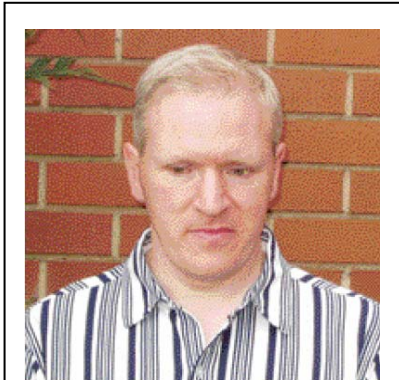


## MAINSTREAM SUPPORT FOR MINORITY ENTREPRENEURS

Taking the plunge to set up a business is one of the hardest decisions for anyone to make. However the challenge of self-employment is even greater for people from groups in society who are traditionally under-represented in the business world. To tackle this issue the Cyfenter EQUAL project in Wales set itself the task of discovering how to increase self-employment among such groups, which include women, ethnic minorities, people with disabilities, the 50-plus group, young people, and Welsh language speakers

One example is John Ramm who has been unemployed for most of his working life. John had been surfing the internet when he hit on way of helping other blind and partially sighted people and setting himself up in business. He was trying to track down software which would enable his mobile phone to “talk”, telling him names, numbers and other information that can usually only be seen on the display of a phone. When he found a company that could provide the software – and discovered that they had no UK distributor – he realised that this was the opportunity he had been waiting for.



***Test trading has given John Ramm the security that he needed to make the transition from benefits to self-employment.***

Iain Willox, Director of Enterprise Support with the Welsh Development Agency, Cyfenter's lead partner, highlighted that the drive to ensure that no-one is excluded from the enterprise economy is reinforced by economic priorities. He explained: “There are nearly 362,500 economically inactive people in Wales in a total workforce of around 1.1 million people. This totally dwarfs the 44,600 people registered as unemployed and, consequently, has become the focus for action.”

The central aim of the Cyfenter EQUAL Development partnership is to tackle inactivity by creating a business environment where support and encouragement is available **for all** when starting up their businesses. In this sense, the project contributes directly to the guideline 10 of the EU's Integrated Guidelines for Growth and Jobs which specifically refers to the creation of ‘a supportive environment for SMEs’. However it does this in a way that also contributes to the employment guideline 16 - ‘social and territorial cohesion’ and guideline 18 - ‘inclusive labour markets.’

Speaking at the closing trans-national conference of Cyfenter, Welsh MEP Eluned Morgan argued that Members of the European Parliament have to ‘push the issue of economic inactivity onto the political agenda’ and link it with strategies to achieve the Lisbon goals. “Traditionally, self-employment has been seen as the domain of rich, white people and it has been a huge task to change this attitude in the population, “she said.

## ACTION RESEARCH FOR INCLUSIVE REGIONAL ENTREPRENEURSHIP

Cyfenter has provided the knowledge base and training for ensuring that the Welsh Entrepreneurship really meets the needs of hard to reach groups. In fact the Action Plan, must be considered as one of the best examples of an integrated, inclusive regional entrepreneurship strategy in Europe. One of the key challenges of The Action Plan is ‘to create a greater number of sustainable start-up businesses in Wales with potential for further growth, *particularly by under-represented groups in society*’. The Welsh Development Agency, which has overall responsibility for WEAP, took the lead in the Cyfenter EQUAL project with the specific aim of helping it to achieve this objective. It drew in all the agencies which were most involved in delivering those parts of the Action Plan that most affected disadvantaged groups

This is a recipe that seems to work. Welsh start-ups nearly doubled from 12,000 in 2000, to 22,000 in 2004 using the independent longitudinal study – The Global Entrepreneurship Monitor

(GEM). During the last year, entrepreneurship activity increased by 74% in Wales, and over the period 2000 – 2004 no other GEM nation has shown an improvement as great as Wales.

Cyfenter's role in all this has been to carry out what is probably the largest programme of action research in Europe to identify the real needs, obstacles and aspirations of under-represented groups when setting up a business. "Our aim was to discover what small businesses and individuals actually thought about entering the world of business and what it would take to make it easier for them," said Paula Manley, the Cyfenter EQUAL project coordinator "The main thrust of the research has been one of developing future policy and influencing change through the use of action research techniques, i.e. a cyclical process of research followed by action, followed by review/research, and so on."

5,000 participants took part in three year-long phases of the action research programme between 2002 and 2005. Each phase was divided into four stages: the questionnaire stage, where quantitative data was collected from individuals both before and after start-up; the interview stage, where issues arising from the questionnaires were discussed in detail; the focus group stage, where participants compared both problems and barriers to entrepreneurship; and, finally, the training and communication stage, where policymakers, research participants and business support providers were brought together to share the findings and agree on recommendations to take forward.

According to the Welsh Enterprise Institute, one of the partners: "being involved with the research that the Cyfenter Development Partnership has carried out has given up-to-date in-depth knowledge of the under-represented groups in Wales on a scale that would not have been possible without the frame work of the EQUAL initiative."

The action-research focused on four crucial areas that have been identified as priorities, both in the Welsh Entrepreneurship Action Plan and in the European work carried out on inclusive entrepreneurship by EQUAL. These are: bridges from benefits to self-employment; designing business support services to deal with diversity; access to finance; and sustaining and growing the business.

## **BUILDING BRIDGES FROM BENEFITS INTO SELF-EMPLOYMENT**

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"I still haven't overcome any of my concerns. I am still worried about losing my benefits and not having enough money in the beginning when I start my own business." This dimension to starting a business was a significant concern to around 70% of people interviewed by Cyfenter before setting up, although it fell considerably to 42% once their business was up and running. The issue of coming off benefit was generally more important for disabled people, lone parents, women and people from ethnic minority groups. Surprisingly, fewer than half the people who could be affected sought advice about how benefits would change. The main reason for not asking for help was the fear. As one interviewee said: "I haven't sought advice because I'm worried that my benefits would be taken away from me."

One of the key recommendations from Cyfenter involves developing links between job centres and the business support system. The project report stated: "Everything needs to connect together with business agencies and the Job Centre. There needs to be better training for advisors in the Job Centre, so we know self employment is an option." It added that Job centres should build self-employment and entrepreneurship targets into their planning and delivery processes and do more to encourage take-up of this option. Further recommendations include flexible - and longer - periods of support, increasing awareness and availability of schemes and better evaluation and monitoring of the benefits system for its impact on people who enter self-employment.

## **PARTNERSHIPS FOR DIVERSITY**

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The Welsh Entrepreneurship Action Plan was launched in 2001, just before the EQUAL project began. As in many European countries, the plan was a response to growing concerns about inconsistent business services, confusion about who to contact and a lack of integration. However, it also incorporated a radical new approach towards providing business support to under-represented groups in the form of the Women's Enterprise Wales initiative and the

Potentia Programme. Most of the partners of both initiatives also took part in EQUAL which they used to inform and guide their activities.

The distinctive feature of Potentia is that it is based upon a partnership between a mainstream provider, the Welsh Development Agency (WDA), and a series of specialist organisations whose roots are in the under-represented groups. All of the organisations are also partners of EQUAL: Disability Wales, the Prince's Trust Cymru (young people), Chwarae Teg (Women), the Ethnic Business Support Programme, Prime Cymru (50-plus), Menter a Busnes (Welsh speakers). These organisations have a greater knowledge of and enjoy more trust among their respective target groups, so the aim was to use them to increase the outreach of the business support network designed through delivering a service specifically to meet their needs.

The WDA developed a protocol of agreements which clearly defined the duration, type and cost of the support to be provided by the six specialist partner bodies. In general, they were to focus on providing preliminary first stage start-up advice to groups regarded as 'hard-to-reach' and then refer them on to the mainstream business advisors.

The action research carried out by Cyfenter provided a clear message to all the partners about the need to refocus services on the customer. It showed that improved capacity was required to diagnose needs, design and deliver services to meet these needs and recognise the range of requirements for different groups.

In order to progress in this direction, the contracts for delivering business support (for pre-and post-start services) should be reviewed. They should allow greater flexibility and move away from being overly prescriptive and product-led. Childcare and physical access should also be taken into account.

The partners of Cyfenter used the action-research to provide diversity training and briefing sessions to around 150 people involved in the delivery of the Welsh Entrepreneurship Action Plan. The training helped to improve a series of crucial procedures in the Action Plan (for example, targets, monitoring, contracts and specifying the division of labour between outreach and mainstream support services.).

As a result, the WDA has developed a Diversity Training Programme, approved by the Institute of Business Advisors, comprising six modules focusing on disability, race, language, lone parenthood and women, young people and the over-50s. Between 2001 and 2003, Potentia provided support to 2,300 people, resulting in the creation of 700 new businesses and generating 1,400 new jobs.

## **FINANCE FOR SUSTAINABLE BUSINESSES**

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Another of the central features of Cyfenter and the Welsh Entrepreneurship Action Plan is that they both take a holistic view at all stages of creating and running a business. Looked at from this perspective, there is no sense in topping up the 'bath tub' of entrepreneurship by increasing start-ups if most of these simply flow out of the system shortly after.

Cyfenter found that the most vulnerable period for start-ups was in the first 12 to 18 months, but this was precisely when less use was made of business support. As they said: "Advice is least heeded when most needed. The most important issues for survival and growth were found to be: managing finance and cash flow, the owner's management skills and access to skilled labour and markets.

As a result, Cyfenter recommends that post-start-up support needs to be integrated seamlessly into the services for people starting new businesses, and that all contracts for business services should be reviewed to ensure that they include a capacity for follow-up.

Cyfenter also highlighted the fact that most money for starting a new business comes from savings and personal finance, so that people without access to either – such as young people, single parents, women or refugees - are at a distinct disadvantage. They found that it was particularly difficult for these groups to raise sums under 7,500 euros, which is the amount usually needed for start-ups. So there is a clear need to build practical routes to link financial institutions and under-represented groups – in ways that benefit both.

For example, lone parent Kay Edmunds explains: "I was refused a loan by one bank after my husband died because I had not credit rating, any credit we had was through him". Thanks to a start-up grant she was able to cover the cost of a vehicle and a part-time member of staff which was crucial because "like many businesses we didn't make a profit for two years"



**Kay Edmunds's childcare business developed rapidly thanks to a start-up grant.**

Despite the early financial struggle, Kay's childcare business has developed rapidly. She now employs three full-time and two part-time staff and is full most days. Now that the business is doing so well, Kay has begun to set herself a new goal: to provide respite care for people who have suffered a bereavement or have cancer.

Cyfenter also recommended developing hands-on financial mediation as a core function of services for people starting businesses. Finally, they argued for a new approach to supplying small amounts of money to people whose access to traditional funding is limited. In fact, Finance Wales has developed an electronically supported tool that allows for a fast track application of loans up to 15,000 euros.

## **PLANTING THE SEEDS FOR "ENTREPRENEURIAL MINDSETS"**

But it is not even enough to provide a supportive environment in the immediate pre-and post-start-up phases. To really have a major impact on entrepreneurship, particularly among under-represented groups, it is necessary to reach out in the earliest stages when entrepreneurial attitudes, capacities and 'mindsets' are formed.

In these areas, the Welsh Entrepreneurship Action Plan – with help from Cyfenter's all-encompassing action-research programme - also provides a model for other European regions. Activities over the last two years have included a major publicity campaign involving posters and press advertisements (1.5 million audience), radio (2m audience) and TV commercials (1m audience).

In addition, the WDA created a television programme called *The Biz*, in which new businesses were followed through their first year of trading by camera crews. Finally, the WDA launched an initiative called The Dynamo Role Model Programme, to encourage interest in entrepreneurship among young people. Over 300 entrepreneurs were recruited as educational role models to provide two-day sessions on entrepreneurship in schools, backed up by multimedia material.

Wales also provides a model for taking entrepreneurship onto the wider educational agenda. In 2002, a National Working Party for Career Development was established with representation from all key institutional players. This developed a plan to give entrepreneurship a place on the school curriculum and back it up with teaching material for both primary and secondary education. Materials are now part of the national curriculum, teachers are trained and schools will be inspected against the use of such materials. Businesses have also taken a far greater interest in education through the Enterprise Insight Programme and the involvement of business role models in schools.

Finally, a number of schemes were launched encouraging spin-offs from university and post-graduate education. In November 2004 Cyfenter attended Enterprise Week conference and shared a stand with the EAP Education. Organised by Enterprise Insight, the event concentrated on sustaining promotion of enterprise in schools, colleges, universities, workplaces, neighbourhoods, towns and regions and offered delegates the opportunity to develop the policy agenda to bring about a step change in the UK 's enterprise capability.

The results reported by the Welsh Entrepreneurship Action Plan are impressive. Almost 15% of (around 13 meuro) of the approximately 90 meuro annual budget is spent on under represented groups and "lifestyle" entrepreneurs. Business start-ups have been increasing by around 20% per annum and, last year, showed the largest percentage increase of any European region. The

Cyfenter EQUAL project provides strategic intelligence and advice for all this at a cost of less than half a per cent of the mainstream annual budget.

## CONTACT

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**DP number :** [UKgb-77](#)

**National Partners:** Welsh Development Agency (lead), Chwarae Teg, Disability Wales, Prince's Trust Cymru, Finance Wales, Menter a Busnes, Wales Enterprise, Prime Cymru, National Assembly Wales, Ethnic Business Support Programme, Commission for Racial Equality, University of Glamorgan, University of Wales College Newport, Federation of Small Businesses, Welsh Refugee Council, Wales TUC.

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