

The Sandwich Shop

Breaking Through Bureaucracy in Amsterdam

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“The rules are killing me!” said Tamer Akgün, sitting in his sandwich shop in the western part of Amsterdam. It had been two years since the twenty-nine-year-old Dutch entrepreneur of Turkish descent first decided to start his own business. The journey had not been successful. The shop was beautifully furnished and ready to welcome customers, but the doors remained closed.

Although Akgün had finally obtained all the required permits and licenses from the authorities, he had run out of money. His seed capital was all spent on rent during the two years he had been trying to obtain government permits.

Inside the Sandwich Shop

In a highly unusual meeting at his still-closed sandwich shop, Akgün shared his disappointment and frustration with officials from various departments of the city of Amsterdam. “I had to deal with ten, fifteen, maybe twenty different agencies,” he said. “I stopped counting. I think I know more about the rules now than you, the government bureaucrats! You don’t know your own rules, but you have all the power!”

Earlier that year, the plight of Akgün’s shop had caught the attention of city manager Erik Gerritsen.ⁱ An energetic career civil servant with an ambitious agenda for modernizing city government, Gerritsen had a keen eye for “small stories with an important meaning.” He felt the case of the sandwich shop would be a reality check for city officials.

At the time, Amsterdam faced significant social and economic challenges: high unemployment figures, ethnic segregation, school dropouts, and waning productivity growth. In addition, the administration had been forced to make severe budget cuts. Gerritsen knew that more than ever before, the city needed a streamlined, flexible, and responsive administration. He believed that government departments and semi-public bodies like housing authorities and the chamber of commerce needed to work more closely together to solve problems, grow the economy, and increase tax revenue.

ⁱ The city manager is Amsterdam’s highest ranking civil servant; a career public manager who reports directly to the mayor and oversees all city government departments with a combined staff of over 15,000.

To reduce bureaucratic inconvenience for entrepreneurs, the city had established “one-stop shops,” but apparently these had somehow not worked for Akgün.ⁱⁱ The city manager wanted to know if the problems with the sandwich shop were an unfortunate exception or if they were indicative of persistent issues with fragmented government services and a lack of interagency collaboration.

The story of Akgün’s sandwich shop seemed like a perfect case for Gerritsen: a concrete example of what he wanted to see changed in Amsterdam. He convened the meeting of fifteen representatives of all departments and agencies involved in permitting, building, planning, and licensing. Sitting in Akgün’s shop—still closed to the public—the civil servants listened to his story and went through all of his paperwork. The first question Gerritsen posed almost felt like a post-mortem analysis: What has happened here? Why? And what can we do to avoid this in the future?

Regulation

In order to open a sandwich shop in Amsterdam, prospective business owners were required to apply for a permit to lease commercial real estate at the city’s district office. The housing authority, a semi-public entity, would then issue a certificate of approval. After that, applicants had to register at the chamber of commerce, another semi-public entity. To register, they had to produce a valid ID, a signed lease, and proof of a legal private residential address. With those documents in hand, applicants then had to register with the national tax authority.

Once registered, they were ready to apply for many additional licenses, such as construction licenses (department of construction), business hours licenses (department of commerce), a public safety license (fire department), environmental licenses (department of public works and sanitation), and a license to play copyrighted music in public places (Buma Stemra, a semi-public agency).

Restaurant owners were also obligated to register with HoReCa Nederland, the national association for restaurants. Membership in the organization provided access to a compulsory course that trained restaurant personnel to deal with violent or disorderly customers and employees. Additional licenses were needed for the use of any terraces, banners, neon lights, and other advertisements on the outside of the building.

Many of the license applications required original copies of other licenses. Hence, one could only apply sequentially, obtaining one permit before applying for another. The average wait time for any of these licenses was between three and twelve weeks. If applications contained errors or unclear information, those times could increase significantly, with no maximum limit.

Frustration

Many entrepreneurs in the neighborhood, especially immigrants, did not worry too much about the rules. Instead, they would simply open a business, expecting to be given another chance to comply with regulations if caught by law enforcement. Akgün did not want to work like that. Thirteen years of

ⁱⁱ One-stop shops were physical or virtual places where entrepreneurs could obtain information and advice on opening a business. The aim was to avoid “stalling the process” by reducing trips to multiple departments and limiting confusing rules and regulations.

experience in his father's fast-food restaurant had taught him to be careful. "My father never read important government letters. He doesn't speak or read Dutch. One day we were charged with a huge fine by the tax authority. It turned out we had not been paying enough tax. We weren't aware of that. But it was too late. Now I am very careful. I once burnt my tongue drinking hot milk; now every time I drink milk, I blow first, even if the milk is freezing cold." Akgün wanted to play by the rules, but as a result, he could not get the permits to open the doors to his shop.

The worst of the bureaucratic red tape left him in an impossible bind. He first had to lease the real estate for his shop in order to produce a signed lease agreement to apply for permits. But to get the lease in his business's name, he had to show the housing authority a bank guarantee statement covering six months of rent. The bank, however, would not give this guarantee because of his credit history, which had been affected by his father's misfiling of tax returns. A governmental debt restructuring and relief program could help him clear his credit history, but only if he would not take on financial risks, such as opening a new business. This all meant that to open a sandwich shop, Akgün would have to promise not to open a sandwich shop.

Improvement

Over the past decade Amsterdam had launched several initiatives to encourage and support new entrepreneurs, reduce their administrative burdens, and establish successful businesses. The city's one-stop shops were part of this plan. Each shop came in different shapes and sizes: at the city level, there were individual advisory services for start-ups; at the district level there were one-stop shops for questions concerning real estate; at the regional level, there were business courses for entrepreneurs. The chamber of commerce, which was an autonomous agency, was the self-appointed "unique starting point" for entrepreneurs, providing both information and training. In addition, the branch organization for restaurants provided information and advisory services for restaurant owners. All of these initiatives operated relatively independent from each other.

When asked if entrepreneurs would be able to use the new resources easily, a municipal one-stop-shop employee said, "There should be no problem, because we have all agreed to redirect entrepreneurs to all the other one-stop shops." Another employee was less optimistic: "These one-stop shops are all competing with each other," he said, "but none of them can actually do something for the entrepreneur. All we can say is 'watch out, take care, and good luck.' We make entrepreneurs aware of the pitfalls and the bumps in the road, but we don't actually remove them."

Akgün never visited any of the one-stop shops, having never even heard of them. Moreover, he thought he could manage the process on his own. A proud man, he did not typically ask for help, especially not from the government. In his experience, officials in government agencies, housing authorities, and banks would not be particularly keen to invest time, energy, or money in a business owned by a Turkish immigrant with no college degree and little money. The Akgün family and their business had always survived by helping each other out in rough times. When they were short on money, an uncle would throw in some cash; when they needed a helping hand, a cousin would come over and work for them. For them, this was a natural way of doing business. Family members were not considered employees and were not necessarily on the payroll. Similarly, not all money borrowed from family appeared in their business accounts. Lack of transparency came as the expense of these

informal practices and made it hard for Akgün to get help when he really needed it. He could not even take the first step to register his business without being stalled by contradicting requests from various agencies.

A Way Out?

Who was to blame for the unfortunate course of events involving Akgün's sandwich shop? Erik Gerritsen was not entirely sure. On the one hand, Akgün and his family's past mistakes brought about some of the present challenges. On the other hand, Amsterdam's bureaucracy seemed virtually insurmountable even for business applicants who wanted to comply with the rules and did not have the history that Akgün's family had.

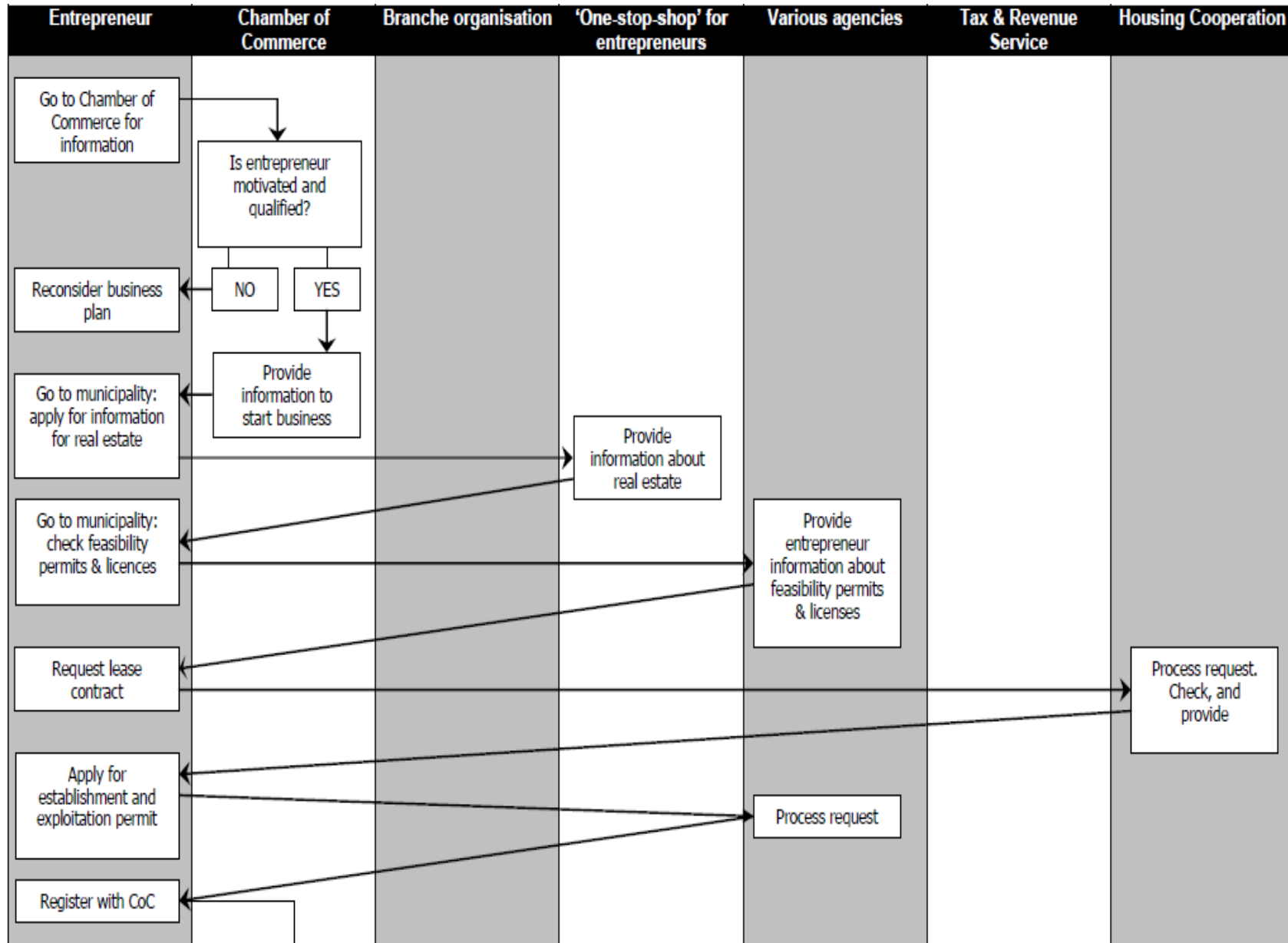
On balance, the city would rather see Akgün start a new business, sell sandwiches, and create jobs and tax revenue, than end up unemployed and discouraged. And, his eagerness to adhere to the official procedures was an example of good citizenship and business responsibility. The same red tape affecting Akgün would only thwart more entrepreneurs who also followed the rules—something very few were actually doing. For Gerritsen, the question was, “How can we, collectively, do a better job at enforcing the law and helping entrepreneurs?”

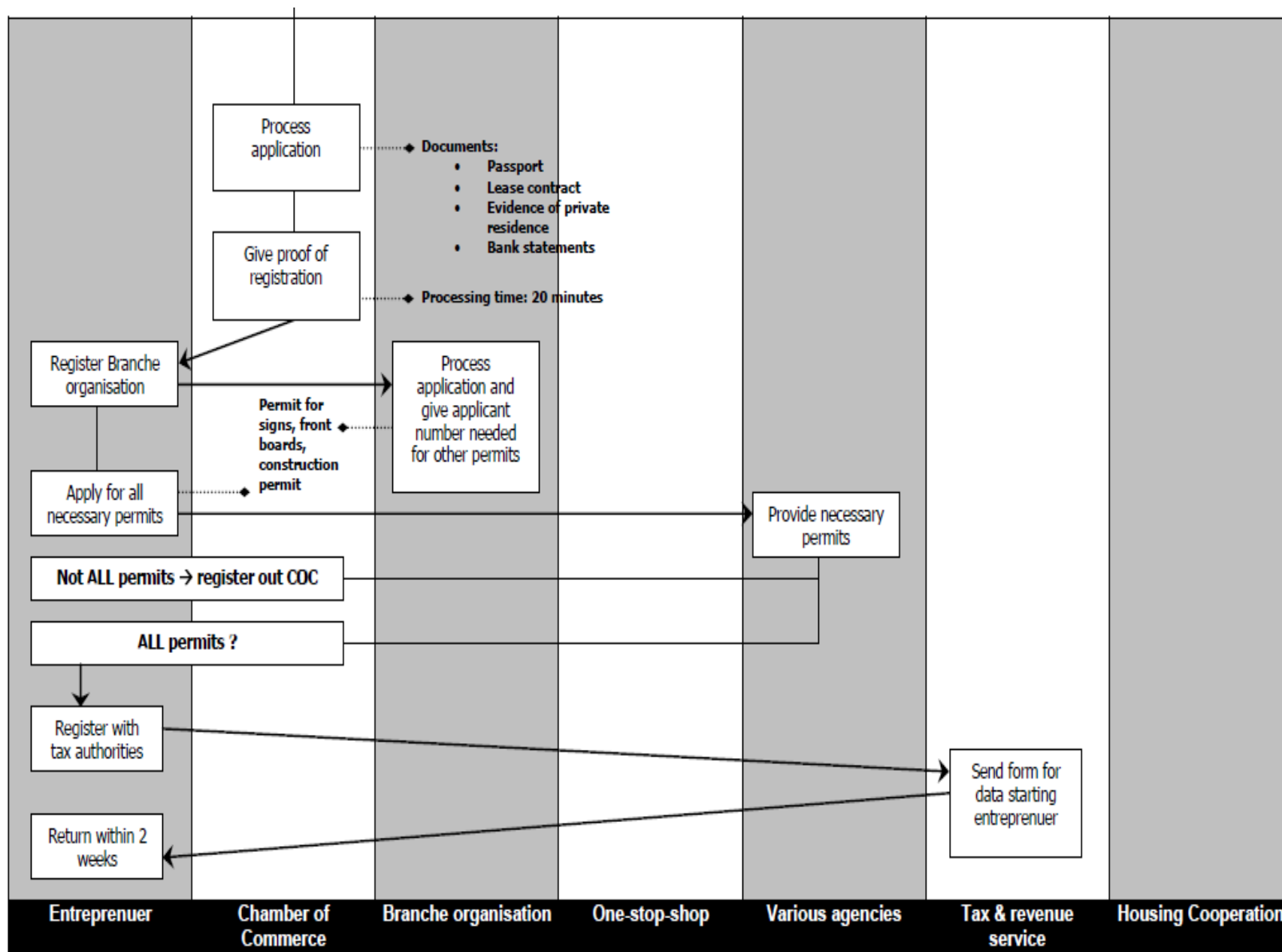
In the discussion at Akgün's sandwich shop, the assembled civil servants first explained their respective roles and the points of view of the agencies they represented. For instance, the environmental department claimed to be responsible for enforcement of environmental legislation; the fire department explained how they needed to guarantee safety in public accommodations; and the building and licensing departments argued that they had to weigh the entrepreneurs' interests against those of the neighborhood. They all indicated that it was not their intention to make life harder for entrepreneurs; they were merely doing their jobs and doing them well.

Some of the civil servants argued that facilitating Akgün's efforts to open a business was not in their job description. At that point, the discussion seemed to bog down. Akgün felt that his concerns about the attitudes of civil servants were being confirmed. “They are only looking at this from their own limited perspectives,” he said. Erik Gerritsen was not happy either. The case had revealed structural problems in both regulatory policy and the process design for licensing and permitting. There was an obvious lack of cooperation between the city government, chamber of commerce, banks, and housing authorities, but he did not have any authority over these partner institutions. Even more frustrating was the fact that he did not seem to have much power within the boundaries of city government, either.

Appendix

Client Journey: Overview of the Entrepreneur's Encounters with Various Departments and Agencies





Source: Jorrit de Jong