

ENTREPRENEURSHIP AS A RESPONSE TO RESTRUCTURING

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1. INTRODUCTION

At first sight it may appear that strategies and policies to encourage business start-ups and self-employment are completely unrelated to the more global issues of restructuring. This was, in fact the first reaction of many of the representatives of EQUAL's National Managing Authorities and Support Structures as well some Development Partnerships (DPs) themselves – when they were asked to recommend cases for this report. However, as a result of further discussions and an analysis of existing case studies and the EQUAL data base – a different picture has begun to emerge.

First of all the personal skills and competences required for launching an enterprise involve the ability to think creatively, to take decisions and risks, to solve problems in a team, to communicate. They mean breaking from the idea that a job or a firm or an institution can remain the same for life. In other words, the attitudes and competences required for creating entrepreneurial “mind-sets” are very close to those required for workers and firms to deal with the effects of globalisation and rapid technological change.

Secondly, the decision to become self employed or to create a firm always responds to a particular context. Because of the way in which EQUAL projects have been divided up thematically, most partnerships in the business creation theme pay more attention to the immediate and subsequent barriers to starting up rather than to the causes that led to this decision. But one only has to dig a little deeper to see that both are intimately related. Business creation strategies are often responding to either the declining or growing ends of industrial restructuring. We will see that EQUAL partnerships working on business creation have played an important role in finding solutions to restructuring at the three main levels defined by the Commission: restructuring between industrial sectors, within sectors and within individual firms.

Finally, one of the main challenges of restructuring is the way in which its effects are concentrated in certain types of area and group. Throughout the document, this report will pay particular attention to the way that the strategies of different business creation DPs take into account the particular regional situation and respond to the specific needs of different groups, including older and younger workers.

2. METHODOLOGY

The methodology used for developing this report is as follows:

- The conceptual framework and terminology is based upon the Commission's Communication on Restructuring and Employment¹ and the Background Document for the Restructuring and Employment Forum². It also relies heavily on a series of articles and reports on Restructuring in EQUAL produced by ETG3.³ Finally, it was useful to be able to draw on a report produced by the European Foundation for the Improvement of Living and Working Conditions specifically on "Support measures for business creation following restructuring".⁴
- Using the same terms as those used in the ETG3 report on "Emerging lessons and insights into restructuring" we carried out a key word search of the EQUAL Database which identified 42 Business Creation DPs which referred to some aspect of restructuring. The rationale and objectives presented by these DPs on the data base was analysed.
- We compared this to information collected for the preparation of our report on Round 2 Business Creation DP Analysis⁵.
- We analysed all the case studies on business creation that have been prepared for the EQUAL website and used them to provide examples of the role that business creation DPs have played providing responses to restructuring.
- Finally we wrote to the Managing Authorities or National Support Structures of 11 of the 12 Member States asking for their recommendations about to Business Creation DPs working on restructuring (Malta only has 1 DP). We followed this up with conversations and/or correspondence with countries with larger programmes.

3. WHAT ROLE DO BUSINESS CREATION STRATEGIES PLAY IN RESTRUCTURING?

Restructuring has been defined by the Commission as the "reorganisation/transformation of an activity" which "may involve changes in organisation, introduction of new working methods or manufacturing processes, relocation of all or part of production, and increase or reduction in manpower, closure of an establishment or part thereof, creation or disappearance of a legal entity, or a merger/acquisition"⁶.

Restructuring is seen as a natural and necessary response to "drivers" such as globalisation, technological development and the growth of the knowledge economy, the ageing of society, shifts in consumer tastes, a greater concern for environmental issues and so on. If firms and the economy as a whole do not respond to these changes they will lose out on the new opportunities for development and make the problem of adjustment far greater in the future. The challenge for the labour market is that the immediate impact of adjustments tends to be concentrated on certain groups of people, in certain areas, at certain points of time. In the long run, the economy and society as a whole may benefit – but as Keynes said "in the long run we are all dead".

¹ Restructuring and Employment: Anticipating and accompanying restructuring in order to develop employment: the role of the European Union. COM (2005)120 final

² Background Document: Restructuring and Employment Forum. Brussels 23 June 2005. Paper coordinated and elaborated by Valérie Rouxel-Laxton

³ EQUAL. "Restructuring: Curse or Remedy". 27.11.2005. "Emerging lessons and insights on restructuring" September 2006. and "Article 6 and EQUAL: A test bed for socially responsible restructuring" November 2006

⁴ Support measures for business creation following restructuring. European Foundation for the Improvement of Living and Working Conditions. 2006.

⁵ Round Two Business Creation DP Analysis. 29/11/2005. ETG"-DOC-126-v7-R2 BC DP analysis.

⁶ As in 2

This means that those people and areas having suffered or being at risk from the immediate effects of restructuring are by definition an important potential target group for all strands of EQUAL, which is dedicated to finding new solutions for those at risk of “losing out” in the labour market. In fact, over one fifth of the 3,614 projects in both rounds of EQUAL refer to restructuring key words to describe their activities and goals⁷.

However, there are many ways to support labour market adjustments, as required by restructuring, which do not involve explicit policies for business creation. These include retraining, early retirement, part-time work, mobility support, flexible leave or advice and training for improving employability.

EQUAL is heavily involved in piloting innovative solutions along these lines; a very high proportion of the projects fall within the EQUAL priorities of helping firms and workers adapt to change. Some of the integrated strategies being tested by these projects may actually contain elements that look at business creation, but since they do not explicitly target business creation as a response to restructuring they are outside the scope of this study.

In fact, the European Foundation for the Improvement of Living and Working Conditions estimates that business creation policies are only appropriate for a limited proportion of between 1.2% and 10% of the workforce directly affected by restructuring. They distinguish between three types of business creation policy as possible responses to restructuring:

- The first refers to management or employee buy-outs of the existing enterprise (MBOs or EBOs).
- The second is support for the creation of completely new enterprises launched by employees directly affected by restructuring. There are numerous examples of large corporations creating special units and incubators to help their employees set up companies during periods of major redundancies.
- The third approach concerns support in the areas affected by restructuring for the creation of new start-ups *by people not necessarily concerned by the restructuring directly themselves*.

Business creation projects within EQUAL do not seem to have been involved in either of the first two approaches. All of the EQUAL projects identified in this report fall within the third category⁸.

During the two rounds of EQUAL there have been 274 partnerships exploring innovative solutions to opening up the process of business creation to disadvantaged groups. Out of these we have detected 42 projects (15%) which use one or more restructuring key words to identify their activities⁹. The basic information available on these projects in the EQUAL database was compared with the expert opinion of those responsible for business creation DPs in the EQUAL Managing Authorities and Support Structures. By adding to this more detailed information drawn from previous case studies and analyses of both rounds of EQUAL, it has been possible to provide the following global picture of the work of business creation DPs in supporting the most vulnerable groups in society to respond to restructuring.

- Firstly, most business creation projects in EQUAL focus on what the Commission has defined as “intersectoral” restructuring or the effects of the major trends which have been referred to as deagriculturalisation, deindustrialisation and tertiarisation.
- Secondly, whilst many of these projects focus on general business creation in response to the *decline* of major agricultural or industrial sectors, others concentrate on encouraging business creation in specific *areas of new growth* emerging from industrial change. We will analyse projects working in at both ends of the spectrum in separate sections.

⁷ “Emerging lessons and insights on restructuring” September 2006

⁸ As mentioned we are only analysing projects in the (2c) Business Creation Theme. There are probably other projects classified under other themes which include business creation policies targeted specifically at the employees directly affected by industrial restructuring

⁹ For the sake of comparability the same restructuring key words have been used as in the Study carried out on the Emerging Lessons and Insights on Restructuring in EQUAL mentioned above.

- Thirdly, there is a smaller group of projects which concentrate on “intra-sectoral restructuring or encouraging business start-ups and development within the growing “niches” of an existing sector like agriculture or retailing.
- Finally, there is an even smaller group of projects which are dealing with restructuring at the company level. The most obvious examples of this concern projects which try to match up the desire of retiring SME entrepreneurs to hand on their work to the desire of disadvantaged groups to run their own businesses.

4. INCLUSIVE BUSINESS CREATION STRATEGIES AS A RESPONSE TO DECLINING SECTORS?

On average, 10% of enterprises and 15% of jobs are lost every year - an average of 5-15,000 jobs per day in each Member State. The European economy can only survive this massive loss through the creation of a similar number of jobs in other fields. In the twenty five years between 1977 and 2002 Europe expanded its job market by over 30 million jobs. This was the net result of the creation of 44 million jobs in service industries offset by the loss of 7.5 million jobs in agriculture and 7 million jobs in industry.

To fulfil the Lisbon targets, it is estimated that Europe needs to create 22 million more jobs by 2010. The scale of this task can be appreciated by the fact that 7-11 million jobs are expected to be lost in agriculture between 2000 and 2014.

There are key regional and sectoral elements at play here. While global figures for Europe may show resistance and flexibility in the face of this restructuring, the reality for certain regions or specific sectors can be much more dramatic. When a town reliant on a major industry such as mining or steel production finds that those jobs have been lost, a vicious circle can be set in motion.

As unemployment rises, other local businesses and service providers are hit by falling demand. In such circumstances, it is common to find the young and educated leaving the declining area to seek opportunities elsewhere. This limits the possibilities for natural regeneration in the area and threatens the very survival of some communities.

Responses to declining sectors cannot, therefore, satisfy themselves with creating new jobs for those made redundant in different locations. Whilst some will want to take advantage of such possibilities, creating employment in the area directly affected by decline for all its resident groups will not only help the individuals working, but support the community as a whole and its jobs, creating a virtuous circle of growth.

Business creation is a realistic and important opportunity for many people in such regions. However, the realisation of these opportunities requires changes of mentality and ways of working on all sides. Unemployed and/or vulnerable groups need to see that entrepreneurship is a genuine possibility with acceptable levels of risk attached. Similarly, funding mechanisms and business support structures need to adapt to bring these groups within their scope and allow them real possibilities.

The section below provides a table of EQUAL Business Creation Projects dealing with sectoral decline and the lessons that can be drawn from these projects:

DP Name	ID	Location	Sector in decline	Solution tested
Equality Creates Enterprise – Valnalon	ES-ES20040195	Asturias, Spain	Mining and steel	Helping women from the region affected by decline in male-dominated industries to overcome barriers to entrepreneurship.

ARIADNA	ES-ES20040258	Basque country, Spain	Heavy industry	Encouraging cooperative entrepreneurship in sectors that resist delocalisation to make up for jobs that are moving abroad.
Red ACCENT	ES-ES329	Basque country,	Heavy industry	A regional network of development agencies to ensure that all those needing help for labour market integration in an area affected by job delocalisation also receive good advice about business creation.
Cyfenter Development Partnership	UKgb-77	Wales, UK	Coal mining	Linked to the Welsh Entrepreneurship Action Plan, improved business creation support to inactive and vulnerable groups in communities hit by mine closures.
QualiCrea	Bef 40	Wallonia, Belgium	Traditional industries	Improved coordination between agencies and a comprehensive approach to the chain of business development to access all entrepreneurship potential amongst the people of the region experiencing high unemployment following the loss of traditional jobs.
La Oportunidad de Empezar en el Norte de Córdoba	ES-ES362	Cordoba, Spain	Mining and agriculture	Involving local grass-roots organisations in building an entrepreneurial culture in a region traditionally dependent on mining and agriculture and finding potential entrepreneurs to support in business creation.
Fédération des Couveuses Wallonnes	BEfr-69	Wallonia, Belgium	Heavy industry	Business incubators to help disadvantaged groups who are not used to taking risks, but have relied on jobs in heavy industry which are no longer available to overcome the main barriers to business creation.
Ciudades del Acero	ES-ES20040522	Asturias, Spain	Steel	Coordinating support services, finding potential entrepreneurs amongst the population affected by high unemployment and providing individualised services including new financing formulas to help new entrepreneurs establish themselves.
DORA	FR-NAT-2001-10956	France	Agriculture	Business support which takes better account of the specificity of the rural situation with its declining labour market. Providing personalised and more accessible services, including contact at distance to make them accessible in remote areas.
West TOP	NL-2004/EQC/0013	West-Noord-Brabant Holland	Agriculture	Taking a proactive approach to identifying potential entrepreneurs and new business opportunities in rural areas affected by agricultural decline. Providing coaching and support to help realise the identified potential.
Partnership for Innovation and Enterprise	UKgb-72	Scotland, UK	Ship-building, steel	Developing innovative business start-up processes and packages targeting disadvantaged groups and individuals in a region affected by general industrial decline.

Key messages:

Support diverse forms of business activity

To prevent a vicious circle of decline in a certain region affected by industrial restructuring, it is important to support entrepreneurship in all its forms. Whilst some projects like West TOP helped identify new business opportunities, many of the projects working in areas of industrial or agricultural decline were prepared to support entrepreneurial initiatives in any sector. The priority here is to generate an entrepreneurial culture and a positive economic cycle in the region.

Support entrepreneurship amongst all groups

While the average profile of the person directly affected by the job losses is a middle-aged male, it is entire families and the community as a whole which feel the effects. Where no one in a family is employed, the priority becomes finding a job for someone within that unit. Similarly, the needs of the region are simply for employment generation and business creation regardless of whether those involved were previously employed or not.

In many cases, projects focussed much attention on business support for specifically vulnerable or inactive groups including women and people with disabilities. These groups present a significant potential for business creation when they can be helped to overcome the initial barriers in their way.

DP name: Equality Creates Enterprise (Spain)

Background: Valnalon emerged from one of the most dramatic processes of industrial restructuring in Europe with the rapid decline of the iron, steel and mining industries that dominated the Asturian region. The regional-government-owned company developed a Business Centre to act as an incubator for people who are ready to start up an enterprise. Furthermore, as part of its long-term strategy, it developed a chain of educational and training activities through school and university to generate positive attitudes towards entrepreneurship and risk-taking amongst young people.

Distinctive approach of the EQUAL project: Valnalon recognised that although most of the job losses caused by industrial restructuring were to jobs held by men, unemployment amongst women in the region was still 60% and the region would not be able to fully deal with the decline of the traditional industries without developing the employment of women.

Key activities: The project carried out a study to identify the barriers faced by female entrepreneurs in Asturias and established services specifically to help them overcome these barriers, which include a lack of confidence and self-esteem, finance and support.

Support enterprises that are connected to the local area and cannot be delocalised

A main reason why certain regions are suffering so much from restructuring is that they built their economic growth historically on manufacturing industries that are quite easy for companies to relocate abroad. In order to generate sustainable economic growth in these regions it is important to develop businesses that are connected to the area. DORA (France) helps people in rural areas create businesses linked to their territory, whilst ARIADNA (Spain) promotes alternative cooperatives to those being delocalised providing necessarily local services such as laundry.

Better coordination between job centres and business creation support

In an area affected by rising unemployment it is essential that Job Centre workers are effectively trained and linked with development agencies to ensure that they are able to present self-employment as a realistic option to their clients. Job Centres should build self-employment targets into their planning and do more to encourage take-up of this option.

In general, the support services for business creation need to be well coordinated in areas where it is important to spot potential entrepreneurs and be able to effectively foster them. Red ACCENT (Spain) has shown the benefits to be gained from promoting networking between development agencies. One-stop-shops allow people to access all the information they need in one place, making it much more accessible and therefore useful to them.

Reaching out to find potential entrepreneurs

A key lesson from more than one business creation EQUAL project has been that it is not enough to set up a business support programme (no matter how excellent) and simply advertise its services. In areas where decline has set in and people are used to relying on employment in specific industries, people do not often believe in themselves enough to put themselves forward straight away as entrepreneurs.

Using networks of local and community organisations, as done in La Oportunidad de Emprender en el Norte de Cordoba (Spain), to spread the word about the achievability of small business creation is a good way to find potential entrepreneurs. The Ciudades del Acero project recognises the importance of 'capturing' entrepreneurs who can then be supported with practical guidance and training. Long-term business creation strategies for the area also need to include the development of entrepreneurial mindsets in the education system, starting from a young age as both Valnalon and QualiCrea have done.

Overcoming the main barriers to self-employment

All the key issues of promoting business creation amongst disadvantaged groups in general also apply in the context of declining industries. Communities who are suffering from the decline of a major sector are themselves a vulnerable group. Issues common to many projects include helping people to overcome problems linked to: low confidence; inability to access credit; fear of coming off benefits; and a lack of certain business skills.

To be successful, support services need to be individualised, flexible and available over a sustained period. The Federation des Couveuses project in Belgium shows what can be achieved by providing potential entrepreneurs with some support and security to develop their idea with confidence. It has been found that providing business training while someone is developing their idea is more effective than providing the training first, since the entrepreneur is able to understand the practical relevance of what they are learning and put their new skills into practice immediately.

5. INCLUSIVE BUSINESS CREATION STRATEGIES TO TAKE ADVANTAGE OF GROWING SECTORS

The previous section looked at the challenges posed by restructuring, through industrial or agricultural decline, which can often be quite dramatic in certain sectors. However, restructuring also provides a wealth of new opportunities, through the emergence of new markets. Being aware of the possibilities provided by emerging markets is essential to surviving in an ever-changing economic system. Business creation in these developing fields can happen after industrial restructuring has taken place; however, as much as possible, it should happen before decline in other areas has started as a way of anticipating change.

Whilst traditional agriculture and manufacturing sectors have been facing decline, there are significant areas of growth in fields linked to leisure, entertainment and tourism, service provision and the environment. As European society has grown richer it has become an expensive place to run manufacturing and production industries; at the same time, that wealth has generated substantial new markets in service provision, entertainment and high-end commerce.

Growing sectors emerge from the free-time and disposable income enjoyed by many in Europe, including leisure-time activities such as sport, tourism and culture. Increased opportunities also emerge from the desire and ability to enjoy high quality products from good design to good music.

Changes in European society from demographic ageing, increased immigration and the huge developments in information technology also generate a host of new opportunities for related service provision.

DP Name	ID	Location	Sector of growth	Initiative tested
Factoria de Empresas	ES-ES20040524	Madrid, Spain	The environment	Launch social enterprises in recycling to meet the growing need of the major city for waste disposal and support entrepreneurship with an environmental focus to tap into growing public demand for environmentally friendly products.
Maison du Design	BEfr-51 - ECOMONS	Mons, Belgium	Design	Training and supporting designers to become entrepreneurs to match the growth potential of the design sector with the ability of locally qualified young people.
Sports business partnership	GR-232275	Greece	Sport	One-stop-shops to turn unexploited sports potential into business to build on the momentum generated by the Olympic Games and help give young people opportunities in the growing leisure sector.
De Igual para Igual – ADERE	PT-2001-106	Portugal	Rural services	Identifying and then providing training for new niche markets in rural areas, including: elderly and child care, housework and gardening, building up-keep, restaurants, consultancy for SMEs.
CAIE	PT-2004-130	Beira Interior, Portugal	Technology	Fostering entrepreneurial vocations and creating the conditions and support needed for new tech-based companies, including guides and software packages to exploit opportunities in the emerging markets presented by technological changes.
Initiatives de Femmes – Tourisme Developpement	FR-LGR-2001-11321	Herault, Beziers, Les Sablières, France	Tourism	Training and supporting women in developing innovatory business activities within local tourism to respond to and take advantage of emerging demand from national and international publics in tourism.
Juntos para emprender na Area Metropolitana do Porto	PT-2001-292	Oporto, Portugal	Information society and technology	With links to the Regional Employment Plan, to support local business creation, particularly by vulnerable groups, in emerging markets within the technology sector, developing the concept of the information society.
Celebrating Enterprise	UKGb-112	London, UK	Culture and its offshoots	Explore and exploit the potential of community celebrations (carnivals and festivals) as a vehicle of business creation amongst disadvantaged groups in areas such as creative industries, catering, clothing, media and tourism.
Audio-Visual Entrepreneurship	UKGb-143	UK	Media and entertainment	Creating a permanent infrastructure to provide training to disadvantaged groups for micro-business-creation to take advantage of growing opportunities in the field of audio-visual industries.
Maison des Musiques Emergentes	BEfr-76	Wallonia, Belgium	Music and entertainment	Provide rehearsal studios and information, management and business development services adapted to the specific needs of emerging music professionals to help talented people up the first steps to making money from their passion.

Une Réponse aux Nouveaux Besoins de la Société Multiculturelle	BEfr-74	Belgium	Community interpreting for immigrant communities	Provide training and encourage professional recognition of community interpreters across Belgium. This aims to meet the growing need for interpreters beyond the major cities as immigrants establish themselves in all regions.
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Key messages:

Identify growth areas in which to promote business creation

Whereas responses to declining sectors seek to support all kinds of business creation, taking advantage of growing sectors require a much greater concentration of efforts. All of the above projects identified the target sector for business creation support first and then engaged with potential entrepreneurs. The expertise of the project partners can serve to do the hard work of identifying markets so that entrepreneurs can have confidence that there is a sufficient market for their chosen activity.

A key element of some of the projects themselves was research into new and emerging markets. Local universities were engaged in the Factoria de Empresas project in Spain to help assess the market potential of different recycling activities before deciding to encourage activities in that field. De Igual para Igual in Portugal helped identify emerging service needs of rural communities, which ranged from services for the elderly to small business consultancy to show potential entrepreneurs what opportunities exist.

Many of the big areas of growth are, by their nature, difficult to delocalise. This is important in promising long-term viability for the new businesses. Tourist activities, local and personalised services as well as a range of leisure activities are attached to the region where they have been established. Initiatives des Femmes in France and Celebrating Enterprise in the United Kingdom are two examples of this approach.

Where there is no necessary physical connection with the local area, the sustainability must typically come from the high quality nature of the end product and the talent of local people. Maison du Design in Belgium relies on fostering the talent of local people to generate high quality goods in a growing market.

Add business awareness to specific abilities

People who work, study or practice a creative art have very often had no business education as part of their development. They may have developed a high level of technical expertise and excellence in their field, but do not know where to begin in turning that ability into a small business. Many people in this position look for employment in their field, but end up giving up on their passion to take a job in another area.

Several projects focussing on a specific field offer no training in the field of activity, since that is the area where the potential entrepreneurs already have all the knowledge they need. Instead, the projects provide an array of training and support to enable people to turn their expertise into a operational business. Such support is most needed in identifying and testing markets, developing a business plan, accessing funding and managing accounts. As well as Maison du Design, the Maison des Musiques Emergentes in Belgium and Sports Business Partnership in Greece take existing talent and passion to add the crucial ingredients of business ability and confidence.

DP name: Maison du Design (Belgium)

Background: Ecomons is an agency with ten years experience in supporting social-economy entrepreneurs in the Walloon Region. It identified that there was a lot of design talent in the region, but that design entrepreneurs faced specific problems. Mons is also a candidate city to be European City of Culture in the future, providing clear opportunities for growth in this sector.

Distinctive approach of the EQUAL project: There were excellent design schools, but they did not teach business management. The young designers did not know how to put together a business plan or access funding. The project therefore targeted this sector alone, with its specific problems to develop business creation support services.

Key activities: The project took a prominent physical space to open a Design House open to all designers and set up specific support services. It acted to build trust between the designers and funding bodies, making an agreement with an agency to provide funding given an appropriately developed business plan. It supports designers in carrying out market research, developing a business plan, setting prices and working with suppliers. It provides business training, including necessary accountancy and provides an exhibition space and start-up protection through an incubator format.

Provide specific training in areas with identified growth potential

For growing sectors that are not based around culture or the arts it is much less likely that people have a natural talent in the sector. Fields such as industrial recycling, new technologies and professional interpreting will tend to require the provision of sector-specific training if disadvantaged groups are to make the step into entrepreneurship. This can be done as a stand-alone course or whilst working inside a social enterprise.

Social enterprises that work well provide short-term employment for individuals whilst equipping them with the business and professional skills they need to leave and become independent or work in the private sector. Within the Factoria de Empresas project (Spain), Ecoaceite provides training and work experience in a social enterprise recycling oil. Many have been able to move on from these experiences to find full-time employment or to form their own small businesses in the field.

Encourage public sector support

Public sector support, particularly for social enterprises, can bring significant benefits to the development of a new enterprise and increase its chances of long-term success. Public sector cooperation brings substantial added value in terms of raising the profile of the emerging business and acting as a major supplier or outlet for the business' products.

In the Ecotextil branch of the Factoria de Empresas project, the support of the City of Madrid in commissioning it to recycle its waste materials and local authorities in paying it to collect recyclable cardboard were vital to promoting the growth of the enterprise. Such support at the beginning of an enterprise's development can be essential in consolidating the business operation so that it can then expand into private markets or help individuals gain the experience they need to start their own businesses in the field.

Give projects time

Many projects illustrate that a long lead-in time (Maison du Design was launched in the first phase of EQUAL) and a considerable amount of public support are required to enter new sectors. This is to be expected and is entirely consistent with private practice in innovatory sectors.

6. INCLUSIVE ENTREPRENEURSHIP STRATEGIES TO PROVIDE OPPORTUNITIES IN RESTRUCTURING *WITHIN SECTORS*

Despite the huge shifts in employment between sectors described above, the main movement actually takes place initially within individual sectors. A combination of technological progress and changing consumer tastes generate new high-value-added market segments and increase competition in mature markets. The new products and markets are often associated with higher skilled employment opportunities while traditional activities face increasing global competition, deskilling, and downward pressure on wages and conditions.

Within EQUAL the main focus of inclusive entrepreneurship strategies for dealing with restructuring within sectors concerns transitions within the rural economy and agriculture. As the share of the market in food that can be produced cheaper elsewhere decreases, European agriculture needs to develop their production into areas of greater specialisation where their market position is more secure.

The increasing demand for bio-foods and high-quality locally produced food opens up opportunities for restructuring within the agricultural sector, which need to be seized to avoid drifting into decline. As opposed to previous examples, it is not necessary for people to leave the agricultural sector to start up new businesses in other areas; they can establish new activities within their chosen sector.

Much restructuring within agriculture will simply involve farmers adapting their products or production methods to meet this growing demand; however, there are also opportunities for business creation, including amongst disadvantaged groups, to support this restructuring. Businesses can be created in new forms of production and there is scope for developing businesses to help link the emerging products with the demand in a way that realises the potential of the market. Too often in agriculture, people want bio- or locally produced food, but do not find it easily.

Similarly, in retail more generally there are opportunities for entrepreneurial development in selling niche products to a wider audience and in using new technologies as a cost effective way of competing with the larger retail companies that currently dominate the markets.

The following table sets out some EQUAL projects that have looked to develop entrepreneurship as a way of taking advantage of new possibilities for restructuring within a sector:

DP Name	ID	Location	Sector	Initiative tested
GLOCAL	PT-2001-165	Portugal	Rural economy	Linking new enterprises to higher-value-added opportunities using an innovative investment evaluation system to identify best emerging markets for entrepreneurship and supporting business creation by linking access to credit and training.
Cooperation Plus	GR-2008-83	Athens, Greece	Rural economy	Setting up an innovative theme park of shops selling organic and traditional foods run by previously unemployed women to create an accessible focus point to these products for consumers.
PROVE - Promover e Vender.	PT-2004-126	Peninsula Setúbal, Portugal	Rural economy	Testing alternative markets and innovative marketing strategies for new developments in agricultural production. Also promoting new management and organisation methods to improve the sale of high-quality local products.
Doce Igualdade	PT-2004-127	Figueira da Foz, Portugal	Agriculture	Developing new bio-food products to respond to emerging market opportunities and creating a company of certified bio-food products to ensure full market recognition for their specialised high-quality nature.
Retail Enterprise Network	UKG B-49	UK	Retail	Developing ways to protect and widen diversity within SMEs in the retail sector in the face of the competition from large companies, notably through training and the promotion of new opportunities in the field of e-commerce.
Ante Mare - Turismo, Ambiente e Desenvolvimento	PT-2001-156	Portugal	Rural tourism	Promoting entrepreneurship around specialised local tourism to develop this underexploited market and developing associated new markets in the sector particularly by promoting effective marketing.

Key messages:

Identify niche markets within a sector

Restructuring tendencies can threaten certain products or ways of working within a sector. However, running successful businesses does not necessarily mean abandoning or avoiding a sector in which these changes are taking place. Businesses can be maintained and new ones created by understanding how the markets are changing and situating the business to take advantage of developing opportunities within the sector. The new opportunities will typically be in high-value-added products or ones that cannot be produced or offered elsewhere.

A key element of several EQUAL projects has been supporting the identification of new products or market niches to allow for focused business support to disadvantaged groups in areas that are most likely to bring success. One way to identify new high-value-added markets is to **develop a system for assessing investment opportunities**, as done by the innovative GLOCAL project. Training and support in accessing funding can then be provided for initiatives in the identified fields.

Another approach is to help entrepreneurs **test potential new markets** using the support of an EQUAL project. Support can be given to entrepreneurs who are nervous about moving into new products or services allowing them to discover which markets are the most viable. Ante Mare and PROVE both supported innovative business creation to test new and emerging markets. The businesses that work under this strategy are then sustainable beyond the life of the project.

DP name: GLOCAL (Portugal)

Background: The project partners saw that many inland regions in Portugal were locked into traditional low valued-added markets dependent on the declining local economy. These regions were losing their young qualified population to other areas with jobs and in some villages, only one third of the population was economically active.

Distinctive approach of the EQUAL project: GLOCAL recognised that as well as promoting immediate entrepreneurship linked to high value-added markets in the target communities, formalised systems and tools that could be transferred and used elsewhere were needed to support the development of positive circles of growth.

Key activities: The project developed a computerised scoring system for rating individual investment opportunities in cooperation with universities. It developed further tools to then support small business creation and development, including a system of microcredit for self-employment and business creation and an integrated support service for start-ups. The project links support in accessing credit with personalised training after an assessment of needs and continues to offer support to new businesses through a web-based system for monitoring company progress.

Promote the exploitation of niche markets

Whilst some projects looked to discover new markets, others were based on existing awareness of the existence or potential of a new market and focused their attention on promoting the exploitation of these opportunities.

Developing new products is perhaps the most obvious example of working to exploit a new market. Products that are linked to the territory, such as new tourism goods and services to meet changing visitor expectations and demand present opportunities for growth and business creation, as shown by Ante Mare in Portugal. The Doce Igualdade project, also in Portugal, worked to develop new bio-food products as a way of meeting growing consumer demand for this high-value-added agricultural product.

New business opportunities are also present in **developing new ways of selling** in order to bring the producer and the consumer closer together. Changes in some sectors can mean that consumer and producer do not always know where to find each other, for example where city-dwelling consumers want organic food that farmers are trying to sell in rural areas. Cooperation Plus in Greece developed business creation opportunities in an innovative complex specialising

in the sale of locally-produced organic and traditional food. The entrepreneurs build their success on their role of bringing consumer and producer together and maximising the evolving market. Retail Enterprise Network in the United Kingdom supported business creation in retail by encouraging entrepreneurs to exploit the opportunities provided by the Internet to easily reach their potential market.

Consumer and product can also be brought closer together through **improved marketing and product recognition**, which raises consumer awareness of the existence of products and can help to generate or expand a market. This can be crucial to the success of new businesses in a changing sector. As well as developing new products, the Doce Igualdade project created a bio-food label to help raise the profile of their products and ensure that consumers would know they were buying genuine organic produce. Ante Mare promoted the development of innovative marketing strategies in order to increase the tourism market for the area and support the success of new businesses in the field.

7. INCLUSIVE ENTREPRENEURSHIP STRATEGIES TO HELP RESTRUCTURING *WITHIN FIRMS*

The third level of restructuring takes place at enterprise level and can involve changes in the production process, outsourcing, relocation, the closure of sites, workforce cuts, mergers, acquisitions and so on. These kinds of changes can also be the result of inter or intra-sectoral restructuring, however this section only looks at changes that take place in specific firms rather than those that refer to a broader sectoral trend.

One fundamental reason for internal restructuring within a firm is growth or decline. This can be caused by general growth or decline in a sector, but can also be generated by a company increasing or losing its share of a sector's market with regard to its competitors. Such restructuring responses will typically involve the simple hiring or firing of workers, but can also be linked to business creation opportunities.

A successful company with a proven business model can look to expand its market share by opening further branches of its company. Franchising offers a proven way to expand quickly into new areas, whilst at the same time providing substantial entrepreneurial opportunities to people in diverse places.

Expanding companies may also need consultancy services on a short-term or on-going basis to provide particular expertise to support their growth. Such services could range from accountancy services to manage the growing turnover to business advice or technical expertise. The expansion in these cases cannot be met by offering new jobs within the company as there is insufficient work for a new post; however the needs of the company could be met by freelancers or other service providing companies. This presents genuine possibilities for business creation.

Perhaps the major current pressure for internal restructuring comes from ageing. According to a recent EU report¹⁰ around one third of EU entrepreneurs will retire from the labour market in the next 10 years including significant numbers of those running family enterprises. This will affect some 610,000 companies and 2.4 million jobs every year.

Pressures from globalisation and technological progress affect individual companies, but tend to be felt in a relatively consistent manner by all companies operating in a sector. The effects of demographic ageing, however, are much more particular to individual companies depending on their particular workforce profile. Restructuring responses to ageing will therefore be mostly focused at the level of the company and several EQUAL projects target specific aspects of this.

The chances of survival of business start-ups are not as high as for businesses that are transferred in whole or part to a new entrepreneur. It is not surprising, therefore, that the main

¹⁰ European Commission: Final report of the expert group on the transfer of small and medium-sized enterprises Brussels, 2002

EQUAL examples of business creation being used to help restructuring within firms concern support for the transfer of existing businesses or business models to disadvantaged groups, as shown by the following table:

DP Name	ID	Location	Initiative tested
Maillages	FR-NAT-2004-43921	France	Supporting business handovers from an older director to a younger successor to promote entrepreneurship and take advantage of the need to restructure internally as older directors retire. Also, promoting business creation by facilitating partnership between older and younger potential entrepreneurs.
Synergies-Creation	BEfr-32	Belgium	Identifying unemployed over-40-year-olds with management experience and offering them training to enable them to earn a living through providing support services to younger managers. This both supports younger entrepreneurs and enables older managers to start their own consultancies.
Active Seniors Support	CZ-50	Czech Republic	Changing attitudes amongst the over-50s towards continued work, including through entrepreneurship, particularly as independent experts or teachers. Also, supporting such initiatives amongst the target age group.
CREATE+	UKgb-96	UK	Breaking down barriers to franchising for disadvantaged groups. Franchising is a particular form of restructuring of businesses that are proving very successful and are keen to expand as quickly as possible. It offers great potential for 'safer' forms of entrepreneurship for disadvantaged groups, including in social franchises.
K.L.A.R.	DE-XB4-76051-20-TH/2002	Kyffhäuser region, Germany	Promoting innovative employment arrangements within and between particular mechanical and electrical engineering companies to allow for freelancing possibilities in job combining. By moving away from traditional employment models, employers can better meet their needs and workers better sell their services.

Key messages:

Develop ways to exploit the knowledge and experience of older workers

The increasing numbers of older workers or entrepreneurs moving towards retirement represent a significant resource that can be harnessed for the development of entrepreneurial opportunities. Many workers and businessmen over 40 have over 20 years experience in a particular field, which can both provide new business opportunities for themselves and/or be used to support entrepreneurship amongst the younger generations.

Entrepreneurial opportunities can be generated by linking the experience of older workers and entrepreneurs with the desire and potential of a new generation of entrepreneurs. Developing partnerships between the generations is an innovative method for establishing new business ideas using the combined skills and potential of older and younger entrepreneurs as Maillages in France seeks to do.

DP name: Maillages (France)

Background: The Réseau de Boutiques de Gestion (Network of 'Start-up Shops) has seen through its experience of supporting business creation that a growing number of older workers are struggling to find or keep jobs in the labour market and are considering entrepreneurship as a next step. Also, increasing numbers of older entrepreneurs are planning for their retirement. At the same time younger people keen to run their own businesses are unable to access funding or realise their goals because they lack crucial experience or skills.

Distinctive approach of the EQUAL project: The Réseau recognised that matching up the needs and experience of the older generation with the needs and ambition of the younger one could be a great way to build on the strengths and make up for the weaknesses of each group and allow for successful businesses to be created or taken over.

Key activities: 1) The project actively seeks older entrepreneurs who could be looking for a successor to take over their company. They then identify younger people with the skills or potential to run the business and encourage a partnership between the two aimed at the younger one becoming sufficiently trained and confident to take over the running of the business. 2) The project actively identifies older and younger unemployed people who could support each other's skills and experiences to try to build a successful new business together. It then supports them in developing a business around their different contributions.

For older workers who are struggling to find jobs or approaching retirement from their company, launching themselves as independent consultants or teachers is an increasingly viable way to continue their working life. Synergies-Creation in Belgium and Active Seniors Support in the Czech Republic both target older workers to help them see the usefulness of their knowledge and experience, develop any skills they may be lacking, place their expertise in the employment marketplace and seek out employment or new business opportunities on that basis.

Promote flexible employment policies by companies

Businesses experiencing some growth may not have the need or the capacity to take on a new employee full-time, but would be able to fund a specialised freelancer to carry out certain tasks on their behalf on an ad-hoc or more structured basis as a form of internal restructuring. Sometimes the main reason this does not happen is that the availability of freelance support is not there as targeted by the two projects mentioned above.

However, the companies themselves need to be flexible in their approaches to make this system of working function and projects can also target this demand issue. One of the key aims of the K.L.A.R. project is to promote innovative employment arrangements aiming to fully match up companies' need for work and workers availability. Many companies will meet fluctuating demand by using temporary workers, often through an agency; however, encouraging companies to adopt increasingly flexible approaches, will increase the viability of working as a freelance or setting up a small company to meet this flexible demand.

Build on existing and proven businesses and business models

One of the most successful ways of entering entrepreneurship is to take over an existing business or business model. Whilst buying a successfully functioning business might sound like the territory of the rich and powerful, the restructuring caused by demographic ageing is presenting new possibilities. Growing numbers of people who have established their own businesses are beginning to plan for their retirement and it is increasingly likely that the next generation of their family have sought alternative careers elsewhere.

Many entrepreneurs with no obvious successor will be keen to pass their business on to someone else that they know and trust so that their work will continue. It can therefore be interesting to support the matching of these people with would-be entrepreneurs looking for the right opportunity. The innovative Maillages project looks to bring together people from these two groups so that they can plan a hand over in a way that suits both parties. The idea is that the retiring entrepreneur will teach their successor the necessary skills to run the business and may well retain an interest in the future of the company being run by their successor.

Many successful business models also provide excellent franchising opportunities as they seek to expand as a form of internal restructuring. The key to the work of the CREATE+ project in the United Kingdom has been to help disadvantaged groups access these opportunities. It is typically the case that there are unmet opportunities for franchising because the right people cannot be found. By helping disadvantaged groups prepare themselves properly to take on a franchise, they can become enabled to run their own successful business.

8. CONCLUSIONS

Discussions with National Managing Authorities and Support Structures and an analysis of existing case studies and the EQUAL data base has revealed that there are links between strategies to encourage business start-ups and self-employment amongst disadvantaged groups and the more global issues of restructuring. Even where projects were not explicitly set up to tackle restructuring issues, the underlying *raison d'être* of many projects was helping to provide effective responses to situations or opportunities generated by restructuring.

Many projects are promoting widespread business creation in areas heavily affected by the immediate effects of industrial or agricultural decline; the danger of a vicious circle of decline developing in such regions is very real. Several projects developed business creation strategies seeking to avoid such decline and promote virtuous circles of growth by encouraging a variety of different entrepreneurial initiatives by a range of groups.

The keys to the success of these strategies were found to be:

Support diverse forms of business activity - to prevent a vicious circle of decline in a certain region affected by industrial restructuring, it is important to support entrepreneurship in all its forms.

Support entrepreneurship amongst all groups - while the average profile of the person directly affected by job losses through industrial and agricultural restructuring is a middle-aged male, the needs of the region are simply for employment generation and business creation by any member of the community. Disadvantaged groups offer great potential for development.

Support enterprises that are connected to the local area and cannot be delocalised - to generate sustainable economic growth resistant to restructuring pressures from globalisation, it is important to develop businesses that are connected to the area and that cannot be simply replaced by cheaper equivalents from abroad. Where there is no geographical connection, the link can be provided by the high-value-added associated with a particular product or service.

Better coordination between job centres and business creation support - it is essential that Job Centre workers are effectively trained and linked with development agencies to ensure that they are able to present self-employment as a realistic option to those affected by restructuring. Support services for business creation need to be well coordinated to effectively foster potential entrepreneurs.

Reaching out to find potential entrepreneurs - business creation strategies need to include the development of entrepreneurial mindsets, which are often extremely limited in areas traditionally dependent on industrial and agricultural employment. Potential entrepreneurs need to be found and helped to see the real possibilities of business creation.

Overcoming the main barriers to self-employment - all the key issues of promoting business creation amongst disadvantaged groups in general also apply in the context of declining industries. Communities who are suffering from the decline of a major sector are themselves a vulnerable group.

However, local entrepreneurship strategies have not just been used to put growth in the place of decline; they are also used to grow something different. Endogenous development can represent an alternative to further dependence on inward investment and large external corporations. Rather than seeking to respond to decline, this approach aims to anticipate changes and promote local economic growth on the basis of businesses which are more able to resist emerging pressures.

Various EQUAL projects were found which promoted the development of businesses in emerging sectors or emerging products and services within sectors as a means to anticipate and exploit change. These projects tested innovative strategies for developing bridges between the clusters and growth poles at the heart of the Lisbon objectives and the people who usually lose out.

The key to the success of these strategies can be highlighted as:

Identify growth areas in which to promote business creation - taking advantage of growing sectors requires a concentration of efforts. Sectors should be identified by experts in order to provide specific training and support for potential entrepreneurs.

Add business awareness to specific abilities - people such as creative artists may have all the technical expertise they need, but it is essential to complement their specific talents with the business training and support necessary to enable them to take advantage of the opportunities provided by growth in their field.

Provide specific training in areas with identified growth potential - in growing sectors less based on natural talents, technical training in addition to business education will need to be provided to enable disadvantaged groups to consider entrepreneurship in the field. Social enterprises are a good environment in which to provide this.

Encourage public sector support - public sector support can bring significant benefits to the development of a new enterprise by acting as a major supplier or outlet for the products and helping to raise the emerging business' profile. This can be particularly important for new social enterprises.

Give projects time - many projects illustrate that a long lead-in time and a considerable amount of public support are required to enter new sectors.

Identify niche markets within a sector - businesses can be maintained and new ones created by understanding how restructuring tendencies are changing markets and situating the business to take advantage of developing opportunities. New markets can be discovered through analysis of market potential or by testing new products or services.

Promote the exploitation of niche markets – support is needed to help the development of new products, new ways of selling or innovative marketing strategies to maximise the success potential of businesses looking to exploit known markets.

There is a clear and strong regional element to be found in many of the EQUAL projects covered by this study. Many have aimed, consciously or otherwise, either to respond to decline in a particular region reliant on one major source of employment or promote resistance to future restructuring pressures by anticipating market developments. There is also, however, a clear dimension to be found within the EQUAL projects that is focused on the way that restructuring is linked to demographic change.

A substantial generation of workers and entrepreneurs is approaching the age of retirement and this represents a significant change to the labour market that is already starting to generate restructuring pressures. The impending loss of so much knowledge and experience from the European economy in so short a space of time is a cause for concern and reflection.

A few EQUAL projects specifically targeted this issue by seeking to promote ways of keeping older workers active in the economy through entrepreneurship or of passing the knowledge and experience of older workers on to the younger generations. These issues, together with the possibilities presented by franchising, were at the heart of responses to restructuring taking place within firms as opposed to within or between sectors. The keys to designing successful approaches to this form of restructuring emerged as:

Develop ways to exploit the knowledge and experience of older workers - the increasing numbers of older workers or entrepreneurs moving towards retirement represent a significant resource that can be harnessed for the development of entrepreneurial opportunities either on their own or in partnership with younger entrepreneurs.

Promote flexible employment policies by companies – encouraging flexible approaches within companies to meeting fluctuating need for work improves the opportunities for independent freelancers or small companies to establish themselves as service providers.

Build on existing and proven businesses and business models – supporting the handing over of existing businesses from a retiring entrepreneur to a chosen successor and improving the accessibility of franchises to increase the entrepreneurial possibilities for disadvantaged groups.