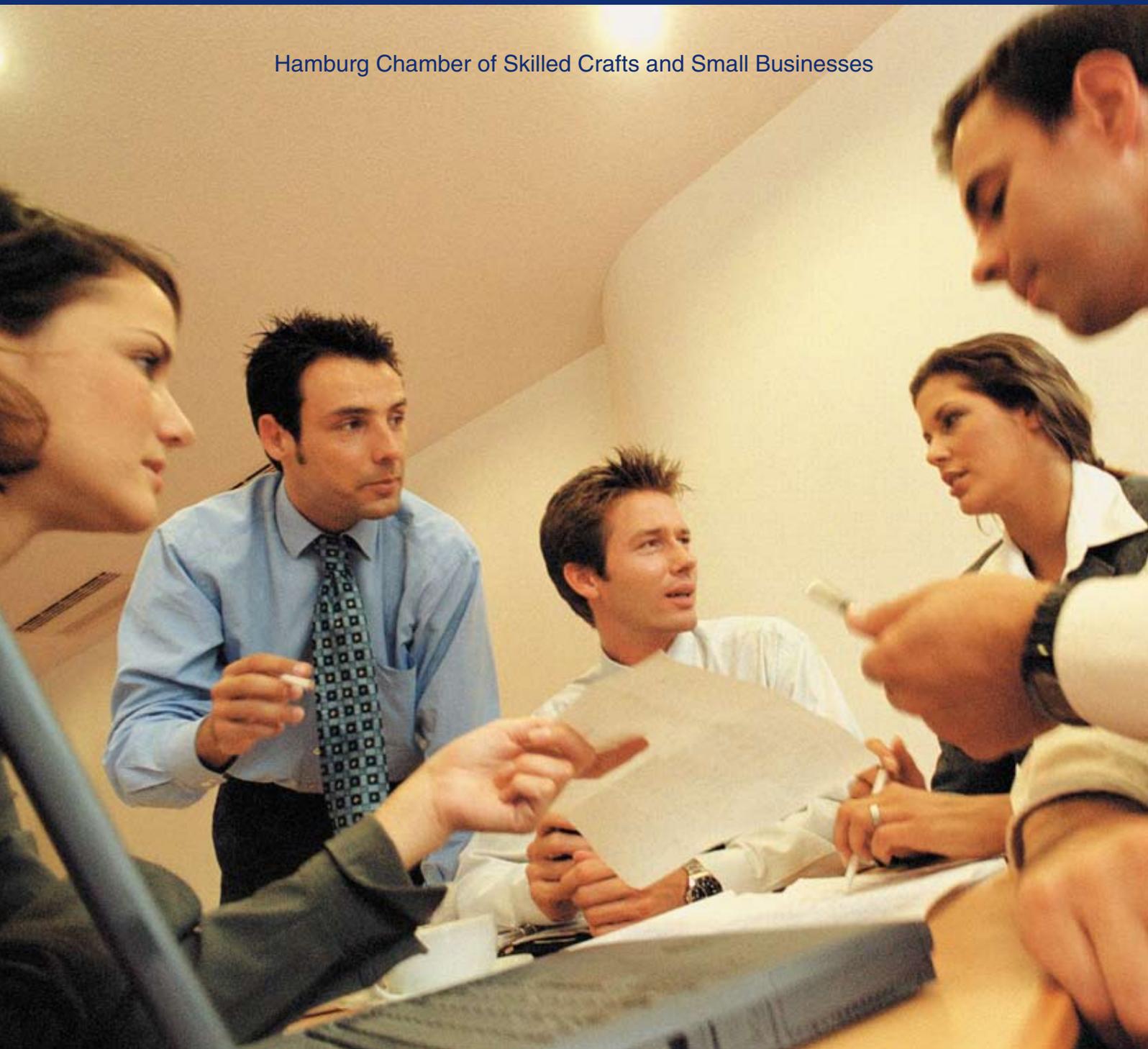


Report on training and support structures for young SMEs in Germany

Hamburg Chamber of Skilled Crafts and Small Businesses



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Background and methodology

Despite the initial support founders of new businesses get at the beginning of their business operations, many of them do not survive their third year of operation [OECD Outlook 2005]. This might be due to the fact that no structured and holistic support is provided to still young but already established SMEs (i.e. entrepreneurs already operating since more than 2 years), whose businesses develop successfully and would have the potential of growth, but whose owners are not sufficiently capable of managing this sudden growth and the problems and challenges it brings about.

The present study has been carried out in the period of October 2008 until March 2009 in the framework of the network project “SME-TraiNet” which is financially supported by the Leonardo da Vinci programme of the European Commission and targeted at fostering the dialogue between European young businesses/ SMEs and European guidance and training providers so that the current training and support structures for this target group can be further developed and improved.

This report summarises the results of a status-quo analysis which had the purpose to map the existing training and support structures for young SMEs, identify training and support institutions providing good practice in this field and to identify potential gaps or need for further improvement of the existing offer for young enterprises. This has been done in all countries involved in the project network, i.e. Austria, Estonia, Finland, Germany, Italy, Poland, Turkey, Slovenia and Slovakia. Thus study reports on the present training and support structures for young businesses and SMEs are available also for these countries at www.smetrai.net.

The information summarized in this report was gathered by extensive desk research. Where necessary, i.e. where little information in secondary sources was available, interviews with owners and directors of young enterprises were conducted in order to complement the findings of the desk research. The general research guidelines and questionnaires are part of the annex of this report.

Preface

The Hamburg Chamber of Skilled Crafts and Small Business is partner in a three year network project called “SME-TraiNet” (www.smetrai.net), funded by the EU-programme Leonardo da Vinci. The focus of this European project is on young enterprises operating between two and five years. In many cases, this phase of business development is crucial. After having successfully completed the start-up of the enterprise, owners now have to manage the phase of business growth. Important decisions have to be made with respect to investments and the hiring of personnel. The organizational structure of the enterprise has to be adjusted and often there is the question of financing the growth. Many businesses do not survive the third year of business operations.

In comparing the different approaches in the participating European countries, the project seeks to answer the question, what kind of training and support is best for these young enterprises in the phase of business growth. From 1 October 2008 until 30 September 2011, the project will carry out research, national workshops (including working groups) and international conferences at European level with a view to fostering the dialogue between European young businesses/SMEs operating in the crafts and services sector, and European guidance and training providers in order to improve the current training and support structures to the target group of young businesses and SMEs.

The results of the first step in the project (work package 1) are presented in this document. It includes a research on best practice in training and guidance for the business development of SMEs. According to the research guidelines that were developed, the focus was mainly on vocational education and training and only randomly on other support structures. The sources of information were not supposed to be older than five years. The main target groups of the project are businesses in the crafts and in the services sector. In this study, there is a focus on the skilled crafts sector.

In the first chapter, several sources of information on the situation of young SMEs with special reference to the skilled crafts sector have been summarized. In the second chapter, existing training and support structures for young enterprises in Germany are being identified. In Chapter three follows an evaluation of these findings. Chapters four and five focus on current trends and needs of businesses in the growth phase. Chapter six ends with a list of stakeholders and experts etc. and with a view to addressing them in the course of the project.

The study does not claim to be complete. On the contrary: training, support and funding programmes are constantly changing and are numerous. So any additional information will gratefully be integrated in this overview.

1. The situation of young enterprises in Germany: existing sources of information

This chapter will characterize the particular situation of young enterprises and young entrepreneurship in Germany. It will evaluate several important sources of information and will summarize the key findings.

1.1. GEM survey: key findings for Germany (based on the latest reports which cover the years 2005 and 2006)

GEM -the Global Entrepreneurship Monitor (www.gemconsortium.org) is an international research project which explains and compares entrepreneurial activities in 35 countries. The following findings describe the situation in Germany:

Early stage entrepreneurial activity (enterprise not older than 3,5 years) is low

In 2005, 5,4% of all adult Germans tried to start an enterprise or are heading an enterprise which is not older than 3,5 years. With this early stage entrepreneurial activity, Germany holds position 23 among 35 countries. In 2006, the percentage dropped to 4,2 % early stage entrepreneurial activity.

Attitudes towards entrepreneurship are negative

Germany's adults are more pessimistic with respect to future entrepreneurial chances than citizens of other GEM-countries (position 30) and they are often worried that they might fail if they founded their own business. The experts complain that there is a rather negative image of entrepreneurs in Germany and that the German society does not value the entrepreneurial activity very high in comparison to the paid or dependent employment. Experts state that in Germany a culture prevails which discourages people to take entrepreneurial risks - a fact which distinguishes Germany from many other countries with comparable factors.

General conditions are average

With respect to all general conditions influencing entrepreneurial activities, Germany holds **rank 20** among 33 countries with a slight improvement in 2006 (rank 16 among 37 countries).

Other aspects affecting entrepreneurial activity in Germany

The public support programmes remain to be a strong factor in Germany. In 2006 they were rated on rank 1 in comparison to the other countries. Best grades receive furthermore the physical infrastructure, the protection of intellectual property as well as company related services.

Serious weaknesses continue to exist in the area of social norms and values (rank 34), entrepreneurial education (rank 31) and entrepreneurial training (35) as well as the support of women entrepreneurs.

In comparison to 15 industrial nations, Germany remains in place 12. Especially the comparison with the industrial nations shows weaknesses in the most basic entrepreneurial factors: knowledge and technology transfer, start-up financing (which has once been a particular strength in Germany) as well as regulations and taxes remain below average.

With respect to business start-ups with a strong potential for growth and employment creation, Germany is average in comparison with 35 GEM countries. Most successful is the sector of the company related services (41,3% of all start-ups with a strong growth potential take place in this sector), followed by wholesale and retails and gastronomy (24,5% of all start-ups with a strong growth potential; sector-definition is according to ISIC - UN, R3, 1990)

1.2. Research panel on the foundation of businesses in Germany, Northern Westphalia (reports 2007 and 2008)

Young enterprises in the skilled crafts sector and in other economic sectors

In Northern Westphalia, as well as some other states in Germany, start-ups in the skilled crafts sector receive financial support in the form of a “master’s grant” (Meisterprämie) since 1995. Since the year 2000, the businesses in the skilled crafts sector which receive this grant have been evaluated systematically over the years and have been compared with entrepreneurs in the other economic sectors (like services etc.) who received between 2003 and 2005 another grant which was called “GO-start-up-grant”. This “panel-research” (comparison over the years) produced significant findings which lead to a new and profound understanding of the situation of these young businesses. In the following, the results of the latest reports on the years 2007 and 2008 are being summarized.

Young enterprises in the skilled crafts sector in Germany are extremely stable

Over the past year, the percentage of young businesses in the skilled crafts sector which go bankrupt remains consistently below 2%. The prejudice that every second business fails is therefore proven wrong in the skilled crafts sector. In comparison, the percentage of young businesses in other economic fields which fail to survive is approx. four times higher. This finding might indicate that the quality of the master’s qualification and of the different advisory services in the skilled crafts sector is quite high.

Small and smallest enterprises create jobs: average of 4-5 employees in the surviving young enterprises

Young enterprises in other economic sectors than the skilled crafts sectors employ an average of 5,45 employees compared with an average of 4 employees in the skilled crafts sector. But the majority of start-ups (60%) still consist of very small businesses with one business owner and a maximum of two employees.

Employment of personnel and training of apprentices

Young entrepreneurs in the skilled crafts sector employ less accounting personnel and unskilled labour than other young enterprises (0,21 percent in the skilled crafts sector compared with 0,79 percent in young enterprises in other economic sectors). On the other hand, young businesses in the skilled crafts sector do much more training than other young businesses. In 2007, an amazing number of 45% of the very young businesses in the skilled crafts sector, the start-ups, trained apprentices on-the-job in the framework of the German dual training system, almost twice as much as in other young enterprises.

Problems with personnel recruitment

One of the major problems of all young enterprises is that they don't find skilled labour and specialised personnel. One third of all young enterprises faces this challenge and states that one reason is that personnel are too expensive. The setting-up of adequate contracts with the employees is not seen as a problem.

Human resources management

To get an idea how young enterprises deal with their employees, they were asked whether they conduct appraisals (Personalgespräche). In the skilled crafts sector, more than 50% of the young enterprises agreed compared with approx. 42% of the young enterprises in the other economic sectors. On average, 50% of all young enterprises (necessarily) share the responsibility with their employees (independent acquisition of new orders or conducting independently negotiations, decisions concerning clients etc.). To delegate tasks therefore is a standard practice and a necessity in many young enterprises.

Spending money on training is low

The expenditure for training is quite low. On average, two-thirds of all young enterprises state that they spend a maximum amount of 500 EUR per year in the training of the entrepreneur or the employees. Approx. 13% of all young enterprises spend more than 2000 EUR per year on training. In this group, there are also young enterprises which are knowledge-intensive and which raise the percentage.

In most cases, the training provides the technical skills, in particular in the skilled crafts sector (62%). Approximately every fifth young enterprise takes training in social competences. Training in accounting and business administration (kaufmännische Kompetenzen) is only for an average of 8% of all young enterprises interesting.

Training which leads to new markets

Particularly for young enterprises it is important that training or human resources development is of direct and immediate use to the enterprise. Therefore, the studies also checked whether training led to economic activities in new markets and to jobs which nobody could do before. 17% of all young enterprises agree that this has been the case. Energy consulting and climate technology were named as the most important new business segments. In those cases, where new markets could be won, significant turnover could be generated. Every fifth enterprise got

20% of its revenue out of these new business segments. In the skilled crafts sector this ratio was significantly lower (for businesses founded in 2004: 8,1 % and rising up to 17,6 % for start-ups in the skilled craft sector).

Financing

Apart from the classical means of financing such as bank loans and funding grants, financing with own means is the most important means for start-ups as well as for young enterprises. Venture capital investment or silent partnerships don't play a significant role. The role of private loans declines in the first three years of the entrepreneurship in the range of approx. 30%, whereas the importance of leasing raises 50%. To overdraft the account is rarely used by start-ups. But young enterprises tend to use this means to bridge gaps in liquidity more often.

Use of planning and control instruments

The use of control instruments is rather disillusioning. Only the collection and analysis of key figures of the economic performance is being used by more than half of the enterprises. Other planning and control instruments such as financial planning, final costing (Nachkalkulation), investment appraisal (Investitionsrechnung), benchmarking and break even analysis (Deckungsbeitragsrechnung) are used by very few enterprises. This implies that there are deficits in the planning of the start-up phase as well as in the management of the consolidation phase of the businesses.

1.3. Monitoring Report of the Research Institute for SMEs: current situation of Small and Medium Sized Enterprises (SMEs) in Germany

According to the Monitoring Report of the Research Institute for SMEs, SMEs in Germany currently are in a recession, but are less affected than big companies. Since 2005, the number of start-ups in Germany is steadily declining. Current research indicates that in 2008 there had been a further decline. This has to be seen in close connection with the very good economic situation which lasted until the middle of 2008 in Germany and with the decline in the unemployment rate which led to reduction in entrepreneurship. As in 2006 and 2007, also in 2008 the rate of business failures and insolvency continued to decline.

In Germany, micro-financing is of particular importance to most start-ups. According to EU definition, micro-financing concerns financing up to a volume of 25.000 EUR. In 2007, approx. 200.000 entrepreneurs took up external financing in the micro-range.

Source: Mittelstandsmonitor 2009 des Instituts für Mittelstandsforschung in Bonn

1.4. Zentralverband des deutschen Handwerks (roof organization of the German skilled crafts sector): "Dates and facts 2008" and "Economic report 2008"

In comparison, the number of new businesses in the skilled crafts sector rose in the past years although the percentage of the rise declined. In addition, there is a raise

in the number of employees (2006: 4.784.000 employees and 2007: 4.837.000 employees) (source: flyer “dates and facts 2008 of the central roof organization of the German crafts sector - ZDH).

In the current financial crisis, the situation of the skilled crafts sector remains stable, however with big differences in the different sectors. For example, there is a significant improvement of the demand in the building sector, whereas the demand for industrial goods (Investitionsgüter) and for the services of industrial suppliers slowed down significantly. Also, the automotive sector keeps suffering, although the grant for wrecking old cars has improved the situation dramatically. Another sector with difficulties is the health crafts sector, affecting especially the dental technicians.

Source: ZDH-Konjunktur Jahresende 2008

2. Description of training and support structures for young businesses/SMEs in Germany

2.1. Organisations and institutions providing training and support to young SMEs with the potential for growth

After describing the general situation of young enterprises in Germany, the study will now look at training and support structures geared at enterprises in the growth phase. Only those offers are being described which are exclusively or among other target groups addressed to young enterprises. In this chapter, first the support possibilities at the regional level, then those at the national level are being briefly presented. For further information, phone-numbers and internet-addresses are being provided.

Regional level

2.1.1. Hamburg Initiative for Start-ups and Innovations (H.E.I.), Habichtstraße 41, 22305 Hamburg, Tel. 61170042-43, www.hei-hamburg.de)

H.E.I. is an institution of the Hamburg economic sector which strives to promote entrepreneurship through information, counselling and training. Start-ups can participate in a coaching programme with approx. 100 seminars. The participation in the seminars is supported by the Free and Hanseatic State of Hamburg with 500 EUR. H.E.I. also establishes the contact to the huge “entrepreneurship network” which consists of the Chambers, associations, the Ministry for Economy, banks, consultants and training suppliers in Hamburg. The condition for participation in these activities is, however, that the enterprise must not be older than two years.

2.1.2. Lower-Saxony: Training for Business Growth

In the framework of its initiative to promote training for SMEs (Weiterbildungsoffensive Mittelstand WOM, Niedersachsen,

http://www.nbank.de/Oeffentliche_Einrichtungen/Arbeitsmarkt/Bildung_und_Qualifizierung/Weiterbildungsoffensive_WOM.php), the project “Training for Business Growth” has won a competition for good ideas on how support SMEs with training, conducted by the Ministry for Economy, Labour and Traffic. The state of Lower-Saxony and the European Social Fund provide financial support to this special training programme called “Fit for the Market - fit for the future: training for business growth”. The programme is being conducted by RubiCon GmbH, Heinrich-Kümmel-Straße 8, 30169 Hannover, Tel. +49 (0) 511 979 18 93, www.rubicon-online.de. The target group are SMEs which would like to expand, optimize or promote an innovative development. Topics of the training are: rating/risk management, distribution, quality management and export training. The project closely connects theory and practical life in the SME. The two subjects “distribution” and “export training” have been evaluated as the two most important subjects for the entrepreneurs. Therefore follow up courses only concentrated on these subjects. Risk management was valued as less important management subject.

2.1.3. Brandenburg: Project to promote the establishment and stabilization of SMEs in Brandenburg

The RKW Berlin-Brandenburg, an economic promotion institute, offers consultancy and coaching to support the stabilization of SMEs in Brandenburg. A major topic in the project is business succession. Other topics are: growth- and strategy-counselling, counselling with respect to increase the productivity, business-financing and restructuring, product development-the market- distribution (<http://www.rkwbb.de/index.php?id=344&type=123>)

2.1.4. Aachen: www.j-unternehmen.de - an ESF-project about risks and chances of young enterprises.

Until 12/2007 the “Institut für Unternehmenskybernetik” (IfU) ran a scientific project to test new methods and instruments to support young enterprises to get into a more stabilised situation. The project is concentrating on SMEs and holistic support strategies including finances and budget, human resources, organisation and technical support.

National level

2.1.5. Federal Ministry for Economy and Technology: Free software for young entrepreneurs www.softwarepaket.de

The Federal Ministry for Economy provides free of charge an elaborate software package for young enterprises. It supports the preparation of start-ups and helps young enterprises to master the daily challenges. The establishment of a business plan is part of the package as well as tools to support young enterprises in the conduct of their business such as financing, controlling and rating tools.

2.1.6. Federal Ministry for Economy and Technology: telephone hotlines for SMEs and start-ups.

There is a federal telephone hotline operating Monday through Thursday from 8 a.m. to 8 p.m. and on Friday from 8 a.m. to 12 p.m. which provides counselling to SMEs (0180 5 615 001, costs: 14 cents per minute). In addition, there is a special federal hotline for SMEs affected by the financial crisis (0180 5 615 007, costs: 14 cents per minute).

2.1.7. Chambers of Industry, Trade and Skilled Crafts as well as various institutes for economic promotion in Germany

The numerous chambers and institutes for economic promotion including the regional “Rationalisierungskuratorien der deutschen Wirtschaft - RKW” in Germany provide a wide range of counselling and training which are, amongst others, geared at young enterprises. The Chambers of Skilled Crafts, for example, have a training programme called “Manager Skilled Crafts Enterprise” (**Betriebswirt Handwerk**). Usually, a master exam (Meisterprüfung) is the prerequisite for the participation in this training programme. Topics covered are organisation and planning, finances and accounting, marketing, personnel development and legal questions. Within the Chambers of Skilled Crafts, there are also associations of young entrepreneurs in the field, such as the **HWK-Junioren** in the Hamburg Chamber of Skilled Crafts. In this peer group, exchange of experiences and know-how are a major benefit to the young entrepreneurs.

2.1.8. “Navigation system on management for young businesses” (Unternehmens Navi) - an information leaflet from the German Handicraft news (Deutsches Handwerksblatt - www.handwerksblatt.de)

In this leaflet young entrepreneurs are asked - business start up - and now? Young entrepreneurs get an overview about all essential subjects in concern of the times after the business formation or start up. Some of the most asked questions are answered and some recommendations are listed.

2.1.9. Counselling and information system in the skilled crafts sector (Beratungs- und Informationssystem im Handwerk, www.bis-handwerk.de)

On this platform, young entrepreneurs find professional information in their field as well as practical management information for the effective conduct of their business.

2.1.10. Institut für Technik der Betriebsführung (ITB) im Deutschen Handwerksinstitut e.V., Karl-Friedrich-Straße 17, 76133 Karlsruhe, Tel. +49 (0) 721-931030, www.itb.de

This institute conducts research concerning the skilled crafts sector and provides training to enterprises in such fields as quality management, environmental management and one-day seminars in internationalization of skilled crafts services and service engineering.

2.1.11. Sectoral associations at the federal and the state level (Bundes- und Landesfachverbände) in the skilled crafts sector: the states guilds associations (Landesinnungsverbände) provide a large range of market information, which is interesting for young enterprises.

2.1.12. Union of Young Entrepreneurs (Bundesverband Junger Unternehmer, BJU)

The Union of Young Entrepreneurs (www.bju.de) has the objective to improve the general conditions for young entrepreneurs - from the start-up to the business successor. Members are 1.500 entrepreneurs of all branches up to the age of 40 years. Members have to have a minimum of 10 employees and an annual turnover of 1 Mio. EUR. So “young enterprises” in the definition of this study are probably only partially represented in the BJU. The BJU is member in the European Union of “Young Entrepreneurs for Europe”(YES, www.yes.be).

2.2. Organisations and institutions providing financial support to young SMEs with the potential for growth

One of the results of the panel research in Northern Westphalia on young enterprises in the skilled crafts sector was that next to bank loans and funding grants private capital is the most important means of financing for these enterprises (see Point 1.2.) There is a huge number of financing programmes for SMEs in general, which may of course also be used by young enterprises. In the following, however, only those programmes will be described which were designed especially for enterprises in the growth phase or seem to be of particular interest to them.

2.2.1. Public funding programmes

a) Overview

Like many other business associations, the National Union of the Information Economy, Telecommunication and New Media (BITKOM) stated that due to the current economic and financial crisis, the question of financing is crucial to many SMEs. In a recent survey, 17 percent of the SMEs answered that they don't get any credits - an all-time high. In order to help to bridge this financial gap, BITKOM published free of charge a very concise, easy-to-read overview of public funding programmes for SMEs. Because there are a large number of different funding programmes, it would go beyond this study to present them all. Instead, the overview of BITKOM is strongly recommended (Download under http://www.bitkom.org/files/documents/Mittelstandsfinanzierung_Stand_Juli_09.pdf).

b) KfW-SME-Bank (KfW-Mittelstandsbank, [www.kfw-mittelstandsbank](http://www.kfw-mittelstandsbank.de)) offers many public funding programmes for start-ups and small businesses. It supports investments of German businesses in Germany and abroad and assists SMEs with counselling. Its "start-up-center" (http://www.kfw-mittelstandsbank.de/DE_Home/Gruenderzentrum/index.jsp) is a portal for start-ups and young enterprises which contains important and useful information on business planning and management as well as tool for searching for the right funding programme („Förderberater“).

c) National financial support for consultancy, coaching and seminars

Federal Ministry for Economy and Technology: **coaching for young enterprises** (www.existenzgruender.de/beratung_adressen/gruendercoaching/index.php) This federal coaching programme supports with the help of the European Social Fund small and medium-sized enterprises which have been founded not longer than 5 years ago and provides co-financing to a long-term coaching. SMEs can obtain up to 6.000 EUR to co-finance coaching fees. SMEs which are interested are requested to contact their local chambers.

Federal Ministry for Economy and Technology: **financial support for business counselling for enterprises older than one year** (Förderung von Unternehmensberatungen für kleine und mittlere Unternehmen sowie Freie Berufe, www.bafa.de). Commercial business counselling in general topics such as economic and financial questions or in special fields such as foreign market activities or business management for migrant entrepreneurs is financially supported.

Federal Ministry for Economy and Technology: **financial support for information events and seminars as well as workshops** (Förderung von Informations- und Schulungsveranstaltungen sowie Workshops). Providers of information and training seminars can apply for co-funding of these events, if they are geared towards small and medium sized enterprises or if they are in-company training seminars.

d) Regional funding

In addition to the national support programmes, the states in Germany support their businesses with funding programmes as well. However, in the framework of this study no special funding opportunities for young enterprises could be identified.

Therefore, only two of the regional funding programmes for SMEs are being presented here:

Promotion of innovation in Hamburg

The Foundation for Innovation (www.innovationsstiftung.de) supports innovative SMEs in Hamburg. Since SMEs often have the difficulty in the early phase of their business development to get together the necessary credits or venture capital, the Foundation focuses its funding on the early innovation phases up to a business age of 5 years. In doing so, it not only takes financial risks, but it also offers counselling to the enterprise. Already in the planning phase, the Foundation contributes with its know-how. In addition, it provides information on other regional and national funding opportunities.

Vouchers for Innovation in Baden-Württemberg, Bavaria and Northern Westphalia

The three states in Germany support the planning, development and implementation of new products, production processes and services with the help of innovation vouchers for smallest, small and medium-sized enterprises. The vouchers serve as admission tickets to research laboratories at the best European universities and institutes. It also facilitates the use of know-how and infrastructure at a special rate. The costs of these external consultancy and development services are being subsidized (<http://www.innovationsallianz.nrw.de/innovationsgutschein.html>).

2.2.2. Banks

Banks in Germany provide a significant variety of special financing products for enterprises. Since no product geared at young enterprises could be identified, the

other products will not be listed in this study. Links to national and international banks can be found under the following address: www.banken.de.

A very informative guidebook for SMEs is the website www.fit-in-finanzen.de of the Institut for Financial Services (Instituts für Finanzdienstleistungen) in Hamburg. With the help of case studies, entrepreneurs get to know, what happened to other entrepreneurs in bank negotiations and learn how to do it better. In addition, they get information concerning credit cards, securities, legal questions and financing.

2.2.3. Factoring

One result of the expert interviews undertaken in the framework of this study is that it is particularly dangerous to young enterprises when the customers don't pay. In the first years of the business development, most of the time it is not possible to set aside reserves. Orders are being executed by advancing funds for example to buy material. Delays in payment then often lead to a liquidity crisis and in the worst case to bankruptcy. In this situation, factoring might be an alternative to regain liquidity fast.

Factoring is a form of business financing which has been developed in the USA. In earlier days, it already existed in the old Babylon and the Fuggers practised it as well. Factoring means: to buy short term financial demands resulting from the delivery of goods or services. A business (the factoring-client) assigns its claim to another business which in turn collects the money from the debtor (the factor). Thus, in factoring a claim is being sold and not a credit given. In return, the factor pays the outstanding amount immediately to the factoring-client minus a discount for the services of the factor (financing, dept management). In Germany, factoring used to be offered predominantly to big companies with an annual turnover of 10 or 20 Mio. EUR. In the meantime, however, there are companies which offer factoring for smaller enterprises.

Companies which offer factoring (source: www.unternehmertipps.de):

- **Bertelsmann Distribution GmbH**
<http://www.bfs-finance.com>
- **Deutsche Factoring Bank GmbH & Co.**
<http://www.deutsche-factoring.de>
- **Deutscher Factoring Verband e.V.**
Here you can find up-to-date information on factoring in Germany.
<http://www.factoring.de>
- **Eurofactor**
particularly interesting for business in foreign markets
<http://www.eurofactor.de/index.htm>

- Factoring-Marktplatz

A source of information on factoring, with a calculator for the factoring, a dictionary on factoring, and a website to search for factoring offers
<http://www.factoring-marktplatz.de>

2.2.4. Business Angels

A business angel is somebody who supports young enterprises with capital, know-how and contacts. In most cases, these are experienced entrepreneurs or senior employees, which can provide management experience and contacts. The typical characteristics of a co-operation with a business angel are: to provide capital investment (in 2008 in average 100.000 EUR) as well as other support of the enterprise, for example as coach. In total, the financial volume of the business angel engagement in Germany in 2007 was approx. 400 Mio. EUR compared with 25 to 50 billion Dollars in the USA. Business Angels usually become active in the early phase of the foundation of an enterprise. This is the major difference to venture capital which often is being applied at a later phase of the business development. It consists of a purely financial engagement which in many cases is significantly larger than in the case of business angels.

Business Angels - network in Germany (Business Angels Netzwerk Deutschland e.V. (BAND))

BAND has the objective to promote the business angel culture in Germany.
<http://www.business-angels.de>

Online-portal for business angels and entrepreneurs: Angel Investment Net

Angel Investment Net has the objective to bring together investment seeking and investment offering businesses <http://www.angelinvestmentnetz.de>.
Source: www.unternehmertipps.de

2.2.5. Funding programmes in general

Since there is a vast amount of public and private funding opportunities for SMEs which is constantly changing, it is advisable to use guides for an overview. In the following, several very informative and practice-oriented sources of information are being presented.

www.foerderland.de

This big platform for start-ups and young businesses reports regularly in a very informative way about innovative start-ups, young enterprises, investors and the business of founding an enterprise in general. The website offers first hand information on all aspects of business foundation and development as well as on financing and financing opportunities.

The financing guide (Der Finanzierungsratgeber)

The financing guide for SMEs of the Institut of Financial Services in Hamburg (IFF) contains many case studies on the experiences of enterprises in the skilled crafts sector and SMEs in general with banks. The website offers information on how to

negotiate with banks, on credit-cards and securities, legal questions and on financing (<http://www.fit-in-finanzen.de/>).

Financial support for business stabilization

The Volksbanken und Raiffeisenbanken present national and regional financing programmes as well as financial support programmes of private institutions on their website <http://www.mittelstanddirekt.de/>. In the chapter „Invest and Finance“ („Investieren und Finanzieren“) and there under the heading „Stabilize the enterprise“ („Unternehmen sichern“), all funding programmes are being listed which are relevant for enterprises in the growth phase. The website informs on the conditions for financing, the amount of financing and contact persons.

Search for funding opportunities with the help of the database of the Federal Ministry of Economy and Technology

In order to be able to find the right financial support for the respective endeavour, the webportal www.foerderdatenbank.de offers a large data base in the internet containing all funding programmes of the EU as well as national and regional programmes.

Hotline for support and financing

Start-ups and enterprises may obtain information on financing from the financing hotline of the Ministry for Economy, dialling Tel.: 0049 3018 615-8000, Monday through Friday from 9.00 a.m. to 4.00 p.m.

2.3. Events (meetings, fairs, competitions, websites, tv-broadcasts, magazines etc.) for young businesses

There are no events, fairs, TV broadcasts or magazines in Germany which are geared particularly to businesses in the growth phase. The competitions which exist for start-ups are usually for businesses which have just been founded. In some cases, however, for example in the case of the HASPA Gründerpreis in Hamburg, enterprises are allowed to participate which have a maximum age of 4 years. The national competition for business foundation (Deutscher Gründerpreis, <http://www.deutscher-gruenderpreis.de/fuergruender>) has a special category for “achievers” (Aufsteiger) which awards prizes to businesses which are three to seven years old and which have achieved an extraordinary growth and have the potential to be a market leader.

A very **helpful internet platform** was identified which is designed for the target group of this study: www.unternehmertipps.de - the web-portal for young entrepreneurs. It provides a large variety of very practical information on all aspects of business management in this phase of the business development. In addition, it contains a library with useful in-depth further information and learning modules concerning strategy, customer orientation, human resources management and controlling. The website is being financed by the Ministry of Economy, Traffic, Agriculture and Viniculture in Rheinland-Pfalz and the European Social Fund.

2.4. Decision makers in the field of SME policies and current priorities

The institutions in-charge of SME-policies are the ministries of economics at national and regional level.

At national level, the Ministry of Economy and Technology in Berlin is strongly supporting small and medium-sized enterprises. With its SME-initiative, it strives

- to strengthen the general conditions for SMEs,
- to diminish bureaucracy for SMEs,
- to support start-ups and to promote business succession,
- to strengthen innovation,
- to bridge the gap in skilled manpower,
- to improve the situation of financing,
- to enhance the risk capital for innovation and
- to support the entry into foreign markets.

These current political priorities are being implemented by the division for SME-politics with its head Min.Dir Dr. Franz and with respect to the skilled crafts sector Min.Dir. Schönleiter.

At the regional level, for example in Hamburg, the government agency for economy and labour is responsible for SME policies. With respect to the region, Hamburg currently pursues a cluster-policy, where it is concentrating on seven themes: aviation, harbour and logistics, information technology and media, life science, nano-technology, china-competence and renewable energies. The person in-charge of the skilled crafts sector and SMEs is Ms. Ram.

3. Assessment of training offers, financial support and events in Germany available for businesses in the growth phase

Generally speaking, there is an impressive amount of training and support offers in Germany which is being devoted to start-ups, to business development. When it comes to businesses being 3 to 7 years old, however, there are hardly any offers available which would address the particular problems of enterprises which need to expand, which need to hire personal, which need to invest.

In fact it seems that neither at the political level nor at the level of training and support institutions there is awareness that young enterprises have special questions and need special support.

When taking into consideration that the phase after the business foundation is of crucial importance to the sustainability of the business and the development of jobs, the result of this study is that the thesis of the Leonardo project that we have a vacuum when it comes to supporting businesses in the growth phase, definitely holds true for Germany. It seems that only very recently the focus of attention shifts towards the enterprises in the growth phase. An indicator is the start of a big

national project which has the objective to develop a competence-based management model for SMEs to make growth and innovation controllable in an integrated manner (see Chapter 4, last paragraph).

4. Determination of country-specific trends and needs

Experts' opinions with respect to trends and needs

With several experts, telephone interviews have been conducted with respect to their view on the particular situation of young enterprises and the availability of training and support for this target group. The experts contacted came from the Hamburg Chamber of Skilled Crafts and Small Businesses, the Innovation Foundation in Hamburg, the Institut für Technik der Betriebsführung (ITB) and the National Institute for Vocational Training (BIBB).

The experts consented that young enterprises face a very critical situation 2-3 years after their foundation. Often, they would like to expand, they need financing, and they need more human resources. The growth phases changes the structure of the enterprise: when more persons are being employed, the division of labour, the allocation of responsibilities changes and therefore the organisational structure of the enterprise has to change. This bears risks and should be supported through coaching and training. The entrepreneur has to give away tasks, he/she has to concentrate more than before on the management of the enterprise. This phase in the development of the enterprise is often not as successful as necessary. In many cases, there is a deficit in liquidity, because the enterprise doesn't get the money from the customer.

With respect to the question whether special training and support should be offered to enterprises in the growth phase, the opinions of the experts differ. Some say that special support is definitely needed and that hardly any exists in Germany. Others say that the businesses are free to participate in the numerous training, coaching and financing programmes which are on the market for enterprises in general. These experts state that the main problem is not the absence of support structures for young enterprises, but that the entrepreneurs don't take advantage of all the numerous services made available by Chambers, by professional associations, by training institutions, which are in many cases subsidized and free of charge or available at low rates. One expert suggested that the organizations wishing to support the young enterprises, such as Chambers for example, therefore should help the entrepreneurs to find the right coach or trainer, somebody who would fit to the enterprise and that a service which would improve the matching between coach, consultant or trainer and entrepreneur would significantly increase the use of external help by the young enterprises.

Future markets

As stated in the panel research concerning the skilled crafts sector (see Chapter 1), further training in the field of climate protection have already increased the profit of those enterprises which became active in this field.

Another major growth market in Germany has to do with the change in demography. The number of old customers is continuously rising and their needs create new opportunities for SMEs, particularly in the skilled crafts sector. However, not only the older customer needs attention, but also the older business owner. Business succession therefore is an important topic for SMEs in all branches.

Further training needs in young SMEs

Looking for recent studies on training needs in SMEs, two surveys could be identified. None of them, however, focuses on young enterprises or makes special reference to young enterprises. Nevertheless, they provide interesting insight into current training needs in SMEs in Germany. The first study which is being summarized has the advantage that it includes small and smallest businesses. The results thus can be valid for the skilled crafts sector as well which typically consists of very small businesses. The second study is interesting because it covers not only a region, as does the first study, but Germany as a whole.

Needs of SMEs with respect to training forms and methods

With support of the European Social Fund, the state of Lower Saxony has commissioned in 2008 a needs analysis and a feasibility study on training and know-how transfer in the Region Lüneburg. The study was conducted by Leuphana Universität Lüneburg, Professional School (Andrea Japsen, http://www.landkreis-stade.de/pics/medien/90-1-5-33_1_1214988039/Vortrag__Leuphana_Universitaet_30_06_08.pdf). The region of Lüneburg has a lower average income than the rest of West Germany (19.500 EUR compared with 28.600 EUR in 2004). There is a significant amount of small enterprises in the region with an average of 5,5 employees compared with 8 employees in West Germany. Without going into detail with respect to the particular needs and trends in the region, the findings with respect to the usefulness of training forms and methods offer interesting insights into the preferences of SMEs which are independent of the location of the SME and therefore are transferable to other regions. SMEs clearly favour modular programmes with the possibility for individual choices, workshops, in-house seminars, training-on-the-job, individual face-to-face trainings, networking and exchanges with experts. With respect to training methods, SMEs prefer case studies, project work, coaching, group work, blended learning and business games. In addition, 38,8 percent of the SMEs view e-learning as a useful learning method.

Participation in trainings by SMEs

A survey called “Participation in trainings in SMEs” published in the Kommunikations- und Informationssystem Berufliche Bildung (KIBB) in August 2008 by the National Institute for Vocational Training (Bundesinstitut für berufliche Bildung, BIBB, http://www.kibb.de/cps/uploads/559_Weiterbildung_in_KMU_Antwort1.1219152837800.pdf) in Germany summarizes the findings of the German Statistical Office which have been gained in the third European Survey on participation in vocational training in SMEs. The study focuses on training which is totally or partially being financed by the SMEs for their employees. The result of the survey is that

participation in training of SMEs is, compared with other European countries, low. Only 38% of SMEs with 10 to 19 employees offer regularly training. 35,1% of these SMEs never offer training. The participation in training shrinks with the size of the enterprise. Only 26% of the smallest SMEs with 1 to 4 employees which is the typical size of enterprises in the skilled crafts sector, take part in training activities. The main reasons which the SMEs state for this low engagement in training are:

- a) the employees dispose already of the necessary skills
- b) too much work and not enough time of the employees to take part in seminars and the like
- c) high costs for training activities

Factors which, according to the study, significantly promote the participation of SMEs in training are:

1. the existence of a work council (Betriebsrat)
2. if the company belongs to a group of companies (Unternehmensverbund)
3. the use of accounts for working hours (Arbeitszeitkonten).

Since these factors are difficult to be influenced by political decisions, the study quotes good-practice examples from other European countries and recommendations by the European Commission which could strengthen SME participation in training:

- SMEs often don't analyze their needs with respect to personnel and qualifications. Therefore consultancy services such as the provision of expert advice (for example with the help of vouchers for this consultancy as in Belgium) would be useful
- Since the costs can be lowered if more employees participate in the training, SMEs often use external training suppliers. Some countries promote the participation in external training activities of SMEs by supporting them financially or with tax advantages (as in Luxemburg) or they combine them with consultancy service to analyse training needs (such as in Great Britain).
- Some countries promote the building of networks of enterprises: in the project PLATO, for example, big enterprises become mentors of SMEs and allow them to use their consultancy services.

There is a need to support growing SMEs: new national project started

In 2008, a highly interesting national project has started focussing on growing innovative SMEs. The three year project with the slogan "To learn about growth - to growing by learning" has developed a special concept to support growing, innovative SMEs in Baden-Württemberg, Berlin-Brandenburg und Sachsen. The project is based on the experience that growth processes in SMEs impose new challenges with respect to personnel management and the development of the organization and innovation processes. Enterprises, consultants and economic scientists co-operate to identify constraints and stimuli of growth in innovative SMEs. The aim is to improve the capacity for innovation and the competitiveness of the enterprises through a systematic development of their potentials. To this end, a newly developed consulting and coaching concept is being put into practice. It is based on project-learning and on the exchange of know-how between

entrepreneurs and consultants in a network of science and practice (<http://www.lernend-wachsen.de/>). Currently, this new approach is being made available to entrepreneurs and consultants at large.

5. Determination of country-specific trends and needs: interviews with SME owners

Eight young entrepreneurs have been interviewed on their situation during the period after funding for business start-ups. The entrepreneurship lasted for 3 to 6 years. One entrepreneur has been interviewed as an expert for young businesses. Currently he is involved as a speaker of the “Handicraft Juniors”. His enterprise is running since 10 years.

About the needs of consultancy after the period of “business formation” or business “start up”

A need of consultancy was better described before than after the business start-up had been undertaken. In many cases the support was offered by the Chamber of Skilled Handicrafts. Most of the interviewees were satisfied with these services. Only one complained to have got a wrong advice. Important seemed to be a recommendation of a tax consultant, who has to be expert in the branch of business. The offered consultancy on business start-ups should be done by an independent agency or service centre. After the period of “business formation” there wasn’t any particular need of consultancy.

One entrepreneur wished to be counselled in labour costs. There is scepticism regarding management consultants. Only those acting in the personal environment are more likely to be accepted. The consultancy services of the Chamber of Skilled Handicrafts had been mostly estimated to be good. Two entrepreneurs got consultancies on founding programmes. These were evaluated as disappointing. The entrepreneurs expect the consultancy to be very concrete and to help in the decision-making process.

Perception and evaluation of offers on advanced vocational training

Advanced training is often offered by the producers in the different branches. Hairdressers, painters and dental technicians use these trainings to get better informed about products and trends. These services are evaluated mostly good. One dental technician is regularly participating in professional trainings in the south of Germany. In his opinion good training offers weren’t provided and are missing in the north of Germany. Another dental technician is member of the “Dentakolleg”. Once he bought himself into this “course of lectures”, he got cheap training offers. It is also a good network for exchange of experiences. In general the young entrepreneurs don’t inform themselves about advanced training offers of the Chamber of Skilled Crafts or other training centres.

Lack of skilled personnel / job placements

There are differences between the trades. For dental technicians, hairdressers, glaziers or mechanics for bicycles have more difficulties to find the right skilled or qualified personnel. For painters it didn't seem to be an important problem. For them the seasonal work causes more employment problems. Sometimes labour leasing or temporary employment was resorted. It wasn't satisfying. Generally job applicants are suggested by other entrepreneurs of the same branch or the interviewees save good personnel from a company which had to displace it. The mechanic of bicycles stated that he had to discharge some personnel because the employees couldn't meet the demands of technical knowledge.

The baker stated that he got an unsolicited application. Although there would have been enough work, the wage costs were excessive to be able to employ that applicant.

In general there is high dissatisfaction with the local employment agency. One entrepreneur is suggesting a job exchange for craftsmen organised by the Chamber of Skilled Crafts.

Upgrading competences and knowledge in personnel management and leadership

Although employment problems were mentioned, a particular need of training in personnel management wasn't enquired. One entrepreneur, who stated to decide by instinct, would be interested in other methods, even though he had no bad experiences.

Leadership wasn't seen as a formal training subject. Leadership was compared to education (breeding). There is a strong opinion that leadership is an individual type of character (everyone is establishing her-/ or himself in a particular way).

Leadership is studied by experiences (learning by doing). Important is to get along humanly. A subject for the painters is the handling of temporary employment or leased personnel (rights and duties). One entrepreneur would follow the training on personnel management to find out "about a better way of doing".

Value of advanced training in the company

Young entrepreneurs are highly pressed for time. "There is no way to even think about advanced training". Advanced vocational training will cost some money. Training often happens in a more informal way. It isn't planned and there is no budget for it. The older train the younger ones and the business manager trains the employees. A planning strategy doesn't exist: "if you observe that training is needed, then you start to act." This is considered even by one entrepreneur with high interest in advanced training. Often there is a lack of time. In case employees get advanced training, it often takes place off the job. Only in two enterprises formal training is stated as significantly important. These enterprises include training budget for all employees regularly.

Subjects of advanced training

A long list of subjects was mentioned as important, although the question concerning the need of training was negated. Therefore these results have to be

used with caution. It is not sure, that offers dealing with the listed subjects will be attended.

Subjects:

- rights and duties of leasing personnel
- development of strategies
- Business planning
- Acquisition of clients
- Management of time
- Management for handicraft enterprises
- How to get loans or credits
- Computer applications is partly important for the entrepreneur (e.g. baker and hairdresser), often it is done by other family members
- Support for funding programmes
- CAD systems and tools
- Production of marketing or promotion material
- Support on market development / trend of the market
- Information on developments in health-policy issues (dental technician)

Requirements of the entrepreneurs on the structure and frame of training offers

It is important that the workflow won't be affected. Training courses should be offered in times of order decrease. Short evening courses are recommended. Intensive courses should be offered at the weekends. (These statements accord to the offers at the training centre of the Hamburg Chamber of Skilled Handicrafts - "Elbcampus").

The attitude towards individual coaching is ambivalent. One entrepreneur appreciates "coaching" as an appropriate and individual type of training in the company whereas the other entrepreneur would dislike an external trainer or coach in the company.

Most of the interviewees favour to have exchange of ideas with colleagues or family relatives. It's a more informal type of training.

Training offers have to be local and easily to be reached.

E-Learning or distance learning was refused. "A craftsman isn't sitting down to study after closing time".

One entrepreneur requires an information service for particular subjects, which has to be short and not send by e-mail.

One entrepreneur recommends the conventional or typical type of seminars (evening classes or seminars at the weekend).

One entrepreneur refuses any kind of external support. He does his own research and has his own information system.

Beside this it was mentioned to get training on the workplace, and practical help combined with lectures in the profession or branch.

Financing and investments

Mostly the entrepreneurs use own capital resources. If they got loans from a bank, they pay back the debts as quick as possible. Nobody wanted to have dealings with banks. "You don't want to get involved with banks".

Long-term strategies or management

Rarely a long-term strategy is developed or followed. Very few counselling or coaching is requested on this subject. Investments aren't planned at all or only very little.

Ensuring the livelihood of the company

This is done by good relations to clients and quality in services.

Recommendations for the support of young entrepreneurs

- After 3 years of business formation (start up) a questionnaire should be send to all enterprises. This questionnaire should collect data on the company's situation. The provided analysis of the questionnaire will help the young entrepreneurs to get active in the right moment.
- Offers of mentoring for young businesses
- Enterprises, which aren't member of the guild, should get information about branch and future trends and perspectives in concern of the specific market
- Counsellors who accompany the entrepreneur *after* the business start-up. These counsellors have to be experts of the branch and familiar to the specific subjects within that field of profession.

6. List of key players, stakeholders, political decision makers and multipliers for young businesses and SMEs

Political decision makers

- Administrative Agency for Economics (BWA) in Hamburg: Head of Division WD (Skilled Crafts, Services, Trade) Ms. Hermsdorf; Ms. Ram, in-charge of the skilled crafts sector on SMEs in Hamburg
- Federal Ministry for Economics and Technology, Division for SME-Politics, Subdivision II B for Skilled Crafts, MinDirig Schönleiter

Key players

- Bundesinstitut für Berufliche Bildung, Expert for SME Training, Dick Moraal, Tel.: 0228 / 107-2602; E-Mail: moraal@bibb.de

Stakeholders

- Die Jungen Unternehmer - BJU (Die Familienunternehmer - ASU e.V.), Tuteur Haus, Charlottenstr. 24, 10117 Berlin, Tel: 030 300 65-0, Fax: 030 300 65-490, E-Mail: bju@bju.de

Experts

- Chamber of Skilled Crafts Hamburg, Project manager of the project „HWK mobil“, Frau Schell, Handwerkskammer Hamburg, Holstenwall 12, 20355 Hamburg
- Financing and consultancy for young technology enterprises in the metropolitan region of the City State of Hamburg: Dr. Heiko Milde, (Director), MAZ level one GmbH, Habichtstraße 41, 22305 Hamburg, Tel.: +49 (40) 6579 805 - 91, Fax: +49 (40) 6579 805 - 93, Email: milde@mazlevelone.com, www.mazlevelone.com
- Scientific specialists for SMEs and start-ups: Dr. Michaela Niefert, Zentrum für Europäische Wirtschaftsforschung GmbH, 68161 Mannheim, Postfach 103443, 68034 Mannheim, E-Mail: niefert@zew.de, Tel: +49 (0)621 1235-171, Fax: +49 (0)621 1235-170. Study on: Die Dynamik im Innovationsverhalten kleiner und mittlerer Unternehmen, in: KfW, Creditreform, IfM Bonn, RWI, ZEW, Deutsche Wirtschaft in der Rezession - Talfahrt auch im Mittelstand, MittelstandsMonitor 2009. Jährlicher Bericht zu Konjunktur- und Strukturfragen kleiner und mittlerer Unternehmen, Frankfurt am Main, 107-133.
- Professorship for Economy of Medium-Sized-Enterprises (Professur für Mittelstandsökonomie): Professor Dr. Axel G.Schmidt, Inmit - Institut für Mittelstandsökonomie, an der Universität Trier e.V., WIP - Wissenschaftspark Trier, Max-Planck-Straße 22, D-54296 Trier, Tel:

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Multipliers

- Innovationsstiftung Hamburg, Habichtstraße 41, 22305 Hamburg, Dr. Harald Eifert, Telefon 040/822 20 78-10, E-Mail eifert@innovationsstiftung.de