

THREE STEPS METHODOLOGY TO MEASURE AN INDIVIDUAL'S PERSONAL COMPETENCES FOR ENTREPRENEURSHIP TOWARDS A "PARTICULAR" BUSINESS IDEA.

Diagnosis Methodology for the Pair: Entrepreneur Competences – Business Idea.

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Abstract

The use of certain diagnostic tools serving for the evaluation of a person's suitability for entrepreneurship with regard to his/her competences is one of the domains that our organization has been paying attention over the last three years. Our approach tackles entrepreneurs' competences from three different points of view: Their attitude, explained as "Desire to make or produce something", their aptitude, explained as "Ability, knowledge or skill to make or produce something" and their capacity, explained as "to be able to make or produce something". Different self-assessment and measurement tools are provided to evaluate each of the above mentioned variables, as a result of what, a report based on the combination of the attitude, aptitude and capacity of the particular entrepreneur towards the particular business idea proposed is produced. This report will orientate the entrepreneur as follows: If satisfactory, the entrepreneur is ready to set up the particular business idea as planned, if not satisfactory either, the business idea is not good or innovative enough to be a successful business as initially planned or the personal skills and capacities of the entrepreneur are not yet sufficient to face all the casualties and hazardous that to set up a business encompass.

Key words: Diagnosis; entrepreneur competences; business idea; attitude; aptitude; measurement tools.

Introduction

Over past 3 years EQUAL Project ARIADNA – Innovation in Cooperative Entrepreneurship with disadvantaged groups – ES – ES20040258 (<http://www.equal-ariadna.net>) has been working in different methodologies for entrepreneurship capabilities evaluation and training, to help entrepreneurs to make their way to the market.

Out of the different results of the project, in this article we will outline the successfully tested methodology “ARIADNA Tutoring System”, which basically is a three steps method to measure an individual’s personal competences for entrepreneurship towards a “particular” business idea, in order to draft conclusions that will allow to plan some correction actions in case competences and business idea don’t match accordingly.

As stated before the “ARIADNA Tutoring System” builds up in three steps encompassing the following aspects:

Evaluation of the pair “Entrepreneur Competences – Business Idea”, which comprises a qualitative diagnosis of the pair “entrepreneur-business idea” from a wide range of points of view, such as, Strategy & Business Perspective, Technological Means, Entrepreneur’s capabilities, Business Plan and so on...

This diagnosis produces a very exhaustive report on the particular entrepreneur competences towards the particular business idea proposed. Basically, if this report is satisfactory and consequently the entrepreneur is ready to set up the particular business idea, then a skilled co-manager or tutor is assigned to the entrepreneur to assist him or her on the weaker issues detected in the evaluation for a period of one year, which is called the “business start-up and consolidation” phase.

However, often happens that the entrepreneur competences evaluation is not satisfactory, thus restraining the entrepreneur from setting up a “potentially” not successful business idea. If that is the case, two are normally the identified causes to warn the entrepreneur about the probable non viability of the idea: Either the business idea is not good or innovative enough to be a successful business in the open market or the skills and capacities of the entrepreneur are not sufficient yet to face all the casualties and hazardous that might appear.

In the first case, that is, the business idea is not suitable to become profitable or successful although the entrepreneur competences might be right, for example: To open up a book store specialized on multicultural and multilingual contents when immigrant population in that particular city district is less than 5 percent and their average income is less than 45% of the average income of local population, although the entrepreneur might be an expert with lots of years in the sector... as we said, in this case we have developed a second method called Train

Entrepreneur skills to take up plausible business ideas where basically entrepreneurs are encouraged to maintain their “spirit” and are bombarded with a set of conceivable business ideas that have been researched as plausible and “might be” successful.

This set of “25 future ideas to set up a new company” is elaborated every 2 years as a compendium of business ideas with the following structure: Activity Sector; Identified Niche, Brief description of entrepreneurs’ profile, Sector Dynamics, Economic Conditionings and Supporting Measures.

When they choose and see themselves as suitable entrepreneurs for one of the ideas presented, then a tutor is assigned. This tutor will design the itinerary to train, develop and acquire the required competences, skills and so on. Once the itinerary has been overcome successfully, the entrepreneur is ready to set up the new business.

In the second case, the business idea looks reasonable suitable and right but the entrepreneur competences are not enough to put it into practice, we have developed one more method called Support entrepreneurs to set up business by means of skill training & business tutoring where basically the entrepreneur is trained to gain the needed skills, competences and market knowledge to successfully set up the original envisaged business idea. This approach is based on more traditional and formal education, such as, Acquisition of required technical skills and competences, Make a Viability Plan, Market Analysis, Communication Plan, Productive & Technical & Organisational Studies, Financial & Economical Study, Training on communication skills, Real life Examples about the sector (Case Methods), Business Management Tools and so on....

Diagnosis methodology of the pair “Entrepreneur Competences – Business Idea”

Unfortunately, due to the limitations on space and topic of this publication, out of the three methodologies outlined above, we will just focus on the one called “Diagnosis methodology of the pair entrepreneur competences– business idea”. This methodology has been developed by MIK - Mondragon Innovation & Knowledge in collaboration with SAIOLAN - Centre for Enterprise and Innovation. Mondragon Innovation & Knowledge is the Research Centre for Management Issues, whose mission is to stimulate and promote entrepreneurs in the creation of new entrepreneurial activities, preferably on innovative fields. Both companies belong to Mondragon Cooperative Corporation (<http://www.mcc.es>).

Two remarks before a depth explanation of the methodology:

1. From SAIOLAN experience and yearly records, very few people approach them just saying that they are “pure entrepreneurs” and they want to start up “any thing – no matter what”. On the opposite, more than 90% of individuals that come alone to SAIOLAN, they already got an idea more or less elaborated of the business idea they would like to set up, linked to their academic background, job experience or sector they are currently researching or working.

That is the reason why our methodology analyses the pair “entrepreneur competences – business idea” because in order to make a precise diagnosis of the entrepreneurial competences of an individual you have to fix the objective, the aim against the competences have to be measured to... objective that in our case is the “particular business idea”.

2. Although being a general methodology, originally developed to help disadvantaged collectives to make their way to the ordinary job market, this approach has been found to be specially appreciated by Seed Capital and Venture Capital companies, since this kind of companies need different reference indicators when they got to decide whether they will invest or support financially new entrepreneurs. This is due to the fact of the completeness and depth approach of the diagnosis methodology.

Once explained why for us to measure the entrepreneurial competences only has sense when oriented to a particular business idea we will concentrate on the in depth analysis of pair “entrepreneur competences – business idea”. This analysis expands in between four to five sessions, where the entrepreneur and two experts, one in “entrepreneurship issues” and the other one in the sector the business idea proposed by the entrepreneur is framed on, maintain an open dialog in the following areas: Strategy & Business Perspective, Technological Means, Entrepreneur’s capabilities towards the business idea and Business Plan.

First Session

The first session of the methodology encompasses a General Overview of the Business Idea focusing on the Strategy & Business Perspective. Thus, the entrepreneur is asked to present the basics of the business idea, where it comes from (previous job experience, academic background, research and development activities, patents, any spotted opportunity...), a detailed overview of the activity fields the product or service will be offered and the market niche they will try to position their product or service.

In this first session the entrepreneur is also questioned about business indicators such as how and when after setting up the company they will start being profitable, the client threshold necessary to be profitable, client dependability, any star/complementary product or service.

Finally in this first session is discussed also about the possible barriers envisaged to the product or service, what are their expectations and how they imagine the business in five years times...

Both experts will pay attention to entrepreneur’s explanations and plans and will question him or her on unclarified or unmentioned issues, first to check if the entrepreneur is aware of them and second to open up his or her mind and observe the strategy and the business from other points of view.

Second Session

Second session makes reference to the Technological & Production Means necessities to start up serving the market with the product or service. This session, between entrepreneur and both experts, is quite variable in deepness and complexity since depending on the type of product or service, the entrepreneur might need some manufacturing and technological installation (for mass production products for example) or just an office with some computing and communication facilities when delivering services.

In the case of a manufacturing installation for mass production products, the conversation might orbit on the following issues:

- Provision of prototype trials to test the look & feel of the product.
- The estimated capacity of the installation, amount of products able to deliver per day, ...
- Geographical location of the facility.
- Needed machinery, raw materials, processes, logistics and so on.
- Estimated number of team members, where to recruit them, job post skills profile.

In both cases, manufacturing installation or service delivery, a realistic approximate budget estimation needed to set up and start running the company has to be provided and defended by the entrepreneur.

Third Session

This session, in particular, deals with the Entrepreneur’s competences towards the business idea and is the very core of the contents of the present article, that is why, I will stop and try to explain in very deep detail the used approach. Undoubtedly, I also have to say that this is

the most difficult facet to evaluate in this methodology, since it deals with people and individuals perceptions, attitudes, knowledge, skills, capacities and so on. However, to cop with the “subjectiveness” of these issues, we provide a quite complete set of tools to be applied.

Our approach tackles entrepreneurs from three different points of view: Their attitude, their aptitude and their capacities. These variables can be explained also through these three concepts:

- Attitude: Want to make something...
- Aptitude: Know to do something...
- Capacity: Is able to make something...

From this point of view, the entrepreneur can be an individual that:

- Wants, is able but don't know how to do things: This individual's attitude towards business entrepreneurship

is positive, he might have the right skills or capacities (leadership, management, team work...), but he lacks know-how of business sector and markets, production processes or installations, technical knowledge of product or services...

- Knows, wants but is not able of doing things, that is, his attitude towards business entrepreneurship is positive, he is got the know-how of sector and markets, production processes, technical knowledge of product or service, but he lacks important capabilities such as leadership, management, communication or team working skills.
- Finally, you might think that also exists individuals that know, are able but don't want... that, is they don't feel motivated to accomplish the task. However, normally this is not the case of entrepreneurs, because just by the very fact of being entrepreneur the “Attitude, Stance or Want to” is always implicit...

Thus, from this point of view we want entrepreneurs that Want, Are Able and Know. Graphically this is represented in Figure 1:

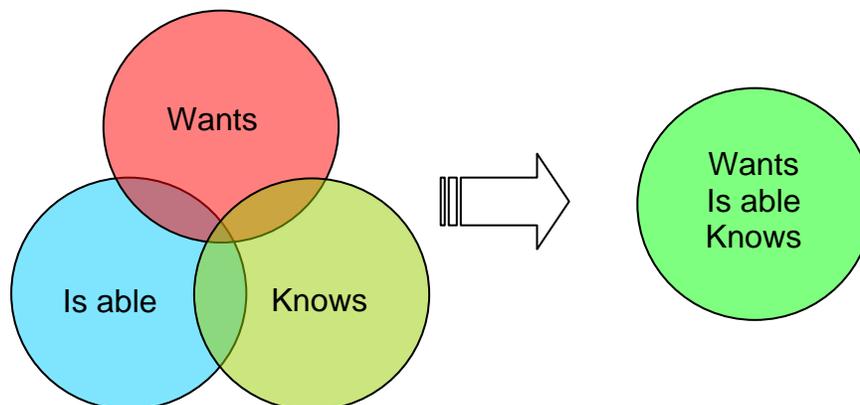


Figure 1, Entrepreneur must want, be able and know

These aptitudes (knowledge), attitudes (entrepreneur spirit) and capacities (skills) can be subdivided in different variables, as shown in Figure 2:

Aptitudes	Attitudes	Capacities for
Sector Knowledge	Motivations	Leadership
Technical Background	Behavior	Management
Job Experience	Mentality	Team Work

Figure 2, Adaptation for Entrepreneurs Capabilities from Johan, R. & Edvinsson, L. (1997).

Thus, in the **Aptitudes Column** issues such as the entrepreneur’s technical background, previous job positions and experience, technical knowledge of the nuts and bolts of the business idea, etc. are evaluated. This evaluation is based on an open exposition where the expert in the product or service defies the entrepreneur with in deep questioning about:

- Knowledge of business sector and markets.
- Production processes, machinery installations needed.
- Technical knowledge of the product or service to be produced.
- Potential clients, possibly “appropriated” from previous company.
- Knowledge and relationship with potential suppliers and/or competence.

When instead of individual entrepreneurs we are evaluating a team of entrepreneurs, in order to work softer and deeper we use the technique called n^n (n to n power), where n is the number of entrepreneurs of the team. To explain how this technique works, let’s think than the total number of entrepreneurs of the team is for example five. In this case, alternatively four entrepreneurs claim the aptitudes they recognize to the other one. The quoted entrepreneur can also add aptitudes than other may have forgotten... Only positive things can be said. Once done it in five to ten minutes, another one of the five members is

said the aptitudes the other four recognize to him or her... This way, alternatively all members of the team are evaluated.

Through this dynamic, a set of team aptitudes, knowledge of the business, experience, etc. is listed. Next step consist of evaluating these aptitudes according to the following magnitudes, from lowest to highest:

1. Just Knows...
2. Knows how to do it...
3. Can even teach others...

This way, in a very short period of time a complete map or matrix of entrepreneurs x knowledge, technical background and experience in the business sector or idea is confectioned.

In the same way, the **Capacities for** Column refers to entrepreneur’s skills for team working, management and/or leadership. According to leading authors on organisational psychology area such as Hayes, L., Riber, E. & López, F. (1994) “opposed to entrepreneur’s aptitudes that clearly are learnt and improved with time and hands-on, capacities such as leadership, communication skills, team working or self-confidence are nearly intrinsic to each human being, that is, individuals are born “possessing or not possessing” them”. That is the opinion of the mentioned authors, however, nevertheless, we are not saying that these capacities cannot be worked, trained and improved, but

undoubtedly more scarcely than the aptitudes can.

So let's examine each of the variables of the Capacities column with their associated tools:

- The capacity for leadership, in our approach, refers to sharing vision and goals and guiding others to accomplish them by being facilitative, participative and empowering in how visions and goals are established out. To evaluate this capacity we use a simplified version of the Model LEA™ - Leadership Effectiveness Analysis which uses a classification of 22 "leadership skills" that allows entrepreneurs to classify and assess their own effectiveness as leaders. Basically, LEA™ is a comprehensive questionnaire consisting of about 128 statements that has to be completed by the entrepreneur and the feedback report gives an approach to their leadership skills, divided into six different categories, which are: Creating a vision (Conservative, Innovative, Technical, Self and Strategic), Developing Followership (Persuasive, outgoing, excitement and restraint), Implementing the vision (Structuring, tactical, communication and delegation), Following Through (Control and Feedback), Achieving Results (management focus, dominant, production) and Team Playing (Cooperation, Consensual, Authority, Empathy). In total 22 different skills classified in six different categories that allows outlining the capacity for leadership of the entrepreneur. For detailed information about the questionnaire, report analysis and general usage of the LEA™ tool, please refer to Web Page <http://www.leaonline.com>
- The capacity for Management refers to the set of capabilities a manager needs to cope with the responsibilities of running effectively a business, and that ranges from how they make decisions, manage change, handle pressure to negotiation strategies or measuring results. In this case, there is not an individual tool to go over these issues; instead we have an open conversation with the entrepreneur where normally the following topics are covered:
 - Communication skills.
 - Resolving Conflict Strategies.
 - Measuring Results.
 - Planning.
 - Delegating.
 - Motivating Staff.
 - Making Decisions.
 - Managing Change.
 - Handling Pressure
 - Negotiating.

We have to have in mind that, normally, entrepreneurs (especially young entrepreneurs) will make conjectures over how they would deal with these issues more than

real answers or solutions based in their experience... but, nevertheless, their answers will give an idea whether they assume these issues as important, have thought about them and so on:

- Finally to measure the capacity for Team Working of the entrepreneur we use the Team Working Skills Methodology™ developed by the University of Kent in United Kingdom, that prompts the entrepreneurs a set of questions such as:
 - I help others to find compromises between differing viewpoints.
 - I introduce new ideas to groups in which I work.
 - I build on the ideas of others.
 - I stick up for my opinions and try to argue persuasively and with logic for them.
 - I support and praise other team members.
 - I elaborate on what others have said.
 - I try to keep relations between group members harmonious.

This way a total of 28 different questions on Team Working skills are issued to the entrepreneur, having to answer them using the following range: Rarely, Sometimes, Frequently or Always.

These 28 questions score entrepreneurs capacities from 0 to 12 on each of the seven group roles established, which are as follows:

- Evaluator: Help the group avoid coming to agreement too quickly, suggest alternative idea, contribute in crucial decision making, are capable of evaluating competing proposals...
- Ideas Person: Suggest new ideas to solve group problems or new ways for the group to organize the tasks. Are more concerned with the big picture than with details.
- Leader: Keeps the group "on-track". Give shape to the team effort, have energy, determination and initiative to overcome obstacles and bring competitive drive to the team.
- Compromiser: Tries to maintain harmony among the team members, enables "difficult" team-members to contribute positively.
- Summariser: Summarises the group's discussion and conclusions. Clarifies group objectives and elaborates on the ideas of others.
- Recorder: Keeps the group focused and makes sure that everyone in the group is helping with the project. Acts as the memory of the group.
- Encourager: Energises groups when motivation is low through humour or being enthusiastic. Support and praise other group members.

For more information in English about Team Working Skills Methodology™, please refer to Web Page

<http://www.kent.ac.uk/careers/sk/teamwork.htm>

Finally, the **Attitudes Column**, disaggregated in issues such as entrepreneur's motivations, behaviours and conduct, it is worked out through a strategic behaviours test, based in the Enneagrams' Theory. This theory allows classifying individuals attitudes in 9 different basic categories, reflecting the behaviour and personality of each individual. Briefly the 9 different types are categorized as follows:

- Type One is principled, purposeful, self-controlled, and perfectionist.
- Type Two is demonstrative, generous, people-pleasing, and possessive.

- Type Three is adaptive, excelling, driven, and image-conscious.
- Type Four is expressive, dramatic, self-absorbed, and temperamental.
- Type Five is perceptive, innovative, secretive, and isolated.
- Type Six is engaging, responsible, anxious, and suspicious.
- Type Seven is spontaneous, versatile, distractible, and scattered.
- Type Eight is self-confident, decisive, willful, and confrontational.
- Type Nine is receptive, reassuring, agreeable, and complacent.

Graphically, the 9 different basic categories of individuals' attitudes are represented in Figure 3:



Figure 3, Enneagram Theory's 9 different basic categories of individuals

The most used test for measure individual's enneagram type is the Riso-Hudson Enneagram Type Indicator (RHETI) 1977, which is a set of nearly 150 questions, such as:

1. I have tended to
 - take on confrontations.
 - avoid confrontations.
2. I have typically been
 - diplomatic, charming, and ambitious.
 - direct, formal, and idealistic.
3. I have tended to be
 - focused and intense.

- spontaneous and fun-loving.
- 4. I have been a
 - hospitable person and have enjoyed welcoming new friends into my life.
 - private person and have not mixed much with others.
- 5. Generally, it's been
 - easy to "get a rise" out of me.
 - difficult to "get a rise" out of me.
- 6. I've been more of a
 - "street-smart" survivor.
 - "high-minded" idealist.

Once, answered all questions, the highest score will indicate the basic type of entrepreneur, or it will be among the top 2-3 scores, thus, obtaining an approach of individual's attitudes towards entrepreneurship.

For more information on Enneagrams Theory you can refer to "Strategic Behaviours", or visit the following Web Pages:

- <http://www.enneagraminstitute.com>
- <http://www.enneagram.net>
- <http://www.9types.com>

As said before, a priori the Attitudes column is perhaps the "easiest" when dealing with entrepreneurs since, by the mere fact of being entrepreneurs, they are highly motivated towards risks assumption, enthusiasm, eagerness, positivism and so on, otherwise they wouldn't give the step forward to become an entrepreneur.

Fourth Session

Finally, fourth session deals with Business Plan, the entrepreneur is asked to present the roadmap and feasibility studies to realize the project, that is, basically the check list of everything that must be verified to get the business up and running.

The aspects that normally are touched in this session are:

- **Company Analysis:** This section provides a strategic overview of the company describing how the company is organized, which products and services will be offered and goes into deep detail of the company's unique features in serving the particular market.
- **Analysis of Competition and Customers:** The first one defines the competitive landscape the business will have to face up, identifying direct and indirect competitors and customers analysis assesses the market segment the company serves, the identified needs of its target customers and must show how the products or services satisfy these needs.
- **Commercial viability:** Refers to Marketing plan which includes product/market analysis, pricing strategy, project market share, how the product will be promoted and distributed, has to be consistent with financial projections and so on.
- **Operation/Design and Development Plans:** This section details the internal strategies for building the venture from concept to reality and include answers to questions such as: What function will be required to run the business, processes to be fixed, how will quality be controlled...
- **Financial viability:** Cash flow forecast, with support assumptions, forecast profit and loss account, assessment of main sources of risk. Description of

actual or intended sources of funds. Description of intended financing structure.

- **Technical viability:** Description of main technical and/or scientific element, and their application. Specification of proposed research and development activity. Assessment of risk factor as appropriate.
- **Constitution:** Legal structure of company, description of principal shareholders.

Conclusions and comments on the presented Methodology

Finally, following are listed some conclusions and comments about the Diagnosis Methodology for the pair: Entrepreneur – Business idea:

- As quoted above, from our point of view, analyzing separately on the one hand the Entrepreneurial Competences of an entrepreneur and on the other hand the Business Idea is non-sense, since the competences of one entrepreneur can be adequate for one business idea but inadequate for other. Thus we defend the Diagnosis of the pair: Entrepreneur competences – Business idea as they best way of approach this area.
- As stated before, the Diagnosis Methodology presented in this article is only the first one, out of three, that guides the entrepreneur through the different vicissitudes that their competences or the business idea may face when submitted to an expert entity on Entrepreneurship such as SAIOLAN.
- To undergo a diagnosis process of this nature before giving the step forward to set up a new business should be a must for entrepreneurs, since it makes them stop, sit and think with other about their processes, aptitudes, business model, capacities, technical and managerial knowledge...
- On the other hand, we have to recognize that with the intention of being as comprehensive and complete as possible, for some entrepreneurs this diagnosis may appear too demanding since the business idea might be too simple to "suffer" this exhaustive analysis. However, it is envisaged to be used by Venture Capital or Seed Capital companies, because they "hard" evaluate the whole entrepreneur-idea before funding it.
- It is important to remark that the particularized judgment about the suitability of the competences towards a particular business idea, is elaborated by a couple of outside skilled experts: one in entrepreneurship and the other one in the particular sector the idea comes from.
- Through this "judgement report", entrepreneurs may become aware of their weaknesses and thus can go deeper in them in order to think and solve them before face the challenge of setting up and run a real business out in the world.

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