regarding each individual case. La Caixa team is informed about individual action plans and gives its opinion on them, but does not decide about the plan implementation. ESIC receives first-hand information from La

The progress of the participant is analysed in regular meetings between the Bank, experts from the Spanish Business Association and ESIC.

Caixa about the financial situation of the company regarding the repayment of the micro-loans, since this kind of information is not always shared by the client.

#### 9.4.2 Workplace

The coordination and guidance group works in Madrid-based ESIC premises, with full access to ESIC's IT facilities and communication networks to maximize service quality. Ad-hoc data bases have been created in Access and Excell (Office 2003) to enhance efficiency.

Diagnosis and plan implementation meetings are carried out in the offices of the participating companies or, if so requested, in another site convenient to the client. These meetings are highly valued by the clients. In addition to these meetings, contact with the clients is continuous throughout the whole process and ESIC provides various means through which the clients may quickly solve their doubts, including telephone consultations, email and a virtual office on the internet.

ESIC has 12 locations across Spain whose facilities provide technical support whenever it is necessary (to hold meetings between the consultant and the client, the team of consultants, the people in charge of coordination, etc).

## 9.5 Methodology

### 9.5.1 Structure of the advice process

First stage, project planning: training of the consultancy team; a list of participants and their business plans are received and organized, telephone contact with the clients is made to present/display the project; create a work schedule for each consultant (trips, documentation, etc) and timetable. The final step is the preparation of necessary IT support for the coordination of the program. In the training of the consulting team, they examine various case studies to determine the criteria for evaluating the performance of the assistance they will provide.

Second phase, diagnostic in company meetings: telephone contact with the client to arrange first meeting; consultant visits clients to make the evaluation; the resulting data is analyzed; the action plan and its action items proposals are written down in a report; client is contacted to schedule the second meeting; consultant visit the client to deliver and explain the action plan.

The consultant must obtain data on the company through an informal, open agenda interview with the client. Surveys are never used in this phase. What is required is precise, qualitative and quantitative information. To compliment these interviews and obtain this information, different documents are required from the client to complement the verbal information received during the interview.

Third phase, follow up and consolidation: once approved and accepted by the client, the action plan is implemented, monthly calls then follow up (throughout the next 10 months) to review progress, to record information about any difficulties being experienced and about specific measures taken, and to evaluate results. The client must assume from the beginning a central role in decision making, all actions and decisions taken must be agreed by the client.

Fourth phase evaluation and information: The work of the consultants is evaluated in coordination meetings, guaranteeing consistency and supervision. A final evaluation of

From the beginning on the client has to assume a central role in decision taking.

the service is carried out by a telephone survey of the clients, by personnel not involved in any of the aspects of the program delivery. This survey evaluates the methodological and organizational aspects of the program, measures of the level of satisfaction of the clients and its perception of the quality of the service; the impact on the companies' performance, and their degree of fulfillment.

Closing report: this will gather the final assessment of the program; a list of clients who have benefited from the program; the statistical report of the collective profile of companies; and a summary of global results.

### 9.5.2 Description of tools

The process of advising, following up, evaluating and coordinating the assistance to clients, a series of documents, tools and computer programs support and enhance the work:

- **Advising:**  
An evaluation form of company diagnosis gathers items of the different functional areas within the company (for the consultant).  
A model of the action plan that gathers all the proposed actions and strategies is given to the consultant. Different forms and documents are offered to the client during the client support process: models on how to analyze the competition, client cards, product/service cards, financial cards of illustrating collections and payments, etc. How these forms and documents are used and the decision to use them, depends on the necessities of each, individual client and they are designed to assist them in the management of their business.  
A model to summarize the position of the business is provided to the consultant.
- **Progress analysis:**  
Graphs / spreadsheets to illustrate economic and financial performance (for the coordination).  
Regular reports outlining the progress of the current strategies behind the action plan. (for the coordination).
- **IT support:**  
Databases gather listings of participant companies, contact information and addresses, business locations, updated information on each company's situation (dates of visits, assigned consultant, analysis completed and other relevant information). Telephone logs that coordinate each telephone contact. Coordination of the monthly meetings and trips. Schedules that display a chart with weekly objectives related to the advising meetings. Database of the pursuit of coaching.

## 9.6 Acquisition

### 9.6.1 Marketing concept

This program is communicated to potential clients through mailings and telephone calls. Specifically it is targeted to reach companies that have been beneficiaries of the Instituto de la Mujer microcredits program.

It also appears in all publications produced by Instituto de la Mujer as well as on their website. The Businesswomen Associations also communicates the program to their associates. La Caixa suggests this program to other businesses which they believe may qualify for the microcredits program.

#### **9.6.2 Networking, partners and referral channels**

ESIC is an institutional member of EFMD (European Foundation for Management Development), founder member of AEEDE (Spanish Association of Business Schools), and officially accredited by the Rey Juan Carlos I University (Madrid) and by the Miguel Hernandez University (Valencia).

The ESIC Publishing House is ESIC's projection into the publishing world. It is also an instrument to promote and publish marketing, economics and business related issues, and the main objective is to offer ESIC students and the world of business basic guidelines and insights on the management of financial, business and marketing institutions.

ESIC Market is a business and economic magazine published by ESIC as a means to encourage communication between academic activities and the world of business.

### **9.7 Business development**

#### **9.7.1 Financial development**

The project is financed by the European Social Fund and co-financed by the Instituto de la Mujer, and amounts to 200.000 euros.

#### **9.7.2 Project growth**

In the future this program must operate as a global program to assist the start up processes, as well as to anticipate and prevent small business crises. We consider that as a program designed to support the creation and consolidation of micro and small companies, it should emphasise the following aspects: Training of entrepreneurs, financing of its start up projects, networking development, assistance to grow and strengthen.

These needs can be served by independent institutions, but they must be consistent in their efforts and work under the same principles. In this regard, we have sought out and incorporated different opinions from Business Associations and from La Caixa.

In the future we propose to offer training to the clients before they begin their enterprise project so that they can develop ("by themselves") their own business plan, including an understanding of the value of such a management tool and developing a proactive attitude in when searching and serving their customers.

For the future it is planned to implement pre-start-up trainings.

## 10 G.I.B. – Gesellschaft für innovative Beschäftigungsförderung

### 10.1 Vision

G.I.B. – owned by the Ministry of Labour in North Rhine-Westphalia (NRW) as the sole shareholder – deals with all aspects of labour market policies in the federal state of NRW. With G.I.B. as a federal state counselling organisation, about 60 experts work on the conceptual development, counselling, implementation and controlling of labour policy programmes and projects. G.I.B. takes the part of an interface between the federal state and the regions, between programme providers and project implementers, between the state and the different actors working in the municipalities, providing organisations, companies and private labour market service providers.

G.I.B.'s key objective is the promotion of employment in North Rhine-Westphalia (NRW). Such a policy aims to flank and promote structural change for example

- by helping to create new jobs by supporting expanding industries but also by encouraging new business start-ups, especially by the unemployed and
- by helping businesses in a crisis and safe-guarding jobs and businesses exposed to structural change by work-focused modernisation.

In 1998 the G.I.B. started developing or expanding respectively counselling offers for small companies threatened by insolvency within the framework of a pilot project for the Ministry of Economic Affairs NRW. The pilot project was concluded in 2004. Since 2005 the G.I.B. has been commissioned to realise the experience gained in the pilot project throughout NRW. Both G.I.B.'s projects were financed out of funds from the Ministry of Economic Affairs and the EU.

At the end of the nineties – the time of the starting point of the pilot project – there were many institutions for the promotion of industrial development where founders of new businesses could get a start-up counselling but there were as good as no facilities for crisis counselling for small companies that were free of charge. So at the start of the project the main objective was to acquire knowledge on what counselling support for newly founded businesses in particular needed for crisis management.

In the meantime the central concern is the development of a counselling structure in the centres for the promotion of industrial development (and chambers) throughout NRW, so that small and medium-sized crisis companies receive an initial counselling free of charge and qualified support with the development of steps in the crisis management. It is not the objective to offer a comprehensive intensive counselling for crisis management for companies by this structure, but to develop offers of qualified initial counselling (as lead-in counselling), so that existing instruments, support structures and financing resources of the Land NRW or the Federation can be used by companies able to reorganise for an effective crisis management.

In these cases the G.I.B. does not act as the central address to turn to for crisis companies but supports Industrial Development Agencies – so to speak as their “back

The main aim of the G.I.B. is to develop a counselling structure where endangered small and medium enterprise can receive an initial consulting which is free of charge.

office“ – with the setting up or further development of a local service in the regions. At the same time the G.I.B. gives advice to the Ministry of Economic Affairs on how to apply the programmes of the Land more effectively for the consolidation of companies.

Another important project objective is to derive from the experiences of the crisis counselling how to develop approaches for an improved early recognition of crises (for example during the start-up counselling) and how the framework conditions for a restart after the failure can be improved (culture of the 2<sup>nd</sup> chance).

## 10.2 Target group and customer structure

The G.I.B. supports the Industrial Development Agencies in particular with the provision of initial counselling as so-called ‘crisis contact units’ to companies in crisis as a new service or respectively with the development of existing services. Industrial development agencies exist in every town and in every rural district. The municipal or regional Industrial Development Agencies fulfil all the tasks and services concerning the development and extension of location, settlement and start-up. Traditional approaches of industrial development put an emphasis on the location of companies and the marketing of areas and commercial real estate; counselling offers for the consolidation of existing companies are rather rare or directed primarily at large companies.

So far 23 crisis contact units have been set up at Industrial Development Agencies (focus: economically underdeveloped regions/Ruhr area). The work approach is not to create new structures but to use competences/capacities existing in the Industrial Development Agencies and to improve the cooperation with experts of the various institutions of industrial development in the regions.

The Industrial Development Agencies have advertised the expansion of their offer as a crisis contact unit with restraint or not at all. As a rule the start of the work as a crisis contact unit was published on the internet and in the regional founder network or relevant workshops/workgroups so that other counselling bodies, banks and tax consultants could call the entrepreneurs’ attention directly to the counselling service of the local crisis contact unit.

The services of the crisis contact units are strictly aimed at small and medium-sized companies. The emphasis of the demand (ca. 80 %) lies with small companies with up to 10 employees.

## 10.3 Business operations

23 crisis contact units in Industrial Development Agencies now offer small companies mainly in the Ruhr Area and some parts of NRW comprehensive crisis counselling with professional support from the G.I.B. As first local contact, their task is to make a first analysis of the company’s reorganisation potential, to select suitable reorganisation instruments for the company facing insolvency and to align further measures with all parties involved. The crisis contact units performed more than 2,000 crisis counselling sessions between 1998 and 2004. In over 450 cases a rough analysis was followed by intensive reorganisation counselling commissioned by the G.I.B. in companies with reorganisation potential. Based on the experience so far we can expect almost half the small companies facing insolvency to survive thanks to reorganisation counselling!

Although new structures should be created, the G.I.B. aims at using already existing competences and capacities.

A recognizable part of the clients chooses to participate in an intensive reorganisation counselling.

Many small companies only seek external support in a crisis situation when it is too late and can often no longer be saved. In order to help heavily indebted personally responsible (former) entrepreneurs with liquidation and debt settlement, the G.I.B. started developing specialised liquidation counselling services between 2002 and 2004. Until then nothing of this kind had existed nationwide. And as a result of the first phase of the pilot project the G.I.B. was able to show that the entrepreneurs have great demand for counselling and support during liquidation. By creating regional competence centres for settlement counselling, new counselling services have been developed and implemented which help to improve the framework conditions for giving (former) self-employed persons a second chance.

The G.I.B. disposes of a specialised liquidation counselling service.

The G.I.B. supports the work of the consultants in the crisis contact units<sup>2</sup> professionally and has developed a multi-stage concept for the qualifying of the consultants. The professional guidance by the G.I.B. in the subject areas early recognition of crisis, consolidation of companies and crisis management relates to several modules, which can be used separately (module 1 – 3) or as a complete packet (modules 1 – 5):

For the qualification of the consultants, the G.I.B. makes use of a multi stage concept.

#### **Module 1: Telephone helpline**

Telephone support for the clarification of technical questions (if necessary in combination with the analysis of company data)

#### **Module 2: Information material for crisis counselling**

An internet supported service for crisis counselling is available to all consultants under <http://www.gib.nrw.de/sanierungsberatung/>. This provides information, guidelines and tools for consultants and entrepreneurs on the topics crisis counselling/insolvency.

#### **Module 3: Training**

Basic training (several days) and (in-depth) workshops on the problems of crisis counselling of companies in difficulties and for the counselling of re-starters are carried out.<sup>3</sup>

#### **Module 4: Training and coaching for the development of crisis contact units**

Personal support for the consultants of crisis contact units (“Training on the job”) by G.I.B. staff for the preparation and the realisation of counselling in the companies (only after a basic training).

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<sup>2</sup> During the term of the pilot project (1998 – 2004) the specialist support also applied to the work of the approx. 20 debtors counselling agencies that were testing offers for the winding-up counselling of heavily indebted self-employed persons in a pilot project.

<sup>3</sup> Since 1998 approx. 500 consultants have been trained in the framework of seminars.

## **Module 5: Specialist meetings and in-depth seminars**

The G.I.B. organises central specialist meetings and in-depth seminars for the staff of the crisis contact units. If desired the setting-up of regional groups for an exchange of experience with problems of company consolidation and crisis counselling will be professionally supported on a regular basis.

### **10.4 Business organisation**

#### **10.4.1 Team organisation and structure**

In the years 1998 – 2004 the team consisted of four consultants, since 2005 three consultants work in the project team. All the consultants are profoundly experienced in the counselling of founders and entrepreneurs.

#### **10.4.2 Workplace**

The project team works from the premises of the G.I.B.

### **10.5 Methodology**

#### **10.5.1 Structure of the advice process**

The crisis contact units are recommended following procedure for an initial counselling:

##### **A detailed telephone conversation/initial counselling on the phone:**

Evaluation of basic information on the economic and legal framework conditions of the company or the personal circumstances of the entrepreneur; clarification of the current problems; concluding answers to simple questions; agreement on further procedure (in particular agreement on the documents to be sent for the preparation of a person-to-person counselling). If applicable, a qualified referral to a further counselling (especially in the case of questions on winding-up counselling: referral to debtors counselling agencies). If necessary, also sending of checklists and information material.

\* If necessary, the consultant of the crisis contact unit will get in touch with the G.I.B. ringing the Helpline (module 1 of the qualifying concept)

##### **Preparation for the person-to-person counselling:**

Entrepreneur: sending of documents (not sending = KO)

Consultant: Analysis of the documents received;

\*if applicable, the consultant of the crisis contact unit will contact the G.I.B. ringing the Helpline (module 1 of the qualifying concept).

##### **Person-to-person talk in the company:**

Analysis of the current framework conditions (profitability, liquidity, debtors/creditors, financing, attitude and willingness to negotiate on the side of the debtors or creditors, Securing of livelihood for entrepreneur/family); initial evaluation of possible

reorganisation and the legal framework of insolvency; development of a recommendation or a plan for measures for further action for reorganisation or, if necessary, an orderly winding-up; information on possible funding of intensive counselling if required.

If applicable, contacting the bank for negotiation of a moratorium or qualified referral to experts (in particular specialist lawyers and management consultants. In case of winding-up: contact centre for heavily indebted persons) If applicable, Personal support of the consultant by staff of the G.I.B. for training (“training on the job”)

### **Facilitation of the ensuing counselling process during the intensive counselling (optional)**

In order to be able to cover the complex problems of crisis counselling comprehensively and share the work, the G.I.B. supports the respective Crisis Contact Units or the Industrial Development Agencies in setting up regional expert networks on the topic “crisis management”. In some cases regional work groups were initiated for the setting up of such networks. In these representatives of the chambers, of trade associations, banks, revenue offices, tax consultants, lawyers, liquidators, and debtors counselling agencies work alongside the Industrial Development Agencies and have developed a procedure or agreements for future cooperation.

Crisis Contact Units and Industrial Development Agencies are supported to set up expert networks on crisis management.

### **10.5.2 Description of instruments and tools**

Numerous checklists and guidelines were developed in the framework of the project work. All the publications are available as downloads free of charge.

#### **Help for founders and entrepreneurs (a selection)**

- Leaflet crisis management in small companies
- When companies fail. Information for heavily indebted self-employed persons
- Risk analysis in the start-up planning. Brief information for founders.
- The extra-judicial agreement in-house. Help for heavily indebted former self-employed persons.
- The 2<sup>nd</sup> chance – Framework conditions for a restart after bankruptcy. Guideline

#### **Counselling guidelines for multipliers (a selection)**

- Preparation of crisis counselling of companies obliged to file for bankruptcy. Guideline for Industrial Development Agencies
- The reorganisation of enterprises in crisis. Central questions for the investigation and improvement of the reorganisation chances of small enterprises in crisis situations where the subsistence is at stake. Help for consultants

In the framework of an internet supported service for a closed user group (mainly staff of the Crisis Contact Units) it was tried out in 2004 whether or rather how specialist information on the topics ‘crisis counselling’ for Industrial Development Agencies could be provided in the Internet. Upon questioning, the staff of the Crisis Contact Units

The provision of specialised information in crisis counselling over the internet has proved to be very important to set up an NRW-wide structure in crisis counselling.

considered this internet supported service an important function for the setting up of an NRW-wide structure for crisis consulting.

In the framework of the follow-up project "Consolidation of Enterprises NRW" this internet supported service was developed further and it was made open to all interested consultants. Under <http://www.gib.nrw.de/sanierungsberatung/> consultants will now find numerous checklists, information material and links to information, counselling and financing of enterprises in crisis. The service is now used by more than 1.200 consultants a month and, as far as we know, it is unique in Germany.

Since midyear 2005, associated with the internet-supported service for crisis counselling, an e-mail newsletter 'Crisis Counselling' has been published. This medium informs a circle of currently 300 subscribers at least once a month on new publications or actualisations, which are accessible via the internet supported service as a download or link.

## 10.6 Acquisition

### 10.6.1 Marketing concept

In the beginning of the project work the G.I.B. advertised the project related possibilities of support with the development of decentralised consulting structures (i.e. the development of new Crisis Contact Units) by a large specialist conference and by targeted addressing of numerous cooperation partners – especially among the founder network NRW.

In addition to the internet supported service for crisis counselling the G.I.B. regularly informs consultants from the Industrial Development Agencies per news clips on the internet pages of the G.I.B. other newsletters and per specialist publications on developments and results of the project work. There is also material on the project (as a download) or links to the internet pages of the project on the internet pages of the Ministry of Economic Affairs or Labour respectively, the NRW-Bank and numerous other institutions of industrial development.

Furthermore, the G.I.B. participates regularly in regional work meetings, specialist circles on NRW level and specialist workshops. The G.I.B. offers day seminars and basic training on the initial analysis of enterprises in crisis or on special topics of crisis counselling for consultants on a regular basis. These events and trainings have turned out to be a good marketing instrument for gaining new contacts to interested consultants from Industrial Development Agencies or for initiating the targeted development of Crisis Contact Units.

It is, however, becoming apparent that an NRW-wide development of Crisis Contact Units is hampered enormously because of a lack of an NRW-wide, non-sector specific counselling programme for companies in trouble.

### 10.6.2 Networking, partners and referral channels

The G.I.B. regularly supports journalists of regional and supra-regional media in the research or report on services for crisis counselling or in the intermediation to entrepreneurs and re-starters. The objective of this reporting is to break the taboo of the topic 'small companies in crisis' or 'failure'.

The G.I.B. regularly organises an exchange of experience with the consultants of Crisis Contact Units and with self-employed management consultants. Furthermore, there is a specialist exchange with the Evers & Jung (Hamburg), DIAI - Deutsches Institut für angewandte Insolvenzforschung [German Institute for Applied Insolvency Law – the translator] and IfM – Institut für Mittelstandsforschung, Bonn [German Institute for Research on Medium-Sized Enterprises – the translator]). Together with Herrn Kranzusch of IfM Christiane Siegel is a member of an expert group at the EU on the topic ‘Stigma of failure and early warning tools’.

## **10.7 Business development**

### **10.7.1 Financial development**

As a company of the Land NRW the G.I.B. receives not only institutional financing but also numerous project related funds. The projects on the topic crisis counselling were or are respectively financed 100% from funds of NRW and the EU.

### **10.7.2 Project growth**

An extension of the staff in the project is not planned at the moment; the development of the project tasks is highly dependant on the demands and wishes of the shareholder (i.e. the Land NRW).

At present offers for the setting up of new counselling services for re-starters (networking of re-starters/mentoring, start-up counselling) are increasingly being developed or tested respectively. Furthermore the Land NRW has been proposed to link the allocation of funds to a participation in an obligatory guiding counselling for crisis prophylaxis and to use or adapt for a transfer to NRW the approaches developed in other federal states.

# 11 NBAS - Narva Business Advisory Services Foundation

## 11.1 Vision

The Narva Business Advisory Services Foundation is a non-governmental organisation that is being funded by European sources. It was the first advisory service of its kind to be established in the North-Eastern part of Estonia in 1993. Over the course of more than 12 years NBAS became prominent expert in business advice. The primary aim of the Narva BAS is assistance to development of Small and Medium-sized enterprises (SMEs) and to local and regional authorities in economic development.

NBAS' motto is 'WE'LL OPEN YOUR DOOR INTO BUSINESS'. Its business concept is to provide high quality counselling and information services to the target groups that are SMEs, local and regional authorities, and international clients.

Vitali Sergejev is a primarily responsible for success and effective development of the NBAS foundation.

Narva is the third largest town in Estonia and the biggest border and transit point in the country. The beneficial geo-political position, the existence of a strong material and technical base and natural resources, and qualified labour force, make Narva a perfect platform for investment, placing orders for production, and the establishment of joint venture companies. After Estonia's accession to the EU, Narva has become an important European border city between Russia and EU. Furthermore Narva has two of Estonia's major power stations, which can provide unlimited energy supply. Narva is one of major exporting towns of Estonia, responsible for nearly 10% of Estonian exports (e.g. textiles, metal products, timber and furniture).

It can be seen that the development of sustainable entrepreneurship is a critical issue in this region. Nevertheless there are internal and external problems that entrepreneurs have to deal with. SMEs encounter various problems, that may seem serious or not. The big problem in the region is that entrepreneurs are not always willing to share their experiences.

## 11.2 Target group and customer structure

SMEs, start-ups, micro enterprises are target groups of an organisation.

- Entrepreneurs in Narva are facing four major external problems:
- Market problems (small national market, etc.);
- Financial problems (lack of working capital, financial instability, etc.);
- Management problems (out of date managerial skills, etc.);
- Ethnical problems (Russian-speaking population made 80% of total population in the region).

Financial problems are the most frequent ones that entrepreneurs are dealing with. High loan interest rates, limited access to short-term loans are the most prominent ones.

Internal crisis might occur due to cash flow problems, refusing to take risks when needed, indecision and fraud. There is always a high probability of relapse, i.e. clients that experience critical situations tend to face these critical situations again. It is essential to make sure that clients will not follow their mistakes again.

On the basis of recent research conducted by NBAS and on the basis of the evaluation of NBAS activities for 2005, we may conclude that the most frequent problems that clients are bringing are issues related to finance and market expansion (around 70%). Market expansion means internationalisation, partner search, and access to foreign markets.

Woodworking, metalworking and textiles are predominant sectors that clients are coming from. Although, private people's printing agencies are also frequent clients.

Since entrepreneurship is still quite a novel activity in Estonia, the age of the companies is quite young compared to the established European SMEs. However, some of the companies are being more skilfully advanced, due to the early 90s privatisation process.

The size of the companies also varies, however most of companies that are addressing their issues to NBAS have 40 to 70 employees. The range from 1 employee to 250 employees is indicating how companies can vary from each other on the basis of its sizes. Although, NBAS counselling is not based on the complexity of an organization (high number of employees, high turnover), but on the complexity of problems that are being encountered by clients.

Ethnical problems are also very common. Most of the clients are Russian-speaking, since Ida-Virumaa is considered to be a predominantly Russian-speaking county. Although, NBAS is always keen on helping out Estonian-speaking clients as well. Due to the lack of knowledge of the state language (Estonian), Russian-speaking entrepreneurs experience certain difficulties when there is a language barrier. NBAS personnel is providing consultations in two languages, Russian and Estonian, which is highly beneficial for both communities. Certain legislative matters, provision of translation, can be provided by NBAS in both languages, Estonian and Russian. Obviously, consultants also possess an advance level of English.

The most common contact channel is via phone, though many entrepreneurs prefer face-to-face contacts in NBAS premises.

### 11.3 Business operations

NBAS is offering its services via telephone, Internet and face-to-face. All types of communication are being employed. However, consultations on delicate, critical issues are being conducted face-to-face.

NBAS addresses the development of human resources, training support, support for participation in local and international affairs, improved access to finance, start-up aid, advice on loan and leasing guarantees, the development of the business support infrastructure, improved access to business information and enhancement of

In the course of its' counselling NARVA makes use of all communication channels.

communication channels (SME Advisory Council, Round Tables with banks and other institutions)

## 11.4 Business organisation

### 11.4.1 Team organisation and structure

The organization consists of 4 units:

- Entrepreneurship Development Unit
- Non-governmental organisation support centre
- EstRuCom centre
- EuroInfoCentre

The Entrepreneurship Development Unit has four consultants, three are officially recognised as consultants of Enterprise Estonia (EAS). EAS's main priority is to support the development of entrepreneurship in Estonia. Main aim of the unit is to consult entrepreneurs and start-ups on any issues related to business.

The Non-governmental organisation support centre has one consultant. Its main purpose is to consult, advise and assist non-governmental organisations.

One consultant runs EstRuCom. Its main field of activity is to assist those clients that are doing business or planning to do business with Russian companies.

EuroInfoCenter has 2 consultants. Its main activity is to inform, assist and consult SMEs on issues related to EU.

Obviously, fields of activities are being simplified; they are far more complex and interrelated. Total number of consultants is 8, apart from which, a secretary, IT specialist and accountant are being employed.

Every single consultant has successfully completed necessary education and training and possessing expertise and experience. The main idea of treating clients is to provide a quality service along with communication and interpersonal skills. In certain situations empathy and probing skills are being used.

In order to fulfil its role, the consultant must have a degree, either in economics or management, or in any related field. Consultants must possess good communication skills, listening skills, motivation and be concise. Work experience is also necessary, especially if it is in the business field. Europass CV, reference letters are also advisable. In terms of training period, it does take 3 months to complete internship, during which the new consultant has all the opportunities to get involved in the activities of the organisation. Internal seminars, information days and training are also held regularly throughout the year for newcomers and staff members. Seminars are organised by staff members themselves, sometimes involving external experts. Finally, possession of languages: Estonian, Russian and English, is essential. The admission process also could be favourable to those applicants who can communicate in more than 3 languages.

The average age of the consultant is 35, which means that consultants already have experience in the field and are very responsive to the new trends in business spheres.

NBAS' aim is to provide quality service along with interpersonal skills.

The methodology of working with the client and an internal code of ethics have been developed and updated throughout the years in order to systematise the work of consultants. Quarterly and annual reports are also taking place.

#### 11.4.2 Workplace

NBAS premises are allocated in the centre of Narva, and so are easily accessible. It is a 4 floor building, with NBAS partially occupying two floors, two separate offices: archive and office room.

The workplace is equipped with a desk, two chairs, computer, shelves with necessary stored documents.

The company projects and the client's database are stored on a local server that is accessible by all consultants. The distribution of human resources is clearly defined by the means of timesheets.

A licensed Windows XP and Microsoft office are the most common software being used.

### 11.5 Methodology

#### 11.5.1 Structure of the advice process

The main attribute of the used methodology is a tailor-made approach, due to the polarity of problems that clients are bringing. Also, NBAS is serving as a one-stop shop. First and foremost, consultants must clearly distinguish between external and internal problems. Next step would be whether or not there is a possibility of the intervention, i.e. problem solving. However, if the situation is highly critical, it is crucial to make decisions accordingly.

It is essential to establish good rapport.

Failed entrepreneurs are confronted with the stigma of failure, for example through reluctance to place orders or requests for extra financial guarantees. Better understanding of business failure, including distinguishing between honest and dishonest bankruptcies, is needed in order to tackle the stigma of failure.

As was mentioned before, NBAS' main priority is to encourage more people to become entrepreneurs, however NBAS, is not taking position of a mere encourager, it also provides useful insights on how to set up one's business and how to make it successful. By providing good examples, such as a benchmarking approach, NBAS always presents examples of what needs to be done in order to avoid critical situations and to achieve stability and success. NBAS provides not just information on risk of failure for up and coming entrepreneurs, but also benefits of entering to the entrepreneurship world.

**Annex 1** provides a model of problem – solving procedure.

1st step. NBAS provides consultations, seminars, training. During the course of its services feedback from the client occurs.

2nd step. Upon receiving information, client analyses, evaluates and discovers that a potentially threatening situation within the organisation exists.

Due to the diversity of problems the client's are facing, NBAS' deploys a tailor-made approach.

A better understanding of the causes of business failure is needed to tackle the stigma of failure.

3rd step. As a problem becomes clear, specific consultation takes place. Solutions to the problem are also generated.

4th step. NBAS and the client are jointly working on problem-solving.

5th step. Feedback from the client is constantly received, monitoring and evaluation of the process by consultant is being generated.

6th step. Success in overcoming the critical situation is being reflected in mass media (newspapers, radio)

Here is the illustration of an actual recent case, which involved company "X":

Company "X" was involved in many activities, ranging from machinery to fishery. Obviously this variety of activities had to be efficiently managed, prioritised and systematised. The site of the company was around 60000 sq metres, however top-level management of the firm could not make use of the territory in such a way, that all the activities could be done efficiently and cost effectively. Also, administration of the company did not have a clear strategy and vision of how the premises could be effectively utilised. The company had not even considered the fact that some of the unused premises could be leased. By providing a health check of company "X", the NBAS consultant concluded that in order to stabilise and harmonise the firm's activities, re-engineering must be done. Since the financial state of the company was quite vulnerable, the administration agreed on applying for financial support from European Union Structural Funds. Also the company agreed on a proposed marketing strategy that will consequently result in investment. Upon provision of all the necessary information (financial reports for the last 3 years, detailed description of equipment and premises, strengths and weaknesses, etc.), NBAS' consultant prepared a business plan, applied for financial support from European Union Structural Funds via EAS (Enterprise Estonia) and provided a clear strategy. At the moment, company "X" is participating in an international project 'Fit For Europe' (NBAS is a partner in this project). The firm's marketing strategy is also being reorganized, the practice of selling and using its products for its highest value possible (i.e. merchandising) is also being developed.

Overall, the case reveals how potential crisis could be diminished by way of re-engineering, which is a form of preventive activities that NBAS consultants frequently employ.

In order to ensure that the services provided by NBAS have consistent high quality, feedback from the company is always encouraged. In certain cases, regular seminars on former clients are being held. By keeping regular business records containing information on companies and on their progress towards devolvement of problem solving, NBAS monitors, and if necessary, intervenes. NBAS is also holding regular seminars and radio programs in order to learn whether or not there are further needs of the target groups, by encouraging them to address their problems to NBAS. Local municipalities, trade unions are regularly informed on any upcoming seminars on issues related to SMEs crisis prevention. Synergy between NBAS and governmental organisations was developed and successfully implemented throughout the last 12 years

In the course of regular seminars and the broadcast of radio programs, NBAS learn about the further needs of its potential clients.

### 11.5.2 Description of instruments and tools

Numerous tools are being employed, most of which were outcomes of research conducted by NBAS. Numbers of information leaflets are also coming from EU Commission, local municipalities, trade unions and Estonian government. Updated information, recent research and findings are being highly valued in this information flow. New trends in legislation, either local or European, are being highlighted in numerous leaflets and bulletins generated by NBAS.

What do You need to know about EU, .eu domen, CE Marking, Customs and EU, monthly issue of 'Business News', and many other publications made by NBAS are being distributed among SMEs. Approximately 11000 different issues of NBAS publications are being disseminated annually.

If the client is having problems regarding establishing a partnership, whether it is local or foreign the methodology 'How To Find A Partner' is being used. This only applies to those cases when the client feels that activities of its enterprise are solely based on business cooperation.

A self-evaluation sheet is also an essential tool in the analysis of SMEs. Two types of forms are being used (so-called Form A and Form B). This is a very useful instrument directed towards exposure of strengths and weaknesses a company might have. Form A is general, and form B (BADS) is far more complex. Health check of the company partially developed as a result of information provided in these forms.

Clients are encouraged to address their problems online via websites ([www.nbas.ee](http://www.nbas.ee), [www.eic.nbas.ee](http://www.eic.nbas.ee), [www.rus.aktiva.ee](http://www.rus.aktiva.ee), [www.estrucom.ee](http://www.estrucom.ee)). The platforms are solely run by NBAS.

If the problem seems to be quite significant, the consultant contacts the client via the phone. If the problem appears to be not significant, an email reply is usually applied. Nevertheless, careful evaluation and prognosis of the situation is always taking place.

Instruments and tools are being developed by NBAS and proved to be valid and reliable.

Benchmarking technique is also being employed; it is very useful since benchmarking can provide the fragile companies with information on how critical situations can be avoided by presenting best practice. Benchmarking can be evaluated on three basic scales, productivity (the most efficient and cost-effective productivity), financial performance (can be evaluated for example on the basis of solvency ratio), customer satisfaction (excellence of products and services, marketing level). However benchmarking can also be assessed using other factors. Taking into consideration specificity regional SMEs, benchmarking form of assessment and evaluation proves to be very efficient. Competitive benchmarking is the most applicable form of benchmarking being used by NBAS.

EuroInfoCentre has all the knowledge and experience regarding the integration of businesses into the European schema. Some preventive measures are already being taken. For instance, certain European directives are sometimes not highlighted in mass media. As a result, the implementation process of certain directives is partially delayed or not being implemented at all. Consequently, entrepreneurs do not have the

A self-evaluation sheet allows the entrepreneur to assess himself.

knowledge on the legislative matters of their conducts. Thankfully, EuroInfoCentre's mission is to inform SMEs on these directives, via seminars, information days, via radio programs.

Other methodologies generated by NBAS, like 'Working with Client', and 'Internationalisation guidelines' are playing a crucial role in achieving the main aim of the organisation.

Constant revision of the instruments is being monitored in accordance with new trends and directions.

## 11.6 Acquisition

### 11.6.1 Marketing concept

The marketing motto of NBAS is '**Placing the client at the heart of the business**'

All regional companies and state agencies, as well as local municipalities, are aware of services provided by NBAS. Generally, agencies are redirecting clients dealing with critical issues, so it is well known for its activities.

In terms of marketing concept, NBAS does take into consideration the fact that in order to achieve high level of marketing its activities must be smoothly coordinated with promotion and advertising.

NBAS does have a clear vision what the market wants, as access to information plays an essential part.

### 11.6.2 Networking, partners and referral channels

NBAS has its own monthly business bulletin. It also develops and disseminates information leaflets, flyers, brochures on specific topics how to make business successful and stable.

NBAS has its own program on the nation radio channel. It airs every Monday. During this program, an NBAS consultant explains what needs to be done in order to become a successful entrepreneur, by providing useful insights, state and European policy making and benchmarking.

Publications in the newspaper, Internet publications, subscriptions, radio broadcasting, even word of the mouth, are proved to be the most effective communication tools.

Several regional and state agencies are close partners of NBAS. Regional business support centres, KredEx, Baltic Sea Solutions, EAS, just to name a few. Also, NBAS is an active member of EURADA (European Association of Regional Development Agencies).

By NBAS initiative, Association of the Narva region entrepreneurs (NREA) and Exporters Club were created, the members of which share its business experience and expertise.

Having established its credibility, NBAS is constantly seeking new partners, working towards broadening its network. Obviously some of the clients are being redirected to NBAS, as NBAS is offering reliable and valid ways of coping with critical situations.

NBAS has its own radio program which airs once a week.

## 11.7 Business development

### 11.7.1 Financial development

Preliminary consultations are being provided free of charge. Although depending on the difficulty and level of responsibility, clients are being charged. Activities of NBAS are being partially financed by Estonian Enterprise (EAS), European Commission (Enterprise & Industry Directorate General), and also from variety of projects that NBAS is taking part in, that are mostly directed towards development of existing entrepreneurship models.

NBAS is also generating its income from the consultations. The costs are reasonable. For instance the total income in 2005 generated from provision of training, seminars, consultations was around 3000 EURO. The average cost for consultation (less than 1 hour – free of charge), comes around 300 EEK (which is around 19 EURO)

However, the most satisfying factors for NBAS consultants are received gratitude and moral satisfaction.

### 11.7.2 Project growth

NBAS recently established its branch in Narva-Joesuu (a city located 12 km away from Narva).

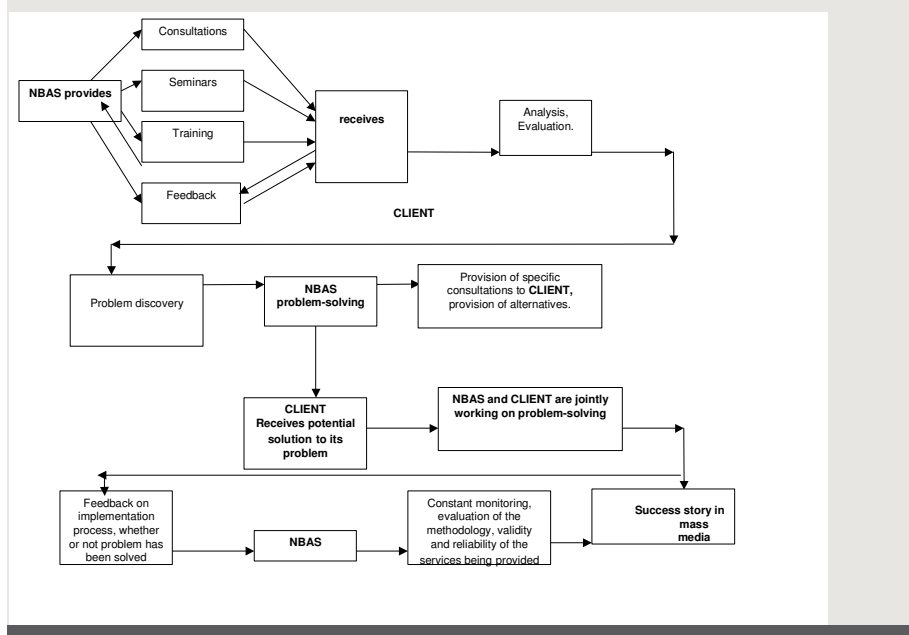
Upon receiving state recognition as an essential organisation that provides support to SMEs, NBAS is going to open its branches in other Estonian regions.

At around 110 contacts being made per month, this figure is going to be increased accordingly, as NBAS broadens its geographical activity.

At present, most of the business advisory service is focused on helping small and medium entrepreneurs to prepare business plans for commercial bank or official financing. This requires a good understanding of the sector or industry, in addition to some knowledge of finance. New services will include, helping entrepreneurs define production flows, marketing and logistics arrangements. This is especially important in Ida Virumaa, where proximity to the eastern border provides opportunities for adding value to products imported from or exported to Russia. Similarly, investment promotion should shift away from marketing the county, focusing instead on companies that could take advantage of the region's geographical location and identifying opportunities for subcontracting.

A successful broadening of services provided by NBAS requires matching them to the target groups. Again, this should be primarily the responsibility of the consultants. Actual matching could be accomplished through a public information campaign. Information on, for instance, the success rate of start up grant recipients should be an integral component of the campaign. In the light of preventive measures, the campaign is set to provide more insights and opportunities for SMEs, new ways of coping with ever-growing and ever-changing business environment.

**Figure 11: NBAS advisory scheme**



## 12 Re-cr  er

### 12.1 Vision

Re-cr  er (Re-start in English) is a non-profit association of entrepreneurs, located in Paris, France. Its role is to support its members meeting business difficulties, help improve legislation and contribute to changing attitudes towards bankruptcy.

The association Re-cr  er was created in 1999 by Maurice Meyara and Herv   Lecesne, with the backing of the French Chamber of Commerce and Industry and the French Association of Bankers.

Re-cr  er aims to gather entrepreneurs, both the ones having experienced a failure and those currently running a company or considering becoming entrepreneurs, in order to exchange experience, provide mutual support and draw attention to the risks involved in business. The association also aims to reflect on legislative amendments in this area and to change attitudes towards a fresh start after failure.

In France, a second chance is very problematic, since there is still a strong stigma attached to failure. Therefore, a need was felt to provide a platform for exchanging experience among entrepreneurs on how to deal with difficulties, which led to the start of Re-cr  er. The association sets out to boost the confidence to those who have suffered or are still suffering the consequences of business failure. Members can also ask for the support of experts in various areas such as lawyers and financial consultants.

A book relating different cases, 'Sept   tapes pour rebondir apr  s une crise' (Seven steps for bouncing back after a failure) has been recently published on behalf of Re-cr  er. The book emphasises the fact that a business failure should not be perceived as a personal one. On the contrary, based on the acquired experience, restarting a new business after a failure places the entrepreneur in a stronger position.

If, originally, Re-cr  er was created to assist the "business failure" cases and help them to restart a new activity, the scope of the association was expanded to now include a major effort on how to prevent these failures, and how to explain to the beginners what they should do to avoid (or reduce) further troubles. **In order to achieve this goal, the association developed and is currently running the 'Workshops', which are described later.**

Re-cr  er currently includes over 100 paying fellow-entrepreneurs, and is actively working on changing public attitudes towards business failure.

### 12.2 Target group and customer structure

In order to meet the goals described by Evers & Jung, this case study will focus on the **Crisis intervention/Prevention system** put together by Re-cr  er.

The target group is composed of existing small and medium enterprises (SME), with between 5 to 150 employees, experiencing difficulties and/or willing to learn how to

prevent and fix the day-to-day problems. The statistical split by age or industrial sectors is not significant. The 200 companies already involved in our workshops cover all sectors (catering, mechanics, editing, data processing, web business, transportation etc) and represent all ages (from experienced to beginner managers).

Based upon our last five years of experience, the main reasons for entering difficulties have been:

Business Plan incomplete and not detailed enough;

- Lack of visibility on the market and on technology evolution, competition, required funding;
- No anticipation vs. future problems (market, product, finance,) how to identify them and provide a timely answer;
- Lack of knowledge vs. structures and tools already existing and offering entrepreneurial assistance and solutions.

The customers are informed of our services via different channels:

- Press coverage of Re-cr  er public sessions and presentations. People are asked to connect themselves to our website (re-creer.com)
- Mailing via our data base;
- Referral channels: Tribunal of commerce, lawyers, accountants;
- Word of mouth.

## 12.3 Business operations

The entrepreneur is requested to pay an annual membership (60  ); the remaining services offered are free of charge.

We put together a 'workshop' approach, where a group of ten to fifteen entrepreneurs agree to meet on a monthly basis for a full year, in order to exchange 'real information' on the problems they met and the solutions provided. **During these past 5 years, we had about 200 enterprises attending our workshops and appreciating them.** All practical questions and answers raised during the workshops are collected and a book 'Anticipez et Ma  trisez vos Difficult  s' (Don't let your business difficulties get out of hand: anticipate) has been recently published, in order to share the findings.

The case included in this document (Company L: see chapter 8) results from one of these workshops and represents a typical example of our methodology (problems encountered, reasons behind these problems, solutions provided).

Our focus in these workshops is crisis management and how to prevent those crises.

From a methodology point of view, the workshop is an answer to the following challenge; how to have a (French) entrepreneur agree to come and share his problems and listen to existing solutions, before it is too late.

Administrative structures (Tribunal of Commerce, Chambers of Commerce) do provide prevention tools and are trying to help, but their impact is primarily on legal and financial matters, not on business development and crisis prevention.

Private consultancy teams also exist, but are generally too expensive for most SMEs and are not really used.

Keeping in mind the “failure stigma” mentioned above, the heart of the problem is that the French entrepreneur does not get enough help, especially when he is in trouble and is not really looking for assistance until it’s too late. The workshop, which might be compared to a ‘group therapy’, allows him to share his problems in a friendly environment (not a courthouse), to discover that his new fellow-entrepreneurs have the very same problems he experienced, and to get exposed to numerous solutions applied by his counterparts to fix the problem.

It is not a passive approach to a lecture on ‘how-to-do’: it is indeed a personal implication in day-to-day business, including the discovery of mistakes made and associated solutions. It is an ‘experience sharing’ concept and not a ‘lesson’ on how to do better.

Re-cr  er is trying to pass on the message that a timely prevention works, and that tools for assisting entrepreneurs in the management of their crisis exist. The whole procedure, however, does require **Anticipation**. ‘The sooner, the better’ is indeed one of the key findings.

Re-cr  er is also running informative sessions, open to the members, on technical matters (i.e., new financial tools and opportunities; dealing with banks; negotiating with social security/taxes collectors) as well as on management issues (i.e. how to qualify an upcoming crisis; buy time; human resources). It must be emphasised that these sessions deal with ‘real and practical matters’ based on members’ experience and concerns. There is no ‘theory’ described: we are not a business school.

The workshop is led by one of our consultants (we have five now) who has been, and/or still is, an active entrepreneur and experienced the difficulties discussed. After five years of practice, the workshops covered almost all the aspects of the crisis, and the questions and answers are collected in the book. The consultants can easily share this common experience.

It is almost impossible to give statistical information on the end result of these workshops (how many companies have been saved?):

‘Save’ must be defined, first of all, saved for how long?

The recovery process selected by the entrepreneur takes generally several months, if not years. We are still in the learning curve

To acknowledge that a market does not exist any more, to take the time to properly close the existing company and start a new one in another area, is also an achievement. It is not a ‘rescue’.

However, all the participants coming to the first workshop session of a year, stay – statistically – through the whole year (8 to 10 sessions) Almost everybody (90%, if not more) agree by the end of the year that they learned a lot and are now much better

The workshop approach allows entrepreneurs to experience that their fellow entrepreneurs have the very same problems as them.

After one year of workshop attendance most of the entrepreneurs agree that they are now much better prepared to face difficulties.

prepared to face the difficulties or to solve them. Again, the answer is not necessarily the future development of their business. At least, they have a better understanding and visibility on what is going on, and what are the different options.

It should be re-emphasised that Re-cr  er does not provide a personal, specific service (or advice) to a given company. The entrepreneur is and will remain the only one in charge of his business. Re-cr  er assists and helps (or forces) him to reconsider the status of his company and make the right moves. If a company is saved, all the credit should go to the manager, not to Re-cr  er.

## **12.4 Business organisation**

### **12.4.1 Team organisation and structure**

Re-cr  er is a non-profit association, counting mainly on volunteers to do the job.

We have one half time assistant, as a permanent person.

The working team includes about twenty people, all confirmed professionals (i.e. entrepreneurs, Tribunal de commerce presidents, lawyers, accountants). About 2/3 of these people are still active, the remaining ones being newly retired. For this working team, 20 to 30% of their hours are devoted to Re-cr  er, depending upon the people and the period of the year. The whole structure works as a network, the required competences being always available within the group.

### **12.4.2 Workplace**

The workshops are held in Paris, in meeting rooms lent by a university.

The association itself is hosted in Paris at the Cabinet Meyara, an accounting firm (Maurice MEYARA is also the co-president of the association). We have a dedicated meeting room and a private office, with the corresponding data processing equipment and a website.

## **12.5 Methodology**

### **12.5.1 Structure of the advice process**

Re-cr  er provides an inbound telephone service for SMEs. The incoming calls are transferred (not necessarily in real time) to one of the consultants, who tries to understand – via an informal discussion – what is the real status of the company involved. He is helped, once again, in this exercise by the methodology built up in the book.

After an initial conversation (30 to 45 minutes) with the caller, we try to convince him to join one of our workshops and informative sessions, and to read our book. If needed, we advise him to get in touch with a specialized consultant and may offer him – upon request – a list of selected teams working with us (i.e. development, legal, accounting, crisis management) at agreed conditions (quality and cost).

Up to now, Re-cr  er was mainly focused on passing on the message, 'Don't let your business difficulties get out of hand: anticipate' to the SMEs, and on building up a practical method for handling a crisis. This has been achieved through the workshops and the book and will continue.

### **12.5.2 Description of instruments and tools**

The key points addressed in our book are:

- Strategic management for an SME: importance of having a strategy, market follow-up, product development, business planning, controlling tools.
- Operational and financial anticipation: what to do when the company is in good shape in order to prevent (and reduce the impact of) the future crisis.
- Crisis management: recognise, explain and qualify a crisis; find ways of getting out of it; buy time; get help.

The book also describes the available administrative procedures to assist a company in trouble, the financial tools open to an SME and how to handle the relationship with banks.

Re-cr  er does not want to be, up to now, a service company coaching, via a specific contract, an entrepreneur in trouble. On the contrary, we try to develop a manager with a sense of his own responsibility and offer to discuss the matters, as open as they might be, but not to finalise the answers about what to do with his company. This implies that Re-cr  er does not want to keep track of all these conversations nor build a formal database on the information collected. The manager can, of course, call back the consultant personally involved but it is up to him to do so. We do not consider ourselves to be in charge of the problem. We are just trying to help.

## **12.6 Acquisition**

### **12.6.1 Marketing concept**

Re-cr  er takes advantage of the numerous meetings and shows held in Paris (Salon des Entrepreneurs, Salon de la Micro-entreprise) to describe its actions and messages and summarise the findings included in the books published under its name.

The Re-cr  er website ([www.re-creer.com](http://www.re-creer.com)) advertises the up and coming events including workshops, technical sessions, general sessions as well as the different books published.

### **12.6.2 Networking, partners and referral channels**

Re-cr  er had to establish its own credibility before structuring a network of referral channels. This step is considered to be achieved and we are in the process of establishing formal relationships with Courthouses and Chambers of Commerce, accountants and lawyers.

## 12.7 Business development

### 12.7.1 Financial development

Up to now, the only financial resource of the association has been the annual membership (60€). As mentioned, the large events taking place once or twice a year, organised by the association are sponsored (e.g. banks, insurance, financial firms) but are not making any substantial money.

We might, in the near future, ask for national or regional grants. If we agree to build and offer a more structured approach to the problem (see below).

### 12.7.2 Project growth

On the one hand, we do believe that the research work achieved on how, in 2006 in France, to help SMEs prevent and handle crises is a solid and practical material that can be very useful.

On the other hand, Re-cr  er did not put itself in a situation of handling mass action towards all the French SMEs. We have neither the money nor the resources for enlarging our target of helping a few hundred entrepreneurs per year compared to the hundred of thousands which would be concerned.

This problem is now under consideration. The following approaches are currently being studied:

- Extend the Paris structure to seven or eight regional Re-cr  er centres;
- Discuss and sign business protocols with the French Ministry of SMEs, the Tribunal of Commerce and the regional Chambers of Commerce in order for Re-cr  er to do the job and get the corresponding funding;
- Discuss and sign business protocols with regional structures (large cities) or existing national organisations (like Adie) already serving a large amount of customers;
- Keep the existing Re-cr  er as a non-profit association and under its control, open business oriented units to provide the requested resources to do the job nationwide.

For that reason, the international experiments collected through Evers & Jung's effort are very valuable to us and will be carefully studied.

## 12.8 Example: Case Study

Example of a typical action of Re-cr  er on a company – direct workshop input.

### Company L

The case of company L is typical of the way Re-cr  er can help the managers of small businesses identify and overcome the difficulties they have been facing.

### **The root of the problems**

For a number of years the Company L had experienced a strong and profitable growth on the computer training market for individuals. Most of the customers, up to 70%, were contacted through a partnership with an institutional body. The individual training segment started to decline from 1998 onwards. At first, such a decline was deemed temporary and was offset.

Due to a change in strategy of the partner organisation, they had gained two large corporate contracts. The loss of one of these contracts combined with a further drop in the private segment led to an overall decrease of turnover and significant losses.

Moreover, the company head – an extremely qualified professional in his field – had not taken the full measure of the day to day management problems and had not implemented proper budgeting and cash management tools. This had had no impact when sales were buoyant but became a critical issue during more difficult times.

Since the sales decline was not perceived as structural and lasting, the search for alternate solutions was delayed. The company only started to react in 2000 by the recruitment of an experienced salesperson dedicated to corporate sales. The company head had to inject considerable sums into current accounts in order to keep the business afloat.

In mid-2002 the company was on the verge of bankruptcy.

### **Bouncing back - the importance of outside help.**

In April 2002 the company head contacted Re-cr  er and took part in our workshops. In September, before filing for bankruptcy, he called the workshop coordinator to express his disarray. The next day they organised a meeting where they discussed the situation and investigated the possibilities of saving the company.

### **Analysing the strong points**

The key factor was the upturn of the P and L. The commercial efforts had born their fruits with a 25% sales increase compared to the same period of the previous year and the operating result was again in the black.

Moreover, after restructuring the management, the company head could rely on a professional team. Therefore it was decided to build a strategic plan whilst tackling the problem of the debt.

### **A structured re-launch plan**

The pertinence of the new sales positioning was validated and it was decided to resume the efforts towards the corporate segment of the market. The high rate of renewal of existing contracts – 80 to 85% allowed an expectation of a 15 to 20% growth of the turnover for the next two years. At the same time, the sales team in charge of the private customers segment was renewed in order to stop the decline on this market. A diversification plan was also discussed.

Operating expenses were reduced thanks to a reduction of the workforce by 3 people, two of them through not replacing people who were leaving the company. More

importantly, all supplier contracts were scrutinised which led to very significant cost reductions, mainly in the area of maintenance, office equipment rental and telecommunications. As a whole, overhead expenses were reduced by 10% without any significant impact on the company's operation.

All these elements showed a balanced operating account for the current accounting year, with profits expected for the following years.

### **Solving the cash problem**

Several actions were taken to quickly improve the cash position:

The collection of accounts receivable was accelerated by specifically assigning one person to this task, thus reducing the average collection time from 75 days to 45 days;

The company asked for a rescheduling plan for its fiscal and social security debt under a specific procedure called CCSF. Due to the ongoing recovery this plan was accepted, which allowed the company to reschedule all its tax debt over a two year period. Similar deals were signed with private creditors;

The company head agreed to forego his remuneration for a three month period, giving enough time for the structural actions to be effective;

After a year, most of the cash problems were solved, the sales were up by 15% and the net result was positive. This allowed the company head to organise a capital increase in order to improve the balance sheet.

### **Summary**

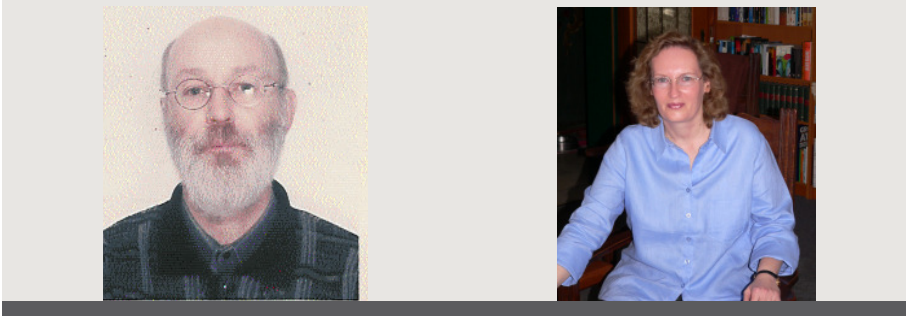
Overall, the recovery took over two years, during which the company had regular support from "Re-cr  er", directly and via the workshops.

The company manager stayed involved with his original workshop team throughout this difficult period and agreed that he received from his counterparts an impulse (to define a new strategy), advice (on how to do it), and more importantly, the understanding that his problems were very similar to the ones experienced by the group and that solutions did exist. This gave him the strength to react and overcome his difficulties.

Next to receiving new impulses and advice, the workshop attendant felt understood.

## 13 Schuldnerhilfe Köln e.V.

Figure 12: The Schuldnerhilfe Köln e.V. team



### 13.1 Vision

The German KRISENHOTLINE KÖLN (German for “Crisis Hotline Cologne”) is a telephone-based consultancy service for entrepreneurs from the city of Cologne and its surroundings. It applies as well to micro-enterprises wanting to take measures in order to prevent a crisis, as well as businesses who are already facing a severe situation and need guidance for an active crisis accomplishment. Under the motto ‘prevent – recognise – act’ the crisis hotline built up a systemic guidance scheme and enables its clients to develop a hands-on mentality.

Micro-entrepreneurs have been shown to have high inhibitions to ask for professional help and generally get active when it’s too late. This was the reason for starting the Crisis Hotline Cologne in the year 2003. The consultancy offered by the hotline has a low threshold and is mainly aiming at saving work places and preventing insolvency. If the rehabilitation is not possible, the entrepreneur will be guided through insolvency.

At first this telephonic service was carried out by the Institute for Financial Services, Hamburg (iff) in line with the research project ‘bankruptcy-prevention and crisis intervention for small businesses’.

After a four month pilot phase, the Crisis Hotline was continued by the SCHULDNERHILFE KÖLN e.V.: At first for its own account and from July 2003 with funds of the Chamber of Commerce and Industry Cologne, Bonn/Rhine-Sieg and Aachen. Since then the hotline is mainly consulting enterprises with a chamber membership. Anyhow the service remains open to all micro-entrepreneurs belonging to the above mentioned target group. In addition the hotline consults small businesses with a migration background.

Small businesses with economic difficulties tend to have limited access to qualified AND affordable consultancy services. The advice of consultants, lawyers or tax advisers is often too costly for the target group. Furthermore consultants are often rather specialised to give advice to medium-sized enterprises.

The hotline can be understood as an interface between face-to-face consultancy and continuous information meetings on the insolvency code offered by the local CCI. These are also conducted by the SCHULDNERHILFE KÖLN e.V. The USP of the

Crisis Hotline is therefore the integration of telephone coaching in a holistic consultancy process. An early offer of consultancy and assistance is an effective method to prevent insolvency.

The Crisis Hotline offers three consultant modules for the named target groups:

- Crisis prevention;
- Crisis management;
- Guidance through insolvency.

The past experience has shown, that guidance through insolvency barely exists for micro-enterprises although a systematic market exit is essential for a second chance either as an employee or as an entrepreneur. Overindebtedness has been proved to hinder the attempts to re-enter the labour market.

## 13.2 Target group and customer structure

The target group are entrepreneurs of existing micro-enterprises and start-ups with up to five employees finding themselves in a severe economic situation and being situated in the surrounding of Cologne, Bonn and Aachen. The consultancy applies mainly to chamber members. Nevertheless, the service remains open to all micro-enterprises of all branches, in particular craftsmen. In single cases, clients with a migration background are offered advice in their native language.

Concerning the customer structure of the Crisis Hotline, its service is mainly required by sole-traders (83%). Next to that holders of the German equivalent of the limited liability company (GmbH) (11.5%) and the civil law association (4.5%) take advantage of the Crisis Hotline. Most of the clients operate in the services sector (46%), the wholesale and the retail market (25%) and the gastronomy (13%). Businesses in the craft sector are under-represented with only 13% of the clients. A minor part of the group are professional persons.

46% of the consulted businesses are older than 5 years, 31% between 2 and 5 years, 12% between 1 and 2 years and 11% have been on the market for less than one year.

Half of the clients get to know the Crisis Hotline upon recommendation of the Chamber of Commerce and Industry. A quarter of the clients were referred to the Hotline by other debt counselling companies. Another quarter become aware of the service through their own research on the internet or in the telephone book.

The majority of the businesses consulted are sole traders being assisted by their families (90%). The companies with 2 to 5 employees represent only 10%.

The chance of recovery is very small for the majority of the clients. In order to prevent further loss, the closure of the business is in most of the cases much more sensible.

Most often the crisis was caused by insufficient commercial knowledge of the entrepreneur, inadequate financing (low equity), missing account management and lack of liquidity planning. Due to the lack of alternatives on the employment market, some entrepreneurs have the tendency to continue trading by all means. Frequently, the crisis indications have ignored for a long period.

Lots of the consulted businesses have been having liquidity problems (e.g. problems with the house bank such as closure of the current account or problems with fiscal authorities), when appealing to the Hotline.

A close interconnection of private and business matters is typical for the target group. Taking this into account it is clear that private debts can't be isolated when recovering the business.

### **13.3 Business operations**

The Hotline offers independent and objective consultation via phone. It operates on Monday (3 to 6 pm) and Thursday (9 to 12 am). Concerning the telephone costs for the callers, they will be only charged the standard rate. An average call takes about 15 minutes.

The hotline offers Micro-Enterprises a first diagnosis of the crisis, a short guidance e.g. on dealing with fiscal authorities or maintaining the enterprise and gives advice on how to protect oneself in the case of enforcement.

The consultation may also serve as a measure to prevent crisis or to detect them in an early stage. Next to that, the Hotline refers to more intensive internal or external consultancy services (e.g. CCI-Information Events for insolvency law, group or single consulting, Round Table of the CCI). Furthermore, it provides internal or external self-help material. According to the client's individual needs, the different offers can be combined.

After the telephone consultancy, the client is offered a face-to-face consultancy at the SCHULDNERHILFE KÖLN e.V. on demand. In individual cases the guidance takes place in the premises of the entrepreneur. The consultancy includes an analysis of the business documents which is conducted together with the entrepreneur. If necessary the guidance can proceed with the involvement of creditors and banks.

If the possibility to save the enterprise is given, the client is shown which steps he has to undertake in order to save his enterprise. The entrepreneur will be accompanied on his way to the realisation of the concept. If necessary, clients wanting to save their enterprises are also offered additional support.

If the consultancy shows that there is no chance for recapitalisation, the hotline helps to ensure a controlled liquidation and debt-regulation. If necessary, the relevant terms of the insolvency law framework will be explained to the client. Subsequently he will be supported until the declaration of insolvency.

To draw the attention of the establishment to a 'culture of a second chance', the consultancy of re-starters plays an important role in the work of the helpline.

### **13.4 Business organisation**

#### **13.4.1 Team organisation and structure**

The Crisis Hotline Cologne is coached by a lawyer with additional economic skills and a business consultant with experiences in the consultancy of start-ups and micro-entrepreneurs. The consultants have great experience in the discovery of early warning signs in the start-up phase of an enterprise. Furthermore, they are skilled in

the management and securitisation of enterprises. The team has interdisciplinary experience in:

- Debt and insolvency consultancy;
- Consultancy interlinked to the securitisation of enterprises;
- General business consultancy;
- Start-up consultancy;
- Bank strategy.

The consultancy focuses on activating the self-help potential of the entrepreneur. Very often companies in crisis situation tend to have a one-way-view and feel paralysed as a result of the multiplicity of problems. The consultant presents solutions and alternative actions and therefore enables the entrepreneur to actively involve himself in the survival of the crisis. The role of the consultant is to present opportunities of action and to support the client in his attempts to overcome the crisis. The decision which way to chose has to be taken only by the entrepreneur himself.

To become a team-member of the Crisis-Hotline, you have to have longterm experience in debt and insolvency consulting.

Profound knowledge of the insolvency code for consumers and for professionals is mandatory. Furthermore the consultants have to dispose of expertise in business administration, in particular competence in the identification of early warning signals in start-ups and micro or small enterprises. Next to that they have to be aware of the particularities in the consulting of re-starters (failed entrepreneurs that take a second chance to set up an enterprise). In matters of the methodology of the consulting of micro and small enterprises, the advisers should be able to bring complex information in a manageable form.

To ensure a consistent high quality, the consultants participate in internal or external trainings. Part of this further education is, for example, topics that are interlinked to legal or management aspects. Concerning the methodological part the consultancy, the major part of this training is communication workshops with special emphasis on conducting dialogues.

Next to that the team members of the Crisis-Hotline exchange ideas with employees of other debt-counselling agencies on a regular basis. Furthermore, the Crisis-Hotline receives professional support from the G.I.B. (the translator: The abbreviation stands for 'Society for innovative Business Support').

#### **13.4.2 Workplace**

The Crisis Hotline has a separate office in the premises of the SCHULDNERHILFE Köln e.V. This location enables an unbureaucratic, professional exchange and a co-operation with other colleagues.

The technical equipment consists of a telephone system and computers. Due to the lack of software adapted to the specific needs of the Hotline, the statistic evaluation is based on handwritten notes.

## 13.5 Methodology

### 13.5.1 Structure of the advice process

see annex 1 ( help-system)

The client evaluation conducted every six months serves as an important instrument to ensure a consistent high quality. The clients receive a questionnaire, which is one page long, for completion. They are asked to assess the quality of the given advice and the professional knowledge of the consultant. Next to that they are asked whether they have further needs for consultation. Also the availability of the Crisis-Hotline is assessed. Concluding, the clients can make suggestions for further improvement of the Hotline and have the possibility to write down critical issues.

Altogether the interviewed clients are very satisfied with the quality of the advice given and the professional knowledge of the consultants. Even the length of the consultancy is regarded as being sufficient.

The availability of the Crisis Hotline was in need of improvement at first. After an answering machine was set in place, the availability improved and was judged to be sufficient. Due to financial reasons, the incitation to offer a free-of-charge first call was not possible to realise.

### 13.5.2 Description of instruments and tools

Self-help material, either from internal or external sources, plays an important role in the consultancy process. In co-operation with two other partners that are active in the field of debt-consultancy ("Diakonisches Werk Dortmund" and "Verein Schuldnerhilfe Essen") the SCHULDNERHILFE Köln e.V. has developed twenty leaflets with different themes ranging from the distraight of current accounts to guarantees, statutory declarations and declarations of insolvency. Those are also available in the Turkish language.

The material is complemented by spreadsheets for the determination of the economic income and private costs. Furthermore, the entrepreneur can make use of sample letters provided by the Hotline. Next to that, the Hotline also recommends and sends the material of the G.I.B. to its customers. Last but not least, leaflets from the Chamber of Commerce and Industry Cologne, Bonn/Rhine and Aachen can be downloaded.

The Crisis Hotline has no own website, she is integrated in the platform of the SCHULDNERHILFE Köln e.V.

## 13.6 Acquisition

### 13.6.1 Marketing concept

Important institutions like the Chamber of Commerce and Industry, the Chamber of Crafts, regional insolvency courts, economic federations, the Office of Business Development, the local organisation "women and economic", regional debt consulting agencies, the Consumer Advice Centre in North Rhine-Westphalia and banks are informed about the crisis hotline. Furthermore the clients are referred to the hotline through network partners. Next to that, the flyer of the hotline serves as an adequate

instrument to win new clients. The website of the SCHULDNERHILFE Köln e.V. leads to an increased request of the Hotline, too.

Half of the clients are referred to the hotline by the Chamber of Commerce and Industry, a quarter by local consultancy organisations and another quarter find their way by internet research.

In the course of another acquisition strategy, posters of the Hotline were distributed to insolvency courts, employment offices and consulting agencies.

Next to that, the Hotline is advertised in the yellow-pages of Cologne, Bonn and Aachen.

Advertisements in daily newspapers have proved not to be very effective and were meanwhile stopped. The Hotline places ads in the journal of the Chamber of Commerce and Industry on a regular basis – an enhancement in the utilisation of the service has been recognized in each case.

### **13.6.2 Networking, partners and referral channels**

Thanks to the cooperation with the regional CCI, the service is advertised once a year in the chamber journal. These articles are an important and effective marketing instrument.

A practitioner exchange takes place with the G.I.B. ('Gesellschaft für innovative Beschäftigungsförderung,' 'the community for innovative employment'). The G.I.B. has developed a concept for early crisis recognition and crisis consultancy for micro-entrepreneurs. This includes a phone-based helpline for consultants and the provision of material interlinked to crisis intervention through the internet.

The consultants are members of the following research groups and networks:

Research group 'Selbständige Migranten' (Self-Employment Migrants) created by the 'Zentrum für Türklestudien' (Centre of Studies on Turkey). In this project group members of migrant associations, the KFW 'Kreditanstalt für Wiederaufbau' (The Reconstruction Loan Cooperation) and the Ministry of Economics North-Rhine Westphalia are involved amongst others.

'Arbeitskreis für Insolvenzwesen Köln e.V.' (Research group for Insolvency Cologne) dedicating itself to professional and practical support, adjustment and development of the German and international insolvency code through information and exchange of experience.

The Cologne network 'Gemeinsam gegen Arbeitslosigkeit e.V.' (Together against unemployment). This self-help-organisation has the aim to help people to overcome unemployment. The Cologne network offers for example a consultancy for start-ups created out of an unemployment situation.

Next to that the organisation has good contacts to the Office for Business Development of the city of Cologne and the local organisation 'women and economics'.

## 13.7 Business development

### 13.7.1 Financial development

The Chamber of Industry and Commerce covers the costs of personnel and material costs of the crisis hotline (one full-time employee and one employee on free-lance). The costs for the facultative face-to-face consultancy are only financed through the fees charged to the accounts of the entrepreneurs but the flat-rate of 95 EUR is not cost covering.

### 13.7.2 Project growth

In the year 2005, 580 phone-based consultancies and 135 face-to-face contacts took place. On average the two consultants had 6 phone-based guidancies per week. In comparison to the previous year, a rise of 30 % can be observed.

For the future it is planned to set up structures enabling micro-entrepreneurs to find inexpensive additional fiscal advice. To accomplish this goal, the hotline builds out cooperation with regional CCI's and NGO's.

Furthermore the service of the Hotline will be complemented by a nationwide operating 'SCHULDENHELPLINE' (Debt Helpline). The Helpline is targeting on indebted private households and failed entrepreneurs by providing them with a first-aid consultancy and referring them to qualified consulting agencies in their surrounding area. In addition, it will serve as an information platform for those that are confronted with overindebtedness/debt prevention as multipliers or family members.

## 14 Transformando

### 14.1 Vision

**Transformando** was founded in 1998 and is the result of the merger of efforts of a multidisciplinary group of professionals, coming from both the big business environment and the smaller local development ones, with the common interest for the social compromise.

It is a non-profit cooperative based in Madrid specialising in developing self-employment training methods and providing start-up support to micro-enterprises run by socially excluded groups such as immigrants, ex-drug addicts, the homeless, women and young people.

Within the different kinds of support that excluded people receive (be it from the Public Sector, NGOs, etc.) **self-employment is the only way where the receptor is the main actor of the project**. It is based on his/her idea and its accomplishment will depend on them, no doubt the success also. Here the help does not imply charity in its most 'paternalistic' sense meaning that the well being of the receptor will last so long as the donor exists, whereas if someone is self-employed and the business succeeds the sustainability is guaranteed, entailing the **economic and social inclusion** all in one.

The **guidance** that we provide is offered to both **start-ups** (from the very first point where the idea is still to be defined up to the constitution of the micro-enterprise) **and existing enterprises** (giving support in the areas where they are failing).

Madrid-based Transformando is specialised in giving business support to socially excluded groups.

### 14.2 Target group and customer structure

The characteristics of our customers are as follows:

**Personal condition:** socially excluded entrepreneurs such as immigrants, ex-drug addicts, the homeless and women with difficulties.

**Ethnic origin:** we work with the social and economically excluded local people (from all over Spain) and within the immigrants mostly with south American, African and Western Europe people.

**Age:** between 30 and 60 years old

**Legal form:** micro-enterprises (including cooperatives) and self-employed

**Industrial Sectors:** services, retailers, restoration, textile and construction.

**Need of guidance and causes of crises:** lack of management skills, lack of knowledge of the Spanish market and its cultural implications, acquiring or maintaining

customers, personal or familiar situation, liquidity problems, human resources planning etc.

**Contact channels:** derivation from other NGO’s, our website, advertising in specialised media, word of mouth

**Table 3: Customer structure of Transformando**

Origin				Interest			
SPAIN	LATIN AMERICA	EASTERN EUROPE	OTH	TRAINING (business management in general)	Consultancy	Financing	OTH
5%	80%	10%	5%	50%	20%	20%	10%

**Table 4: Causes of Crisis (lack of...)**

Acquiring/maintaining customers	Economic planning	Management skills	OTH
30%	30%	20%	20%

**Table 5: Contact Channels**

Derivation from NGOs	Our website	advertising in specialized media	mouth to mouth
20%	20%	50%	10%

### 14.3 Business operations

Our aim is to **enable socially excluded people to employ themselves or improve their working status** by providing them the necessary **tools** so that they can integrate into society economically wise.

Our main services are:

- **Training:** pre starting phase (business plan), management while doing the start-up, crisis intervention and management of change. We also provide training in specific issues such as taxes, requesting funds, commercial techniques, etc and training to trainers.

The main aim is to enable the socially excluded to employ themselves or improve their working status.

- **Mentoring/tutoring:** face-to-face, on-line and by telephone addressed to entrepreneurs who find themselves in a difficult economic situation.

Transformando is the promoter of the **European Project LACER** financed by the EU through the Leonardo Program and after 3 years, is about to accomplish an **adapted training methodology for the creation of new businesses by qualified immigrants.**

**Consultancy to NGO's** (strategic planning, quality, formulation and evaluation of projects).

**Publication of handbooks:** simplified and accessible business management advice.

Transformando promotes "Empresa de Jardineria Multicolor", which is an **Insertion enterprise** dedicated to gardening **which employs socially excluded people** with the aim of giving them access to a normal job in a year's time.

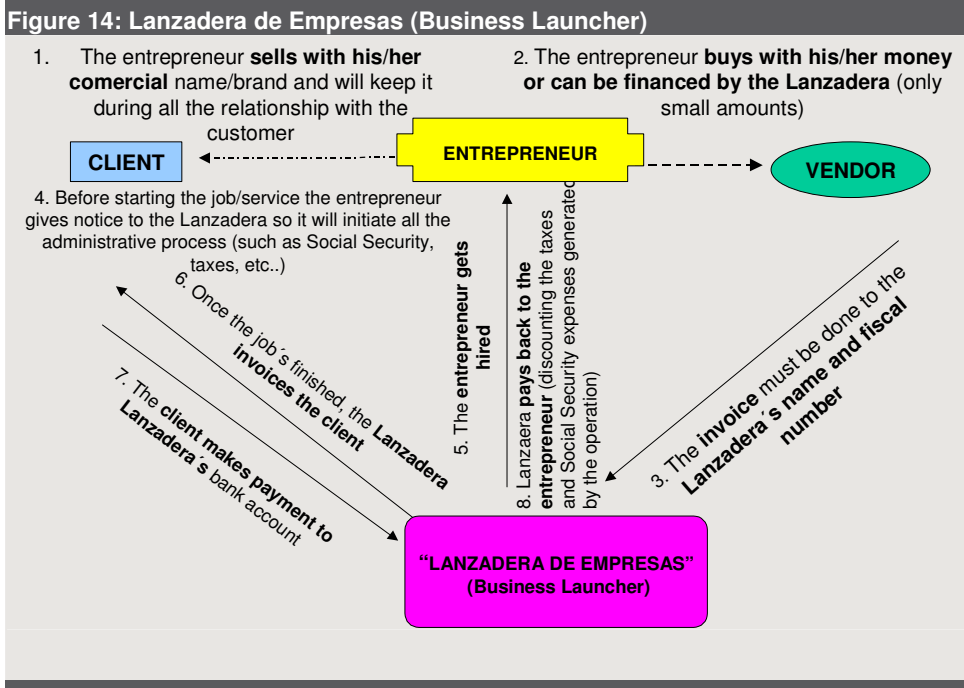
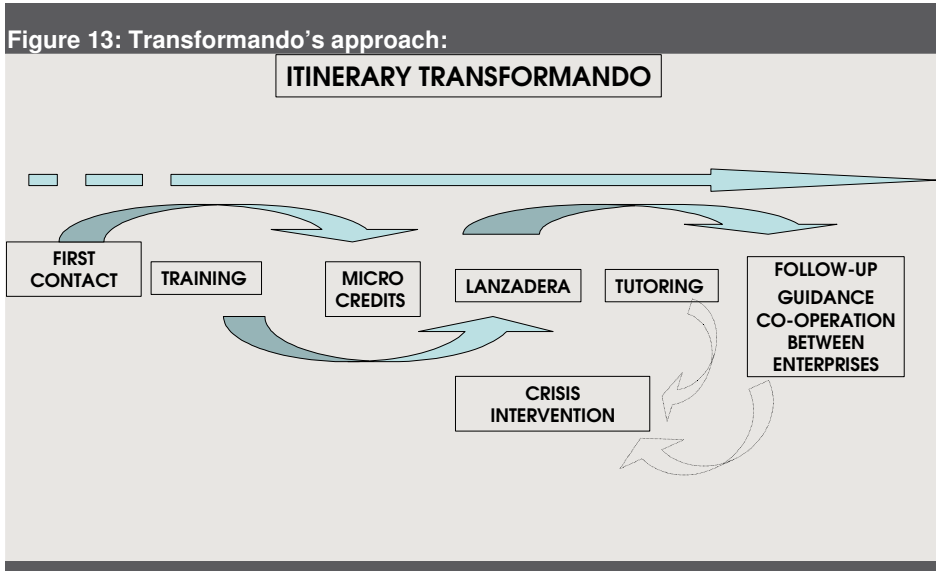
**Start-up administrative and legal coverage (pls see diagram 2 below):**

Transformando also provides the service "**Lanzadera de empresas**" which gives administrative and legal coverage to people who want to be self-employed but cannot get established yet. It allows them to test their services in real conditions but without having to constitute themselves as a company. It reduces considerably the risk of the start-up and provides them a Fiscal identification code so they can:

- Buy as a company obtaining better prices from the vendors;
- Deduct VAT receivables;
- Invoice the client;
- Be covered by Social Security;
- Be covered by insurance.

**Microcredits:** Transformando works with 'Fundacion Un Sol Mon' (from the Spanish Bank Caixa Catalunya), providing microcredits for employment, giving support to activities capable of generating incomes and offer labour stability to the applicant, who has not the warranty nor the reference required to have access to a credit from the traditional financial system.

**Networking:** Transformando is member of several social networks and promotes the same networking between the entrepreneurs organising events and free training sessions. It also encourages the co-operation and relationship of customer and provider, between micro entrepreneurs.



## 14.4 Business organisation

### 14.4.1 Team organisation and structure

Transformando has a **multidisciplinary team of 10 professionals** (7 of them are working partners of the cooperative) who participate in the different activities and projects. Each member has successfully completed his/her studies, has **experience in the private sector** and shares the common **social education and compromise**. This applies for every consultant that joins the firm. We do not work with volunteers.

As 28th of February 2006:

- Full time workers: 7 (3 men, 4 women) 6 of them partners from the cooperative.
- Half time workers: 3 (2 woman, 1 man) working 62%=25 hours/week.

We also have an experienced team of external consultants that we hire when we have work overload, especially for training courses (usually of 3 months duration).

As a cooperative the organisational structure is horizontal, where all the partners have decision making responsibilities at the same level. All the members also have internal tasks within the company. The responsibilities of some of the team's members are as follows:

- Elena Fernandez: Industrial engineer. Working partner, in Transformando since 1998. General coordinator.
- Jose Maria Menendez: Industrial engineer. Working partner since 1998. Strategic planning and quality supervisor. Tutorship coordinator.
- Sophie Lens: Business administration, marketing specialised. Working partner since 2001. Training coordinator.
- Jose Luis Mejias: Business administration, labour market specialised. Working partner since 2002. Human resources and dissemination manager.
- Ana Gorostegui: law degree, Business administration specialised. Working partner since 2003. Microcredit program coordinator.

### 14.4.2 Workplace

Our company **has its premises in the centre of Madrid**, making it easily accessible to people coming from the entire province. In its offices there are several working places for the consultants team (although most of them work from home), a meeting place and a free space for the entrepreneurs with available PCs, internet access, printers, etc. and a library with handbooks and a variety of publications referring to micro-enterprise management.

## 14.5 Methodology

### 14.5.1 Structure of the advice process

Every two Wednesdays in the evening (19.00h so that people can come after work) we have an **induction group session** explaining all the services we provide to solicitants. Following that they have to fill up an application form with their personal data and expression of needs so that we can direct him/her to the proper service.

For the personalised advice in crisis intervention and management of change this is the specific process that is followed:

**1st meeting to identify the situation and need of guidance:** A consultant is assigned depending of the area/s to be worked with and depending on the industrial sector of the activity.

A **working plan** is then elaborated and presented to the client (the financier) and to the solicitant (it is a free service for them). It will vary between a total of 15 and 40 hours depending of the objectives to be accomplished.

**Weekly meetings** will take place face-to-face in Transformando offices or else in the solicitant's premises, to review the tasks assigned and assign new ones to be done before the next meeting.

An internal committee is always available in case specific advice or difficult decision making is required.

A control report will be updated after each session and a final report will be written with the global impressions and new situation of the client and if he needs any additional help or be referred to any other service.

Lessons learned in crisis intervention:

Face-to-face guidance is very time intensive and therefore costly, so we try to minimise them as much as possible. These meetings take place every 15 days and last 1 or 2 hours maximum with the outcome of a 'to-do' list for the entrepreneur that will be followed up by telephone or email. But to really know if the guidance is being effective, it is essential to visit the premises to certify everything. It is a fact that entrepreneurs sometimes lose sense of reality and once in crisis every little step or decision made is crucial.

Transformando has been working all these years elaborating crisis intervention tools and assessing the correct way to face changes. The main conclusion would be that all efforts must be made in the **prevention** of crisis, providing tools to the micro-entrepreneurs so that they can **detect and resolve** the possible problems in a consistent and efficient way, before they become irremediable.

Therefore it is an **integral an adapted attention**: training, credit, partners, assessment, etc. We **adapt the support depending of the collective and their**

Face-to-face advice is very costly and should be replaced by telephone or email where it is possible. Nevertheless it is essential to visit the premises of the client at the end of the consultancy to make sure that the training was effective.

**personal circumstances** (i.e. a constant and close approach for the ex-drug addicts, a flexible time table for immigrants.)

#### 14.5.2 Description of instruments and tools

Applying questionnaire: with the personal data and expression of needs of the solicitant.

Micro-enterprise management handbooks.

Films: to make the trainings more visual and amusing, we always use extracts of commercial films as case studies of the subject that is being taught.

Excel spreadsheet to measure cash flow, profit and loss account and balance sheet.

Basic business plan model to be easily completed.

Legal steps to be taken before closing up a business.

'Lanzadera de empresas', which was mentioned above, that can be translated as 'Business launcher'.

## 14.6 Acquisition

### 14.6.1 Marketing concept

Our customer targets are basically private saving banks and public institutions (no private companies, particulars or fundraising).

Our positioning is innovation and professionalism.

The channels used are mainly our website, our annual report, organised events to disseminate self-employment and advertising and articles in specialised media.

### 14.6.2 Networking, partners and referral channels

Transformando is an active member of several Spanish Networks as REAS (Alternative and Solidary Economic Network) and also European ones as the EMN (European Microfinance Network) and publishes advertisement announcements and articles in networking, partners and referral channels.

Almost all organisations that are involved in the crisis management of entrepreneurs in Madrid are informed about all the services Transformando has to offer, in particular, 'Lanzadera de Empresas' which has proved to be an innovative and useful resource for entrepreneurs who have special difficulty in setting themselves up on their own, and are therefore allowed to start making clients, billing them, paying social security costs, taxes, etc.

Almost all relevant Spanish organisations are informed about the offer of Transformando.

## 14.7 Business development

### 14.7.1 Financial development

Up til now the majority of the sources of Transformando have been public ones (50% EU, 25% regional, 25% local) providing free services to all our clients. It has been proven that a small amount can be requested from the clients, they are happy to pay for a good service and it even assures their compromise, assistance, etc.

Sources of financing for Transformando during 2005:

- Annual contracts with clients (permanent services): 16%
- Funded projects: 46%
- Direct services provided: 38%

### 14.7.2 Project growth

The objective is to **replicate our services all over Spain** once proven their sustainability, which will surely mean having to charge small amounts to the customers so it will not have to depend on public or private funding.

The growth of the cooperative will be done by 'divisions', micro-credits; NGO's consulting; training; etc.



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