RAMSDEN, Peter (2008), "Out of the Ashes: Supporting specialist projects for minority ethnic entrepreneurs – The experience of the UK Phoenix Fund Programme", in OLIVEIRA, Catarina Reis and RATH, Jan (eds.), *Migrações Journal - Special Issue on Immigrant Entrepreneurship,* October 2008, n. 3, Lisbon: ACIDI, pp. 207-228

Out of the Ashes: Supporting specialist projects for minority ethnic entrepreneurs – the experience of the UK Phoenix Fund programme

Peter Ramsden*

Abstract This article explores the experience of the UK's Phoenix Development Fund, which supported 95 projects between 2001 and 2006. About twenty per cent of these projects were specifically focused on Black and Minority Ethnic (BME) groups and refugees. The analysis is based on the findings of the interim and final evaluation carried out by the author. The evaluation included two surveys of all 95 projects and one survey of 800 final beneficiaries. The overall conclusion is that specific or targeted approaches to outreach can succeed in engaging communities who have not previously used business support available through mainstream agencies. Valuable innovation took place within the projects, particularly in relation to techniques for outreach and engagement, and methods of supporting clients through finance, training and coaching approaches.

The programme was less successful in transferring its results to the mainstream agencies for a number of reasons, including the lack of an effective mainstreaming strategy, the target-driven approaches of the larger agencies, ongoing restructuring in agencies and the break-up of the Government's Small Business Service when its functions were transferred to regional development agencies. The article concludes that specialist approaches are needed to promote enterprise strategies but they are best implemented by a 'braided' approach that links specialist support to mainstream agencies through referrals, funding and results.

Keywords mainstreaming, specialist business support, targeting, braided approach, outreach, microcredit.

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Introduction

This article looks at the experience of the Phoenix fund – and specifically presents some policy considerations about supporting ethnic minority entrepreneurs, one of the target groups on whom the fund focused. The article is based on a comprehensive evaluation carried out by the author over a three-year period for the United Kingdom's Small Business Service.

The Phoenix fund was a £189 million (€237.5 million) fund that ran from 2000 to 2006 in England. Its purpose was to tackle social exclusion by encouraging entrepreneurship in disadvantaged areas and among groups who were under-represented in business ownership. At the outset, its main elements included:

- A Development Fund to promote innovative ways of supporting enterprise in disadvantaged communities and among under-represented groups;
- A Challenge Fund and Loan Guarantees to help provide resources for local Community Development Finance Initiatives; and
- A national network of volunteer mentors for pre- and early-stage business start-ups.

The Phoenix Fund was designed to be responsive to emerging policy needs and additional elements were subsequently added, including:

- City Growth Strategies – an approach to city leadership based on Michael Porter's ideas on clusters and competitive advantage;
- A Community Development Venture Fund; and
- A Development Fund for Rural Renewal that targeted areas affected by Foot and Mouth Disease.

This article deals particularly with projects targeting Black and Minority Ethnic (BME) people, funded under the Phoenix Development Fund (PDF). In the original description at the launch the fund was described as follows:

> "The Development Fund is designed to encourage innovative ideas to promote and support enterprise in disadvantaged areas and among groups currently under-represented in terms of business ownership. Its purpose is to encourage experimentation, the evaluation of new ideas and the iden-

> tification and spread of best practice in an area where there is currently too little knowledge. The fund is looking to support a limited number of high-quality projects to help inform this process."[1]

The Fund's initial budget allocation was £12.6 million (€15.8 million) for a first round of projects over three years from 2001 to 2004. The first bidding round closed in October 2000 and fifty projects were approved at a total cost of £15 million (€18.85 million). A second bidding round, which built upon the lessons of the first round, took place a year later and funded an additional 46 projects increasing the total Fund budget to £29 million (€36.5 million). Bidding guidance emphasised the focus on disadvantaged or under-represented groups and went on to mention four specific groups: women, ethnic minorities, people with disabilities and ex-offenders. The focus would be on 'any community or group that faces social or economic detriment which impacts on its ability to run a business, this may be a geographically based community or a group defined by another common characteristic'.

Methodology

The terms of reference for the evaluation focused on evidence of innovation, effectiveness, success in outreach, engagement of the mainstream and the extent to which capacity had been built within the organisations themselves. The evaluation was based on a methodology that combined the use of surveys, monitoring data and case studies. These included a beneficiary survey of 800 entrepreneurs; two project surveys of the 95 projects; and 24 case studies. In addition to the interim and final evaluation report this article has drawn on a summary of the projects in the *Leading Lights* report and a report looking at the final round of Phoenix entitled Investing in Success.

BME business in the UK

Part of the reason for concern relating to BME enterprise in the UK is the persistent and intractable poverty that many BME communities experience. Over 80 per cent of Pakistani and Bangladeshi households have incomes that are less than half the national average, compared to 28 per cent of white households. The BME unemployment rate is roughly double that of the white population. The activity rates of some sub-groups are very low, for example Bangladeshi women have an activity rate of only 27 per cent and enterprise rates of below 1 per cent. Pakistani and Bangladeshi people are one-and-a-half times more likely to suffer ill-health than white people, and African-Caribbean people a third more likely. The latter are eight times as likely to live in overcrowded conditions. Overall in Britain nearly half of all children growing up in poverty (defined as 60 per cent of the median income) have one parent who is working. The failure of activation policies to help BME women, especially Muslim women, to enter employment contributes to this poverty.

The Small Business Service (SBS) estimates that there are over 250,000 BME-owned small and medium enterprises contributing over £15 billion (€19 billion) to the UK economy each year out of a total pool of 4.3 million enterprises. Ethnic minority businesses account for 9.8 per cent of small businesses in England with employees. They tend to be younger businesses: 20 per cent have been trading for less than three years (compared to 14 per cent for all businesses with employees), and this figure jumps to 41 per cent for Black- (that is, African- and African-Caribbean-) owned businesses. Although high levels of entrepreneurship are found among many BME communities, there are sharp differences across gender lines, particularly for Pakistani and Bangladeshi women who show very low levels of entrepreneurship.

BME businesses are concentrated in low value-added sectors – in particular in retail and restaurants. Around 90 per cent are in the service sector compared to 70 per cent of all non-ethnic minority businesses. BME businesses are heavily concentrated in disadvantaged areas because these are overwhelmingly where BME communities live. Forty per cent are located in the 15 per cent most deprived wards, compared to 25 per cent of non-BME businesses. This is particularly true of Pakistani-led businesses (56 per cent) and Chinese-led businesses (31 per cent). Only 9 per cent are located in rural areas.

There is wide variation in the take-up of business support. In general, fewer BME businesses use formal support services, with Bangladeshi-owned businesses the least likely - only 28 per cent take up support compared to 51 per cent on average. Chinese businesses were also low at 39 per cent. Female-owned ethnic minority businesses were more likely to seek help (54 per cent) compared to 39 per cent for male-owned.

Ram and Smallbone (2003) have attributed this low take-up to a combination of factors including cultural and language differences; lack of trust and confidence; lack of awareness of services; inexperience in engaging support; and business support not being linked to other advice needs (for example, on immigration).

The EVU (Knowledge Centre for Ethnic Entrepreneurship) in Copenhagen found that most BME and migrant clients had no idea that business support even existed, as nothing equivalent could be found in many of their countries of origin. The UK Global Entrepreneurship Monitor (GEM) 2003 survey showed that Indian, Other Asian and Black communities are more entrepreneurial than any other groups in the UK. They are three times more likely to be involved in investment activity than their white counterparts and their level of total entrepreneurial activity (TEA) is nearly double. The GEM definition includes people who are actively involved in creating a new business as well as those who are already in business.

In relation to self-employment, ethnic minorities have a similar rate to the white population (11 per cent).[2] However, this rate is much higher among Asian groups (14 per cent) than Black groups (7 per cent). The Pakistani population currently has the highest self-employment rate of all ethnic groups despite having one of the lowest employment rates.

In terms of sectors, there is a strong concentration of BME self-employed people born outside the UK in the distribution, hotel and restaurant sector, in which half of them are active, compared to one in six of the UK-born BME population. As well as being concentrated in sectors such as catering and retail, BME businesses face particular barriers, including obtaining necessary finance, and may have different support needs as a result.

Access to finance and appropriate business support services are two specific issues referred to by Monder Ram *et al*. (2002) in their study for the British Bankers' Association. On finance the authors identify particular problems for African-Caribbean businesses that may be exacerbated by gender, as many businesses are owned by women in this community. For South Asians, although they have established a formidable reputation as entrepreneurs, it seems that financial circuits are often informal and within the community, often based on extended circuits. Ram *et al*. (2002) go on to report arguments that these same circuits were missing in the case of African-Caribbeans, and that this may explain their entrepreneurial under-achievement. The authors point out that this argument lets the formal system off the hook and ends up blaming the victim. Perhaps it is the absence of 'a level playing field' for formal financial products that is the real problem.

A similar picture unfolds for business support. A number of studies are reported by Ram *et al*. (2002) to demonstrate low levels of business support take-up from mainstream agencies. In one study of Humberside (county in Northeast England), 75 per cent of BME businesses had never accessed any business support, compared to only 32 per cent of all firms. There are a number of explanations for this lack of penetration by mainstream agencies into the BME business community. Firstly, many BME businesses are small if not micro (under 10 employees). Furthermore, they were largely excluded by the newly established Business Link[3] during the 1990s because the new service specifically targeted small and medium-sized businesses with more than 10 employees and not micro enterprises.[4]

Secondly, BME businesses are over-represented in sectors such as retail, catering and food distribution, which are not targeted for business support services. Indeed some of these sectors are deliberately excluded from funding programmes such as the European Regional Development Fund. Ram *et al.* (2002) argue that it is not lack of interest from businesses that is the problem but rather lack of outreach by the agencies. In this context, the approaches developed within the Phoenix Development Fund for reaching BME businesses are highly relevant.

This leads us to a similar debate in relation to BME businesses to that for women's businesses, about whether support should be provided by the mainstream business support agencies - in particular Business Link - or by specialist services. BME businesses are similar to all businesses in that a high proportion of their business activities are the same; they all make sales of a service or product, invoice clients, produce accounts and aim to make profits. Despite having much in common there are also significant differences arising from language, culture and the specific barriers faced by BME groups – especially that of discrimination. For a range of reasons, BME firms are overwhelmingly concentrated in certain niches such as retail and wholesale, and food processing and restaurants.

One of the reasons why BME business is so important in economic development and regeneration policy in the UK is because of its locations. BME businesses are to be found overwhelmingly in the poorer central areas of Britain's cities. Building on the entrepreneurial success in these areas is a key element in future economic revitalisation and sustainable regeneration. Ethnic minority business organisations have been effective in many regions in raising the profile of ethnic business and persuading the agencies to fund specialist business support organisations.

Refugees are often conflated with BME groups, despite the fact that they can have very different characteristics from the established BME communities and vary considerably depending on their origins and the circumstances of their forced migration. Whereas many UK BME groups have been in the country for two, three or more generations, most refugees are relatively recent arrivals, many having migrated during the past decade. Refugees often have high levels of qualifications from their home country that are under-used when they arrive in the UK. Refugees frequently take entry-level jobs in service industries and in food processing. Many end up operating in the informal sector, working for illegally low wages in dangerous conditions. Enterprise may be especially important for refugees as a route out of low-paid employment. Work with refugees has been specifically identified in the 'filling the gaps' round of the Phoenix Development Fund, launched in 2004.

Phoenix Fund support for BME entrepreneurship

Of the total of 95 projects supported by the Phoenix Development Fund, ten were identified for this study as being specifically targeted at BME clients. A further ten could be defined as having a high relevance for BME people because in practice high proportions of clients were from that client group. The ten specific projects are listed below in Table 1.

The projects supported by the Phoenix Fund used a wide variety of approaches to support BME entrepreneurs:

- Peer group support: The 12/8 network offered peer group support to identify business needs and solutions. The Fit to Supply project offered peer-to-peer visits to enable less experienced businesses to gain knowledge from more experienced businesses. East End Microcredit Consortium (see box below) developed a form of peer group micro-lending.
- Business start-up training, sector-specific seminars, procurement seminars, business support training especially adapted for client group, and so on. There was a strong focus on Faith in Business as well as Black MBA (Master of Business Administration) (see boxes below).
- One-to-one pre-enterprise support was offered by most projects and usually involved project staff in informal first meetings, dealing with clients' concerns about self-employment and wider social issues. This was a particular feature of Faith in Business and Asian Trading Links.
- Specific Training delivery: The Enterprise support for disadvantaged groups project provided intensive training in accounting (National Vocational Qualifications levels 1-4). Black MBA focused on getting more black people into MBA programmes through its scholarship programme. International Management and Recruitment Consultants (see box below) ran a series of training sessions including a strong focus on Business English.
- Most projects offered one-to-one business advice, either through project staff or through seconded or brokered introductions. These included Asian Trading Links, Faith in Business and Fit to Supply
- The Fit to Supply project run by ABi associates - who also ran Faith in Business - provided supplier diversity workshops focusing on the demand side of procurement.
- Networking: Networking was central to many projects and for the 12/8 project, it was the main delivery method. This was also true of Hertfordshire Business Link which helped Asian businesses to set up an association and seconded staff to it.

Table 1 - Phoenix fund projects that worked with ethnic minorities and migrants

Name of project	Lead organisation	Main target groups	Location	Approach
Faith in Business Project	ABi Associates	African-Caribbean start-ups	NW London	This project encouraged entrepreneurship within the African and Caribbean community by reaching them through the Black Majority Churches in London.
BEC	Business Enterprise Centre	African-Caribbean start-ups	NW London	This project used paid mentors from within the African-Caribbean community to support start-up activity.
Black MBA	Black MBA	African-Caribbean	London and regions	A wide-ranging project focusing on promoting high aspiration among the Black community.
Fit to Supply Project	ABi Associates	Women and BME businesses	NW London	The project concentrated on four areas: procurement support and advice for female-owned businesses, supply chain development of BME businesses, promotion and development of green and e-procurement opportunities, and development of supplier diversity models and corporate social responsibility.
Asian Trading Links	ATL	Asian businesses	West Yorkshire, Birmingham, Leicester	The project is piloting ways of supporting independent retailers.
East End Micro-credit Consortium	EEMC (Environment Trust, Streetcred, Account 3, Homeless families)	Somali and Bangladeshi women start-ups	East London	Micro finance for female-led start-ups – uses an adapted Grameen peer group model, delivered through three community-based organisations.

Share and Succeed	Business Link Hertfordshire	Mostly Asian businesses	Hertfordshire	This project aims to increase the take-up of business support services by ethnic minorities by developing peer business-to-business networks and an integrated portfolio of tailored services.
Enterprise Support for Disadvantaged Groups.	International Management and Recruitment Consultants (IMRC)	Refugees and BME start-ups	London	This project aims to develop the existing entrepreneur skills of refugees and help establish new businesses in disadvantaged areas in London.
Nazir Associates	Nazir Associates	Asian business retail	Birmingham	This project worked with retailers to help them to update their IT systems (Electronic point-of-sale websites, etc.).
The 12/8 Network.	Business Link for Birmingham	African-Caribbean businesses	Birmingham	This network seeks to accelerate the growth of a competitive and successful African-Caribbean business community through developing a programme of improvement for existing African-Caribbean businesses in the West Midlands and developing a model of business support which can be replicated in Business Links across the country.

Different approaches to working with target groups

Faith in Business

The Faith in Business project worked by using the outreach capacity of Baptist churches to reach the male members of the African-Caribbean community. The idea was to assist the development of church-based community / business groups as partners in economic regeneration. Essentially there were three different processes: engaging African-Caribbean Community (ACC) congregations in the development of business services for start-ups, providing training and support for those who wanted to start their own business and growing existing businesses and using their skills to help their own community.

At an operational level this involved asking religious ministers to display leaflets publicising enterprise events; providing input to the training and services provided; encouraging referrals and signposting for business support; identifying possible community enterprises; and identifying potential business mentors and volunteers.

Faith in Business then ran 'Be Your Own Boss' courses and training for Christians, in a range of subjects, some given by ACC Christian business leaders. At one workshop held in October 2002, six businesses and four individuals attended. This workshop proved to be very successful, as participants were able to start working on their own business plans. They followed this up with a tax workshop which five businesses and four individuals attended. Participants were encouraged to identify areas that needed to be addressed. The workshop enabled participants to better address tax issues in their business or within their business planning. This workshop was followed by one on managing finances and a workshop for helping businesses to obtain the Foundation Certificate in Food Hygiene.

A wide range of other workshops were also held, focusing on legal aspects, starting up, time management and marketing. The aim was to alert the majority of attendees to existing mainstream advice and training. Faith in Business also provided business mentoring advice to those starting their own business. Such advice included dealing with client calls, arranging one-to-one advice sessions, writing client reports, assisting clients with business planning and following up to check progress. There was no strict or formal selection procedure, and no particular limit to the advice that could be given.

Apart from the innovative outreach approach with a very specific focus on the African-Caribbean Community in this part of North West London, most of the rest of the project was relatively typical of enterprise agency activity. One of the implicit targets of the outreach was to get more African-Caribbean men into programmes. Studies such as Global Enterprise Monitor have shown that this group has a relatively high level of interest in entrepreneurship but a low level of conversion from aspiration to starting up a business. Young African-Caribbean men do not go to church as frequently as their mothers and sisters, though they can be reached through the churches.

Faith in Business developed a powerful way of continuing the support through establishing a support group made up of ten to twelve people, for prayer and to talk through problems and find encouragement.

East End Microcredit Consortium: Hub and spoke

EEMC was a lending programme for start-up businesses that ran in East London from 2001 to 2005 and was supported by the Phoenix Fund and the European Regional Development Fund. Elements of the project continue today through work by two of the outreach organisations - Streetcred and Account 3, and through the emergence of Fair Finance, a community development finance institution.

The EEMC used a peer-group model based on the original idea of a group of five people invented by Muhammad Yunus at Grameen Bank, where EEMC's founder Faisel Rahman had worked in the 1990s. The main target group was the Bangladeshi and Somali communities in Tower Hamlets, Newham, with a particular focus on women.

The lending operation used a 'hub and spoke' model. The Environment Trust acted as a hub, provided the lending and running the loan book, while three locally-based community organisations, Streetcred, Homeless Family Unit and Account 3, were the spokes working directly with the clients, providing outreach and organising peer support.

The EEMC also used step-by-step lending whereby the first loan is very small, and successive loans can grow as the practice of repayment is demonstrated. The first loan was up to £500 (€630), the second £1,000 (€1,260) and the third £2,000 (€2,520), with administration charges taking between six and ten per cent.

The Consortium members worked through a series of lending circles, which were each made up of between four and six women. Individuals had to obtain agreement from the group before a loan was issued. The group also vetted each individual's business plan. If one person failed to repay the loan, the whole group was penalised. As is the case with all microcredit systems, this 'moral collateral' formed the backbone of the Consortium. And it worked: 98 per cent of loans were repaid.

The project set up 55 peer lending groups equating to over 300 women, and granted over 250 loans. At the last count, more than fifty women had taken out second loans and a handful of tertiary loans, proof that their businesses had developed. The project's success cannot however be measured simply by the number of loans granted. For many women the success story was having the chance to get out of the home, and being given a chance to consider their options. By working on the margins of society, this project's work has had a real impact on people's lives.

Black MBA

Black MBA (Master of Business Administration) was a project funded under the Phoenix Development Fund and the EU EQUAL Community Initiative. It ran for approximately three years before getting into financial difficulties and going into liquidation in 2004. Its title comes from an American model of the same name that uses the MBA soubriquet to lend the model a reputation for quality.

The business failure of the Black MBA Association (UK) appears to have been brought about by poor management linked to a classic example of the over-expansion of a small organisation. It simply grew too big too fast; if it had been a private company, it would have been over-trading. Yet a third factor drove the organisation into this position: an over-abundance of public sector grant money which was then stopped abruptly. When the Phoenix Fund failed to support Black MBA after the first three-year period, the organisation could no longer co-finance its EU EQUAL funding and quickly went under.

This last factor is the key issue. Normally, public agencies award funds to organisations with a funding track record. Black MBA Association (UK) was unusual in being a new organisation that succeeded in gaining the support of major funders providing EU EQUAL, European Social Fund and national funding (Phoenix fund). As a result, it received considerable amounts of public funding.

Black MBA was a franchise of a successful US-based model which had developed a wide range of activities over two decades of development. Black MBA in the UK went into action with the intention of running a wide range of initiatives similar to those of the programme in the United States. This contrasts with most other Phoenix projects, which focused on one or two main activities and stuck to them. It seems likely that Black MBA was too ambitious in taking on so many activities. These activities included: Entrepreneur clinics; lifelong-learning for wealth building; developing a community bank; Entrepreneur website and Entrepreneur online programme; Entrepreneur expo; Entrepreneur advisory service (also financial advisory service); Entrepreneur experiential learning; Entrepreneur scholarship programme; Entrepreneur outreach; and Entrepreneur MBA scholarship programme.

The financial collapse of Black MBA should be instructive for Government agencies that fund projects. The new organisation grew too fast, was too ambitious and spread its energy across too many activities. Above all, Government funders need to be able to pinpoint when things are going wrong, understand and recognise too-rapid expansion, intervene at an early stage, and exercise control with close monitoring and management. Black MBA illustrates the social responsibility of funders and also indeed how much is lost when organisations collapse.

IMRC: Working predominantly with refugees and BME

International Management and Recruitment Consultants (IMRC) worked with refugees and BME groups in London. Refugees are often determined and enterprising individuals, many of them possessing professional and commercial skills. Though many come from business backgrounds, they need assistance in adapting to the culture of British business and finding their feet in a new world.

Refugees and new settlers need help in building confidence as well as emotional support. At the very least, advisors should show sensitivity. Ideally they should also use counselling and listening techniques. Refugees are often dealing with other major life challenges such as personal and family life disruption related to their immigration. It is vital to invest significant time in building a listening and learning relationship, and in understanding their unique set of difficulties and dilemmas. Standard support packages may well be inappropriate. To build trust with BME entrepreneurs, advisers need to be culturally sensitive and behave appropriately - particularly with regard to norms of politeness, respect and hospitality.

IMRC was established in 1987 as a private limited company in Tottenham (Haringey Borough, London). Soon after, it set up an office in Wembley (Brent and Harrow Borough, London). It is a registered provider of vocational and enterprise training for the various Learning and Skills Councils (formerly North London Training and Enterprise Council (TEC), North West London TEC, and West London TEC). It is particularly strong in accountancy training: IMRC is located next-door to and partially owns the North London Accountancy College.

The organisation provides training at National Vocational Qualifications accounting levels 2, 3 and 4 and is also strong in IT training. IMRC gained the quality standard ISO 9001 for educational training and emphasises this fact, being proud to be one of the few training and consultancy companies in the country with such certification. It has four full-time members of staff and draws on the resources of about six regular consultants who provide training and consultancy input. The Phoenix project is IMRC's main source of income and focus, and it runs its vocational courses alongside it.

The aim was to work with refugees and disadvantaged ethnic minorities, and to provide help and support in capacity-building, so that they would become self-employed and self-sufficient. To achieve these aims the project ran awareness days to attract potential entrepreneurs; a programme of classroom courses run by those sensitive to the cultural issues of ethnic minorities and refugees; a more personalised form of life and business coaching; one-to-one, holistic business advice; general support, such as help with funding applications; and computers and the use of office facilities.

The project aimed to address the English business 'language and culture' challenge, together with other shortcomings in people's business skills. The approach has been to build strong and trusted relationships with entrepreneurs over time. Recruitment and referral to the scheme was mainly through the local press, and via a flyer, with the following wording:

> "Opportunity of a Lifetime: Free of Charge. IMRC has joined hands with Refugees Into Jobs to help support refugees and Ethnic Minorities who are unemployed and want to set up their own business. We will provide: help in business English, training in business planning, marketing, financial management, import and export, legal and corporate requirements, signposting to sources of finance, help to secure funds to start a new business, help to run a successful business, training in IT/ICT to encourage e-commerce. We are looking for serious and committed persons who have had some experience in business in the UK or their country of origin."

Business awareness seminars were open to all and allowed a wide range of people to develop their enterprise idea. These seminars also gave IMRC staff a chance to assess how serious attendees were, and mutually agree on the full package of business courses and advisory support. An interview and a needs analysis followed, which assessed the kind of course training or mentoring they should receive. The recruitment process used a filter whereby the first awareness seminar was open to all, followed by a needs assessment for those interested, after which a selection took place and those that went forward created an action plan. This then led to training and coaching.

Courses included

(1) Business English based on the Financial Times course book Market Leader: twenty sessions of three hours each over three months;
(2) Marketing: six sessions of three hours each over six weeks for fifteen students;
(3) Business Planning: six sessions of three hours each over six weeks for fifteen students;
(4) Introduction to Sage seminars: one day;
(5) Introduction to book-keeping and accounting; Financial Management, Tax and VAT; and
(6) Introduction to import / export businesses (one day) and other courses on 'Nuts and Bolts of English' (legal framework, insurance, type of business).

These courses included a subsidy for travel costs and were scheduled at varying times of the day, particularly evenings and weekends, to try to allow for people to make alternative childcare arrangements if necessary. Advisory sessions were provided by an assigned mentor. These were usually those who had provided the course training, the core of the business support package. Advice was arranged in an informal and flexible way, with no particular quota or schedule. Matin Khan, the leader of IMRC, emphasises that: "there is no quota on the advice they can receive. [*Such a quota*] would put them off, make them feel uncomfortable. Even after the project funding has finished, we'll continue to help our clients for free."

Specific approaches reach the most BME clients

Observations from case study visits and a review of monitoring data suggest that the more specific projects were reaching the most BME clients. A detailed analysis of the ethnicity of clients from Small Business Service quarterly monitoring returns supported this finding. These data showed that 25 of the total of 96 projects reached 83 per cent of the 14,226 ethnic minority clients that Phoenix Development Fund (PDF) projects helped. These 25 projects tended to have high proportions of their clients from ethnic minority groups. In 80 per cent of these projects, ethnic minorities made up more than 50 per cent of the clients. Table 2 below illustrates this point by showing the top fifteen projects ranked according to numbers of ethnic minority clients.

Most of these projects were physically based in areas of high ethnic minority population. The two exceptions are The Prince's Trust which operates nationally, but still specifically targets disadvantaged youth, and the Hertfordshire Project, which has a specific ethnic business focus in a county of the UK renowned for its general prosperity and leafiness.

Ten of the projects shown in Table 2 had more than half of their clients from minorities. Of the remaining five projects, The Prince's Trust, a national project, has the lowest percentage of ethnic minorities among its clients (sixteen per cent), but because of the relatively large size of its client base (4,583), it still managed to reach a lot of BME clients.

North Hertfordshire Business Link took advantage of having a dynamic Sikh business adviser Amrit Maan in their employ. He was able to help the Asian retailers in the area to set up a business association and was later seconded to the new association. This is an example of a highly targeted approach originating in a Business Link. Such approaches appear to be rare in mainstream agencies and perhaps significantly this initiative was funded by the Phoenix Development Fund (PDF). A Business Link director from Lancashire commented that they would like to do more outreach work like this, but that the Small Business Service funding and target framework within which they operated made this difficult.

In general, the PDF projects that achieved higher ethnic minority participation in enterprise were specialist ethnic minority-focused enterprise projects. However, mainstream agencies can also increase their outreach to ethnic minorities by running specialist projects similar to the North Hertfordshire project.[6]

Table 2 - Top fifteen projects working with ethnic minorities (by numbers of BME clients reached)*

Projects	Location	Total PDF grant	Clients assisted	Total ethnic minority clients	% of clients from ethnic minorities
East End Microcredit Consortium	East London	£165,557	321	272	85
BL Hertfordshire	Hertford-shire	£246,642	300	300	100
Bootstrap Enter-prises	East London	£286,272	344	301	88
Train 2000	Liverpool	£225,000	2,460	450	18
ABi Associates*	NW London	£387,500	625	490	78
East London Small Business Centre	East London	£295,000	675	490	73
The West Yorkshire Enterprise Agency Ltd.	West York-shire	£849,000	1,375	525	38
ABi Faith in Business[7]	NW London	£144,200	659	574	87
Nazir Associates	Birmingham	£723,138	689	688	100
The Prince's Trust	National	£736,000	4,583	733	16
Tottenham Green Enterprise Centre	Tottenham	£300,000	2,571	1,599	62
Portobello Business Centre	West Lon-don	£598,670	2,468	2,031	82
Womens Education in Building	Stratford, London	£522,250	5,875	3,339	57
Total BME clients reached by top 15 projects				**11,792**	
Total BME reached by all projects				**14,226**	

*Note that figures for Black MBA are not presented.

Conclusions

The Phoenix Fund was almost certainly the largest pilot action ever undertaken in a European Member State in the area of specialist approaches to reaching particular target groups of entrepreneurs. It is likely that only the EU EQUAL initiative running between 2000 and 2006 was larger, but at a national level within England, Phoenix had broader scope. The Phoenix Fund projects that focused on Black and Minority Ethnic (BME) communities revealed a number of interesting aspects, discussed below.

Reaching particular communities requires specific approaches

The evidence from client outreach suggests, as mentioned above, that it was the highly specific projects that reached the most BME clients. In effect, 80 per cent of BME and migrant clients supported by all 95 projects were reached by just fifteen per cent of the projects, most of which had a specific BME approach to engagement (even if many also supported people other than BME groups).

More generalist projects, even when working in inner-city areas, did not reach high numbers of BME clients. There were some exceptions to this rule – notably The Prince's Trust which, by virtue of being a very large project, reached 733 BME clients. All but two of these projects had more than 50 per cent of their clients from BME communities and most of these projects had a deliberate strategy of engaging BME clients rather than a general approach.

Innovation in outreach

Despite the problems of mainstreaming results, there is no doubt that a considerable level of innovation both in how to reach clients and in how to work with them took place within the Phoenix Fund in general and in the work with BME communities in particular. The idea of some people being 'hard to reach' had become entrenched in many business support discussions. Phoenix projects demonstrated clearly that there were many different methods available to reach out to communities.

These methods varied from the faith-based approach used by ABi Associates with Faith in Business, to the idea of using existing community-based organisations to combine their clients, together with a new methodology in order to lend to women, as used by the East End Microcredit Consortium. This organisation went on to become the basis for Fair Finance, one of the most exciting community development finance institutions in the UK with a mixed portfolio of personal and business lending and advice, designed to develop the financial capability of its clients.

Some projects already indicated the importance of building capacity in the community that was to become the hallmark of a later EQUAL funded project called SIED – Supporting Inclusion through Enterprise Development. This subsequently became the Association of Community Based Business Advisers, or ACBBA. Their model, developed under EQUAL, transforms a volunteer in a BME or refugee association into a qualified business adviser – the so-called 'embedded' business adviser. It is likely that SIED would not have been created without the assistance of Phoenix.

Many Phoenix projects working in communities were physically located in or close to their potential clients. Yet the most seemingly self-explanatory finding about outreach was that you have to get out of the office to make it happen. Phoenix projects found all sorts of places to undertake their projects: churches, community centres, housing estates and even the street itself. This may seem an obvious point, but at the same time it is a powerful lesson. Most of all, the outreach teams went to the places where people meet; it built on the social capital already existing in communities – often working through community based associations that previously had nothing to do with enterprise.

Innovation in working with clients

Phoenix produced a number of innovations in working with clients. The final evaluation used the term 'transformational' business support to refer to a type of engagement that was deeper, more open-ended, more empathetic, and more trusted than that provided by many mainstream business services. These services were very client-focused; they saw the need to develop the person and not just their business – and perhaps this is the sense in which business support can be truly transformational. At their best they were also empowering. This was often only possible because the lack of a strong 'target-based' culture within Phoenix allowed projects to spend far more on individual support. Many projects saw their support as open-ended in the same way that IMRC described their approach above.

For BME communities - especially more recently arrived groups where clients may not have UK nationality - it seems important that the service does not feel like part of the State system. Services that ask too many questions are likely to be perceived as 'prying'. It is evident from the client survey - as reported in both the interim evaluation and the final evaluation - that very high proportions of clients were satisfied with the service they had received and that many had been helped with an intensity of resources that went far beyond that normally provided by the mainstream providers in terms of business planning, information and guidance.

Diversity is very 'diverse'

Phoenix-funded projects worked across very different areas and communities. Some BME communities have much higher levels of entrepreneurship than the average (Chinese women and Bangladeshi and Pakistani men in particular). Others have very low levels – including most Muslim women in the UK and many African-Caribbean men. One perhaps obvious reflection is that the projects demonstrated that there were very different needs among different BME communities and between men and women.

Surprisingly few projects tried to tackle the significant gender differences that exist among South Asian communities, particularly among Bangladeshi and Pakistani communities. Only the East End Microcredit Consortium (EEMC) succeeded in reaching out to this seriously under-represented community; estimates suggest that less than one per cent of Bangladeshi women are self-employed or otherwise involved in enterprise. This project also had some success with Somali women who show very low activity and employment rates in British society.

Sustainability

Phoenix-funded projects showed that sustainability is a major challenge for independent business support organisations. Black MBA was the most spectacular failure. However, in the years following the end of the fund, it has been evident that the loss of Phoenix, the completion of the single regeneration budget and the ending of EQUAL, together with continued difficulties for smaller organisations in accessing the European Social Fund because of a privatised prime contractor model and in accessing the European Regional Development Fund, had combined to force many organisations to downscale their activities or cease them altogether. This has been exacerbated by the narrow economic approach often displayed by one or two of the more limited of the Regional Development Agencies and their new logic of de-proliferation and simplification. The most agile projects, such as EEMC, have managed to keep growing. The EEMC indeed has metamorphosed into an institution, 'Fair Finance', that is quite likely to still be active in East London ten years from now.

Mainstreaming

In general, Phoenix Fund projects were not successful at mainstreaming their results. The experience suggests that mainstreaming approaches need to be built into the programme-level activity as well as into individual projects. Projects funded under EQUAL had a mainstreaming and dissemination phase built into their final year of operation, a phase that was lacking in Phoenix. It is possible that as a result, EQUAL will have a more enduring influence on policy than Phoenix.

Phoenix was further hampered by a series of decisions made by the Treasury and the Department of Trade and Industry's Business, Enterprise and Regulatory Reform to break up the Small Business Service (SBS), devolve the management of the Business Link network to Regional Development Agencies, and to simplify business support by reducing the number of initiatives from 3,000 to 100. By 2005 the policy tide to support 'enterprise for all' that had led to the specific approaches tested out under Phoenix had turned into a much more restrictive approach based on managing the service delivery of the mainstream provision. The result has been a reduction in community-based and independently-delivered products.

Towards the end of the Phoenix fund, the lack of a legacy plan was evident. Not enough detailed work on capitalising upon the experience of the projects was carried out, apart from some thematic reports, including one on BME projects that was not published. In retrospect, it is possible that SBS placed too much reliance on the much-delayed publication of the evaluation carried out by the author of this article. Other activities consisted of publishing glossy summary documents such as the *Leading Lights* report which contained two-page profiles of individual projects.

In contrast, not enough emphasis was placed on developing transfer, exchange and mainstreaming techniques in a managed process linked to the Regional Development Agencies (RDAs). The situation was certainly exacerbated by the way that the Business Link service was transferred to the RDAs and the lack of any control by the SBS over how monies for enterprise in disadvantaged areas went into the agency 'single-pot' budget system.

Some of the most significant impacts of Phoenix have been in the language used to describe forms of business support by the RDAs and other policy-makers and practitioners. Much of this has happened through the transmission of ideas through the EQUAL projects, which, although slower to start, proved to have a greater influence. Inclusive entrepreneurship now has its own Community of Practice (COPIE) working across Europe. People in the field of business support frequently refer to 'specialist' business support organisations and to 'the mainstream'.

The language used in the Phoenix Fund evaluation, such as 'transformational business support' used to describe an intensive coaching approach, has been picked up by at least one Regional Development Agency (East Midlands). The much-vaunted 'braided approach'[8] – which formed the final conclusion of the interim evaluation report - was taken up by Prowess, the women's business support advocacy organisation, and used to describe a future enterprise support system that combines specialist and mainstream methodologies in a more integrated approach.

How can the mainstream learn and change

The problem of sustainability is always going to exist for support that cannot profit from its customers. This is particularly true of start-up support and also of support for consolidation and growth in low-margin sectors – such as ethnic restaurants and shops.

The way forward in the long term should be to improve the services offered by the mainstream agencies. Hertfordshire Business Link and also Birmingham Chamber of Commerce, which delivered the Business Link service in that city, showed that it is possible to innovate from within the mainstream. The Birmingham Chamber has been so successful that it has built up its Asian business participation dramatically to over half of the total membership. Note that in the UK there is no requirement for businesses to become members of their local Chamber of Commerce; it is entirely voluntary, unlike in Germany and other Member States.

Methods developed in the Phoenix Fund, such as the Prowess Flagship Award – a quality mark for women-friendly business support, could be developed for BME support, to ensure that services are inclusive and up-to-scratch. In addition, the new COPIE European Tool for Inclusive Entrepreneurship reviews a range of services from different target group perspectives including BME, migrants, women, youth, the elderly and the disabled.

The Phoenix Fund revealed that there was a significant market of potential and actual entrepreneurs who were not being served by the existing mainstream structures. Many of these clients were from BME communities. Now that we understand better how to engage these clients and how to work with them, the 'hard to reach' argument is no longer an excuse.

In its own terms, the Phoenix Fund was undoubtedly successful at encouraging fresh thinking about stimulating enterprise and business support for people in disadvantaged areas and among under-represented groups. Approaches varied in their effectiveness, but at their best offered value for money. The fund was most successful at reaching key target groups when specific approaches were used for outreach. Community-based projects were not so successful at engaging the mainstream, but specific approaches adopted from within the mainstream were very effective at bringing BME clients into the mainstream.

The greatest failure was in building capacity within organisations. Phoenix showed that capacity can be built, but that this capacity has to be sustained through long-term funding approaches and not five-year-long initiatives. The handover of funding from Small Business Services to Regional Development Agencies was mishandled and compromised the long-term support. In the longer term a truly braided system that combines the best of the specialist knowledge and expertise of the BME business support practitioners with the scale and resources of the mainstream would be the better option. This requires a change in the 'target-based' culture and funding from both the RDAs and Business Links in the mainstream, as well as from the specialist providers.

Notes

[1] Development Fund bidding guidance, Small Business Service, 4 August 2000.
[2] Labour Force Survey (2004).
[3] Business Link is the national Government service for supporting enterprise in England, established in 1993.
[4] Some Business Links in Objective 1 and 2 areas applied for ERDF and other funds to provide services to start-ups.
[5] Grameen bank was founded by Muhammad Yunus, and pioneered a technique called 'peer group lending' by which loans are made to groups of five women who provide 'social collateral' to guarantee the loan instead of the traditional collateral of fixed assets.
[6] It should be noted that because of the highly concentrated settlement pattern of ethnic minorities in the UK, some Phoenix projects - especially in rural areas - were working with predominantly white communities (for example in rural Cumbria and Holderness).
[7] ABi Associates had two projects, one in each round. Faith in Business was their first project, and Fit to Supply was their second.
[8] The braided approach suggests an integration between mainstream and specialist approaches whereby they are linked in a single support system by funding, referrals and evaluation, so as to combine the scale of the mainstream with the outreach of the specialists.

References

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