

# **ETHNIC MINORITY ENTERPRISE: POLICY IN PRACTICE**

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# EXECUTIVE SUMMARY

## Introduction

### *Aims*

This project reviews recent research on ethnic minorities in business, focusing in particular on implications for policy. The more specific objectives were to:

- Assess existing approaches towards supporting ethnic minority businesses
- Identify examples of ‘good practice’
- Map out a research and policy agenda

### *Methodology*

The methodology involved the following elements:

- A review of studies of EMBs from academic sources and grey literature
- Telephone interviews with 53 separate Business Links to examine the scope and dimensions of policies towards EMBs.
- Where examples of ‘good practice’ policies were identified in these initial interviews, a second interview was conducted with the individual best positioned to describe the initiative. Fifteen such cases are presented in the report.

## Ethnic Minority Business in Context

- This review is informed by a ‘**mixed embeddedness**’. This term signals the importance of assessing the distinctiveness of ethnic minority firms in relation to factors such as sector, locality, finance needs, labour markets and institutional support on the one hand, and cultural factors on the other.
- A consistent finding of research on EMBs is their low propensity to use mainstream business support agencies, such as enterprise agencies or Business Links, often relying instead on self-help and informal sources of assistance. Barriers to the take-up of support include identifying and reaching EMBs, which is often linked to the inadequacy of existing databases; the inappropriateness of ‘product-oriented’ approaches; doubts over the relevance of what is offered; and a lack of confidence and trust in those delivering support, on the part of EMB owners.
- The extent to which the support needs of EMBs are distinctive in comparison with those of similar white-owned firms is a key question. Research evidence draws attention to the role of factors such as size and sector. Although many of the support needs of EMBs are shared with their white counterparts, there are also culturally specific issues that include language, religious and gender aspects, that

have implications for the way that business support is delivered if it is to be effective.

- There have been different forms of specialist interventions designed to support ethnic minority enterprise. These include enterprise agencies with a specific remit to support EMBs; support through wider programmes of urban regeneration; and ethnic minority business groups.
- Research evidence on the efficacy of such initiatives is patchy and inconclusive. It is clear that the guidelines for 'good practice' set out by the Ethnic Minority Business Initiative over 10 years ago are not being followed in many cases

## **Ethnic Minority Business Support in Practice**

*Contact was made with 53 ('old') Business Links, which because of the re-organisation that was taking place covered 61 of the 'old' Business Link areas. The responses revealed that:*

- Less than 1 in 3 claimed to have a specific policy towards EMBs, or were in the process of developing one. The majority of respondents claimed to "treat all businesses the same".
- 36% stated that they record the ethnicity of their clients, although this was not always complete and in some cases was still in the early stage of being introduced
- More than half the sample maintained that EMBs have distinctive support needs compared with other small businesses. The main issues identified in this regard were a lack of access to finance, a lack of confidence among business owners (and potential owners), cultural issues that can affect access to and delivery of business support, language barriers, the effects of bureaucracy and prejudices, succession planning issues, and the effects of the decline of some traditional markets (e.g. in the clothing sector).
- One third of responding Business Links stated they were involved in specific initiatives targeted at EMBs. Examples mentioned included working with community leaders, funding local Enterprise Agencies, working with local authorities for grants, Phoenix Fund, Business Clubs, women in business initiatives, working to increase access to sources of finance, IT support and e-business training, management training, specialist workshops and seminars.

### **Policy Initiatives to Assist EMBs**

- Our selection of EMB policy initiatives and programmes for inclusion in the report was based mainly on those identified in the first round of contacts with Business Links and their partner organisations. Whilst emphasising that a systematic evaluation of these measures was not possible, the following principles were highlighted in our review:

- The appropriateness of particular instruments or initiatives to the distinctive needs of EMBs or specific sub-groups (such as targeted finance initiative)
- Delivery approaches based on engagement and interaction with ethnic minority communities
- Culturally sensitive delivery methods
- Approaches that have strategies for drawing EMBs into mainstream support
- Elements of innovation

*The fifteen examples featured in the report* provide a range of different types of activity, spanning pre-start, start-up support and existing business development, sectoral and thematic initiatives (e.g. support for ethnic minority women in business), specialist financial support initiatives (e.g. Muslim Loan funds) and strategic initiatives such as the development of an EMB database in Birmingham.

***They demonstrate:***

- How a mainstream start-up programme can pay specific attention to the needs of EMBs by setting EMB targets for assisted start-ups; including ethnic minority advisers in the delivery team; offering a mentoring scheme that will involve the recruitment of appropriate EMB mentors; support budgets that are specifically targeted at sectors in which EMBs are increasingly involved; the employment of two EMB advisers to network (e.g. Business Link Manchester’s New Business Support Programme).
- How an element of core funding can enable agencies to engage in outreach work with EM communities and develop a comprehensive support package for EMBs (e.g. Bolton and Bury Enterprise Centre, ThreeB, Birmingham).
- How programmes that are aimed at women entrepreneurs and business owners can successfully include members of EMs, provided the agency is aware of the distinctive needs of EM women, sensitive to the specific cultural issues that can arise and are able to gain credibility with EM communities (e.g. WEN programme of Business Link West).
- The importance of including access to finance as part of a wider support package for EMBs that in some cases may need to be customised to the needs of specific groups (e.g. East London Business Centre’s Muslim Loan Fund).
- The importance of developing comprehensive business databases with an ethnic element, that is a prerequisite if policy makers and support agencies are to successfully locate EMBs, and identify their key characteristics and support needs (Ethnic Minority Business Database, Enterprise Link Birmingham).
- The potential benefits that policy makers and practitioners can gain from sharing experiences and good practice (Business Link London’s Knowledge Centre for EMBs, formerly the Centre of Excellence for Ethnic Minority Business).
- The role for sectoral initiatives that focus on sectors in which EMBs are highly concentrated, providing specialist sectoral support including technical advice such

as CAD, marketing and financial management support, and quality management advice, whilst sensitive to the specific needs of EMBs (e.g. Coventry Clothing Centre).

## **Conclusions and Implications for Policy**

### ***Conceptualising Ethnic Minority Businesses***

- There is a need for policy makers to recognise the diversity that exists between EMB groups and re-evaluate the question of whether or not it is useful and/or appropriate to treat EMBs as a single category from a finance and business support standpoint.

### ***Drawing Support for EMBs into the Mainstream***

- For policy makers and practitioners, the key challenge is to redefine the mainstream 'markets' for finance and business support around the principle of diversity. In this context, the issue may be seen as one aspect of the heterogeneity that exists in the small business sector which needs to be understood by private and public sector policy makers if finance and business support services are to be truly client focused. To achieve this requires paying more attention to three crucial components: i.e. awareness, sensitivity and credibility, if EMBs are to be really drawn into the mainstream.

### ***The Need for an Engagement Strategy***

- A successful engagement strategy is required, comprising: representation for EMBs across the SBS structures; an outreach strategy to engage EMBs; promotional approaches through media focusing on those that are the most widely used by the ethnic minority communities; mechanisms for EMBs and other stakeholders to influence SBS policy so as to establish an ongoing dialogue at a local as well as at a national level; transparent monitoring and annual reporting of the performance of individual SBS franchisees with respect to EMB targets; priority given to assembling more comprehensive databases with an ethnic element in order to facilitate the monitoring process; priority given to increasing cultural awareness of mainstream business advisers with respect to the main client groups within their catchment; recruitment campaigns and practices that encourage the employment of more business advisers from EM backgrounds.

### ***Building Capacity in Ethnic Minority Business Support Organisations***

- Business Links need to strengthen their networks with EM communities at a local level. Examples include existing entrepreneurs and business organisations, which can offer mentoring and informal network support to new and potential business owners. Where such networks already exist, there would seem to be potential benefits in the SBS seeking to build and strengthen what is there and, where it does not exist, to take on a facilitating role.

### ***Improving Access to Finance***

- The issue of finance and EMBs is currently the subject of a long-term study. However, there is still scope to increase access of EMBs to formal sources of finance. In this context, the ACB community would appear to justify a targeting priority in any new finance initiatives that are taken. Such initiatives might include greater proactivity of bank staff within ACB communities; greater recognition of the benefits of community finance as both meeting a specific business need and as a tool for business engagement; and a targeted promotion of alternative finance options (such as asset based finance).

### ***The Importance of Sector and Sectoral initiatives***

- Despite the increasing involvement of ethnic minorities in varied business activities, concentration in particular sectors is still a feature of their contemporary profile. Given this situation, there is a case for enterprise support initiatives being more 'sector conscious'. In this context, sector focused initiatives in those activities in which EMBs are concentrated (e.g. clothing, retail and catering), as well as those in which EMBs are emerging (such as IT, arts and cultural industries) should be promoted as appropriate means of assisting EMBs, although their inclusion is based on the sector of activity rather than the ethnicity of the business owner.

### ***Promoting Supplier Diversity and Procurement Opportunities for EMBs***

- One of the factors influencing the ability of EMBs to diversify out of traditional sectors of low value added activity is their capacity to identify and exploit opportunities in mainstream markets, including business and public sector as well as consumer markets. However, if such an objective is to be achieved, it is important to ensure that EMBs are fully aware of the opportunities to supply large organisations with various products and services and, in particular, how to secure contracts emanating from the public procurement process.

### ***Closer Integration between Business Support for EMBs and Mainstream Policies***

- Since one of the roles of the SBS is to improve the coherence of Government support directed primarily or mainly at small businesses, one area where we might expect to find a higher level of co-ordination in the future is between mainstream support providers and regeneration programmes, such as those funded through the SRB. In this context, the cross-departmental role of the SBS in seeking greater integration between business support for EMBs and mainstream policies should be prioritised

### ***A Need to Evaluate and Disseminate Good Practice Policy***

- Whilst experiences may be shared between some practitioners at present, a strategic approach to EMB support should include a more systematic attempt to disseminate good practice nationally, making independent evaluation essential.



Moreover, such evaluation needs to be based on a range of qualitative criteria as well as quantitative measures, such as the number of firms assisted or the number of training places created/filled.

# 1. ETHNIC MINORITY BUSINESSES IN CONTEXT

## Introduction

Ethnic minority businesses (EMBs) have been the subject of growing interest from a variety of sources in recent years. This has generated considerable debate and controversy concerning the scale, distinctiveness and policy needs of EMBs, although their significance is in little doubt. For example, a recent Bank of England report (Bank of England, 1999) referred to the higher rate of EMB start ups at a national level than in the white population: 9 per cent of new starts in 1997 compared with a 5 per cent share of the total population. Moreover, EMBs represent almost 7 per cent of the total business stock in the UK, which is likely to increase over time since the ethnic population is expected to double over the next 25 years. Despite this, there is no co-ordinated national policy to address ethnic minority issues (Blackburn and Rutherford, 1999), although there is evidence that this may change in the future. The consultation document produced for the new Small Business Service refers to the need to encourage and support entrepreneurship in all social groups (DTI, 1999).

From a policy perspective, developing a strategy for addressing the support needs of EMBs can be justified both for economic development and social equity reasons. From an economic standpoint, it can be argued that the ability of an economy to be enterprise based depends on its ability to encourage and support enterprise in all sections of society, including ethnic minorities. Moreover, since some ethnic minority groups (e.g. Chinese, Pakistani) are over-represented in terms of self employment and small business ownership compared with the white population, it is important from an economic perspective as well from a social equity standpoint that their business support needs are addressed. This report focuses on policy issues with respect to ethnic minority businesses.

The objectives are threefold:

- To assess existing approaches towards supporting ethnic minority businesses
- To identify examples of 'good practice' policy initiatives
- To map out a research and policy agenda

These objectives need to be informed by an understanding of key issues in ethnic minority business research. To this end, this chapter presents a brief overview of recent developments in the field; but it is important to note that it is not an exhaustive examination of the literature. A comprehensive treatment of British research on ethnic minority enterprise has been provided elsewhere (Ram and Jones 1998). The aim here is to sketch out developments within academic debates, focusing on those aspects that have potential implications for policy

## Towards a Mixed Embeddedness Perspective

Much of the academic literature on ethnic minority enterprises is predicated, explicitly or implicitly, on the notion that small firms are 'different' from the general small firm

population. Protagonists of the ‘difference’ thesis (e.g. Song, 1997; Werbner, 1990) often point to the particularistic ways that minority ethnic groups (usually Chinese and South Asian) draw upon familial and co-ethnic labour as a resource to initiate, finance and sustain the enterprise. Such views form part of a ‘cultural’ approach that attaches considerable explanatory importance to the mobilisation of so-called ‘ethnic’ resources. However, culturalist perspectives have been challenged for emphasising ethnicity, rather than the economic class of business owners (Mulholland 1997); their neglect of the role of women ‘family’ enterprise (Phizacklea 1990); and an insufficient appreciation of the socio-economic context in which ethnic minority firms operate (Ram and Jones 1998).

These criticisms are often informed by a perspective that has been referred to as a ‘materialist structural’ approach; and, somewhat pejoratively, as an economic dead-end thesis’ (Metcalf et al., 1996). According to this view, ethnic minorities face a number of material constraints, notably racial discrimination, which limit their labour market opportunities. In an effort to negotiate these constraints, ethnic minorities turn to small enterprises (as owners and workers). Hence, ethnic minority business activity often arises out of a context of disadvantage rather than the deployment of particularistic ethnic resources (Jones et al., 1992; Phizacklea, 1990).

At the same time, more ‘interactionist’ approaches (Razin and Light 1998: 333; Waldinger et al. 1990), which stress the interplay between internal group resource dynamics and the external ‘opportunity structures’, have become increasingly influential in explaining the nature of ethnic minority business activity. This perspective is part of a recent trend in immigrant entrepreneurship theory that aims to understand ethnic minority businesses by locating them more explicitly in the socio-economic milieu in which they operate (Kloosterman et al. 1999; Rath, 1999). Central to this approach is the concept of ‘mixed embeddedness’, in which the ‘social’ aspects of ethnic minority entrepreneurship are assessed in the light of the economic and institutional contexts in which such enterprises operate (Kloosterman et al., 1999). Accordingly, the particular forms that ethnic minority enterprises take will be influenced a range of factors, such as sector, locality, labour markets and institutional support. The complex interplay of these processes, rather than the simple mobilisation of ethnic ties, is likely to account for the manner in which ethnic minority firms ‘differ’ from the wider small business population.

The ingredients of the mixed embeddedness approach are not entirely new. For example, the networks of ethnic minority businesses have featured strongly in cultural approaches (Werbner, 1990); the overarching role of the market is considered the decisive influence in structural account offered by Jones et al. (2000); and aspects of the political context have been addressed by a steady stream of policy-oriented studies (Brooks 1983; Creed and Ward 1987; Jones et al. 1989; Ram 1998; FOCUS Central London 1999; Ram and Smallbone 1999). The key strength of mixed embeddedness is that it is a comprehensive perspective that aims to locate ethnic minority businesses in the wider structures in which they are embedded.

The remainder of the chapter draws upon the mixed embeddedness framework in order to review key elements of the environment in which EMBs operate. There is no consensus on what such features should comprise, although markets, state policies, and spatial settings are the ones most prominent in Kloosterman et al’s (1999) model.

We discuss these aspects, but also draw on recent studies to document other salient factors that influence the operation of EMBs. They include sector, size, location, access to finance, social networks, generational differences and institutions. This broader assessment is potentially important in policy terms because it reinforces the need to consider ethnicity in relation to a number of other factors when determining appropriate policy approaches.

## **Sector**

An appreciation of sectoral dynamics is central to the mixed embeddedness perspective. If used uncritically, the term ethnic minority business can attach undue emphasis to the owner of the enterprise at the expense of the economic activity that the entrepreneur is engaged in. As Rath (Forthcoming, 12) reminds us, 'Different markets ... offer entrepreneurs different opportunities and obstacles, demand different skills, and lead to different outcomes in terms of business success'. This point is of crucial importance when the markedly divergent profiles of ethnic minority businesses are taken into account. For example, South Asians are strongly represented in the catering, clothing and food retailing sectors (Curran and Burrows, 1988; Jones et al., 1992); Chinese involvement in the take-way trade is particularly conspicuous (Song, 1997); and although African-Caribbeans have a comparatively low level of self-employment, their propensity to be involved in the construction sector has been noted (Curran and Blackburn, 1993).

The significance of sectoral processes is reinforced by the intensification of competition in many of the staple areas of ethnic minority business activity. For example, the progressive relaxation of the Multi-Fibre Arrangement is allowing competition from newly industrialising countries to exacerbate the already dire trading position of many Asians in the West Midlands clothing sector (Ram et al. 2000). In addition, the liberalisation of the opening hours ushered in by the repeal of the 1950 Shops Act in 1994 enabled major retail chains to encroach into territory that had previously been the preserve of the ethnic minority-owned 'corner shop' (McEvoy 2000). Moreover, the expansion of 'Indian' restaurants has slowed because of competition from supermarkets' frozen meal ranges, increased levels of competition from fast food outlets and chain restaurants (Financial Times, 17/06/99); the impact has been felt by ethnic minority restaurateurs, who, of course, face further competition from the increasing proliferation of other ethnic food outlets (Ram et al. 2000).

At the same time, the process of sectoral change is multi-faceted. Traditional areas of ethnic minority business activity are undoubtedly under increasing pressure; but equally, new niches are developing. Generational change is contributing to the emergence of new areas of EMB activity (Modood et al, 1995), such as business and professional services, hospitality and entertainment, IT and creative industries (in the case of ACBs particularly).

The importance of the sectoral dimension can be further demonstrated with reference to the independent retail sector in London, the majority of which are of Asian origin, often comprising marginal businesses begun and run because of a lack of employment opportunities. In this context, a recent report on Asian owned corner shops in London revealed that the vast majority were first generation owners who did not want their

children to succeed them; that they were typically 40+ in terms of age and highly educated but reluctant to seek formal business support (Asian Business Initiative, 1999). As a consequence, newsagents and corner shops represent a good example where the sectoral dimension is a key part of the EMB “problem”, the solution to which requires the development of competitive upgrading for some alongside help for exit for others.

Whilst the capacity of ethnic minority firms to ‘break-out’ of these market niches is a continuing source of debate (Ram and Jones 1998), the point to stress is the influence of sectoral processes on the viability and support needs of such enterprises. Indeed, some researchers (e.g. Blackburn and Rutherford, 1999; Jones et al, 1994) have argued that sectoral factors are at the heart of the distinctive problems faced by EMBs. Indeed, Blackburn and Rutherford (op cit) noted that ‘sector was found to be more important than ethnic group in determining business development needs’ (Rutherford and Blackburn, 2000).

## **Size**

Size is another important characteristic of EMBs, which has implications for their support needs. Although the absence of comprehensive, large-scale business databases that include an ethnic variable makes it impossible to paint a totally accurate picture, it is widely accepted that most EMBs are not just small, but very small firms (Focus Central London, 1999). For example, in a survey of 529 ethnic minority owned businesses in Greenwich, almost half (44%) had only 1 or 2 staff (including the owners) and 40% had between 3 and 5 staff. Only 2% of surveyed EMBs had more than 10 full-time staff. This means that EMBs share many of the characteristics, problems and support needs of micro enterprises more generally, such as problems in raising finance and deficiencies in certain core management competencies, such as marketing and financial management skills.

One of the consequences of their very small average size is that most EMBs fell outside the main target group of Business Links during the 1990s, when the latter were mainly concerned with firms employing more than 5 (or 10) employees with growth potential, although there were variations between local Business Links. As a consequence, one of the problems facing the SBS, operating at a local level through Business Links, is to convince EMBs that their needs are now a higher priority to policy makers than they were previously. Clearly, this task is not helped by the decision to keep the brand name ‘Business Link’ as the local agency responsible for delivering SBS services.

EMBs have been shown to be typically smaller than their white counterparts, even among Business Link clients. For example, in an analysis of an enhanced client database of Business Link Birmingham (i.e. Benchmark/Profiler), EMBs were significantly more likely to be micro enterprises than their white counterparts with very few medium sized firms (Ram and Smallbone, 1999). A number of studies have drawn attention to the smaller average size of ACBs and a higher propensity to be microenterprises, compared with firms from other ethnic groups (e.g. Smallbone et al, 2001)

## Location

Another important element in the context in which EMBs operate is location, which has potential implications for their support needs. Many ethnic minority businesses are located within Britain's inner cities, reflecting ethnic settlement patterns more generally (Ward 1991). The negative consequences of such a location for trade has been documented since the first major study of Asian businesses in 1978 (Aldrich et al., 1984) and reinforced in more recent studies of other minority groups (Curran and Blackburn 1993; Jones et al 1992; Ram and Deakins, 1996). Local environmental conditions such as physical dilapidation, inadequate parking, and vandalism are commonplace in such settings. Furthermore, locational factors can add to the difficulties faced in raising finance, which is compounded by the tendency for minority entrepreneurs to cater for local residents where customers have relatively low spending power (Basu, 1991). These points were emphasised in a recent investigation of Asian-owned restaurants in Birmingham's 'Balti Quarter' (Ram et al., 2000), in which many of the restaurant owners interviewed as part of the study, decided to locate in this area because of the availability of cheap premises and a ready supply of low-waged co-ethnic labour living in the vicinity. However, intense competition, the continuing economic deprivation in the area, and a planning regime that, according to respondents, was encouraging more would-be restaurateurs to enter an already saturated market served to inhibit the development of many of the firms.

The implications of the tendency for EMBs to be concentrated in inner city areas emphasises the importance of viewing support for EMBs in a wider policy context. It means that addressing the needs of EMBs through business support policy is only one of the ways in which the future development of EMBs in these areas may be affected. More importantly, there is a need to ensure that policies designed to regenerate these areas take full cognisance of the needs of the EMB sector (particularly with respect to the need for diversification) and that opportunities to fully co-ordinate the activities of different government departments and programmes under the SBS umbrella are fully taken advantage of.

Although the EMB population is heavily concentrated in the large, central urban areas, they are not confined to these areas and it is important that business support agencies across the country pay attention to the needs of EMBs. In this context, CEEDR have undertaken three studies concerned with the support needs of EMBs in Devon and Cornwall (CEEDR, 2000a; 2000b; 2001b), which is a sub-region where ethnic minorities represent a small percentage of the total population. These studies found EMBs to be concentrated in food-related services (such as restaurants and takeaways) and mainly Chinese or South Asian owned, with very few ACBs. Whilst it was concluded that the business support issues faced were similar to those facing other micro enterprises, a number of distinctive features were also identified, including example of racial harassment, allegations of institutional racism, problems in recruiting and retaining co-ethnic labour, low levels of use of ICT, some difficulties with language and communication. Significantly, the studies also demonstrated that EMBs were almost completely outside the formal business support system and membership organisations within the sub-region.

The study demonstrated a lack of effective communications between mainstream business support organisations and the EMB population. On the one hand, EMBs were

typically not aware of the services available, whilst on the other hand, most providers failed to recognise the existence or particular needs of EMBs. The approach of business support providers was “to treat all businesses the same”, which pre-supposes that all businesses operate on a level playing field. One of the key recommendations was for support agencies in the sub-region to seek to draw EMBs into the mainstream of business support by encouraging their participation in a range of initiatives to develop and promote the tourist sector. The study also stressed the distinctive needs of EMBs with respect to delivery, emphasising the need to develop a strategy operating with the co-operation of ethnic minority organisations to develop local networking activities (CEEDR, 2000a; 200b).

Lincolnshire is another area where despite a small ethnic minority population, the very low level of take-up of business support services by EMBs has been recognised by local agencies, although in this case the study commissioned was a broadly based literature review rather than an empirically based study focusing on local circumstances (BMG, 1998).

## **Access to Finance**

An important aspect of the institutional embeddedness of EMBs is their relationship with financial institutions, which has been the subject of considerable previous research. It is widely recognised that the process of raising external finance is difficult for many small firms, regardless of the owner’s ethnicity, for a combination of demand- and supply-side factors (Storey, 1994). At the same time, previous research has suggested that members of ethnic minority communities face additional barriers to those faced by other small firms, particularly at start-up (Bank of England, 1999). For example, based on a study of some 403 enterprises (232 EMBs and 171 white-owned firms) some ten years ago, both ACB and Asian owned businesses demonstrated a higher propensity to report problems in accessing bank finance at start-up than their white counterparts (39%, 29% and 21% of loan applicants respectively) (Jones et al, 1994). This was either because their applications had been refused or because conditions were imposed that were considered by the applicants to be unjustifiably stringent. Other studies have confirmed that applicants from certain ethnic minority communities appear to experience greater problems than others in accessing external finance at start-up. For example, Curran and Blackburn’s study of 76 EMBs from the Turkish-Cypriot, Bangladeshi and African Caribbean groups, showed the latter two groups to be much more likely to report problems in finding sufficient start-up finance than their Turkish-Cypriot counterparts (Curran and Blackburn, 1993).

Whilst noting the findings of these earlier studies, the Bank of England (1999) report emphasised their limitations with respect to small sample sizes. It also referred to the possible changes that may have occurred since the recession of the early 1990s, when there was general dissatisfaction with the financing arrangements offered to small firms by banks in particular (Bank of England, 1994). As a consequence, it was concluded that: “*there is little comparative evidence on the extent to which financing constraints on EMBs at start-up have changed since 1992*” (Bank of England, 1999). However, the Bank of England also noted that “*whilst there is little documented evidence of EMBs suffering discrimination by finance providers in the UK, there is evidence that some EMBs perceive they are treated adversely..... and perception may be more important than reality in this context*” (Bank of England, 1999, p35).

Although there has been an absence of recent large-scale comparative studies, there is other evidence to suggest that some ethnic groups face particular difficulties in accessing external finance, particularly ACBs. For example, Ram and Deakins (1996) showed that ACBs have a particularly low propensity to access bank finance at start-up, relying instead on personal savings and trade credit. Some studies have suggested that African Caribbean entrepreneurs have a lower propensity to apply for bank loans than 'white' business owners, perhaps because of an expectation of less favourable treatment. Such a view is supported by recent evidence drawn from a study of business issues and support needs of African Caribbean business owners in London, based on focus groups and semi-structured interviews with a total of 28 business owners (CEEDR, 2000b), in which finance was the most frequently mentioned concern by business owners. Other studies have referred to the particular problems faced by African and Caribbean business owners in obtaining bank finance, perhaps because of the opportunity structures they face and the lack of any special facilities similar to those offered to South Asian customers by HSBC (Focus Central London, 1999).

Because of an enduring perception that external finance is difficult to obtain, a number of apparently successful businesses that participated in the CEEDR study mentioned above had been started without an approach to any bank, even though the business owners recognised that such finance would have been welcome at the time. Some respondents felt there was an element of negative stereotyping involved on the part of bank managers, which was said to mean that black business owners were not taken seriously as loan applicants. Interestingly, female respondents perceived the problem of negative stereotyping to be worse for African-Caribbean men than for women.

One of the most comprehensive studies concerned with the financing (and business support) needs of EMBs to date is currently being undertaken for the BBA, DTI, Bank of England, with support from CRE. Although the research is still ongoing, some preliminary findings from the baseline survey of 856 EMBs and a white 'control' group are available (Smallbone et al, 2001). One of the key themes emerging from the survey results so far is the diversity of EMBs in the UK that is partly but not entirely related to differences in their sectoral orientation. The survey evidence suggests that as a group, EMBs are not disadvantaged in terms of start-up capital from banks and other formal sources. This applies to their propensity to raise some finance, as well as to the typical percentage of total start-up capital raised. However, more detailed analysis shows considerable variation between ethnic minority groups. On the one hand, Chinese owned businesses demonstrated a significantly higher propensity to access start-up finance from banks and other formal sources than white owned firms, whilst on the other hand the proportion of ACBs to do so was below the level of white-owned firms and significantly below with respect to bank finance solely. When this evidence is combined with that from previous research, ACBs appear to face particular problems in accessing start-up finance.

Based on the baseline survey for the BBA study, ACBs appear to have less success in accessing bank loans than either their white or other ethnic minority counterparts, a higher propensity to turn to non-bank formal sources of start-up finance (including various sources of last resort lending) and a below average propensity to access



informal sources of start-up capital (at least in comparison with other ethnic minority groups). In addition, established ACBs experienced lower success rates in accessing external finance compared with other established firms and a much higher propensity to report future financial needs than other EMBs, or white control firms. Some of these difficulties are associated with certain types of business activity in which ACBs are concentrated (such as personal services, arts and cultural industries), although the results show that sector is not a determining influence in this respect.

## **Social networks**

Although the mixed embeddedness perspective pays close attention to economic and institutional contexts, this is not achieved by neglecting the importance of social networks to ethnic minority businesses. As (Rath, Forthcoming, 10) points out, '*... networks are instrumental in acquiring knowledge, distributing information, recruiting capital and labor, and establishing strong relations with clients and suppliers*'. There is no shortage of British studies highlighting the importance of social networks to the viability of ethnic minority businesses (see Ram and Jones, 1998, for review). A recent investigation of the restaurant sector found that the family and wider co-ethnic community were important sources of finance, labour and management for many firms, particularly those from South Asian groups (Ram et al., 2000). Studies of Chinese catering have highlighted similar processes at work (Song, 1999).

Similarly, the baseline survey in the BBA funded study described above also underlines the importance of start-up finance from informal sources for EMBs, since more of them accessed finance from these sources at start-up than from banks (45% and 35% respectively). Moreover, where such finance from informal sources was used, it typically contributed about half of total start-up capital. This is one aspect of financing where a significant difference exists between EMBs and the white control group, since only 25% of white-owned firms accessed start-up finance from this source

However, in assessing the significance of social networks, a number of factors need to be borne in mind. First, the composition of social networks varies across social groups. In the British context, this is usually highlighted by the contrasting entrepreneurial fortunes of South Asians and African-Caribbeans. Adequate explanations of this divergence need to move beyond solely 'ethnic' or 'cultural' explanations; other factors that need to be incorporated include, patterns of migration, unemployment, stereotyping, demographic trends and levels of home ownership (D. Basu, 1991). Second, as Rath (Forthcoming) argues, excessive reliance on social networks can serve to inhibit the development of the enterprise. The circulation of new information and material resources is limited in tight groups and so consequently are the chances of business success. Although the extent to which this is the case is likely to depend on the nature and extent of the business experience that exists within these networks. The relative value of support (both financial and 'soft' support) from formal and informal sources by EMBs is a subject that merits more systematic and detailed investigation. Third, the gendered nature of ethnic minority businesses reinforces the uneven nature of networks. As a number of studies have indicated, uncritical notions of 'family' business can mask the acutely divergent experiences of men and women in such enterprises (Dhaliwal, 1997; Ram, 1992; Ram 1994; Janjuha and Dickson 1998; Phizacklea, 1990). Finally, social networks should not be confused

with exclusively ethnic ties. As Mulholland's (1997) study of ethnic minority and white-owned family businesses highlighted, successful businesses were marked by their possession of 'class' rather than 'ethnic' resources; hence business connections, entrepreneurialism, formal education, and family ties may be more important than belonging to a particular ethnic group.

## **Generational Differences**

One of the sources of diversity in the EMB population in the UK is generational change, which has implications for the types of business owned by ethnic minority people and their business support needs. Although it is increasingly recognised that generational differences represent an important part of the heterogeneity of the EMB sector in the UK, there are few studies that have explicitly investigated this dimension. Indeed, the majority of studies have centred on the experiences of first generation, or immigrant, entrepreneurs, often emphasising the link between behaviour and the entrepreneur's environment or context, in terms of cultural and traditional influences, such as from family, religion and community. Whilst differences may be observed between different ethnic minority communities, one would expect individuals born in the UK and educated and brought up in a UK environment, to have different experiences and attitudes to their parents, with potential implications for their involvement in entrepreneurship.

It is important to stress that previous research on second-generation EMB owners tends to focus on members of one of the South Asian groups, with some attention being paid to the Chinese community. This is despite the fact that there is some evidence that members that have been born in the UK own a higher proportion of businesses in the African and Caribbean population. This difference in attention by researchers is explained by the fact that both the Chinese and South Asian groups have traditionally shown a higher entrepreneurial propensity than African Caribbeans and partly because of an interest in the family business dimension, which is more common in the Chinese and Asian cases.

Various authors have noted that many family businesses within the Asian community are at a stage in their life cycle where they are facing or going through a transition from one generation to the next (e.g. Crick and Chaudhry 1997; Janjuha and Dickson 1998). As a Discussion Paper and Evaluation Report (1997) on the concept of breakout points out: *"Family business as we know it will undergo a complete change, traditional concepts will be blown out due to higher academic qualifications of the second-generation. This change in attitude between the generations is evident, particularly amongst South Asian Businesses"*. One of the factors that can discourage second-generation ethnic minority individuals from entering the family business is the unwillingness of some business founders to loosen their grip on the firm to allow the next generation to make a contribution (Cromie and Adams, 1997). Results from two surveys reinforce this argument. For example, Morris *et al* (1996) observed that in 41% of 102 businesses questioned the incumbents did not let go of the family business as promised. Meltcalf *et al* (1997) found a similar situation after conducting research of 155 ethnic businesses, across 4 ethnic groups (Pakistani, Bangladeshi, East African/Asian and Indian). Of those interviewed in this study, at least a third were reluctant to give up involvement in their business when they retired. Metcalf *et al* also noted that 14% wanted to give advice without control; another 14% expected

to retain control and a further 5% expressed a desire to retain part/whole ownership. However, the reluctance of many parents to fully pass on control of the business they founded to their offspring is a general characteristic of family firms rather than being confined to EMBs.

In terms of the Chinese community, it has been noted that the majority are family run and concentrated in areas such as restaurants and catering, originally set up by first generation migrants (Chan, 1997). However, there is a growing body of research which suggests that the succession rate in Chinese family businesses is declining as many in second generation seek out mainstream professional employment outside the traditional ethnic trades (Chan 1997; Pang, 1999). Some studies of Chinese family owned firms have shown that many of the second generation who participate in family businesses have a high preference for a 'normal life' outside this environment, often perceiving the family business as contributing to their own ethnic stereotyping (Song, 1995). Such attitudes can also be drivers for the second generation to choose higher education and white-collar employment over traditional family business ownership (Chan & Pang, 1998). Other drivers can come from the parents themselves, some of who may see the capital generated by the family business as offering a mechanism for their children to consider careers outside the catering trades.

It has been established that among the population more generally, individuals born into families of small business owners tend to follow their parent's footsteps (Curran et al, 1991). One issue that arises is that if some second generation members of ethnic minorities are moving into careers in the professions or other employment, does this suggest their propensity to entrepreneurship is lower than that of their parents. In this regard, Chan has shown that second generation Chinese professionals whose parents were entrepreneurs have not discounted longer-term plans towards entrepreneurship, particularly for those who experienced dissatisfaction from working for others. In other words, self-employment or business ownership may well be an option in the later stages of their careers.

A number of studies have referred to the tendency for second-generation ethnic entrepreneurs to set up in businesses in different sectors to those of their parent's generation. For example, in the Asian communities, second-generation entrepreneurs are seen to be moving away from traditional clothes and food retailing sectors with their long hours and low pay, into the services and professions, with their greater prestige and higher potential returns. For example, Pang (1999) found that the likelihood of Chinese to enter one of the professions was 3.5 times higher than for whites. Second generation entrepreneurs are often highly educated, entering entrepreneurship from different backgrounds to their forebears and for different reasons (Phizacklea and Ram 1995; Deakins, 1999). In terms of education, the tendency is for young people in some ethnic groups (e.g. Chinese) to stay in full-time education longer than the white population (Owen, 1994).

A recent study of predominantly South Asian businesses (i.e. Indian, Pakistani and Bangladeshi) in Coventry and Warwickshire (CEEDR, 2001a) found that compared with their first generation counterparts, businesses of second generation owners were more likely to:

- be operating in emerging sectors such as IT;
- have grown during the previous 12 months;
- more likely to have staff involved in training;
- recognise areas where management training could improve business performance.
- have had management qualifications when they started their businesses, although less likely to have had prior management experience;
- significantly more likely to be aware and have made use of mainstream business support organisations (such as Business/Enterprise Link);
- show a greater awareness of the importance of marketing assistance.

Similarly, based on case studies of second-generation EMB owners in Devon and Cornwall (CEEDR, 2001b), compared with first generation EMBs (that featured in a previous study in the same counties), it was concluded that second generation-owned EMBs had:

- A greater tendency to be growth seeking, in terms of sales and/or profitability.
- More innovative, with a willingness to respond to increasing competition by seeking to *'do things differently from the first generation'* by, for example, increasing the product range and upgrading premises.
- More pro-active in marketing and promotion, such as using the Internet/websites.
- More evidence of a latent demand for business support, such as with respect to marketing in order to help to attract new customers.
- Appear to be better educated (i.e. degree level or higher), but with less management experience.
- Show greater awareness of mainstream business support, but lack knowledge of what is on offer
- Demonstrate a higher propensity for membership of trade associations and greater willingness to join formal business networks.
- Show a higher propensity to access bank finance, rather than be restricted to family finance.

Whilst linguistic barriers are less problematic for second generation EMBs, perceived 'cultural' differences still pervade, providing a potential barrier to accessing business support services. The maintenance of cultural differences can be illustrated with reference to a report on EMBs in Lambeth and Southwark, it was reported that only 40% of those members of ethnic minorities that were born in the UK considered themselves to be British, with the rest identifying more closely with their parents or original ethnic grouping (Focus Central London, 1999).

## Regulations

The regulatory environment is the final building block of the mixed embeddedness perspective. Regulatory processes are wide-ranging, extending from state legislation to the provision of financial incentives; hence it can be both enabling and restraining.

A multitude of agents play a role in regulation processes, such as local, national or international governmental agents, unions, quangos, non-profit organizations, voluntary associations, and individual and their social networks. Regulation can be manifested in thick or thin ways or, in other words, can

either be imposed or enforced or be a matter of voluntary action (Rath, Forthcoming, 14).

The effects of the regulatory environment are transmitted via a broad range of state activities, ranging from conscious design, as in the specific targeting of ethnic minorities for enterprise aid, to the knock-on effects of immigration laws, which in principle have no intended bearing on entrepreneurship but which in practice may limit occupational choice, especially if they render the status of immigrants and their descendants insecure (Barrett et al., 2001). In mainland Europe, research attention has focused on the extent to which the law shapes the pattern of self-employment amongst immigrants. In the British context, regulatory issues have often been discussed in the guise of policy-oriented research on business support for ethnic minority firms. These are discussed in greater detail in the following chapter.

## **Conclusions**

Much of the literature on ethnic minority businesses wrestles with the comparative merits of cultural and structural explanations of the phenomenon. Recent advances have resulted in the promotion of a mixed embeddedness perspective (Kloosterman et al. 1999). This approach aims to explain the trajectory of ethnic minority businesses by examining the influence of sectoral, spatial, and regulatory environments; ethnic ties are acknowledged, but their significance needs to be seen in the light of these broader processes. Although much of these debates have understandably been conducted in academic circles, their importance for the policy and business and support community should be evident. Views on the distinctiveness or otherwise of ethnic minority businesses have clear implications for the question ‘do ethnic minority firms have particular business support needs?’ Whilst some researchers have recommended a sectoral strategy for supporting ethnic minority businesses, based on findings which show sector to be more important than ethnic group in determining business development needs (e.g. Blackburn & Rutherford, 1999), others favour more general initiatives targeted at ethnic minorities in business (e.g. Thomas & Krishnarayan, 1993). Chapter Two examines experiences of support provision for ethnic minority firms.

## **2. A REVIEW OF ETHNIC MINORITY BUSINESS SUPPORT**

### **Introduction**

This chapter focuses upon the issue of enterprise support and ethnic minority firms. Of course, it is recognised that formal sources of business support are not necessarily the most important for small business owners, regardless of their ethnicity. Other sources of advice, such as family and friends, accountants, solicitors and bank managers, are typically used more by small firms (Curran and Blackburn, 1994). However, an emphasis upon formal, publicly funded support services is appropriate for a number of reasons. First, a significant portion of the British research on ethnic business is wholly or partially policy-oriented (Brooks 1983; CETA 1987; Creed and Ward 1987; Jones *et al* 1989; McGoldrick and Reeve 1989; Rafiq 1985; Ram and Sparrow 1992; Soni *et al* 1987; Ward and Reeves 1980; Wilson and Stanworth 1986). Second, the promotion of entrepreneurship as a means of ameliorating economic disadvantage amongst ethnic minorities has been a feature of national and local policy making since the 1980s. Contemporary efforts to combat 'social exclusion' through self-employment are consistent with this trend (Blackburn and Ram, 2000). Finally, the SBS has a clear remit to encourage enterprise amongst all groups. For these reasons, it is important to consider the key messages from published accounts and the grey literature on ethnic minority business support. Four issues are considered: access to business support services; types of support need; specialist interventions; and issues for mainstream business support agencies.

### **Access to Business Support Services**

A consistent finding of previous research on EMBs is their low propensity to use mainstream business support agencies, such as enterprise agencies or Business Links (Marlow, 1992; Ram and Sparrow, 1993), often relying instead on self-help and informal sources of assistance. For example, in a survey of 292 EMBs in Humberside, (of which 45% were Chinese owned) mainly in catering and restaurants, only 4% had used business support previously compared with 66% of all businesses in the 1998 Humberside TEC Employer Survey that had made contact with a business support agency in the previous 12 months. Moreover, nearly three-quarters of EMBs had never used any form of business support, compared with 32% of all firms in the Employer Survey (Humberside TEC, 1999).

Blackburn and Rutherford's (1999) survey of predominantly Asian and Chinese owned firms in South West London also found very low levels of use of services provided by publicly funded business support agencies that was associated with low levels of awareness of these agencies among the ethnic minority population. Instead, the businesses were embedded in networks of business advice using family and friends, although the use of accountants was also high. The low levels of use of business support services applied in all sectors (i.e. retail, health and professional services) and the EMB sample as a whole used external training sources to a lesser extent than small businesses more generally.

Other recent surveys of EMBs in London have also reported a low use of the services offered by publicly funded business support agencies (Focus Central London, 1999; Fadahunsi et al, 2000). For example, in the latter study, only 1 in 20 of the 82 businesses interviewed had used assistance from any of the agencies, with no take up at all in the Indian and Pakistani communities. By contrast, it was much more common in these cases for business advice and assistance to have been sought from within the owner's own social network. Significantly, the low level of reported use in the latter study was not because of a lack of awareness of the existence of mainstream business support; rather, it was due to a lack of understanding of the types of support available, doubts about the relevance of what was offered, confusion about which providers can best meet a firm's needs, a lack of confidence and trust in those delivering support and a low level of willingness and ability to pay. A study of EMBs in Greenwich showed similar results (CAG Consultants, 1998). A majority of respondents had heard of one or more of the local support agencies but only 38% had contacted any of them. Black business owners were far more likely to have contacted one of these organisations than their counterparts in other ethnic minority groups. It was suggested that the general distrust of support agencies by EMBs, reflected in their reluctance to use the services of such agencies, may reflect a lack of trust in any government agency by some groups (Focus, 1999).

Confirmation of the fact that it is not low awareness that explains low take-up of services from support agencies is provided by some other survey results from Portsmouth, Gosport and Havant, where more than three quarters of surveyed EMBs were aware of Business Link and more than half of Hampshire TEC and also their local enterprise agency (Centre for Professional Development, 2000). Qualitative data presented in the same study indicated that respondents had strong preference for taking advice from someone they knew from their own ethnic background. Reasons given for not using Business Links included privacy, language, not being sure where to go for what and doubts concerning eligibility, particularly if they had been rejected in the past by some form of public agency. With respect to language, a typical response was 'some business issues are difficult enough to explain in one's own language, let alone a second language', indicating that the problem is not an inability of EMB owners to communicate in English but rather the difficulties of expressing complex business issues in what for first generation immigrants is their second language.

Another recent study showed that the low level of use of mainstream support provision was related to the EMB owner's general perception of the support environment, together with misgivings about the support that is offered and confusion caused by the continued fragmentation of the support infrastructure and a failure of agencies to deliver 'one-stop' support in practice (GLE/CEEDR, 2000). This is supported by other research by Lewis (1999) that found that in the London Borough of Tower Hamlets alone, there were seven business support agencies and 30 separate initiatives to assist small businesses and foster urban regeneration. Another issue concerns the language and appropriateness of the forms of communication between mainstream business support providers and their clients, that could be improved through a greater use of ethnic based media, such as radio and newsletters, to disseminate information on business support issues.

Such factors help to explain the low level of use of formal sources of external advice and assistance by EMBs, particularly at start-up. In the study commissioned by the BBA and others, referred to above, the diversity of experience with respect to access to finance between different ethnic minority groups was repeated in the case of access to advisory service, although the detailed pattern shows certain differences (Smallbone et al, 2001). However, the key point to stress is the low proportion of all surveyed firms that accessed start-up assistance from formal sources (20%) (i.e. banks, accountants, Business Links, enterprise agencies) and most of those that did were Chinese or AC owned. Indeed, the use of public and quasi-public sector agencies was particularly low in the case of EMBs, although higher in the case of ACBs than in the other groups. Significantly, however, the relatively high level of use of formal sources of start-up advice by ACBs was not reflected in their relative performance with respect to accessing finance, which is an issue that justifies further investigation

Of course, it could be that the low take-up of business support from formal agencies reflects a low level of perceived need or a lack of interest by EMB owners in receiving external assistance. In this regard, Ram and Sparrow (1993) stated that the low level of use of mainstream business support agencies cannot be put down to the lack of interest on the part of the business owners since both studies found their South Asian samples receptive to appropriate business support. The principle obstacles for support agencies seemed to be identifying and reaching the firms in question, often linked to inadequate databases, together with the inappropriateness of the 'product-oriented' approaches used by many support agencies. The lack of business databases that includes the business owner's ethnicity is a limitation on the ability of agencies to target business support services, as various studies have noted (e.g. CEEDR, 2000b; University College Northampton, 2000).

Another recent study of predominantly South Asian businesses in Coventry and Warwickshire found the most commonly reported formal source of information about external assistance at start-up to be accountants (20%), banks (15%), the media (10%), ethnic business organisations (8%), with Business Link/Enterprise Link being used by just 5% (CEEDR, 2001a). Similar findings are reported in the Barclays Bank (2000) study, which showed advice from accountants and banks to be the main and more frequently used sources of help for ethnic small firms, compared with white owned firms (29% and 10% respectively), with only 6% looking to public or quasi-public sector sources for this type of help. The survey of EMBs in Greenwich, referred to previously, reported similar findings. Just over half the sample had been somewhere for advice and guidance in the previous two years. Half of these had contacted their accountant or bank, and 14% family or friends. However, once again Black business owners were reported to have sought external advice more frequently than those in other ethnic groups (CAG Consultants, op cit).

## **Types of Support Need**

A key question running through this review is the extent to which the support needs of EMBs are distinctive in comparison with those of similar white-owned firms. How important is the ethnicity of the owner in this regard, compared with other key business characteristics such as size and sector? One of the issues that needs to be taken into account when using empirical results to answer this question concerns the



sampling frame used and ethnic composition of the sample, since both can affect the findings and conclusions reached.

For example, in an analysis of the client database of Business Link Birmingham, most of the differences in the support needs of EMBs compared with other firms, resulted from either size or sectoral differences between the two groups. The analysis showed that among Business Link clients EMBs are significantly smaller than other Business Link clients and with different sectoral mix. As a result, many of the characteristics and support needs of EMBs reflected the size-related characteristics of microenterprises and/or their greater propensity to be engaged in non-manufacturing activities. These include a higher propensity to be local market orientated; face declining market share; likely to have a manager with special responsibility for marketing; less likely to have a written business plan or to use formal planning in any aspect of the business; a higher propensity to experience financial constraints in terms of current liabilities exceeding current assets; more likely to face skills constraints, both in meeting current demand and to facilitate expansion. Differences in support needs that appeared distinctively associated with ethnicity included a greater propensity to require urgent new investment and their lower level of use of IT compared with white owned firms. At the same time, it is important to stress that generalisations about the similarities and differences between EMBs and white owned businesses in this study refer specifically to Business Link clients and cannot be extended to the EMB population in Birmingham as a whole.

In considering business support issues, Blackburn and Rutherford (1999) found that financial constraints were ranked less highly by EMB owners than 'parking' and 'competition problems' which were identified as the most important issues in most sectors, but particularly in retail and catering. At the same time, the four sectors featuring in the study displayed very different characteristics in relation to growth, competition, perceived business problems, skills deficits and succession planning issues. Overall, the study concluded that sector was more important than ethnic group in determining business development needs, although it should be noted that ACBs did not feature prominently in this study. In Greenwich, the main constraints identified by surveyed firms were 'too much competition', a lack of capital for investment, the level of rent (and rates) and cash flow or financial management (CAG Consultants, op cit). This latter study concluded that raising finance is a major cause of concern, especially capital for investment, and particularly for Black-owned firms who reported particular difficulties in raising finance from conventional sources.

Although many of the support needs of EMBs are shared with their white counterparts, there are also culturally specific issues that include language, religious and gender aspects. An example is the delivery of training (Werbner, 1990), that emerged with respect to Muslim women in a recent study in the Turkish Cypriot and Pakistani communities (GLE/CEEDR, 2000). Respondents in this study did not deem it culturally acceptable for these women to come into contact with males with whom they are unfamiliar, training must be delivered by women trainers and on-site.

An issue that has been addressed in a small number of papers concerns the need for supplier diversity and increasing access of black and ethnic minority business owners to procurement contracts. The issue was raised in a recent study of ACBs in London where the emphasis was on a need to improve the flow of information to black and

ethnic minority business owners about supply opportunities (CEEDR, 2000). A specific issue was raised in relation to the construction sector, where focus group participants referred to the process of bidding for and awarding contracts by Housing Associations where discrimination was perceived to exist.

The issue of equal opportunities and the under-representation of black and ethnic minority businesses in the housing sector was the subject of a recent report by the Housing Corporation and Bristol Housing Partnership (CEED, 2000), the main findings of which were:

- local housing associations have a low representation of ethnic minority suppliers
- they have failed to develop awareness of the wide range of opportunities for employment and for contracts among ethnic minority people
- 97% of building and construction-related businesses interviewed thought it would be difficult securing contracts from housing associations. This was explained in terms of perceived racism in awarding contracts, the white dominated environment, insurmountable red tape and the difficulties of accessing capital.

## **EMB Focused Interventions**

One of the first dedicated policy interventions was the Ethnic Minority Business Initiative (EMBI), launched in 1985. A key objective of this initiative was to support the establishment of five black-led enterprise agencies in areas of high African-Caribbean population. These agencies were a response to high levels of unemployment in some ethnic groups, and the apparent reluctance of other communities, notably Asians, to utilise mainstream business support services despite a higher than average level of self-employment (EMBI, 1991). Within a short space of time,

*‘These agencies had clearly established themselves ... as important contributors to economic regeneration of those communities disproportionately affected by unemployment ... This was despite the fact that these agencies drew their clients from inner city locations’ (EMBI, 1991:7).*

Memon (1988: 158) has also noted the positive contribution of such agencies to ethnic minority business development in inner-city areas:

*‘Voluntary sector business development initiatives are often oversubscribed. Indeed, no one can deny the efforts of voluntary agencies ... in responding to the needs of inner city communities. Such initiatives are quite significant in the context of local economy ...’*

In a more recent study, Ram (1998) examined the issue of business support and ethnic minority firms in four cities where EMB activity is known to be significant, namely Birmingham, Liverpool, London and Manchester. The study was based on interviews with representatives of agencies in each city that had a remit to support EM firms, that included specialist EMB support agencies, as well as staff with special responsibility for EMBs within local authorities and mainstream support agencies, such as TECs and Business Links. The results highlighted significant constraints upon the delivery

of effective enterprise support. First, there was a lack of basic data on the make-up of local ethnic minority firms. Second, a lack of clarity in the rationale for interventions was apparent: were they to promote competitive advantage, economic development or equality of opportunity? Third, the funding regimes of support agencies generated what was seen as unhealthy competition, and militated against effective networking. Fourth, 'effectiveness' was often equated with meeting contractual requirements rather than business needs. Finally, many officers specialising in support for EMBs perceived themselves as marginal in comparison with better-resourced 'mainstream' providers. The establishment of discrete units to support ethnic minority firms by some local authorities, TECs and Chambers of Commerce, is a response to the low propensity of EMBs to access mainstream support provision, referred to in the previous section.

A further form of support for ethnic minority businesses is incorporated in broader government policies aimed at urban regeneration. The implicit assumption seems to have been that since ethnic minorities are concentrated within inner-city areas, inner city policy will axiomatically be of benefit (Oc and Tiesdall. 1999). However, McEvoy (2000:11) maintains that such initiatives are 'more numerous, short-lived and confusing than their enterprise equivalents. They have included the Urban Programme, City Action Teams, inner city Task Forces, Urban Development Corporations, City Challenge, and the Single Regeneration Budget Challenge Fund'. Oc and Tiesdall's (1999) study of the operation of one specific initiative – City Challenge – in six areas draws both positive and negative conclusions for such forms of support. On the plus side, the six Challenge areas appeared to have heeded the lessons from previous urban initiatives. Hence, there was evidence of measures that recognised the distinctive needs of different ethnic minority communities; a growing appreciation of the critical issue of finance for ethnic minority firms; and existing business development initiatives were being scrutinised for their receptiveness to ethnic minority businesses. However, Oc and Tiesdall also argue that there is further scope for a more robust requirement for an ethnic dimension in local regeneration strategies; and in respect of business support, there is need for greater awareness, sensitivity and credibility in the delivery of services to ethnic minority enterprises.

Despite the creation of ethnic minority led enterprise agencies and the array of enterprise initiatives incorporated within urban regeneration policies, ethnic minority businesses still seem reluctant to utilise business support services. In this context, a third form of business support has been discernible, namely membership-based business organisations that claim to represent particular ethnic groups. Many Midlands' cities contain such bodies. For example, in Birmingham there are at least three organisations that represent Asians in business; and the African-Caribbean and Chinese communities also have representatives advancing their business interests.

Although the concrete operation of these groups has not been widely documented, Ram et al's (1999) case study of one such body (AsCo) in a Midlands' city highlights the possibilities, and limitations, of this mechanism of business support. AsCo was originally set up to assist Asians involved in lower order retailing, many of whom had not utilised existing business services. It was successful in gaining the backing of influential Pakistani businessmen in the city; some actually became directors of the group. The co-ethnic networks of these entrepreneurs were instrumental in securing interest from other businesses (significantly, most were not the struggling retailers

originally targeted). Hence in terms of Oc and Tiesdall's (1999) criteria of 'awareness' and 'sensitivity', the group made progress in introducing Pakistani business owners to the sphere of enterprise support. However, probing the group's members highlighted considerable dissatisfaction over the perceived lack of relevance of the services on offer; the representativeness of directors; and the basic aims of the group. Hence, it was clear co-ethnic delivery of business support was not sufficient in itself to ensure the 'credibility' (Oc and Tiesdall's third criteria) of the initiative.

## **Issues for Mainstream Support Agencies**

One of the issues facing agencies dealing with business support, as well as policy makers, concerns the data they hold on EMBs in the catchment and systematic evidence of the scale, dynamics and issues facing EMBs (DTI, 1992; Mitra et al., 1991; Ram, 1998). The guidelines set out by the EMBI (1991, p13) suggested that business support agencies should collect information on the local demography, settlement patterns, history, age structure, family situation of ethnic minority groups. Unfortunately, there is little evidence of these guidelines having been implemented, since Ram's study of the business support agencies in four British cities found agency staff unable to provide basic details on the nature and extent of EMB activity in their localities (Ram, 1998). A summary of the current state of affairs in this respect is presented in chapter 3 of this report.

A common approach of mainstream support agencies is to stress 'equality of access', captured in the approach of Enterprise Link Birmingham, which aims to ensure that EL services are accessible to all residents in Birmingham. This is achieved by the specification of representation rates in start-up and micro-business participation across the city's communities. Within this approach, specialised and intensive services for particular groups serve as a foundation for progression into mainstream business support channels; crucially, 'this enables segmentation of disadvantaged client groups within the mainstream as opposed to segregation outside' (EL Discussion Paper, date?).

A recent evaluation of EL found that it had comfortably exceeded its target for ethnic minority clients by +5.16 per cent, and within this, 2.02 per cent for people of African-Caribbean origin, although there are questions concerning the appropriateness of the targets in the light of the diversity of experiences of ethnic minorities in business and also how these targets are being achieved. For example, are the 'black-led agencies' the principal means of reaching ethnic minority communities? There is a perception among some members in the business support community that equality of access outcomes are largely secured through the activities of certain agencies rather than a coherent strategy on the part of mainstream business support agencies.

A recent study of the business support needs of ACBs in London, based on a series of focus groups and interviews with ACB owners, showed that self sufficiency was more common than seeking assistance from a mainstream support provider, that there was a perceived lack of culturally sensitive business advisers in mainstream agencies, a lack of representation in mainstream business support agencies by the AC community and a predominant view that agencies are insufficiently 'needs' oriented (CEEDR, 2000b). Whilst some of the issues raised are versions of problems identified by other

small firms, ACB owners typically have a different perception, often interpreting the barriers in ethnic terms.

One of the conclusions from a recent study of the business support needs and support provision for EMBs in Coventry and Warwickshire was the fragmentation and potentially confusing nature of existing provision, when viewed from a clients perspective (CEEDR, 2001a). Whilst an aspect of a generic problem rather than one that is confined just to EMBs, the problem appeared worse for EMBs in practice because of the multiplicity of initiatives that are aimed at or involve EMBs, funded through programmes such as SRB.

## **Conclusions**

This brief assessment of enterprise support and ethnic minority firms echoes a number of themes in the review by Ram (1998), and, more disturbingly, EMBI (1991). First, the comparatively low take-up of business support continues to be reported. The frequency with which this is noted is disappointing since it is clearly not simply a case of a lack of awareness. Second, systematic approaches towards the documentation of ethnic minority business activity are conspicuous by their absence. Some 10 years after the publication of the EMBI guidelines, 'good practice' on the monitoring of EMB activity is clearly not much in evidence. Finally, duplication and a lack of coherence still characterise enterprise support provision in many localities. The number of initiatives appears to be increasing, but there is some doubt over how effectively they are integrated, as Lewis's (1999) study in North London highlights.

### **3. ETHNIC MINORITY BUSINESS SUPPORT IN PRACTICE**

#### **Introduction**

In this chapter, we seek to provide a picture of support for EMBs in practice, based on data gathered from Business Links and other support providers. The aim is firstly to provide an overview of existing approaches to EMB support and secondly to describe a number of specific initiatives aimed at, or which include, EMBs.

All Business Links were contacted in February/March 2001 in order to establish current policy and practice with respect to EMBs. Through short telephone interviews, the research team sought to identify:

- whether or not the Business Link had a specific policy with respect to EMBs and, if so, what it was;
- whether they hold any data or other information about EMBs in their catchment;
- whether or not they considered EMBs to have distinctive support needs compared with other small firms and, if so, how they sought to address these;
- whether there were any examples of what they considered to be good practice policies aimed at EMBs operating within their catchment area.

A total of 53 Business Links were interviewed from the 72 that were initially contacted by letter and telephone. However, because of the re-organisation that was taking place during the period of the survey, these 53 responses covered 61 of the old (i.e. pre April 2001) Business Link areas. As a consequence, the response rate represents 85% of the coverage of the old Business Link areas. A summary of the main results from this round of contacts is presented below.

Where examples of ‘good practice’ policies were identified in these initial interviews, a second interview was conducted with the individual best positioned to describe the experience with respect to the programme. Whilst the absence of an opportunity for the research team to make an independent evaluation makes it impossible for us to state whether or not the selected schemes may be considered ‘good practice’ in terms of their effect and impact, we have drawn attention to the ways in which they appear to be appropriate to the needs of EMBs, as identified in the previous chapters.

#### **Summarising the Approach of Business Links in Practice**

##### ***Business Link Policies Towards EMBs***

A minority of surveyed Business Links (30%) claimed to have a specific policy towards EMBs, or were in the process of developing one. Where such policies were claimed, the Business Links referred to either targeted policy initiatives, such as training, mentoring, access to finance, marketing and/or some form of engagement strategy, such as the use of outreach workers, working with community leaders,

inviting ethnic minority groups to join the Board etc. In some cases, this involved working with or through specialist ethnic minority business support organisations, where appropriate agencies existed.

Not surprisingly perhaps, those Links claiming an EMB policy included many of those covering the main areas of high ethnic minority concentrations, such as Birmingham, Manchester, Leicester, Bradford and Leeds, Wigan, East Lancashire, London North, Walsall and Coventry and Warwickshire, but also a few where the ethnic minority population is much smaller e.g. Suffolk, Hampshire and Hertfordshire. At the same time, there are some Business Links in areas of above average ethnic concentration (such as parts of London) where no explicit policy towards EMBs was reported.

However, the majority of responding Business Links had no specific policy with respect to EMBs, nor were in the process of developing one at the time of our contact; rather, they claimed to “treat all businesses the same” (70%). This can be illustrated with reference to a PBA who responded on behalf of a Business Link in S.E England:

*“Our policy is to support EMBs in the same way as other SMEs and to try to ensure that our services are equally accessible to them, i.e. that we are not unintentionally creating any barriers to access which would disadvantage EM businesses”.*

Such organisations argued that historically, Business Links were tasked by the DTI to produce an impact on growth companies in terms of a measurable improvement in business performance. In this context, the ethnicity of the business owner was not a primary consideration or even seen as particularly relevant. In such circumstances, it was argued that Business Links have attempted to address the needs of ethnic minority businesses through equal opportunity policies. In this context, ethnicity was just one of a range of issues addressed including gender, age, physical disability and learning difficulty. They conceded that the advent of SBS should begin to make a difference because the SBS guidance includes a stronger emphasis on reaching all sections of the business community than previously.

### **Data on EMBs**

More than half of the responding Business Links responding to our contact (57%) claimed to have some form of data or information about EMBs within their catchment area. However, this is not quite what it seems since in half these cases the information appeared to be vague or indirect in that it was effectively drawn from the Census, simply describing the size of the ethnic minority population in their area. The other half (28% of all responding Business Links) stated that they had a database of EMBs, or one that contains EMBs.

Not surprisingly, there was a relationship between Business Links that claimed policies towards EMBs and the nature and extent of the data they held. For example, 11/16 (69%) of those claiming to have current policies towards EMBs (or were developing them) also claimed to have databases that included EMBs, and a further quarter claimed to have ‘some information’ about them.

Responding Business Links were also asked if they recorded the proportion of their clients that were EMBs. Surprisingly, a significant minority of respondents (36%) claimed to do so, although once again, such a response was much more common among Business Links that claimed to have a policy towards EMBs (12/14 or 86%) compared with 8/39 (21%) of those without such a policy or in the process of developing one. At the same time, some respondents reported difficulties in following such a strategy:

*“As part of our equal opportunities strategy we created an additional field in our client management system to record the ethnicity of business owners, but as yet the information collected is incomplete (not least because some ethnic minority business owners declined to be so identified and no meaningful analysis is therefore possible”.*

In addition, 40% of all responding Business Links indicated they had other sources of information about EMBs apart from recording the proportion of their clients that are members of ethnic minorities. These were mainly drawn from areas of above average ethnic minority concentration. The types of information sources referred to included research (both internally and externally sourced); specialist organisations (such as Asian Business Forum, African Caribbean Business Agencies, and Black training groups); Business Clubs; and enterprise projects concerned with EMBs (such as Single Regeneration Projects). Other sources included City Councils; formal and informal contacts with Racial Equality Councils and their business support arms. In comparison, just 4 of the 37 Business Links without an explicit policy towards EMBs claimed to have a database that included EMBs and a further 11 claimed to have some information about EMBs in their area.

### **Support Needs of EMBs**

All respondents were asked if, in their experience, EMBs had distinctive support needs compared with other small businesses. More than half the responding Business Links assessed that EMBs had distinctive support needs compared with other small businesses (55%), compared with 40% who believed this not to be the case. This included 14/16 (88%) of those that either have a policy towards EMBs or were in the process of developing one, as well as 15/37 (41%) of those without a specific EMB policy. A further 6% of responding BLs in this latter group was unsure whether or not EMBs had specific support needs

Respondents who identified specific EMB support needs pointed to issues such as a lack of access to finance, a lack of confidence among business owners (and potential owners), cultural issues that can affect access to and delivery of business support, language barriers, the effects of bureaucracy and prejudices. Others suggested that succession planning could be an issue in some cases, as well as the decline of some traditional markets (e.g. in the clothing sector). Once again, organisations making this type of response were typically located in areas of high ethnic minority concentration.

A supply side perspective on the difficulties faced in penetrating the EMB sector was summarised by the Operations Director of a Business Link in the South East of England (with few ethnic minority businesses in its catchment):



*“Yes, EMBs do have distinctive support needs. I don’t think the Business Link has done enough for EMBs. The problem is EMBs are very difficult to get close to. They tend to take care of themselves and sort out many of their problems within their community”.*

Other types of response that were made by Business Links in areas with few EMBs and little data about them (19% of respondents):

*“they are much like any other business”* (a senior business advisor of a Business Link in the East Midlands).

A response that summarises the position of a further 8 respondents (15%) was:

*“we are not in a position to say one way or the other because of the small proportion of EMBs in our area”.*

### ***Delivering Support to EMBs***

A minority of responding Business Links (34%), mainly from areas with large ethnic populations, stated that they were involved in specific initiatives targeted at EMBs. These included working with community leaders, funding local Enterprise Agencies, working with local authorities for grants, Phoenix Fund, Business Clubs, women in business initiatives, working to increase access to sources of finance, and IT support. They also included management training, e-business training, specialist workshops and seminars. Only one of the Business Links that claimed to have a current policy towards EMBs was not involved in some form of business support initiative or programme targeted at EMBs, although four of those without an explicit policy also were.

However, the majority of responding Business Links (66%) were not involved in specific business support initiatives or programmes aimed at EMBs, mainly those located in areas of low concentrations of ethnic minority businesses. At the same time, a lack of involvement in targeted support initiatives does not mean that the EMB issue is totally neglected. For example, when the question was put to the Chief Executive of one such organisation located in the South East, he replied:

*“No, though we did provide financial support for a conference in 2000 managed by the Business Support Association of [a local] Council for Racial Equality, and our Business Advisers have provided mentoring support for their Business Advisers”.*

Almost half the responding Business Links (45%) stated that there are agencies in their area (other than Business Link), that are concerned with delivering support to EMBs that either work under contract (28%) to Business Link or are in some form of partnership with it. Such partnerships can involve a Chief Executive of the specialist agency sitting on the Business Link Board or such agencies and/or being a named partner in the SBS franchise and/or sharing premises.

Finally, all responding Business Links were asked if there are any examples of policies or programmes aimed at or involving EMBs that they consider to be good

practice and, if so, in what respect. Twenty six per cent (or 14/53) of responding Business Links identified ‘good practice’ policies or programmes, mainly but not exclusively located in areas where there is an above average concentration of ethnic minority populations. A description and analysis of some of the support initiatives identified as ‘good practice’ cases are presented in the following chapter.

## **Our Interpretation of ‘Good Practice’ Policy**

Any identification of good practice policy related to ethnic minority enterprise is predicated on some understanding of what constitutes ‘good’ practice and the criteria that might be used to identify it. This is not straightforward since judgements about what constitutes good practice are likely to depend on who is making the assessment and their reasons for doing it. One of the main purposes of policy evaluation is to identify good practice for wider dissemination, although it must be recognised that what appears appropriate and works well in one context may not work well in another. This means that the transfer of a policy initiative from one context to another is no guarantee of success, since there is a need to adapt policies to local needs and conditions.

Our selection of EMB policy initiatives and programmes for inclusion in the report was based mainly on those identified in the first round of contacts with Business Links and their partner organisations (where appropriate). These were then followed up with a second round of interviews where respondents were asked to provide details about the programme and invited to identify what they considered to be ‘good practice’ elements in it. Although this was essentially a subjective process, in summarising each of these initiatives in the main body of the report, we have highlighted those aspects that might be considered ‘good practice’ in relation to a more objective set of criteria. At the same time, it must be stressed that since it has not been possible for the research team to undertake independent evaluations of the selected initiatives, we are unable to comment on how successfully the ‘good practice’ principles are actually implemented in practice.

An objective and comprehensive evaluation of policy initiatives would include the *rationale* and *objectives* for the policy instrument; its *appropriateness* to the needs of EMBs in the target area/group; its *effectiveness* in delivery; its *coherence* in relation to the overall business support framework; and its *efficiency*.

However, since evaluation of specific policy initiatives was not part of the project brief, we have not attempted to systematically assess each of the selected initiatives against such criteria, although they have been used as guiding frame of reference. In practice, our attempt to identify good practice principles has tended to highlight aspects such as:

- The appropriateness of particular instruments or initiatives to the distinctive needs of EMBs or specific sub-groups (such as targeted finance initiative)
- Delivery approaches based on engagement and interaction with ethnic minority communities
- Culturally sensitive delivery methods

- Approaches that have strategies for drawing EMBs into mainstream support
- Innovative approaches

## **Selected Examples of Policies offering Specific Assistance to EMBs**

The following section provides detailed summaries of 15 initiatives or programmes providing specific assistance to EMBs in England. Whilst those producing this report cannot claim to have undertaken any in-depth audits of the following initiatives, they have all been recommended by third parties and appear to exhibit at least some elements of good practice as defined above. Indeed, these initiatives were selected mainly through the recommendations of Business Links, although in some cases initiatives were recommended by other types of business support agencies (e.g. enterprise agencies) and existing reports on EMB support. The final selection of initiatives aimed to provide a range of different types of activity, spanning pre-start, start-up support and existing business development, sectoral and thematic initiatives (e.g. support for ethnic minority women in business), specialist financial support initiatives (e.g. Muslim Loan funds) and strategic initiatives such as the development of an EMB database in Birmingham.

The rest of this section summarises those features of the 15 selected EMB initiatives that appear to represent ‘good practice’ on the basis of the criteria outlined above.

### ***Business Link Manchester’s ‘New Business’ Support Programme***

‘New Business Support’ is a mainstream start-up support programme, offering a range of assistance delivered through local enterprise. It appears to have a number of features that are worth highlighting as far as EMBs are concerned that include:

- The setting of EMB targets for assisted start-ups
- The inclusion of ethnic minority advisers in the delivery team
- A (volunteer) mentoring scheme that will involve the recruitment of appropriate EMB mentors
- Support budgets that are specifically targeted at sectors in which EMBs are increasingly involved
- The employment of two EMB advisers to network in the Trafford area on a pilot basis, in an attempt to increase the level of engagement with ethnic minority communities
- An approach which attempts to draw support for EMBs into the mainstream rather than treat them as a marginal group
- A recognition of the need to make promotional material for support agencies available in appropriate languages for the locality

### ***Bolton and Bury Enterprise Centre***

Bolton and Bury Enterprise Centre (BBEC) is an established agency dedicated to providing business support for EMBs in Bolton and Bury. With the advantage of substantial core funding from the local authority, BBEC offers a range of services

over and above the standard offer for start-ups and established businesses, which it attempts to customise to the needs of different types of EMB (such as women or firms in specific sectors). Other features of BBECs activities that make it of particular interest include:

- Its commitment to outreach work in local ethnic minority communities
- Its attempts to identify the support needs of local EMBs through the use of focus groups
- Its attempts to develop sector specific support packages, linked to the encouragement and facilitation of diversification of EMBs into higher value added activity
- The incorporation of access for EMBs to soft loans as part of its offer
- The use of ‘meet the buyer’ events to increase opportunities for EMBs to supply large organisations

### ***PortobelloBusiness Centre’s (PBC) Business Mentoring Programme (BMP)***

Whilst not aimed exclusively at EMBs, the latter are expected to make up between 40-50% of its participants because of the ethnic composition of PBC’s catchment in inner London. As an organisation, the PBC recognises the distinctive barriers, which many EMBs face in accessing mainstream business support that the BMP seeks to address. Particular features of the scheme that justify highlighting are:

- Recognition of the need to offer sector specific knowledge and expertise through mentors who are themselves business people
- Providing an opportunity for EMBs to receive help from bank managers in preparing funding applications
- Recognising the need to offer EMBs an opportunity to be mentored by someone from a similar cultural background
- Emphasising networking with ethnic minority community groups as part of a wider engagement strategy
- Explicitly recognising the need to encourage and help EMBs operating partly or mainly informally to move into the formal economy

### ***Enterprise 2000 Project of CEED Charity Ltd***

CEED is a ‘not for profit’ charitable organisation that exists to offer assistance to disadvantaged people to set up and run businesses. Because of its location in the St Pauls district in Bristol, the vast majority (an estimated 85%) of its clients are EMBs, particularly ACBs. The Enterprise 2000 project is essentially a business club offering members access to the full range of the agency’s business support services that include linkages to other sources of local assistance, a comprehensive programme of on-going training and networking events, as well as providing mentoring to assist new and aspiring ethnic minority entrepreneurs

Although the number of assisted businesses is small, those features of Enterprise 2000 that justify highlighting are:

- The advantages of the integration of the agency with the CCTE and its links with Business Link that provide a basis for inter-institutional networking.
- The opportunity for access to finance that is available to assisted firms
- The use of networking events which enable EMB owners (and potential owners) to network with key actors
- The use of mentors and entrepreneurial role models from the ethnic minority communities

### ***The RUSICA Programme of Coventry Asian Business Association (CABA)***

RUSICA (The Regeneration Unit for SMEs in Inner City Areas) was a specialised ICT support package, targeted at EMBs in Coventry. Although currently without funding, RUSICA offered training and assistance in the use of the Internet for business development, together with support for e-commerce activity by new businesses and existing firms seeking to diversify. Run by the Coventry Asian Business Association (CABA), RUSICA had a number of features that justify particular emphasis:

- It addressed a specific business need linked to an aim of increasing diversification and value added activity among EMBs
- It was delivered by ethnic minority trainers, representing the largest ethnic minority communities in the area
- Delivery methods focused on in-depth, practical support

### ***Women's Enterprise Network, Business Link West***

The Women's Enterprise Network (WEN) offers training and support to assist women to start and run their own businesses. Whilst not specifically targeted at EMBs, the programme aims to be flexible, offering customised training to all types of women entrepreneurs. Relevant examples include an Asian community project for Asian women that provided them with an opportunity to study for City and Guilds business qualifications in a 'safe environment' and a bookkeeping and business start-up course to assist a Chinese women caterers group.

Those features of the WEN that appear to justify emphasis from the standpoint of 'good practice' EMB support are:

- Its demonstrated sensitivity to the needs of women involved in business from different cultures
- Its willingness and ability to deliver training and support to groups of women entrepreneurs drawn from specific ethnic minorities using an approach that combined an ability to respond to their specific business support needs whilst using delivery methods that were designed to overcome any communications or cultural barriers
- Recognition of the importance of prioritising the development of links with ethnic minority communities as part of a wider engagement strategy.

### ***Women into Business, Walsall Ethnic Minority Business Service***

Run by Walsall Ethnic Minority Business Service, the Women into Business Programme is an initiative to help women get into business. Whilst not specifically targeted at ethnic minority women, its activities are focused (for funding reasons) on SRB areas with high ethnic minority concentrations. From an EMB support standpoint, aspects of this initiative that need to be stressed are:

- The provision of customised support that includes providing additional help to ethnic minority women (where necessary) in basic literacy and numeracy skills
- A recognition that women from some cultural backgrounds (e.g. Muslim women) face particular challenges in participating in support initiatives that must be sensitively addressed if these groups are to be included
- The employment of an outreach worker to engage with ethnic minority communities and raise awareness of the agency's business support offer.

### ***Muslim Loans Fund, East London Small Business Centre***

The recently established Muslim Loan Fund (from January 2001) is an innovative finance initiative, targeted at the needs of EMBs who for religious reasons are unable to access interest bearing funds. Under the management of an established enterprise agency with considerable experience of managing and delivering loan funds for small firms, a number of features of this initiative that are worth highlighting. These include:

- An initiative that is attuned to the distinctive needs of particular ethnic minority group
- An approach to delivery that provides help and support in the preparation of a business plan whilst ensuring that 'ownership' of the plan rests with the client
- A loan panel approach that is said to be sympathetic to the requirements of ethnic minority applicants and is able to overcome language and communications issues.

### ***Enterprise Loan Fund, Business Link West***

The Enterprise Loan Fund was established in the mid 1980s as a lender of last resort, targeted at deprived inner city wards in Bristol. It is available to both new and existing businesses and is particularly concerned with disadvantaged groups that include ethnic minorities. Although not exclusively focused on EMBs, the ELV has a number of features that are worth highlighting from an EMB perspective, including:

- A finance initiative targeted at groups that often find it difficult to access finance from conventional sources.
- An approach that provides advice to assist loan applicants to prepare their applications, with mentoring available post-start-up in the future
- Loan appraisal procedures that appear sensitive to the particular needs of EMBs.

### ***Ethnic Minority Business Database, Enterprise Link Birmingham***

A key issue facing policy makers and support agencies concerned with targeting services at EMBs is simply locating them and identifying their key characteristics. Indeed, the absence of comprehensive databases with an ethnic element has been a consistent criticism of academic commentators on EMB policy in recent years. In this context, the attempt by Enterprise Link Birmingham to develop a comprehensive business database that includes the owner's ethnicity represents an innovative initiative which itself is a potentially important element of good practice policy support.

### ***Black Business in Birmingham, Birmingham City Council***

Initially established by Birmingham, City Council in the mid 1980s, Black Business in Birmingham (ThreeB) is an enterprise agency delivering support to new and existing businesses, including EMBs. Although established to contribute to encouraging and facilitating entrepreneurial activity in the ACB community, the agency now has a wider role in delivering support to small businesses in the city. As one of the country's most experienced agencies dealing with Black businesses, Black Business in Birmingham appears to demonstrate a number of 'good practice' principles of EMB support, including:

- The development of a sustainable ethnic business support agency through the consistent support of Birmingham City Council.
- Delivery of high quality fully accredited start-up and business development services by ethnic minority advisers who are attuned to the requirements of their EMB clients.
- Close working with local ethnic minority communities, community leaders and business leaders, allied to the agency's location within the heart of Birmingham's ethnic minority communities.
- The development and delivery of specially tailored support services to capacity build local EMBs through thematic and sector-based initiatives (e.g. IT and food and drink sector support).

### ***North London Cultural Diversity Forum (NLCDF)***

The North London Cultural Diversity Forum is an organisation seeking to promote equal opportunities issues and practices among public and private sector employers in North London. Whilst not focused on ethnic minority issues, these have tended to be the most prominent in practice so far. As far as EMBs are concerned, the NLCDF is providing a vehicle for promoting the cultural diversity message by supporting events designed to increase access to finance for small firms and greater supplier diversity among large organisations. In terms of good practice, the NLCDF has been quoted by the London Development Partnership (1999) as an example of a local initiative to promote business diversity, particularly in the construction industry.

### ***Synergy Project, Business Link London North/North London TEC***

Synergy is a project initiated by North London TEC and Business Link London North to try to encourage the involvement of more communities in the agencies activities and services, as well as encouraging a greater 'joining up' of a number of key actors on the supply side. Whilst not exclusively focused on ethnic minority communities, their role in the population of the three boroughs (i.e. Haringey, Enfield and Barnet) makes them an important element in the project. The main activities focused on conferences, workshops, seminars and other events in an attempt to engage key players on the supply side, as well as establishing a broad base of community support. Synergy's main role was to facilitate networking between EMBs, between EMBs and other firms and between EMBs and support agencies. Features that are worth highlighting include:

- Placing social exclusion higher on the agenda of key local actors and support organisations
- Providing a means for facilitating networking activity, that could act as a conduit for drawing EMBs into the mainstream
- Highlighting the positive aspects of cultural diversity as far as local economic development is concerned
- The visible support given by the Chief Executive of NLTEC helped to increase the profile of the project in North London whilst also giving it credibility within the organisation itself.

### ***Centre of Excellence in Ethnic Minority Business (CEEMB), London***

The Centre of Excellence for Ethnic Minority Business operated between January 1999 and April 2000 as a resource for Business Links in London. From April 2001, it is to become the Knowledge Centre for Ethnic Minority Business. CEEMB's brief was to enable mainstream support agencies in London to offer a greater level of service to EMBs, to identify and disseminate 'good practice' support and to facilitate an increased take-up of mainstream support services. The Centre's role was to offer specialist knowledge to PBAs and advisers on EMB issues rather than to deliver services to EMBs directly. Its main output centred on the production of a toolkit for PBAs, which provided cultural background and other information about various ethnic minority groups in London. Certain elements of CEEMBs activities would appear to be worth highlighting:

- The idea of providing a dedicated resource to support those delivering support to EMBs that can assist them in understanding the distinctive needs, problems and expectations of different ethnic minority groups
- A mechanism for disseminating practitioner experiences with respect to delivering support to EMBs within the support system
- The idea of pooling knowledge and expertise between a group of Business Links.

### ***Coventry Clothing Centre***

Originally created by the local authority in 1989, Coventry Clothing Centre is an established, sector focused initiative that is concerned with an industry containing a



high proportion of EMBs. Its role is to encourage and facilitate upgrading in a situation where increasingly competitive conditions make such a strategy a key route to survival for many firms. This involves raising quality standards and skills level, linked to effective marketing and financial control. Our data suggests that the Coventry Clothing Centre exhibits a number of features that are worth highlighting:

- A sector based initiative that encourages predominantly South Asian businesses into receiving support from mainstream agencies.
- The Clothing Centre is located in Foleshill within the main cluster of South Asian clothing businesses in Coventry and has a clear presence within this community.
- Specialist innovative sectoral support including technical advice such as CAD, marketing and financial management support, and quality management advice. Initiatives aim to raise standards and skills, improve the work environment and generate and retain jobs.

## **Conclusions**

All Business Links should consider their policy position with respect to EMBs, regardless of whether there are above average concentrations of ethnic minorities within their catchments or not. This is necessary if the SBS is to meet its brief to encourage and support entrepreneurship in all sections of society. An approach that seeks to treat all businesses the same looks increasingly inadequate given the heterogeneity that exists in the small business sector. Even a significant minority of those Business Links without an explicit policy towards EMBs recognised that the latter have distinctive support needs. If entrepreneurship really is to be encouraged and supported across society (i.e. among women as well as men and across all ethnic groups), it is important that mainstream business support providers recognise and adapt to the implications of this diversity

Although a majority of Business Links reported that they possessed some form of data on EMBs within their catchment, this was typically either indirect, such as Census data describing the proportion of ethnic minorities in the total population, or a client database that includes an ethnic variable. As far as we can ascertain, the initiative currently underway in Birmingham to systematically add ethnicity to a comprehensive business database of (potential) clients is unique, yet a necessary step if Business Links are to obtain information about their potential market for business support.

Dissemination of good practice policy is a principle that many would support, although in practice it presents a number of difficulties. Some are implicit in the definitional issues considered in earlier, since what might represent good practice in one area may not necessarily be successful in another, for a variety of reasons. Another issue concerns the lack of independent evaluation of initiatives that the study revealed, which would seem to be essential before any particular initiative or approach is promoted more widely. Yet, such dissemination would appear to offer considerable added value in view of the experience that already exists around the country at a practical level. However, if a more strategic approach to EMB support is to be adopted, there will need to be a more systematic attempt to disseminate good practice, making independent evaluation essential.

Notwithstanding the vital caveat regarding the need for independent evaluation, the initiatives can, at least, be viewed as a means of addressing the issue of engagement with ethnic minority business communities. As the review of policy initiatives in the previous chapter indicated, the comparatively low take-up of business support is a consistent finding of research studies. It appears that the examples reviewed here are attempting to overcome this by emphasising the importance of outreach work with ethnic minority communities (e.g. Bolton and Bury Business Centre, CEED Charity Ltd.), the targeting of difficult reach groups (e.g. Women's Enterprise Network, Business Link West, Muslim Loan Funds, East London Business Centre), and the use of agencies that are embedded within the community (e.g. Coventry Asian Business Association, Black Business in the Community). Interestingly, it appears that in some cases these attempts at encouraging culturally appropriate support channels are being integrated with measures to promote relevant sectoral and business specific to EMBs (e.g. Coventry Clothing Centre, Portobello Business Centre's Business Mentoring Programme, Synergy Project). The provision of such support, often through sector initiatives or mentoring by trusted figures with appropriate business expertise, is important to the development of credible support processes.

The need for diversification is a key theme emerging from the EMB literature and the review of selected EMB policies has highlighted a number of projects that seek to address this issue. Increased diversification and movement into more higher value added activity can be facilitated both by helping new enterprises become established in new sectors of activity and helping existing businesses adjust and/or upgrade. Such initiatives deserve further support in view of the need to shift the emphasis in EMB activity away from traditional sectors. In this context, a number of initiatives appear to successfully combine an approach to delivery that is sensitive to the needs and aspirations of members of different ethnic minority groups with a sectoral focus, which is essential if the diversification described above is to be effectively implemented.

Although the variety of initiatives described in earlier demonstrates that the needs of EMBs are not being ignored, it must again be stressed that it has not been possible to assess their effectiveness in delivery or the actual impact on EMBs. Nevertheless, even using the 'impact' data supplied by respondents it is clear that many of these projects are small in scale, with limited funding cycles and small numbers of EMB beneficiaries. The point to stress is the need for a more strategic approach where funding follows the dissemination of independently evaluated good practice to enable the body of knowledge and experience that is being accumulated to be made more widely available.

One of the themes running through the review of case study policy initiatives is the project emphasis, which often leads to a lack of continuity of funding for innovative and potentially useful projects. A more strategic approach to EMB support will almost certainly require funds to be allocated on a targeted basis to agencies that have a demonstrated capability of successfully engaging with ethnic minority clients and able to achieve acceptable standards of service delivery.

## **4. CONCLUSIONS AND IMPLICATIONS FOR POLICY**

### **Conceptualising Ethnic Minority Businesses**

A key theme highlighted by this review is the increasingly divergent experiences of ethnic minority groups in business. This is not altogether surprising given the different patterns of social, cultural and economic activities of Britain's ethnic minorities noted in the 1991 census (Owen, 1994). However, the different trajectories of ethnic minority businesses are contingent upon a variety of factors, not solely ethnicity. The underpinning analytical approach of this review (i.e. mixed embeddedness), draws attention to the multi-faceted operating environments of ethnic minorities in business. In so doing, it avoids narrow culturalist explanations of the phenomenon, whilst being sensitive to the role of social networks, which may help to explain variations in the pattern of business activity amongst different ethnic groups.

The issue of finance is one area in which such a perspective is potentially helpful. One of the key themes emerging from the BBA study is the diversity between EMB groups in the UK, that is partly but not entirely related to differences in their sectoral orientation. Analysis of many key variables in the survey shows more variation between ethnic minority groups than between EMBs (as a group) and white-owned firms. Whilst this is far from being a new theme in EMB research, the scale and scope of the survey helps to define the nature and extent of the diversity between groups on a systematic basis.

Another increasingly important element in the diversity of EMBs is generational change which, some studies have suggested, has implications for support needs and the level of expressed interest in receiving external support.

### ***Implications for Policy***

*There is a need for policy makers to recognise the diversity that exists between EMB groups and re-evaluate the question of whether or not it is useful and/or appropriate to treat EMBs as a single category from a finance and business support standpoint.*

### **Drawing Support for EMBs into the Mainstream**

A key element in the development of a national strategy for addressing EMB support is the need to draw EMBs into the mainstream business support system. There is no doubt that many of the problems faced by EMBs are particular versions of issues that face other businesses of similar size and sector, regardless of the owner's ethnicity. However, it is equally clear that ethnic minority business owners are often critical of attempts of publicly-funded support agencies to address their particular needs. These criticisms are sometimes presented as an insensitivity to issues relating to 'ethnicity'; often they can reflect a frustration with agencies' apparent lack of insight into the particular dynamics of the business. If the business support system is to effectively deliver support to a heterogeneous business population, it must be sensitive to the specific needs and expectations of different segments of its potential client base. It

must also take steps to understand and engage with the different groups that make up these segments

Although many of the underlying issues also apply to small businesses more generally, the delivery of client focused business support presents particular challenges to the SBS in the case of EMBs. This can be illustrated with reference to a recent review of business support for EMBs in London, in which EMB respondents referred to mainstream organisations as having their own agendas, with staff being more interested in meeting their performance targets for course attendance, or the number of consultancies completed, than the effect on the client's businesses. Others criticised the continual signposting, which they found confusing, often resulting in business owners experiencing multiple referrals, without ever having their needs actually addressed. Respondents also described Business Links as being too bureaucratic in dealings with businesses, which they saw as alien to their lifestyle (GLE/CEEDR, 2000).

Whilst none of these issues are unique to EMBs, individual EMB owners focus, not surprisingly, on their own experiences and perceptions and those of their friends and associates, rather than taking a wider small business perspective. As a consequence, such issues contribute to the gap that currently exists between mainstream support providers and EMBs at present.

### ***Implications for Policy***

*For policy makers and practitioners, the key challenge is to redefine the mainstream 'markets' for finance and business support around the principle of diversity. The issue may be seen as one aspect of the heterogeneity that exists in the small business sector which needs to be understood by private and public sector policy makers if finance and business support services are to be truly client focused. However, three crucial components of this process - awareness, sensitivity and credibility Oc and Tiesdell's (1999) – are still reported to be in short supply. Relationships with should be assessed these three criteria in mind if EMBs are to be really drawn into the mainstream.*

## **The Need for an Engagement Strategy**

If the SBS is to be successful in meeting its brief to encourage and support entrepreneurship in all sections of society, there will need to be a considerable effort in the short term to engage with those communities that have been under-represented among Business Link clients in the past and who, in some cases, appear alienated from the mainstream support system. This is necessary if such groups are to be persuaded that the SBS is not just Business Link under another name.

### ***Implications for Policy***

*A recent London-based study recommended that a successful engagement strategy will require:*

- *representation for EMBs across the SBS structures*
- *an outreach strategy to engage EMBs*

- *promotional approaches through media focusing on those that are the most widely used by the ethnic minority communities*
- *mechanisms for EMBs and other stakeholders to influence SBS policy in order to establish an ongoing dialogue at a local as well as at a national level*
- *transparent monitoring and annual reporting of performance of individual SBS franchisees with respect to EMB targets*
- *priority given to assembling more comprehensive databases with an ethnic element in order to facilitate the monitoring process*
- *priority given to increasing cultural awareness of mainstream business advisers with respect to the main client groups within their catchment*
- *recruitment campaigns and practices that encourage the employment of more business advisers from EM backgrounds (GLE/CEEDR, 2000).*

*Whilst these recommendations may be seen as a logical extension of the guidelines produced by EMBI (1991), the latter have been rarely followed (Ram, 1998). However, the mechanisms currently exist (for example, through the criteria used to award and monitor performance of the SBS franchises) to ensure that engagement with EMBs is taken more seriously.*

## **Building Capacity in Ethnic Minority Business Support Organisations**

One of the mechanisms for strengthening links with ethnic minority communities is through formal and informal network links with community leaders, existing businesses and specialist ethnic minority support agencies. In this regard, whilst acknowledging progressive developments in support provision for ethnic minority firms, Ram and Jones (1998) also noted that:

*‘...there is still considerable scope for an improvement in practice. Better information on the profile of ethnic minorities in business, greater clarity over the purpose of enterprise support (business development or the amelioration of racial disadvantage), and stronger and more strategic networking constitute important steps to bringing ethnic minority enterprise into the mainstream of business support activity’.*

The evidence presented in Chapters Two and Three highlight that, despite further initiatives, there is still scope for improvement in these areas. Moreover, the perennial problems of unstable funding regimes and the lack of stability in the enterprise support ‘industry’ continue to be hindrances. Further progress depends on meeting a number of challenges, of which one of the key issues is the necessity of adequate and stable funding. Appropriate resources are required for tasks of promoting greater awareness business support, establishing closer working relationships with enterprises that are often difficult to reach, and the provision of timely and relevant advice and support. It is not surprising that some of the more successful cases of business support documented earlier emanated from agencies that were core funded, and therefore were not subject to the uncertainty inherent in ‘contract culture’ ethos of enterprise support.

Whilst it must be recognised that there is currently a proliferation of small and often unrepresentative ethnic based business support organisations, some of these enjoy the

patronage and trust of their communities that the mainstream providers lack. In such cases, they could provide the platforms on which such networks could be developed, with modest resource implications.

### ***Implications for Policy***

*Prioritise the strengthening of network links with the different EM communities at a local level, in order to make better use of the resources that exist within them. These include existing entrepreneurs and business organisations, which can offer mentoring and informal network support to new and potential business owners. Where such networks already exist, there would seem to be potential benefits in the SBS seeking to build and strengthen what is there and, where it does not exist, to take on a facilitating role.*

### **Improving Access to Finance**

Although the question of whether or not EMBs face discrimination in accessing conventional sources of finance is still to be fully answered, recent studies have emphasised the continued importance of perceived financial barriers, as far as EMB owners are concerned. Whilst this is a problem that is shared with many other small firms, it is not sufficient to dismiss it as such, particularly if banks and mainstream support agencies are to demonstrate that they are seriously interested in increasing their penetration of the EMB ‘market’.

In this context, and based on evidence from the largescale baseline survey undertaken as part of the BBA funded project, ACBs seem to be particularly disadvantaged. They appear to have less success in accessing bank loans than either their white or other ethnic minority counterparts, a higher propensity to turn to non-bank formal sources of start-up finance (including various sources of last resort lending) and a below average propensity to access informal sources of start-up capital (at least in comparison with other ethnic minority groups). In addition, established ACBs experienced lower success rates in accessing external finance compared with other established firms and a much higher propensity to report future financial needs than other EMBs or with white control firms. Since the BBA survey suggests that the low propensity of ACBs to access formal sources of finance is associated with an above average propensity to seek start-up advice from public and quasi-public sector agencies, there is a need to seek a more integrated approach to finance and business support issues.

### ***Implications for Policy***

*Taking steps to increase the access of EMBs to formal sources of finance continues to be a priority. In this context, the ACB community would appear to justify a targeting priority in any new finance initiatives that are taken. Such initiatives might include greater proactivity of bank staff within ACB communities; greater recognition of the benefits of community finance as both meeting a specific business need and as a tool for business engagement; and a targeted promotion of alternative finance options (such as asset based finance).*

## **The Importance of Sector and Sectoral Initiatives**

The mixed embeddedness approach offers a framework for disentangling sectoral processes from supposedly ethnic-specific ‘characteristics’. In the broader small firms’ literature, the dangers of treating small businesses as a homogeneous grouping are well known (Curran *et al.* 1991). The importance of economic sector in shaping a range of factors that influence small business development has been noted in areas as diverse as finance (Curran and Blackburn 1993), employment relations (Scase 1995) and enterprise support (Blackburn and Rutherford, 1999; North *et al.* 1997), as well as the scope for business growth. When sectoral comparisons are taken into account in studies of ethnic minority businesses, inter-communal differences are often less acute than imagined. For example, while Jones *et al.* (1994) confirm the existing wisdom that South Asian owners work significantly longer hours than others, it was found to be largely due to the overwhelming concentration of South Asian firms in labour intensive sectors like food retailing and Confectionery, Tobacco and Newsagents (CTN).

Despite the increasing involvement of ethnic minorities in varied business activities, concentration in particular sectors is still a feature of their contemporary profile. Given this situation, there is a case for enterprise support initiatives to be more sector orientated as a mechanism for helping to increase the competitiveness of EMBs, facilitating their adjustment and diversification. The case of Coventry Clothing Centre offers an example of a potentially fruitful synthesis between the sectoral logic of enterprise support, and credibility derived through being embedded in appropriate community and business networks. On the other hand, the government’s recently constituted Textile and Clothing and Strategy Group (2000), which represents a major initiative on the garment sector, did not contain any reference to the plight of ethnic minority businesses, despite the importance of Asian firms to the industry. The implementation of its recommendations should clearly be apprised of the role of Asian firms in the sector, with appropriate links made to SBS franchisees in areas of high concentration of EMBs in the clothing industry.

### ***Implications for Policy***

*Sector focused initiatives in those activities in which EMBs are concentrated (e.g. clothing, retail and catering), as well as those in which EMBs are emerging (such as IT, arts and cultural industries) should be promoted as appropriate means of assisting EMBs, although their inclusion is based on the sector of activity rather than the ethnicity of the business owner.*

## **Promoting Supplier Diversity and Procurement Opportunities for EMBs**

One of the factors influencing the ability of EMBs to diversify out of traditional sectors of low value added activity is their ability to identify and exploit opportunities in mainstream markets, which includes business and public sector as well as consumer markets. In this regard, relatively little attention has been paid in the UK to the factors influencing the access of EMBs to the supply opportunities presented by large public and private organisations. If such an objective is to be achieved, it is

important to ensure that EMBs, as well as small firms more generally, are fully aware of the opportunities to supply large organisations with various products and services and, in particular, how to secure contracts emanating from the public procurement process.

Whilst there is little empirical evidence on EMBs share of publicly funded contracts, anecdotal evidence derived from discussions with key gatekeepers suggests that EMBs find it difficult to access to this potentially important market. The USA is, of course, an extreme example where legally enforceable policy exists in practice. In a recent account of affirmative action policies in Atlanta, Boston (1999) noted that '*The ability to diversify away from personal services and retail activities into non-traditional industries is the most important legacy of minority business affirmative action policies*' (p14, original emphasis). Rather than the 'mom and pop' stores of first generation enterprises, the beneficiaries of these programmes were likely to be young well-educated black entrepreneurs operating in a variety of sectors. However, their success did not necessarily involve 'flight' from the City. Boston shows that these businesses are often to be found in distressed urban areas, and significantly, they are eight times more likely to employ blacks. Hence, '*affirmative action programs are not just vehicles for remedying past and present inequities; they are important contributors to income and employment opportunities in distressed urban areas*' (p.32).

Of course, the US context is markedly different from the UK, and we are not necessarily advocating the introduction of affirmative action policies here. Nonetheless, closer scrutiny of the purchasing practices of public agencies and large private sector businesses could be beneficial for EMBs, together with an assessment of the scope for increasing supplier diversity, within the context of existing competition policy rules. There are some indications of growing awareness of the potential importance of such measures, which is illustrated by the government's Ethnic Minority Business Forum (launched in July 2000) convening a special group to look at the issue. In addition, companies such as British Telecom have begun to introduce 'supplier diversity' programmes with the aim of providing potential contract opportunities for ethnic minority businesses, although we have no evidence of the success of these efforts. The principle of supplier diversity is also explicitly recognized in the Synergy project reported in chapter 3 and in the research commissioned by the Housing Corporation and Bristol Housing partnership, referred to in chapter 2.

### ***Implications for Policy***

*Assessing the extent to which there is scope for increasing supply opportunities for EMBs (and other small firms) to large private and public sector organisations in the UK is an area that justifies further investigation, paying attention to the US experience in this regard.*



## **Closer Integration between Business Support for EMBs and Mainstream Policies**

Although the public procurement issue has been highlighted for special treatment, it may be viewed as an example to illustrate a need to look at the implications of mainstream policies for EMBs. Since one of the roles of the SBS is to improve the coherence of Government support directed primarily or mainly at small businesses, one area where we might expect to find a higher level of co-ordination in the future is between mainstream support providers and regeneration programmes, such as those funded through the SRB. The aim should be to create a more holistic approach to EMBs, rather than a series of separate projects that have been often driven in the past by local concerns about the relevance of mainstream business support. This will involve identifying SRB initiatives which can form part of the Gateway or local franchises and taking steps to ensure closer co-operation and synergy between projects funded under regeneration programmes and the support offered by mainstream providers. This can be seen as an important part of a wider process for drawing EMBs into the mainstream. For example, in Devon and Cornwall, where the majority of EMBs operate in tourist-related sectors, there is scope for the SBS to work in partnership with other agencies (such as South West Tourism) to include EMBs in the tourist offer for the region, providing targeted assistance to those firms interested in upgrading (CEEDR, 2000).

### ***Implications for Policy***

*Prioritise the cross-departmental role of the SBS in seeking greater integration between business support for EMBs and mainstream policies.*

## **A Need to Evaluate and Disseminate Good Practice Policy**

Dissemination of good practice policy is a principle that many would support, although in practice it presents a number of difficulties. Some are implicit in the definitional issues considered in earlier, since what might represent good practice in one area may not necessarily be successful, or even appropriate, in another. Another issue concerns the lack of independent evaluation of initiatives that the study revealed, which would seem to be essential before any particular initiative or approach is promoted more widely.

Whilst experiences may be shared between some practitioners at present, a more strategic approach to EMB support should include a more systematic attempt to disseminate good practice nationally, making independent evaluation essential. Moreover, such evaluation needs to be based on a range of qualitative criteria as well as quantitative measures, such as the number of firms assisted or the number of training places created/filled.

The cases described in Chapter 3 indicate the current diversity of existing initiatives across the country and the potentially innovative range of projects supported by the SBS's Phoenix Fund will add to this diversity. More thorough and independent assessment of such initiatives is needed if a national strategy for dissemination and the exchange of good practice is to be facilitated.

Finally, a broadly based approach to evaluation can contribute to giving greater emphasis to the quality of support provision, not just quantity. The review of policy initiatives undoubtedly highlights the increasing incidence of services for ethnic minority firms; but they say little about the *content* of those initiatives, or their *impact*. For instance, firms wishing to ‘break-out’ of traditional market niches might require intensive support to find new opportunities recruit staff and change work practices. Support to assist such processes is likely to be extremely resource intensive.

### ***Implications for Policy***

*The SBS should commission an independent evaluation of selected policy support measures targeted at or involving EMBs in order to distil ‘good practice’ approaches and experience that are appropriate for wider dissemination.*

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