

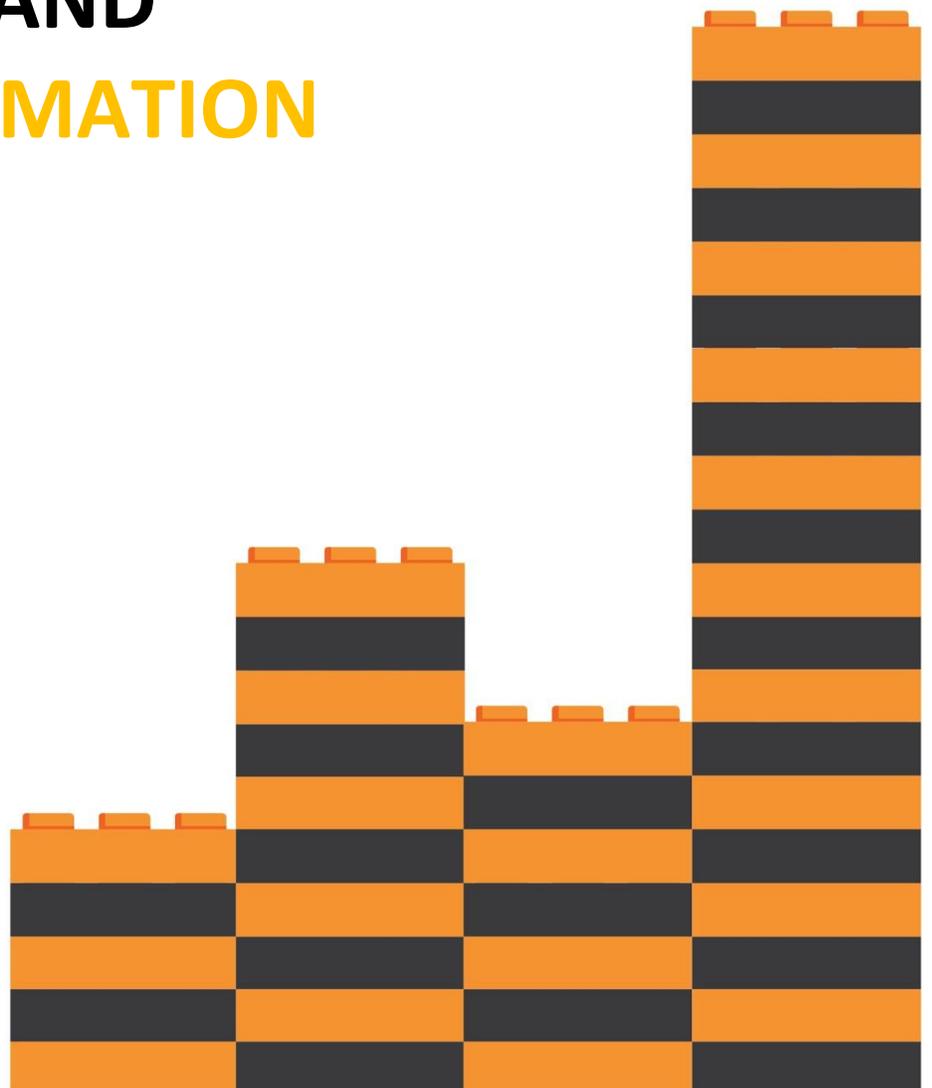
BY LEAP

BALKANS YOUTH: LINKING EDUCATION,
ABILITIES AND PARTNERSHIP POTENTIAL
IN REGIONAL EMPLOYMENT PRACTICE

Funded by
the European Union



STUDENT TO YOUTH COMPANY GROWTH AND TRANSFORMATION TOOLKIT



National Youth Council
of Macedonia

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Impressum

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The document may be downloaded from the official project website at: www.by-leap.com

This project has received funding from the European Union's Civil Society and Media Programme under Grant Agreement No 2020/413-829.

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Introduction

BY LEAP¹ project aims to contribute to youth entrepreneurship opportunities and strengthen employment perspectives of youth in the Western Balkans. Specific objectives are to:

- Strengthen regional entrepreneurship education network and its capacity to participate in reform process;
- Support growth of innovative youth entrepreneurship initiatives including from rural and remote areas, and their transformation into sustainable youth SMEs;
- Foster youth employment and entrepreneurship opportunities through advocating for legal environment prone to student and youth companies sustainable development.

This student-to-youth company growth and transformation toolkit is based on the transformation process experiences across the participating countries for young entrepreneurs in the region and includes and acknowledges particular country differences recognized during the process. It is also based on Junior Achievement methodological inputs and leans on some best practices from across Europe.

About 60% of teenagers are more interested in someday starting their own business instead of working a traditional job, according to a March 1, 2022 survey from Junior Achievement USA. The survey of 1,000 teens aged 13 to 17 was conducted online by Wakefield Research. Nearly 2 in 5 teens surveyed said their inspiration for entrepreneurship mostly comes from social media influencers and celebrities. The survey also found that 45% of teens want to learn the ropes from current business owners and 37% would be interested in programs at or after school teaching entrepreneurship.

¹ Balkans Youth: Linking Education, Abilities and Partnership Potential in Regional Employment Practice (hereinafter BY LEAP) project implemented in the Western Balkans countries (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia and Turkey) and supported by the JA Europe in the field of youth employment. The project is funded by the European Union (hereinafter the EU) Civil Society Facility and Media Program 2018-2019 meant to support to regional thematic networks of civil society organizationsⁱ in creating Innovative solutions to promote youth employment.

BY LEAP business transformation included young people 15-30 years old from six project countries and wanted to showcase how the whole process of building and growing startups works and how young people can really become entrepreneurs.

This toolkit aims to be a handy and practical tool that can be replicated and used by future young entrepreneurs as guidelines explaining step by step process, challenges, achievements and lessons learned from the transformation process. It all starts with an idea, and *“You don’t need to have a 100-person company to develop that idea.”* – Larry Page, co-founder of Google.

Transformation process step by step

Entrepreneurship is a dynamic process. To become, grow and thrive as an entrepreneur means navigating a continuum of events and stages that are influenced by many factors. This transformation begins with the **gestation stage**, when the entrepreneurial vocation, motivation, and key capabilities are acquired, and the business idea defined. The next stage is the **start-up** stage that includes the final evaluation of the project, and efforts to access and organize resources needed to start the business. It is followed by the early **development stage**, characterized by market entry and efforts to address the operational problems faced by new firms. Entrepreneurs that persist enter subsequent **growth/maturity stages**.² Successful transition from one stage to next requires a differential mix of skills and enabling conditions at each stage.

This toolkit will tackle each of these phases by splitting them into “sub-phases” in order to understand the whole process of transformation in an easier way. It will follow the phases set up by the BY LEAP project and use some examples and lessons learnt from the project.

² Nassif, Vania, Alexandre Ghobril, and Newton Silva, Understanding the Entrepreneurial Process: A Dynamic Approach, Brazilian Administration Review, Vol. 7(2), pp. 213-226, 2010; Ford, Kalyah, et al., Igniting Climate Entrepreneurship in Morocco, World Bank, 2017

Selection

An entrepreneur is someone who has a vision for something and a want to create. – David Karp, Tumblr founder and CEO

Business plan competitions show promise to spur young growth entrepreneurs. These aim to select potential growth entrepreneurs and offer winners a combination of training, mentoring and funding. Selection of the student-to-youth businesses whose transformation was followed was done through competitions in each of the countries in the region.

Participating in a business plan competition forces you to think critically about virtually every aspect of your company. The value of your technology, your target market and its size, your competitors, your key milestones, the strength of your team, and your financial projections. This outside pressure provides an opportunity to take a step back and assess your company with a level of detail you may overlook on an everyday basis. And, by doing so, you become open to developing valuable new thought processes. Is the market big enough for continued growth? What are your company's major pitfalls? Is your idea realistic? Have you really thought through your risks? Most business plan competitions require you to confront and respond to these kinds of difficult questions that must be answered sooner rather than later.

Some of the elements that were measured in the selection were:

- Problem identification and exploration,
- Short description of the Business Model,
- Value proposition,
- Founder/team experience,
- Finances and investment.

Competitions were organized for young people ages from 15-30 years old and the idea was to select up to 10 youth business ideas that would go further into the process of transformation. In case of Albania, over 45% of applications were students who had participated previously on the

'Students Company' Program while only 1 of them is pursuing on continuing with the same product. 80% of the idea stage applications had worked on some initial steps to test the idea through a Minimum Viable Product. In Montenegro, Serbia and Bosnia and Herzegovina after selecting initial ten, four business were mature for the whole transformation process, based on the predetermined criteria and the potential for growth.

Business ideas and plans

Business idea needs to have customers, clients or audience as its focus. Three key facts distinguish a business idea from a creative idea:

- There must be a clear need for your product or service (or you must create one), and you should be providing a new or improved solution for that need.
- That need must have sufficient potential to create a demand.
- There should be sufficient reward within your idea to be able to support your immediate business needs, as well as your future business requirements.

A business plan is a strategic description of how the business will advance its technology/product/service and achieve profitability and success. It is a living document and will need to be revised to reflect the changing conditions of the business and the market in which it operates.

The true value of developing an initial business plan is not the finished product itself, but the research and thought behind the plan. Creating a business plan helps one systematically consider all aspects of the business. Additionally, a business plan is critical for a start-up that is trying to secure external funding. The business plan demonstrates to outside investors that you have thoroughly explored both the market and how your product or service fits in that market. The level of detail in the plan will depend on the types of investors or funding that the one is seeking.

In each of the partner countries, many business ideas were presented during the competitions coming either from the previous JA students or from unaffiliated young people who wanted the support in developing and growing their businesses.

For example, in Albania, out of 30 received applications, 27 were in the idea stage and only 3 were in the start up stage. Innovation was strictly related on providing online solutions through web apps or applications for different problems such as internships, road safety, UX/UI, etc. Another type of innovation among the applications was related to green ideas, with great focus on recycling, upcycling, green architecture, tourism, etc. In overall the innovation, specially on the idea stage level was daring and inspirational with great potential to be implemented, tested and bringing value to the local market. Having an innovative product or service can open markets where none existed before challenging the existing competitive landscape. It allows you to build a new monopoly (even if just for a short while), which will allow you to grow without competition. But one should be careful. Innovators who are first to market often have negative experiences and lose money, while followers reap the rewards: benefiting from awareness of the product or service, and introducing revised versions that iron out teething problems and avoid intellectual property issues. So alongside the questions ‘What is it that I do?’ and ‘Why should my customers care?’, you should ask yourself:

- Is there a need for what I’m offering?
- Will there be sufficient demand?
- Will that generate sufficient reward for me to move my business forward?

In order to be successful, one needs to balance the drive to develop the idea into a business with other imperatives. If an enterprise is primarily driven by ideas but doesn’t have a commercial aspect, it won’t be sustainable. Similarly, if a business is motivated by commercial imperatives without due consideration to its innovation and creativity, then it may not be effective in the long-term. Achieving a balance between passions, talents and economic drive is important.

Both in Serbia and in Montenegro, some initial capacity building trainings had to be conducted for the young applicants who came in to the competitions only in the idea stage for their businesses.

Pre-Incubation process

Pre-incubation phase is a very important phase in which strengths and weaknesses are defined and determined and which capacities should be built. Pre-incubation is the process that involves business idea or project, where startups that have started working alone or with a team but have not been incorporated to make this idea come true. Entrepreneurs in the pre-incubation process need specific training, mentoring and consultancy services to understand whether their ideas are viable, commercializable, scalable, etc. It is also important to need to establish the roles the business needs and to:

- Identify where your personal skills and interests fit within your business
- Understand what you need to add to your own skills in order to create a complete set of business skills
- Identify the relationships you need to build with other people and businesses to make your business succeed.

It crucial to keep in mind that the three key aspects to creating a sustainable business:

- Having a clear idea of what you want your business to do.
- Knowing that there'll be an audience or market for what you're going to offer.
- Developing a business process that allows you to offer this to customers and sell it for more than it costs to produce.

The pre-incubation process in Albania, for example, involved 4 pillars:

- Business goal definition,
- Hypothesis development,
- Conducting successful experiments,
- Using data and information for decision making.

The 4 pillars were used to capacitate and assist the selected ideas, on validating their ideas/running startups. By defining the most important goals the startups started their path on understanding how

they perceive their business . And that is why hypothesis were developed with each startup in relation to their business goals. Each hypothesis was planned to be accompanied by a series of experiments by approaching potential targeted clients. Each experiment had to gather as much data as possible, as methodology, in order to be processed and understand at the end if the initial assumptions/hypothesis were right or not. Through these data the ideas/running startups made adjustments to the existing ideas or pivot to another direction explored through the experiments.

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Trening za 10 poslovnih ideja

1

- Izrada biznis planova,
- Poslovni biznis modeli
- Marketing i prodaja proizvoda/ usluga
- Osnova finansija i finansijsko planiranje
- Izvori finansiranja za start-up biznise

2

**Inkubacija/
BIZNIS
MENTORING
ZA 4
POSLOVNE
IDEJE**

3

- Razrada i oblikovanje poslovne ideje;
- Razvoj proizvoda/usluge/ Asortiman;
- Organizacija i Planiranje;
- Analiza Tržišta-Segmentacija, Targetiranje i Pozicioniranje na tržištu, 4P i /7P Marketing miks, marketing strategija;
- Osnovi Prodaje, Prodajni kanali, Strategija i Plan prodaje, Pregovaranje sa kupcima-, Izrada biznis modela poslovanja;
- Finansijski plan,formiranje cene proizvoda/usluge, Fiksni i Varijabilni Troškovi poslovanje, prelomna tačka rentabilnosti,projekcije poslovanja, racio analiza;
- Izvori finansiranja za Start-Up biznise; Pitch

PRETVORI IDEJU U SVOJ PRVI BIZNIS!

MODULI TRENINGA

 **PRO BUSINESS
CONSULTING**

In Serbia, before they started working on the further development of the selected ideas, partners devised a whole plan based on which the training were conducted. The entire project was divided into several modules and each of them had the task of introducing young people to the main areas

of business. The basis for the modules of which the education of young people was carried out are Business Plan Preparation, Business Models, Marketing and Sales, Financial basics and Financial Planning, and Sources of Funding for Starting a Business. Apart from the fact that the education was primarily theoretical, everything was supported by practical examples and their business proposals. The education process was designed in the way that 10 business ideas were selected for the training and afterwards 4 ideas were selected from the innermost circle for mentoring and additional business transformation.

Mentorship

“The fastest way to change yourself is to hang out with people who are already the way you want to be.” – Reid Hoffman, co-founder LinkedIn

Research was done in 2015 by YBI - Youth Business International³ in order to understand what works in mentoring, not only in terms of business development but also personal development. The two-year research project, which involved over 1,600 in-depth interviews with mentees and mentors, tracked the impact of mentoring in two phases. By the end we found nearly three-quarters (74%) of young entrepreneurs were more confident in running their business and 72% felt they had stronger decision-making skills through the support of their mentors. Personal levels of confidence also grew during the program, by the end 71% of entrepreneurs felt they had learned significantly more about their personal strengths and development areas.

This shows how mentoring is a crucial aspect of the incubation and growth and the full transformation of youth businesses. A mentoring process defines the various stages in the development of a mentoring relationship. Mentoring process is usually systematic, differentiated and complex. Its systematic nature is attributed to the developmental needs surrounding the evolution of a mentoring relationship. Developmental needs include socio-emotional, cognitive

³ <https://www.youthbusiness.org/resource/the-impact-of-mentoring-on-young-entrepreneurs>

and identity development, and these require different levels of structure, direction and support. As such, the differences in the ability of mentors to manage the inherent challenges associated with the developmental needs of mentees are critical. The mentoring process is also believed to be complex because the channel of leading mentees through levels of dependency to autonomy and self-reliance is non-linear. The idea of the transformation process is that young people who are starting up their own businesses become stronger, more mature and more self-reliable with the help of a mentor.

Some of the crucial questions that needed to be tackled in this phase with the help of mentors were the following:

- How to create and structure adequate business plan and create realistic business case;
- How to structure and set fundraising plan and where you can search for financial support;
- How to structure and set valuable and optimal marketing strategy;
- How to prepare documentation for registration of SME.

Main areas that were dealt with through business mentoring in partner countries are: Elaboration and shaping of a business idea; Development of products/services/ Assortment; Organization and Planning; Market Analysis-Segmentation, Targeting and Positioning on the market, 4P and /7P Marketing mix, marketing strategy; Basics of Sales, Sales Channels, Strategy and Sales Plan, Negotiating with customers, Creating a business model; Financial plan, product/service price formation, Fixed and Variable Costs of business, the breaking point of profitability, business projections, ratio analysis; Sources of financing for Start-Up businesses; Pitch.

Growth

This is the crucial and most complex and actually the longest phase, encompassing in a way all previous steps and being in a way never-ending , since the growth and transformation don't necessarily end once the business is established. Some of the elements of the growth/maturing phase are answers to the potential questions, such as:

- Problem definition and other potential solutions on the market,
- Fine-tuning of value proposition,
- Financial modeling (costs, revenues, cash flow),
- Marketing and visibility,
- Fundraising and investment readiness.

Business theory states that the growth phase is where your business solidifies its stance in the marketplace. Turn your focus inward as you build teams and hire people to run operations. Spend your time on activities that help the company grow and identify what barriers could inhibit your growth. Take the time to strengthen your relationships with clients. Invest in your employees and push them to take more ownership of both internal processes and client relationships.

The growth phase requires investment. One has to give back profitability to fund growth or seek outside investment capital either through investors or debt. With investors, you give up equity and gain advisors. With debt, you retain all your equity but will likely have to sign personal guarantees with banks to secure funding.

There is no one-size-fits-all solution when planning your next steps, but here are a few simple questions that can help guide the way:

- What's your small business best at right now?
- What's driving profits?
- What does the current competitive landscape look like?
- What are current market conditions?

It is still an early stage for the student-to-youth companies transformation to talk about real growth and maturity, but it is important to keep all these questions and issues on mind if we want to see and have sustainable youth businesses. As a growing businesses, their goal is to identify market differentiators and what's driving the profits, then come up with strategies to efficiently expand both. In each of the project countries four youth businesses showed the potential for real transformation and potential growth and these are the issues that they have to keep in mind.

Funding and Fundraising

“It’s almost always harder to raise capital than you thought it would be, and it always takes longer. So, plan for that.” -Richard Harroch, Venture Capitalist

Funding can be divided into three categories, each of which has different implications for the investor, entrepreneur, and business:

- Grants: No obligation to repay provided that the terms of the grant are met.
- Debt: Borrowed funds, repayable on a fixed schedule with interest.
- Equity: Ownership through either stock or membership. Equity funding can have profound effects on by-laws, voting rights, operational control, and future rights.

Various types of fund and funding opportunities can be found in each of the project countries, as well as different types of challenges and difficulties that young entrepreneurs are facing. No one type of funding works for every company. Some businesses need a massive amount of capital from outside investors to bring ideas to life. Others need a small loan to push them toward higher revenue and financial freedom.

Raising startup funding is one of the most exciting, challenging times for a company. Search for investors, loans, grants, and other forms of funding to help their business grow is a huge task and responsibility. If successful, the startup has the capital to continue building its products or providing new features to customers. If not, the company may have to close its doors forever.

Investors want to support startups they believe in, but they also want to make a return on their investments. That's why almost all deals with angel investors, venture capitalists, or private equity firms include equity in the company. The idea is that when the company begins to earn a profit, the investors will get their initial money back, plus the extra slice of equity for taking a chance.

For example, Albanian startup and innovation ecosystem is very young and funding initiatives towards startups. Nevertheless, different international organizations has acted as angel investor through grants given to startups. These grants are accessed when these organizations open their calls for startups or startup ideas. It is the similar case in other countries in the region. In Montenegro, each of the youth companies was provided by their business mentors detailed and tailored list of potential investors and funders that they can approach, as well as the descriptions of banks and loan regulations and opportunities that they can use.

Various types of financing are available to young people in Serbia, of which the following are the most important:

- StarTech: The program is fully financed by the funds of the private company Philip Morris International in Serbia. It is implemented by NALED with the support of ENECA, and is intended for startup teams, entrepreneurs, micro, small and medium enterprises.
- Fund for innovation activity: It is intended for private micro and small enterprises in the early stages of development, which possess technological innovation and have the potential to create new intellectual property, as well as a clear market need.
- Development fund - credit support investments
- Loans (for the purchase of equipment, machines, plants, construction, or purchase of production or business premises)
- Loans for fixed and current assets (for the purchase of raw materials and materials, supplies, as well as other production costs, receivables from customers, liabilities to suppliers)
- Start-up loans: loans for women entrepreneurs and young people, program to encourage entrepreneurship through development projects, loans for business entities operating in underdeveloped and expressly underdeveloped areas.
- Standard bank loans: Loans for the purchase of fixed assets; Loans for the purchase of working capital; Loans for liquidity; Revolving credit line; Current account overdraft.

Lessons learned

Some of the main lessons learned in the framework of the BY LEAP project and the transformation processes in the region are mostly in relation to time and timing of the project and the processes and when and how this can go in the best possible way. In majority of the countries this time period was too short in order to get the complete picture and draw conclusions on the process, or it was timed in the period when young people can not get too engaged.

Due to recent independent studies that show high labor inactivity, especially among youth, and the fact that informal employment and long-term unemployment are a significant challenge with critically high youth unemployment levels (50% on average), it was noticed in Serbia, as an example, the problem of lack of education and experience in terms of business and the lack of readiness to start their businesses among the younger population. Being young and unemployed leads to increase in the risk of poverty and social exclusion as well as cause loss of motivation and apathy.

In Turkey, the most difficult aspects for the student-to-youth businesses were the creation of capital. The capital generated by the stock sales was not enough for them and they started investor negotiations. Investor negotiations have not always ended positively for youth companies.

The main challenges in Albania are related to the high 'inflation' of activities taking place on the startup and innovation ecosystem. Over 90% of these activities represent workshops, bootcamps & hackathons with soft training & mentoring but low or none funding/investment. This focus on the early stage and idea stage presents problems for startups who want to build more on the following stages, up to Investment Readiness. The second challenge affecting all initiatives is the fact that many of these activities are located in Tirana, the capital. Therefore, to access this knowhow you either are based in Tirana or you have to travel to Tirana and cover the expenses by yourself, which can be costly and complicated for young people. This problem doesn't exist only in Albania. In many of the countries in the region there is the same problem with the centralization of knowledge, resources and accessibility for different groups of young people, especially in the rural areas.

In the context of recognized challenges for the transformation of business ideas to start ups and (then) SMEs, main challenges seen in Montenegro are the following:

- Students are still not clear financially;
- Managing Commitments;
- Balancing work, school, and family;
- Fear of coping with market competition;
- Design thinking process among students exists, but needs to be further enriched and streamlined in a way to enable them to plan and manage their business ideas.

Conclusions

Funding is one of the strongest issues when it comes to youth companies. Those that don't seek startup funding usually choose to self-fund their businesses. They use personal savings or money from family and friends to get their companies up and running. This is a hotly-debated topic, but it does help entrepreneurs keep control of their businesses, instead of giving equity to investors, and avoid interest payments from taking out loans. The downside is that if the startup fails, the entrepreneur loses their savings or that of their family and friends.

Crowdfunding may be a good way to raise money online in exchange for rewards, equity, debt, or nothing at all. Small youth businesses can use crowdfunding sites to quickly access cash, but at the cost of building a strong promotional strategy, giving up equity in the business, and being transparent about the company's health.

According to the surveys done in Turkey, by project partners say that the students who were part of the program stated that the company program and the innovation camps increased their interest in entrepreneurship by 76%. 82% of students stated that the training has met their expectations and needs, and they have improved their financial literacy skills. After the development of their business plans, some teams were able to start producing their products and selling them locally.

Some were able to start the prototype process of their services and products. They started product testing with small test groups.

Comprehensively analyzing the business ecosystem in Serbia, it was identified the greatest potential for youth in sectors that improve the productivity and competitiveness of the Serbian economy: ICT (innovation and IoT – internet of things), Renewable energy and energy efficiency. One of the conclusions from Serbia is also that young people have to be ready to operate with some loss for the first six months of running their business, before they manage to generate enough income and become more sustainable, and begin the real growth.

In conclusion - young businesses in the region face three main issues/problems. These include the lack of starting capital due to unsupportive government stimulations and bank loan bias towards developed SMEs and not enough agent investors. Additionally, there is a lack of perspective and necessary entrepreneurial knowledge. In comparison, the youth in the EU are somewhat in a better financial situation. Taxing is more sufficiently regulated and defined. Entrepreneurial behavior is more encouraged in the EU countries.

About BY LEAP project

The project Balkans Youth: Linking Education, Abilities and Partnership Potential in Regional Employment Practice (BY LEAP) aims to strengthen the participation of grassroots CSOs and youth initiatives in regional network, and ensure sustainability of young entrepreneurs (student/youth) companies through demonstration and training/mentoring activities. The efforts will go toward improving the policy environment and supporting human and institutional capacity/workforce development initiatives that respond to the needs of the CSO's and local/grassroots beneficiaries.

The overall objective is to contribute to youth entrepreneurship opportunities and strengthen employment perspectives of youth in the Western Balkans.

Start date: 1 March 2020

End date: 28 February 2023

Project Coordinator: Junior Achievement Serbia

Project partners:

Western Balkans Institute (Serbia)

Junior Achievement of Albania

National Youth Council of Macedonia

Student Business Center

JA Turkey

Social Innovation Incubator MUNJA

JA Europe