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ABSTRACT

An international meeting explored work on business start-up undertaken jointly by CEDEFOP (European Centre for the Development of Vocational Training) and France's Agence Nationale pour la creation d'entreprise. One opening presentation (Melis) addressed the basic idea underlying the research: to identify and highlight the role of training and counseling as support measures for business starters. "Description of the Current Situation of Business Start-Up" (Letowski) presented the situation country by country. Sixteen recommendations (Le Marois) were presented that dealt with studies required to improve an understanding of business start-up, development of support measures for business starters, and improvement of these support policies. The roundtable on "Counseling and Training before, during, and after Start-Up" considered nurseries for new businesses, training given to business starters by the Chambers of Commerce and Industry in France, and prestart-up training. The roundtable on "The Promotion of Entrepreneurial Spirit" highlighted various modes of intervention: awareness campaigns, Portugal's support service for business start-up, models for teaching of business management, and support other than financial assistance. The roundtable on "Financing of Business Start-Up" addressed the banker's role, funding sources other than banks, counseling, and guarantees. A closing presentation (Muller) focused on the increased quantity and quality of data regarding business start-up, professionalism, and transferability value of projects. (YLB)

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International Meeting on Business Start-up
Lille, 26-28 November 1992

This meeting was organized jointly by CEDEFOP and the Regional Council of Nord-Pas de Calais with the collaboration of ANCE (Agence Nationale pour la création d'entreprise, France). It was addressed to the work undertaken jointly by the two networks of experts for business start-up, one set up by ANCE and the other by CEDEFOP.

During the opening ceremony the representative of the Mayor of Villeneuve d'Ascq stressed the importance of holding this meeting in a "technopole" and in particular in this region of Nord-Pas de Calais. This symbolized the development which this region had undergone after a process of industrial re-structuring which had transformed it completely in the last few decades.

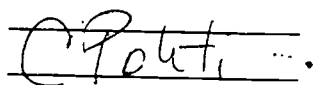
Mr. Corrado Politi, Deputy Director of CEDEFOP, thanked the Regional Council and underlined the added value for Europe of the work conducted jointly by the two networks, and the need to see that this work contributed to a greater awareness of this subject in the Community, particularly in view of the demand in the EFTA and Eastern European countries for models and data on business start-up.

1 - The work conducted by CEDEFOP and ANCE

Mrs. A. Melis, coordinator of the project for business start-up in CEDEFOP, recalled the basic idea underlying this research when it started three years ago: to identify and highlight the role which training and counselling can play as support measures for business starters. This initial idea was broadened when difficulties arose in finding data, even of the simplest nature, in the different areas covered by the study. The outcome of this was a series of 12 national reports, already published by CEDEFOP, which described the support policies for business starters and the role of training in this context.

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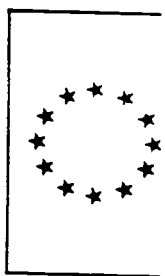


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The pursuit of these studies with the aid of the ANCE network made it possible to prepare the documents presented in the seminar which are without doubt full of interesting material for researchers and policy makers. They consist of 12 files, each with 6 to 8 pages, setting out the support policies for business starters in the 12 countries of the EC, plus a series of recommendations resulting from the deliberations of the 30 experts participating in the discussions.

Mr. André Letowski, the person responsible for the ANCE Observatory for Business Start-Up, presented the document "Description of the current situation of business start-up", country by country, and made two preliminary observations:

1) This document, as presented by him, was a factual description of the present situation. Readers should be advised against trying immediately to compare figures which are not comparable.

The systems for collecting statistics on the enterprises and on the new businesses varied greatly and did not permit comparison.

To give an example, in Germany enterprises with no employees were not included in the statistics. Similarly, only establishments (not enterprises) with more than three employees were covered in Ireland. The figures at European level were also not very helpful: in 1991 Eurostat only presented two figures for enterprises, one, the number of firms and two, the number of jobs.

Against this background, one could, in all modesty, say that the document presented was a great step forward, even if it was not yet fully completed.

2) Contrary to what was expected at the start, not many studies were to be found on the profile of the newly established businesses or on the profile of the business starters themselves. The studies were often repetitive but they did not go into depth, so it had been very useful to link up the two networks. This was the opportunity to pool our knowledge on the subject. This meant a better mutual understanding and the incentive to take account of another reference framework and to become aware of the difficulties and complexities of working in a network. At the same time, this also helped us to identify the points to be studied in depth, the direction to be followed by the studies and the research, and the ways and means of helping policy makers to develop measures which would really serve the SMEs.

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Mr. Henri Le Marois, President of ESPACE, presented Recommendations which were the product of the reflections developed by experts from the 12 Community countries (researchers, decision makers, trainers and representatives of the support institutions for business starters). The Recommendations are structured in three parts: the first parts deals with the studies which are required to improve an understanding of business start-up: the second part deals with the development of support measures for business starters and the third part relates to the improvement of these support policies for business starters.

The 16 Recommendations lead to a proposal to set up a "European Association for Business Start-up" which will - in the form of a "work programme" - carry out the studies proposed in the Recommendations and be a qualified partner for all issues relating to the establishment of new enterprises at European level.

2 - The proceedings of the seminar

The seminar was held over a period of three days, the first days were devoted to technical work and discussions based on the research presented by the CEDEFOP-ANCE network. Written "communications" were presented by 22 experts participating in the seminar.

The third day, which was open to the public, offered a broader perspective both in terms of the Community and the Europe beyond the EC: it was chaired by representatives of the Regional Council of Nord-Pas de Calais, representatives of CEDEFOP, ESC (Economic and Social Council), the two Directorates-General of the Commission (DG XXIII and DG XVI) and the ILO (International Labour Office).

The discussions of the first two days were organized in the form of 3 round table sessions dealing with:

- 1) "Counselling and training before, during and after start-up",
- 2) "The promotion of entrepreneurial spirit" and
- 3) "Access to capital"

They were chaired by Mr. Henri Le Marois (ESPACE) and Mr. André Letowski (ANCE).

(The list of participants in the round tables and the written communications are given in the annex).

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3 - Round table No. 1 "Counselling and training before, during and after start-up"

3.1 Nurseries for new businesses play an important role as "schools for company managers". The survival rate of these businesses is much higher than the survival rate of firms created under "normal" conditions. According to the French experience, the concepts of what these nurseries should be today are being directed towards more open roles and a larger target group: they should be business and resource centres which depend on one another for exchange of experience and links with businesses in different locations.

The debate stressed the importance of selecting the businesses which would benefit from the assistance of a nursery and the danger of entering into a false discussion of the costs of such nurseries, without first undertaking an in-depth examination of what it would cost to create and maintain other jobs.

The importance of providing cost/benefit figures based on objective criteria was emphasized.

3.2 The training given to business starters by the Chambers of Commerce and Industry in France is highly structured and it covers upstream and downstream measures which accompany the business starter throughout the start-up process from the reception of the starter in specific training measures to the actual establishment of the project.

The type of training provided by the Chambers even makes it possible to organize courses for 5 entrepreneurs at the same time, which means that it is very flexible and adaptable. During the discussion the representative from Czechoslovakia underlined the point that this implies the obligation of joining the Chambers of Commerce and Industry, a proposal which in his country would arouse a great deal of resistance and discussion.

3.3 The policy of providing support in the broader sense of the term - which implies coherent measures for the initial reception of the business starter, information, assistance to plan his project, training, integration in the start-up networks, etc. - has had a positive impact on the volume of new businesses which have acquired a footing on the market and are developing well.

Although it is said, speaking generally and taking all target groups, that new businesses only have a 50% probability of reaching their fifth anniversary, it is seen that those which benefitted from the support structures described above have a survival rate considerably above 50%.

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The reflections on accompanying support developed in France at the level of the regional body for business start-up (Mr. Fontaine) show the need for developing a more effective form of support which will take supply and demand into consideration.

As far as supply is concerned, it is necessary to develop the quality of reception in terms of structure and content, to strengthen the promotion of supply and finally, to improve the methods of approaching the business starter. With respect to demand, three major lines of action were stressed: inform, convince and motivate.

It was emphasized that action in a partnership between all the structures in a region would increase success.

3.4 Pre-start-up training seems to be one of the solutions to reduce the mortality rate of new businesses. If they are well prepared for their future activities, young owners/managers of enterprises are better equipped to tackle and adapt themselves to the difficulties which may arise. In the Netherlands training institutes have been set up by national organizations in order to help business starters to get the necessary license to set up a firm. The survival rate of these businesses seems to be higher if the training content is adapted to the needs of the new entrepreneurs. This necessity is being discussed in the Netherlands just as it is in many other countries (Mr. Van Der Wielen, VEDE, Netherlands).

3.5 The local context of start-up should be stable and motivating enough to enable the business starter to establish his project. Training, financing, etc. should not be studied in isolation but in association with other factors in order to create this favourable environment (Mr. Schillingford, Business in the Community, United Kingdom).

3.6 The training provided at present responds to a certain demand but many business starters are dissatisfied because it is still too far removed from their main concerns. Business starters do not all have the same needs and it is necessary to adapt training content to their expectations. It is also necessary to make business starters more aware of training and make them realize that it must become an integral part of their project if the latter is to be successful. (Results of a study conducted by Bernard Bruhnes, Development in Nord-Pas de Calais, France).

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4 - Round table No. 2 "The promotion of entrepreneurial spirit"

The participants in this round table highlighted various modes of intervention.

4.1 In order to develop "awareness campaigns" addressed to a large and non-specific group of young people, a very original instrument using paper as its medium was presented: this is the special edition of a regional journal which makes it possible to structure the required information in a compact form and which includes all the addresses and contact points for information (ODILE, France).

The accent was put on the importance of knowing these associations and working with them, and on cooperation and partnership with all agents involved.

The added value of network activities and exchange between partners was accentuated because it enables rapid progress, often by making use of experience developed elsewhere (CEDEL, Spain).

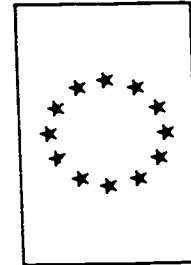
One of the difficulties mentioned in promoting an entrepreneurial spirit among young persons was the importance of collaborating with basic educational structures which do not present or teach entrepreneurial culture.

4.2 An example of the legal obstacles to be overcome was to be seen in Portugal where, up to 1974, it was necessary to get a special permit to set up one's own business; this measure was introduced to protect existing businesses. The recent creation of GACE (support service for business start-up) showed that much weight was being attached to this issue in Portugal today. This service covers all the support generally required by business starters, from initial information on start-up to the final draft of the project and access to funding (IAPMEI, Portugal).

4.3 "Professionalization" has become a predominant element in the creation of new enterprises. This professionalization involves "management" of the environment and "management" of the production process. The teaching of business management is predominantly undertaken by the Grandes Ecoles (national schools) but it has become an acknowledged necessity for those who decide to launch campaigns for the development of entrepreneurial spirit. This is why it is necessary to set up adequate models for the different target groups and to study various approaches at different levels to prevent the "distorted" effects which may result from an irresponsible campaign (ESC Lyons, France).

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4.4 Support for developing a new business should not be restricted to financial assistance but should also include counselling, information and training.

Law 44 applied in the Mezzogiorno to reduce unemployment, particularly among youth, offers business starters effective services to support their project and other back-up measures for 3 years following start-up. The management staff of large companies, given their experience and their resources, can also play a role here as tutors assisting these projects (Mrs. Seazzu, Comitato sviluppo nuova Impreditorialita, Italy).

5 - Round table No. 3 "Financing of business start-up"

5.1 The reasons for the failure of newly established businesses are not only of a financial nature, they can also be due to human factors. The banker should not only think in terms of the financial approach to a project but should also study the entrepreneur and his plans. His role should be that of a counsellor rather than a funder in order to reduce the risks. He should conduct macro-economic and sociological studies in order to get to know the managers of the SMEs and the business starters (example of CEPME in France).

Risk-sharing with other partners (either personal or professional) and the use of forecasting tools such as projections, financing plans, etc. should also be developed in order to ensure a greater viability of the enterprise. Training for the starters should be developed so that they have a better awareness of the risks involved (Mr. Savajol, CEPME, France).

5.2 The financial aid given to business starters generally comes from banks which are often hesitant because of the risks involved. Other funding sources should be sought within the immediate environment of the business starter (relations, friends, savings). This practice is not yet generalized but it is worth developing. The relations between bankers and business starters are difficult because each one acts in the context of a different logic, so the presence of a neutral intermediary advisor could prove to be necessary in order to get them closer together and to find common ground (Mr. Guillaume, ENTREPRISE, Belgium).

5.3 Financial support is certainly important for the launching of a project, but it should be flanked by counselling. A study conducted in Italy on the impact of aids for the establishment of new businesses revealed that it is the laws putting the accent on counselling and training and not so much on money which are more effective in terms of survival rate (Mr. Speroni, CENTO SUD, Italy).

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5.4 The guarantees demanded by banks for the financing of a business start-up project are becoming more and more excessive. In order to overcome this difficulty, a guarantee fund was established in France to specifically help women entrepreneurs to start their own businesses. Although it is still not generally well known and therefore not used much, this fund made it possible to launch 400 projects and to ensure their survival. It should be investigated whether this type of fund cannot become a relevant tool for the establishment of all types of enterprises (Mrs. Fenez, ICOSI, France).

5.5 Shortage of own capital is often the main reason for the indebtedness of young firms. Their poor use of monitoring and forecasting tools does not allow young firms to react in time and to avoid failure. In order to overcome these shortcomings, an interesting experiment was carried out by the Fondation Nord Entreprendre in France. This Foundation offered loans requiring no guarantees to business starters on the condition that they engaged to regularly provide information on their activities for 3 years. Here too, the preliminary effects on the survival rate are encouraging (Mr. Saint Olive, Fondation Nord Entreprendre, France).

6 - Summary of work and conclusions

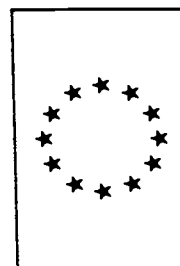
The third day was opened by Mr. Antoine Harleaux, representing the Region, and Mr. Muller, Director of the Chamber of Trades in Luxembourg and member of the European Economic and Social Council.

Mr. Harleaux underlined how interested the Regional Council was in organizing this seminar. The Regional Council was setting up a programme to re-structure and modernize the economy of the region in which schemes to set up new enterprises played an important part.

Mr. Muller gave a brief review of Community action in the field of aid to SMEs and business starters and stated that a turn in a new direction had been taken with the "action programme for the development of SMEs" (1986) and the establishment of the EURO INFO CENTRES network (1987). Viewing business start-up in its Community context, Mr. Muller pointed out how much the facts vary at the beginning and at the end of the process depending on whether the problem of business start-up is viewed from the national angle or the Community angle. At present, the complexity of the problems was such that it was not possible to ignore issues relating to the right of establishment, environmental protection and comparability of qualifications.

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However, in all countries it had become quite clear that qualification, especially that of business starters, was an essential factor because the efficiency of the enterprise was closely linked to the qualification of the manager.

The opening towards Europe on the third day was also underlined by the presence at the meeting of Mr. Mulfinger of DG XXIII, Mr. V. Degert from DG XVI, Mr. Politi, Deputy Director of CEDEFOP, Mr. Manu from the ILO in Turin and other experts who had participated in the working meeting.

During the round tables of this open session it was found that the volume and the quality of the data had increased after the CEDEFOP-ANCE network had commenced its work. Data which was unknown three years ago was now an inherent feature of current technical language.

1. The role of business start-up in the renewal of the economic fabric and increased competitiveness is a subject which is hardly contested or questioned today. But the concept of "entrepreneurial spirit" as an element which is not intrinsically a quality of business starters or even of owners/managers of enterprises, has been the subject of interesting proposals and discussions. From this angle, the schemes for the promotion of entrepreneurial spirit will have positive effects, not only for those who wish to start a business but also for the employees.

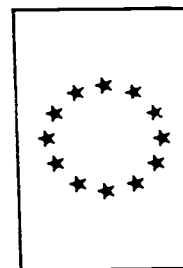
2. With regard to information on business start-up, it is known that one and a half million enterprises are newly set up or revived every year in the Community. There is also an estimate of the number of annual start-ups for each country. This data however, shows how difficult it is to give a precise estimate of the start-up figures because of the diversity of the criteria applied for the registration of the new businesses in the twelve countries and the inconsistency of these figures when a survey is repeated after some time.

3. Information on mortality rates:
The reference figure of 50% for businesses which close down after 3 to 4 years of operation is applied to evaluate the changes in certain sectors, countries, specific groups, etc.

4. Professionalism is a quality which is increasingly in demand for the establishment of new businesses. This professionalism which is without doubt closely linked to technical competence and management skills, should be viewed as an appeal for the necessary training.

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It is a fact that, in certain cases where the training required for the start-up of a business is highly structured and regulated, as is the case for crafts firms in some countries (DE/LUX/B/NL, and partly in France and some other countries), the mortality rate of enterprises is much lower. Care should be taken to avoid adding more barriers and additional difficulties to those which entrepreneurs already face when setting up their own businesses: in France, recent data shows a decline in the number of new establishments. This trend does not seem to be specific to France but it is certainly connected with the precarious economic situation; it could also be related to a lack of entrepreneurial spirit.

5. It has been seen that a dual perspective is involved in the projects and support measures for business start-up: on the one hand, the transferability value of these projects, particularly in view of the demand for information expressed by experts coming from the Eastern European countries; on the other hand, the priority influence of the location as an aggregate of environmental elements which may or may not facilitate business start-up but which, without doubt, determine the conditions under which the enterprises are set up.

Conclusion

This Flash can only give a superficial picture of the high standard of the discussions and the wealth of the contributions. But, the written statements and the reports can be read and appreciated by all those who are interested. After the "European Association for Business Start-up" starts its work it can continue with further steps in this direction.

In concluding we would like to present some general remarks on Counselling and Training made in the course of the discussions for the benefit of our readers:

- . Should pre-start-up training be obligatory? If so, under what conditions?
- . The training contents do not correspond adequately to the needs of the business starters. This in part explains the poor response of the business starters to this training.
- . The financing of this training by the State or local authorities does not always suffice to enable more investment in specific training.

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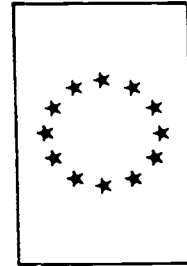


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- Training should be an integral part of the support measures accompanying business starters and should be subject to a monitoring process.
- Training seems to give business starters more credibility (with banks, insurance companies, suppliers, etc.).
- This training seems to be appropriate both for the establishment of new businesses and for finding a job.
- It is important to stress the quality of the measures for business starters and not the quantity.
- The cost of training is certainly important but it should not make one forget the benefits which can be obtained.

We would like to thank all those who participated in the conference and in particular the Nord-Pas de Calais Regional Council for the very cordial welcome it extended to the participants.

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