

## TAKING THE RISK OUT OF TAKING A RISK

If you are looking for work in Ghent, De Punt has two options for you. On the one hand you might get a job in an integration enterprise that starts up in its incubator. Or if you've been longing to start your own business, you can join the 'Startpunt' activity co-operative and test out your idea without risk for a year.

Beside the River Scheldt on the south-eastern edge of Ghent stands a fine Flemish Gothic office building fronting a 14-hectare site that was once the Trefil-Arbed nail factory. 'Punt' being a dialect word for nail, the factory was nicknamed 'de Puntfabriek', so it was natural to name the initiative that now occupies the building 'De Punt'. Until the 1960s the site provided 1,600 jobs.

What is now there is a social enterprise with four lines of business: it manages start-up units for new businesses; it offers consultancy to existing firms who want to start up departments to integrate unemployed people into their workforce; it sponsors a mutual aid co-operative of budding entrepreneurs, and it has just launched an initiative to boost economic growth in the social economy. "One of the aims of this development is to bring back jobs into the inner city," explains Marc Standaert, De Punt's general manager. "But it is very handy for the motorway too, so it is an excellent place to locate." When it is finished the site will also contain a park and housing, so is a balanced redevelopment.



De Punt's balanced portfolio of operations is fully in line with European growth and jobs guidelines 10 – 'promoting a more entrepreneurial culture and creating a supportive environment for SMEs' – and 18 – 'ensuring inclusive labour markets for job-seekers and disadvantaged people'.<sup>1</sup> "This balance is very good for us as a business," says Mr Standaert, "because it smoothes out the cash flow. We are at the moment renovating a building to provide workspace units. When you develop property there is a long period during which you are investing in the infrastructure but you have to wait for the rent income to start flowing in. So having an ongoing consultancy arm keeps us afloat and allows us to invest in our property for the future." The property development in question is the second large building on the site, an old shed that by early 2006 will offer Ghent's budding entrepreneurs 35 office units and 12 workshops with a combined floor area of 2,700 square metres.

## PUTTING THE TOWN TO WORK

The driving force behind its creation was a wide-ranging local partnership organisation called *Gent, Stad in Werking* – GSIW ('Ghent, City at Work') that was set up in 1997 at the initiative of Daniël Termont, Ghent's *schepen* (alderman) for the Harbour, Economy and Festivals. It managed to bring 160 organisations on board the objective of turning round the situation which saw unemployment at nearly twice the Flemish average (around 13%) and a very low level of entrepreneurship (only 2.5% of the population were running their own businesses). "The vision was that if everyone active in the local economy came together, we could really make a

<sup>1</sup> *Integrated guidelines for growth and jobs (2005-2008)*. See [http://europa.eu.int/growthandjobs/pdf/COM2005\\_141\\_en.pdf](http://europa.eu.int/growthandjobs/pdf/COM2005_141_en.pdf)

difference,” says Mr Standaert. GSIW set up working groups to address both these issues, and the solutions they came up with turned out to be synergetic.

GSIW started two actions, one stressing the economic side of business by aiding start-up businesses, and the other stressing the social goal of reducing unemployment. This necessitated creating spaces where new businesses could start up. To make this possible, the city was able to persuade the employers’ organisations and the trade unions as well as a number of banks and large companies with a local presence, to join together to create a co-operative. They contributed the €1.2 million in share capital that bought the building.

The next step in De Punt’s growth came in 2004 when it merged with the Regional Business Centre. The new company was constituted as a conventional share company – but with a big difference. “The shareholders have all agreed that the company does not pay a dividend,” says Mr Standaert. In the middle of 2005 it moved into the nail factory in Gentbrugge. This was the culmination of redevelopment plans that had been brewing since 1998 when the city of Ghent made a partnership with a private developer who bought the site from the liquidator.

In early 2006 De Punt opened a new block containing 37 offices ranging up to 100 square metres, as well as larger 12 workshop spaces for fledgling businesses. The premises come equipped with services ranging from bicycle racks and showers to translators and a web server. Tenants even qualify for three hours of management support every quarter. To achieve a good mix, the target is that 30% of the tenants should be from disadvantaged groups, and these receive a 10% rent discount.

## INTEGRATION ENTERPRISES

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De Punt wanted to tackle the issue of labour market disadvantage from two complementary angles. The first, under the ‘De Punt’ brand, assists the start-up of small companies which can employ people from disadvantaged groups such as people with a disability, low-skilled and long-term unemployed workers, migrants, political refugees, ex-offenders and the over-45s – thus creating so-called integration enterprises or *invoegbedrijven*. De Punt also targets existing companies, advising them on how to create jobs for disadvantaged groups, by opening integration departments (*invoegafdelingen*). Integration enterprises and integration departments can claim a tapering governmental subsidy which in the first year covers 50% of total employment costs, and in the second year 30% (it used to be more generous). The start-up companies benefit not only from premises but from on-the-spot business support as well as secretarial and administrative support.

Existing companies are served by a consultancy service that examines, for instance, how work content or premises might need to be adapted to accommodate a disabled employee. This works in a very simple way. “A company that wants to start up an integration department comes to us and pays a one-off fee of €2,500 for all the necessary advice, and they know this is nothing compared with the benefits they will realise,” says Mr Standaert. In 2004 De Punt talked to about 40 companies and helped integration departments start up in 12 of them. They cover a wide range of industries including industrial cleaning, packaging and logistics, steel fabrication, meat processing, a plant nursery and an ironing service. They currently employ more than 190 people with a wide variety of disadvantages, according to the profile the employer sets.

## ACTIVITY CO-OPERATIVE

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The other string to De Punt’s bow is Startpunt, which was launched at the end of 2002. Startpunt throws open the opportunity of self-employment to excluded people by offering them a safe environment in which they can test out their business idea. The arrangement is that for one year they join the ‘activity co-operative’ (*activiteitencoöperatie*) and are paid a full-time salary, backed up by secretarial and accounting support and the guarantee that they will not be refused benefit afterwards if their business does not take off. “We offer a space where it is safe to take risks,” Mr Standaert confirms. The guidance offered is a combination of the individual and the collective: each entrepreneur meets their adviser every month for a coaching session. There is also a series of group workshops, which teach practical skills such as how to conduct an interview or chase up an invoice, and finish with an assignment to be completed by the next session. “We follow the Socratic method,” says Mr Standaert. “Our business advisers take care not to impose a view;

they listen to the client, and then ask the right questions that enable the client to solve a problem for themselves.”

Both these initiatives share a focus on low-tech sectors that would provide a maximum of jobs, and both espouse the virtues of businesses that are ‘social, permanent, ethical and add social value’ – that is, have multiple bottom lines. To give an idea of the wide variety of businesses that are seeing the light of day, in the course of 2002 De Punt helped to set up four SMEs providing 24 jobs, as well as seven micro-enterprises, in sectors ranging from electronics repair and bicycle hire to African music retailing, freelance photography and singing. Since then clients have included a cartoonist, a diamond merchant and a private detective.

## STAYING THE COURSE

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Startpunt has projected its throughput statistics from the start of 2003 till the end of 2005. They plot the clients’ path through five stages of the start-up process. According to these figures, the organisation will have made contact with 275 people over the three-year period – mostly referred by the employment office. Roughly half of these contacts (130 out of the 275) drop out at this stage, having decided that self-employment is not for them. But they may have learnt something useful anyway. “The employment adviser is in a win-win situation,” Mr Standaert comments wryly. “If the client stays with us, that’s one less person on the unemployment register. On the other hand if they don’t, then the adviser is in a better negotiating position to persuade them to take another job”.



The second stage in the process is dubbed ‘intake’, and it involves defining a business project. 145 clients are projected to reach this stage, and 90 of them will progress to the third stage, ‘prospecting’, which entails the signing of a formal agreement for the development of the new business supported by training, coaching and peer support. The success of 28 of these clients is great enough for them to ‘fly the nest’ following this stage, while the remainder progress to stage 4, ‘charge-out’ where they carry on building up their own business but under the wing of the Startpunt activity co-operative. “Each entrepreneur runs their own show, but the co-operative invoices the customers and guarantees them a secure income by paying them a wage,” Mr Standaert explains.

Thus, all told, over the three years some 58 new entrepreneurs will leave Startpunt and enter the ‘aftercare’ status. The statistics predict that 30 of these will become permanently self-employed (some as members of three co-operatives that will be set up), 10 will find a full-time job, five will combine a paid job with a self-employed business, three will start further training, and 10 will go back to being unemployed.

To sum up, of 145 people who have seriously engaged with Startpunt, 55 end up with a positive labour market outcome, which gives a 38% success rate. “This progressive filtering scheme comes out as very cost-effective for the public sector,” says Mr Standaert, “especially if you factor in VAT revenue as well as taxes paid and benefits saved.” In 2006 throughput is expected to rise significantly.

## SOMETHING FOR EVERYONE

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What’s so new about this approach? One element of innovation is De Punt’s corporate structure. It is a company with a social objective, which explicitly reads: “to support entrepreneurship, create job opportunities for people with difficulties in the labour market and to practice corporate social responsibility”. De Punt ceased to be a co-operative when the merger with the regional business centre took place, but has not seen the need to adopt as an alternative the legal

structure that exists in Belgium for this purpose, the *vennootschap met sociaal oogmerk* or 'company with a social objective'. This is in part because the 'VSO' statute involves compulsory employee shareholding, which is thought inappropriate. On the other hand Startpunt – 'Startpunt cvba vso' in full – is both a co-operative and an official 'company with a social objective'.

Another is the seamless range of services, all targeted at integrating disadvantaged groups into work, but from different angles: large firms opening integration departments; small firms starting up as integration enterprises; and disadvantaged people starting their own micro-enterprises in a sheltered environment. Together, De Punt and Startpunt thus have pretty much all the angles covered and an offer to match every potential opening.

De Punt also adds an interesting twist to the conventional model of business start-up support. Its model of the start-up process comprises five phases:

- mission
- business plan
- financial plan
- preparation
- launch

But De Punt adds an optional sixth phase, that of business co-operation – independent businesses that work together to make themselves stronger. Of course this sometimes arises naturally between entrepreneurs who have worked alongside each other in the Startpunt 'activity co-operative'.

## MONEY WHERE THEIR MOUTH IS

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De Punt is the first concrete result of the *Gent, Stad in Werking* partnership, but it is to be followed by other initiatives concerning mobility, biotechnology and the social economy.

What is remarkable about the partnership that launched De Punt is not only its breadth but its depth. It is extremely unusual to be able to raise sufficient finance from local businesses to found a local regeneration co-operative, take over a derelict site, and convert it into an incubator. "It was certainly a first at national level to have employers and trade unions not only joining the co-operative but subscribing in a big way to the capital," says Mr Standaert.

How was this possible? The partnership includes the city council, employers, trade unions, community development organisations and neighbourhood residents, all drawn together by their commitment to improving their own locality. This local dimension brings a sense of ownership of the idea, a credibility as the results are very visible, and a direct economic benefit in terms of a more buoyant local economy. Getting together also enabled the partners to bring in investment funds from outside.

Mr Standaert hopes that the next step will be creating a closer relationship with the shareholders: "They all agreed the new objectives in mid-2004, so I hope that they will gradually become more actively involved." The merger transformed what was essentially a property company renting out workspace units into a much more sophisticated community economic development operator. "So far, the shareholders have received a lot of information on De Punt's new activities, and now we will launch a programme to transfer their business know-how to the entrepreneurs De Punt is working with."

## FAR HORIZONS

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De Punt has long been open to influence from other countries and regions – indeed the first inspiration for Startpunt came from a visit to the 'Azimut' *coopérative d'activités* in Charleroi.<sup>2</sup> During the first round of EQUAL, De Punt collaborated with partners in the Netherlands and Italy in the 'Best of Both' transnational partnership. The partners were able to make a three-way

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<sup>2</sup> [www.azimut.cc](http://www.azimut.cc)

comparison, and learn from each other about models such as the social co-operatives in Italy and corporate social responsibility in the Netherlands. "We certainly benefited from getting to know the models in other countries and gaining a new perspective," says Mr Standaert. "But it was more a process of seeing things and stealing them than of doing things together."

In EQUAL's second round, De Punt is working with new partners, as Mr Standaert explains. "We have set up a new development partnership called '(E)merging Economy'<sup>3</sup> which has formed the 'Connect' partnership with SEASY from South Yorkshire in the UK and ROPS from Kraków in Poland. Our objective of developing new business models for social enterprises, including joint venture companies and partnerships with the private sector. We are working in specific ways to integrate the social economy sector into the economic mainstream through joint ventures and partnership working. We are presenting the first new models in the spring of 2006." These transnational activities strengthen the local impact of De Punt's EQUAL project, he confirms. "With the 14 other partners in *Ghent, City at Work* we are stimulating the economic growth of the social economy in the region of Ghent. Our Connect project not only helps social enterprises to increase their turnover but also sets up support for this growth: it's management support in practice!"

The last goal of Connect is to apply the lessons of a book called *Management Instruments for the Social Economy* (MISEC), that De Punt has developed along with Ghent University. This is a tool, based on an extended version of the Balanced Scorecard, to allow managers to assess the potential of their companies to adopt more socially responsible practices, and it was one of the five Belgian projects awarded the title of 'Ambassador of the ESF (European Social Fund)' in 2005.

Though what makes De Punt tick is its strong local focus, it has a contribution to make to the outside world as well. Following a contact made through the development NGO 'Exchange', Mr Standaert has taken his business advice skills over to Uganda, where he advises the Hoima Entrepreneurship Development Agency. "It is a good match with our activities, and I learnt a lot too – for instance about how to formalise the informal economy," he comments. "It is not out of the question that De Punt might set up a spin-off operation over there."

## CONTACT

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**DP name:** Social Act

**DP ID:** [BEnI-ESF01/EQ/2.D/007](#)

**National Partners:** Kamer van Koophandel Oost-Vlaanderen (VOKA); ABVV Scheldeland; ACV; De Punt; Job & Co vzw; Job & Co – Projecten vzw; Gent, Stad in Werking; Labor X vzw; Subregionaal Tewerkstellingscomité Gent-Eeklo (STC); Stad Gent – Dienst Economie, Werkgelegenheid en Externe Relaties; Stad Gent – Lokaal Werkgelegenheidsbureau; Verbond van Kristelijke Werkgevers en Kaderleden Oost-Vlaanderen (VKW); Chokran; Jobkanaal

**Transnational partnership:** TCA 1333 BoB (Best of Both) – partners: IT-IT-G-PIE-107 Profit-Non-Profit, NL-2001/EQD/0003 Maatschappelijk Ondernemen

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<sup>3</sup> ECDB link to BEnI-30