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Digital First Aid Kit ENTrepreneur's for recovering from COVID-19 pandemic

CONSULTANT TRAINING TOOLKIT

CHAPTER 2

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Learning to pivot – change and agility as core entrepreneurial competence

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Table of Contents

Learning to pivot – change and agility as core entrepreneurial competence

Focus on the following competencies:
agile mindset, crisis resilience, risk and crisis management

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Learning to pivot

The fundamentals of the resilience management: its principles, dimensions and characteristics

1. *Fundamentals of the resilience management*

Principles, dimensions and characteristics

Before organizational resilience can emerge, individuals must be strengthened in their resilience. Principles, dimensions and characteristics of resilience management thus refer first to the **promotion of individual resilience**, which then radiates to **team resilience** and is then reflected in management and consequently **organizational resilience**.

Resilience reduces mental barriers and **strengthens mental resources to address change** in the digital world. The 7 pillars of resilience describe the term. It differs between basic attitude (mental resources) and aspects of action:

BASIC ATTITUDE

optimism
„It will be all right …"

acceptance
„it's hard, but the situation is what it is …"

solution orientation
„I know my options and prioritize them as follows ..."

self-efficiency
„I know I am able do it …"

ASPECTS OF ACTION

responsibility
„ I now make the decision that ..."

social support
„I ask ... for help"

future orientation
„I have the goal ..."

Sources: Simonis (2019); Heller (2013)

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Fundamentals of the resilience management

Resilient leadership and team resilience

The seven pillars of resilience are the basis of **resilience leadership** for promoting team resilience:

- **optimism:** team members have positive expectations about goals and expected outcomes in the digital working world.
- **acceptance**: team members accept the new digital realities and can see the positive side of the digital change.
- **solution orientation:** team members focus on solutions and experience their work as meaningful.
- **self-efficiency**: team members recognize their skills and competencies in the digital environment.
- **responsibility**: team members take responsibility for themselves and for the team to drive digital change.
- **social support:** team members experience a trusting culture and live a team spirit during the digital transformation.
- **future orientation:** team members have clear, attractive and realistic goals in mind when they think of digitalization.

Sources: Huber (2019)

Fundamentals of the resilience management

Interventions to promote team resilience

Resilient leaders use a variety of methods to build team resilience, such as ...

- **optimism:** team-/moodboards and appreciative inquiry.
- **acceptance**: re-evaluate situations, e.g., put in perspective or see the good in the bad.
- **solution orientation:** wonder question (“What if?”), storytelling and resource activation.
- **self-efficiency**: team biography and health-promoting leadership (e.g. role transparency, task characteristics).
- **responsibility**: change of perspective (e.g., six hats method) and team charters to orient teamwork.
- **social support:** team constellation and collegial case consultation.
- **future orientation:** scenario work (e.g. plan B), vision work and development towards-goals (instead of away-from-goals).

Sources: Huber (2019)

Fundamentals of the resilience management

Summary: individual, team and organizational resilience

	individual	team	organizational
optimism	meaningfulness	resource orientation	stability
acceptance	action control	orientation and goal work	redundancy and pragmatism
solution orientation	task characteristics	progress report and common priorities	vision and knowledge exchange
self-efficiency	capacity to act	agility and strengths orientation	reactivity and risk management
responsibility	affiliation und role clarity	team spirit and team building	transparency and humanity
social support	offers of help	participation and feedback culture	networks and personnel development
future orientation	target planning	sense and forward-looking goals	values and strategic planning

Sources: Huber (2019); Philipsen & Ziemer (2014); Müller (2013)

Reflective exercise

Resilience Leadership

Answer the following questions for yourself:

- **optimism**: How positive and confident is the team about digital transformation? How can the team be enthused about change?
- **acceptance**: How is the competition doing with the digital transformation? What can we influence and what can we not?
- **solution orientation**: What if the problem simply disappeared overnight? What helped us in the past? What gives us meaning? To **action control**: Which difficult or challenging situations have we already mastered in the team? What is my role and contribution to the team? What strengths do I bring to the team?

Sources: Huber (2019)

Reflective exercise

Team resilience

Answer the following questions for yourself:

- **responsibility**: How can responsibility be assumed in the team? What room for maneuver do we have? Are the responsibilities in the team balanced?
- **social support**: How do we shape relationships in our team? How transparent is our communication? What support can I expect from the team? How do we deal with conflicts? How do we challenge and encourage each other?
- **Future orientation**: How attractive and realistic are our goals? What goals do we want to set for ensuring and improving our teamwork? To what extent do the goals set to generate a positive response in the team? To what extent do the current tasks and goals create meaning for our team?

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Sources: Huber (2019)

Learning to pivot

Crisis resilience strategy and tools

2. Crisis resilience strategy and tools

Agility as core entrepreneurial competence

Agility is a now well-known way of thinking and working that originated in software development. **Agility and organizational resilience go hand in hand**. Agility helps to recognize trends early on and to approach the new state resiliently through iterations. In addition, agility requires responsibility and solution orientation, which are also pillars of resilience. The **agile manifest** includes the following aspects:

- **individuals and interactions** OVER processes and tools
- **working software and hardware** OVER comprehensive documentation
- **customer collaborations** OVER contract negotiations
- **responding to change** OVER following a plan

Agility encompasses the following values: **commitment, courage, focus, openness and respect**.

Sources: Agile Manifesto (2022); Heller (2022)

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Crisis resilience strategy and tools

Agility as core entrepreneurial competence

Agility is based on the following three pillars of empiricism: **transparency, inspection and adaption**.

Moreover, agility has many different kinds of practices and tools, such as Design Thinking, Lean Start-up, Business Model Canvas, Retrospectives, Daily-Standup-Meeting, Task Board, User Stories, Use Cases, Persona, Definition of Done, Work-in-Progress Limits, Story Points, SCRUM, Customer Journey Map etc.

An agile mindset is often referred to as a **growth mindset**. Agile people focus on development rather than perfection. Agile people improve the way they work, not replicate it. This attitude is directed at oneself (How do I see myself in everyday life? Am I open to new things, and do I accept mistakes?), but also to other people (What is my image of people? Are they intrinsically motivated and creative?) and to work (What image do I have of work? Am I looking for purpose?). In addition, it has to do with the attitude of one's work (How do I see myself in work? Am I supportive and do I act at eye level?).

Sources: Agile Manifesto (2022); Heller (2022); Schwaber & Sutherland (2020); me&company (2022)

Learning to Pivot

Risk Management in SMEs

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3. Risk Management in SMEs

Is important for **HANDLING the UNCERTAINTY** in times of crisis, for **OVERCOMING POSSIBLE PROBLEMS** that could appear in the future and, in some cases, to find **NEW OPPORTUNITIES** for **DEVELOPMENT**

Could make the difference between success or failure or between profit or loss.

To have a healthy business and to develop it in long term it is necessary to anticipate the risks that could affect it and to identify the solutions in a timely manner.

Risk Management in SMEs

MANAGING RISKS is dealing with the incertitude regarding the future activity of the company and consists of identification, analyzing, and assessing potential risks related to it and taking decisions to respond to the identified risks.

RISKS are circumstances or factors that could produce a negative impact on an activity/ business, such as losing clients, an increase in expenses, entry into insolvency etc.

Risks could be produced as a result of the influence of internal or external factors.

INTERNAL FACTORS are generated by the **weaknesses or vulnerabilities of the company**, related to products/services, internal procedures, human resources, financial capacity etc.

EXTERNAL FACTORS are not depend on the internal resources of the company, like natural disasters, epidemics, terrorism, economic crisis, restrictive legislation etc.

- PRODUCT: location, product package, rates
- HUMAN RESOURCES
- FINANCIAL CAPACITY
- OTHER vulnerabilities

INTERNAL

- SOCIO – CULTURAL
- CLIMATE
- COMPETITION
- ECONOMICAL CRISIS
- SECURITY
- DISEASES

EXTERNAL

Risk Management in SMEs

Type of risk	Way of manifestation
Risks related to business premises and location	Hard to reach location or movement of the premises outside the vicinity of the current location may disrupt the business due to the fact that will affect the customer, staff and suppliers access. Disasters like fire, flood or other similar disasters could represent risk factors for the premises.
Risks related to human resources	If an employee is critical to the business's success or he/she has a large autonomy when dealing with key customers, if he/she leave the company for a competitor or for his own business, the business turnover could be affected. High staff turnover will determine disruption to the business and additional costs for recruiting and training new staff Occupational health and safety risks at work determine the risks of staff illness, injury or even penalties for the company, and, as effect, the disruption to the business.
Risks related to information technology	In case of the business heavily reliant to IT, if the system (including IT solution, IT service delivery) fails, the business will be disrupted.

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Risk Management in SMEs

Risks related to financial management	If the business does not have sufficient funds to cover short-term debts, which means it has poor liquidity, then it risks insolvency, with all the consequences. Likewise, if the average time to collect debts is longer than the average time to pay debts, there will be the same consequences. If part of the operations are carried out in foreign currency, adverse currency movements could affect the cash flow of the business due to foreign exchange losses. If the business depends on borrowed financial resources (e.g. more than 70% of total financing resources), the increase in interest rates will affect the profit and cash flow of the business.
Risks related to the market	Changes in market trends or economic downturn could affect the viability of the business that are not agile.
Risks related to competitors	Competitors could pose a threat if they significantly reduce their prices, if they offer a higher quality product/service, if they better promote their products/services (including through online shops).

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Risk Management in SMEs

The decision-making process for risk management involves the following stages:

- identifying and analysing the probability of the potential risk
- assessing the risk
- identifying alternative measures for overcoming the risk, advantages and disadvantages related to each alternative
- identifying the most appropriate solution, taking into consideration the criteria like feasibility, cost, quality, safety etc.
- monitoring and reviewing the risk

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Risk Management Strategies for SMEs

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4. Risk Management Strategies for SMEs

RISK AVOIDANCE

Avoidance is the ideal strategy, but it is not always applicable. Often risks can be avoided through better information or effective communication.
Thus, risks related to non-fulfilment of customer requirements can be avoided by clarifying them before the contract is concluded and by better communication with the customer throughout the contract.
Also, the inclusion in the contract of clauses stipulating very clearly and in detail the obligations of each party, clauses on the amicable settlement of any conflicts, major force clauses etc. are recommended to avoid potential risks related to the relationship with customers.

Risk Management Strategies for SMEs

TRANSFER OF RISKS

The most common method of risk transfer is to take out insurance, whereby the associated risk is taken over by the insurer.
Other ways of transferring risks are to request guarantees of good workmanship in the case of certain works, to request a guarantee period in the case of certain goods, the period during which various faults may occur due to the supplier etc.
Also, the transfer of certain risks can be achieved by clearly specifying the obligations and responsibilities of each contractual party, with the inclusion of penalties covering non-compliance.

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Risk Management Strategies for SMEs

RISK MITIGATION

This risk response strategy aims to reduce the likelihood and/or impact of a risk within an acceptable threshold.
Taking preventive measures to reduce the likelihood and/or impact of an identified risk is more effective than repairing the damage.
Preventive measures that can be taken in this regard include, in the case of production, carrying out several tests, choosing several stable suppliers recommended by our collaborators.

Risk Management Strategies for SMEs

THE RESERVE PLAN

This strategy takes into account the change of the planned course of the activity in case of a risk factor occurrence, the existence of a backup solution, of an alternative that allows the activity to continue.
For example, if one of the main suppliers has problems and can no longer deliver the materials we need, it is advisable to have a back-up alternative, i.e. another supplier we can call on.
Also, in the case of services, it is good to have a list of potential collaborators to contact when one of the employees/collaborators has problems

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Risk Management Strategies for SMEs

ACCEPTANCE

This strategy is adopted when response action is not possible or not "cost-effective". It is used when the impact and likelihood are low. In this case, the risks are monitored.
In practice, resources are allocated to these risks (e.g. provisioning), so that mitigation solutions can be applied if they occur.

EXPLOITING THE RISKS

The anticipated risk could be positive, meaning that the company could transform it into an opportunity. For example, during the Covid pandemic, a lot of companies transferred their activity into the online environment, through online stores and they could expand more efficiently in the area of distribution.

Risk Management Strategies for SMEs

Type of risk	Recommended strategies
Risks related to business premises and location	Predicting future locations requirements, based on the desired development of the business Identifying a number of suitable premises, having in view the business long-term needs related to it
Risks related to human resources	Rotating employees through different tasks in order to familiarize them with all the areas of the business, if possible Including confidentiality clauses in the working contracts Providing ongoing training for the staff, correlated with the needs of the business Including a period of notification required in case of resign; create a database with potential employees in case of losing key employees Use incentives as profit-sharing for retaining key personnel.
Risks related to information technology	Use the Internet safely. Protecting networks, servers and other devices. Ensuring appropriate IT support is available in an acceptable timeframe. Use backups for business data and storing it offsite (e.g. in cloud). Provide appropriate IT training for staff.

Risk Management Strategies for SMEs

Risks related to financial management	Forecasting cash flow on weekly or monthly basis, in order to identify periods when there is a risk of a cash flow deficit. Monitoring on a daily or weekly basis the cash flow; monitoring debt collection Checking the public available financial situation (e.g. balance sheet) of the customer before concluding the selling contract; specify very clear the obligations of the customer, inclusive the credit period and the penalties in case of non-fulfilment of those obligations Maintain a good relationship with a financial institution, in order to have a support for an overdraft line or for assistance in managing foreign exchange exposure Using a foreign currency option or similar Borrowing at a fixed interest rate in crisis times, in order to reduce the interest rate exposure. Monitoring the market evolution, in order to anticipate fluctuations in cash flows.
Risks related to the market	Adopting the practice of testing the consumer needs related to the products/services offered. Develop secondary fields of activity, in order to spread the risks in case of decreasing request for the main products/services.
Risks related to competitors	Provide value to your clients; maintain the quality of the products/services offered by your business Try to build customer loyalty Research industry trends and invest in developing new products/services Protect intellectual property assets (trademarks, patents etc.) by registering them Use the most efficient promoting channels, correlated with the target group of customers
Risks related to other vulnerabilities	Establishing procedures for reviewing the accounts receivables, accounts payables and other areas of business vulnerable to risks.

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Challenges in applying risk management in SMEs

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5. Challenges in applying risk management in SMEs

FAILURE TO TAKE KNOWN RISKS INTO ACCOUNT

MISMEASUREMENT OF KNOWN RISKS

RISK ASSESSMENT IS PERCEIVED AS A BARRIER TO DAILY BUSINESS ACTIVITIES

INSUFFICIENT RESOURCES FOR RISK PREVENTION AND MONITORING

LOSS OF BUSINESS OPPORTUNITIES DUE TO RISK AVERSION

Learning to Pivot

Success Stories in applying risk management in SMEs

6. Success Stories in applying risk management in SMEs

MEDICHAT

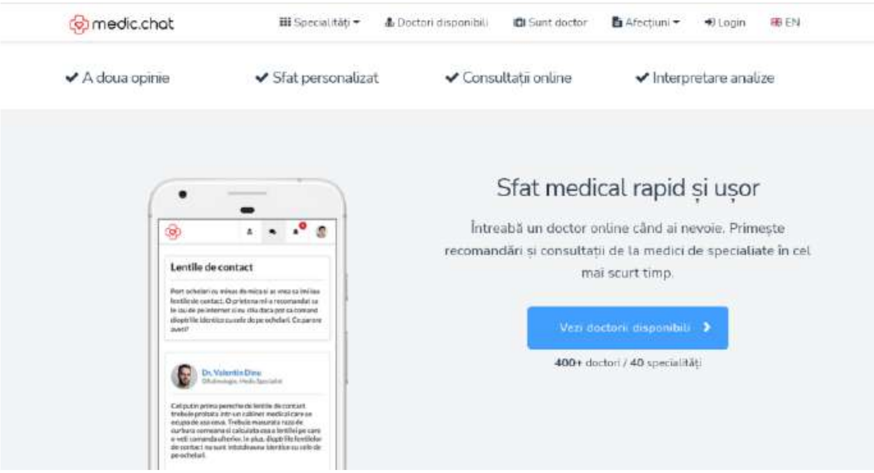
The coronavirus was also a catalyst of the digital transformation of the healthcare industry to mitigate the risks associated with it.

The application “Medi Chat” is a patient-driven model which requires streamlined access to specialized doctors.

The start-up was invented by the following thought of the co-founder, Cosmin Dumitrache: “As millennials, we became accustomed to hi-tech solutions, like Uber for transport or Airbnb for accommodation.

It just felt wrong that access to a doctor would have to be so difficult.

By questioning, we realized that there was no fundamental reason why you could not use your smartphone to get medical advice.”



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Success Stories in applying risk management in SMEs

DIRTY FRIES
The business is conducted by a young mobile app developer, who took on the challenge of developing a brand around French fries during the pandemic, drawing on his own knowledge of online marketing and offering a tasty, quality product.
The lesson learned was that in times of crisis the best opportunities arise.

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