

# LONDON

SUSTAINABLE DEVELOPMENT  
COMMISSION

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## Green Entrepreneurs Workshop

1<sup>st</sup> October 2013

Workshop Write up



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### SKILLS

#### **Definition:**

Definitely don't talk about this as being 'green'. It's about solving problems. However, Green/Social entrepreneurs may well be approaching the problem from a passion perspective rather than a commercial perspective.

#### **1. *People with a great idea but lack business skills...***

- Key skills that are missing include:
  - Basic sales skills
    - Identifying who to target, getting into their diary
    - Understanding of basic benchmarks around conversion rates at each sales stage.
    - How to talk in the language of the client
  - Networking
  - Engineering and technical
  - Creative skills
  - Communications and positioning
  - IPR and legal issues (note that some orgs in this space will offer loss leader support to entrepreneurs in the hope of securing sizeable contracts once the entrepreneur is successful)
  - Confidence and belief

***In terms of solutions to these skills*** it was felt by all groups that lots of solutions already exist, [including the London Business Library, Pop up Business Schools, UCL Advances but people just need to be made aware of them [Link to 'clarity' Group and work of LEP]. What is important is that information on support available is 'pushed to where the people are' rather than expecting people to come hunting for it. However, there was general consensus that a budding entrepreneur could spend their whole time on training courses (paid or free) and that the most valuable support was ones where:-

- The support was focused around their specific project rather than being a very generic training course. Learning through doing.
- Support interventions need to be relatively quick and not time intensive
- Support is ideally on a 121 basis rather than a 1-2-many
- Mentoring from those with experience is seen as very valuable but not from a retired bank manager who has never run a business and doesn't understand what it's like.
- Expert supporters need to have skin in the game – either by a clearly defined and measurable outcome or through the equity & mentoring model.

- Peer to peer networking was seen to be invaluable. This can be both physical fora as well as online networking. This can also be focused both on the broad topic area as well as the lifestage of the project. Even better if existing successful entrepreneurs can join to share their learning.
2. **Attracting existing entrepreneurs into the Green space**, a couple of ideas were proffered.
    1. Educating procurers about how to procure [This one was covered by the 'Policy' group]
    2. Set a target/directive, e.g. Borough level targets. This creates the problem that needs to be solved and the market and will attract existing entrepreneurs into the space.
    3. Host platforms/fora where entrepreneurs can come together to solve problems.
  3. **Developing entrepreneurial skills earlier** – This needs some basic infrastructure to be put in place where school/university leavers can be matched with entrepreneurial socially driven SMEs to undertake an internship/apprenticeship. SMEs get 'free' labour but the intern gets valuable learning from working often directly with the CEO on real business issues. Challenge is to facilitate this straight out of uni/school because once someone is indoctrinated into a more 'corporate' career it is difficult to forego the financial benefits that come with it and also more difficult for an individual to shake off the constraints that corporate life often teaches. 3 entrepreneurs on the final table were all 'up' for taking this forward (Ben Todd, Luke Nicholson and Alison Tickell). This needs a high level sponsor, such as Boris, so that people know about it and so that it makes small and creative 'cool'. The feeling is that once people start in small and creative they never want to go 'big and boring'! Lots of other stakeholders including sector skills council, London Skills network, CBI, unversities etc

Taking it forward...

1. **Many of the skills support exist but need refining or signposting** –
  - a. **Pass insights to the LEP to build on the work they are doing and ensure that a few key budding entrepreneurs are on their working groups.**
  - b. **LSDC to support LEP in establishing peer to peer networking support (online and physical, topic focused and project lifestage focused). Could this be a challenge for the Alumni network to address? Attract existing successful entrepreneurs to come and share their insights (as per the workshop).**
2. **Attracting entrepreneurs into the green space** –
  - a. **Some relied on policy drivers so ones for the LSDC to consider working on linked to the outputs from the 'policy' table at the workshop.**

- b. **Also consider setting a problem challenge (through e.g. London Leaders) and invite people in to solve it as a group.**

### 3. **Developing skills earlier**

- a. **LSDC to consider supporting a project to convene key stakeholders around establishing the infrastructure described above to link school/uni leavers to internships in entrepreneurial socially driven SMEs in London. Key stakeholders and offers of involvement as detailed above.**

Finally – the key message was to do a few things really well in terms of support rather than try and do lots of things at a very surface level.

## **FINANCE**

Green businesses must stack up financially, the problem being that financiers often don't see value in environmental gains. Green investment opportunities are also frequently perceived to be overcomplicated in terms of outputs and benefits.

The Government still seems wary of non-traditional finance, such as crowd-funding. Equally there are tensions between non-traditional routes of finance and more conventional mechanisms such as Venture Capital investment. This is perhaps obvious given that the former may fundamentally undermine the control of the latter over strategic, impact investments.

There was also talk of a specific 'green' Enterprise Investment Scheme, a 'GEIS', that would offer tax relief to investors in green businesses.

The main thing to come out of the finance groups was a call for an Impact Investment fund of some sort focused specifically on green issues (rather than 'social'). This could be convened by the Mayor or LSDC and would be focusing on the £500k-£1m funding gap. It could also have components of larger businesses contributing to a pot of money, finding collaborative opportunities, and/or public sector organisations opening up more procurement contracts to SMEs in lieu of further 'startup' investment.

There was ambiguity over exactly what the role of the public sector involvement should be in setting up the Impact Investment fund because of concerns that it could become overly bureaucratic or too focused on bigger business (like the Green Investment Bank). Angel networks like ClearlySo were pointed to as a good example of private individuals coming together to fill the funding gap and this could be a good model for the Impact fund but with some public sector oversight perhaps and more of a 'sector-focus' when it comes to green stuff.

It was also suggested that crowd-funding could play a role, particularly if individuals were willing to receive a slightly lower rate of return than investment banks or VCs. Groups liked the idea of banks being forced to make money available for this purpose, in a similar way to how the big 6 energy companies are forced to contribute to an R&D pot that then goes to smaller innovative companies. Some sort of high-profile "celebrity" leadership was mentioned too, and this could be interesting.

One of the big challenges will be coming up with a workable definition of 'green' (i.e outside of energy/cleantech) to clarify who would be entitled to the cash (though of course all ideas would have to be viable anyway, since the idea would be for equity investment rather than as a grant).

Taking it forward:

- 1. Explore setting up a GLA Impact Investment Fund for green business in the capital?**
- 2. 'White label' an existing crowd-funding platform hosted by GLA to fund green businesses? Potentially with matched-funding?**
- 3. GLA lobbies central Government to support London's LCGES sector with a GEIS style tax-relief scheme?**

## **POLICY**

Policy initiatives need to recognise from the start that:

- All new enterprises will develop most successfully in the context of stable and certain policy.
- Innovation is critical: most innovators start small and therefore the 'missing middle' enterprises are likely to grow from smaller ones.

Policy traditionally uses 'carrots and sticks'. These need to be linked and designed to enable development of middle-range green enterprises.

Tax and related incentives are a proven tool. Affirmative tax action can create a market for entrepreneurs. The Landfill tax is an example of good market making - others in this field should be identified.

The recycling of carbon taxes to support large-scale retrofit programmes (recently endorsed by the LibDems) is one possibility. The Feed-In Tariff is another way forward. Tax can also drive behaviour (to support new products, processes etc.): can this be done in a way that evolves over time?

Some key drivers of market opportunities for green entrepreneurs may include the points below, but action needs to avoid being too prescriptive, recognising the need to support innovation.

## **1. Procurement**

Procurement in public sector can help drive markets, but is it doing so? The private sector also needs to do this through their supply chains. Much of this is being pioneered in programmes that:

- Break down contracts into smaller sections that SMEs can bid for;
- Encourage/ incentivise larger agencies can be to include smaller and greener enterprises as delivery partners;
- Offer support to SMEs to engage in programmes (lessons can be learnt here from the USA Small Business Administration, and some councils are developing work on this);
- Recognise benefits of added social value (as with work in South Africa where reporting is expected on environmental, economic and social elements).

The public sector can create the framework for innovative private sector / social enterprise to operate within. Should the private sector actually drive change and not expect public sector to do this?

The Social Value Act became law in 2012. It means that councils must consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and how in conducting the process of procurement, it might act with a view to securing that improvement. But there are no real 'teeth' in this policy at present. More measures are needed so that this approach really is able to deliver – with external support.

Innovators need to challenge the status quo but high level political commitment will be needed to deliver policy and make sure that it is implemented.

There is also a public sector procurement skills gap in some cases. The GLA and local councils could work to support skills development around green enterprise. Much of what is needed for green enterprise links to measures to support all SMEs. Fast payment is an example of a measure that can be adopted by larger public and private agencies to support small enterprises. A procurement process review is needed to identify new ways forward.

## **2. Lesson from existing policy.**

There is a need for better and wider understanding of the economic benefits arising from existing environmental policies. Case studies might include the Planning and Energy Act (linked to the 'Merton Rule'), Landfill tax, Carbon reduction measures. Those benefits should include understanding of how these have benefitted green innovators.

There is also a clear need for a more integrated policy framework to drive market opportunities to help drive markets, innovation and environmental enterprise, and eliminating what some see as disconnects between e.g. DECC and DCLG.

There is also confusion and complexity in home energy policy: until this is clearer some green enterprises will find it hard to grow.

### **3. Innovation and new markets**

Legislation/regulation is needed to drive some environmental markets initially. This should be designed to create access for SMEs and social enterprises. Clarity on both market failures and market opportunities can help drive environmental entrepreneurs.

It might be possible /desirable to identify new work areas, define these and encourage green entrepreneurs (with support and incentives) to engage with these (the Mayor's 'Low Carbon Prize' is an example of this approach). Such areas might include:

- Local energy storage systems
- Smart metering
- Water deregulation
- Wider use of cycle helmets

A further way forward here would be to open up carbon trading to local communities and green social enterprises, providing access to these markets for small scale organisations.

### **4. Business rates**

Reductions in business rates could be used to encourage green business development both in specific locations and over specific time frames. More work is needed on 'green enterprise zones'.

### **5. Learning from enterprise**

There are many policy - innovation links in this emerging and growing field. Policy makers need to listen to the lesson from the entrepreneurs and also help create the spaces and structures that allow practitioners to feed into policy discussion.

Taking if forward:

- 1. A thread of LSDC work on GLA/Local Government procurement to open opportunities up to green SMEs?**
- 2. Research project to better understand the already delivered benefits and impacts of existing 'green' Government/GLA/local government policy in the Capital?**
- 3. City challenges alongside/beyond the Mayor's Low Carbon Prize to tackle specific London sustainability challenges? Perhaps focusing London Leaders more onto a topic e.g. not just 'green entrepreneurship' but 'London Water'**

### **CLARITY**

Examples of where to get info from are manifold and include: British library (convenient location, tailored resources, facilities) especially their Innovation for growth initiative, Social media (find out about events, meet up), Incubator programmes (school for creative start ups, find out by word of mouth), Technology Strategy Board (funding agency, newsletter), Cambridge Future Enterprise Centre, Accountants/ professional services, Young Foundation,

Unlimited, Escape the city, GLE1 and funds (Greater London Enterprise – but process heavy – need to cut for right support for you profile – filter/ route map), Business Links, School for Creative Start Ups etc to name but a few!

Problem is that funding mechanisms too siloed/rely too much on ‘who you know’.

Perhaps a web portal that matches businesses with research and expertise needed – but also about what info is needed to tender for contracts (especially public sector).

Challenges:

- Basic business skills courses/ mentors
- Marketing resources available to those needing them
- Policy disconnect
- Identifying which networks are useful
- Need peer to peer mixing
- Connect up supply and demand better
- Don't focus too much on green/ social element re. advice – it is about quality/better business
- Talk to customers in low key events – food and drink!
- Look at activities already underway and fill gaps (with LEP?)
- Need market data – this is expensive (Open Data Institute and Nesta are working on this – maybe LSDC collaborate for a London focus?)

What would be helpful?

- Customers – access to and understand their challenges/problems
- Need common agenda between those writing policy and needs of GE seg. 5-6yrs in then become more structured
- Tailored support depending on size/level

What are the key points of market failure?

- Loans?
- Go to bank manager to signpost ( trust problem)
- Right people giving advice
- Networks as advisory boards?
- Advance knowledge of operating climate/ clarity in public procurement

Taking it forward:

- 1. Mentoring/ advisory services. Improve what is available rather than structure it too heavily and focus on responsive support – not too rigid/compulsory (eg. co-working spaces)**
- 2. Define sector and set vision – clarity is the outcome, led by LSDC but shaped in an ongoing way by green entrepreneurs themselves**
- 3. Filter on website/ specific to business journey/ tailored make easier to search/ a person to call (LEP). There is lots of info available but there is a digital divide**