

POLICY BRIEF

HIGH QUALITY BUSINESS SUPPORT SYSTEMS FOR ALL ¹

1. THE PROBLEM

Small businesses and governments in a large number of European countries complain that sources of business support frequently do not respond to the real needs of actual and potential business people particularly when they face disadvantages in the labour market.

Disadvantaged groups and areas tend to rely a circuit made up of an array of public and semi-public agencies working at the boundaries between social security, employment, and enterprise policy. Here, one often finds poor quality, and overlapping sources of business support for small enterprises. These rarely form a genuine *system* capable of effectively accompanying disadvantaged groups along an itinerary towards independent income generating activities. Furthermore, business support staff are seldom trained in how to help disadvantaged groups while specialist agencies dealing with them may lack business skills and experience.

These problems contribute to lower rates of self-employment and business creation among disadvantaged groups and areas, lower rates of employment and loss of output²

2. NEW SOLUTIONS : GOOD PRACTICE FROM EQUAL ³

EQUAL strategies for ensuring a high quality business support system *for all* can be summarised in four three lines of action, which mutually reinforce each other:

- **Developing specialised support for certain phases and activities involved in setting up and running a business.**

EQUAL shows that there is a strong case for specialised support for the main groups and sectors that they deal with (women, young people, ethnic minorities, people with disabilities, people over 50, social economy organisations and so on). In Germany⁴, for example, training designed specifically for women led to an increase of 80% in terms of survival rates compared to an average of 30% on normal courses. In Wales a series of specialist prestart agencies have contributed to an increase of 20% in yearly start-up rates.⁵

However, it is clear that there is also a common core of skills and competences that are necessary for anyone to create any kind of business. For example, according to DG Enterprise 80% of the problems faced by ethnic minorities in setting up a business are common to all entrepreneurs. Similarly, social economy organisations also share the need for sound financial and business management with ordinary SMEs⁶.

In order to balance the advantages of specialist support (for example, greater understanding and affinity with the client group) with the additional costs and the risk of locking people into the side-stream, specialist organisations (often NGOs) within EQUAL have focussed on the phases before the launch of the business. This allows them to concentrate on issues specific to certain disadvantaged groups (language, confidence and trust, caring responsibilities and work-life balance, collective methods of working, etc) and to develop informal competences to the full.

Regarding Social Economy businesses, the set of specific support needs runs through all the phases of business development, not just pre-start. These include cooperative management structures, dealing with voluntary workers, disabled workers and other disadvantaged personnel, managing public-private funding mixes, public procurement, social auditing, social franchising and so on.

It can be seen that three key support services have received particular attention: business incubators, mentors and “one stop shops” (dealt with in the next section).

Most *business incubators* focus⁷ on the higher technology end of the market and are often closely related to universities and research centres. EQUAL has developed incubators that specifically support disadvantaged groups in different ways:

- The first, is directed at young, unemployed people but involves a fairly rigorous selection process and is geared towards fashionable growth sectors like graphic and internet design, film, music, public relations and so on. The itineraries being piloted by EQUAL following this model in countries like Germany are achieving success rates of 82% into self employment with nearly 90% survival after two years⁸.
- At the other extreme, some incubators explicitly set themselves the aim of attracting people that face most severe disadvantages in the labour market such as single mothers, unskilled women or women from ethnic minorities by providing longer and more flexible opening hours, space for part-time working, longer incubation periods, access to public transport, security, childcare.⁹

Mentoring has also received a large amount of attention as a way of introducing both business realism and a degree of individual empathy into what sometimes risks becoming a rather academic business planning process. However EQUAL has demonstrated the importance of matching mentors and business promoters in two key areas: firstly, their experience and background. This not only means certain sectors and types of business but also age, sex and ethnic origin. Secondly, their interpersonal skills and the personal “chemistry” between mentor and business promoters are important. These objectives lead to a series of methodological recommendations such as the need for trial periods and the integration of mentors into clearly defined packages of business support.¹⁰

Building integrated systems of business support which link into mainstream provision.

EQUAL “One stop shops”¹¹ have developed beyond the idea that the client should find all services under one roof and are designing a set of guidelines for recognising a genuine support *system* made up of clearly defined stages like profiling, planning, start-up, consolidation and growth.

Each stage takes a predefined amount of time (e.g. ranging from 4 weeks for profiling to 5 years for growth) and involves the provision of a variable menu of services (counselling, training and qualification, mentoring and access to micro-credit) which help the entrepreneur to acquire both the personal competences, the skills and resources that are necessary for success. Then, based on a predefined division of labour, both specialist and mainstream providers, such as banks provide different parts of the support package in each phase. Systems have been developed to record the progress made by the entrepreneurs along this itinerary in a way that is recognised by banks and other agencies¹². Survival rates after two years can also be over 80% using these systems and the costs of support are estimated at around two thirds of the annual cost of unemployment.¹³

Developing quality standards and training for inclusive business support¹⁴.

EQUAL has found that the various integrated support systems described above need to define common methodologies and, above all, recognised quality standards, indicators and benchmarks for the entire system which take account of diversity by disaggregating data to the level of the disadvantaged groups. In the UK, this has been applied to produce officially recognised standards and monitoring procedures for business mentors¹⁵. In Germany, EQUAL created a National Association for Business Start-ups and developed quality standards for the support system as a whole.¹⁶

EQUAL demonstrates that the application of inclusive quality criteria to business services exposes the need for fundamental changes in certain cherished business support methodologies. For example, some organisations have started to experiment with more accessible and flexible

business planning tools which reflect the more gradual, organic way in which many businesses are started by women and ethnic minorities. However, in order to ensure that these methods are not restricted to isolated specialist support services, diversity training packages for business advisors have been developed and used extensively at a national level for groups like women and at regional level for a broad range of disadvantaged groups.¹⁷

3. POLICY RELEVANCE AND RECOMMENDATIONS

Providing business support is already a major policy priority of the European Union. Business advisory services and shared business services represent approximately one third of the 16 billion euros to be spent on supporting SMEs by the structural funds 2000-2006¹⁸ (split fairly evenly between pure advice and support involving some kind of business premises). Another third of the total is spent on grant aid but this often forms a package with the business advisory services. The advisory services often play a key role in the access to and allocation of the grant aid.

Since the late nineties this has led to a whole series of initiatives to document good practice in business services, to increase the synergy between the large numbers of existing projects and to improve quality, relevance and take-up.¹⁹ The Directorate formally responsible for most of these initiatives has been DG Enterprise. Improving the coherence and quality of the business support system is mentioned as a priority in the European Charter for Small Enterprises²⁰ and its successive national reports.

The recent Strategic Evaluation of Financial Assistance Schemes to SMEs²¹ also argues that the “overall rationale of business infrastructure and advice should not be questioned. The cluster responds to practical needs, particularly acute as far as SMEs are concerned, even more if one considers micro and small enterprises who cannot afford to pay for such services, deemed crucial for their survival rate after three to five years”. The report endorses the statement that “the development of a one stop SME shop, capable of providing information regarding all of the services available at national level is urgently needed”. Consequently, the report supports “closely aligning SME measures with regional development strategies”. In addition, it says “targeting should be “made according to geography, size but also particular social groups”.

This point was also taken up in DG Enterprise’s Green Paper on Entrepreneurship and the Action Plan that followed from it.²² The latter states that “the Commission will keep promoting access to top class support and management training for entrepreneurs from all backgrounds including groups with specific needs such as women and entrepreneurs from ethnic minorities”. From the point of view of employment policy report of the Employment Task Force chaired by Wim Kok and the Joint Employment Report also stress the importance of further developing advisory services for start-ups²³. Finally, business support services are specifically mentioned in the first two objectives of the new ERDF regulations and support for entrepreneurship is raised under two of the three priorities of the ESF regulations for the period 2007-13²⁴.

In this light, DG Enterprise is considering further initiatives regarding top class business support these include further developing systems for tailoring business services to the needs of entrepreneurs; establishing a European quality referential for business services; developing a recognised common core of training for business support workers; developing common evaluation systems of business services.

The good practices tested under EQUAL address and reinforce the policy orientations and priorities at EU level by addressing the business needs of under represented groups. Therefore, they can be used to improve the effectiveness of national and regional entrepreneurship strategies and actions, particularly if these are co-financed by the Structural Funds.

National and regional business support programmes would increase their effectiveness and efficiency by:

- ensuring that there is adequate provision of certain specific services for particular groups and types of enterprise. Some of the main tools include mentoring, incubators and one stop shops or centres.

- using partnerships to negotiate integrated systems of business support which link specialist and mainstream provision into coherent support itineraries that respond to the business needs of disadvantaged groups and areas
- including quality standards and systems of control which take account of diversity. A common European core for these quality systems could provide a useful tool for ensuring that business support systems financed by the structural funds are really inclusive.

Business support staff would benefit from recognised training in all the above. Business support methodologies must also be adapted to deal with very different realities (social entrepreneurship and the submerged economy)

ESF and ERDF programmes could achieve great synergies by bringing together these various elements through an interdepartmental and multi-stakeholder review of integrated and inclusive regional entrepreneurship strategies with the aim of producing practical guidelines for the next round of the structural funds.

APPENDIX. SIMPLIFIED PROBLEM AND SOLUTION TREES

OVERVIEW OF PROBLEMS DEALT WITH BY THE POLICY BRIEFS

- Insufficient jobs created to meet the Lisbon employment targets.
- Wasted economic and social potential
Unmet social need
- Lower rates of entrepreneurship among certain groups and areas
- Perceived benefits of becoming an entrepreneur do not justify the risks

INFORMATION, ADVICE AND SUPPORT ON THESE AREAS DOES NOT MEET THE NEEDS OF GROUPS AND AREAS AND THAT FACE DISCRIMINATION IN THE LABOUR MARKET
WORKSHOP 1 – THREE BRIEFS

- | | | | | | | |
|--|--|---|----------------|--------------------------------------|---|------------------------|
| Specific socio – economic barriers (responsibility for caring, language, culture, access to buildings...) | Hurdles in:
Taxes & benefits

Legal restrictions

Administrative procedures | Absence of role models.

Poor entrepreneurial education | Lack of Skills | Lack of appropriate technology (ICT) | Poor access to finance

Workshop 2 - two briefs | Poor access to markets |
|--|--|---|----------------|--------------------------------------|---|------------------------|

CERTAIN GROUPS AND AREAS HAVE WORSE ACCESS TO KEY RESOURCES AND SUFFER FROM SPECIFIC DISADVANTAGES IN SETTING UP A BUSINESS

PROBLEMS DEALT WITH IN THE BRIEFS ON BUSINESS SUPPORT FOR ALL

BUSINESS INFORMATION, ADVICE AND SUPPORT DOES NOT MEET THE NEEDS OF GROUPS AND AREAS THAT FACE DISCRIMINATION IN THE LABOUR MARKET
WORKSHOP 1 – THREE BRIEFS

BRIEF 1	BRIEF 2	BRIEF 3
Business support systems have little information on or contact with hard to reach communities. The necessary information for setting up a business does not get out to disadvantaged groups.	Business advice and support is not provided in a form that is suitable for disadvantaged groups and communities.	Too many firms set up by disadvantaged groups fail. Business support services focus too heavily on increasing start-ups rather than reducing deathrates and improving sustainability
Inadequate information on the profiles and needs of particular groups	Specific business support needs are not catered for	Entrepreneurs from disadvantaged groups are left on their own after start-up
A "wait and see what comes in the office" attitude to business creation.	Duplication and overlapping support in certain areas. Gaps between specific and general provision.	Entrepreneurs from disadvantaged groups do not have good business networks (as opposed to support networks)
Lack of trust. Cultural and physical distance.	Poor quality services. Quality standards do not take into account the needs of disadvantaged groups	Entrepreneurs from disadvantaged groups have problems in breaking into new markets
No role models or experience of success among peers	General business support staff are not trained in how to help particular groups. Specialists may have insufficient business skills and experience	
Little early education and training in the necessary attitudes and skills		

BRIEF 2
HIGH QUALITY BUSINESS SUPPORT SYSTEMS FOR ALL
CORRESPONDENCE BETWEEN PROBLEMS AND SOLUTIONS
TESTED BY EQUAL

Business advice and support is not provided in a form that is suitable for disadvantaged groups and communities.

PROBLEM

SOLUTION TESTED BY EQUAL

Specific business support needs are not catered for

Developing specialised support for certain phases of setting up and running a business

Duplication and overlapping support in certain areas. Gaps between specific and general provision

Building integrated systems of business support which link specialist and mainstream provision

Poor quality services. Quality standards do not take into account the needs of disadvantaged groups

Developing quality standards for inclusive business support

General business support staff are not trained in how to help particular groups. Specialists may have insufficient business skills and experience

Training business advisors to deal with diversity

FOOTNOTES AND REFERENCES TO POLICY AND GOOD PRACTICE

¹ This is the second of three briefs on business support for all. It deals with all the strategies for both *finding out and reaching out to disadvantaged groups*. The first deals with *outreach* and taking support services closer to hard to reach communities and the last deals with increasing *sustainability*. This brief goes one step further and looks at the quality of business support provided to disadvantaged groups once they have taken the first step and made contact. See the diagram in the appendix for an overview of the problems and solutions dealt within each brief.

² As quoted in the brief on outreach, the UK states that there is a loss of 8 billion euro per annum, 88,000 firms and thousands of jobs as a result of lower start up rates in inner city areas. Small Business and Government. The Way Forward. UK Small Business Service. 2002

³ Eleven of the Community Initiative Programmes for EQUAL referred to priorities such as improving the *accessibility, integration, coordination and targeting* of business support services

⁴ Women's Way of Entrepreneurship. Germany

⁵ . *Cyfenter* The Potentia Start-up Programme managed by the WDA (part of the Cyfenter DP) for six under represented groups in Wales is subcontracted out to six specialist organisations. In 2002/3, Potentia supported 700 companies and created 1,400 jobs among hard to reach groups in Wales. Start up rates increased in Wales by 20% in 2003.

⁶ There are two other powerful arguments against entirely separate support systems for different target publics: the first is the cost of multiplying services and the second is the danger of locking the group into a business "ghetto".

⁷ Managed workspaces with a variable range of services designed to speed up and improve the transition from the business idea to the launch of the business) have received support from the Strategic Evaluation of Financial Assistance Schemes to SMEs⁷. Both DG Enterprise and the OECD have also carried out benchmarking exercises.

⁸ For example, the Garage Incubator, in Hamburg is run by one of the partners of the EXZEPT DP. The 400 m2 open plan "garage" space is targeted at young, unemployed people. One of the distinctive features of this project is that there is quite a rigorous one-day selection process which picks out the 60% of applicants who are most likely to succeed on the basis of both their personal traits/competences and their business idea. The Employment Office provides some of the successful applicants with up to 1,000 euros financial support per month for six months. Over this period they receive systematic support on an intensive itinerary of both individual and group work on their business ideas. Since January 2000, 280 young people have completed the process of which 82% are now self-employed, 9% are employed and 2% are continuing training. The survival rate of businesses after 2 years is a high 89%. The majority work on a free-lance basis in graphic design, internet design, copywriting, PR, film music, photography and fashion. The project tends to pick up the brightest and most motivated unemployed young people. Two thirds are graduates, 43% women and 5% foreign nationals.

⁹ Some of the partners of AWE DP (UK) run their own workspaces and have carried out a benchmarking exercise into women friendly incubators. This has led to a series of guidelines which can be applied to both mainstream and specialist incubators. Andalusia E Igualdad (Spain) has also designed a women friendly incubator. Clearly this approach can be applied to other disadvantaged groups

¹⁰ One of the pioneers of mentoring, the Princes Trust, is the lead partner of the Business Mentoring DP. It has over 7,000 voluntary mentors on its registers. Through EQUAL it is developing officially recognised quality standards for mentors (see below).

Cyfenter, Women into Business, Diane, AWE, Business Mentoring, Black MBA, Exzept, Magnet, Laboratorio de Ideias, KIC Turin are just some of the DPs working in specialised services for particular target groups.

¹¹ In Germany EQUAL projects have created a National Association for Business Start Up Initiatives and are designing a set of guidelines for recognising a genuine support system made up of 4 clearly defined stages: profiling (4 weeks) planning (3-12 months), start-up (6 months), and consolidation and growth (3-5 years).

¹² Verbund Enterprise, one of the German DPs involved in this work has gone so far as to create an enterprise “pass” which provides a clear and transparent road map of the progress made by the entrepreneur at each stage. The enterprise pass has been accepted by the Berlin Volksbank as the central instrument to evaluate the performance of young business starters. Several other business support institutions have expressed interest in using the pass and the Berlin and German governments are considering whether to develop a complementary “coaching” pass.

The results of the Enterprise network of 27 advisors and 61 mentors are impressive: 430 companies created since the year 2002, 85% by young unemployed people, 43% by women and 14% by ethnic minorities (Berlin). The approach also appears to be cost-effective. The total cost of support to young entrepreneurs oscillates around 6,000 euros per person in urban areas and 8,000 euros in rural areas. The former is around two thirds of the annual cost of unemployment..

¹³ DP’s in other Member States are also using partnerships to create coherent business support systems which are accessible to disadvantaged groups. For example, Red Garapen in Spain, has brought together a network of 19 local development agencies in the Basque country. They have also defined a common four-stage business support methodology which is partly provided on-line and have a clear agreement about the division of labour between them. This has involved a deal with a local savings banks to provide guarantees and micro-credit. Garapen has also created a post-start up support network and monitoring system which has helped 228 recently created initiatives

¹⁴ Reflex UK is developing quality standards with SFEDI for *business outreach workers* from ethnic minority communities. The Prowess network, part of the AWE DP, has developed guidelines for specific services like *incubators* and a set of 12 best practice standards for business advice to women as a whole. These fit across 4 key areas: inclusion, equality, client focus, and quality. 60 of the 68 organisations in Prowess that provide business support to women have had service delivery assessments completed according to these criteria. 6 members have been identified as meeting the best practice criteria and will be awarded “Flagship Member” status. A further 3 of the 9 network organisations have been assessed while the rest are in the process of doing so.

In Germany, EQUAL projects have also noted the dangerous vagueness surrounding the concept of mentoring WWOE is working on quality standards for mentors specifically for women starters

Main active groups: German Working Group. Verbund, Exzept, Reflex, AWE, Mentoring Trust.....

¹⁵ One of the greatest challenges facing the Princes Trust (lead partner of the Business Mentoring DP) is to control and assure the quality of its 7,000 volunteer business mentors. It is, therefore, working with SFEDI (the Small Firms Enterprise Development Initiative), the UKs main official body dedicated to raise the standards of small business support in the UK to develop official standards and monitoring procedures for business mentors. WWOE in Germany is also working on standards for women.

¹⁶ In Germany, the DPs have focussed on the quality standards for support systems as a whole (their One Stop Shops). For example, Exzept has developed a checklist of measurable criteria for evaluating OSS. Verbund Enterprise has designed a Enterprise Quality Management Structure which compares the four stages of enterprise support mentioned above. The German national working group on One Stop Shops provides a forum for comparing and learning from the

approaches of the different DPs. The next step must be to bring together the approaches developed within EQUAL and relate them to both national and European mainstream initiatives such as the AQCEN project described above.

Active DPs: AWE, Reflex Longford, Creactive, Pioneros, Animus...)

¹⁷ For example, Cyfenter has provided diversity training and briefing sessions to around 150 people involved in the delivery of the Welsh Entrepreneurship Action Plan. The WDA's Diversity Training Programme has been approved by the Institute of Business Advisors and is comprised of 6 modules focussing on disability, race, language, lone parents and women, young people and the over 50s.

Based on its best practice guidelines, Prowess have developed a wide range of professional development training programmes in women friendly business support issues. For example, the "Gender Lens for Business Support" is an intensive and interactive one day course that looks at the issues facing women in business and the way business support organisations, banks, accountants and so on can best help. Prowess also provide training in "best practice in monitoring client profiles". The Rural Women's Network, another partner of the AWE DP have successfully tendered for the contract for mainstream business support in Cumbria (Business Link) and are now delivering women friendly business advice and training throughout the region.

¹⁸ Commission Staff Working Paper. Creating an Entrepreneurial Europe. The Activities of the European Union for small and medium sized enterprises (SMEs). 2003
http://europa.eu.int/comm/enterprise/entrepreneurship/promoting_entrepreneurship/doc/2003sec58_en.pdf

¹⁹ The following are key references to EU policy recommendations in this area.

- *Creating Top Class Business Support. December 2001.* Conclusions of the Project carried out under the Best Procedure of the Multi-annual Programme for Enterprise and Entrepreneurship. The report also set out a series of guidelines which are very close to the philosophy of EQUAL: client orientation (empowerment of users), coherent and coordinated services (partnerships), more professional services geared at building users (SMEs) own management capacity, training and capacity building for support organisations, more effective evaluation and promotion.

Both the problems and the guidelines are as valid now as they were then. In fact, many were referred to by the Member states in the EQUAL Community Initiative Programmes. Many accession countries are now also hitting the same problems. The report has been backed up by an impressive data bank of 2,500 business support measures and many well-documented cases of good practice. EQUAL may want to use this resource but there is clearly no point in duplicating it.

- *Establishing a methodology for tailoring business services to the needs of entrepreneurs. April 2002.* The Best Procedure study on Support Services for Micro, Small and Sole Proprietor Businesses basically establishes an operational methodology for surveying existing business support services and comparing this to the needs expressed by a survey of local entrepreneurs. The methodology is being tested in Sardinia, Poland and Finland and there is interest in exploring the use of methods such as this for ensuring that the structural funds avoid duplication and are far more targeted on real needs. The issue for EQUAL is how to ensure that the needs of potential entrepreneurs from disadvantaged groups and areas are also taken into account in any such guidelines or methodologies.
- *Establishing a European Quality Referential for Business Services.* Under the leadership of France, a CEN workshop gathered for over 18 months with representatives from 8 member states until the end of 2001. This work has been taken up by the AQCEN project launched in June 2002 by the French Ministry of Industry. The European Commission is also involved together with representatives from the UK, Ireland, Italy and Finland.

The essential elements of quality that are being stressed are very close to the heart of EQUAL: a thorough analysis and knowledge of user needs, constant dialogue between providers and users, and regular monitoring. The question is whether the work being carried out by EQUAL can both draw on and feed into the development of any future European Standard.

- *Developing a European Platform of Competences for Business Support Workers.* It follows on logically that business advisors will require high quality training in order to reach the quality standards mentioned above. At present only the UK and France have coherent and nationally recognised programs for business advisors. The challenge is to develop a recognised common trunk of training with EU accreditation that can then be adapted to local circumstances.

A number of EQUAL partnerships are working on training business advisors in inclusive forms of business support. The question is whether this work can also be coordinated in a way that helps to ensure that the common trunk of business advisor skills also takes account of the needs of disadvantaged groups and the social economy.

- *Developing common evaluation systems of business services.* Here DG Enterprise is particularly interested in ensuring that services are designed to respond to the needs of different sectors, sizes of companies and stages of company development. The key interest and value added that could be provided by EQUAL would obviously be to ensure that the needs of the target groups - women, ethnic minority, young and disabled are covered.
- Through initiatives like EMPLOYMENT and ADAPT, DG Employment has also made its own contribution towards the kinds of services required for disadvantaged people to follow “comprehensive pathways” into employment and economic activity

²⁰ The European Charter for Small Enterprises:

http://europa.eu.int/comm/enterprise/enterprise_policy/charter/index.htm

²¹ Strategic Evaluation of Financial Assistance Schemes to SMEs. DG Budget. Final Report. 2003.

http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/doc/strategic_evaluation.pdf

²² Action Plan: the European Agenda for Entrepreneurship COM (2004) 70 final

http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004_0070en01.pdf

²³ Communication from the Commission to the Council. Draft Joint Employment Report 2003/2004

http://europa.eu.int/comm/lisbon_strategy/pdf/COM2004_024_en.pdf

Jobs, Jobs, Jobs. Creating more employment in Europe. Report of the Employment Task Force chaired by Wim Kok. November 2003.

http://europa.eu.int/comm/employment_social/employment_strategy/pdf/etf_en.pdf

²⁴ Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund (Com 2004) 495 and on the European Social Fund (COM (2004) 493.