

## EQUAL APPROACHES TO ENTREPRENEURSHIP IN THE UK

***The GB National Thematic Network (NTN) for Business Creation met at the end of March 2006 to share good practice and lessons learned to date from the second round of EQUAL. The enterprise debate ensued against a backdrop of rapid changes in the policy framework surrounding “inclusive entrepreneurship”. The partnerships launched a discussion on a series of common activities which they believe can help them to break new ground.***

The central aim of the eight EQUAL projects that form the GB NTN is to “test new tools, techniques and approaches to ensure that mainstream support meets the needs of excluded groups”. Within Europe, the GB national network has one of the closest links to mainstream policy and issues of entrepreneurship among under-represented groups is high on the GB policy agenda. This combination means that both national policy changes and EQUAL’s mainstreaming work has great relevance for others working on policies to support inclusive entrepreneurship in the rest of Europe

The chair of the National Thematic Networking the GB is Terry Watts, from the Department of Trade and Industry Small Business Service. This organisation stands at the centre of many national policies for business support<sup>1</sup>. He argues: “*Enterprise should be a key tool in helping to achieve economic and social inclusion. We need to embed enterprise policies in all that we do to tackle under-representation, disadvantage and deprivation*”.

### FROM PEOPLE TO PLACES

Both the European and the national policy framework for “opening up entrepreneurship the business creation process to all” are described in the GB National Network’s excellent Thematic Update<sup>2</sup>. There are a number of UK policy initiatives which influence the work of the NTN and are relevant for EQUAL in other parts of Europe.

For example, the GB is fairly unique in having launched its own experimental flagship programme, the Phoenix Development Fund (PDF) “to tackle social exclusion by supporting innovative projects providing business support to enterprises in disadvantaged geographical areas and to groups currently underrepresented among business owners”. The timing of the first two rounds of the PDF operated more or less in parallel to that of EQUAL, with a similar budget (44m euros for Phoenix and 40m euros for EQUAL). However, there is a crucial difference between the two -programmes in that PDF supported projects that were led by individual organisations whereas EQUAL supports a larger number of organisations coming together in partnership, albeit in a smaller number of projects.

At the last meeting of the EQUAL GB Thematic Network, Terry Watts in his capacity as chair explained that the Small Business Service “would not be contracting for any new activities under the Phoenix Development Fund when existing new contracts ended at the end of March 2006”. In this context, the final evaluation of the programme<sup>3</sup> raises a series of crucial points for both EQUAL, which will be ending in 2007, and for the future of policies for inclusive entrepreneurship.

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<sup>1</sup> The SBS manages the Phoenix Development Fund and until recently has been responsible for Business Link the mainstream government provider of business support in the UK

<sup>2</sup> Opening up the business creation process to all. Thematic Update: Theme C. Ecotec Research and Consulting Ltd. [www.equal.ecotec.co.uk](http://www.equal.ecotec.co.uk)

<sup>3</sup> Evaluation. The Phoenix Development Fund. Final Report. Peter Ramsden. Freiss. 2005

The overall conclusion from the evaluation is that the PDF has been a success. The most notable project successes are illustrated through the examples of new thinking about business support. These are evident in the development of new ways of communicating and reaching out to under-represented groups; the use of community capacity to stimulate entrepreneurship and the design of more holistic approaches to business support based upon the real needs of particular individuals (child-care, etc). As a result 57% of the clients across PDF-funded projects were women and one third came from ethnic minorities. It has emerged that PDF-funded good practice examples closely mirror- those funded through EQUAL..

However, this kind of outreach was only achieved by projects which focused on the needs of specific groups. Projects which concentrated on deprived urban or rural *areas* tended to support existing businesses and the more educated clients, with only indirect, knock-on effects on people facing discrimination in the labour market. So it seems that the kind of *social* targeting practiced by EQUAL is necessary to open up entrepreneurship to all.

The PDF evaluation also found that projects varied widely in their costs per client supported and that few had been “able to unpack the costs of delivering different parts of their service”. Sometimes higher costs are justified by the fact that clients are a long way from being employed and by the ability to achieve certain additional social gains; but it is also clear that certain approaches like business incubators, business centres and intensive consultancy services are very expensive to deliver.

Nor had most of the specialist and intermediary organisations providing enterprise support through the PDF been able to attract sustainable flows of mainstream funding. Most were still highly dependent on short term project funding coming from European sources. Partly as a result of this situation, the PDF had reinforced but not fundamentally changed “the patchy nature of business support across England” where “eligibility is dependent upon geography and complex entry requirements”.

EQUAL projects everywhere need to pay a greater deal of attention to these points. There is clearly a need to provide better evidence of the cost-effectiveness of different types of business support to people who face different types of discrimination in the labour market.

In their presentation to the EQUAL conference held in Amsterdam in March 2006<sup>4</sup>, Jag Pabla and Jo Hawley, who act as secretariat to the UK Thematic Networking Group, pointed to two other important trends in UK policy, partly “inspired by US policy instruments”. These are a “shift towards greater localisation – strong Government intent to install enterprise back into deprived areas and to address the enterprise gap in local areas”. In addition there is a “shift towards greater regionalisation – with the Regional Development Agencies providing more autonomy to drive enterprise support”. Both trends have important implications for the mainstreaming strategy of EQUAL.

The prime example of the first trend is the Local Enterprise Growth Initiative (LEGI) launched by what was the Office of the Deputy Prime Minister, the Treasury and the Department of Trade and Industry in 2005. LEGI is targeted at England's most deprived areas, and is funded on a competitive basis. There were 10 winning bids (representing 15 local areas) in the LEGI 1st Round which will fund a wide range of individual initiatives and activities promoting the principle aims of LEGI: to increase entrepreneurial activity; to support the sustainable growth; and to attract appropriate inward investment and franchising.

The main manifestation of the trend towards regionalisation mentioned above is the fact that the management of Business Link, the mainstream provider of business support in the UK has been decentralised to the nine Regional Development Agencies that operate in England. It appears that they also may receive specific funding for promoting enterprise in disadvantaged *areas*. At the first meeting of the EQUAL NTN, Vanessa Hogbin announced that the SBS will shortly be carrying out a review of all the different strands of business support to deprived areas, groups and individuals to ensure that the lessons are not lost. This exercise has now been completed

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<sup>4</sup> GB EQUAL Presentation. Opening Up Entrepreneurship to All . 30-31 March. Issues, Tools

and the report published on the SBS website. SBS is planning a series of national and regional events to disseminate the learning . These lessons should provide fertile ground for debate among EQUAL partnerships both in the GB and in Europe and SBS has already been in discussion with a number of EQUAL partners about the possibility of collaboration.

## WHICH ROAD FOR EQUAL?

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In the evolving policy arena mentioned above, Jag Pabla and Jo Hawley pointed to three challenges for EQUAL related to the *social* targeting of enterprise support<sup>5</sup>:

In the first place, the case for taking further action to open up the process of business creation to all remains extremely strong. According to Jag Pabla “women are less likely to set up a business than men - they account for only 27% of the self-employed adults” and when it comes to black and ethnic minority businesses “the over-reliance on own markets for business turn-over and growth needs to be discussed in all new strategies towards encouraging EMB start-ups.”

During the second round of EQUAL a high proportion of the business creation projects prioritise entrepreneurship among women<sup>6</sup>. Similarly, partnerships such as Minority Businesses Diaspora Interchange led by Business Link for London are working with ethnic minorities. For example, to help minority ethnic trading networks to link into mainstream government organisations and to exploit the potential they have with their connections to markets in other parts of the world.

Secondly, in the case of young people, the GB recognises that the education system has a vital influence on entrepreneurship among them and has therefore made five days of enterprise training mandatory in all schools. Furthermore, , there are calls for innovative approaches to ensure that those young people who “don’t take the “education” option (i.e. schools/college/university drop-outs) are also made to consider the “enterprise” option.”

During the second round of EQUAL, some projects have concentrated on opening up the enterprise option to specific target groups who have fallen out of the formal education system<sup>7</sup>. A case in point is Euro Enterprise Evolutions which is working with a variety of hard-to reach groups, including undertaking a study and developing a range of training, mentoring and IT tools to explore the potential of entrepreneurship for reducing offending.

Finally, when it comes to integrated business support for all, “mainstream support providers don’t and won’t reach some of the parts that other support groups may. The challenge is effectively to tool up those local support groups<sup>8</sup>.”

In this context, a number of partnerships such as CREATE+, Supporting Inclusion in Enterprise Development (SIED) and Business Creation Partnership (BCP) are developing strategies for engaging with disadvantaged groups. For example, CREATE+ is working with key organisations such as the Regional Development Agencies to develop “client engagement processes” and a range of products and services appropriate to each region to increase awareness and understanding of franchising and other structured business formats. This partnership’s specific focus is on the sustainability of start-ups and growth of companies to provide a wider range of low cost opportunities for disadvantaged groups.”

Similarly, SIED is rolling out an experimental model for delivering support to enterprises generated by people who have experienced social exclusion which was developed by the REFLEX DP in Round One. The model works by engaging directly with communities in deprived areas and training front community workers from ethnic minority organisations to provide

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<sup>5</sup> As above GB EQUAL Presentation. Opening Up Entrepreneurship to All . 30-31 March. Issues, Tools

<sup>6</sup> However, there are no projects specifically focusing on women’s entrepreneurship as in the first round.

<sup>7</sup> None of the projects focus on entrepreneurship in the formal education system – possibly because this already receives more attention in mainstream government policy.

<sup>8</sup> Evaluation. The Phoenix Development Fund. Final Report. Peter Ramsden. Freiss. 2005

business advice. The Business Advisors are trained and accredited to national standards. A national network of 27 community-based organisations has been set up, which can sustain and continuously develop the model to meet the needs of entrepreneurs in the most deprived areas. During the second round of EQUAL, the model is being extended to different parts of London and the aim is to develop it in other local authority areas by closely linking it to Local Area agreements and strategic partnerships.

At their last meeting in March 2006, the projects involved in the GB NTN for Business Creation discussed progress to date on activities included within their 'mainstreaming strategy', which deals with five main questions: What? (the key policy or practice to be mainstreamed) Who? (key policy audiences) When? (dates to achieve maximum impact on policy) How? (the methodologies for reaching these audiences); and finally Which DPs are involved?

In terms of the first question about the key policies or practices to be mainstreamed (what), the DPs have identified ten broad priority sub-themes: Self employment as a route out of exclusion; tailoring training and support to meet the needs of target groups; promoting enterprise in disadvantaged communities; improving business and professional skills; strategies for engagement with disadvantaged groups; access to finance; developing business support infrastructure; creating an environment where businesses can flourish; empowerment; and sustainable growth through franchising.

The table below shows that these priorities (on the left) are compatible with the priorities that have been proposed for European mainstreaming activity at the recent EQUAL conference held in Amsterdam<sup>9</sup>. Members of the GB National Thematic Network have played an important part in the discussions about European priorities.

#### EUROPEAN AND GB MAINSTREAMING PRIORITIES

| EUROPEAN PRIORITY THEMES  |  | GB ROUND 2 MAINSTREAMING PRIORITIES <sup>10</sup>  |
|---|--|--|
| <b>CREATING THE CULTURE AND CONDITIONS FOR ENTREPRENEURSHIP</b> | <b>Creating the culture for entrepreneurship</b>     | <ul style="list-style-type: none"> <li>▪ Promoting enterprise in disadvantaged communities.</li> <li>▪ Empowerment</li> </ul>  |
|   | <b>Creating the right policy conditions</b>          | <ul style="list-style-type: none"> <li>▪ Self employment as an effective route out of exclusion and benefits</li> <li>▪ Creating an environment in which business can flourish</li> </ul>                                    |
| <b>INTEGRATED BUSINESS SUPPORT FOR ALL</b>                      | <b>Integrated business support services for all</b>  | <ul style="list-style-type: none"> <li>▪ Strategies for engaging with disadvantaged groups</li> <li>▪ Improving business support infrastructure (quality, networks, sector specific support)</li> </ul>                      |
|   | <b>Training for diverse enterprise</b>               | <ul style="list-style-type: none"> <li>▪ Tailoring training and support provision to meet the needs of the target groups</li> <li>▪ Improving the business and professional skills of disadvantaged entrepreneurs</li> </ul> |
| <b>ACCESS TO APPROPRIATE FINANCE</b>                            | <b>Access to appropriate finance</b>                 | <ul style="list-style-type: none"> <li>▪ Access to finance</li> </ul>  |
| <b>CONSOLIDATING AND IMPROVING SUSTAINABILITY</b>               | <b>Consolidation, sustainability and new markets</b> | <ul style="list-style-type: none"> <li>▪ Initiating the sustainable growth of social format franchising</li> </ul>   |

*This table relates the priority themes and sub themes for European work on inclusive business creation presented at a seminar in Amsterdam in March 2006 with the priorities in the GB Mainstreaming Strategy.*

<sup>9</sup> Opening Up the Business Creation Process to All. EQUAL Conference. Amsterdam. 30-31<sup>st</sup> March 2006.

<sup>10</sup> EQUAL Round 2: Theme C Mainstreaming Strategy 2005. The UK priorities have been grouped to compare them with the European priorities.

The discussion about the detailed subjects to be mainstreamed and the other questions posed by the mainstreaming strategy framework are still ongoing. In so far as target audiences are concerned the Regional Development Agencies are clearly a priority. Terry Watts, the Chair of the NTN, is from the government department responsible for LEGI and the national strategy for business support to SME's. The NTN is working with him to see how the DP's can respond to these policy developments.

A number of joint actions have been discussed, including a dissemination conference and the production of case studies for each DP. There is also a proposal for holding an event for the partnerships in Brussels. These and other proposals will be discussed in a further meeting of the NTN in July 2006.

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