

PASSPORT TO ENTERPRISE

Verbund Enterprise set out to tackle the problem of youth unemployment by designing a cost-effective four-phase business training programme, and equipping out-of-work youngsters with a passport that clearly shows their skills. The system has now spread to ten centres in five Länder, and to keep the ball rolling it has co-founded a national association of start-up advisers with a quality charter.

Since reunification, unemployment in Germany has remained stubbornly high. In the country as a whole, almost five million people are unable to find a job, while in the Eastern *Länder* the unemployment rate hovers around 20%, heavily affecting young people. The sheer size of the German economy means that this situation has a crucial impact on the Lisbon targets for jobs and competitiveness in the whole of Europe.

One of the few beacons of hope in this gloomy panorama has been a significant increase in business start-ups by unemployed people. In 2004, 65% of all business start-ups in Germany were created by the unemployed, over three times more than five years ago.¹ As Wolfgang Clement, Minister of Economics and Labour, says: "The promotion of business start-ups is one of the central tasks of the economic policy of this federal government. One important starting point is a labour market oriented strategy for youth social work, which supports young people in creating their own professional alternative of self-employment as an alternative to unemployment. I am therefore happy to become patron of this initiative."

The initiative he was referring to is the EQUAL partnership Verbund Enterprise. This partnership has developed a national model of enterprise support for young people which is at the cutting edge of policies to encourage self-employment. According to the partners, the Enterprise support system "starts where traditional institutions usually stop: it supports young unemployed people with minimal opportunities who seek personal and material independence through a specially designed pathway or ladder into self-employment." It thus helps to create the more entrepreneurial culture called for in guideline 10 of the EU's *Integrated Guidelines for Growth and Jobs*.²

LAYING THE FOUNDATIONS

The 'Enterprise Model' of business support has attracted attention because it has proven to be both an effective and an efficient way of promoting start-ups among a target group that was considered to be: "too young, too inexperienced and too screwy." Norbert Kunz, the project coordinator, says: "Young people just did not correspond to the general image of a business man or business woman, and for most of the credit institutions... they were simply not bankable."

The results of the Enterprise network are impressive: over 3,000 young people have used the service, 500 businesses have been started, and more than 750 jobs have been created since 2002. What's more 85% of these jobs have gone to young unemployed people, and 45% to women. Survival rates after three years are over 70%. Mandy Grigoleit, founder of Decoration and Presents in Mecklenburg-Vorpommern, says: "I can recommend Enterprise without hesitation. Without it I wouldn't be what I now am: independent and my own boss!"

¹ There were more than 360.000 start-ups from unemployment in 2004, as against less than 100.000 in 1999. Source: *KfW MitteltandsMonitor 2005*, based on figures from the Federal Employment Agency and the Institut für Mittelstandsforschung Bonn.

² *Integrated guidelines for growth and jobs (2005-2008)*, COM(2005) 141. See http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf

Moreover, the support required to help young people create a job costs much less than the traditional subsidies provided to attract industry. The EQUAL partnership calculates that the cost of its system is €6,000 per job in an inner city location and €8,000 in a rural area. Given unemployment benefits of around €750 a month this means that, in the city, the costs are recouped after eight months' self-employment.

Enterprise was actually started as a pilot project in the *Länder* of Brandenburg and Berlin in 1999. It drew inspiration from the Prince's Trust, which, over 25 years, has helped almost 60,000 young people to set up in business in the UK. The partnership set up under EQUAL (*Verbund Enterprise – Junge Menschen auf dem Weg in die Selbständigkeit*) allowed the original ideas to be developed further into the current model in Berlin and also the extension of the successful aspects of the Enterprise methodology to a further four *Länder*. The Prince's Trust is a member of the EQUAL transnational partnership.

CHANGING PERSPECTIVES

One of the first steps Verbund Enterprise took was to carry out a series of campaigns in local schools and through the media to change young people's image of entrepreneurship. It used a series of competitions, a travelling photo exhibition, a poster campaign and adverts in the underground and in cinemas to put over messages about 'changing perspectives', 'the courage to leave the nest' and 'experience teaches you how to fly'. It was careful to present images of people who are confident, energetic and fashionable.

Another action was to set up four outreach centres for young people in urban neighbourhoods of around 300,000 people recognised as being deprived by Berlin's 'Social City' urban redevelopment programme. Here the central issue was not just getting physically closer to young people but creating a style that positively attracts them. Enterprise also used its partnership links to develop good referral networks from both social services and youth groups.

A NEW MODEL OF ENTERPRISE SUPPORT



Anja Witte from Parkaus in Berlin

Verbund Enterprise's main achievement has to be to develop a distinctive support methodology that incorporates a number of innovations. At the heart of the new approach is a *structured business support pathway* made up of four clearly defined stages: profiling (lasting about four weeks) planning (3-12 months), start-up (approximately six months), and consolidation and growth (3-5 years). Each stage involves the provision of a variable menu of services (counselling, training and qualification, mentoring and access to microcredit) which help the entrepreneur to acquire the personal competences, skills and resources that are necessary for success.

Two features stand out. First, during the profiling stage Verbund Enterprise is quite careful to select the entrepreneurs who have the right formal and informal characteristics to become an entrepreneur – above all motivation and commitment. This contrasts with the less selective model used by the Prince's Trust in the UK. Secondly, it is seen as crucial to provide aftercare for a considerable time – up to three years – after start-up. Both these aspects have a major effect on the sustainability of start-ups.

Another methodological contribution has been to change the concept of 'one-stop-shop' from that of one organisation trying to do everything under one roof to that of a *partnership* which orchestrates the inputs of grassroots youth organisations, mainstream business advisers and financial institutions into a tailor-made package of support for young people. During each phase of the support pathway, the Development Partnership pulls in different specialist and mainstream providers to provide specific services.

The model includes individual counselling from personal advisers who supervise the entire itinerary, a pool of expert mentors and various forms of access to start-up capital, including a

specially designed microlending fund (for example a loan of up to €5,000 for four years at a 5% rate of interest with no security required). It has been found that the microcredits both attract young people and help to build a longer-term relationship with financial institutions.

Enterprise clearly makes a big difference. "I have been to a few other institutions providing business start-up support before. But most of them were simply too bureaucratic and donnish," says Claudia Otto, a nutritionist at Aerobic and Fitness in the town of Oranienburg, just north of Berlin. "At Enterprise this was completely different. The project is perfectly suited to young people. I am so enthusiastic about the project that I told all my friends about this opportunity. When I heard young people talking about self-employment in the underground, I just gave them the project's flyer."

PARTNERSHIP OPENS DOORS

The EQUAL project was able to pilot these innovations by means of a particularly effective model of partnership. Most of the actions were actually implemented through a series of 'operational' partners specialising in different aspects of enterprise support. However, they drew in a very broad range mainstream organisations as strategic partners, including three financial institutions, local and regional economic development agencies, the Federal Ministry for Economics and Labour and the German Children and Youth Foundation. This helped to fit together the different pieces of the jigsaw of enterprise support.

Klaus-Dieter Langen, Executive Director of the German Bundesdruckerei says: "I am very impressed by the highly professional work of the Enterprise actors – the efficiency and the commitment with which entrepreneurial thinking and action are detected and promoted. We as a company support that."

However, one of the problems encountered with a multi-stakeholder system like this is how to ensure quality along the entire pathway. In order to do this, Verbund Enterprise started to design an Enterprise Quality Management Structure (EQS) which covers all four stages of the support system.



Just one of the small businesses helped by EQUAL (Hakan Küçük at Smyrna Kuruyemis)

Finally, one of the most distinctive features of Verbund Enterprise's work has been to create an 'enterprise passport' which provides a clear and transparent road map of the progress made by the entrepreneur at each stage. The Berlin Volksbank has accepted the enterprise passport as the central instrument to evaluate the performance of young business starters, and fast-tracks passport holders when they apply for a microloan. Several other business support institutions have expressed interest in using the passport and the Berlin and German governments are considering whether to develop a complementary coaching passport.

SPREADING THE SELF-EMPLOYMENT MESSAGE

Mainstreaming the methods of enterprise support developed by Verbund Enterprise has followed a number of channels.

Firstly the Enterprise network has itself been extended to other parts of Germany. There are now ten offices, 16 advisers and a pool of more than 100 mentors operating in Berlin, Brandenburg, Lower Saxony, Saxony and Mecklenburg-Vorpommern. One of the EQUAL development

partners, iQ Gesellschaft für innovative Qualifizierung e.V., had the specific responsibility of training and transferring successful methods to other parts of the country.

Secondly, certain strategic partners in the project, such the German Federal Ministry for Economics and Labour, have played an important role in spreading the message. For example another strategic partner, Wolfgang Thierse, President of the German Parliament, declared: "As patron of Enterprise I am very glad that the European Union is sponsoring this ambitious project through the Community Initiative EQUAL."

Thirdly, together with the other German DPs in the national entrepreneurship pillar, Verbund Enterprise has created the National Association of German Start-up Initiatives (VDG), a national association of more than 40 members supported by the Ministry for the Economy and Labour. VDG provides a forum for developing support instruments, disseminating innovative approaches, learning from each other and formulating quality standards. VDG also represents the interests of disadvantaged business starters and support initiatives in politics, administration and the general public.

VDG has created three working groups: one on legal and political framework conditions, another on business start-ups among migrants, and a third on start-up methodology. It has also produced a charter of ten points which would greatly improve support for business start-ups by unemployed people. The main aim of the charter is not to call for more money for business support but to systematically improve the quality of the services offered, to promote the sustainability of business start-ups and to call for a simplification of the procedures among all parties involved. In order to promote the charter, VDG has organised a series of expert meetings with representatives from the Federal Employment Office, the Federal Ministry of Economics and Labour, city councils and local economic development agencies.

Verbund Enterprise has also been centrally involved in the creation of the German Microfinanz Institute, which now brings together more than 50 organisations concerned with the financial side of start-ups. Based on the experience of its members, the MFI is developing and spreading innovative forms of microlending in Germany.

DP name: Verbund Enterprise – Junge Menschen auf dem Weg in die Selbständigkeit

DP ID: [DE-EA-22874](#)

National (operational) partners: JugendLOK e.V. Berlin, ArGe Enterprise Berlin & Brandenburg GbR, Büro für Wirtschafts- und Projektberatung, Existenzgründungs-Team Berlin-Brandenburg, Förderverein für arbeitslose Jugendliche e.V. Forschungsgemeinschaft für Aussenwirtschaft, Gesellschaft für europäische Kommunikation mbH, IQ-Consult Gesellschaft für innovative Qualifizierung und Beratung mbH, Kolleg für Management und Gestaltung nachhaltiger Entwicklung gGmbH, S.N.O.W. Projektbüro e.V, Sozialer Bildungsverein e.V, iQ Gesellschaft für innovative Qualifizierung e.V.

Strategic partners: President of the German Parliament Wolfgang Thierse; German Federal Ministry for Economics and Labour; German Children and Youth Foundation; KfW Promotional Bank; Federal Initiative: Businesses – Partner of Youth; GLS Community Bank; Deutsche Bank Foundation Alfred Herrhausen "Hilfe zur Selbsthilfe"; VEOLIA Foundation; Berlin Volksbank eG; the German Bundesdruckerei and many more.

Transational partnership: TCA 74 European Enterprise Network (www.european-enterprise.net): The Prince's Trust (UK), CIME (France), ETAL SA (Greece), SACE/Job in/Crea Job (Belgium)

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