Policies to support ethnic minority enterprise: the English experience

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Continued political enthusiasm for encouraging entrepreneurship in the UK is beginning to influence business support policy towards black and minority ethnic businesses (BMEBs). The Small Business Service (SBS; the government agency charged with providing business support to small firms in England) has an explicit remit to cater for entrepreneurs from all sections of society. This is an important development given the widely noted reluctance of BMEBs to avail themselves of the services of mainstream business support agencies. This paper aims to assess the extent to which policy aspirations in relation to BMEBs have been realized. A survey of Business Links (the agencies contracted to deliver SBS services in England) and interviews with key informants are drawn upon to address three questions: To what extent do Business Links have a policy to support BMEBs? What form are initiatives to support BMEBs taking? How can these experiences inform a policy agenda towards BMEBs? The findings suggest that uneven and under-developed approaches to the support of BMEBS are commonplace. However, some encouraging examples of potentially fruitful initiatives are in evidence, which may reflect a growing awareness of the particular needs of BMEBs. A number of guidelines for future policy are presented, including the importance of diversity within mainstream provision; the need for an engagement strategy; improved access to finance; the promotion of sectoral diversity; and better evaluation.

Keywords: black and minority ethnic enterprise; business support policy.

1. Introduction

The encouragement of black people to secure a real stake in their community, is in my view of great importance if future social stability is to be secured . . . I do urge the necessity for speedy action if we are to avoid the perpetuation in this country of an economically dispossessed black population. A weakness in British society is that there are too few people of West Indian origin in the business/entrepreneurial and professional classes (Scarman 1982: 167).

Stimulating self-employment and small business ownership amongst ethnic minority communities has been a noticeable feature of the small firm policy agenda since the 1980s. Following Lord Scarman’s pronouncements in the wake of the disturbances in Brixton, promulgating entrepreneurship amongst the black population was seen as an important means of tackling disadvantage and maintaining social harmony in urban areas. For the most part, Britain’s ethnic minorities remain substantially marginalized economically (Barrett et al. 2001). Current policy interest in promoting ‘social inclusion’ resonates strongly with the raison d’etre for enterprise support articulated by Lord Scarman nearly two decades ago (Blackburn and Ram 2001). Hence an
explicit objective of the Small Business Service (SBS) is to ‘to promote enterprise across society and particularly in under-represented and disadvantaged groups’ (http://www.sbs.gov.uk, 24/1/02).

Alongside this, increasing engagement with owners of black and minority ethnic businesses (BMEBs) is also part of the so-called competitiveness agenda, first, because ethnic minority-owned firms constitute an important segment of the small business population and, second, because the level of self-employment and business ownership in some ethnic minority groups is higher than in the white population. For example, a recent Bank of England report (Bank of England 1999) referred to the higher rate of BMEB start-ups at a national level than in the white population: 9% of new starts in 1997 compared with a 5% share of the total population. Moreover, BMEBs represent almost 7% 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.

It should be noted at the outset that a range of government policies can impact on small businesses, of which direct support measures (such as financial support) and those concerned with providing so-called soft support, such as information, advice and training are just part. Moreover, in the case of BMEBs, the issue is even broader, as other papers in this issue testify. Policies from a variety of origins can influence the trajectory of ethnic minority entrepreneurship, such as immigration policies that can regulate the supply of ethnic minority entrepreneurs and labour (Waldinger et al. 1990) or policies targeted at particular economic sectors, because of the tendency of BMEBs to be concentrated in particular types of economic activity.

While recognizing the wider policy context, this paper focuses upon the specific area of small business support policy directed at ethnic minority enterprise. Since the Ethnic Minority Business Initiative (EMBI) was launched following unrest in a number of British cities in the early 1980s, there has been a variety of initiatives targeted at BMEBs, including the creation of five black-led enterprise agencies in areas of high minority ethnic population. Most of these initiatives appear to have been predicated on the assumption that BMEBs represent a special case for treatment, rather than seeking to draw them into the mainstream approach to business support. As a consequence, most policy initiatives hitherto have tended to marginalize BMEBs from the rest of the small business sector, with implications for the quality of support provided and its sustainability.

Another element in the support environment for BMEBs is membership-based business organizations, established to represent the interests of particular ethnic groups. These are typically found in areas of high ethnic minority concentration and are most common in the Asian communities, although not confined to them. While some of these organizations have successfully developed a business support role, others have lacked credibility within their own communities, demonstrating that co-ethnic delivery of support is not a sufficient condition for effectiveness, although this is not unrelated to the short-term nature of the funding regimes on which this type of organization often depends for income.

The fragmentation in the support system inherited by the SBS reflects a lack of a strategic approach to the needs of this type of enterprise and the competitive bidding approach to funding that has characterized the approach to urban regeneration and local economic development in the UK for more than a decade. Although BMEBs have not been the prime focus of these regeneration initiatives, their concentration in inner city areas means that there has been an implicit assumption that they would benefit from inner city focused initiatives. While Oc and Tiesdell (1999) have drawn
attention to a degree of policy learning over time, the rapid succession of urban regeneration initiatives over the last 20 years (e.g. Urban Programme, City Action Teams, Inner City Task Forces and the Single Regeneration Budget (SRB) have done little to offer the continuity, sustainability and mainstreaming that is required.

In this context, the paper considers the emerging policy approach of Business Links (BLs) at a time when policy pronouncements at a government level suggest a new level of commitment to encouraging and supporting enterprise in black and ethnic minority groups. The paper considers the extent to which this new expression of interest is reflected on the ground in the actual policies and practices of Business Links. It also considers the form that initiatives designed to support BMEBs take and the implications for future policy development. These issues are considered in the paper in three sections. First, the results of a survey of Business Links are presented, in order to shed light on the extent to which key agencies have coherent strategies to support ethnic minority businesses. Second, a number of examples of ‘good practice’ are discussed, which seek to address some of the shortcomings in BMEB support noted in earlier studies (Oc and Tiesdell 1999, Ram and Smallbone 2001). Finally, we present an agenda for future policy development with respect to BMEBs in the UK. The discussion begins with an assessment of key policy issues identified in previous UK research on BMEBs.

2. Supporting black and minority ethnic businesses: key issues

2.1 Support needs

While much of the literature on ethnic minority businesses wrestles with the comparative merits of cultural and structural explanations of the phenomenon, policymakers have their own version of this debate in terms of considering the extent to which support needs for ethnic minority firms differ from the wider small business population. Rather than siding with partisans of the culture versus structure debate, 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. For example, in relation to sector, Rath (2002: 12) notes ‘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-away 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).

Although 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 for the purposes of the current paper is the influence of sectoral processes on the viability and support needs of such enterprises. Indeed, some researchers (Blackburn and Rutherford 1999, Jones et al. 1994) argue that sectoral factors largely account for
the distinctive problems faced by EMBs. To this end, Blackburn and Rutherfoord (1999) noted that ‘sector was found to be more important than ethnic group in determining business development needs’ (Rutherfoord and Blackburn 2000).

Ethnic minority firms tend to be concentrated in particular locations, for example inner city areas as well as in particular sectors. The negative consequences of such settings 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 (Jones et al. 1992, Curran and Blackburn 1993). 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). Hence, urban ethnic minority entrepreneurs have been compelled to battle against such barriers as poor access to credit facilities, an impoverished customer base, out-dated run-down premises and, because they are often operating in insecure crime-ridden environments, expensive insurance cover (Barret et al. 2001: 5).

In the UK, much controversy has focused upon the issue of access to finance by ethnic minority businesses. It is widely recognized 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 reasons (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 BMEBs and 171 white-owned firms), both African and Caribbean Businesses (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). 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 BMEBs 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).

One of the most comprehensive studies concerned with the financing (and business support) needs of BMEBs to date has recently been completed for the British Bankers’ Association, the Department of Trade and Industry (DTI) and the Bank of England, with support from the Commission for Racial Equality (Ram et al. 2002). One of the key themes emerging from the survey results is the diversity of BMEBs in the UK that is partly but not entirely related to differences in their sectoral orientation. The survey evidence suggests that as a group, BMEBs 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, while on the other hand the proportion of African and Caribbean owned businesses (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 com-
bined with that from previous research, ACBs appear to face particular problems in accessing start-up finance. 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 BMEBs, 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.

2.2 Access to business support services

A consistent finding of previous research on BMEBs 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 ethnic minority firms 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. Moreover, nearly three-quarters of ethnic minority businesses had never used any form of business support, compared with 32% of all firms (Humberside TEC 1999). Recent London-based studies of ethnic minority businesses also report low use of publicly funded business support agencies (Focus Central London 1999, Rutherford and Blackburn 2000, Fadahunsi et al. 2000). In a large-scale national survey, 7% of BMEBs reported accessing support from a public or quasi-public sector agency at start-up, compared with 11% of a white-owned control group (Ram et al. 2002).

Another recent study showed that the low level of use of mainstream support provision was related to the BMEB 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) which 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. Apart from the fragmentation of support agencies, another issue concerns the language and appropriateness of the forms of communication between mainstream business support providers and their clients. Such factors help to explain the low level of use of formal sources of external advice and assistance by BMEBs, particularly at start-up.

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 BMEB owners in receiving external assistance. However, Marlow (1992) and Ram and Sparrow (1993) suggest 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 ostensibly low take up of formal sources of business support draws attention to the capacity of mainstream business support agencies to cater adequately for the needs of ethnic minority firms. The ‘equality of access’ approach which professes to ‘treat all businesses the same’ seems to founder on the reluctance of many BMEBs to utilize the
services of mainstream agencies; and is severely constrained on the practical grounds that such agencies often fail to capture the most basic data on the scale, dynamics and issues facing BMEBs (Mitra et al. 1991, Department of Trade and Industry [DTI] 1992, Ram 1998).

3. Black and minority ethnic business policy in practice

3.1 Research methodology

The current research is based on a survey of Business Links (BLs) in England, which are the mainstream agencies responsible for the delivery of business support to SMEs in England. Unlike the 1990s, when Business Links focused their resources on growth firms or those with growth potential, under the SBS their brief has widened to offer support to start-ups and micro enterprises, as well as small and medium enterprises. Since many BMEBs did not fit the previous targeting criteria of BLs, this means that many BLs have little experience of dealing with them. At the same time, it is important to note that many BLs deliver services through various types of partnership arrangements with other agencies and support providers.

All Business Links Chief Executive Officers were contacted in February/March 2001 in order to establish current policy and practice with respect to BMEBs. Telephone interviews were conducted with the member of staff nominated by the Chief Executive as the most appropriate to answer questions on issues related to BMEBs. Respondents were asked: whether or not the Business Link had a specific policy with respect to BMEBs and, if so, what it was; whether they hold any data or other information about BMEBs in their catchment; whether or not they considered BMEBs 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 BMEBs 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-organization that was taking place during the period of the survey, these 53 responses covered 61 (or 85%) of the old (i.e. pre April 2001) Business Link areas. In these initial interviews, a total of 27 initiatives were identified by respondents as examples of what they considered to be ‘good practice’ with respect to BMEB support policy. Of these, 15 were selected for a second in-depth interview, with the individual best positioned to describe the agency’s experience with respect to the programme.

3.2 Survey findings

Less than one in three Business Links reported having a specific policy towards BMEBs or were in the process of developing one. Not surprisingly perhaps, those BLs claiming a BMEB policy included many of those covering the main areas of high ethnic minority concentrations (such as in Birmingham, Manchester, Leicester and Bradford), as well as a few where the ethnic minority population is much smaller (such as in Suffolk, Hampshire and Hertfordshire). Where specific BMEB policies were claimed, Business Link respondents referred to either targeted policy initiatives
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(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 or inviting ethnic minority groups to join the Board). In some cases, this involved working with, or through, specialist ethnic minority business support organizations, where appropriate agencies existed. At the same time, there are some Business Links in areas of above average ethnic concentration where no explicit policy towards BMEBs was reported.

The most common response from the remainder (70%) was the claim to ‘treat all businesses the same’. It was argued (correctly) that historically Business Links had been tasked 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 relevant to the organization in achieving its targets. In such circumstances, it was argued that Business Links have attempted to address the needs of ethnic minority businesses through equal opportunity policies, although few had explicit strategies for monitoring them. Indeed, only 28% of responding BLs had business databases that included the owner’s ethnicity, which correlated quite strongly with those claiming to have a policy with respect to BMEBs. Clearly, databases that include an ethnic variable are essential both for targeting business support services, but also for monitoring equal opportunities objectives and penetration levels in different BMEB groups.

When asked if in their experience, BMEBs had distinctive support needs compared with other small businesses, considerably more respondents assessed that they did (55%) compared with the proportion of BLs reporting an explicit policy towards BMEBs (30%). Those who identified specific BMEB support needs pointed to issues such as 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 racial prejudice. A supply side perspective on the difficulties faced in penetrating BMEBs was summarized 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.

In view of the previous emphasis of Business Links in the 1990s on SMEs rather than on start-ups or microbusinesses, not surprisingly, almost half the responding Business Links (45%) referred to other agencies in their area that are concerned with delivering support to BMEBs. These organizations (such as enterprise agencies) were either working under contract to Business Link or are in some form of partnership with it, rather than Business Link attempting to meet the needs of BMEBs alone.

3.3 Examples of BMEB policy interventions

The rest of this section describes the types of intervention currently being used in England to address the needs of BMEBs, together with selected examples to illustrate each type of approach. The examples are drawn from the 27 policy initiatives identified by respondents in the BL survey as examples of what they consider to be ‘good practice’ in terms of BMEB support. The five main types of intervention identified are
Specialist agencies/programmes focused on Black and Minority Ethnic Business clients

Black Business in Birmingham
Bolton and Bury Enterprise Centre
Enterprise 2000 Project of CEED (Bristol)

Mainstream provision with an explicit Black and Minority Ethnic Business dimension

Business Mentoring Programme of the Portobello Business Centre (London)
‘New Business’ Support Programme of Business Link Manchester
Women’s Enterprise Network, Business Link West (Bristol)
Women into Business, Walsall Ethnic Minority Business Service

Sector initiatives with an explicit BMEB element

Coventry Clothing Centre
RUSICA Programme of Coventry Asian Business Association

Finance initiatives targeted at BMEBs

Muslim Loans Fund, East London Small Business Centre
Enterprise Loan Fund, Business Link West

Strategic initiatives

Ethnic Minority Business Database, Enterprise Link, Birmingham
North London Cultural Diversity Forum
Synergy Project, Business Link London North
Knowledge Centre for Black and Minority Ethnic Business (Business Link, London)

Note: The 13 initiatives listed in figure 1 were subject to in-depth interviews and are presented in detail in the research report by Ram and Smallbone 2001. Space does not permit a discussion of all 15 cases in the text of this paper.

Figure 1. A typology of support initiatives for Black and Minority Ethnic Businesses.

summarized in figure 1. They are all drawn from areas where there are concentrations of BME population.

3.3.1 Specialist agencies/programmes focused on Black and Minority Ethnic Business clients:

As mentioned earlier, one of the earliest policy responses to the low take up of mainstream business support provision by ethnic minority businesses was the Ethnic Minority Business Initiative (EMBI), which was launched in 1985, and which led to the establishment of a number of ethnic minority-led business support agencies, in areas of high ethnic concentration. While some authors have noted the positive contribution of agencies set up under this initiative to BMEB development in inner city areas (Memon 1988), other research has questioned their effectiveness in comparison with typically better-resourced mainstream providers, particularly when such agencies appeared to be more driven by the need to meet the contractual requirements of funders than by the needs of their client firms (Ram 1998).

Both Black Business Birmingham and the Bolton and Bury Enterprise Centre are examples of long established enterprise agencies, dedicated to providing business support for BMEBs, although in the former case no longer exclusively. Both have benefited from an ongoing contribution to core funding by their local authorities, which has enabled them to remain focused on their core target group offering business support to BMEBs, which is above the standard business support ‘offer’ to small firms. Their BMEB orientation and experience is associated with other elements of ‘good practice’ support, such as a proactive approach and commitment to outreach work, which is an essential part of an effective approach to engaging with BMEB communities. Other examples include the development of sector-specific support packages.
relevant to local BMEB concentrations and the incorporation of access to finance as part of the support ‘offer’.

3.3.2 Mainstream provision with an explicit Black and Minority Ethnic Business dimension: Although specialist BMEB agencies may have an advantage over mainstream support organizations in terms of ease of penetration of ethnic minority communities, they are not a practical solution in all areas, since their viability depends on the degree of concentration of the ethnic minority population. They are often forced to rely on project or contract-based funding which, with a few exceptions, often leads to under-resourcing and patchy effectiveness. Another problem is that unless their network links with mainstream organizations are strong, there is a danger that BMEBs become marginalized from the mainstream system.

In this context, the survey of Business Links revealed a number of examples where mainstream programmes and/or agencies had adapted their delivery methods in ways that were sensitive to the needs of BMEBs. One example is the mainstream start-up support programme of Business Link Manchester, known as ‘New Business’. The BMEB element includes setting targets for assisted BMEB start-ups; involving ethnic minority advisors in the delivery of the Programme, including two for outreach activity in an area of high BME population; a volunteer mentoring scheme that includes ethnic minority mentors; support budgets that are specifically targeted at sectors in which BMEBs are involved; recognition of the need to make promotional material for support agencies available in languages that are appropriate to the locality.

A second example is the Women’s Enterprise Network of Business Link West (based in Bristol), which offers training and support to assist women to start and run their own businesses. While not specifically targeted at BMEBs, the programme aims to be flexible, offering customized training to all types of women entrepreneurs. Examples include, first, a community project for Asian women that provided them with an opportunity to study for business qualifications in a ‘safe environment’; and, second, a bookkeeping and business start-up course to assist a Chinese women caterers group.

3.3.3 Sector initiatives with an explicit BMEB element: 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 BMEBs, facilitating their adjustment and diversification. The case of Coventry Clothing Centre provides an example of a potentially fruitful synthesis between the sectoral logic of enterprise support, and credibility derived from being embedded in appropriate community and business networks.

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 BMEBs. Located within the main cluster of South Asian clothing businesses in the city, the Centre has a physical presence within this community. 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, encouraging predominantly South Asian businesses into receiving support from mainstream agencies. This involves raising quality standards and skills level, linked to effective marketing and financial control.
3.3.4 Finance initiatives targeted at BMEBs: Recent studies and reports have emphasized the continued importance of perceived financial barriers, as far as BMEB owners are concerned (Bank of England 1999, Centre for Enterprise and Economic Development Research [CEEDR] 2000), as well as evidence of disadvantage, particularly in the case of ACBs (Ram et al. 2002). In this context, it is appropriate to highlight examples of finance initiatives targeting BMEBs that appear to have innovative features or ‘good practice’ elements. One example is the Muslim Loan Fund, established by the East London Small Business Centre in January 2001. The Muslim Loan Fund is an innovative finance initiative, targeted at the needs of businesses whose owners are unable to access interest-bearing funds, for religious reasons, under the management of an established enterprise agency with considerable experience of managing and delivering loan funds for small firms, including BMEBs. The Muslim Loan Fund is an example of an initiative that is tuned to the financial needs of a specific ethnic group, thus recognizing the diversity that exists between BME groups.

3.3.5 Strategic initiatives: Although the initiatives included in this fifth group are heterogeneous, all have a strategic element, in the sense that they represent an attempt to underpin an approach to BMEB support, rather than simply focusing on individual initiatives. One of the key issues facing policymakers and support agencies concerned with targeting services at BMEBs 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 BMEB policy in recent years (Ram 1998). In this context, the attempt by Enterprise Link Birmingham to develop a comprehensive business database that includes the ethnicity of business owners represents an innovative initiative which itself is a potentially important element of good practice policy support. Eventually, the database will include an ethnic variable for all listed businesses in the city and not just clients of business support agencies. Access to this type of information is essential if support agencies are to effectively target their services and also monitor their penetration levels in different groups.

A second example is the North London Cultural Diversity Forum (NLCDF) which seeks to promote equal opportunities issues and practices among public and private sector employers in North London. While not focused exclusively on ethnic minority issues, these have tended to be the most prominent in practice. As far as BMEBs 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 organizations.

A third example is the Knowledge Centre for Black and Ethnic Minority Businesses (formerly the Centre of Excellence for Ethnic Minority Businesses) of Business Link for London. This is a strategic initiative that involves pooling knowledge and expertise in a single resource centre. The Knowledge Centre’s role is to offer specialist knowledge to business advisers in London on BMEB issues rather than to deliver services to businesses directly. It also provides diversity training for Business Link staff throughout the organization and produces specialist resource packs for advisers on aspects of the implications of cultural diversity. The aim is to enable mainstream support agencies in London to offer a greater level of service to BMEBs, to identify and disseminate ‘good practice’ support and to facilitate an increased take-up of mainstream support services. Although it is too early to judge the success of this particular
initiative, it would seem to represent an encouraging recognition of the importance of embedding cultural diversity within the mainstream business support system. While currently confined to London, if successfully developed and implemented, it could provide a model for a national approach to BMEB support.

4. Conclusions and implications for policy

The policy initiatives described in the previous section provide examples of ‘good practice’ principles, as far as providing policy support for BMEBs is concerned. These ‘good practice’ principles include instruments or initiatives that are focused on the distinctive support needs of BMEBs, or specific sub-groups (e.g. Muslim Loan Fund), delivery approaches that are based on engagement and interaction with BME communities (e.g. Black Business Birmingham, Business Mentoring Programme of the Portobello Business Centre), culturally sensitive delivery methods (e.g. Women’s Enterprise Network) and approaches that include strategies for drawing BMEBs into mainstream support (e.g. Coventry Clothing Centre, New Business Programme of Business Link Manchester).

At the same time, these essentially local initiatives are not a sufficient response by policymakers to meeting the needs of BMEBs, who have consistently been shown to be significantly under-represented among the clients of mainstream support agencies. Although there are some innovative initiatives that are apparently appropriate to the needs of BMEBs, the quality and coverage of business support to BMEBs requires a strategic commitment at a national level, together with the development of appropriate mechanisms for its implementation, if the new Small Business Service is to achieve its brief of encouraging and supporting entrepreneurship in all sections of society. The most appropriate mechanism for ensuring that this is achieved would seem to be the contracts between individual Business Links and the SBS for delivering business support services locally.

In this context, all Business Links should consider their policy position with respect to BMEBs, regardless of whether there are above average concentrations of ethnic minorities within their catchment areas or not. An approach that seeks to treat all businesses the same looks increasingly inadequate given the heterogeneity that exists in the small business sector, of which the ethnicity of business owners is one element. Even a significant minority of those Business Links that were surveyed without an explicit policy towards BMEBs recognized that the latter have distinctive support needs. If entrepreneurship really is to be encouraged and supported across all groups in society, it is important that mainstream business support providers recognize and adapt to the implications of this diversity. One of the immediate priorities in this regard is a need to improve the quality and coverage of data held in Business Links about BMEBs in their catchment areas, following the example of Enterprise Link, Birmingham and, more recently, Business Link for London.

In this respect, there does seem to be a lack of appropriate and systematic mechanisms for the dissemination of ‘good practice’ within the business support network, although the Knowledge Centre for BMEBs, set up by Business Link for London offers a model for achieving this. Dissemination of good practice policy is a principle that many would support, although in practice it presents a number of difficulties. For example, what might represent good practice in one area may not necessarily be successful in another, for a variety of reasons, although the key principles underpinning an initiative may be transferable. Another issue concerns the lack of independent
evaluation of initiatives that the study revealed, which is essential before any particular initiative or approach is promoted more widely. Such dissemination would appear to offer considerable added value in view of the experience that already exists around the country at a practical level. If a more strategic approach to BMEB support is to be adopted nationally and successfully implemented, there will need to be a more systematic attempt to disseminate good practice, making independent evaluation essential.

The need for diversification is a key theme emerging from the BMEB literature and the review of selected BMEB policies has highlighted a number of projects that seek to address this issue. Increased diversification and movement into higher value added activities 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 BMEB 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 earlier demonstrates that the needs of BMEBs 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 BMEBs. 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.

4.1 An agenda for policymakers

There is no doubt that many of the problems faced by BMEBs 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 by publicly funded support agencies to address what they perceive to be their specific needs. These criticisms are sometimes presented as insensitivity to issues relating to ‘ethnicity’, which can reflect a frustration with an agency’s apparent lack of insight into the particular dynamics of their client businesses. 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, which includes BMEBs. It must also take steps to understand and engage with the different groups that make up these segments. In the case of BMEBs, three crucial components of this process are still reported to be in short supply: awareness (i.e. of what support is available and from whom), (cultural) sensitivity on the part of those delivering support and credibility (i.e. of mainstream agencies in the minds of BMEB owners; Oc and Tiesdell 1999). If BMEBs are to be drawn into the mainstream business support networks, all three criteria will need to be satisfactorily addressed.

A more strategic approach to BMEB support could also help to improve the coherence of mainstream business support by developing links and closer integration with other areas of public policy. 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 a higher level of co-ordination could be developed in the future is between mainstream business support providers and regeneration programmes, such as those funded through the Single Regeneration Budget. The aim should be to create a more holistic policy approach to BMEBs, rather than a series of separate projects, which individually may have limited impact.

For policymakers and practitioners, the key challenge is to redefine the mainstream 'markets' for 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 policymakers if finance and business support services are to be truly client focused. Hence policymakers need to recognize the diversity that exists between BMEB groups, as well as between generations in some cases, re-evaluating the question of whether or not it is useful and/or appropriate to treat BMEBs as a single category from the standpoint of access to finance and business support.

However well conceived, the impact of policy in practice is dependent on the effectiveness of the delivery methods used. In this context, a prerequisite for achieving greater penetration of BMEBs by mainstream agencies is the need for greater engagement 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. In this regard, a recent analysis of the supply and demand for business support in London identified the key elements in such a strategy to be: representation for EMBs across the SBS structures; an outreach strategy to engage EMBs; promotional approaches that focus on media that are the most widely used by the ethnic minority communities; mechanisms for BMEBs 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 BMEB 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 (Greater London Enterprise [GLE]/Centre for Enterprise and Economic Development Research [CEEDR] 2000).

One of the mechanisms for strengthening relationships with ethnic minority communities is through formal and informal network links with community leaders, existing businesses and specialist ethnic minority support agencies. While it must be recognized that there is currently a proliferation of small, typically under-resourced and often unrepresentative ethnic based business support organizations, some of these enjoy the patronage and trust of their communities that the mainstream providers lack. In such cases, these organizations could provide the platforms on which such networks are developed, with modest resource implications. Where such networks already exist, there would seem to be potential benefits in the SBS seeking to build and strengthen what is there already and, where it does not exist, to take on a facilitating role.

In view of the recent evidence that certain BMEB groups continue to experience disadvantage in accessing conventional sources of finance, there is a need to take steps to increase the access of BMEBs to formal sources of finance, if the objective of encouraging enterprise across society is to be achieved. 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 and a targeted promotion of alternative finance options (such as asset based finance), which research suggests are not well recognized in some BMEB communities (CEEDR 2000), perhaps because of their relative exclusion from mainstream sources of finance and business advice.

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 (North et al. 1997, Blackburn and Rutherfoord 1999), as well as the scope for business growth. 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 sector orientated enterprise support initiatives as a mechanism for helping to increase the competitiveness of BMEBs, facilitating their adjustment and diversification. Although the case of Coventry Clothing Centre featured earlier offers a positive example in this respect, a recent government initiative for the garment sector (i.e. the Textile and Clothing and Strategy Group 2000), did not contain any reference to the BMEB dimension, despite the importance of Asian firms to the industry. This demonstrates the lack of a truly strategic approach to BMEB support, missing an opportunity to ensure that BMEBs fully benefit from a sector initiative in which they are over-represented.

The overall conclusion from this review of existing policy approaches to BMEB support in England is that the restructuring of the business support system and the widening of the brief of the SBS offers a window of opportunity for policymakers to learn from the lessons of the last 20 years. As the paper demonstrates, good practice exists alongside a good deal of negative learning experience. The challenge for the SBS is to ensure that the principles embedded in the former are actively promoted, while the causes of the latter are adequately addressed. Only time will tell whether or not the new organization has the vision, commitment and resources to achieve this.

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Notes

1. The Small Business Service was established in 2000 to promote and support small businesses in England.
2. The SRB was introduced in 1994 to bring together some 20 independently operated regeneration programmes into a single budget to be run by a single government department.
3. Business Links are the mainstream business support agencies in England, under contract to the SBS to deliver business support services at a local level.
4. From April 2001, this restructuring has resulted in the number of Business Links being reduced to 43. However, at the time of the survey, the reorganization was still taking place.

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