

BREAKING WITH TRADITION

Unemployed people are quite capable of starting their own business, but many support services are chary of helping them. Advice and finance are hard to get. Quite simply, they face prejudice. The EXZEPT partnership, based in the German state of Hessen, set out to open doors and unlock coffers for non-traditional entrepreneurs. It took the basic precaution, so often forgotten, of actually asking women and migrants what it was they lacked. And then set out to fill the gaps. It went further, and helped to set up a national microcredit institute. It has also paved the way for national and European policy change.

It's not that unemployed people cannot start their own businesses – an impressive 430,000 of them went into business for themselves in Germany in 2003. Yet, as Bernd Curtius, co-ordinator of the EXZEPT EQUAL partnership, says, things have got out of balance: *“There is now a lot of support for these people in Germany. However the services and instruments are still not co-ordinated and need to be better geared to the requirements of the EQUAL target group.”*



A successful ministerial visit. From left to right: Uta Zapf (Bundestag), Gerd Andres (Secretary of State, Ministry of Economics), Markus Weidner (KIZ), Bernd Curtius (EXZEPT), Lars Kissner (KIZ) and Petra Bünz (KIZ)

Brigitte Maas of GLS Gemeinschaftsbank, the oldest and largest ethical and ecological bank in Germany, backs him up. *“Over one-fifth of these entrepreneurs had difficulties in raising quite small amounts of capital between €1,000 and €25,000,”* she says. *“In addition, traditional support structures, such as the Chambers of Commerce, tend to prefer to advise existing busi-*

nessmen or people with a track record. Women, young people, the disabled and ethnic minorities do not fit into their expectations of what an entrepreneur should look like.”

In response to this gap in provision, the EXZEPT partnership has developed two parallel strategies – one for finance and one for business support – designed to ensure that these groups' specific needs are accepted and catered for. The objective is *“acceptance by society, acceptance by the regional public authorities, acceptance by the banks and acceptance by the target group itself.”* This goal is closely in tune with the priority for *“women's entrepreneurship and the setting up of business by unemployed or inactive people and young people”* in the European Employment Strategy,¹ and is also reflected in the proposed new regulation for the European Social Fund.

When Gerd Andres, Secretary of State at the Ministry of Economics, and Uta Zapf, Member of the German Bundestag, visited the model one stop shop (OSS) set up by EXZEPT in Offenbach, they highly recommended this regional OSS model and its active co-operation with the German Microfinance Institute (DMI) and the German quality circle for business support.

¹ Communication: *The future of the European Employment Strategy (EES) – A strategy for full employment and better jobs for all*, COM(2003)6 final, 14 January 2003

GETTING THE FACTS RIGHT

One of the distinctive features of EXZEPT, and of CEFT, the transnational partnership to which it belongs, is that they have both carried out major studies and benchmarking exercises to investigate the specific problems of disadvantaged groups, and the tools that are needed to help them go into business. Taken together these studies provide invaluable (and in some cases the only existing) empirical material that can be used to design policies that respond to real rather than supposed needs.

The benchmarking exercises carried out by EXZEPT analysed the problem from two perspectives, firstly from the perspective of what specific target groups need, and secondly from the perspective of the usefulness of particular business support tools.

For example, migrants and women tend not to use start-up centres, so EXZEPT tried to find out exactly what these groups require if they are starting a business. Based on this research, EXZEPT developed a guide with 27 key criteria for taking account of gender in one stop shops. Something as simple as taking a sympathetic rather than a competitive approach can go a long way. As one coach commented: *“the women-only groups tend to discuss problems more openly and sincerely”*. The study recommends that a specific OSS team member should take overall responsibility for gender issues. It is also important to ensure that adequate childcare and public transport are available, as well as screening information and training provision to ensure that men and women are treated equally.

EXZEPT also interviewed the staff of business support initiatives dealing with migrant workers in Cologne, Mainz, Hamburg and Potsdam in order to identify the success criteria for start-ups from migrant communities. They found that because of their very diverse backgrounds migrants need much more individual coaching. General seminars and other forms of group training are not as suitable. Business plans also need to take account of family involvement in the business.

Dagmar Rissler, a coach at Enigma in Hamburg, one of the partners, comments: *“migrants often take the support of family or friends for granted, without actually asking the people concerned. This can lead to unrealistic financial and personnel assumptions. They also often have overoptimistic expectations about earnings. A coach can help to verify assumptions and to estimate income more realistically.”*

NEW METHODS TO MEET NEW NEEDS

Before launching into the design of new tools and methods, EXZEPT once again conducted a survey of existing start-up support. They concluded that one stop shops should complement what is already available by bringing together a specific range of support services targeted at the early stages of creating a business. Their work supported the view that one stop shops should not offer a wide range of support under one roof. Instead they should be ‘navigators’ that help clients at each stage of development to access the existing and new service providers in a given region.

The range of services available includes help with defining the business idea, managing the business, marketing and personal development. The support takes the form of coaching and specific workshops as well as comprehensive assistance in business incubators. Some of the key tools EXZEPT has developed are a guide for developing business plans and a start-up schedule.

EXZEPT was also involved in benchmarking studies of microlending initiatives in Germany and other European countries. The partners designed and put into practice a four-point system for obtaining a loan – personality check, concept check, market check and risk check – to decide whether guarantees or peer lending are used. This is followed up by a clearly defined system of aftercare, comprising individual coaching, group coaching and self-evaluation.

Finally, they analysed the legal and institutional changes required to create a friendly environment for self employment.

The EXZEPT one stop shop model was successfully put into practice in Offenbach, Tauberbischofsheim and Darmstadt. These three agencies supported about 2,500 people in

2003/4, and helped an impressive number of them to reclaim their working lives. Sylvie Feindt, a consultant for EXZEPT, says: *“the figures on one OSS show that 85% of the people it supported either started their own company or entered employment.”*

Those who put themselves through this arduous process gain much more from starting their own business than a source of income. Helene Duffner, who provides services from wound treatment to chiropody in Offenbach says: *“I like my life much more. I have less time pressure and can give my patients as much time as I deem necessary.”* Self-employed artist Horst Kolbinger adds: *“I am proud of what I have created. This represents value for me and makes me happy”.*

BUILDING LOCAL ACCEPTANCE

One of the main conclusions from this work is that you should anchor one stop shops firmly in existing networks of regional actors, and build acceptance from traditional institutions such as the employment agency, local banks, the local authority and the chamber of commerce. The OSS has to deal with a critical mass of start-ups each year. To achieve this it has to establish permanent relationships with both the target groups and other service providers, and then adapt its services accordingly.



Helen Duffner, self-employed chiropodist in Offenbach

The partnership set up by KIZ was ideally suited for this purpose. The secret of its success was to bring together stakeholders dealing with different stages and aspects of business support. For example, one of the partners of EXZEPT is GLS, the oldest and largest ethical and ecological bank in Germany. Their work within EQUAL has been instrumental in creating the microlending model now adopted at the national level by the Deutsches Mikrofinanz Institut. Another partner, Enigma Gründerwerft in Hamburg, runs one of the most successful and distinctive business incubators in Germany. KIZ supports about 3,000 start-up companies and SMEs every year in an integral, long-term approach in ten business support centres.

TRANSNATIONAL TRANSFER

There was also a very clear division of tasks and roles in the transnational partnership. This was generally used to provide a crucial international input to the partners' national work. For example, Cyfenter DP in Wales launched a study on access to finance after seeing benefit schemes for business founders coming out of unemployment in Germany and the Netherlands. The Dutch partners were inspired by an incubator workshop run by the transnational partnership and are now setting up their own incubator in Almere, heavily influenced by the Garage Incubator in Germany. For their own part, EXZEPT received valuable input from their transnational partners for their micro-lending activities. They also presented the Dutch 'Aunt Agatha' (*Tante Agaath*) scheme to the Secretary of State at the Ministry for Economics. This scheme offers tax relief on loans to start-up entrepreneurs, as a means of increasing the flow of capital for start-ups.

MAINSTREAMING ACCEPTANCE

EXZEPT has been heavily involved in mainstreaming activities. It co-ordinated Germany's National Thematic Group on entrepreneurship and led the two working groups on financing and legal framework conditions. It also helped to organise a number of large events on business creation for disadvantaged groups, such as the *Hessische Gründertage* 2003 and 2004, *Microlending, weltweit Erfolgsmodell – nur nicht in Deutschland?* in March 2003, and the European symposium *The EQUAL way of entrepreneurship* in Brussels in 2005, which was attended by Commissioner Špidla.

EXZEPT's latest product is *Gründung Aktuell*,² a newsletter that came out six times in 2004 and continues beyond the end of the project. The newsheet aims to be a platform where actors engaged in start-up support across Germany can present themselves, their work and their points of view. The newsheet is targeted at decision makers in politics, business and public administration, and is distributed to 2,600 people. The distribution list is continuously growing, which demonstrates the interest in this subject.

However, one of EXZEPT's main contributions has undoubtedly been to develop microfinance policy. The microfund run by its main financial partner, GLS Gemeinschaftsbank, works under the auspices of Christine Scheel, chairwoman of the finance committee of the German Bundestag. *"Micro start-ups need particular support," she says. "If we want a strong Mittelstand, we have to put innovative ideas into practice. The first hurdle is often small business credit. Microfinance institutions elsewhere are providing effective support at this particular point. It is time that this successful model was also taken up in Germany."*

In this context, 22 microfinance initiatives have sprung up in Germany over the last few years. However, many of these initiatives are extremely small (making less than a 100 loans a year) and have great difficulty in achieving sustainability. Only a few co-operate with business support centres to ensure that their clients receive systematic and continuous support.

On the basis of the experience of the GLS Gemeinschaftsbank and the EXZEPT benchmarking studies, EXZEPT and other microfinance initiatives went on to develop a common model for microcredit under the current German Credit Services Act. In April 2004 they set up the Deutsches Mikrofinanz Institut (DMI). This now consists of more than 50 organisations from all German regions. At its initial general meeting, DMI was supported by the federal SME bank Kreditanstalt für Wiederaufbau (KfW), the Federal Ministry for Economics and Labour and the Federal Employment Services.

At the closing conference of the CEFT transnational partnership in February 2005, Vladimir Špidla, European Commissioner for Employment and Social Affairs, pointed to the strategic importance of the work being carried out. *"There is all too often a waste of energy and talent – that of ethnic minorities, of women, of people living in deprived urban areas, of people with disabilities, and also that of young people," he said. "These are exactly the groups that are supported by projects cofinanced by EQUAL – like CEFT. Your transnational partnership is working for inclusive entrepreneurship. This is an aim which is central to the grand projet which the European Commission will be presenting at the end of this month."*

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A short version of this "Success story" and other "Success stories" are available on the [EQUAL website](#)

² www.gruendung-aktuell.de