META Group

IRT Customization report (Draft)

Discussion paper in view of the IRT consortium meeting of 15-16 October 2009

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SUMMARY

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1 INTRODUCTION

The present report is an internal document produced by Meta Group for the benefit of the transferee partners. The document aims to extract from the analysis reports produced by Technology Park Ljubljana and Innostart describing the innovation/entrepreneurship profile of their respective countries/regions (including the analysis of the current service offer in terms of entrepreneurship supports and needs expressed by entrepreneurs), the key elements useful for devising an effective transfer strategy and customization of the IRTRAIN programme.

As such it should be considered a working document providing input for the customization process to be discussed, agreed and finalized in a dedicated consortium meeting (foreseen for 15-16 October 2009).

Where necessary findings have been enriched with additional information collected by Meta Group via desk research, in particular in relation to the Trend Chart national country reports and findings from GEM exercise (Global Entrepreneurship Monitor).

The report has been conceived in order to highlight the main opportunities for the investor readiness training programme in each of the addressee countries and possible success/risks factors to be taken into consideration.

The report is structured into three main building blocks:

a) introductory section with presentation of the report scope, aims, methodology and an overview of positioning of the recipient countries in the international panorama

b) fact-finding section presenting analysis results of the two countries examined

c) discussion session: from swot analysis to customization hypothesis

1.1 OBJECTIVES

The present report aims to interpret analysis results stemming from the regional analysis in view of setting up a transfer methodology and strategy which has the highest potential of making the IRTRAINING programme a key instrument **to enhance investment attraction** from potential entrepreneurs in the addressee countries.

In particular we attempt to provide answers to the following questions:

- What skills and knowledge are required in order to meet investors expectations?

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- What training is currently used to obtain these skills?
- What is the gap between what is required and what exists?
- What is the market potential for investor readiness training in the addressee countries? Which opportunities can be caught?
- What are the potential or possible barriers to success?
- What is the optimum format for training delivery?

The information collected has been therefore analysed in order to define the potential market for the training course to be transferred (in terms in primis of target group identification – both at the level of training suppliers and final beneficiaries), the programme customization enabling to fulfil the skill gap detected, the delivery mechanism, promotion and marketing strategy to be employed, the framework conditions which can significantly affect the performance as well as the partnerships to be activated.

1.2 METHODOLOGY

Being this report based on the documents produced by the transferee partners, it reflects the methodological choices applied for the regional scan reports, namely:

- Macro-level analysis - desk research based for defining the regional innovation profile (in terms of socio-economic data, regulatory and policy framework, mapping of relevant stakeholder)
- Micro-level analysis – interviews with representatives of the entrepreneurship supply chain as well as a quantitative questionnaire delivered to potential final beneficiaries.

While the macro level analysis has provided information for assessing the entrepreneurial potential of the regions concerned also in view of policy and financial support available, the micro-level analysis has been determinant for the customization choices made, being the analysis centred on the current offer and needs perceived by both training suppliers and final beneficiaries.

However the level of information gathered is in some cases not sufficient to fully understand the training offer available and the resulting skill gap and training contents should be finetuned according to lessons based on the pilot execution.

Finally, it has to be considered that while for Slovenia, the analysis covered the national level, as far as Hungary is concerned, focus has been given to the Central Region, the most developed area in the country where highest opportunities have been reckoned.

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1.3 INTERNATIONAL POSITIONING

Before entering the specific conditions related to each area analysed, it is worth to offer a snapshot on the positioning of the above countries in relation to the international competition, so to feature the transfer process in relation to specificities arisen from comparison.

The EIS 2008 is the leading exercise endorsed by the EU Commission for benchmrking innovation performances of Member States. As such it offers the ranking of EU countries in relation to innovation. The ranking is built on a composite index which considers 29 indicators[1] grouped around the following categories:

ENABLERS captures the main drivers of innovation that are external to the firm as:

- *Human resources* – the availability of high-skilled and educated people.
- *Finance and support* – the availability of finance for innovation projects and the support of governments for innovation activities.

FIRM ACTIVITIES captures innovation efforts that firms undertake such as:

- *Firm investments* – covers a range of different investments firms make in order to generate innovations
- *Linkages & entrepreneurship* – captures entrepreneurial efforts and collaboration efforts among innovating firms and also with the public sector
- Throughputs – captures the Intellectual Property Rights (IPR) generated as a throughput in the innovation process and Technology Balance of Payments flows.

OUTPUTS captures the outputs of firm activities as:

- *Innovators* – the number of firms that have introduced innovations onto the market or within their organisations, covering technological and non technological innovations
- *Economic effects* – captures the economic success of innovation in employment, exports and sales due to innovation activities.

According to the EIS, Slovenia and Hungary are part respectively of the **Moderate Innovators** and **Catching up countries**, two segments which are situated in the lowest part of the ranking and which group those countries presenting an *innovation performance below the EU average* (a delay which becomes particularly significant for the Catching up countries and therefore Hungary, while Slovenia is in the upper part of Moderate Innovators

[1] Please see annex 1 for the complete table of EIS indicators

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with a relatively better potential) although it can be reckoned a convergence process which for both countries involved reckons a rate of improvement above that of EU 27.

For Slovenia, one of the Moderate innovators, innovation performance is *just below* the EU27 average. Relative strengths, compared to the country's average performance, are in *Human resources*, *Finance and support and Innovators* and relative weaknesses are in *Throughputs*. Over the past 5 years, Finance and support and Throughputs have been the main drivers of the improvement in innovation performance, in particular as a result from strong growth in Private credit (17.3%), Community trademarks (7.5%) and Community designs (8.6%). Performance in Firm investments, Linkages & entrepreneurship and Economic effects has increased at a lower pace.

Comments in view of the investor readiness training:

The good performance in human resources and the relative strength in the field of Finance and Support (enabling factors) are indication of a good potential for entrepreneurial driven initiatives like IRTRAIN. In particular the presence of a promising basin of skilled human resource is a key precondition for the success of entrepreneurship training. The strong growth registered in Privat Credit can be considered an indication of a developing private capital market which could benefit from investment-readiness preparation programmes. On the other hand the relative weakest performance in terms of firms investments, links and entrepreneurship witnesses a difficulty in raising value out of innovation and is probably expression of a support system which is not able to sustain the innovation process along the whole value chain.

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Hungary is in the group of Catching-up countries with innovation performance well below the EU27 average. Relative strengths, compared to the country's average performance, are in Economic effects and relative weaknesses are in Throughputs and Innovators. Over the past 5 years, Throughputs and Economic effects have been the main drivers of the improvement in innovation performance, in particular as a result from strong growth in Community trademarks (10.9%), Community designs (8.9%), Knowledge-intensive services exports (9.6%) and New-to-market sales (17.0%). Performance in Innovators has worsened.

Comments in relation to the *investor readiness training*: The low performance of Hungary is an expression of a still limited capacity to introduce and exploit innovation. However the relative strength registered in throughputs and economic effects, which are the output-related categories (and therefore indications of the ability to capitalize innovation which is particularly positive for knowledge intensive service export and new to market sales) can be interpreted as potential existence of a fertile ground for high profiled initiatives aimed at knowledge intensive entrepreneurship. However, the importance of FDI in the Hungarian entrepreneurial tissue may partially threaten this opportunity and partly explains contradiction the low performance in terms of firms innovating .

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2 SLOVENIA - COUNTRY OVERVIEW

In the following paragraphs is presented the innovation profile of the Slovenia, with specific regard to

a) the entrepreneurial potential

b) regional early stage financing system

c) policy and regulatory framework

2.1 ENTREPRENEURIAL PROFILE

Looking at main economic indicators available, the year 2007 was relatively successful in terms of economic growth and employment. The rate of GDP growth was over 6 %. The high growth rate also generated growth in the GDP p.c. in PPP, which reached 91 % in the EU-27 and 83 % in the EU-15. The high-growth rate was generated by substantial domestic investments in machinery and motorway construction, increased exports and private consumptions (BSI, 2008). The GDP growth triggered a decrease in unemployment (6 % in 2006 and 4.8 % in 2007), and slightly increased the labour productivity, per hour worked (from 69 % in 2006 to 71 % in 2007) (Eurostat, 2008). More problematic has been the raise of inflation, reaching 3.8 in 2007.

When considering business dynamics, Slovenia has a business demography comparable to EU (large predominance of SMEs, 99.8 percent of the total) which is the result of a positive trend in the level of entrepreneurship development for the years 2002-2007. According to the data collected by the AJPES (The Slovenian Agency for Public legal Records and Related services), in 2007 the number of registered enterprises was 111.201 of which the great majority SMEs (99.97 % of all enterprises and contributing to 46.9 % of the total employment) and whose majority falls in the category 1-9 employees (micro-enterprises, 89.611) of which a great proportion (around 50%) are small traders with no employees.

Looking at business entries/exit it can be noticed that since 2004, when Slovenia joined the European Union, the number of entries increased significantly. In 2005, the rate of entries in Slovenia increased to 9 percent, which is 50 percent more companies compared to 2000, when it accounted for only 6 percent. The exhibit below gives an overview of SME birth and death rates by category during the last years which highlights an increasing survival for rates across the years :

Table 2: SME birth and death rates by category

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	2004		2005		2006		2007	
	Births	Deaths	Births	Deaths	Births	Deaths	Birth s	Deaths
Small traders	5.684	5.042	7.005	4.818	7.163	5.426	8.167	5.663
Enterprises	3.251	1.399	3.713	2.304	3.856	2.861	4.894	1.384
TOTAL	8.935	6.441	10.718	7.122	11.019	8.287	13.06 1	7.047

In 2007, slightly more than 13.000 SMEs were created and about 7.000 entrepreneurs stopped their business activities. According to the Slovenian statistical office, an increase has been registered in construction, transportation, real estate and accommodation from 2005 onwards, business sectors generally associated with limited innovation capacity. Looking at the statistics of total enterprise survivals by size classes of employees after five years (birth 2000, survived in 2005), 64 % (3,705 companies) in total have survived after 5 years.

Enterprises are unevenly distributed across the territories with strong concentration in the more developed territories of Obalno-Kraška region and Osrednje-slovenska (respectively 74.6 and 74.0 enterprises per 1,000 inhabitants) and very low enterprise density in the remaining regions, not surprisingly featured by a higher unemployment rate and a lower level of development.

In terms of *early stage* entrepreneurial activities, findings of the GEM[2] place Slovenia in the last third of the GEM Countries (ranking 33 out of 47), depicting a general situation of **relatively low level of entrepreneurial activities** with important deficits in terms of *enabling conditions for entrepreneurship development and persotistance of barriers for growing business.* However, significant improvement over the years has been reached in the ratio between *opportunity-driven and necessity-driven entrepreneurship which has seen a decisive shift in favour of the former (in* 2007 the ratio was nine to one in favour of opportunity driven entrepreneurs who are generally exhibiting high-growth ambitions, feature not so common with entrepreneurs of New Member States).

According to the GEM, in 2007 Slovenia had 126.000 entrepreneurially active individuals (also including nascent entrepreneurs) which correspond to around 8% of overall adult population.

[2] Global Entrepreneurship Monitor is a mapping exercise aims at assessing the entrepreneurial performance of countries

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When looking to the analysis of enabling conditions for entrepreneurship, Slovenian presents a relatively positive performance in 'access to physical infrastructure', 'attitude of women towards entrepreneurship', 'perception of business opportunities', 'intellectual property rights protection', 'commercial, professional infrastructure' and 'attitude of businesses and customers towards investments' while is underperforming in terms of : 'regulatory government policies', 'primary- and secondary-school level **entrepreneurship education and training'**, 'research and development transfer'**, cultural, social norms',** 'government policies prioritizing new and growing firms' and 'government programmes'. As for the Global competitiveness index, a critical issues raised by GEM respondents was the negative impact of bureaucracy in Slovenia.

In particular, the GeM report highlights that primary and secondary education in Slovenian schools does not encourage creativity, independence and personal initiative. In addition, it neither adequately promotes entrepreneurship and the creation of new businesses nor does it offer the adequate knowledge of market economy principles.

When looking at the barriers for growing business, the most unfavourable aspects of the situation in Slovenia are the following: *a high level of taxation; red tape and bureaucracy inefficiencies; not enough sources of funding; and, government policy which does not prioritize new firms.* Another critical aspect pointed out by the experts is that *national culture does not encourage individual entrepreneurial risk-taking and it does not sufficiently appreciate success through individual effort.* Further, the technology transfer process *primarily targets large businesses, preventing start ups from access to the knowledge generated within R&D institutions*.

The final conclusion is that relatively low level of entrepreneurial activity in Slovenia is not as critical as it would appear. The attention should be focused not so much on the number of entrepreneurs but on their quality, i.e. on the business sectors in which their enterprises operate, on the level of technological development and innovativeness of their products, on the level of education as well as on the level of their (realistic) ambitions. The entrepreneurship promotion policy should, above all, be based on realistic analyses and be much more focused on businesses with entrepreneurial capabilities and growth ambitions. Entrepreneurial policy must shift from 'general SME policy' to 'growth-oriented entrepreneurship policy' because the businesses which have the willingness and the objective capacity for growth and market expansion are rare. At the same time, they have requirements and needs which have to be dealt with quickly, flexibly and effectively. Among other things, 'growth-oriented entrepreneurship policy' must be both highly selective and proactive in the search of those entrepreneurs in the environment who have both motivation and objective capacities for growth.

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2.2 REGIONAL EARLY STAGE FINANCING SYSTEM

There is an evident market failure in relation to Access to finance for Slovenian SMEs caused mainly by i) low provision of micro finance, ii) low provision of SME domestic credit and guarantee activities for further growth and expansion, iii) low VC activities compared to GDP and other Central European EU MS, iv) low existence of business angel networks (EIF - Jeremie, 2008).

The situation is particularly critical for start up companies which - as highlighted from the Global Entrepreneurship Monitor 2005 - must comply with an underdeveloped capital market, lack of venture capital funds, not enough direct foreign investment, banking instruments not adjusted to financing of establishing and growth of companies, and too few state grants.

The high risk involved in new entrepreneurial projects and the absence of previous experience and track record often prevent start ups from accessing debt financing (and therefore equity finance become the privileged source of funding). But the analysis on the behaviour of capital funds in the EU Member States conducted by EVCE highlights that in the majority of cases they decide to invest in companies in expansion while only 1.8% is intended for entrepreneurial activities during start-up (seed capital stage) and Slovenia is no exception.

It is thereore evident that, when considering the financing sources available for yourng ventures, **debt financing** does not play a predominant role although some players (like Slovene Enterprise Fund which is the key implementer of all measures aimed at financial support of the country including equity related initiatives and the SID BANK providing insurance and financing export for Slovene companies) and instruments (regional guarantees schemes targeting individual projects within entrepreneurial centres) contribute to a mimum extent to fulfil the financial gap.

On the other hand, *Slovenia's equity capital market*, while representing the key potential supplier of finance for new ventures, is still in *an embryonic stage* (few capital available and incomplete financing chain with weaknesses in the seed capital stage).

When looking at the portfolio of funds available on the territory it can be noticed, in addition to a generally modest size of the existing funds that a) often funds have an interregional focus (Challenger Growth fund, Poteza Innovation and Growth fund, Sivent Venture Capital Fund, Eagle Ventures); b) funds are generally multi-sector oriented; c) average investments made exceed 500.000 €

An increasing role in providing seed capital is played by the Business Angel Network of Slovenia which composed by between 20 and 30 informal investors focuses on the early stage phase and whose average investment does not exceed €300.000.

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Finally, is worth mentioning the public sources of financing which partly contribute to entrepreneurship support via subsidies (in particular in relation to the Progamme to facilitate entrepreneurship and competitiveness run by the Ministry of economy), debt and equity (Slovene Enterprise Fund) as well as international donors (EIB, EIF, EBRD) mainly providing resources to co-finance financial support implemented by local intermediaries.

Comments:

Notwithstanding the difficulties arisen in relation to access to finance in Slovenia, the recent introduction of a *national regulation on venture capital and the Corporate Income tax which foreseen tax relief for investments in start ups* are important steps towards the development of a more mature the venture capital and a clear expression of an increasing awareness of Slovenia policy makers of the importance of equity capital for sustaining entrpreneurs in the early stage of company's development.

Moreover the role and resources assigned to the Slovene Enterprise Fund as implementer of SMEs financing support programmes in connection with main European financial institutions (the European Investment Fund, the European Investment Bank) and a better exploitation of EU structural policy funds may significantly widen the financial support devoted to entrepreneurship development. In addition to the existing forms of debt finance, guarantees supporting investments of small and medium-sized enterprises, micro guarantees and microloans will be provided. Equity finance instruments will start to be developed. Additionally, educational, information and other activities will contribute to wider use of new financial instruments and quality inclusion of small and medium-sized companies in programmes.

Within this framework, an investor readiness programme which provides this emerging market with better investment proposal and more trustworthy entrepreneurs represents an opportunity which can impact both on entrepreneurial development and the growth of the Slovenia equity market (whereas the lack of suitable business proposal is often quoted by investors as main barriers to venture capital development) while limiting the entrepreneurs scarce knowledge of venture capital sources and lack of confidence in the investors.

2.3 POLICY AND REGULATORY FRAME WORK

Promotion of entrepreneurship is a key priority of the Slovenian Government as witnessed by main policy documents issued. In particular with the 'Measures to Stimulate

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Entrepreneurship and Competitiveness programme 2007–2013' all foreseen interventions dedicated to entrepreneurship promotion are inserted within a coherent framework which aims to reduce key barriers identified for the country such as the lack of entrepreneurial culture, inadequate supply system, not enough investments in R&D and related activities, poor links between business and science, shortage of highly-skilled human resources in companies, lack of support and undeveloped market in innovations and, last but not least, too few favourable and special financial sources.

Based on this four basic pillars of the Programme were identified: i) Promoting entrepreneurship and entrepreneur-friendly environment, ii) Knowledge for business, iii) R&D and innovations in companies, iv) Promoting small and medium-sized enterprises with equity and debt instruments

Particularly relevant for the purpose of IRTRAIN are the measures under pillar 1 - entrepreneurship promotion which foresees three main actionlines (a) One-Stop-Shop"(*system (VEM poins where Smes access first hand i) b) system voucher consulting and training (37 entrepreneurial centres have been created)* and *c)specific target groups (woman, rural entrepreneurs*) as well as pillar 4) innovation financing for Smes, in particular in relation to the set up of the first public venture fund.

For potential entrepreneurs, support programmes under the Operational programme Developing of Human Resources are also of interest: several programmes in entrepreneurial training are planned with special attention to employability, self-employment, life-long learning, entrepreneurial and management skills etc.

Finally in terms of regulatory issues , some important steps have been done in the field of taxes and fiscal regulations with the introduction of a tax subsidy for business sector R&D investment in 2006 and tax reliefs for venture capital investments for VCC and for investors (legal persons or natural persons) who invest through VCC in 2007.

As far as support system is concerned, although a reduction in the red tape and better transparency in the offer is needed as well as completion of the support chain, Slovenia has in place a supply environment which is quite extensive.

A plurality of subject are active on the territory, in particular in view of IRT is worth to quote VET system (one stop shop for assisting innovative SMEs), 12 RDAs, science parks and incubators, training institutions, public and private venture capital funds and bsuiness angels network

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3 SLOVENIA: MICRO-LEVEL ANALYSIS

3.1 AIMS AND OBJECTIVES

The micro-level analysis, besides enriching information gathering in relation to the state of the art in relation to entrepreneurship development in the transferee countries has offered the ground for (although limited to a restricted sample of players) a basic training needs analysis which attempts to respond to the following issues:

- What skills and knowledge are required in order to meet investors expectations?
- What training is currently used to obtain these skills?
- What is the gap between what is required and what exists?
- What is the market potential for investor readiness training in the addressee countries? Which opportunities can be caught?
- What are the potential or possible barriers to success?
- What is the optimum format for training delivery?

From a methodological point of view, the micro-level analysis has consisted of semi structured interviews (qualitative research) to key innovation/entrepreneurship intermediaries of Slovenia and Hungary complemented by a questionnaire submitted to potential target of the training (would be and or new entrepreneurs) whose results are summarized in the following chapter.

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3.2 RESULTS OF TRAINING NEEDS ANALYSIS N SLOVENIA

The regional qualitative and quantitative survey (12 interviews with intermediaries and 50 questionnaires collected from entrepreneurs/would be entrepreneurs), gives additional insights concerning the characteristics of existing support services, the intermediaries and end-users expectations and needs, as well as the gaps to be filled in by the IRTRAIN programme.

In general terms, according to the perception of intermediaries, the available entrepreneurship support system is still incomplete and disperse : start ups and entrepreneurs are not subject of a dedicated streams of actions (there is a more generalist SMEs policy in place) while it should be recommendable a targeted intervention on business with high growth potential.

Access to financing especially in the early stage phases is quite limited, entrepreneurship culture is underdeveloped, regulatory burdens and burecracy often limit SMEs growth although there is a general recognition of an increasing government attention especially with the Competitiveness Programme 2007-2013 and the new regulation on tax relies for investors.

From the investors side is highlighted a low understanding level of risk capital among entrepreneurs and adverse attitude towards equity finance (fear of loosing equity).

Concerning **support services typology**, intermediaries state that the most required by entrepreneurs are the following:

- Support for accessing finance and incentives
- Networking
- Administration and accounting
- Training on business plan and financing
- Entrepreneurship education
- Business facilities

Concerning **obstacles** faced by would-be-entrepreneurs in starting up and related training needs, intermediaries stressed the lack of business *and presentation skills* (business ideas needs better definition especially in relation to market and finance and entrepreneurs and entrepreneurs are not effective in arising investors interest, they lack the typical terminology) the lack of *financial planning skills* such as business planning, feasibility studying, financial forecasting.

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Moreover it is quoted a general *lack of ambition* in the entrepreneurs and risk averse attitude which could be limited via culture-related intervention in terms of motivation raising, presentation of success cases (role models).

Finally intermediaries claim a *lack of knowledge and trusts in venture capital financing* from entrepreneurs and the need to help them *better understand financial opportunities available also in relation to the different stages of company (and business idea) development., behaviour of investors.*

The existing training offer, on a great part associated to VEM and voucher system as well as some post secondary education training offered by academics is more oriented towards general managerial and business development issues for all SMES rather than focused training on knowledge based entrepreneurship. Courses available often deal with managerial skills, legal and fiscal regulations, accounting, internationalization.

Some more focused training is offered by intermediaries like incubators in relation to business planning, marketing and communication, internationalization, mostly free of charge.

CEED Slovenia and Business Angels Slovenia are the sole players to provide investor readiness training which in the case of CEED consist of workshops plus and elevator pitch event and in the case of Business Angels Slovenia is made of lectures (6 modules, plus a pitching for a price of around 300.)

In conclusion, most of intermediaries state that entrepreneurs assisted ***are not investor ready*** *and that there is a clear market need to be fulfilled. In addition, a great part expressed interest in enriching their training offer with an investor readiness course.*

The questionnaire survey on **entrepreneurs (new or potential)**, while confirming main the most of the interviews findings, giving additional insights on training needs and expectations for this specific target group.

Concerning the **composition of the target group** the sample was composed by 22% would be entrepreneurs, 54% entrepreneurs, 24% CEOs, the majority of respondents (92%) having less than 35 years, 70% of which with university level education. 68% are employed people, 28% students.

Comments: the target indicate diffusion of entrepreneurial careeer among young and well educated people. The fact that majority of respondents is actually employed confirms that opportunity entrepreneurship has taken the place of necessity entrepreneurship in Slovenia while the presence of around 30% of students indicates that knowledge basins (universities and research institutions) may represent an important source for ‘fishing’ potential entrepreneurs.

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When looking to **support services**, only 52% of the sample benefitted from support: Among most requested areas are *finance support 34%, training support (32*%). Level of beneficiaries satisfaction is quite low with 58% of interviewed not even providing an answer

Comment: the survey confirm what previously stated by the intermediaries concerning most required services; entrepreneurs ask for support in accessing finance and training services. However the low level of satisfaction expressed indicates a partial inadequacy of the public support to match entrepreneurs needs and the high level of bureaucracy and limited accessibility related to public supplied services.

The set of questions related to the **business plan** shows that 72% of target has developed one but responses offered in relation to the specific sections show that an important percentage (around 40%) has not developed it properly – i..e lacks component, especially in relation to the commercialization strategy. Only 8% of BP holders asked for external support for drafting the plan and that the market analysis, when performed, has been done internally via desk research.

Comment: The answers provided seem to indicate a situation where entrepreneurs are still not fully aware of the aim and importance of business plan and of the specificity of the skills needed to develop an appropriate one (BP which is meant as leading document backing the company development and growth, to be used both for internal and external purposes = - i.e. investor presentation).

Looking at **risk capital** questions, while 68% declares to be familiar with it, only 34% tried to raise funds. When looking at investment raised, on a total of 38%, 18 % attracted business angel funds while 12% raised venture capital and the rest a mix of both. The sample shows that while 58% of interviewed express interest in raising additional funds, most of them did not made any concrete step yet and 44% cannot even indicate how much money they need (venture capital is not perceived as opportunity). Finally when indicating why investment raising was not successful only 6% of entrepreneurs recognize lack in its proposition while the majority blame invest

Comments: the responses reveal a limited understanding of venture capital operation (there is a generic awareness on its existence but few concrete needs expressed and actions pursued). This is conflicting with the fact that access to finance is a key barriers for Slovenian entrepreneurs and therefore this inertia may be consequence of a lack of confidence and capacity to communicate with them appropriately .

Concerning *training experience and perceived needs* the survey highlights the following:

a) Among those who *attended training course*, most recurrent topics dealt with business planning, financial control, marketing, however the level of satisfaction is quite modest seeing that 52% of interviewed did not answer the question. When asked if interested in

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training opportunities around 90% of the sample has expressed openness and indicate as favourite issue (in order of preference):

- Marketing
- Communication skills
- strategic planning,
- finance and accounting/control
- raising capital and business planning

b) in relation to *training characteristics* (teaching and delivery methods), the survey reveals that:

- most of entrepreneurs prefer on site training followed by blended training modalities
- within on site training most appointed methodologies are by far (over 70% of preferences) training on the job and in house training

Comments:

The modest level of satisfaction on training received is coherent with the answers given regarding the entrepreneurship support and are expression of a supply system still underperforming.

The entrepreneurs recognize a need of enhancing marketing and communication skills, which are very important issues tackled by an investor readiness programme. The fact that high majority indicate training on the job and in house training as favourite means respect to class based methods can be expression of a past training experience mostly academic and generalist while entrepreneurs would prefer practical, experience based teaching.

3.3 CONCLUSIONS AND REMARKS

This chapter integrates findings at macro and micro level, so to give first level indications for the programme customization. The chapter is composed by two section, section one which presents a simplified swot for the Investor readiness programme (bullet points list on main issues potentially affecting the IRT programme), section 2 which formulate first level indications on customization choices moving from the answer to the questions posed at the beginning of chapter 3: micro level analysis.

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3.3.1 Opportunities and threats for IRT Programme

Opportunities

- entrepreneurship is at the core of policy agenda (more resources and incentives at national and regional level)
- *opportunity entrepreneurs* are increasing in numbers (more ambitious business potential target of the course)
- the size of Slovenian venture capital although limited is increasing (more favourable conditions i.e new regulation on tax relief for investors, first public venture fund in operation)
- support for accessing financing sources is a *key request from novel entrepreneurs*
- entrepreneurs *are not ready* for investors (supply-side perspective)
- actual training supply is not satisfactory (few initiatives focus on start ups with practice-oriented attitude)
- innovation intermediaries are interested to investor readiness support
- entrepreneurs are open to new training opportunity

Threats:

- Too low awareness of risk capital features/opportunities among entrepreneurs
- Lack of trust and confidence in investors
- Prevalence of a loan-subsidy culture among entrepreneurs
- Still underdeveloped venture capital market
- Support system still immature
- Too few ambitious entrepreneurs
- Competition with free of charge training opportunities

3.3.2 Recommendations

The analysis results allows to give a first response to the questions at the base of the training needs analysis like:

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What skills and knowledge are required in order to meet investors expectations?

Investors (and intermediaries organization) state that in most of cases **entrepreneurs are not investor ready,** business propositions are incomplete (inability to properly communicate the business idea, lack of information in the business plan especially at the level of strategic planning and financial forecast) not ambitious enough (the value proposition should be better demonstrated, in terms of competitive advantages possessed by the product), not appealing and well communicated[3].

It is therefore necessary that new/would be entrepreneurs develop appropriate motivation, business planning, communication skills tailored on expectations of investors

What training is currently used to obtain these skills?

There are only a couple of initiatives aimed specifically at investor readiness, one provided by BAN Slovenia, the other by CEED, most of training available is mainly focusing on general business development issues, accounting, marketing, provided by public institutions. Level of satisfaction expressed by training users is not very satisfactorily.

What is the gap between what is required and what exists?

There is the lack of dedicated programme aimed to inform potential beneficiaries on the peculiarities of venture capital and investors expectations, lack of dedicated training, most initiatives are generalist and academic while entrepreneurs ask for practice-based support (in terms for instance of coaching and training of the job provision)

What is the market potential for investor readiness training in the addressee countries? Which opportunities can be caught?

To resume finding, we can say that there is a good market potential for the IRTRAIN programme since:

- There is a clear market need to be satisfied: access to finance is the first demand for support expressed by young entrepreneurs
- according to investors and professionals, entrepreneurs are often *not investor ready*

[3] There is a clear communication gap since investors claim business proposition is not appealing while entrepreneurs regret that investors do not understand their business, it is necessary to create a common language and jargon

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- The Slovenian venture capital market is developing (the first public venture fund is being lunched) and more resources are devoted to entrepreneurship (more initiatives are being promoted at national and regional level)
- The GEM study reveals that there is potential for ambitious entrepreneurs in Slovenia which is exactly the target of IRTRAIN (also confirmed from the increase of opportunity entrepreneurs).
- Intermediaries are very interested in the topic and seem open to integrate the IR training in their offer

What are key success factors (or barriers)?

Key success factor will be the capability to access and stimulate demand from the right target (ambitious entrepreneurs looking for start up money), the level of development of venture capital market (and in particular of the seed stage since entrepreneurs interviewed present financial requests typical of the seed stage), the synergies and connection with existing initiatives aimed at high growth entrepreneurs (I.e sponsorship from key incubators, relationships with business plan competitions and award,) as well as possibility to anchor the course to offer of public intermediaries (entrepreneurship centres? VET?) and to investment opportunities.

Main barriers can be represented by the low level of awareness by entrepreneurs, the low development of the seed capital market, the predominance of a debt (or subsidized) oriented approach among entrepreneurs, the competition of free of charge training programme.

What is the optimum format for training delivery?

Entrepreneurs ask for a training programme which concretely help them in accessing early stage finance, accompanying them step by step in becoming investor ready, possibly via in-*house, training on the job modalities*,. The course should be very practical, customized on the specific needs of the single attendees and this could be achieved by a teaching approach which relies on one to one coaching associated to few class based sessions.

In view of what above said, a snapshot on key customization choices is provided:

Target group:

1) New entrepreneurs (no more than 36 months old) looking for start up money

2) QUASI-entrepreneurs looking for start up capital (in the immediate phase of pre-start with already clear entrepreneurial project)

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Course objectives:

Course should aim at developing skills of trainees on *how to raise venture capital in the initial stage of company development*. In particular the course should:

- Raise awareness, inform entrepreneurs on risk capital opportunities and operation modalities
- enhance entrepreneurs skills in *developing appropriate business propositions*
- improve their *communication skills*

Training topic:

- Start up financing (key features, opportunities and risks, investors behaviours, how to become ready)
- Business planning
- Marketing and Commercialization strategy
- Communication skills (coaching and pitching)

Teaching methodology and delivery format

IRT should be a training programme very focused, practice oriented, tailored on needs of trainees.

IRT should thus employ an interactive teaching methodology based on a mix of one-to one coaching, targeted class based teaching, practical exercises and simulations thus matching entrepreneurs needs in terms of being very practical ("how to" orientation), involving cases/examples of recurrent critical issues and how they can be solved.

The direct involvement of successful investee companies and investors could be foreseen to present real life cases and overcome lack of trust in investors, face-to-face delivery could be complemented with limited distant training modalities

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4 HUNGARY - CENTRAL REGION OVERVIEW

In the following paragraphs is presented the innovation profile of Central Hungary, with specific regard to

d) the entrepreneurship profile

e) regional early stage financing system

f) policy and regulatory framework

The analysis has been conducted by INNOSTART at regional level with some deepening at micro level (sub-region investigation) due to the specificity and weight which Budapest area plays in the regional economy (classified as the sole *knowledge-creating area* of Hungary).

4.1 ENTREPRENEURSHIP PROFILE

Central Hungary is the *leading* region of Hungary with performance higher than national average in almost all indicators related to competitiveness and innovation whereas Hungary national situation is featured by:

- economic growth (4.1% in 2005, and 3.9% in 2006) contributing to gradually narrow the gap between Hungary and the EU25, although the general macroeconomic situation has deteriorated since 2006
- innovation performance[4] which although slowly improving (0.26 in 2007 SII) is still below the EU average (0.45) with positive achievements in relation to high-tech exports, share of high-tech research and development (R&D) and employment in high-tech services[5] but low level of innovation activities at firm level

This supremacy is the expression of increased of regional disparities associated to the convergence process, with the Central Region largely exceeding national average in terms for instance of *GDP per capita, Average net monthly income of employed individuals,*

[4] Findings extracted from Hungary Country report 2008 of Trend chart _ EC Commission

5 These figures need thorough consideration, though, given the extremely high weight of foreign-owned firms in the Hungarian economy, statistically belonging to high-tech sectors, but mainly performing activities of low-knowledge intensity.

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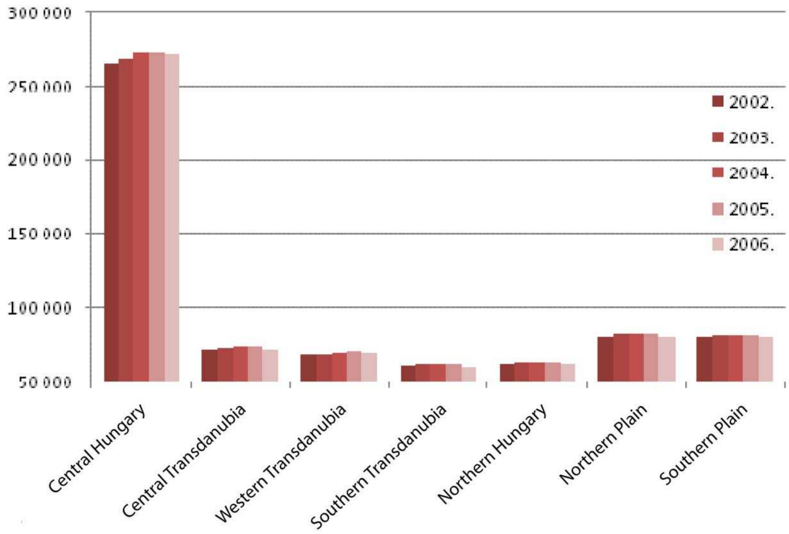
Employment rate, ratio of individuals with higher education, business creation, capital attraction, quality of workforce etc.

Data concerning enterprise dynamics reveal that in 2006, the number of enterprises operating in Hungary was 698.000. Nearly 40% of this figure are concentrated in the Central Hungarian region. Between 2000 and 2006, the central region witnessed the most intensive growth in the number of enterprises, whilst other regions stagnated or registered some decrease (figure 1) .

Figure 1 Number of operating enterprises, regional breakdown, 2002–2006



In 2006, **59 797 newly established enterprises** were registered. 38.4% of new enterprises were established in Central Hungary. At micro-regional level, the distribution of these are strongly concentrated in the Budapest micro-region.

When examining enterprise survival characteristics for the period closing in 2006, HCSO data follow the full lifecycle of projects which were start-ups in 2001. HCSO (2008c) data confirm that 82.5% of enterprises established in 2001 were operating in 2002, 60% in 2003, 60% in 2004, 54.2% in 2005, and 47.9% in 2006.

The ratio of real start-up enterprises and terminated enterprises has been continuously decreasing since 2000. While in 2000, 43% more new start-up enterprises were registered in Hungary than enterprises terminated in the same year, in 2004, this figure was only 18%.

The leadership of Central Region is confirmed by the analysis of *investments allocation*, with enterprises playing a major role, especially in the renewal of production-targeted infrastructure. Some 79.7% (HUF 12 338 billion) of investments implemented in Hungary, between 2003 and 2007 (at current prices HUF 15 475 billion), were implemented by profit-

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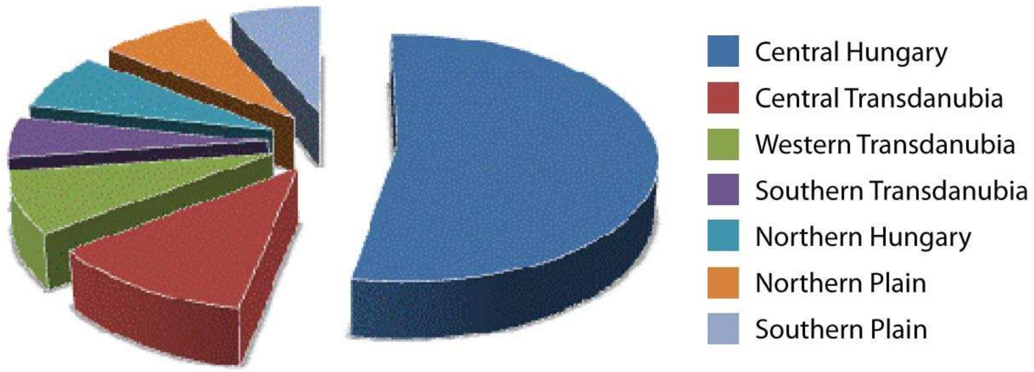
oriented organisations (HCSO 2008d). During the assessed period, more than half of the national economy enterprise investments were implemented in the central region (Figure 10).

Figure 10 Regional distribution of economic entity investment performance values, for 2006



Source: Based upon HCSO data (2009), own design

This predominance is also reflected in **inward investment results**. In 2006 there were 17.585 partially foreign owned enterprises operating in Central Hungary, which is 68.2% of all partially foreign owned enterprises operating in Hungary.

With regard to **research and development expenditure**, in 2007, in Central Hungary, the expenditure for R&D amounted to HUF 158 761 million, which is the highest amount among Hungarian regions (**64% of** the national value is concentrated in the central region). Numbers of R&D employees are generally used to indicate research intensity: examination of researcher and developer staff numbers and quality reveals the 11 092 researchers & developers, operating in the Central Hungarian region amount to 63% of the total number of researchers & developers working in the country, the large majority of researchers with scientific degrees are concentrated in Budapest.

The sectoral distribution of enterprises registered in Central Hungary is not so different from the national average but in relation to economic-services sector the central region is more active than other regions , thus witnessing a major allineation with what is a global trend affecting more developed economies.

Conclusions:

Data illustrated position Central Hungary as the best target for the IRT project since it is the most active of Hungarian region in terms of value creation (GDP produced, business dynamics, intensity of research and development activities, quality of people, international linkages).

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Particularly relevant appears the area of Budapest where there is highest concentration of innovative companies, TT mechanisms and endogenous knowledge is produced.

In tailoring the course, it is worth considering that the Global Entrepreneurship Monitor (GEM) exercise but also some other studies commissioned by th EU, underlines that Hungary has still a relatively weak position in terms of entrepreneurial activity, GEM ranked Hungary fifth among six East European countries surveyed in the level of nascent entrepreneurial activity (Bosma & Harding, 2007) and therefore there is a still a gap to be fulfilled. The same study reckons that there is proportion of 75% of opportunity entrepreneurs versus 25% of necessity entrepreneurs, with a positive increasing tendency of choosing entrepreneurship development as career path. A government commissioned survey, carried out among 2.000 companies in 2007 highlights that the major barriers hindering the development of enterprises are high public burdens, administrative obligations, unpredictable economic regulatory framework, strong competition while recent studies have attributed an insufficiently developed culture of entrepreneurship as well as not pro-entrepreneurship education system for the low and declining levels of entrepreneurship in Hungary (Acs, O'Gorman, Szerb, & Terjesen, 2007).

Recently, lack of capital and stricter credit conditions have become just as major barriers as the ones mentioned but, still, the main hindrance to enterprise development is most possibly the narrowed market capacity and the reduced opportunities.

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4.2 EARLY STAGE FINANCING

Financing early stage enterprises represents a major issue in Hungary as well. The first and most important resource is to use savings of the entrepreneur, friends and members of the family (3F), in order to finance enterprise start-up. In case of technology active companies, such resources can be complemented by non-repayable financial instruments (grants). At the end of the seeding phase, however, typically during the start-up phase, business angels and seed capital funds established from public money can mean serious financing background. Conventional venture capital funds join financing activities of promising enterprises at the end of the start-up phase, however, the typical scenario is that they engage financing during the expansion phase.

4.2.1 Informal venture capital in Hungary: Business Angels

Hungary suffers from an equity gap in Hungary that certainly exists between HUF 5 and 250 million. International observation shows that the role of business angels is vital in filling the equity gap.

Calculating the number of angels operating in Hungary is quite a complex task. According to a wide definition which includes all types of informal investors, Hungarian results **show that around 105 000 informal capital** investors supported Hungarian enterprises with almost HUF 100 billion in a single three-year period with a percentage in the adult population below world's average 2.91% of 2001, while it does not differ greatly from the European average. Within the representative sample of 193 informal capital investor only 2% can be defined business angel, this percentage being substantially lower than the 6.9% world average. By allocating the resulting share over the total population of 105 000 Hungarian investors, the number of active Hungarian business angels can be estimated at around **2000 persons**.

A research conducted on a restricted (22 angels) sample of Business angels (Makra-Kosztopulosz 2004, 2006, Kosztopulosz 2005) revals that angels surveyed are all men, middle-aged (44 years old on average) and 86% have higher education degree, large majority is located in Budapest or Pest county, 86% of the sampled individuals are currently owner of a company, and they have an average of 11.6 years of entrepreneurship experience, 80% reported net annual income exceeding HUF 10 million and six of them dispose over more than HUF 100 million assets to invest. According to the research, the Hungarian angels are among the youngest ones in international comparison

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During the analysis of the investment activity was found that the 22 angels interviewed in the last three years invested in 100 companies combined, and the average of 4.55 per person can be considered high even in international comparison. The gross sum of the accomplished investments calculated for 18 respondents – receiving shares in 70 of the total 100 companies – reached HUF 1 145 million.6 The value of the average investment was HUF 16 million which takes place in the lower end of our prediction for equity gap.

The results clearly show that the earlier stages are preferred by investors: only two of all angels failed to indicate such preference. Half of the respondents was interested in companies of seeding, starting and early phase of development and more than half of the investors (55 percent) has interest in the innovative companies of the "new industry", thus showing a risk-taking attitude which is a rare mindset within transition economies

4.2.2 Characteristics of the institutional venture capital market

In 2006, the rate of venture capital invested into Hungary-based companies has reached 0.6%, which gains the excellent *fifth position* amongst the European countries, and is an indirect indication of the venture capital investment's importance in financing companies.

However, this positive data should be also read in light of the fact that Hungarian institutional venture capital market has been significantly affected by the economic transition process and weight that foreign-owned companies plays in Hungarian economy (transactions were for a long period mostly consisting of large scale investments related to privatisation-oriented businesses)

According the data collected by Hungarian Venture Capital and Private Equity Association (HVCEA) USD 1.9 billion venture capital investment was accomplished improving the financial situation of 334 Hungarian company between the political transformation and 2006. All global venture capital funds interested in the region are active in the Hungarian market. Combined with the Hungarian investors (without the so called "JEREMIE fund managers" having no fund yet) there are currently some 30 organization professionally investing venture capital.

[6] Counting the 100 investments and the average of HUF 16 million invested capital, our estimation is HUF 1.6 billion for combined contribution from the 22 angels to small enterprises' capital in three years.

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Not surprisingly, the overwhelming majority of investors7 has its office in the central region, namely in Budapest, where most innovative companies and investment opportunities are located.

The Hungarian venture capital market is relatively well developed at regional level but is **strongly segmented (VC concentrates in higher segments, expansion – buy outs) a**nd this affects the chance for the companies of various types and sizes to get venture capital. Larger enterprises in case of their having appropriate projects, have multiple financing sources to choose from, while *smaller sized early stage companies have difficulties finding financing.* Therefore, a contradictory situation can arise in which investors *active in the medium and high segments experience capital abundance*, while a capital scarcity takes place in the lower segment while *medium sized transactions are almost completely missing from the market* .

In 2003, an important change occurred concerning early-phase investments as small projects financed by private investors were replaced by financing actions from *state-owned investment companies. These government backed companies,* during the years, enlarged progressive their activities and took an outstanding role in the seed stage (early stage, small size investments)

In 2006, the value of capital invested in Hungary was nearly five times more then in the previous years. The proportion of the smallest investments (under EUR 1 million) showed a continuous growth.

Early stage financing in Hungary just like in the European Union takes a low percentage of the venture capital investment, but its share in Hungary between 2002 and 2006 was even lower than the Western European average (2% against an average of 8%). High tech companies (especially in ICT, Biotech industry) collected about one quarter of all venture capital investment in the research period, **but about 75% of VC investment was directed to companies in their expansion period w**hile 11% to companies in their start-up and early phase, and the remaining 16% was in the form of buyout value.

Table The number and investment value of knowledge-intensive companies between 1989–2006 collecting venture capital financing, by lifecycle of capital-collecting companies in Hungary (pcs, m HUF)

	Early Phase	Expansive Phase	Buyout phase	Total investment

[7] Most of the global funds in Hungary are looking for possible investments through advisers, agents, and financial operators, and there is no need for an office. Regional (with Eastern Central European orientation) funds are based mostly in Budapest.

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Number of high-tech company (pcs)	52	59	4	115
Value of capital invested in high-tech (m USD)	48.9	318	68.9	435.8
Ratio of capital invested in high-tech companies (%)	11	73	16	100

Source: Karsai (2007)

4.2.3 Conclusions

In view of the above considerations, we can say that the venture capital development in Hungary still experience a *market failure for early stage financing* which cannot be sustained by private investors alone (business angels or 3F)..

Among main reason behind this market failure a too small domestic market, transaction not duly prepared for the professional funds by business angels, no seeding fund available on the market (Kosztopulosz-Makra 2004, Szerb 2006, Szilbereky-Makra 2007), lack of investment skills and information (lack of specific know-how among local investors while for international investors is difficult to access information regarding regions, investment targets, and co-investors), limited deal flow (small number of request for investment, and the quality of submitted business plans is insufficient) .

This calls for a targeted policy intervention which while granting transparent and favourable environmental conditions for investors, introduces in Hungary government-backed mechanisms like public financed co-operative system managed by universities, regional development organisations, and incubators, that could invest in promising development projects.

In this direction should be read the starting up of National Office for Research and Technology's Technology Incubator Programme and Venture Finance Hungary Private Limited Company's - New Hungary Venture Capital Programme (Jeremy) that can become the first elements of an institutionalized seed capital system.

In particular, the JEREMIE (New Hungary) Venture Capital Program, which is expected to be launched in 2009, belongs to the group of so called indirect state interventions which see the state not assisting the final beneficiaries directly but through mediators. Those tools are support mechanisms that decrease the risk of investors (take over loss partially, offer investment guarantees), decrease operation and founding costs of organizations (state subsidiary for fund creation and operation costs), or increase financial attractiveness of investments (limited yield expectations of state capital) (Harrison and Mason 2000).

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The aim of the JEREMIE program is to support Hungarian SME-s to get better access to capital in their start-up and growing phase. HUF 35 billion separated in the first round is accessible through competitions, available for venture capital fund managers registered in Hungary (max 1,5 mil investment million, in a 12 month time span, up to 3 consecutive years for one beneficiary). Thus the government owned Venture Finance Hungary Private Limited Company delivers funds (EU and domestic) to enterprises through financial mediators. I.e. place of previous state investors will be taken over by private sector.

The chosen fund managers will create "shared" venture capital funds of up to 7 billion HUF, made up of 30% private and 70% state sources. Besides, the state creates a HUF 4 billion co-investment fund, which is only allowed to invest together with private investors in transactions where a minimum of 30% originates from the private investor. Fund managers receive max 3% management fee for their operations, and, based on individual agreement, may share investment profit. The sources for the 10 year term period funds will have to be paid back to the state increased with a pre-determined yield rate. If the investments turn out to show a loss, the first 5% of the loss will be financed by the state.

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4.3 POLICY AND REGULATORY FRAME WORK

Hungarian enterprise development policy between 2007 and 2013 is ruled by two strategic documents issued by the Ministry for National Development and Economy: *SME development concept* and *SME development strategy*. These have as main objectives the improvement of SMEs revenue and convergence with EU and the enhancement of employment and quality of human capital by meeting important pre-conditions (sub-objectives) like the reduction of enterprise start-up transaction costs, better SME innovation and technology development, SME capital accumulation, intensified SME participation in financial intermediation, more effective management functions, simplified and more effective regulatory framework)

The National strategy is built on four main pillars which significantly influence SME status, namely

- regulation background
- financing
- knowledge (entrepreneurial knowledge, human resources)
- development of entrepreneurial infrastructure.

Currently, there are no initiatives in Hungary which concentrate only on fast-growing enterprises, and this feature is never indicated in programme name. However, there are several programmes which indirectly focus on such companies, whilst other enterprises fail to meet the criteria. Support programmes available are mainly related to two main categories which are those of financial instruments (where money is the key resources provided to SMEs) and non financial instruments (where the benefit is not in the form of a grant but in services/assistance).

4.3.1 Financial instruments

Only in the recent years Hungary SME policy abandoned a sector-related approach to target other enterprise e.g. fast-growing companies. For the 2007–2013 programme period, SMEs can receive EU funding through the *Operational Programmes and Priorities of the New Hungary Development Plan* (NHDP) which contain are several Schemes addressed to SMEs, the most important ones being the following:

- "Technology development of micro and SMEs" (EDOP 2.1.1/A)
- "Promotion of corporate innovation" (EDOP 1.3.1/A)

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- "Complex development of enterprise technology for micro-, small and medium-size enterprises" (EDOP 1.2.1/B),
- "Support for complex investments in most underprivileged micro-regions to be assisted by complex programmes, for micro-, small and medium-sized enterprises" (EDOP 2.1.2/B).

Beyond these assistance options, the Central Hungary Operational Programme (CHOP) also includes SME Priority Schemes, and some of the EDOP Schemes listed above appear in EDOP and CHOP, as well.

The *INNOCSEKK programme* (supporting enterprise-innovation in regions) stimulated innovative micro- and small-enterprises to use innovative services. This was a novel initiative, which financed micro- and small-enterprises, up to a maximum EUR 100 000, its objectives being to reinforce both the supply and the demand sides of innovation services; therefore, all those tasks eligible for assistance could be carried out exclusively by subcontractors. A support intensity of 100% led to the fast depletion on the HUF 5 billion budget.

The *New Hungary Micro-Credit Programme* (see also chapter before), a comprehensive intervention where the EU and the Hungarian state use financial intermediaries to ensure micro-enterprises of better access to financing options (start-up enterprises and enterprises with net revenue below HUF 200 million, and with less than 9 employees which do not have access to bank credit) with Venture Finance Hungary Private Limited Company – MV Zrt., ensuring refinancing credit or guarantee options for contracted financial intermediaries and which foresees synergies wih EDOP and CHOp resources

Finally there are further financial instruments available in the New Hungary Development Plan for SMEs; however, these resources are accessible to large enterprises, as well, and, therefore, they are less SME specific. The New Hungary Enterprise Development Credit Programme, and New Hungary Credit Guarantee provide further enterprise-financing options.

4.3.2 Non-financial instruments

Non-financial instruments are organisations and programmes which primary purpose is not to provide resources for enterprises assessed by this study but to provide certain type of services which would facilitate faster enterprise-development.

Trimarán Business Development Programme is a joint initiative of the Semmelweis Innovations and Innostart Foundation aiming to establish innovative enterprises by addressing the lack of competencies of potential entrepreneurs through a three step process

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(assessment and project team, business planning, market preparation) where managers, researchers and the mentor, using their own competencies, establish the innovation project in co-operation with each other.

VIVACE programme (HPO 2005) an action programme to foster entrepreneurial industrial right protection, which distributed information with regard to the utilization of intellectual products, and the provision of intellectual-property-use-related services (assistance with patent registration, dissemination of information, etc.). Road shows and conferences were organised, the best intellectual products were awarded special prizes, and a nationwide network for the utilisation of intellectual capital was established. The value of resource available for the 2004–2007 programme period was EUR 419 thousand. During the project's three-year life-cycle, approximately 1500 enterprises used the services on offer.

The *Életpálya Programme*, an initiative of Életpálya Foundation, *to assist young entrepreneurs (18-32) in developing their business idea* which has so far provided free-of-charge enterprise-related information to more than 7 000 young individuals, through the dissemination of publications and through personal consultations with experts. Each year, the Programme organize a business plan contest and awarded special prizes and cash prizes, which are funded by sponsors and the Életpálya Foundation. The name of the current Scheme is "The Most Promising Young Entrepreneur of 2009 is Sought".

Youth Financial Assistance Programme (Ifjúsági Pénzügyi Támogatási Program) also created by Életpálya Alapítvány provides repayable financial assistance, with favourable conditions, to those who require financial help to start their enterprise and cannot obtain access to credits or funds from other sources. A fundamental feature of the scheme is that for securities, it primarily accepts assets purchased from the assistance and assets which are in the business

The *Budapest Centre for Young Entrepreneurs – Budapesti Ifjúsági Vállalkozói Központ (BIVÁK)*[8] supports and educates 18–30 year-old entrepreneurs of Budapest and surrounding areas directing their attention to private entrepreneurship, as well as introducing them to modern business culture. BIVÁK's extensive network of experts assists clients in solving tax, accounting and credit-related legal and marketing issues while the entrepreneurial club supports the establishment of business relationships.

Finally there are two major Business plan competitions *Novatech.com (where selected proposal are presented to panel of investors in California) and* The *"Young entrepreneur of the future"* [9] competitions where selected project can benefit of support and investment contacts.

[8] http://www.bivaknet.hu

[9] http://www.vallalkozzmost.hu

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5 HUNGARY: MICRO-LEVEL ANALYSIS

5.1 AIMS AND OBJECTIVES

The micro-level analysis, besides enriching information gathering in relation to the state of the art in relation to entrepreneurship development in the transferee countries has offered the ground for (although limited to a restricted sample of players) a basic training needs analysis which attempts to respond to the following issues:

- What skills and knowledge are required in order to meet investors expectations?
- What training is currently used to obtain these skills?
- What is the gap between what is required and what exists?
- What is the market potential for investor readiness training in the addressee countries? Which opportunities can be caught?
- What are the potential or possible barriers to success?
- What is the optimum format for training delivery?

From a methodological point of view, the micro-level analysis has consisted of semi structured interviews (qualitative research) to key innovation/entrepreneurship intermediaries of Hungary complemented by a questionnaire submitted to potential target of the training (would be and or new entrepreneurs) whose results are summarized in the following chapter.

5.2 MAIN FINDINGS

The regional qualitative and quantitative survey (15 interviews with intermediaries and 26 questionnaires collected from potential target group), gives additional insights concerning the characteristics of supply and policy framework with specific regard to the regulatory conditions, the entrepreneurial profile of the region, the early stage financing systems as well as intermediaries and end-users expectations, needs and the gaps to be filled in by the IRTRAIN programme.

The analysis has targeted an audience representative of Central Region (the most developed) and Northern Region (the poorest). Each of these organizations operate in enterprise

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development, offering training, advice and a range of other services in management, financing, innovation, development, etc. They were specifically chosen to ensure not only geographical but also thematic coverage in terms of the actions and services they offer.

The sample presents a composite target audience which has as largest representatives Smes and micro-smes which is also reflected in the client portfolio (in majority companies) but also a significant presence of universities/research centres.

In general terms, the responses given by the intermediaries - also when recognizing that National Economic programmes and regional operating programmes all foresee different objectives and measures aimed to SMEs development - still depict the Hungarian policy framework as *not adequate* for entrepreneurship support, especially for innovative SMEs.

According to the majority of them, foreseen public funded intervention will not significantly enhance entrepreneurship development of Hungary since the domestic policy still privilege foreign direct investment and large companies. The sole initiatives which is considered by intermediaries potentially impacting on quality and amount of entrepreneurial initiatives is the Jeremie programme.

When asked to provide numbers in terms of start ups and spin offs no certain data are offered (no data available, which is also an indication of lack of information and knowledge from policy makers and implementers) but all intermediaries agree that the number is very low and even those created can be considered as self-employment/necessity entrepreneurship rather than high growth business.

Main barriers to SMes growth emerging from government-based innovation surveys are high public burdens, bureaucracy, unfavourable regulatory system, difficult access to early stage financing, which are also quoted by the majority of intermediaries as obstacles for SMEs growth together with the lack of entrepreneurial spirit, motivation, information in potential entrepreneurs (especially in relation to research exploitation and market issues), as well as unclear regulation for instance in terms of IPR.

As far as early stage financing is concerned, it emerged that the topic is not popular among regional investors; in 2008 only 2 million EUR was invested in 4 investments. As for the business angels, there is no data whatsoever concerning their investments nor are they willing to share the details. A system is missing in which the state subsidy system, the business angel financing, the risk capital investment and the stock market introduction would integrate with each other

Concerning **support services typology**, intermediaries state that the most required by entrepreneurs are the following:

- Consultancy
- Training

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- Financial services

Concerning **obstacles** faced by novel entrepreneurs in starting up and running a new business, main issues identified by intermediaries are:

1. Unfavourable framework conditions (regulation, too high taxes, red tape burdens, no clear IPR, lack of start up capital)
2. Lack of *motivation, experience and skills in entrepreneurs*, lack of *knowledge of market and investment opportunities,* low *quality of business propositions, lack of sound business plans, low growth ambitions* which are claimed by intermediaries as ma*in barrier faced by SMes in accessing early stage financing* .

This depicts an overall perception of Hungarian companies as **NOT READY and NOT PREPARED** for early stage investment. According to intermediaries entrepreneurs are not prepared for capital intake, they do not hire professional investment consultants, they do not know where to turn to find investors and they cannot select the appropriate investors. In most cases they have no *business plans* and they *cannot see their financial situation completely*. They also cannot present their own development ideas to the investors clearly.

The few information gathered concerning the existing training supply, offers a picture of a training offer more oriented to general business development rather than accessing financing for innovative SMEs. Entrepreneurship-related training is mostly operated by institutional providers like innovation intermediaries, training foundations, SMes umbrella institutions, regional centres. The most focused programme seems to be those provided by Innostart, Semmelweise, *Életpálya Programme* but actual supply seem not yet adequate to cover all requests from young entrepreneurs in terms:

- business development
- financial management and financial forecast
- business plan preparation
- market analysis
- financing opportunities
- strategic planning
- communication skills
- business planning
- economic and financial knowledge

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The questionnaire survey on **entrepreneurs (new or potential)**, while confirming main the most of the interviews findings, giving additional insights on training needs and expectations of potential target of IRT.

Concerning the **composition of the target group** the sample was composed by 2 would be entrepreneurs, 6 entrepreneurs, 18 CEOs of Sme, the majority of respondents having less than 35 years and university level education.

When looking to **support services received**, while almost half of respondents says it has never benefitted from *support services*, training and finance are the two services which score best, with an associated level of satisfaction of service quality very positive

Comment: It is surprising that half of respondent has never received support services while those who got support express a very high satisfaction level (the scarce diffusion may be a clue of an offer distant by needs, while the satisfaction level contradicts this) the survey confirm what previously stated by the intermediaries concerning most required services; entrepreneurs ask for support in accessing finance and training services.

The set of questions related to the **business plan** shows that 23 have developed one while 3 have not yet, but responses offered in relation to the specific sections show that in most of cases it was not developed properly especially in relation to the sections of business model and financial forecast. Only 1 out of 23 BP holders asked for external support for drafting the plan and that the market analysis, when performed, has been done internally via desk research.

Comment: The answers provided seem to indicate a situation where entrepreneurs are still not fully aware of the aim and importance of business plan and of the specificity of the skills needed to develop an appropriate one (BP which is meant as leading document backing the company development and growth, to be used both for internal and external purposes = - i.e. investor presentation). As indicated by the intermediaries, absence of clear business model and lack of skills in financial planning are critical issues confirmed by the survey-

Looking at **risk capital** questions, around 20% of interviewed people has no knowledge of risk capital and the majority of people did not even attempt to raise funds. When looking at investment raised, out of 12 entrepreneurs which have raised funding, nothing applied for risk capital sources. Generic funding (i.e. subsidies), debt finance and combination of both are the sole sources. 21 out of 26 interviewed people are even not interested in raising additional risk capital. Of the remaining 5, one asks for investment level which are not compatible with risk capital market, 3 are asking low investment sums (50.000- 500.000€), only one is exceeding 500.000€. Only 2 respondents contacted potential investors. Causes indicated for the unsuccessful risk capital access were indicated as inability to identify suitable investors and non agreement on company evaluation made by the investors

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Comments: the responses reveal a very scarce perception of risk capital as an opportunity (there is a low awareness on its existence but few concrete needs expressed and actions pursued while traditional funding mechanisms receive the most attention by entrepreneurs). This can be a clue of the scarcity of risk capital sources for small enterprises but also be an indication of an entrepreneurial tissue which lack motivation, ambition and capability and habit to communicate with investors (predominance of debt/subsidies framework).

Concerning ***training experience and perceived*** *needs* the survey highlights the following:

Among those who *attended training course*, most recurrent topics dealt with marketing planning, communication skills while raising capital was not even mentioned. Level of satisfaction is again quite positive and at first sight could be contrasting with the low level of skills denounced by intermediaries (but ultimately this is not the case since how to raise capital seems not to be present in actual training offer available.

When asked if interested in training opportunities 23 out of 26 respondents have expressed openness and indicate as favourite issue (in order of preference):

- Strategic planning,
- Marketing
- Communication skills
- Business planning

Again the fact that raising capital received low scores should be interpret as non interest or a result of a knowledge/communication gap? (We propend for the second, since access to finance is crucial for start ups in any European area)

b) in relation **to *training characteristics*** (teaching and delivery methods), the survey reveals that:

- most of entrepreneurs prefer on site training followed by blended training modalities
- within on site training most appointed methodologies workshops, in-house training, training on the job

Comments:

The answers of both entrepreneurs and service providers highlight the need to enhance skills in terms of strategic planning, business planning, communication and marketing, all topics which are very crucial in the training path to be transferred. Surprisingly low interest has been expressed in the training on how to raise capital but - in our opinion - this due to lack knowledge of venture capital market and scarce awareness of its importance in early stage financing, also because risk capital in Hungary has historically targeted larger enterprise and in the expansion stage (although the situation is evolving and will be further stimulated towards see with the upcoming jeremie programme). The responses given in terms of

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teaching modalities and delivery mechanism are quite common among SMEs and clearly indicate the need of accessing practical, experience based know-how.

5.3 CONCLUSIONS AND REMARKS

This chapter integrates findings at macro and micro level, so to give first level indications for the programme customization. The chapter is composed by two section, section one which presents a simplified swot for the Investor readiness programme (bullet points list on main issues potentially affecting the IRT programme), section 2 which formulate first level indications on customization choices moving from the answer to the questions posed at the beginning of chapter micro level analysis.

5.3.1 Opportunities and threats for IRT Programme

Opportunities

- Central Region has an high potential for knowledge based entrepreneurship (higher competitiveness, Knowledge-creating and knowledge-applying micro-regions, high quality workforce, entrepreneurial dynamism, R&D intensity, high tech export)
- Entrepreneurship and access to finance are getting higher in the national and regional policy agenda (SME development concept and SME development strategy, Regional Operating programme)
- New Venture capital programme entering into force (strong stimulus for the development of seed capital market)
- *opportunity entrepreneurs* are increasing in numbers (more ambitious business potential target of the course)
- early stage entrepreneurs *are not ready* for investors (supply-side perspective)
- actual training supply is not satisfactory (no initiatives focus on financing for start ups with practice-oriented attitude)
- innovation intermediaries are interested to investor readiness support
- entrepreneurs are open to new training opportunity
- Visibility and centrality of Innostart in relation to the regional and national supply system (recognition, value chain support, connection to potential target)

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Threats:

- Regulatory framework not favouring entrepreneurial development (bureaucracy, taxation, IPR)
- Domestic policy which privilege FDI and large firms
- Still limited entrepreneurial culture
- Distance between research producers and the market
- Limited size of seed capital market (venture capital focus on expansion segment)
- Low awareness of risk capital features/opportunities among entrepreneurs
- Demand which needs to be stimulated
- Lack of trust and confidence in investors
- Prevalence of a loan-subsidy culture among entrepreneurs
- Competition with free of charge training opportunities

5.3.2 Recommendations

The analysis results allows to give a first response to the questions at the base of the training needs analysis like:

What skills and knowledge are required in order to meet investors expectations?

The training needs analysis reveals that often Hungarian early stage entrepreneurs **are not investor ready.** Intermediaries regret that entrepreneurs are not prepared for capital intake, business plan are often incomplete especially in relation to financial and strategic planning. There is no understanding of risk capital and investors expectations, nor the ability to access them and communicate properly the business project.

It is therefore necessary that new/would be entrepreneurs develop appropriate motivation, enhance their strategic, business, financial planning skills, and learn how to communicate properly with investors

What training is currently used to obtain these skills?

A targeted Investor readiness training programme seem not to be present on the Hungarian market. Innostart, the transferee partner of IRT, is probably the most advanced providers of services for accessing early stage finance to young entrepreneurs. Training offer available is more generalist and 'for all' SMes. The low attention paid by interview entrepreneurs on the

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issue of raising capital while financing is a key barrier for smes growth suggests to integrate IRT within initiatives which create awareness on knowledge based entrepreneurship.

What is the gap between what is required and what exists?

Innovative start ups are not subject of a dedicated training, and seed capital market is still embryonic. There is the lack of targeted programme informing potential beneficiaries on the peculiarities of venture capital and investors expectations and which learn to entrepreneurs how to build effective business propositions and communicate them properly with the investors

What is the market potential for investor readiness training in the addressee countries? Which opportunities can be caught?

Given that the seed capital market is not fully developed and understood by entrepreneurs, we can say that :

- There is an opportunity to be caught: the first public venture capital programme is being launched which will presumably stimulate demand for suitable investment projects
- according to investors and professionals, entrepreneurs are often not investor ready
- actual supply does not help them to develop appropriate skills
- training needs of entrepreneurs are coherent with IRT
- Intermediaries are very interested in the topic and seem open to integrate the IR training in their offer

What are key success factors (or barriers)?

Key success factor will be the capability to access and stimulate demand from the right target (ambitious entrepreneurs looking for start up money, quasi entrepreneurs coming from knowledge basins), the level of awareness among potential target of seed capital opportunity,

the level of development of venture capital market (and in particular of the seed stage since entrepreneurs interviewed present financial requests typical of the seed stage), the synergies and connection with existing initiatives aimed at high growth entrepreneurs (I.e sponsorship from key incubators, relationships with business plan competitions and award,)

Main barriers can be represented by the low level of awareness by entrepreneurs, the low development of the seed capital market, the predominance of a debt (or subsidized) oriented approach among entrepreneurs, the competition of free of charge training programme.

What is the optimum format for training delivery?

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Entrepreneurs ask for a training programme which concretely help them in accessing early stage finance, accompanying them step by step in becoming investor ready, possibly via in-*house, training on the job modalities,*. The course should be very interactive, practical, targeted on the level of readiness and needs of attendees.

In view of what above said, a snapshot on key customization choices are the following:

Target group:

1) New entrepreneurs (no more than 36 months old) looking for start up money

2) QUASI-entrepreneurs looking for start up capital (in the immediate phase of pre-start with already clear entrepreneurial project)

Course objectives:

Course should aim at developing skills of trainees on *how to raise venture capital in the initial stage of company development*. In particular the course should:

- Raise awareness, inform entrepreneurs on risk capital opportunities and operation modalities
- enhance entrepreneurs skills in *developing appropriate business propositions*
- improve their *communication skills*

Training topic:

- Start up financing (key features, opportunities and risks, investors behaviours, how to become ready)
- Strategic planning
- Business planning
- Financial forecasts
- Communication skills

Teaching methodology and delivery format

IRT should be a training programme very focused, practice oriented, tailored on needs of trainees.

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IRT should thus employ an interactive teaching methodology based on a mix of targeted class based teaching, coaching, practical exercises and simulations thus matching entrepreneurs needs in terms of being very practical ("how to" orientation), involving cases/examples of recurrent critical issues and how they can be solved.

The direct involvement of successful investee companies and investors could be foreseen to present real life cases and overcome lack of trust in investors, face-to-face delivery could be complemented with limited distant training modalities

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6 THE CUSTOMIZATION PROPOSAL FOR THE IRT PROGRAMME

Findings arisen from the regional scan in terms of potential and needs reckoned, offers the ground for a customization proposal which is substantially applicable to both transferee regions.

Both regions experience in fact a substantially similar situation with low level of awareness of early stage financing among target audience, entrepreneurs which in most of cases are not ready for investors with gaps to be filled in terms of business planning (especially in relation to strategic planning, marketing and commercialization strategy) and capacity to present effective business propositions to investors.

The training path proposed has evolved from the original programme with respect to: Explanatory module to render acknowledged the target group on the venture capital opportunity and its operations to addressees, simplification of the self assessment tool but insertion of a qualitative analysis session (interview with coaches), customization of business planning training topics according to the specific needs arising from micro-level analysis.

The training path will be therefore developed around three main building blocks:

- *preparatory block* (1 training day) which will consist into two modules:1) introduction to start up financing (risk capital market, interventions typology and companies life cycle, investors expectations, pros and cons 2) the readiness concept and assessment of investment readiness level, a step which allow to identify the level of each trainee and related intervention plan - in terms of improvement areas to be worked out within the enabling block though training workshops (one-to-many) and coaching (one-to-one guidance)
- *Enabling block: business planning* (1,5 training day plus coaching time to be defined – 3 days?) devoted to explain the key issues to be addressed for building a sound business propositions with specific regard to the topics identified as critical from the entrepreneurs like strategic planning, financial planning and forecast, marketing strategy plus coaching sessions working on the improvement areas defined for each attendee..
- *Investment readiness block:* an highly interactive section aimed at preparing trainees for pitching with investors. The investor readiness will *be deployed via a workshop (guidance for pitching) simulation and feedback/coaching (*one to one)

According to the level of readiness assessed in level one, two programme options will occur:

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1. READY entrepreneurs will jump directly to block 3: investor readiness
2. NOT READY entrepreneurs will pass through the enabling block before accessing block three.

It has to be noticed that with respect to block 2 ENABLING a differentiation of topics can be foreseen according to needs analysis results.

Finally before entering into details it is worth explaining that when referring to business planning we meant not the '**document'** but the *planning process* which has the potential - if correctly addressed - to demonstrate to investors that the entrepreneurial project proposed is a sound business with high success potential.

6.1 TARGET GROUP FOR TRAINING

As shown by the evidence of the analysis above, the target group for the training program is composed by

- *New entrepreneurs (no more than 36 months old) looking for start up money*
- *QUASI-entrepreneurs looking for start up capital (in the immediate phase of pre-start with already clear entrepreneurial project)*

Accessing the right target is determinant for the initiative success, focus should be placed on 'ambitious' entrepreneurs.

In consideration of the specificity of the target it is important to develop an ad hoc strategy for accessing it. A discussion should take place among partners about possible ways to ensure this, for instance via scouting within knowledge basins? Partnership with high tech incubators? Closed (with pre-selection process) course?

6.2 COURSE OUTLINE

Given that *lack of financing* is recognized by both intermediaries and entrepreneurs as the key barrier for start up companies, and that venture capital is the main source for high risk project, the course should aim at developing skills on how to raise capital in the initial stage of company development.

In particular the course should:

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- Inform entrepreneurs on which opportunities can be exploited with risk capital and its operation modalities (what it is, investor behaviours and expectations and difference with traditional financing, investment needs in relation to the different stage of development of the entrepreneurial initiative, risks and advantages in relation to other financing mechanism and traditional financing sources
- Learn them how to become ready for investors by a three step process
- A) assessing readiness level and identify improvement areas to be worked out
- B) enhance entrepreneurs skills in *developing appropriate business propositions* (survey reveals that business plan are often incomplete, entrepreneurs are not accessing external expertises) in particular in relation to market, commercialization strategy, financial forecasts etc, and requests for investors
- C) learn entrepreneurs how to communicate properly with investors (the survey confirm the existence of a communication gap between entrepreneurs and investors with entrepreneurs indicating investors inability to understand the proposed business as major cause of failed financing which most reasonably is linked to non clarity of business content and low presentation capacity of the entrepreneurs rather than investors capacity to understand

In consideration of what above stated and survey findings *training topic* could be:

- *Start up financing* (key features, opportunities and risks, investors behaviours) and *the investor readiness concept* (what does it mean to be investor ready, self assessment and inteview, improvement areas)
- Business planning (series of mini-workshops on how to better shape the business proposal in terms of strategic planning, marketing, financial forecasting)
- Investor readiness (preparation pitching, simulation, feedback/coaching)

Training contents:

Preparatory block: Getting in touch with start up financing **(**1 day - half day workshop, half day self assessment and interview

- Module 1 - workshop - introducing start up financing (what it is, differences between equity and debt financing, different tools for different stage, typology of funding, investors behaviour in relation to different funding sources, pros and cons of equity based investments)

- Module 2 - coaching session (one.to.one) assessing readiness level (self assessment questionnaire and interview with coaches, so to identify the entry level and improvement areas to be worked out)

Enabling block : Business planning (1, 5 day)

- Module 3 Business planning (class based workshop in relation to key needs expressed by the training analysis where trainees are thought on the)

Practicing block: Investor readiness (1,5 day)

- Module 4 - Workshops on how to pitch, pitching simulation and coaching

6.3 TEACHING APPROACH

Finally, concerning teaching methodology and delivery format, in accordance to responses offered by interviewed entrepreneurs, which expressed a large preference for in *house /training on the job* modalities and a low satisfaction level attached to previous training experiences (mainly academic and generalist and this may be considered a clue of a training offer distant from real business operations), the programme should:

- be very practical ("how to" orientation), involving cases/examples of recurrent critical issues and how they can be solved
- involve directly successful investee companies and investors (presenting success story) also to overcome lack of trust from trainees
- endorse an interactive teaching approach (presentation of cases, practical session, coaching, pitching simulation)

6.4 ASSESSMENT MECHANISMS

The assessment process will be focused on measuring the effectiveness of the course in relation to entrepreneurs investor readiness.

An assessement questionnaire will be used to measure the investor readiness entry level and the exit level after training. Such a tool will be focused on ascertaining the skills possessed by entrepreneurs at the beginning of the course and after the finish

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The level of satisfaction of trainees will be processed via a questionnaire aimed at gathering level of satisfaction in relation to:

- Different training modules
- Quality of teaching materials
- Quality of trainers
- Improvement areas

It would be important that the course owner foresees an impact-related evaluation (based on quantitative indicators) which monitors the performance of assisted entrepreneurs in accessing early stage financing. To facilitate this, appropriate links with potential investors should be secured.

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7 THE TRANSFER PROCESS

The current chapter highlights the key steps to be made by both transferee organizations for ensuring an effective embedment of the course. The activities proposed have been conceived in order to fulfil the following conditions:

- Verify that the programme is fully matching expectations of transferee organizations (clearly state expectations in terms for instance of exclusivity vs. large diffusion, strengthen market position, establishment of linkages with supply side actors, development of new service offer)
- Ensure that programme proposed is coherent with recipient regions needs and potential (verification of the target group and programme objectives)
- Ensure that the training proposed is coherent with entrepreneurs needs and existing skill gaps (validate contents and formats, not overlapping existing initiatives)
- Set in place preliminary conditions which can positively affect the course performance and its long term rooting within the regional supply system (perform and extract lessons from the pilot, identification of strategic partnership which can favour links with potential target group and investors, etc)

A key component of the transferring process will be the design and running of the pilot, the testing exercise to finetune contents and devlivery mechanism on the base of users feedback (both at the level of trainees than of trainers).

Activity 1 – To clearly express the goals the partner aims at with the course

Objectives	**Suggested Actions**	**Responsible body**	**Timing**
To verify the main goals of each partner organization (possible alternatives are listed below) • *strengthen position in the market,* • *access new target group* • *development of*	*Meeting with directors, deans, decision takers inside the organization, to understand product positioning;* *Develop a mission statement for the IRT*		

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strategic partnership in or outside the region • *favour deal flows for future investment programmes)* • *To play a strategic role as institution for developing the "culture" of entrepreneurship at a regional level* • *…*			

Activity 2 – To validate the target group proposed for the regional course

Objectives	Suggested Actions	Responsible body	Timing
To confirm the evidence from RS analysis in terms of type and number of ideal target group	*Meet organizations that can have contacts with identified target to verify coherence between target group and contents of the program;* *Ask their opinion on the best way to access target groups*		

Activity 3 – To anchor the process (at the organization and regional support system level

Objectives	Suggested Actions	Responsible body	Timing
Transferee Organization level	*Meeting inside*		

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a) To legitimize the program inside the organization. *b) To create the steering & team group;* *regional level* *To identify potential sponsors and strategic partnership* • *(i.e investors association which look for good projects* • *incubators/entrepreneurship centres interested in the service* • *regional funding mechanisms which can be exploited (accreditation system and training bonus)* • *investors to be involved in the pitching,* • *success stories protagonists*	*organization to define delivery conditions;* *Define programme governance* *List organization to be involved and role to be played* *Contact them to verify interest* *Meeting with key local players, to define and formalize cooperation agreements for marketing and delivering of the course*		

Activity 4 – To validate the course design and gather inputs

Objectives	Suggested Actions	Responsible body	Timing
To verify coherence in goals/target/contents/articulation of the program; *To define the kind and contents of teaching material needed for the training program delivery*	*Focus group with some representatives of the target group and/or with organizations that can access the target group;*		

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	…		

Activity 5 – To market the course

Objectives	SuggestedActions	Responsible body	Timing
To create (local) awareness among regional actors, players, students, … about the relevance of the entrepreneurship theme; *To sell the program to the target* *Link with investors and funding sources*	*Series of Workshops with local actors, universities and their organizations, potential target of the program, and any stakeholder that can provide support in promoting the program and find participants;* *Connection with events like business plan competitions?* *Public presentation of the program in Universities and any organization able to reach the identified target*		

Activity 6 – To train the trainers

Objectives	Suggested Actions	Responsible body	Timing
Identify the professional teachers involved in the program and provide them with the awareness on self	*Identify the team* *Deliver* *To create the teachers' team and involve them all together in*		

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assessment tool and coaching process forPitching	*acquiring skills for assessing entrepreneurs readiness (self assessment tool);*		

Activity 7 – To deliver the pilot

Objectives	Suggested Actions	Responsible body	Timing
To test the actual impact on the target group of the program and to achieve elements to fine tuning the program	*To identify the pilot target group (first of all in terms of number);* *To recruit participants* *To identify testimonials to be involved* *To verify trainers capacity* *To ask for trainees/trainers feedback*		

Activity 8 – To assess the delivery

Objectives	Suggested Actions	Responsible body	Timing
To define the ultimate program version to be put in the market and make it part of the partners' offer	*To collect all the evidence from the pilot test to fine tuning the program and include it in catalogues or institutional brochures illustrating the*		

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	organization's training offer		

Activity 9 – To guarantee the self sustainability of the programme

Objectives	Suggested Actions	Responsible body	Timing
To identify financing sources for the course delivery	*To economically evaluate the course, in order to quantify the amount of financing needed for its delivery;* *To present the pilot evidences to Public Administrations in order to have their financial support;* *To investigate regional financing sources to find the most suitable to call for financing;* …		

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