



# Diversity Connectors for Start-ups: The Art of Mixing<sup>1</sup> Final Report

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## 1. Background and aim of the pilot project

Micro and small and medium enterprises (SMEs) are generating most of the new jobs in cities. The growth and sustainability of these enterprises are a priority for many cities. Many of these enterprises are owned by people from immigrant backgrounds and other under-represented groups<sup>2</sup>.

However, immigrants do not have the infrastructure and networks that natives do to start their own enterprises. The failure rate of immigrant enterprises is significantly higher than that of mainstream enterprises<sup>3</sup>. Moreover, in some cities, self-employment is not emphasised. Therefore, although new immigrants may have experience in running enterprises, they are not encouraged to do so by career advisors and mentors. There needs to be a solid incubation phase for these enterprises which can be successfully delivered by enterprise incubators.<sup>4</sup>

Incubators cater to many different types of enterprises. Some of the most well-known are funded privately or by cities in the hope that by investing in high-tech, high-growth potential, high-entry bar, high-value-add start-ups, such as those operating in the ICT and creative industries, the cities and corporates would create 'Silicon Valleys'. Studies show that the commercial start-ups that participate in these connectors are more likely to grow and become sustainable.<sup>5</sup> There is an emphasis in these incubators on honing technical skills and finding investment through venture capitalists.

Some private organisations and cities are also trying to promote immigrant enterprises through developing incubators. These incubators cater for the needs of their users, providing specific services.

Almost all the incubators we surveyed and researched, recruited either mainstream entrepreneurs or immigrant entrepreneurs, not both. However, based on the 'diversity advantage' principle<sup>6</sup>, there seems to be a scope for fostering innovation, faster growth, access to new markets etc. by creative partnerships between mainstream and immigrant entrepreneurs. Such a principle has been tried successfully in relation to mixing

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<sup>1</sup> Originally we thought this project would focus on delivering programmes to start-ups, hence the name of the project, but soon realised that our target users were wider and more diverse – they included all micro and small enterprises. So, although the project is called Diversity Connectors for Start-ups, for the purposes of this project, we include all micro enterprises rather than just start-ups

<sup>2</sup> For the purposes of this project, the term 'immigrant enterprises' is defined as micro immigrant enterprises and includes other micro under-represented enterprises such as those owned by women, youth at risk, refugees and social enterprises.

<sup>3</sup> For the purposes of this project, mainstream enterprises are owned by people from a majority, native background.

<sup>4</sup> For the purposes of this project, incubators will be the organisation we focus on but networks can also be included as a mechanism for service delivery

<sup>5</sup> EU Enterprise Directorate Final Report on Benchmarking of Incubators, 2002.

<sup>6</sup> The 'diversity advantage' is a concept pioneered by the Intercultural Cities programme (ICC) of the Council of Europe <https://www.coe.int/en/web/interculturalcities>

entrepreneurs with different disciplinary and professional backgrounds but not in relation to cultural and ethnic diversity.

Therefore, the Diversity Connectors pilot project sought to enable incubators to attract and cater for the needs of both mainstream and immigrant enterprises entering a variety of industries. The benefits for immigrant enterprises may include a quicker learning curve through peer learning with mainstream enterprises, access to enterprise networks and funding opportunities. For mainstream enterprises, the benefits of interacting with and exposure to immigrant enterprises may include gaining a wider enterprise world view, access to innovative ideas and learning how to cater to different markets and potential clients.

The aim was to create a set of guidelines on how incubators could become Diversity Connectors. It was launched by the ICC in April 2016. It aimed to analyse the work of participating incubators and encourage them to create enterprise connections and partnerships between entrepreneurs of immigrant origins and mainstream enterprises. Working together with incubators and cities, we developed guidelines for how to become a Diversity Connector.

## 2. Deliverables<sup>7</sup>

- ✓ Knowledge exchange and peer learning, via two site visits in expert cities which have good practice examples of innovative incubators for immigrant and/or mainstream enterprises.
- ✓ Access to shared information including information on project participants (who were required to provide detailed information on their organisation and expertise) and research, via a designated section on the ICC website <https://www.coe.int/en/web/interculturalcities/business-diversity-connector>.
- ✓ Self-recorded responses by project participants to the Diversity Connectors questionnaire<sup>8</sup>.
- ✓ A Corporate Roundtable Discussion to make for corporate involvement in the project.<sup>9</sup>
- ✓ A Set of Guidelines<sup>10</sup> for those incubators which wish to become Diversity Connectors and for cities and corporates to learn how they can partner with the incubators on this. The Guidelines are based on key principles and good practice examples shared at the workshop site visits, and in a *linked-in* survey responses of the participants.<sup>11</sup>

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<sup>7</sup> There were some changes to the deliverables mentioned in the Interim Report, <https://www.coe.int/en/web/interculturalcities/business-diversity-connector>. These changes came about during the development of the project and are further explained in other footnotes.

<sup>8</sup> Originally, we were going to record Skype interviews to put on the Website, as mentioned in the Interim Report, but found the technology lacking. Instead, we asked participants to video themselves answering the questions in the questionnaire.

<sup>9</sup> Originally we planned to hold a final meeting to exchange and disseminate gained through the pilot knowledge with other ICCs. However, due to budget constraints and the need to engage the corporate sector (our missing partner!), we instead decided to run a Corporate Roundtable to see if we could convince corporates to participate in the Diversity Connector pilots in the next phase of the project

<sup>10</sup> The Guidelines for Becoming a Diversity Connector are to be used a toolkit for how to become a Diversity Connector. Although we refer 'the Guidelines' in this report, it is actually a draft set of guidelines which need to be trialled and expanded in terms of good practice case studies by conducting pilots at the local level. As part of the guidelines, the business case for becoming a Diversity Connector is explored, a deliverable mentioned in the Interim Report.

<sup>11</sup> This survey provided information on innovative practices and greatest needs of the Diversity Connector participants to 1) provide case studies for the Guidelines and 2.) match cities and incubators together which had similar needs or could work together as mentor/mentees.

### 3. Methodology

1. We formed a learning cluster of incubators, ICC cities and other expert cities; the project was incubator-led.
2. We created a central point for information located on a section of the ICC website.
3. We enabled active learning through two site visits to expert cities' incubators.
4. We shared information via active social networking through our linked-in survey.
5. We held a Corporate Roundtable to encourage corporates to join Diversity Connectors as partners.
6. We collected good practice from participants and designed Guidelines for Becoming a Diversity Connector, based on key principles, case studies shared at the Workshops and participants' survey responses. The Report will be posted on the ICC Website Page in January 2018.

### 4. Participants

- Incubators working with immigrant enterprises or mainstream enterprises
- Intercultural Cities
- Municipalities which have successful incubators for immigrant enterprises and/or mainstream enterprises
- At the end of this pilot project, we were still in the process of engaging large corporates, philanthropists and philanthropic organisations which fund mainstream enterprise incubators and/or incubators for immigrant enterprises.

### 5. Learnings from the workshops and site visits

#### Focus on all micro enterprises, not start-ups

Given that most incubators work with micro enterprises, this wider group would be the focus of our work. The group agreed that we should be careful not to over-hype the high-tech start-ups because they do not represent the entire, or even the majority, of enterprises incubators seek to serve. We therefore decided to focus on the creating the Diversity Connectors *for enterprises* rather than start-ups – and if the pilot were to be extended, we suggest that the name should be changed accordingly.

#### Create Guidelines, not a new type of organisation

Rather than create new types of organisations, participants at the workshops agreed that the Diversity Connectors for Start-ups project would create a brief set of evidence-based guidelines for existing and new incubators, supported by case studies from the workshops, site visits, and other evidence wherever possible, to measure their progress in creating a culturally and ethnically mixed environment.

#### Create a Multi-stakeholder pilot to test the Diversity Connector Guidelines

Participants agreed to build a multi-stakeholder alliance to pilot the Diversity Connector Guidelines for incubators. Through these pilots, they can improve the guidelines, add case studies and create a triangle of cities, corporates and incubators to drive the growth and sustainability of Diversity Connectors.

#### The Diversity Connectors Label (or logo)

The goal is for the Diversity Connectors label to be used by those incubators which is considered to have reached the required level as set out in the Diversity Connectors Guidelines. This label will also be recognised by corporate and public sector funders who will favourably consider requests for funding and partnerships with those incubators which have earned the label. The use of the label can be granted to any incubator has met the requirements set by the Guidelines to become a Diversity Connector. In the interim, the Founding Members of the Diversity Connector project can use the label (or logo).

#### Case studies and good practices

The case studies provided by the Diversity Connectors project participants during the workshops and site visits in Barcelona and Berlin have been incorporated into the Guidelines for Becoming a Diversity Connector.

## 6. Outcomes from the Corporate Roundtable

Per our project plan, the third partner (the incubators and cities being first and second) of the Diversity Connectors project was the corporate sector. Although invited to the Barcelona and Berlin workshops, there was no corporate participation at either workshop. We suspected that they were fearful that if they attended the workshops with the incubators and cities, they would be hit with request for funding from the incubators. Therefore, we decided to organise a separate roundtable discussion, with the goal of integrating as a partner them once they had a better understanding of their role in the project.

The incubators and cities invited their corporate partners. Six of the 25 companies invited attended the roundtable. The meeting was hosted by JP Morgan in London, with this small group of corporates which sponsor or partner with incubators in our network. At the meeting, we discussed their approach to helping incubators which focus on immigrant and refugee enterprises and how the Diversity Connectors project could partner with them. Chatham House rules were employed so that the corporates could speak freely in this closed session.<sup>12</sup>

We explained our goal to test a set of guidelines, eventually with a certification component, in a public-private partnership with cities, incubators and corporates. We suggested that we create some local pilots to test the Diversity Connector Guidelines in London (TERN has volunteered to participate from the incubator side in London), Paris, Berlin or Frankfurt (with the Social Impact Lab), Paris and possibly Dublin. The pilots would involve the cities, incubators and corporates. At the end of the meeting, the corporates asked for a Statement of Intent and goals to work towards which they could then sign. The set of guidelines were not shared at this meeting, as we determined it was too early, nor was there discussion of how the pilots would be funded. A draft of the Statement or Intent can be found on the Diversity Connectors Website page: <https://www.coe.int/en/web/interculturalcities/business-diversity-connector>.

Attendees at the roundtable discussion included:

- Ben and Jerry's, London
- Factset, London
- Generali, Italy
- J.P. Morgan, London (host)
- Oliver Wyman, London
- BNP Paribas – was meant to come but did not attend
- EBN (European Enterprise Network)
- Intercultural Cities
- Social Impact Lab
- TERN

## 7. Next Steps

During the Berlin Workshop, knowing that funding for the pilot project would end in December 2017, participants were keen to find ways to keep the momentum going while they pursued other funding options. The participants would like to seek funding from corporates, the EU and the Council of Europe.

They decided to create a virtual network for incubators and cities to share expertise and needs and to match mentors/mentees through Linked-in group survey. The results of the survey can be found on the Diversity Connectors Website Page <https://www.coe.int/en/web/interculturalcities/business-diversity-connector>. They also provided case studies and good practice examples which were incorporated within the Guidelines.

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<sup>12</sup> Chatham House Rules means participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

Participants also agreed to consider setting up local pilot platforms to begin to test the Guidelines with help from cities, other incubators and local corporates. La Ruche was particularly interested in this idea.

A Memorandum of Understanding (MOU) was proposed to enable the Diversity Connectors participants to create Diversity Connectors Network and to use the Diversity Connectors logo on their Websites and other materials.

The plan would be to test the usability of the Guidelines as a self-assessment tool in the first instance, through a series of local pilots.

### Summary of Next Steps

- Statement of Intent and goals to be finalised and sent to corporates for them to sign up to;
- The ICC cities and corporates will be approached by the Network to see whether they will fund local pilots;
- Local pilots to begin in London, Paris, Berlin (or Munich), and possibly Dublin to test the Guidelines through self-assessment in the first instance;
- Additional funding to be sought through corporate contacts and EU bidding opportunities.