



The European Learning Network Experts' workshop – 25th November 2004

Morning Plenary Session:

Madeleine Williams, Managing Director of Greater London Enterprise (GLE), began the event with an introduction to the Learning Network – a two and a half year initiative, funded by the European Union's INTERREG programme, to promote enterprise in deprived neighbourhoods. She outlined the objectives of the day which were:

- To clarify the Learning Network's approach of rigorous evaluation of what works in promoting enterprise in deprived areas and the development of practical tools and guides
- To agree a definition of the three themes: entrepreneurship and the enterprise gap, innovation and social enterprise
- To identify the key issues for each theme

Jennifer Holmes, International Initiatives Manager at the London Development Agency (LDA), then introduced the Learning Network's Learning Method. She stressed the need to for the Network to develop practical resources for practitioners and policy-makers to aid the promotion of enterprise in deprived areas. LNet will also seek to:

- **Definitions:** Clearly define the three themes of the Network – Enterprise and Entrepreneurship, Innovation and Social Enterprise – and identify the issues that need to be addressed under these themes. This will involve a review of language and terminology to produce a common glossary;
- **Identify best practice:** Identify examples of best practice and develop tools for measuring good practice;
- **Transferability of best practice:** Ensure the international transferability of good practice, and identify the extent to which good practice can be generalised and replicated;

Patrick McVeigh, the Head of International Initiatives at the LDA, gave an introduction to the three Learning Network themes, and outlined key questions to be answered under each theme:

- **Enterprise:**
What are the barriers to enterprise?
What is the nature of local economies in the partner countries?
How do SMEs access finance in the partner countries?
- **Innovation:**
What does 'innovation' mean in the context of deprived areas?
What types of interventions can policy-makers make to stimulate innovation in deprived areas?
- **Social Enterprise:**
What are the barriers to social enterprise development?
How can we increase work in this area?

Workshop on Innovation in deprived urban areas

- 1) Challenge**
- 2) Definition of innovation**
- 3) What we have learnt from London & Hamburg case studies**
- 4) Discussions and questions for the LNET project to consider**
- 5) Method and Implementation of findings**
- 6) Practical Support and outputs from LNET**

1) Challenge

The challenge is securing an uplift in regional economic performance ensuring that all sectors and areas are part of this process. Innovation can only work if shared across our diverse communities. We need to address barriers to high performance in order to address our shared metrics of deprivation such as low productivity and high unemployment

We need to start with the questions: How can innovation be a solution to deprivation? How can innovation deliver social and economic justice?

2) Definition of innovation

We started with trying to find a definition of innovation for the Network. We decided that any definition adopted needed to be expansive as it needs to relate to our focus on the inner city. The definition needs to include technological and non technological activities. One definition suggested was 'all possible organizational solutions to increase competitiveness'. Innovativeness, it was suggested, might be a more appropriate term to adopt than innovation.

3) What we have learnt from London & Hamburg case studies

We heard briefly on a London example of innovation from the Objective 2 programme where a cycle renting company had been supported in working with a higher education institution. The group heard a detailed case study of the SuderElbe region. Some principles for successfully stimulating enterprise seemed to emerge from this:

- The need to build on regional strengths, for example in this case study logistics, mechanical engineering, food and others**
- Getting the right relationship between the public and private sectors and aligning objectives – or other organizations for example in the States faith based organizations**
- Developing projects that are the right mix of risk and reward**
- Getting people, organizations, institutions, universities and training organizations 'networked'**
- Seeing problems as opportunities for example tourism and cultural industries working together to maximize the benefits to each other that result from changes in the weather ie. promoting the regions cultural industries when its wet and outdoor tourism when its dry**
- Developing clusters whilst being mindful of cross cutting themes, in this case site management, start ups and training. This seems essential for moving people and place at the same pace.**

4) Discussions and questions for the LNET project to consider

- **How can we build on local strengths and opportunities for example childcare need and opportunity in local areas?**
- **How can we link local success to a successful regional innovation system?**
- **How can local and regional economies remain successful at a global level in the context of fierce competitive pressures? How can we grow a responsive innovation system?**
- **How do we create sustainable innovation especially in the face of outsourcing trends?**
- **Do we support existing successful sectors, new sectors or where there is market failure?**
- **Where the system 'breaks down' what should we do? Is EU wide mobility similar to the US an option for the EU?**
- **How can we secure innovation in the social support system e.g. in economic development programmes, how can we become smart intermediary organizations? How can we make sure that we use the range of tools available to us at the local level?**
- **Can we make innovation the rallying point for social mobilization at the same time as closing the enterprise gap in inner city areas?**
- **Some examples for LNET to look at are cultural, educational and research institutions that are embedded in local areas and acting as local engines for growth and how to maximize tapping into the expertise brought by newcomers to the local economy especially from EU accession states.**

5) Method and Implementation of findings

The group identified challenges arising from the LENT approach, specifically transferability, applying/embedding locally and engaging with practitioners at a local level

6) Practical Support and outputs from LNET

The group identified a variety of outputs and products that LNET could usefully produce:

- **Evaluation studies to answer the questions what can we expect to see in innovation projects and when can we expect to see results?**
- **Identification of role model innovators**
- **Exchanges of personnel at the local and organizational levels**
- **Practical examples of how the public sector can make initiatives more private sector friendly, in particular hiding the bureaucratic background workings from end users**
- **Tools that are rapidly disseminated**
- **Development of the website as a practical resource for all, including contact details for partners in each city**
- **Mapping of who does what in each organization**
- **Making use of existing initiatives and projects where these exist**

Workshop on Entrepreneurship in deprived urban areas

The session generated a range of themes that provide a starting point for clarifying commonalities and differences between European cities involved in the learning network and an opportunity to highlight some of the issues emerging from deprived areas in London. It was evident throughout the strong links between entrepreneurship and social enterprise and the important role that intermediaries can play in the development of deprived urban areas.

Intermediary organisations

What makes for good intermediaries? A proposition was made to all the partners to develop a common template which would flag up the types of intermediaries and the common themes they are addressing in order to create a level playing field for analysis.

The development strategy of Milan is based on the creation of intermediaries. Thus, Milan can provide relevant evidence that may be useful for partners of how intermediaries engage in economic development.

Right mix of interventions

Partners in the room pointed out the multiple facets of deprivation highlighting the following

- Unchanging nature of pocket of deprivation in London
- Ever increasing polarisation
- High level of population migration in disadvantaged urban areas and, as a result, the difficulties in capturing the impact of the projects undertaken. This was seen as skewed by the constant movement of people in and out of the area.
- The need to focus regeneration around people rather than places

Partners seemed to agree that a more creative and innovative approach to regenerate deprived urban areas is needed involving a mix of interventions, if deprived urban areas are to improve.

Access to finance

What types of CDFIs tools (venture capital etc.) can be used for stimulating enterprise in deprived urban areas?

The important contribution of Community Development Finance Institutions (CDFIs) was highlighted. Participants signalled the need to build up the assets of CDFIs and to realise what their contribution can be, given the available resources. Examples were used to highlight that the United States have many more resources available thanks, in particular, to the funding pots made available by foundations and other similar types of organisations. In addition, regulation introduced in the US (Community Reinvestment Act) has greatly enhanced the amount of financial resources flowing into inner city areas. A participant emphasised the different nature of legislation in the US where 'tax breaks' provision is in place to help the growth and the attraction of businesses to deprived areas. On a similar note, another participant mentioned the intention of the government to re-introduce enterprise zones.

In terms of microfinance, the contribution from Milan underlined the difficulties for self employed in finding capital for businesses start up. The Province of Milan is in the process of developing collaboration with private partners and banks in order to develop financial resources that can be channelled to the improvement of deprived urban areas.

A survey of 500 small and medium sized companies in Prague showed that the main problem of businesses was not their 'disadvantaged' location in terms of crime and other negative effects related to the locality, but finance, bureaucracy, and the 'overloaded management' of the firms (i.e. business owners do not have time to look at other sources of business development). Barriers to business development in Prague also included lack of information about technology, human resources and education.

Asset based approaches

It was emphasised how land, building and other assets can contribute to generating resources that will help the development of enterprise in deprived urban areas. Other participants stressed that skills in deprived areas are available, but programmes should make effective use of it. Other stressed the point that civil society organisations need to be taken into account. Some participants found that capacity building (financial as well as in terms of expertise) for organisations needs to be enhanced.

Support mechanisms for 'migrant' enterprise support

Some participants highlighted the 'under representation' of ethnic minorities, women and migrants in terms of enterprise development, particularly focussing on the last group. Participants pointed out that migrants are potentially valuable members of the workforce and, as such, they need support in terms of language, culture and the business ethos in the UK. The challenge raised here was how to develop mechanisms to support these groups of people effectively.

In terms of BMEBs support, another important contribution emphasised that although needs are local, solutions often lie outside the area. In this sense, there was a perceived need to link local focus with wider economy opportunities.

The experience of Milan was described pointing to the fact that support is in place in terms of stimulating women entrepreneurship. Milan is also considering support for migrants but this is only at the initial stages.

The role of Enterprise education

The importance of stimulating an enterprise culture via entrepreneurship education was considered, and particularly whether entrepreneurship and social entrepreneurship should be taught in schools as part of the curriculum.

Changing perceptions of deprived urban areas

An important emphasis was put on the importance of 'branding' an area as a way of attracting private sector investment. Examples referred to the 'social compact model' which in essence is characterised by a different way of looking at deprived urban areas from a market perspective highlighting the potential market opportunities (e.g. examining purchasing power at very local level, rather than GDP per capita etc.) with the objective of attracting private sector investment into the area.

The role of large firms in stimulating enterprise creation in deprived urban areas

Some participants underlined the important role of large firms in the economy. Although small firms make up 97% of our economic activity, large firms are responsible for most of the employment. There is evidence of successful initiatives aiming at fostering linkages between large and small firms. A participant highlighted an initiative in Sutton where large companies linked up with small companies producing new opportunities in the area (e.g. reverse training).

However, other participants emphasised caution in attempting to involve large companies because of the tendency from large firms to be disengaged from the locality. In order to solve this problem, greater effort must be put on the 'business case' for attracting large companies to collaborate in local regeneration.

Workshop on social enterprise in deprived urban areas

Policy vs practice?

In spite of a long history of promoting employment and social inclusion, social enterprise has only recently been considered by governments across the EU as a public policy instrument, in particular given its role in service provision. In the UK, this has translated in a gap between social enterprise in public policy and social enterprises themselves. At a policy level in the UK, social enterprise mainly falls under the remit of the Department of Trade and Industry's Small Business Service. Here social enterprise is viewed as an alternative form of business and has placed emphasis on 'scaling up social enterprise' as a way to promote regeneration and combat social exclusion. The Department for Work and Pensions has generally approached social enterprise as a means to create employment opportunities, focusing on intermediate labour market organisation and social firms.

Alli Beth from Social Enterprise London identified clear gaps between the enterprise and employment based approaches to social enterprise. Policy has been catching up with practice but some adjustments are still needed. In terms of funding for instance, there have been two 'generations' of funding programmes for social enterprise. The first attempted to mainstream social enterprise, whereas the second placed more focus on differentiating between social enterprises, ensuring that the micro-level social enterprises did not lose out because of difficulties in accessing mainstream programmes.

The growing policy and strategic interest in social enterprise has come with great expectations of the sector, with many targets being set over a short period of time. It is crucial to keep in mind the diversity amongst social enterprises. Social Enterprise London is currently developing a quality and impact framework. It is also crucial to think about the rationale for promoting social enterprise as a public policy instrument: it is not about a 'cheaper way' to achieve public policy aims, but a 'quality' way of doing so.

At the EU level, social enterprise falls under the remit of DG Enterprise. While on the one hand social enterprise is still not high on the agenda, on the other, support schemes in this field have been fragmented (structural funds, URBAN, Interreg, ADAPT, NTEGRA, Third System project, EQUAL etc). Capitalisation is therefore difficult.

Values vs a business model

Defining social enterprise is a difficult task. Different countries have a different history and experience of social enterprise, making it difficult to draw comparisons and reach a common understanding.

One approach to defining social enterprises could be to look at them from the perspective of 'inputs'. In very general terms, a social enterprise will be based on an input, a production process, an output, the achievement of profit and the distribution of this profit. Because of its nature, the profit made by a social enterprise will not just be in economic terms but also in terms of wider social aims, such as getting people into employment or providing support and training to its staff. The purely economic profit will be distributed to the community or reinvest it in the business.

The creation of social enterprises was seen as being based on the identification of market opportunities and responses, community and social needs and public service delivery. However, the key element of differentiation between a normal business and a social enterprise is the social values on which the latter is based, values of solidarity and community cohesion, which go beyond any form of business model

Social enterprise in deprived urban areas

One of the key questions which LNet will need to address is what role do social enterprises play in achieving economic and social cohesion in deprived urban areas. Why are we interested? What are we trying to achieve? Is social enterprise an alternative or a solution? Should the services provided by social enterprises not be provided by central government? While we may not have all the answers yet, it is clear that social enterprise is a way of rebuilding communities, developing local solidarity, strengthening economic and social cohesion.

Social enterprise is more than just a new response to urban regeneration. Social enterprises can play a key role in raising public awareness, combating poverty, helping people become self-employed, expanding new markets, creating jobs with a sense of 'values', contributing to anti-discrimination, creating an enabling environment between profit and non-profit. It is crucial to keep in mind that social enterprises are not just relevant to deprived urban areas, and that these areas should be considered in relation to the wider city and urban region.

Understanding the context

Defining social enterprise is a difficult task, especially considering the different local and national traditions of and understandings of the term. In some countries, the term non-profit is used to indicate social enterprise, which can be misleading as social enterprises do make profit, it is what happens to it that makes differentiates between them and a normal business. In the Netherlands for instance, social enterprise does not exist as such – and only the use of practical examples could help find a common ground.

The context and institutional framework in which social enterprises operate is also diverse: some governments have been more enabling than others, in recognising social enterprise and its potential. It is important to think about what triggers social enterprise, the culture and attitudes which help promote it or contain it.

Tackling barriers

To allow the potential of social enterprises to be fully achieved, several barriers need to be tackled. LNet could usefully identify these and provide recommendations for the future. Social enterprises often need specific support and finance measures to achieve their aims. Mainstream business support services might not always respond to their needs and financial instruments may not always be flexible enough. At the same time, some Voluntary and Community Organisations which could potentially become viable social enterprises might be discouraged by the 'business jargon'. Enterprise agencies need to be more aware of the needs of VCOs and social enterprises and the language they should use when talking to them.

There is also a clear lack of good evaluation frameworks for social enterprise. Often it is the same social enterprises which are put forward as best practice – is this because there are not many social enterprises or simply because our knowledge of social enterprise is limited?

Next steps

The next steps for LNet will be to promote a mutual understanding of social enterprise based on definitions and practical examples. LNet's Milan partners have developed a questionnaire the definitions, legal status, history and development and local best practice to facilitate this exchange of knowledge and experience and illustrate what definitions can sometimes fail to convey.

LNet should consider the possibility of developing a social enterprise 'label', based on the identification of common characteristics and indicators. This would allow the recognition of standards in social enterprises and a regular framework for evaluation.

Afternoon Plenary session:

In the afternoon plenary session, a discussion followed feedback from rapporteurs about the morning's workshops. Key points raised were as follows:

- **Social enterprises:** We must identify the characteristics of social entrepreneurs, learn to recognise them and help them grow. As yet, we are some way off from a definition of 'social enterprise' and 'social entrepreneur', as these terms have different meanings in each of the LNet countries.
- **Community Involvement:** We must make sure that people and places move at the same time. If not, there is a risk that as areas get richer, people who are less well off are forced out. The community must be at the centre of urban regeneration.
- **Sustainability:** As many funding streams – such as EU funding – are due to run out over the next couple of years, sustainability is an issue.
- **Barriers:** We must examine the barriers to businesses in deprived areas – are these barriers different from other areas?
- **Transferability:** This issue is very important e.g. UK policies, which are based on US models have had to be significantly adapted to work in this country. We must bear this in mind when considering best practice models for LNet.
- **Definitions:** We must not get too bogged down by definitions – these issues can be worked out as the project progresses.
- **Employment:** We should not forget that the 'hidden agenda' of developing businesses in deprived areas, is to get people into employment.

Conclusions

Madeleine Williams drew the meeting to a close, stressing the need for the project to develop practical outputs, to address the causes and consequences of deprivation in urban areas. This is not just a research project – LNet will work towards developing a good model for evaluating best practice, so that case studies can lead to effective tools for policy-makers.

Please visit the LNet website: www.thelearningnetwork.net
