

MEECOE Briefing

Minority Ethnic Enterprise Centre of Expertise

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MEECOE'S response to national developments

A key element of the Minority Ethnic Enterprise Centre of Expertise's (MEECOE)¹ work is to ensure that its advice and activities are aligned with national developments on ethnic minority entrepreneurship. To this end, MEECOE has been monitoring, and contributing to, the deliberations of the Government's national Ethnic Minority Business Task Force (EMBTf). In July 2009, the Task Force presented a report, which was the culmination of two years' work, to Lord Mandelson, the Secretary of State for Business, Innovation and Skills (BIS). The Government will be producing a response to the Task Force in November 2009. In this Briefing, we report on how MEECOE is responding to, and building on, the work of the EMBTF.

¹ Funded by Advantage West Midlands, the Minority Ethnic Enterprise Centre of Expertise is an exciting two-year project (Dec 2008 – Nov 2010) that will promote a strategic and innovative approach to supporting ethnic minority businesses in the West Midlands. A consortium led by De Montfort University's Centre for Research in Ethnic Minority Entrepreneurship (CREME) works with public and private sector stakeholders to enhance policy and practice for ethnic minority enterprise in the region. MEECOE works closely with AWM's other Centres of Expertise to develop an integrated approach to diversity and enterprise activity.

Context

- The EMBTF was established in June 2007 by the Government in order to help stimulate growth of the ethnic minority business activity in England. It has met on a quarterly basis, and consisted of ethnic minority entrepreneurs, business support providers, banking representatives and government officials. It was hosted jointly by Yorkshire Forward and the Department for Business, Enterprise and Skills. The EMBTF replaced the Ethnic Minority Business Forum, which advised the precursors of BIS for a number of years.
- Much of the detailed work of the EMBTF was undertaken by three issue-based sub-groups: 'access to business support'; 'access to finance'; 'access to markets'. The themes addressed by the sub-groups had been singled out for attention in debates on ethnic minority entrepreneurship.
- The work of the EMBTF is also important because it highlights the significance of ethnic minority entrepreneurship in the economy and good practice in respect of business support. This is important because there is still a dearth of knowledge on what constitutes good practice, a lack of systematic dissemination of key developments and very little independent evaluation. Though these issues are now being directly addressed by researchers and policy-makers, more work needs to be undertaken on the content and impact of business initiatives. In particular, there is a need for evaluation of good practice and for promoting policy learning
- The EMBTF report is based on an analysis of the statistical evidence, the contributions of Task Force members and consultations with key stakeholders including ethnic minority business owners.

Key EMBTF proposals

Nine separate proposals are set out in the EMBTF report, ranging from the establishment of a national forum for policy leadership to the creation of a network of 'enterprise coaches' for ethnic minority entrepreneurs. Four particular themes are highlighted in this section:

1. National policy leadership for ethnic minority businesses

The Task Force proposes a series of activities that are aimed at promoting: better co-ordination of ethnic minority entrepreneurship; 'knowledge leadership'; and enhanced 'mainstream' provision. It is anticipated that the proposal will provide a national focal point for ethnic minority enterprise together with the resources and infrastructure for public sector bodies (including Government, Regional Development Agencies (RDAs) and Local Authorities) to provide effective policy co-ordination. A key element of this proposal is the establishment of the Ethnic Minority Business Advisory Network (EMBAN), which is a cross-RDA network that will provide strategic advice to RDAs.

2. Enhancing business support for ethnic minority entrepreneurs

The EMBTF wants to see the promotion and funding of 'Enterprise Coaches' dedicated to ethnic minority entrepreneurs. It sees enterprise coaching as an important means of bridging the gap between ethnic minorities who would like to start a business and those that actually do. The key elements of an enterprise coaching programme should comprise: recruitment of coaches from the communities in which they will work; the

creation of a training and development programme to include coaching and mentoring; the establishment of a peer mentoring network for coaches to share good practice; and the use of coaches to promote outreach activity.

In addition to enterprise coaches, the EMBTF supports the creation of 'business collaboration networks' targeted at ethnic minority businesses. This is seen as a mechanism that will enable ethnic minority entrepreneurs to work collaboratively in order to address challenges and opportunities that they would not be able to tackle alone.

3. Access to finance

Access to finance is a perennial issue for ethnic minority businesses (and often for small firms in general). Recent survey evidence² indicates that *as a group*, ethnic minority businesses are not disadvantaged in terms of start-up capital from banks and other formal sources. However, more detailed analysis, after controlling for a wide range of factors, shows considerable variation between ethnic minority groups with the Black African and Pakistani businesses experiencing large financial gaps, and Bangladeshis experiencing higher loan margins than Indian businesses.

The EMBTF proposes a series of measures that are essentially designed to provide greater awareness of financial options and guidance on applying for finance from banks. Examples include the promotion of financial literacy awards; business mentoring networks and a national marketing campaign.

4. Access to markets

There has been considerable research and policy interest in the role that large public and private organisations can play in supporting small firms by ensuring that they have access to supply chain opportunities. The EMBTF is particularly interested in the capacity of supplier diversity initiatives to promote the diversification and growth of ethnic minority businesses. It proposes steps to encourage supplier diversity in both the public and private sector. In respect of the public sector, a key role is accorded to local authorities. The EMBTF recommends that three cities should volunteer to take part in a three-year pilot project to conduct a review of their procurement practices with the aim of developing best practice in relation to supplier diversity. Regional Development Agencies and Central Government (through the auspices of the Office of Government and Commerce) are also assigned pivotal roles, particularly in relation to the promotion of good practice within regions and at a national level.

The EMBTF is also keen to encourage corporations to pursue supplier diversity initiatives. It proposes a key role for the Chartered Institute of Purchasing and Supply (CIPS) in helping to promote awareness of this issue amongst the procurement profession (by incorporating it in CIPS courses, accreditation schemes and examinations).

In addition to proposals on supplier diversity, the EMBTF recommends programmes to support high-growth ethnic minority businesses in national and international markets.

² S Fraser: *Is there ethnic discrimination in the UK market for small business credit?*; International Small Business Journal (2009), (forthcoming)

Implications

The EMBTF has produced a challenging set of proposals that will have important implications for stakeholders with an interest in supporting the development and growth of ethnic minority businesses. It would be premature to draw out specific implications at this stage. Nonetheless, a number of issues do arise and merit further consideration:

- The emphasis on developing greater coordination and coherence at a national level is welcome. Attention should also be accorded to extending such efforts to the private sector and other relevant intermediary bodies such as Business in the Community, the accountancy profession and the Banks.
- The steps that the EMBTF has taken to develop the evidence base should be adopted across the regions in the UK.
- It is important to monitor the changing dynamics of ethnic minority businesses. In recent years several communities have experienced an *entrepreneurial transition* in which human capital, including education, acculturation, and expertise is used to move from traditional sectors into less labour-intensive mainstream markets with higher returns. These non-traditional sectors include financial services, IT and consultancy. Much of this transition is associated with the British born generations of minority ethnic communities.
- In the light of the current turbulence of the business support system, proactive steps should be taken to develop links with stakeholders outside of the traditional public sector (for instance, Business in the Community, the private sector, small business representative bodies).

Next steps: The MEECOE response

MEECOE has actively contributed to the work of the EMBTF, and is broadly supportive of its proposals. Indeed, MEECOE is already building on the work of the Task Force. Key strands of MEECOE's response are set out below:

1. *Developing the evidence base*

MEECOE has produced a detailed assessment of the survey data on ethnic minority businesses in West Midlands³. Importantly, this assessment will form the basis of discussions with key stakeholders on how such information is *used* to inform interventions to support ethnic minority businesses.

2. *Engaging diverse stakeholders: the role of the Legacy Group*

The inception of MEECOE was accompanied with the establishment of a 'Legacy Group' to shape its work. The membership is broad and diverse, it includes: the Association of Chartered Certified Accountants (ACCA), Barclays Bank, Business in the Community, the Chartered Institute of Purchasing & Supply (CIPS), the Department of Business, Innovation & Skills (BIS), Business Link West Midlands (BLWM), the Economic and Social Research Council (ESRC), the Equality & Human Rights Commission (EHRC),

³ MEECOE (2009) *Ethnic Minority Businesses in the West Midlands*. Copies of the report can be requested from meecoe@dmu.ac.uk

Staples Advantage, the West Midlands Business Council and the West Midlands Minority Business Forum.

Each Legacy Group member has agreed to collaborate with MEECOE to deliver a programme of activities to support ethnic minority firms in the region. This will be undertaken over the course of the next 12 months.

3. Promoting financial awareness

Two Legacy Group members – the Association of Chartered Certified Accountants (ACCA) and Barclays Bank - will work with MEECOE to improve understanding of the requirements of finance providers. Barclays will host workshops for ethnic minority entrepreneurs in the West Midlands and the ACCA will promote the role of the ethnic minority accountant as a source of wider business support for ethnic minority entrepreneurs.

4. Development of a 'procurement hub'

MEECOE will work with Business in the Community, CIPS, EHRC and Staples Advantage to develop a hub for procurement activity in the West Midlands. Each of these Legacy Group members will pursue initiatives in the region designed to advance opportunities for ethnic minority entrepreneurs within the supply chains of large public and private sector organisations.

5. Developing a culture of good practice with business support intermediaries

BLWM, the West Midlands Minority Business Forum and MEECOE are collaborating on a major project to 'capacity-build' networks of ethnic minority business support organisations. This project will result in intermediaries that are 'fit for purpose' and more accurate indicators of effectiveness.

6. Working with different strands of diversity

MEECOE is working closely with other Centres of Expertise on Social Enterprise, Women and Young People. This collaboration will ensure that ethnicity is understood in the context of other important strands of diversity. Such an approach is consistent with the work of the EHRC and recognises the complexity of diversity ('minorities within minorities') and the many different factors which impact upon the fortunes of individual businesses.

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