COUNTRY FICHE - GERMANY

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CONTENT

EXECUTIVE SUMMARY

PURPOSE OF THE STUDY

Creating an appropriate environment for businesses to flourish is a central element in public policy for promoting entrepreneurship in Europe. Dramatic changes have taken place in the nature and the provision of business support services since their recognition as an increasingly important feature of economic policy. In some Member States of the European Union this has led to a proliferation of services. The European Charter for small businesses adopted by Member States in Santa Maria da Feira on 19/20 June 2000 calls for the creation of top class small business support easy to access and to understand and relevant to small businesses' needs. In order to find out whether existing services answer the specific needs of the smallest businesses, DG Enterprise of the European Commission has contracted the Austrian Institute for Small Business Research (IfGH) to carry out the present study on *'Support Services for Micro, Small and Sole Proprietor's Businesses'*, in the period from December 2000 to June 2002 in co-operation with members of the European Network for SME Research (ENSR) and other partner institutions from all Member States of the European Union and Norway.

The purpose of this study is threefold:

- to provide a comprehensive, descriptive and analytical overview of existing national and local support services, or integrated systems of such services, tailored to the needs of micro, small and sole proprietor's businesses (supply side analysis);
- to analyse the needs of European micro, small and sole proprietor's businesses with regard to the organisation, promotion, content and delivery of support services (demand side analysis);
- to provide comprehensive elements for the improvement of the supply of support services available to micro, small and sole proprietor's businesses in the Member States of the European Union and Norway.

DEFINITION AND METHODOLOGY APPLIED

This study applies a purposely narrow definition of the term 'support services' for the analysis of the market for support services. To this regard a support service subject to analysis in the scope of this study has to fulfil the following criteria:

- it originates in a public policy initiative,
- it is targeted at micro, small or sole proprietor's businesses either by its explicit intention or by its practical use,
- it is offered at non-commercial conditions
- a substantial part of the service is of non-financial kind.

Based on this definition, 335 support services ranging from the provision of information, advice and consultancy to SME-specific training services, have been identified and analysed, which naturally only represent a fraction of all external support available to micro, small and sole proprietor's businesses in Europe. The information for the analysis of the *supply side* has been gathered by the co-operating research institutes in each of the Member States of the European Union and Norway according to a standardised guideline and has been compiled in an electronic database ('IfGH/ENSR Support Services Database').

Findings related to the *demand side* stem from an extensive literature review and an in-depth empirical analysis of the smallest enterprises' needs and experiences concerning the use of support services. In particular, a harmonised telephone survey on the basis of a standardised closed questionnaire was carried out in October 2001. The total sample includes more than 1,200 enterprises located in the European Union and in Norway, which allows for a detailed assessment of the needs of different types of enterprises concerning size class, sector and phase of development. At country-level, the findings are based on the statistical analysis of about 75 interviews with micro, small and sole proprietor's businesses in each country. Thus, variations from EU average values at country level have to be interpreted cautiously due to the comparatively lower sample size. However, given the methodologically profound and statistically reliable background of the analysis conducted at European level, results at country level should give a good indication of the situation in each country.

MAIN FINDINGS

Participation of small businesses in support services is low

The participation rate in support services among European micro, small and sole proprietor's businesses is quite low. Only 20 % of the smallest enterprises in the European Union and Norway have utilised support services during the past five years. This share further declines with decreasing size of an enterprise, ranging from a participation rate of 15 % for sole proprietors to 35 % for small enterprises (10 - 49 employees).

Women, highly educated and growth oriented entrepreneurs make the most use of support services

Participation of enterprises in support services differs according to specific characteristics of the owner or manager of an enterprise. Female entrepreneurs, for example, seem to be more willing to make use of support services than their male counterparts. Whereas 27 % of the enterprises owned by a woman have utilised support services within the last five years, this share of enterprises amounts to only 17 % where a man owns the enterprise. Also entrepreneurs with a secondary or university education use support services more often than entrepreneurs with elementary education. Furthermore, the decision of whether to use support services or not seems to be strongly correlated with employment growth as indicated by participation rates amounting to above 30 % among enterprises that have increased their number of employees by more than 10 % during the last three years.

There is a need for an outside view on small businesses' needs

The majority of micro, small and sole proprietor's businesses that have not utilised any support service within the past five years states that this was because they did not feel any need for external support. This seems to be particularly the case for sole proprietors, among which the share of enterprises not feeling any need for external help amounts to almost 60 %. This attitude might be explained by the experience that many small enterprises, because of their heavy involvement in day-to-day business, may lose the sense of perspective when assessing their own needs. This pattern seems to underline that an external identification of needs is a crucial element when offering support to small businesses.

There is a lack of awareness of support services among small businesses

More than three-quarters of enterprises lack information on the existence and availability of support for their respective enterprise. Thus, the relatively low participation in support services among European micro, small and sole proprietor's businesses might also be connected to the low level of information on support services offered. Creating awareness of the existence and availability of support services among entrepreneurs is therefore considered one of the major challenges of support policy in future.

Small businesses prefer direct contact with service providers

Entrepreneurs from small businesses would generally prefer being directly contacted by service providers or even personally visited. However, these (rather cost-intensive) promotional tools are hardly applied by providers. Support services are mainly promoted via the Internet (providers' web-pages) and in newspapers, journals and magazines or are presented at trade fairs, exhibitions and seminars.

Small enterprises may think global, but act local

Enterprises would prefer looking for support services either at local or at regional level. This effectively matches the way support services are currently organised in the European Union and Norway. Contact points of support services are decentralised and can be accessed either at regional or even at local level. However, it seems important that public authorities implement a more strategic approach to the support they provide and ensure that it is well co-ordinated with other service provision, particularly at the regional level. New stand-alone initiatives should be avoided, in order not to confuse the client and to facilitate the process of awareness creation.

The demand for specific types of services differs by the location of an enterprise

The need of enterprises for support services varies by different types of regions. The share of enterprises demanding different types of support services in Objective 1 regions, for instance, is higher than elsewhere. Whereas 75 % of the enterprises located in Objective 1 regions express a need for financial services, for example, this share amounts to only 52 % for enterprises not located in disadvantaged areas. Similarly, there is a clearly stronger demand for one-stop-shops in rural areas (with less than 50.000 inhabitants) than in urban areas. Therefore, public authorities need to ensure that enterprises can get convenient access to all the support services they need, irrespective of the geographical location of an enterprise.

Small businesses need more tailor-made support and more targeted services

The majority of enterprises express a strong demand for tailor-made support which takes account of their specific size class, phase of development or field of activity. Most of the support services offered to micro, small and sole proprietor's businesses in the Member States of the European Union and Norway, however, are targeted at SMEs in general and are hardly subject to a separate business support policy. Also services are usually targeted at all phases of the business life-cycle alike, with a particular focus only put on enterprises in the start-up and early phase of development.

Small businesses are not too satisfied with the level of understanding shown by service providers

Although the vast majority of micro, small and sole proprietor's businesses in the European Union and Norway that have made use of support services within the last five years seem quite satisfied with their latest experience, comparatively low levels of satisfaction are achieved with regard to the understanding of the business by the provider and the effect the service had on the enterprise. In this respect public authorities responsible for support service provision should ensure that support organisations have access to the necessary human and material resources they need to provide top class services. It is of high importance that organisations employ staff with the skills and competencies as well as with the practical experience needed to understand small businesses and to deliver the full range of services they need.

CONCLUSIONS

Creating awareness of support services is an important aim for support policy in future

A large proportion of micro, small and sole proprietor's businesses is deterred from participation in support services due to poor awareness of this kind of support. Consequently, creating awareness of support services among micro, small and sole proprietor's businesses seems to be the most important challenge for European support service providers in future. Consistent and effective promotion of support services needs to be undertaken among well-targeted audiences of enterprises and potential entrepreneurs in order to increase the take up by small businesses.

Support services should be specifically targeted at small enterprises needs

The majority of micro, small and sole proprietor's businesses would prefer to use support services that are specifically targeted at enterprises of their respective size and state of development. Thus, business support should take account of the differing needs of different types of small enterprises by providing distinct packages of services for the different target groups. Also, coherent support services need to be assured, so that enterprises can easily access a package of services covering all main management functions. In order to ensure that enterprises receive the support they need, service providers should develop procedures and terms of reference that determine which is the best advice available for the client.

Client-orientation has to be a fundamental principle of support service provision

Quality assurance systems need to be routinely implemented, with reference to formal definitions of service standards, where appropriate. Furthermore, regular evaluations of the effectiveness and efficiency of support services have to become an integral part of the culture of support service provision. Service providers and policy makers should continuously use evaluation tools in order to improve the quality, design and cost effectiveness of support services.

COUNTRY FICHE – GERMANY

1. INTRODUCTION

The following report is one of sixteen country fiches produced on behalf of the European Commission in the course of a research study on *'Support Services for Micro, Small and Sole Proprietor's Businesses'*. The purpose of the country fiches is to provide an in-depth analysis of both, the supply side of the (public) market for support services (see section 2) as well as of the needs of micro, small and sole proprietor's businesses with respect to external support (see section 3) for each member state of the European Union plus Norway. With respect to the information provided for Germany the Austrian Institute for Small Business Research (IfGH) co-operated with the Institut für Mittelstandsforschung (IfM) in Bonn.

The first part of each country fiche is dedicated to the analysis of the *supply side* of the market for support services targeted at micro, small and sole proprietor's businesses. In this regard, information on the organisational structure of the service providers and the main characteristics of the services offered to micro, small and sole proprietor's businesses has been gathered on a decentralised basis; i. e. co-operating research institutes in each of the Member States of the European Union plus Norway have thoroughly analysed the supply of support services in their respective countries according to a standardised guideline and reported their findings to the IfGH, which then compiled the resulting information for each of the sixteen countries in an electronic database ('IfGH Support Services Database'). The main findings for Germany are presented in section 2 of this report both illustrated in Graphs (quantitative information) as well as enriched with extensive qualitative information.

The second part of each country fiche is dedicated to the analysis of the *demand side* of the market for support services targeted at micro, small and sole proprietor's businesses. About 75 enterprises in each country of the European Union plus Norway have been interviewed on their needs and experiences with respect to support services and external support in general, resulting in a total sample of 1,200 enterprises. In particular, a harmonised telephone survey on the basis of a standardised closed questionnaire has been carried out in October 2001. For this purpose, stratified random samples of micro, small and sole proprietor's businesses have been drawn in each member state of the European Union and Norway and after survey completion, sample weighting to unify estimates was performed. Hence, findings presented in the report are based on data weighted by enterprises' size class and sector and are thus representing the structure of the whole population of micro, small and sole proprietor's businesses in each country. All in all enterprises of seven different sectors (namely manufacturing and construction, wholesale and retail trade, transport and communication, banking and finance, business services, repair and other services, and tourism) and three different size classes (namely small enterprises (10-49 employees), micro enterprises (1-9 employees) and sole proprietors) have been interviewed and accordingly weighted. The main findings for Germany are presented in section 3 of this report.

The last part of each of the country fiches is finally dedicated to drawing the main conclusions from the research undertaken in the course of the project.

2. SUPPLY OF SUPPORT SERVICES

The market for support services in Germany has undergone a rapid expansion and development mainly during the first years after the Unification. The purpose of this section of the report is to systematically analyse the supply side of the market for support services targeted at *micro, small and sole proprietor's businesses* in Germany, by presenting information on the organisational structure of the service providers and the main characteristics of the services offered to micro, small and sole proprietor's businesses with respect to targeting, content, quality and promotion as well as to the main objectives addressed.

In order to provide for a detailed and comprehensive assessment of the specific characteristics of the services offered, a comparatively strict definition has been applied to the term 'support services' in this part of the analysis: A support service that qualified for being selected for further assessment had to fulfil the following criteria:

- The service originates in a public policy initiative and the provider of the service is public or, if private, is acting in line with agreed public policies (provider based criteria).
- The service is targeted at micro, small and sole proprietor's businesses either by its explicit intention or by its practical use and is targeted directly at enterprises and entrepreneurs (user based criteria).
- The service is offered at non-commercial conditions. It involves the provision of information, advice or training, or includes business services that are provided on a non-commercial basis. A substantial part of the service is of non-financial kind (content based criteria).

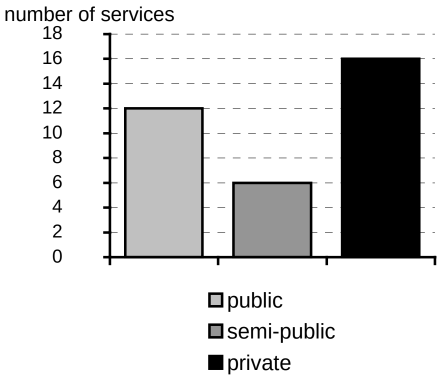
In Germany 34 support services have been identified according to the above criteria.([1]) However, it has to be noted that due to the comparatively strict definition, the selected services represent only a fraction of all external support available to micro, small and sole proprietor's businesses in Germany. Particularly, services that mainly offer financial support, such as loans, guarantees, or all kinds of subsidies as well as tax relief for small businesses are excluded from the analysis.

In Germany a wide range of this kind of financial support is provided by the German Compensation Bank (Deutsche Ausgleichsbank, DtA) and other financial institutions. Particularly after the German Unification the need for financial support in the Eastern German Federal States (Neue Länder) has been very high, therefore, the German economic policy's focus is clearly on financial support for new entrepreneurs.

[1] A list of support services considered in section 2 is given in the appendix.

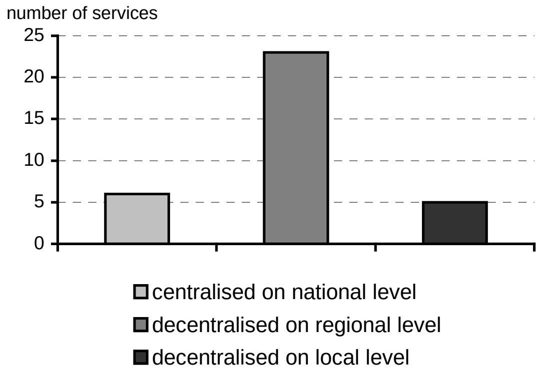
2.1 ORGANISATION OF SUPPORT SERVICES IDENTIFIED

Graph 1: Status of the leading organisations of services identified



Source: IfGH/ENSR Support Services Database, 2001

Graph 2: Organisation of the contact points of services identified



Source: IfGH/ENSR Support Services Database, 2001

As can be seen from Graph 1, the German market for support services for micro, small and sole proprietor's businesses is dominated by private and public providers. Services offered by private leading organisations acting in line with agreed public policies are either those initiated at European level (e. g. the initiative 'JUNIOR Germany' ('JUNIOR Deutschland') which is member of the network 'Young Enterprise Europe') or those services basically supported by the Federal Ministry of Economics and Technology (Bundesministerium für Wirtschaft und Technologie) and the Ministries of Economics of the German Federal States (Landeswirtschaftsministerien). Among public providers the German Compensation Bank (Deutsche Ausgleichsbank) is of central importance, whilst among providers with a semi-public status it is, for instance, the Central Association of German Craft Industry and Trades (Zentralverband des Deutschen Handwerks) and the regional Chambers of Commerce as well as various European organisations such as the European Business and Innovation Network (EBN), that play a major role in support policy for micro, small and sole proprietor's businesses.

It should be noted, however, that the assignment of a private or public status to service providers is in some cases quite delicate, as the services are often supported both by public and private organisations. Furthermore, various organisations provide both, subsidised services and services supplied at market conditions.

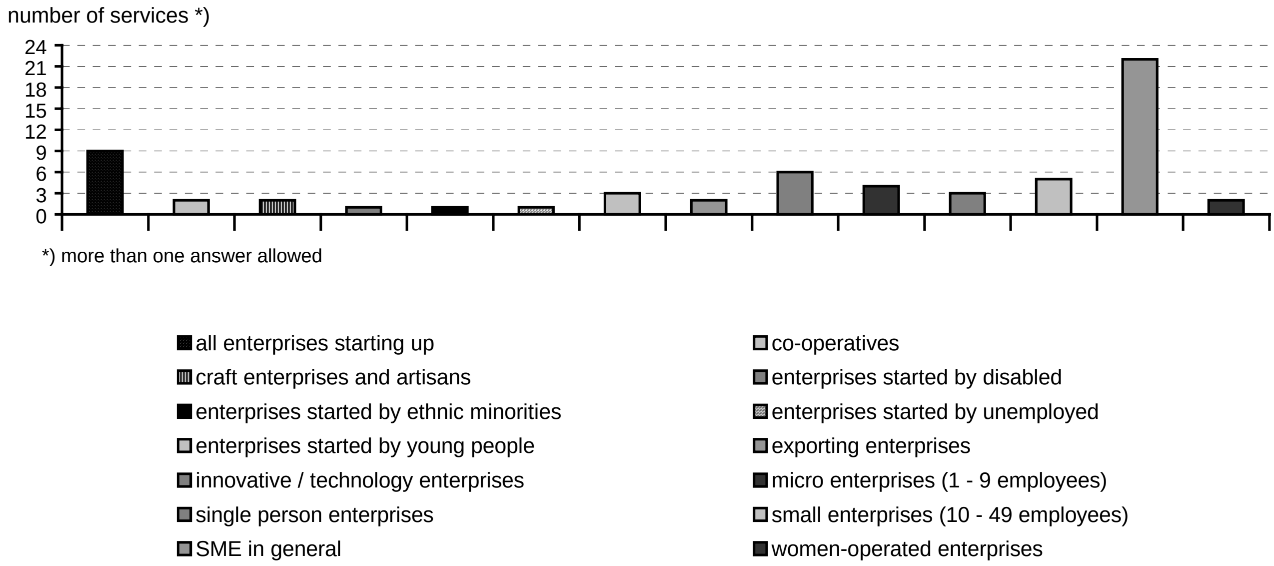
The organisation of the contact points of the support services is mostly decentralised, either at regional or at local level (see Graph 2). This is due to the federal system of the state that assigns a strong political role to the Federal States (Länder). Many support services for micro, small and sole proprietor's businesses are special services for and cover only one Federal State (e. g. the 'Technology Programme Business Economy' ('Technologieprogramm Wirtschaft') in Northrhine Westphalia or 'Compass' ('Kompass') in Hesse). The centralised services are mostly databases which serve as a first-orientation point. The 'Federal Database of Support Programmes' on the Internet, for example, provides a complete and continuously up-dated picture of support programmes at federal, regional and EU-level.

Most of the services initiated at national level are more or less ongoing services without any fixed ending date. Many of the services have the character of 'institutionalised' support, the more as some of the services were initiated in the 50's, like the 'Advice and Consultancy for Craft Enterprises' ('Beratungsdienst für Handwerksunternehmen') or the 'Support of Consultancy Provided by Craft Chambers and Federations' ('Förderung von Beratungen durch die Kammern und Verbände im Handwerk'). Beside these institutionalised services there exist a couple of ad hoc initiatives, mostly in a technical-oriented area, such as 'IRC-Innovation Management' of the Technology Agency Chemnitz, for example.

2.2 TARGET GROUPS OF SUPPORT SERVICES IDENTIFIED

As stated above, this report only deals with support services targeted at micro, small or sole proprietor's businesses. However, in many countries, and also in Germany, these businesses are considered a sub-group of small and medium sized enterprises (SMEs) and are hardly subject to a separate business support policy. Therefore, also services though not explicitly targeted at but mainly used by micro, small or sole proprietor's businesses are included in the analysis.

Graph 3: Target population of the services identified

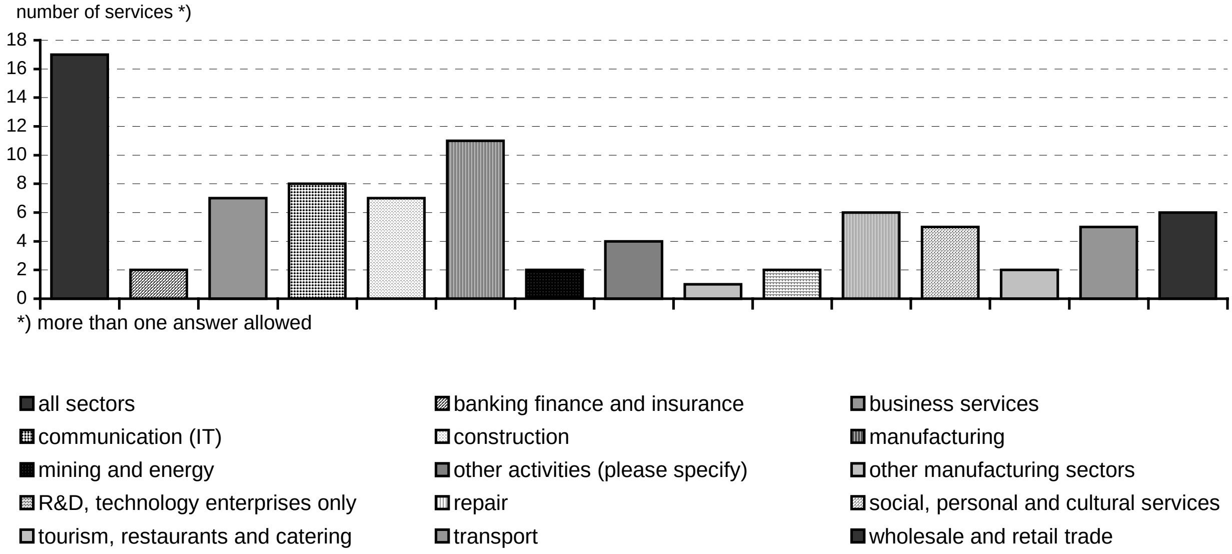


Source: IfGH/ENSR Support Services Database, 2001

The majority of support services in Germany are targeted at small and medium sized enterprises (SMEs) in general or addresses all kinds of entrepreneurs starting-up a business (see Graph 3). Besides these two major target groups, however, a significant amount of services is explicitly targeted at micro, small or sole proprietor's businesses. Special emphasis is furthermore put on innovative respectively technology enterprises, especially in the frame of support programmes initiated by the European Commission.

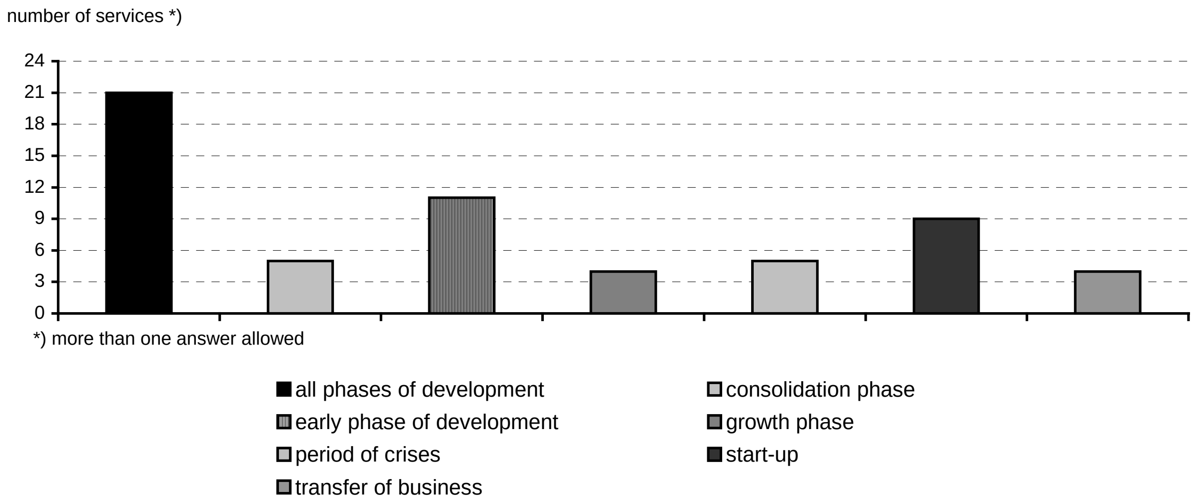
Approximately half of the support services for micro, small and sole proprietor's businesses address all kinds of sectors (see Graph 4). Sector-specific services predominantly either target at manufacturing enterprises, which is a consequence of the broad range of support services provided by the Chambers of Crafts, or at enterprises in the communication (IT) business, which may be seen as an indication for an innovation oriented German support policy that aims at increasing the use of new and better means of communication in all enterprises. It is believed that the number of services which target at enterprises in R&D, technology and communication (IT) related sectors will significantly increase in the next few years.

Graph 4: Sectors addressed by services identified



Source: IfGH/ENSR Support Services Database, 2001

Graph 5: Enterprise phase of development targeted by services identified



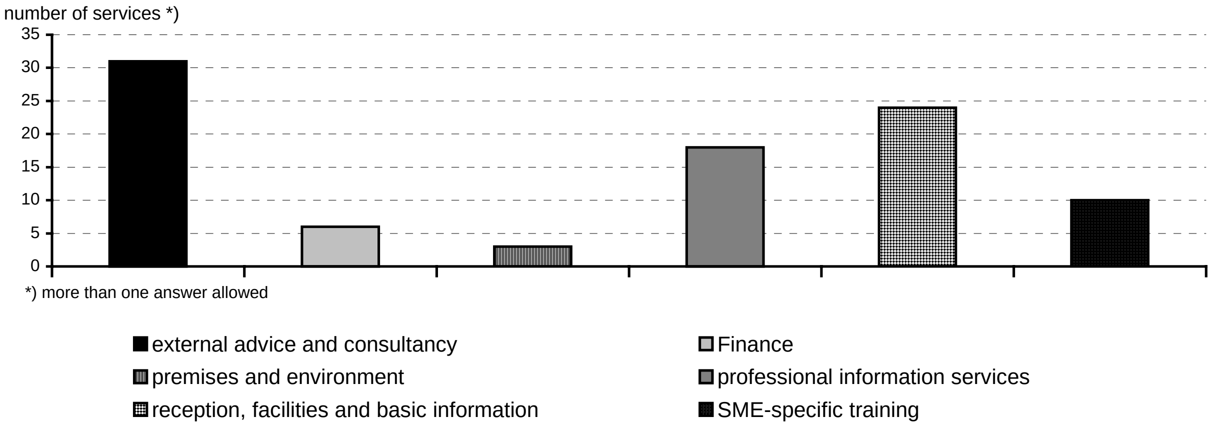
Source: IfGH/ENSR Support Services Database, 2001

The majority of the business support services targeted at micro, small and sole proprietor's businesses in Germany address enterprises in all phases of their development (Graph 5). Specialised services mainly focus on enterprises in the start-up or early phase of development as well as, to some extent and mainly in the Eastern German Federal States (Neue Länder) on enterprises in the consolidation phase and in periods of crises.

2.3 TYPES OF SUPPORT SERVICES IDENTIFIED

When analysing the types of support services offered to micro, small and sole proprietor's businesses in Germany it seems necessary to recall the definition applied in this part of the assessment. As to this regard, particularly, purely financial support, such as loans, guarantees, or all kinds of subsidies or tax relief for small businesses is excluded from the analysis. Thus, it is not surprising that hardly any service has been identified with focus on 'finance'.

Graph 6: Types of services identified



Source: IfGH/ENSR Support Services Database, 2001

Support services for micro, small and sole proprietor's businesses in Germany mainly offer external advice and consultancy, followed by reception, facilities and basic information services as well as professional information services, as presented in Graph 6. There exist some one-stop-shops for obtaining widespread information concerning the creation of an enterprise, e. g. offered by the regional Chambers of Commerce and Industry or by the German Compensation Bank. These one-stop-shops, however, do not have full competency with regard to the co-ordination of all relevant administrative requirements without the corresponding enterprises being involved. The establishment of such administrative one-stop-shops is currently tested through pilot projects in some communities.

Many initiatives offer a broad range of services. First-stop-shops, for example, besides information packages also provide advice and consultancy in different areas of business activity. Particularly programmes targeting at new entrepreneurs such as the 'RKW - Consultancy on Enterprise Start-up' ('RKW-Existenzgründungsberatung') or the 'Coaching Programme' of the Bavarian Chamber of Commerce and Industry provide for widespread information on legislative and financial matters concerning the start-up-process and beyond that dispose of a pool of private consultants that offer business planing and advice on specific areas of business activity, such as management, marketing, production, bookkeeping, etc. The service providers establish the contact between the starter and the consultant and bear a part of the costs of the private consultancy.

A particularity of the German market for support services for micro, small and sole proprietor's businesses is the widespread consultancy service for the craft sector that is provided by the Chambers of Crafts. The services are basically designed as one-stop-shops for all entrepreneurial problems occurring in craft enterprises and mainly offer professional information, advice on all areas of business activity, and training. Advice, which concerns special problems, is provided in co-operation with other support service providers, such as tax advisers or private consultants. By checking the soundness of business plans developed by potential entrepreneurs that consider starting up a business in the craft sector the services also have a filtering function and therefore contribute to increasing the rate of successful business creation. The consultancy service is generally free of charge for the members of the Chambers of Crafts (i. e. all craft enterprises).

Apart from purely financial services, the German Compensation Bank (Deutsche Ausgleichsbank, DtA) offers various services in the field of external advice and consultancy with special focus on the Eastern German Federal States. The supply entails a virtual start-up-centre, an info-hotline for all questions concerning financial support, the preparation of individual finance plans as well as the procurement of professional advice. The 'DtA/DIHT Mentoring Project' ('DtA/DIHT Patenschaftsmodell') and the 'DtA-Round Table' ('DtA Runder Tisch') primarily target at enterprises undergoing a crisis. The aim of the services is to maintain the business and secure the jobs in the regarding enterprises. After analysing the current state of the enterprise, solutions are jointly worked out to avoid insolvency. The 'DtA-Consulting-Agency' ('DtA-Beratungsagentur') offers a database including 1,600 consultants specialised in advising SMEs. The 'DtA-Consulting-Centres' ('DtA-Beratungszentren') provide information on public support programmes as well as consultancy services. Although all mentioned projects started with a focus on Eastern Germany, the contact points of the service now cover entire Germany.

Special emphasis of German support policy is also put on the promotion of SMEs' orientation towards technology and innovation. Therefore services like the 'Technology-oriented Visiting and Information Programme (TOP)' ('Technologieorientiertes Besuchs- und Informationsprogramm'), that invites interested entrepreneurs to visit innovative enterprises to see how these enterprises organise and run their innovation activities, were established. The 'Steinbeis-European-Centre' ('Steinbeis-Europa-Zentrum'), for example, promotes cross-border technology transfers, supports the innovation process in industrial companies and assists industrial enterprises in participating in European R&D programmes. The 'Technology Programme Business Economy' ('Technologieprogramm Wirtschaft') in Northrhine Westphalia supports enterprises in carrying out R&D activities entailing technical difficulties to initialise the structural change.

2.4 PROMOTION OF SUPPORT SERVICES IDENTIFIED

Graph 7: Promotion of services identified

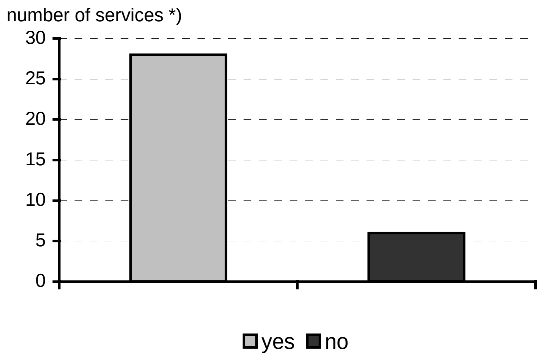
Source: IfGH/ENSR Support Services Database, 2001

As can be seen from Graph 7, most German service providers use the Internet for communicational purposes, making first information about the services for micro, small and sole proprietor's businesses available on their web-sites. It is believed that primarily young customers, who are familiar with the Internet, use this means to get the required information. Some of the services, e. g. the 'Federal Database of Support Programmes on the Internet' (Förderdatenbank des Bundes') or the 'European Database for International Trade Activities' (EDITA) are even pure Internet services.

Another essential instrument for the promotion of the services is their presentation on trade exhibitions and seminars. On these exhibitions many providers present their services giving the entrepreneurs the possibility to gain an overview on the support service market. The classic promotional instruments, such as advertisement in newspapers and journals, is used by more than half of the service providers. Direct contacts and personal visits to the enterprises as well as agents, on the other hand, play a rather minor role in Germany. Most German services providers developed a mix of different instruments to promote their services, as diversification with respect to communicational activities increases the chance of reaching different target groups.

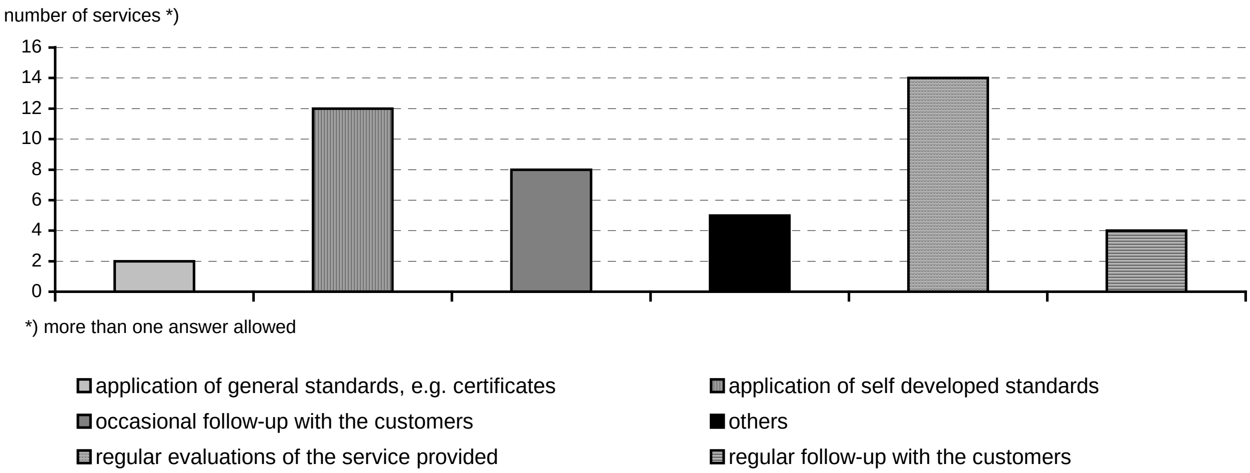
2.5 QUALITY AND PRICES OF SUPPORT SERVICES IDENTIFIED

Graph 8: Existence of quality assurance mechanisms



Source: IfGH/ENSR Support Services Database, 2001

Graph 9: Types of quality assurance mechanisms

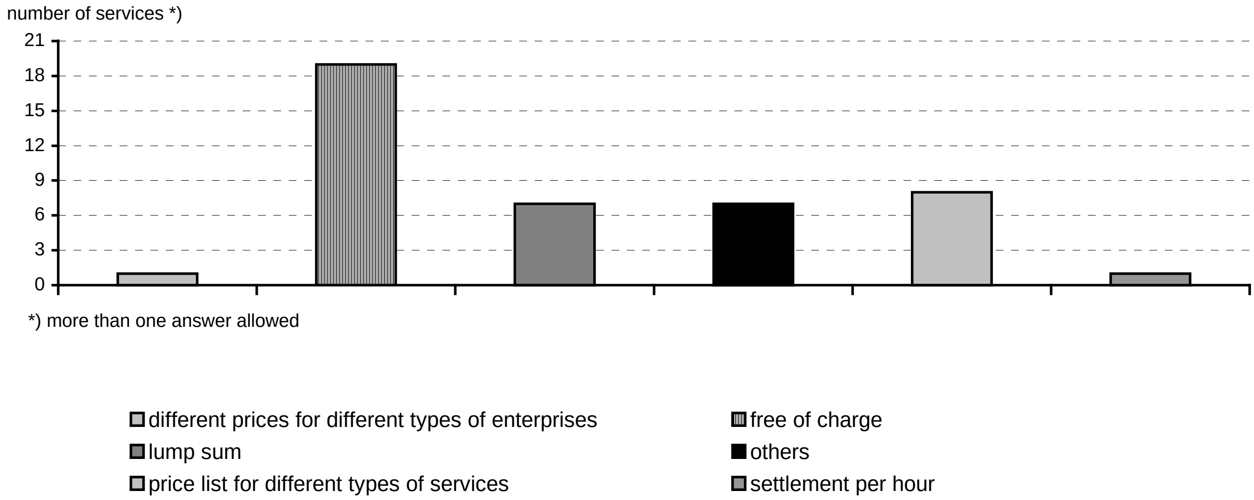


Source: IfGH/ENSR Support Services Database, 2001

Most of the support services targeted at micro, small and sole proprietor's businesses in Germany have established mechanisms to assure the quality of the support provided as can bee seen from Graph 8. The most commonly type of mechanism applied is to evaluate the offered services on a regular basis (see Graph 9). Besides this, self-developed standards are adopted, particularly in the case of services initiated at European level, such as 'JUNIOR Germany' from the network 'Young Enterprise Europe', for example. A significant number of service providers also offers their customers regular or occasional follow-ups, which allows to consider the demands of the customers when improving the measure in question.

Where evaluation results are available, they point to the high quality of the support services in Germany. In most cases participants give a positive feedback. The evaluation of the 'Support of Consultancy provided by the Craft Chambers and Federations', for example, shows a high degree of satisfaction by entrepreneurs using the service. Approximately 80 % of the consultancies on start-up issues led to enterprise start-ups. The evaluation of the 'European Database for International Trade Activities (EDITA)' resulted in additional information made accessible via the Internet in order to further increase the quality of the service.

Graph 10: Determination of prices of services identified



Source: IfGH/ENSR Support Services Database, 2001

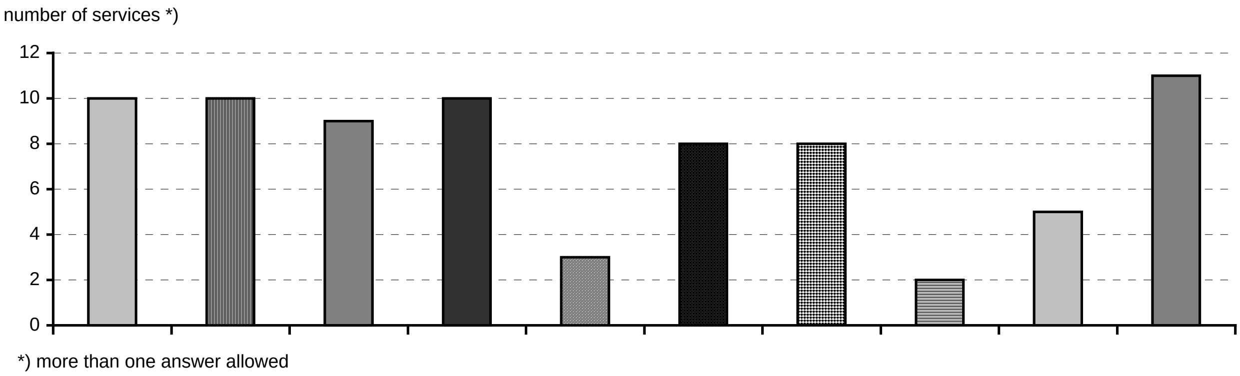
The majority of the suppliers offer their services free of charge (see Graph 10). In cases where the services are liable for costs, the most common determination of prices are price lists for different types of services or lump sums to be paid.

The evolution of the services speaks for the acceptance by the entrepreneurs. Most services face an increasing demand or the demand remains at a high level. At the beginning some services (i. e. 'MediaMit - Multimedia and SMEs - Information Campaign' or 'ICR-Innovation Management') were confronted with a reserved response but are now widely accepted.

2.6 OBJECTIVES OF SUPPORT SERVICES IDENTIFIED

Public support for micro, small and sole proprietor's businesses is founded on the conviction that economic growth is strongly linked to the development of these enterprises. The objectives of the various forms of support offered are complex and aim at different scopes of business life. Many services offer practical advice and consultancy with special emphasis on sectors or different phases of development. Depending on the main focus of the service, objectives are, for example, to provide information on support services, to strengthen the readiness for enterprise start-ups and prepare potential entrepreneurs, to improve SMEs' competitiveness and innovation capacity or to secure jobs. The achievement of these aims should lead to a higher and sustainable economic growth and welfare. By means of an 'Action Plan to Promote Entrepreneurship and Competitiveness' the European Commission has set out a number of priority aims which are most important for promoting entrepreneurship and creating a business environment that encourages the creation and growth of new businesses in order to improve the competitiveness of Europe's economy (see Graph 11). The classification of national support measures according to these 'action plan objectives' shall help to present a well structured and systemic overview on the aims of the various support services available to micro, small and sole proprietor's businesses in Germany.

Graph 11: Action plan objectives addressed by services identified



- access to finance for smaller enterprises and at an earlier stage
- access to research and innovation
- better use of patents by SMEs
- education for an entrepreneurial society
- finance for expanding and high tech firms
- improve employment and working conditions
- improve public administration
- improve visibility of support services
- make EU RTD development programmes more sensitive to SME requirements
- training

Source: IfGH/ENSR Support Services Database, 2001

As can be seen from Graph 11, all action plan objectives set out by the European Commission are addressed by a least some of the identified support services in Germany. In most cases the support programmes address more than one action plan objective. The objectives 'training', 'education for an entrepreneurial society', 'access to finance for smaller enterprises' and 'access to research an innovation' are mostly addressed.

Due to the comparatively narrow definition of the term 'support service' applied to this part of the research (see above) which implicates the exclusion of purely financial services, the action plan objectives 'access to finance for smaller enterprises and at an earlier stage' and 'finance for expanding and high tech firms' could never be the exclusive objectives of the services analysed. Since some programmes aim at providing broad services which cover all needs of small businesses concerning external support, financial aid is part of the supply.

The action plan objectives 'access to research and innovation', 'better use of patents by SMEs', 'finance for expanding and high tech firms' and 'make EU RTD development programmes more sensitive to SME requirements' are mainly addressed by support services which target at innovative/technology enterprises or enterprises of the IT respectively R&D sector. Those services that address the objective 'improve the visibility of support services' are basically databases which are accessible via the Internet.

3. DEMAND FOR SUPPORT SERVICES

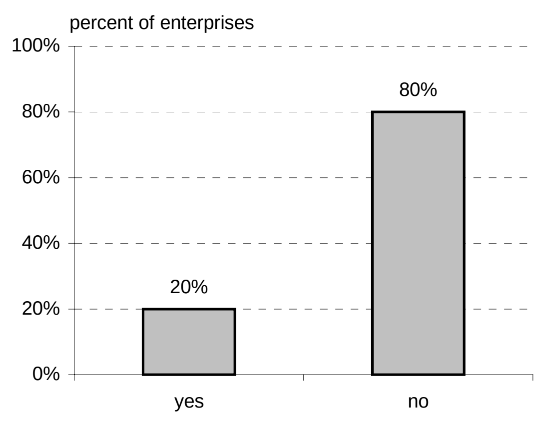
The purpose of this section of the report is to systematically analyse the demand side of the market for support services targeted at *micro, small and sole proprietor's businesses* in Germany, by examining the participation of support services by small enterprises, their awareness of the availability of support services, their needs with respect to the content, conditions and design of support services as well as on issues such as the general attitude of entrepreneurs toward support services.

The definition of the term support services applied to this part of the research study contains all types of services, such as the provision of information, advice, training, or other business services that are offered at non-market conditions and are of non-financial kind. The findings provided in the following, however, are not directly related to those services mentioned in section 2 of the report. Furthermore, results presented are based on 75 telephone interviews conducted in Germany, but, due to respective data weighting, relate to the whole population of micro, small and sole proprietor's businesses in Germany (see section 1). Nevertheless, because of a relatively low number of observations with regard to specific issues at country level, results might show high sample errors and thus have to be interpreted cautiously.

3.1 PARTICIPATION IN SUPPORT SERVICES

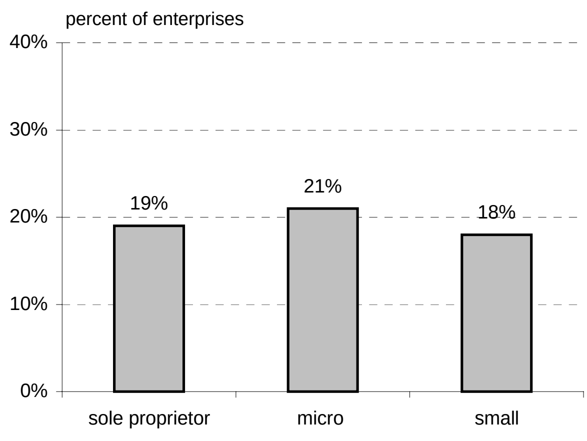
To improve the access of small enterprises to top-class business support is one of the major policy objectives of the European Commission expressed in various Commission documents, such as the *Action Plan to Promote Entrepreneurship and Competitiveness* (European Commission, 1999a) and the *Feira European Charter for Small Enterprises* (European Commission, 2000a), for example. In order to stay competitive and contribute to economic growth and employment in Europe, small enterprises need the best possible environment as well as information and business support systems that are easy to access and understand and relevant to the needs of small businesses. A lot of efforts have been undertaken in Germany as to this regard, already. The supply side of the market for support services has undergone a rapid expansion during the last few years - mainly due to the Unification - offering a wide array of services to small businesses (see section 2). However, micro, small and sole proprietor's businesses in Germany still seem to make rather little use of the services offered.

Graph 12: Participation rate of enterprises



Source: IfGH/ENSR Small Business Survey, 2001

Graph 13: Participation rate of enterprises, by size class



Source: IfGH/ENSR Small Business Survey, 2001

Graph 12 shows the low participation rate (i. e. the share of enterprises having made use of support services during the last five years) amongst German micro, small and sole proprietor's businesses. Only every fifth enterprise has utilised any support scheme within the last five years.

In contrast to other European countries no correlation between the size of the enterprise and the use of support services can be stated in Germany. The participation rate varies from 18 % (small businesses employing 10 to 49 employees) to 19 % (sole proprietor's) and 21 % (micro businesses employing 1 to 9 employees).

On average 20 % of all micro, small and sole proprietor's businesses in the European Union Member States and Norway have participated in support services within the last five years. Variations from this value at country level have to be interpreted cautiously as sample errors may be up to +/- 10 %. However, it can be concluded from Table 1 that compared to other European countries the German participation rate lies in the midfield. In the Netherlands, Ireland and Denmark participation rates are above average, while in Sweden, Greece and Norway relatively less micro, small and sole proprietor's businesses have utilised any support service within the last five years.

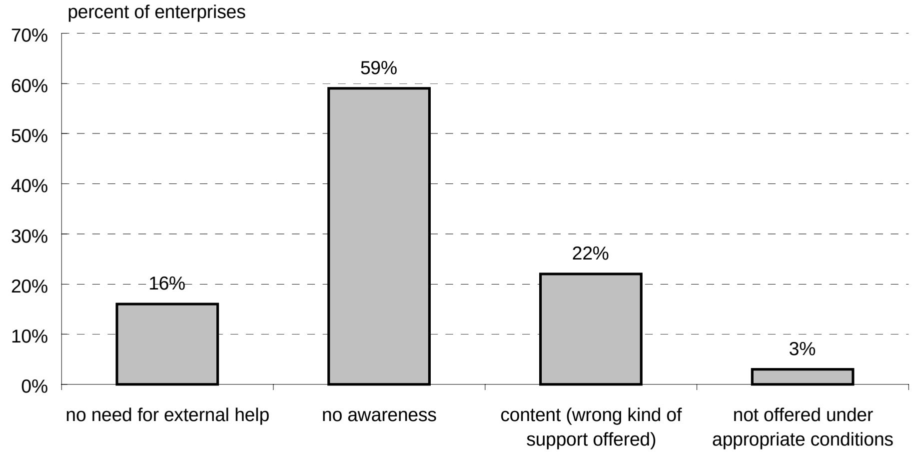
Table 1: Participation rate of enterprises, by country

country		participation rate*)
Netherlands		34 %
Ireland	*significantly*	32 %
Denmark	*above average*	28 %
United Kingdom		27 %
Finland		25 %
France		22 %
EU (15) and Norway		***20 %***
Germany	*on average*	**20 %**
Portugal		20 %
Belgium		20 %
Spain		19 %
Austria		16 %
Italy		16 %
Sweden	*significantly*	10 %
Greece	*below average*	6 %
Norway		3 %
Luxembourg		**)

*) share of enterprises having made use of support services within the last five years, maximum sample error at country level: +/- 10 %
**) no reliable data available
Source: IfGH/ENSR Small Business Survey, 2001

There may be various reasons, why enterprises do not make use of support service offered in their respective country. However, most of these reasons can be categorised into four groups: a) enterprises believe that they do not have any need for external help, b) enterprises are not aware of the existence and availability of support services, c) the content of support services offered does not match the needs of enterprises, and d) the respective support services are not offered under appropriate conditions. The most dominant reasons for German micro, small and sole proprietor's businesses for non-utilisation of support services are illustrated in Graph 14.

Graph 14: Main reason for not using support services*[)]

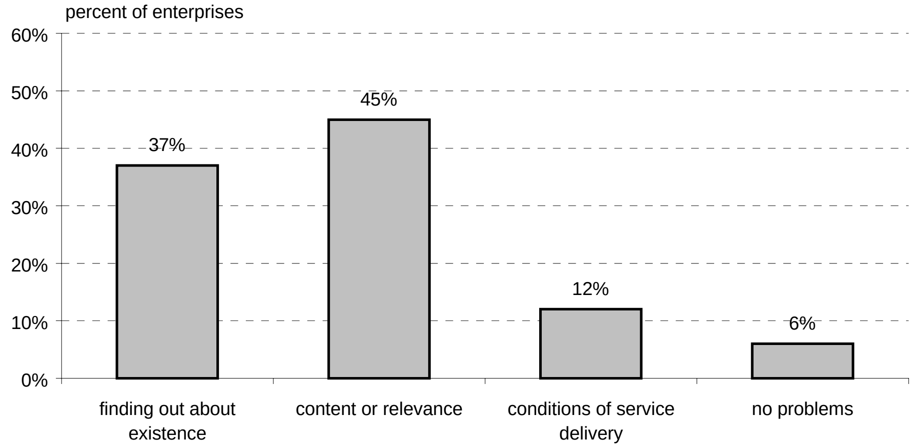


*) only enterprises that have not made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

The main reason for many German enterprises not making use of support services is that they are not aware of the existence of such services. The importance of lacking awareness as a reason for not using support services even increases with decreasing size of the enterprise, which means that sole proprietor's businesses quote this reason above average. The second strongest reason for non-participation is the content of the services offered. In this case enterprises consider the offered services as not suitable for their problems. Only 16 % do not see any need for external help. It seems that German entrepreneurs are quite self-critical regarding their prospects to solve all problems of daily business life themselves and that in principle they consider external advice and consultancy as advantageous. This seems to stand in contrast to the observations made in most of the other European countries.

It seems that in Germany there is quite a demand for support services by micro, small and sole proprietor's businesses, but might not be satisfied due to a prevailing information deficit. The future challenge in rising the participation of support services by small businesses therefore lies in improving the promotion of such services, by launching information campaigns, for example, that may lead to a higher recognition of services. Furthermore the content of the offered services might be evaluated to adjust the supply to the needs of the businesses (see Graph 15).

Graph 15: Main difficulty when using support services*[)]



*[)] only enterprises that have made use of support services within the last five years
Source: IfGH/ENSR Small Business Survey, 2001

Among those enterprises that have utilised support services almost half (45 %) claim that the content of the service was the major problem when using this service (see Graph 15). When additionally considering those enterprises that indicate not to use support services because they assume that the wrong kind of support is offered (see Graph 14), it might be concluded that in Germany a considerable number of services offered do not meet the respective needs of the smallest businesses, with regard to the content of the services. This might be due to the fact that many enterprises in Germany face financial problems and are looking mainly for financial support which is not included in this study. Furthermore, more than a third (37 %) of micro, small and sole proprietor's businesses in Germany that have already used support services claims that it was most difficult to find out about the existence of the respective service in the first place and only a small share of 6 % of the German enterprises indicates not to see any problems with respect to the participation in support services.

In the following section, it is sought to deepen the investigation on the main reasons for not using support services by micro, small and sole proprietor's businesses in Germany: Beginning with the problem related to a *lack of awareness*, an illustration of the rate of information on the existence and availability of support services in Germany is provided followed by a cross-national comparison of *'information rates'* (i. e. the share of enterprises well informed on the existence and availability of support services). An attempt is made to detect mismatches between enterprises' needs with respect to how they want to be informed on support services and how providers actually promote the services they offer. This is done in *section 3.2*.

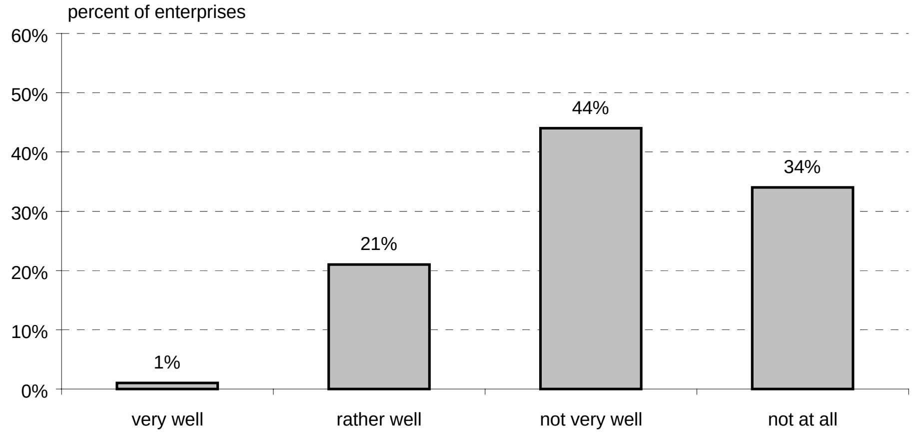
The problems related to the *content of support services* are analysed by comparing the supply side of the market for support services (see section 2) to the needs of micro, small and sole proprietor's businesses. Attempts are made to detect prevailing mismatches between enterprises' need for external help and what is actually available on the market for support services. This is presented in *section 3.3* of this report.

Finally, the *conditions of delivery* and the respective problems are investigated by considering on the issue of satisfaction with the use of support services. An illustration of how satisfied enterprises are with the utilisation of support services is followed by a cross-national comparison of *'satisfaction rates'* (i. e. the share of enterprises satisfied with the use of support services). This is presented in *section 3.4*.

3.2 AWARENESS OF SUPPORT SERVICES

The counterpart of a potential 'lack of awareness' on the demand side might be a 'lack of visibility' of support services on the supply side. Creating awareness of the existence and availability of support services among entrepreneurs is considered one of the major challenges in support policy for small and medium-sized enterprises and in particular for micro, small and sole proprietor's businesses. Several previous empirical studies have identified this issues as being one of the major constraints for the participation of support services by small enterprises (see, for example the *European Observatory for SMEs*, European Commission, 2000b). As can be seen from Graph 15, also more than a third of those enterprises that have already used this kind of services found it most difficult to find out about the existence of the respective support. It is the aim of this section to further elaborate on the issue of awareness by providing data on the information rate of enterprises with respect to the availability of support services for their respective business and by identifying a potential mismatch between enterprises' needs with respect to how they want to be informed on support services and how providers actually promote the services they offer.

Graph 16: Information rate of enterprises with respect to support services

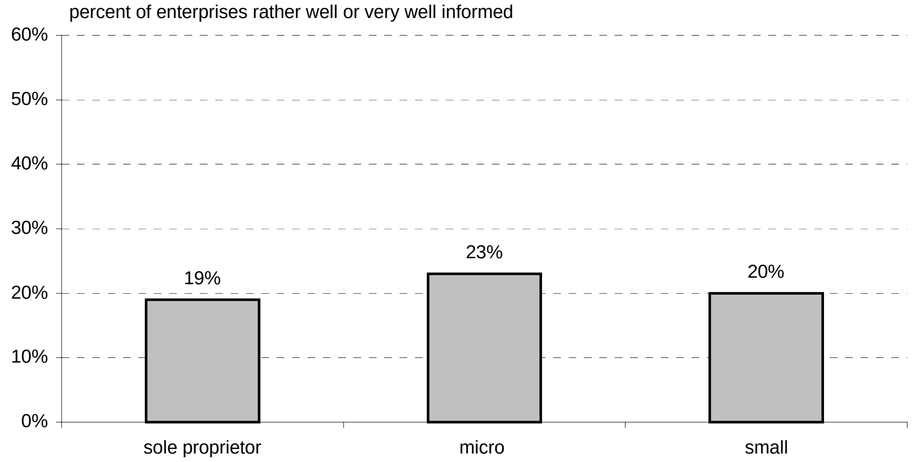


Source: IfGH/ENSR Small Business Survey, 2001

As can be seen from Graph 16, the information rate of the German micro, small and sole proprietor's businesses with regard to support services is extremely low. Only 1 % of the enterprises indicates to be 'very well' informed, another 21 % feel 'rather well' informed. Thus, in total, more than three quarters (78 %) of the enterprises in German lack information on the availability of support services for their business.

This result is in line with previous studies conducted in Germany. A survey among enterprises in Bavaria that have not made use of business consultancy services, so far, for example, shows that most of the small enterprises (80 % to 90 %) judge their own knowledge of existing support services as being very low (Prognos AG, 1999a).

Graph 17: Information rate of enterprises with respect to support services, by size class



Source: IfGH/ENSR Small Business Survey, 2001

The size of the enterprise does not seem to influence the awareness on support services in Germany, as can be seen from Graph 17. 19 % of sole proprietor's, 23 % of micro businesses (1 to 9 employees) and 20 % of small businesses (10 to 49 employees) indicate to be 'very well' or at least 'rather well' informed.

The average information rate of micro, small and sole proprietor's businesses in the European Union Member States and Norway lies at 24 %. Again, variations from this value at country level have to be interpreted cautiously as sample errors may be up to +/- 10 %. However, it can be concluded from Table 2 that compared to other European countries the information rate of German enterprises is around average. Information rates clearly above average are found in Belgium and the Netherlands. In France, Portugal and Greece, on the other hand, the amount of micro, small and sole proprietor's businesses being informed on the existence and availability of support services offered for their respective enterprise is far below the EU average.

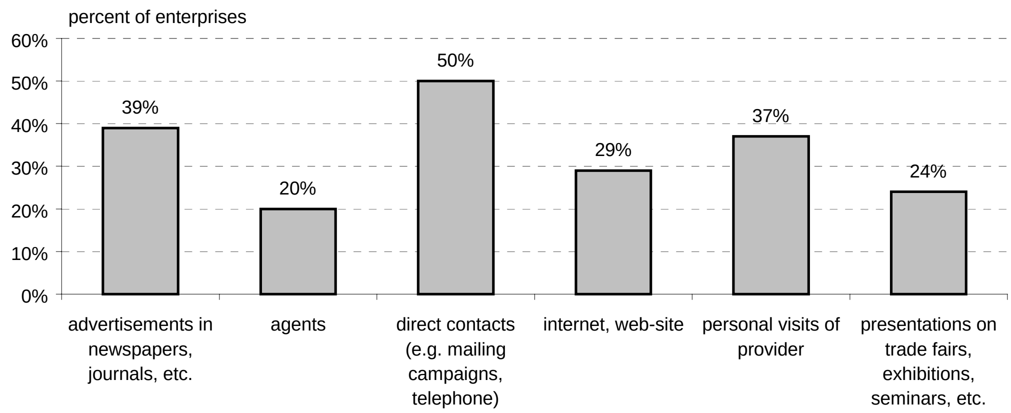
Table 2: Information rate of enterprises with respect to support services, by country

country		information rate*)
Belgium		45 %
Netherlands		43 %
Austria	*significantly*	36 %
Sweden	*above average*	36 %
Finland		34 %
Italy		31 %
Denmark		30 %
Spain		29 %
Norway	*on average*	27 %
Ireland		25 %
EU (15) and Norway		***24 %***
Germany		**22 %**
United Kingdom		18 %
France	*significantly*	15 %
Portugal	*below average*	11 %
Greece		6 %
Luxembourg		**)

*) enterprises rather well or very well informed on support services, maximum sample error at country level: +/- 10 %
**) no reliable data available
Source: IfGH/ENSR Small Business Survey, 2001

Problems related to a lack of information respectively awareness on the side of enterprises in the European Union Member States and Norway may be related to the effectiveness of promotional activities applied by support service providers in order to attract or to reach as many potential users as possible. As shown in section 2.4, in Germany, providers use a variety of different instruments to promote their services. However, an analysis of the preferences of micro, small and sole proprietor's businesses with regard to the means for information provision shows that additional measures might need to be put in place in order to increase awareness of support services in Germany.

Graph 18: Type of promotion activities preferred by enterprises*)



*) more than one answer allowed
Source: IfGH/ENSR Small Business Survey, 2001

In Germany half of the enterprises prefer direct contacts with respect to how they want to be informed on support services. Graph 18 shows that micro, small and sole proprietor's businesses also have a preference for advertisements in newspapers (39 %), followed by personal visits of the provider (37 %) and Internet based information transfer (29 %).

When compared to how enterprises are actually promoted in Germany (see section 2.4), it is found that only about one third of the service providers use direct contacts to promote their activities (see Graph 7), although every second German small enterprise would welcome being directly contacted by the provider (e. g. by telephone or mailing campaigns). Furthermore, about one fourth of the providers use personal visits to the enterprises as promotional instrument, although more than one third of the enterprises would like to be contacted in this way. The practice of advertising in newspapers which is used as promotional instrument by a majority of the service providers, however, is among the mostly favoured promotion activities by enterprises. This gap between the marketing measures applied and the actual needs of customers has already been found in a study carried out by the Deutsche Ausgleichsbank (2000) on behalf of the European Commission, which was based on a survey conducted in 1999 among private suppliers and consumers (SMEs) of management consulting services.

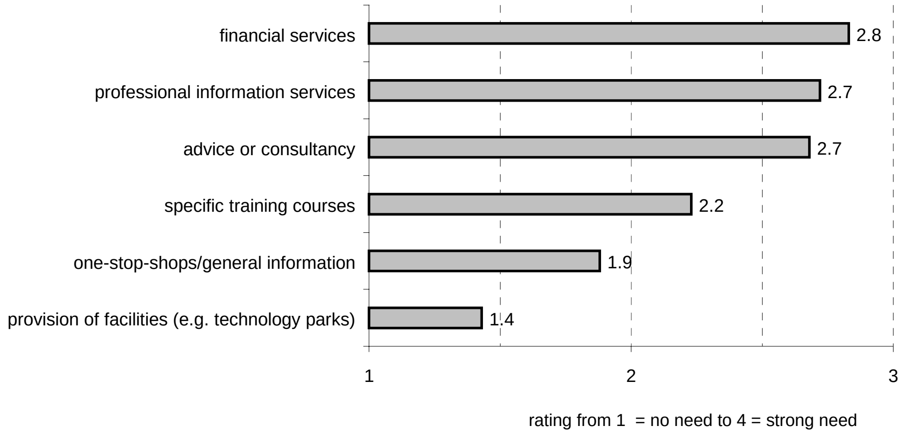
Generally, businesses seem to clearly prefer looking for support services at regional level, which is indicated by three quarters of micro, small and sole proprietor's businesses in Germany. Nevertheless, almost 60 % of the enterprises also look for services at national level. When compared to the actual organisation of support services in Germany where the contact points are mainly decentralised at regional level, it may be assumed that in this respect the supply side effectively meets the needs of the smallest enterprises.

However, there seems to be some mismatch in the field of promotion and information provision on support services offered in Germany. The awareness of support available to micro, small and sole proprietor's businesses might be increased by directly contacting enterprises, i. e. via mailing campaigns, telephone contacts, etc. as well as personally visiting enterprises, rather than by only presenting services on the providers homepages or on trade fairs or exhibitions, which seem to be among the least preferred types of promotion activities amongst micro, small and sole proprietor's businesses. Direct contacts and personal visits - which of course are amongst the most costly promotional means - are focused to a minor extent by service providers in Germany, yet, but might be very effective with regard to creating awareness and increasing the information rate of enterprises.

3.3 CONTENT OF SUPPORT SERVICES

Once the problem of lacking awareness has been overcome by enterprises, it still remains difficult to identify the type of support that is considered relevant for the development of one's enterprise. As outlined in section 3.1, the content of available support (i. e. the types of support offered, the targeting of support services, etc.) seems to be a rather important reason for German micro, small and sole proprietor's businesses not to make use of support services. Additionally, quite half of the enterprises claim this aspect of support services to be a major difficulty when participating in or using support services. Thus, it is the aim of this section to detect the prevailing mismatch between enterprises' need for external help and what is actually available on the market for support services in more detail.

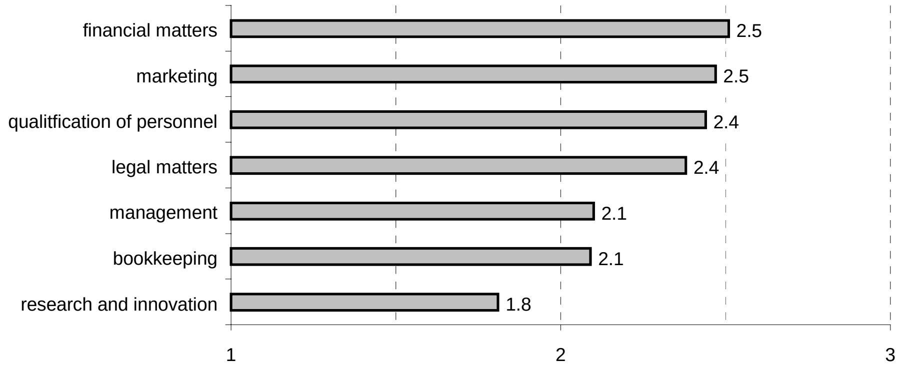
Graph 19: Need for different types of support services



Source: IfGH/ENSR Small Businesses Survey, 2001

German micro, small and sole proprietor's businesses generally express a higher need for support services (on a scale from 1 – no need to 4 – strong need on average 2.3) as enterprises in most of the other European countries. Considering the different types of services, German enterprises manifest a comparatively high demand for financial services, information services and advice and consultancy, whereas training courses, one-stop-shops offering general information and the provision of facilities seem to play a rather inferior role (see Graph 19). A comparison with the supply side of the market shows that the demand for advice and consultancy is met by a wide range of consultancy services provided. Also with regard to professional information services the need seems to be well reflected in the types of services offered to the smallest enterprises.

Graph 20: Need for external support, by business areas



Source: IfGH/ENSR Small Businesses Survey, 2001

With respect to the need of German enterprises for external support in specific business areas, it is mainly financial, marketing, personal qualification and legal matters, enterprises seem to need help with. On the other hand, Graph 20 shows that help is not primarily needed in the business areas management, bookkeeping and research and innovation, although these business areas play an important role with regard to the development and competitiveness of small enterprises.

The analysis also indicates the importance which is given by enterprises to a specific target group orientation of support services as far as size class, sector or the phase of development of an enterprise are concerned. 82 % of German micro, small and sole proprietor's businesses would prefer to use services that are specifically targeted at enterprises of their respective *size class*.

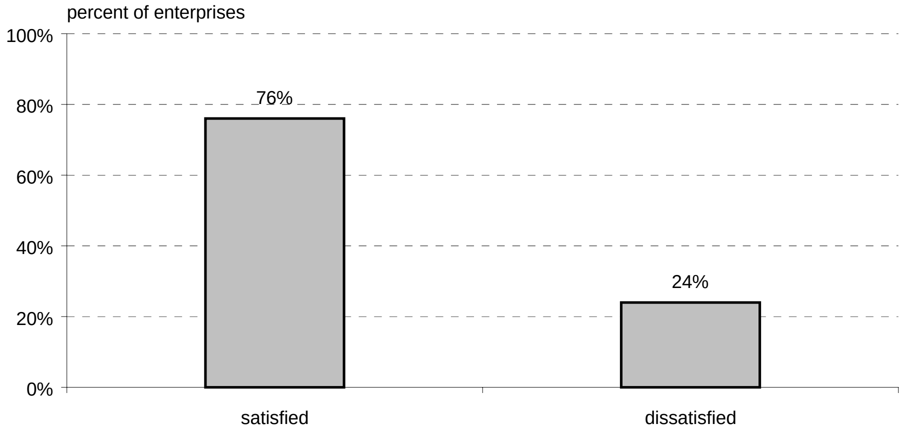
Even more essential seems to be the sector-orientation of the services offered. 84 % of the enterprises claim the importance of support services to be targeted at enterprises of their respective *sector*, quite half (46 %) of the micro, small and sole proprietor's businesses even indicate that it is 'very important' for them to find support tailored to their specific sector. This need is partly met by the offered services in Germany. Although the majority of the services provided address all sectors, a non negligible part of the services is specialised in the support of enterprises in specific sectors.

In a similar way, micro, small and sole proprietor's businesses in Germany would prefer a targeting of support services with regard to the different *phases of development* of their enterprise. With 58 %, more than half of the German enterprises point out that it is 'very important' to be offered support tailored to their specific phase of development, for 85 % this is 'very' or at least 'rather important'. Particularly, entrepreneurs believe, that it is the start-up phase (100 % of the start-ups indicate the importance of services tailored to their respective phase of development), the early phase of development and the phase of crisis in which enterprises need most external support. When compared with the supply side of the market in Germany, it can be seen, that there is indeed a wide range of support offered to enterprises in the start-up or in the early phase of development (see Graph 5). The strong need for support services tailored to enterprises that go through a crisis (65 % indicate this importance) is partly met by the offered services. After the unification some support services where created to offer help, especially to enterprises in the crisis. Nevertheless, considering the strong need for such services, it might be concluded that more services operating in this field might be put in place, although many of the services which target at all phases of development offer special advice to enterprises in crisis as well and might just need to be better promoted.

3.4 CONDITIONS AND DELIVERY OF SUPPORT SERVICES

In order to increase the take-up of support services by micro, small and sole proprietor's businesses, creating awareness of the availability of support and offering suitable or relevant types of services might not be sufficient if enterprises are not convinced of their real value and quality. As outlined in section 3.1, for only a few German micro, small and sole proprietor's businesses it is the conditions of service delivery that poses the main difficulty when using support services. Nevertheless, this credibility gap needs to be overcome in order not to lose potential participants who are generally convinced of the usefulness of external help and are likely to use support services regularly if these are offered under appropriate conditions. Thus, it is the aim of this section to further elaborate on the issue of delivery of support services by providing data on the satisfaction rates of enterprises with support services offered and by identifying a potential mismatch between enterprises' preferences for specific forms of communication, payment, etc. and the way, support services are actually delivered.

Graph 21: Satisfaction rate of enterprises



*) only enterprises that have made use of support services within the last five years

Source: IfGH/ENSR Small Businesses Survey, 2001

As can be seen from Graph 21, more than three quarters of the German micro, small and sole proprietor's businesses that have made use of support services within the last five years indicate satisfaction with their latest experience in this respect. The comparison with other European countries shows that the satisfaction rate in Germany is slightly below average.

The average satisfaction rate with respect to support services used by micro, small and sole proprietor's businesses in the European Union Member States and Norway during the last five years lies at 80 %. It is hardly possibly to interpret variations from this value at country level due to comparatively high sample errors amounting up to +/- 15 %. Still, it might be assumed that Ireland and Portugal are at the upper end while Luxembourg and Denmark are at the lower end of satisfaction with respect to support services used. The German satisfaction rate more or less resembles the value for the EU average.

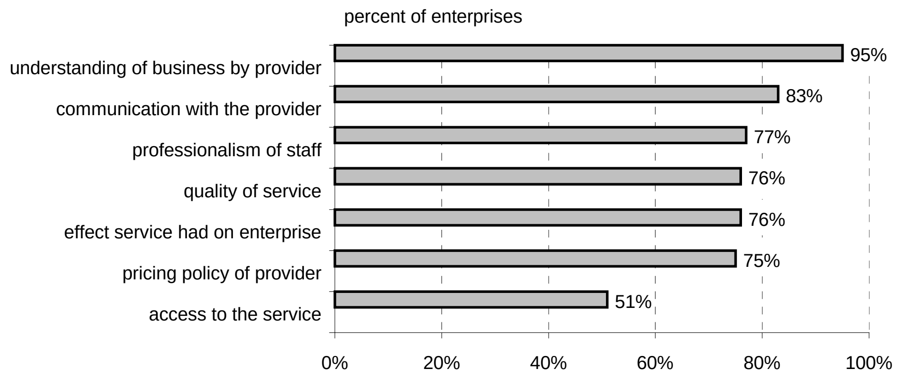
Table 3: Satisfaction rate of enterprises, by country

country		satisfaction rate*)
Ireland		90 %
Portugal		90 %
Spain		85 %
Belgium		82 %
United Kingdom		81 %
EU (15) and Norway	*on average*	***80 %***
Finland		80 %
France		79 %
Netherlands		76 %
Germany		**76 %**
Luxembourg		69 %
Denmark		67 %
Austria		51 %**)
Greece		68 %**)
Italy		82 %**)
Norway		64 %**)
Sweden		22 %**)

*) enterprises very or rather satisfied with the latest use of support services, maximum sample error at country level: +/- 15 %
**) due to small number of observations sample error may amount up to +/- 25 %
Source: IfGH/ENSR Small Business Survey, 2001

While Graph 21 presents the satisfaction rate of micro, small and sole proprietor's businesses in Germany with support services used in rather general terms, the following Graph 22 illustrates the degree of satisfaction differentiated by specific issues related to the delivery of support services.

Graph 22: Satisfaction with the use of support services, by different aspects

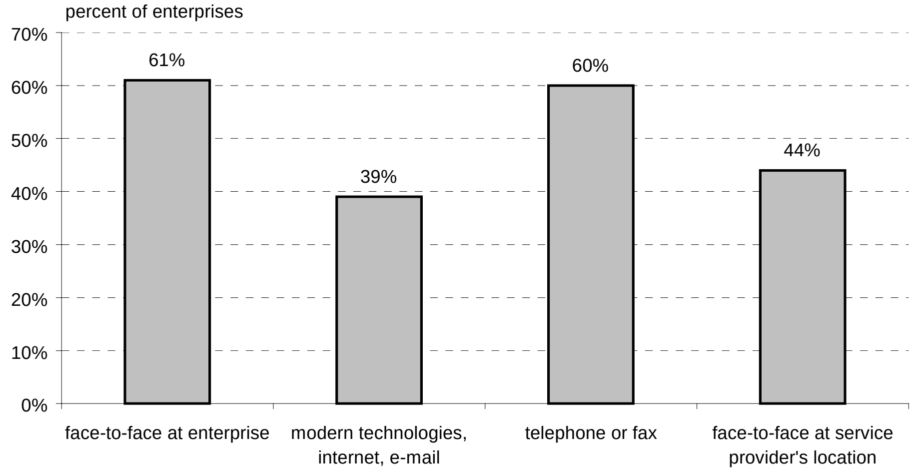


*) only enterprises that have made use of support services within the last five years
Source: IfGH/ENSR Small Businesses Survey, 2001

As can be seen from Graph 22, the vast majority of small businesses in Germany that have used support services during the last five years are satisfied with the understanding of business by the provider (95 %) and the communication with the provider (83 %). Low satisfaction is expressed with respect to the access to the service (51 %). This is in line with the results from section 3.2, which demonstrate the low awareness level of German enterprises with regard to support services and the mismatch in the field of promotion and information provision.

In the following, it is intended to investigate three different facets of service delivery: the form of communication with the provider, the form of payment, and quality assurance mechanisms. The attempt is to analyse the preferences of German micro, small and sole proprietor's businesses regarding these aspects and furthermore to compare the findings with the supply side of the German support services market.

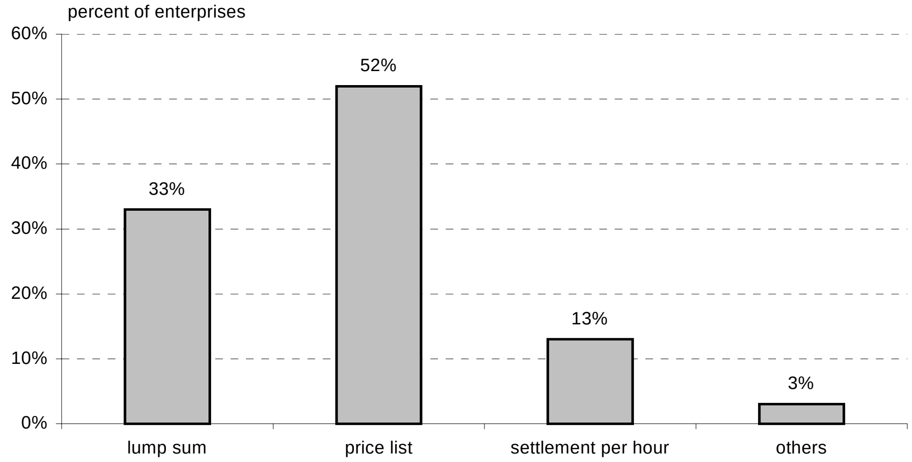
Graph 23: Form of communication with the service provider preferred by enterprises



Source: IfGH/ENSR Small Businesses Survey, 2001

Micro, small and sole proprietor's businesses in Germany prefer conservative forms of communication with the service provider. More than half of the enterprises would like communicating face-to-face with the support service provider at their enterprise's location (61 %) or by telephone and fax (60 %). Even face-to-face communication at the provider's location is preferred by more enterprises (44 %) than the use of modern technologies like Internet and e-mail (39 %), for example.

Graph 24: Form of payment preferred by enterprises

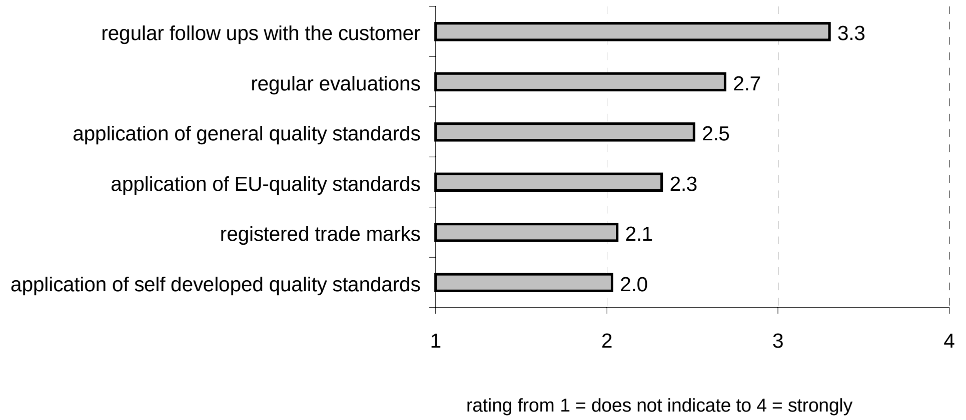


Source: IfGH/ENSR Small Businesses Survey, 2001

As far as the pricing policy is concerned (see Graph 24), small enterprises in Germany have a preference for prices according to given price lists and for lump sums, whereas settlements per hours are only favoured by a minority. This corresponds to the actual practise of the providers; the latter form of payment is rarely used (see Graph 10). Additionally the fact, that most of the services are offered free of charge, might explain the high satisfaction with the pricing policy of the providers as indicated in Graph 22.

The quality of services is usually difficult for enterprises to asses before actually utilising them. However, in order to increase enterprises' trust in the reliability of the respective providers it is advisable to apply quality assurance measures, that are, besides being indispensable in order to guarantee high quality service provision, also highly visible and recognised by the enterprises. Applying quality standards or offering regular follow-ups with the customer, for instance, is vital to successfully promote support services. Choosing the right measures as to this regard - the ones enterprises trust most - and making them visible to the enterprises might be crucial in order to strengthen enterprises' belief in the usefulness of support services and by that their demand for support of this kind. Thus, the question of how high quality of services offered might be communicated to enterprises respectively which criteria enterprises apply to judge the quality of a service is also dealt with in the scope of this study. The findings for Germany as to this regard are presented in Graph 25, below.

Graph 25: Criteria that indicate high quality to enterprises



Source: IfGH/ENSR Small Businesses Survey, 2001

When businesses try to assess the quality of a service provider, the criteria they favour most is regular follow-ups with the customer. Furthermore regular evaluation seems to be an indication for high quality to German micro, small and sole proprietor's businesses. It seems to be comparatively less important whether support service providers use registered trademarks or apply quality standards (see Graph 25).

When compared to the quality assurance mechanisms actually deployed by providers in Germany, it can be seen that indeed the majority of the services are regularly evaluated (see Graph 9). Follow-ups with the customers, however, are only applied by a minority of providers. Thus, to increase the visibility of the quality of their services, providers in Germany may enforce regular follow-ups with the enterprises, which may also lead to a better assessment of the needs of the respective businesses. Nevertheless, it has to be considered that some services, such as databases, for example, are not suitable to follow-up measures defined in a traditional sense.

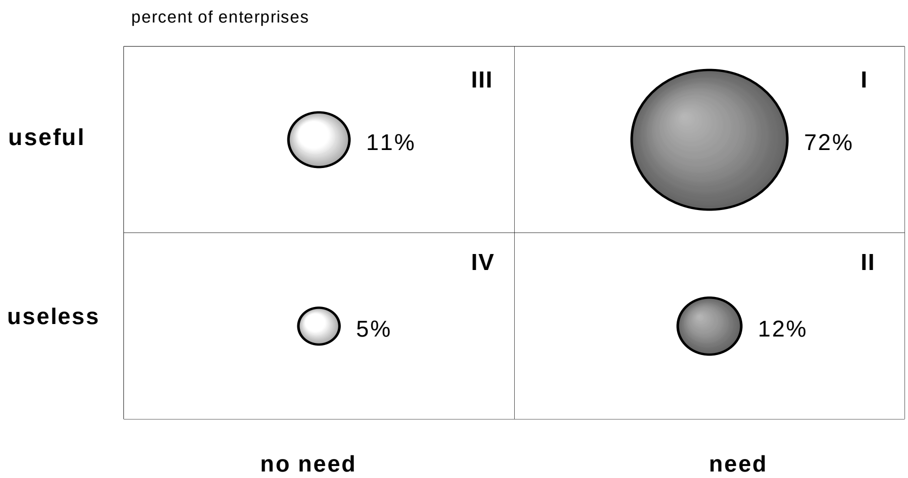
3.5 FUTURE POTENTIAL OF THE MARKET FOR SUPPORT SERVICES

The following matrix gives an overview on the future potential of the market for support services in Germany by different types of enterprises, together with the respective strategy to be applied in order to increase the take-up and utilisation of support services. For this purpose, the attitude of enterprises towards support services has been segmented according to two characteristics:

a) enterprises' subjective rating of the general *usefulness* of support services and
b) enterprises' indication of the *need for support services* with respect to the own enterprise.

These characteristics are assumed to significantly influence the readiness of enterprises to participate in support services in the future. The combination of these two characteristics in a matrix results in four different types of enterprises and allows one to judge the potential of the market for support services as well as to derive specific strategies for mobilising this potential. The matrix shown in Graph 26 distributes those micro, small and sole proprietor's businesses in Germany that have not participated in any type of support service during the last five years, according to their attitude towards support services.

Graph 26: Strategic matrix on the potential of the market for support services in Germany*)



*) only enterprises that have not made use of support services within the last five years
Source: IfGH/ENSR Small Businesses Survey, 2001

I. Quadrant: The first quadrant describes the share of enterprises that have indicated a need for external support and that are convinced of the usefulness of support services. These enterprises are basically willing to participate in support services, but seem to lack information on their availability and on how to access them. This group of enterprises is probably very sensitive to any type of *awareness-raising measures and promotional activities* applied by support service providers. Enterprises located in this quadrant are the ones that are most likely to use support services in the future. Their share in all enterprises not having used support services in the last five years in Germany is very high in comparison to other European countries and amounts to 72 %. They might best be mobilised by improving and reinforcing marketing and promotional activities of existing support services, by placing advertisements in newspapers and journals or focussing on mailing campaigns, for example.

II. Quadrant: Enterprises in this quadrant have indicated a general need for support services, but doubt their usefulness. This might be due to a certain discontentment with the existing offer of support services. These enterprises might be most sensitive to strategies aiming at the improvement of the *content and conditions of delivery* of services, such as a better target group orientation of services offered or an improvement of communication strategies and the understanding of the businesses' needs, for example. The enterprises in this quadrant (12 % in Germany) are rather critical towards support services but may well be mobilised by improving the content and delivery mechanisms of support services.

III. Quadrant: This quadrant contains the share of enterprises that generally consider support services to be useful, but do not see any need for their own enterprise as to this regard. It is usually more difficult to mobilise enterprises that indicate no need for external support than enterprises not utilising support services for other reasons, such as a lack of information or dissatisfaction with the offer, for example. However, as these enterprises believe in the general usefulness of support services they might be sensitive to strategies aiming at the *proliferation of information on the merits of support services* by the dissemination of 'good practices' or the demonstration of success rates of enterprises using support services, for example. In Germany 11 %of micro, small and sole proprietor's businesses seem to be sensitive to this kind of strategies. However, the attitude of this comparatively large group of enterprises is also often related to a general difficulty in identifying needs or facing economic or operational problems of their daily business, which needs to be overcome. Still, the majority of enterprises in Germany seem to be at least convinced of the usefulness of support services, which is a good starting point for further activities as to this regard.

IV. Quadrant: Finally, quadrant IV describes the share of enterprises that neither indicate any need for support services nor believe in their usefulness. This attitude, particularly of smaller enterprises, is in line with results from a previous research study on SMEs in the European Union (Alten and Weiß, 2000), where it has been found that many small enterprises do not have the competency to judge their own needs correctly and to derive a specific demand from these needs. The lack of knowledge of their own needs in consequence may lead to a low acceptance of support services offered to the market, which is often associated with a general suspiciousness against 'externals' and a lacking readiness to give external support service providers insight into the economic and operational matters of one's enterprise. This group of enterprises will most probably stay insensitive to any traditional promotional or awareness creation measures and is thus not very likely to use support services in the future; their share fortunately amounts to only 5 % in Germany.

4. SUMMARY AND CONCLUSIONS

After the Unification, a backlog concerning the entrepreneurial spirit mainly in the New Länder war constated in Germany. Also self-employment was identified as an instrument against unemployment and for economic development. To foster entrepreneurship, a large number of new service providers has emerged, offering a wide range of external support to micro, small and sole proprietor's businesses. Generally, private and public providers of support services dominate the market, mostly offering contact points in all Federal States (Länder). Many services are special services and cover only one Federal State, but similar services can be found in other Federal States, as well. Most of the services address SMEs in general and are not specifically target at micro, small and sole proprietor's businesses. Also, German support services are commonly not sector-specific but address all kind of sectors. Although the majority of services are offered to enterprises in all phases of development, certain emphasis is put on support for start-ups and enterprises in the early phase of development.

Support services in Germany mainly offer external advice and consultancy, followed by facilities and basic information and professional information services. Thereby, the majority of the providers use the Internet for promotion purposes, as well as presentations at trade fairs and exhibitions. Most of the support services for micro, small and sole proprietor's businesses have established mechanisms to assure the quality of the support offered, whereby regular evaluations and follow-ups with the customers are among the most commonly used instruments for quality assurance. Concerning the pricing policy of service providers, most of the services are offered free of charge. In cases where the services are liable for costs, the most common determination of prices are price lists for different types of services or lump sums to be paid.

As far as the demand side is concerned, micro, small and sole proprietor's businesses in Germany seem to make rather little use of the support services offered. However, compared to other European countries the German participation rate (20 %) is average. The main reason for German enterprises not to make use of support services is that they are not aware of the existence of such services. This corresponds with the low information rate concerning support services with only 22 % of smaller enterprises indicating to be well or rather well informed on the existence and availability of support services. The awareness of support available to smaller enterprises might be increased by directly contacting them as well as personally visiting enterprises, rather than by only presenting services on web-pages or on trade fairs and exhibitions. A diversification of promotional activities might be very effective with regard to increasing the information rate of enterprises in Germany.

German micro, small and sole proprietor's businesses express a rather strong need for support services, mainly for financial and professional information services, as well as advice and consultancy. Regarding specific business areas it is mainly financial matters, marketing, the qualification of the personnel, and legal matters the smallest enterprises need help with. Very important for German enterprises seems to be the target group orientation of support services as far as size class, sector and, especially, phase of development of an enterprise are concerned. As to this regard, the utilisation of support services might benefit from better targeting services at the smallest enterprises, at specific sectors and mainly at the different phases of development.

Generally, more than three quarters of small, micro and sole proprietor's businesses in Germany that have made use of support services within the last five years are quite satisfied with the services received. Compared to other European countries, the satisfaction rate is on average. Enterprises seem to be particularly unhappy with the access to the services. They would prefer face-to-face communication with the provider either at their own location or at the provider's location as well as the traditional form of communication by telephone and fax. High satisfaction is reached among enterprises with regard to the content based aspects of the services such as the understanding of business by the provider, the professionalism of staff and the quality of the services.

APPENDIX

List of support services considered.

original name/English name	organisation	contact person and address	telephone/fax	e-mail/web-page
Business Angels		Monica Reino Avenue des Arts 12, Bte 7 1210 Bruxelles	Tel.: 32/2/2184313 Fax: 32/2/2184583	Info@eban.org www.eban.org
Business Innovation Centres (BIC)		Ben Butters Avenue de Tervuren 168, Bte 25 1150 Bruxelles	Tel.: 32/2/7611085 Fax: 32/2/7729574	Bbu@ebn.be www.ebn.be
Euro Info Centres	Euro Info Centres Network			Info-eic@fcis.cec.eu.int ttp://europa.eu.int/comm/enterprise/networks/eic/eic.html
"GO to School"	Institute of the German Economy Cologne/Institut der deutschen Wirtschaft Köln	Korina Schulz Friedrich-Wilhelm-Str. 36 47051 Duisburg	Tel.: 49/203/2982115 Fax: 49/203/2982116	Info@ikus.de www.ikus.de
Beratungsdienst für Handwerksunternehmen/ Advice and Consultancy for Craft Enterprises	Chamber of Crafts Cologne, Bonn Department	Geert-Ulrich Wagenseil Ennemoserstrasse 8 53119 Bonn	Tel.: 49/228/604790 Fax: 49/228/6047966	www.handwerkskammer-koeln.de
Generierung Technologieorientierter Unternehmensgründungen mit hohem Potential (GET-UP)/ Generating Technology-based Enterprise Start-ups with high Development Potential (GET-UP)	Association for the Promotion of New Technologies/Gesellschaft zur Förderung neuer Technologien e.V. (GNT))	Grit Holzmüller Langewiesener Str. 22 98693 Ilmenau	Tel.: 49/3677/877115 Fax: 49/3677/877116	Info@getup-initiative.de ; info@getup.org www.getup.org

original name/English name	organisation	contact person and address	telephone/fax	e-mail/web-page
'Change/Chance' - Existenzgründungs- und Unternehmensnachfolgebörse/ 'Change/Chance' (Exchange Mechanism for People interested in Enterprise Start-up and for those Enterprise Owners intending to pass their Business to another Owner)	Various Chambers of Commerce and Industry/ Industrie- und Handels-kammer, German Association of Chambers of Commerce/Deutscher Industrie- und Handelstag (DIHT), German Bank for Compensation/Deutsche Ausgleichsbank (DtA), Central Association of German	Thomas Ilka Adenauerallee 148 53113 Bonn	Tel.: 49/228/1042206 Fax: 49/228/1042222	ilka.thomas@bonn.diht.de www.change-online.de
MediaMit Informationsoffensive/ MediaMit – 'Multimedia and SMEs'-Information Campaign	Chambers of Commerce and Industry	Klaus Berens Adenauerallee 148 53113 Bonn	Tel.: 49/228/104/1632 Fax: 49/228/104/1633	Berens.klaus@bonn.diht.de www.mediamit.de
Gruppenbeteiligungen an Messen im Inland für Existenzgründer/ Joint Participation of Groups of Enterprise Starters in Fairs and Exhibitions in Germany	Information Centre for start-ups (belonging to the Trade office of the Federal State of Baden Württemberg)/ Informationszentrum für Existenzgründungen, Landesgewerbeamt Baden-Würtemberg	Sabine Saub Willi-Bleicher-Str.19 70174 Stuttgart	Tel.: 49/711/1232786 Fax: 49/711/1232754	Sabine.saub@lgabw.de www.ifex.de
Unternehmerinnen-Netzwerk/ Female Entrepreneurs Network	Women Economic Miracle Tübingen/ Frauenwirtschaftswunder Tübingen e.V.	Martina Wulfmeyer P.O. Box 1372 72003 Tübingen	Tel.: 49/7071/68536 Fax: 49/7071/68537	Info@frauen-tuebingen.de www.frauen-tuebingen.de
DtA/DIHT - Patenschaftsmodell/ DtA/DIHT - Mentoring Project	German Compensation Bank/ Deutsche Ausgleichsbank (DtA), German Association of Chambers of Commerce/ Deutscher Industrie- und Handelstag (DIHT)	Dirk Schreyer Sarrazinstrasse 11 – 15 12159 Berlin	Tel.: 49/30/850854361 Fax: 49/30/850854232	Dirk.schreyer@dta.de www.dta.de

original name/English name	organisation	contact person and address	telephone/fax	e-mail/web-page
Alt hilft Jung - Geschäftsberatung für Start-ups/ The Elder Support the Young - Business Consulting for Start-ups	Federal association ‚The elder support the Young‘/ Bundesarbeitsgemeinschaft ‘Alt hilft Jung‘ e.V.	Klaus A.H. Stoll Kennedyallee 62-70 53175 Bonn	Tel.: 49/228/8313351 Fax: 49/228/8313352	althilftjung-centrale@t-online.de www.althilftjung.de
Online Academy	Focus-Online	Harald Kuck Prinzregentenstraße 78 81675 München	Tel.: 49/89/92503129 Fax: 49/89/92502401	hkuck@focus.de www.focus.de/existenzgruendung
DtA-Beratungsagentur/ DtA-Consulting-Agency	German Compensation Bank/ Deutsche Ausgleichsbank (DtA)	Bernhard Karlein Ludwig-Erhard-Platz 3 53179 Bonn	Tel.: 49/228/8312383 Fax: 49/228/8312356	bernhard.karlein@dta.de www.dta.de
DtA-Beratungszentren/ DtA-Consulting-Centres	German Compensation Bank/ (Deutsche Ausgleichsbank (DtA)	Bernhard Karlein Ludwig-Erhard-Platz 3 53179 Bonn	Tel.: 49/228/8312383 Fax: 49/228/8312356	bernhard.karlein@dta.de www.dta.de
DtA-Runder Tisch/ DtA-round table	German Compensation Bank/ Deutsche Ausgleichsbank (DtA)	Bernhard Karlein Ludwig-Erhard-Platz 3 53179 Bonn	Tel.: 49/228/8312383 Fax: 49/228/8312356	bernhard.karlein@dta.de www.dta.de
BAFA - Förderung von Informations- und Schulungsveranstaltungen/ BAFA - Support of Information and Training Courses	Federal Office of Economics and Export Control/ Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA)	Lothar Schäfer Frankfurter Straße 29-31 65726 Eschborn	Tel.: 49/6196/908366 Fax: 49/6196/908800	bundesamt@bafa.de www.bafa.de
RKW - Information, berufliche Weiterbildung, Beratung/ RKW - Information, Further Vocational Training, Consultancy	Centre for Rationalisation and Innovation of the German Economy/ Rationalisierungs- und Innovations-zentrum der Deutschen Wirtschaft e.V. (RKW)	Dipl.-Verwaltungswissenschaftler Carsten Ullrich Düsseldorfer Str.40 65760 Eschborn	Tel.: 49/6196/495213 Fax: 49/6196/495398	Ullrich@rkw.de www.rkw.de

original name/English name	organisation	contact person and address	telephone/fax	e-mail/web-page
RKW - Existenzgründungsberatung/ Consultancy on Enterprise Start-up	Centre for Rationalisation and Innovation of the German Economy – Baden-Württemberg Office (as an example for similar services offered all over Germany by different RKW-offices in the respective Federal States)/Rationalisierungs- und Innovationszentrum	Matthias Moser Königstrasse 49 (P.O. Box 104062; 70035 Stuttgart) 70173 Stuttgart	Tel.: 49/711/229980 Fax: 49/711/2399810	Info@rkw-bw.de www.rkw-bw.de
Senioren helfen Jungen Unternehrmen - Geschäftsberatung für Start ups/ Seniors support Young Entrepreneurs - Business Consulting for Start-ups	Seniors support young entrepreneurs/Senioren helfen jungen Unternehmern e.V.	Rita Mirliauntas Rothenbaumchaussee 55 20148 Hamburg	Tel.: 49/40/444204 Fax: 49/40/444205	mirliauntas@gmx.de www.gruenderberatung.h2o.de
IRC - Innovations-Management/ IRC - Innovation Management	Technology Agency Chemnitz (TAC)/ Technologieagentur Chemnitz GmbH (TAC) (former: PLATO Small business network)	Prof. Dr. Volker Bühring Bernsdorfer Straße 210-212 09126 Chemnitz	Tel.: 49/371/5221130 Fax: 49/371/5221129	Buehring@ta.tcc-chemnitz.de www.tac-chemnitz.de
Technologieprogramm Wirtschaft/ Technology Programme ‘Business Economy‘	Centre for Innovation and Technology Northrhine Westphalia/ Zentrum für Innovation und Technik Nordrhein-Westfalen (ZENIT), Investment Bank Northrhine Westphalia/ Investitionsbank Nordrhein-Westfalen	Dipl. Ing. Michael Nolden Dohne 54 45468 Mülheim a.d. Ruhr	Tel.: 49/208/300040 Fax: 49/208/3000460	No@zenit.de www.zenit.de
Kompass/ Compass	F.A.Z.- Institute for Management, Market- and Mediainformation/ F.A.Z.-Institut für Management, Markt- and Medien-informationen	Patrick Merke Mainzer Landstraße 195 60326 Frankfurt / Main	Tel.: 49/69/75913202 Fax: 49/69/75913238	p.merke@kompass-projekt.de www.kompass-projekt.de

original name/English name	**organisation**	**contact person and address**	**telephone/fax**	**e-mail/web-page**
Förderdatenbank des Bundes im Internet/ Federal Database of Support Programmes on the Internet	Federal Ministry of Economics and Technology/ Bundesministerium für Wirtschaft und Technologie (BMWi)	OAR Gerd Mischkowski Scharnhorststrasse 34 – 37 10115 Berlin	Tel.: 49/30/20146143 Fax: 49/30/20145208	Mischkowski@bmwi.bund.de www.bmwi.de
Förderung von Beratungen durch die Kammern und Verbände im Handwerk/ Support of consultancy provided by Craft Chambers and Federations	Central Association of German Craft Industry and Trades/ Zentralverband des Deutschen Handwerks (ZDH)	Rolf Papenfuss Mohrenstrasse 20-21 10117 Berlin	Tel.: 49/30/20619323 Fax: 49/30/20619455	papenfuss@zdh.de www.zdh.de
IHK Bayern - Coaching-Programme/ Bavarian Chamber of Commerce (IKH Bayern) Coaching Programme	Bavarian Chamber of Commerce and Industry/ Industrie- und Handels-kammer Bayern	Peter Schuster Prinzregentenstrasse 28 80530 Munich	Tel.: 49/89/21622557 Fax: 49/89/21623557	peter.schuster@stmwvt.bayern.de www.stmwvt.bayern.de
Steinbeis-Europa-Zentrum der Steinbeis Stiftung für Wirtschaftsförderung/ Steinbeis-European-Centre belonging to the Steinbeis Foundation for Economic Promotion		Hélène Valadon Willi-Bleicher-Straße 19 70174 Stuttgart	Tel.: 49/711/1234016 Fax: 49/711/1234011	Valadon@steinbeis-europa.de www.steinbeis-europa.de
Kooperationskreis Technologie/ Co-operation group 'Technology'	Chamber of Commerce and Industry Duisburg/ Niederrheinische IHK zu Duisburg	Dr. Wolf-Eberhard Reiff Mercatorstraße 22-24 47051 Duisburg	Tel.: 49/203/2821310 Fax: 49/203/2821362	Reiff@duisburg.ihk.de www.duisburg.ihk.de
Technologieorientiertes Besuchs- und Informationsprogramm (TOP)/ Technology-oriented Visiting and Information Programme (TOP)	F.A.Z.- Institute for Management, Market- and Mediainformation/F.A.Z.-Institut für Management, Markt- and Medien-information	Markus Garn Mainzer Landstraße 195 60326 Frankfurt / Main	Tel.: 49/69/75911133; 49/69/75912302 Fax: 49/69/75912301	m.garn@top-online.des.wiesemes@top-online.de www.top-online.de

original name/English name	organisation	contact person and address	telephone/fax	e-mail/web-page
EDITA – European Database for International Trade Activities/ EDITA – Eropean Database for International Trade Activities	Central Association of German Craft Industry and Trades/Zentralverband des Deutschen Handwerks (ZDH, Institute for Technology and Management/Institut für Technik und Betriebsführung (ITB)	Dr. Gerold B. Hantch Karl-Friedrich-Strasse 17 76133 Karlsruhe	Tel.: 49/721/931030 Fax: 49/721/9310350	Hantch@itb.de www.itb.de i.e. www.edita.org
SAB - Außenwirtschaftsberatung und Marktzugangsförderungsprogramme/ SAB - Programme for Export Consultancy and Support in Accessing Markets	Saxonian Development Bank/Sächsische Aufbaubank (SAB)	Gabriele Nitschke Blüherstrasse 5 01054 Dresden	Tel.: 49/351/49104753 Fax: 49/351/49104705	gabriele.nitschke@sab.sachsen .de www.sab.sachsen.de
Innovation Relay Centre (IRC)		George Barton 2, Rue Pletzer 8080 Helfent-Bertrange	Tel.: 35/2/4410122200 Fax: 35/2/4410122055	Info@ircnet.lu www.cordis.lu/irc
Linking Innovation, Finance and Technology (LIFT)	European Commission	Steve Glange 11, Rue de Bitbourg 1273 Luxembourg	Tel.: 35/2/428001 Fax: 35/2/428003	Info@lift.lu www.lift.lu
JUNIOR Deutschland - Young Enterprise/ JUNIOR Germany – Young Enterprise		Gretl Hallwood 58 Ballard Chase Abingdon OX14 1XQ	Tel.: 44/1235/555156 Fax: 44/1235/555156	Yeeops@btinternet.com www.young-enterprise-europe.com