

# Growth and Diversity: Meeting needs, seizing opportunities

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## Introducing the BBA's Diversity and Inclusion Business Council

The BBA's Diversity & Inclusion Business Council (DIBC) provides a chance to explore enterprise diversity challenges and opportunities based on robust evidence to establish and understand the impacts on diversity and inclusion with the key goal of strengthening knowledge, shaping policy and providing innovative practical solutions. The Council is co-chaired by Birmingham and Strathclyde Universities and is made up of leading women and EMB entrepreneurs, business organisations, banks, Trusts, academics and specialist skills groups.

Together, we seek to work with enterprise support agencies – LEPs and the equivalent agencies within the devolved administrations - to help deliver their mission of driving sustainable private sector-led growth and job creation. To deliver this mission, enterprise support agencies need to ensure that they realise the full potential for growth across the reach of each of their business communities. Meeting this challenge is even more vital in these constrained financial times.

Our experience is that this can only be achieved if the diverse nature, needs and opportunities of all enterprises are recognised and responded to. A local economy's growth potential cannot be fully realised if some growth-orientated firms are excluded from opportunities or if the differing barriers to growth that they face are not tackled. In short, diversity should be at the centre of the work of enterprise support agencies.

This paper is designed to inform, shape and help corporate, national and local government policy and support women and ethnic minority businesses.

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## Key facts about ethnic minority and women-led businesses (EMW)

Ethnic minority businesses are estimated to contribute £25-£32 billion to the UK economy per year, and women-led enterprises contribute around £70 billion. However, ethnic minorities and women are seen to be under-represented as entrepreneurs, and to have lower levels of business performance.

While policymakers usually regard these two groups separately, policy initiatives have often occurred in tandem. The similarity in core concerns and business outcomes suggests potential benefits from exploring the connections between ethnic minority and women-led (EMW) businesses.

Migrant Entrepreneurs: building our businesses, creating our jobs

Centre for Entrepreneurs and DueDil, 2014

This report looked at the contribution of immigrant entrepreneurs in the heartland SME segment of the economy (companies with a turnover between £1m and £200m and who file employee numbers).

Key findings:

- Britain is a hub for young, productive, entrepreneurial migrants from 155 countries across the world. There are 456,073 migrant entrepreneurs in the UK, who have founded or co-founded 464,527 companies. These migrant entrepreneurs are, on average, eight years younger than the typical UK-born entrepreneur – 44 vs 52.
- Migrant entrepreneurs are behind one in seven of all UK companies. Stop and think about that. And their entrepreneurial activity is near double that of UK-born individuals.
- In the SME (small and medium-sized companies) sector alone, migrant entrepreneurs have created more than one million jobs (14 per cent of jobs)
- The Office for National Statistics (ONS) figures show 17.2% of non-UK nationals have started their own business, compared to just 10.4% of UK nationals. These figures support the findings of the Global Entrepreneurship Monitor UK 2012 report (GEM UK), which indicate a Total Entrepreneurial Activity (TEA) rate of 16% among first generation migrants to the UK, compared to 9% among UK born individuals.

### Company formation by non-UK nationals



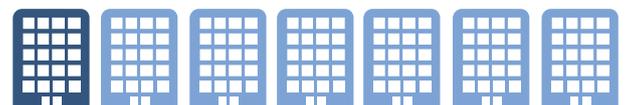
**464,527**

UK companies started by migrant entrepreneurs =

**14%**

of all UK companies

### 1 in 7 UK companies are started by migrant entrepreneurs



### Businesses started by non-UK nationals vs UK nationals



## Business barriers

These include actual or perceived discrimination, the quantity and quality of businesses, market failure in business support and the uniqueness of EMW enterprises.

- Under-resourced immigrant entrepreneurs tend to focus on the same low-cost business niches such as small-scale retailing and catering, risking market saturation.
- Female entrepreneurs perceive higher financial barriers for their business; however, for women growth businesses that are growth oriented they are more likely to have a formal business plan in place and to have someone qualified in charge of their finances.

- Women-led firms are typically smaller and overrepresented within service sectors. Although business performance by gender does not differ, women-owned enterprises typically start with lower levels of resources.
- The actual prevalence of female entrepreneurs can be masked by dual ownership: joint male/female partnerships account for about 20 per cent of all small and medium-sized enterprises.

## Critical Government policy measures to support diverse businesses

All those involved in promoting business and jobs growth know that every small or medium sized enterprise (SME) is different. Each SME may be different in many ways, for example, the markets it operates in, its products, its growth potential, the capital it requires to survive and grow, and the skills, experience, networks, gender and ethnicity of the entrepreneur(s) that drives it. Diversity is therefore a feature of any business community. Yet too often support to business growth ignores many aspects of diversity, applying a 'one size fits all' policy which results in opportunities being lost through an inability to engage many of the businesses that could benefit.

The members of the Diversity & Inclusion Business Council are passionate about enhancing this approach with one that equally places diversity at the heart of enterprise support policy and practice. We see diversity as a core feature of any effective business support agenda rather than a marginal issue, of interest to only a few.

Based on substantial evidence, we believe that embedding diversity at the centre of national and local government business support policy is necessary to ensure that:

- The full potential for growth across the whole business community is realised;
- Support is tailored to help diverse firms overcome the specific barriers they face; and
- Policies to promote business and jobs growth benefit all and do not exclude people and enterprises from particular demographic groups.

Business and jobs growth can occur across the full spectrum of sectors, business size, location, ethnicity, gender and other aspects of business diversity. But the full potential will not be realised if some in that spectrum are excluded from growth opportunities or if the barriers to growth they face are not tackled.

Sharing our evidence, experience and approaches that have worked in the past in engaging and benefitting diverse businesses will, we believe, contribute to the development of business support strategies that help realise the full potential for growth across the whole business community.

The issues raised apply to many facets of diversity, not only ethnic minority businesses and women-led businesses (EMW). Mainstreaming these aspects of diversity will sensitise policy and practice to other aspects of SME diversity, thereby benefitting all SMEs.

The importance of the role that enterprise support agencies can play in supporting the growth of EMBs and women-led businesses has been acknowledged in recent reports commissioned by Government.

The focus here is on enterprise support, commonly understood as direct support to business start-up and growth via advice, grants, access to finance, access to markets, management skills training and so on. However, other policies and investments such as the development of employment sites, infrastructure and skills will have a major impact on individual businesses' growth potential. Sensitivity to diversity will be important for these policies as well.

Recent government efforts towards boosting this sector have returned modest changes, suggesting that policy in this area remains ill-defined and under developed. We believe the following issues are crucial to successful policy implementation.

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Seven key initiatives that relate more effectively to the diversity of SMEs are suggested below. For each, the reason why the initiative is proposed is explained, followed by suggestions on how the step can be implemented.

## 1. Focus on growth

Narrow-focused policy support for self-employment should be avoided. High levels of low-quality entrepreneurship amongst EMWs does not automatically suggest upward social mobility. And encouraging further entry into already crowded low-quality sectors may be counterproductive. UK enterprise policy should consider following the US 'quality versus quantity' model of encouraging women and minority entrepreneurs with good credentials in high value-added sectors. LEPs should use their demographic information and data on business communities to ensure that they are engaging with the right small businesses to increase the effectiveness of their local economic strategies increasing employment and stimulating business growth

## 2. Provide local support

The increasingly differentiated group of women and 'minority' entrepreneurs makes a simple national intervention policy difficult. For example, policies aimed specifically at encouraging ethnic minority start-ups could lead to an increase in enterprise within ethnic enclaves only - without contributing to a wider agenda. Local-level targeted enterprise support is likely to be more effective than a national 'one size fits all' policy of intervention. One solution is to run a series of outreach programmes for women and minority entrepreneurs, timed to work alongside key economic events. YTKO's successful outset programme relies on taking services out to places that are easy to access.

## 3. Advocacy & promotion of EMWs

Currently Government work in supporting women and ethnic minority business across departments has no focus. This has led to a lack of collective government 'organisational memory' on the variety of initiatives to support diverse SMEs. Consideration should be given to the establishment by Government of a central resource for the provision of thought leadership and best practice in support for ethnic minority and women-owned businesses.

This could be achieved for example by putting BIS at the centre of ownership for EMW led policy rather than straddling GEO and DCLG. Putting BIS at the centre of this work would also have the advantage of leveraging other business and industrial strategy support programmes such as the British Business Bank and lead to a more integrated government offering.

Diaspora is a not-for-profit Foundation which specializes in advocating change for the advancement of an inclusive music industry and economic growth of the BAME (Black, Asian and Minority) music community.

The UK music industry's economic prowess is undeniable making a £3.5bn economic contribution to the UK in terms of GDP, exports and employment.

The contribution of the BAME music community is un-refuted. Its currency translates into visible significant social and economic impact. Yet to date it is not consistently officially or independently collated and monitored. This results in the underestimation and undervaluing of a complete sector in policy planning and implementation.

Furthermore, of equal significance and greater impact upon diversity and equality in the music industry is the statistics related to the work force: statistics show that more than ninety-five percent (95.7%) of employees in the UK music industry is white . Diaspora noted this as an increase of 3.7% from 2011 to 2012.

Among the many questions invoked by these statistics, the key question posed at a groundbreaking Diaspora-led House of Commons roundtable meeting in April 2014 was: 'Will there be any BAME representation in the music industry workforce by 2020?'

Diaspora brought the British Bankers Association (BBA) centre stage within this meeting demonstrating the critical part which the financial sector is both positioned and prepared to work within the industry to transform the evidential disadvantages, challenges and barriers BAME Music practitioners face.

## 4. Diversity proofing policy and practice

'Diversity proofing' would require Government to monitor operations to obtain evidence as to which groups are being engaged in central and local work and which are being excluded from these initiatives. This monitoring should also cover the impact of initiatives on diverse businesses. 'Diversity proofing' also means that systems are in place to take action and change working practices when a gap is identified. So, opportunities are being missed or that particular groups are being excluded from the benefits of economic growth.

For example LEPs should encourage all of the local business networks to review their engagement, membership and activities in the light of the diversity of their local population of business owners

## 5. Support and widen women and minority ethnic business networks

Many minority businesses provide support to each other through networks. These networks are also sources of valuable information for policy makers and practitioners. They need to be consulted and represented on national and local government strategic and decision making bodies such as LEPs; councils etc. At the same time, these networks may be less extensive and become excluded from wider business networks. Supporting these networks therefore also means helping them break into and connect better with wider networks and should be a focus for all LEPs

In September 2014 Small Firms Enterprise Development Initiative (SFEDI) and the Institute of Enterprise and Entrepreneurs (IOEE) were commissioned by the Government Equality Office to deliver a roadshow of 12 Meet a Mentor events across the UK to support female led businesses.

The events would draw on the success of SFEDI and the IOEE's previous Meet a Mentor events (run since February 2013 following the UK wide Get Mentoring scheme, but this time they would focus on bringing mentoring support to female entrepreneurs

As anticipated prior to the launch of the roadshow there was a strong appetite for sign up from women entrepreneurs looking for a mentor. In total 809 were registered to attend and gained a place across the 12 events - this equates to an average of 67 people per event. Of these 251 were women.

When people were asked what they had gained personally from the events, the most common response was the number of contact of all kinds

"Meeting other women businesses with the same challenges as me"

"Talking to great people with lots of experience"

"Some fantastic support and great people"

When asked about their most valuable outcome the majority of people cited "Networking" and "Meeting other people"

## 6. Putting diversity on the agenda

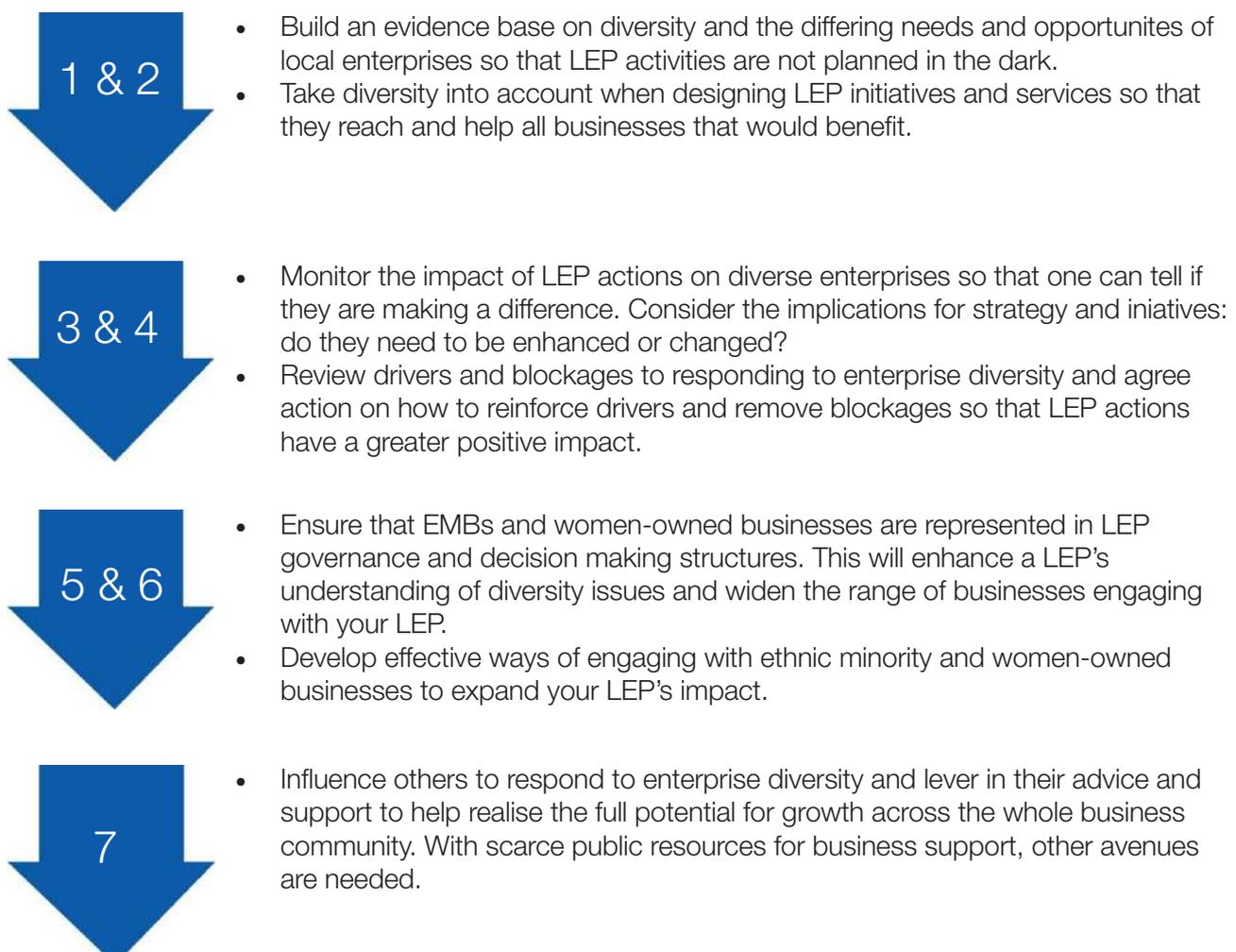
Enterprise support agencies need to ensure that they take into account the needs of their local minority businesses in developing their business priorities. The promotion of inclusive communities can aid the LEP's objective of promoting growth and job creation. Greater awareness of the importance of diversity is key to promoting growth in businesses from all communities.

## 7. Make it easier to access the difficult markets

Difficulties in consistently accessing markets are issues faced by all SMEs as well as women owned and minority businesses. However, weaker networks can make access to markets even more difficult. Every UKTI trade mission should ensure a good proportion of business is drawn from EMB and women led businesses. What more can the LEPs, Chambers, FSB, Banks etc do to make exporting simpler and easy to understand, especially to minority groups who only see the cultural barriers, complexity and lack of solutions?

## 7 Steps to embed diversity in local enterprise policy

The focus of the BBA Diversity & Inclusion Business Council (DIBC) is on ethnic minority businesses (EMBs) and women-led businesses; however, the issues raised apply to many other facets of diversity and addressing them would, we believe, help all SMEs. Seven key steps that can be taken to relate more effectively to the diversity of SMEs are suggested. These are shown diagrammatically below together with a short explanation of why they are important steps.



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## What the private sector is doing itself: examples of good practice

### Good practice 1 - Mentoring

Business mentoring is a central element of the government's enterprise support policy and financial institutions and large firms have been enthusiastically involving themselves in this work, often offering many of their senior staff as mentors. The Department of Business Innovation and Skills, through the Get Mentoring project, has now hit its target of providing SFEDI training for 15,000 business mentors. They have joined the ranks of 12,000 existing business mentors from 120 mentoring organisations, all of whom can be accessed through the British Bankers' Association's [mentorsme.co.uk](http://mentorsme.co.uk) website. As part of this drive, the major banks have committed themselves to recruiting bankers to provide business finance mentoring support.

Business mentoring has also been championed as a way to overcome some of the disadvantages faced by EMBs and female entrepreneurs because they are likely to have weaker networks of experienced businesses from which they can access guidance and support.

Encouraging more business-to-business mentoring would therefore appear to be a key element of an enterprise support agency's arsenal of business support measures.

From the experience of the bank backed [mentorsme](http://mentorsme) programme, and SFEDI, YKTO and EDA work we have seen that the real value of mentoring is only extracted when a deep, trustful and productive relationship is established between the business mentor and mentee. This has been achieved through three broad approaches, all of which were thought through beforehand and learnt from through an action learning process which sought to measure the impact on the ground, building the evidence base of what worked as mentoring proceeded.

The first approach was establishing peer-to-peer mentoring groups such as the 12-8 Group, six African-Caribbean businesses that provided advice and support to each other's businesses. Fyshnet, a Bangladeshi business peer-to-peer network was also catalysed and currently Mindset, a multi-ethnic network, is being facilitated.

The second approach was to develop mentoring relationships between a large corporate (wholesaler and retailer, A.F. Blakemore & Son Ltd) and the smaller businesses in the 12-8 Group. Brokered by Business in the Community, this proved to be of great benefit to the smaller businesses and to the corporate, providing fertile ground for developing its managers and leaders.

The third approach was work carried out with the British Bankers' Association's [mentorsme](http://mentorsme) mentoring scheme, and linking it in with grassroots businesses that the banks would not be able to reach on its own. This was achieved through organising an event with a relaxed atmosphere to inform potential mentees about the process, hear what their concerns were and thereby establish trust and a better starting point.

## What the private sector is doing itself: examples of good practice

### Good practice 2 - Outreach

Women sometimes take a more tentative approach to starting a business, and that means it can take longer for them to recognise that their idea for developing independent income is actually a business. For these women, many business support organisations are themselves 'hard to reach' unless they are local, proactive and accessible.

YTKO have, through their Outset start-up service, developed extensive partnerships and a wide range of innovative outreach and engagement activities in order to ensure visibility and presence within the local community. A decade of Enterprising Women best practice in supporting over 6000 female entrepreneurs to

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start and grow in embedded in the Outset model, the learning content, and the delivery approach. Outreach means taking information and services out to places where people can easily access them. It also requires tightly focused targeting on potential client groups, with appropriate language and imagery, and demands a real understanding of their needs and wants.

Over 50% of the 22,000 individuals we've engaged through Outset are women, and 60% of the businesses created with Outset's support are led by women – over three times the national baseline for female-led businesses\*. And they sustain their business longer than men too, with 75% still in business after three years, due to the unique teaching emphasis we put on enabling women to robustly de-risk their idea before start.

## Building confidence

Building women's self-confidence is central to every element of the Outset programme. Confidence building, enabling women to recognise and value their existing skills and empowering them to make their own informed decisions are important foundations that cut across all of our projects, whether for start-ups or established businesses. We also actively promote and enable the opportunity to network and develop support groups with other women in the same position.

Women are often defined by their cautious approach to business start-up, and compared with men they are more likely to let fear of failure stop them from starting a business. They are also less likely to know an entrepreneur and less likely to think they have the skills to start a business or see good business opportunities. TYKO work with their clients to help them de-risk the early stages of business exploration and development, and encourage their clients to understand that it is also legitimate to try, fail, learn from your mistakes and start again. For socially excluded women in particular, a cautious approach to risk is entirely rational and should be respected. However, we also recognise and positively support women to believe in their own future and potential.

Kemi Omojola is the owner of Stone & Blackwood Property Search & Acquisition. They are a London based private consultancy serving clients within and outside the UK who are seeking accommodation within the city of London

“Since attending the first Female and BME Business Forum I am surprised at the progress that I have made” says Kemi.

“Not only did I find the speakers motivating, they provided practical information and business take-aways to improve my leadership and decision making skills. I was able to formally launch the business as well as take on two rather large marketing projects much more quickly.”

The Female and BME Forum allowed me to increase my contacts five fold through the networking sessions as well as enroll on the Mentorsme programme through the BBA.

“Since attending, I have clients on the books and completed my first property deal” concludes Kemi. Of course there are still many more things that I need to do. However, because of the Forum, I have actually realized I have come a long way since the first event.”

Driven by the success of the Female and BME Business Forums held throughout 2015, Nat West are continuing to support the next programme of events alongside partners such as ICAEW & BBA.

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## Creating positive, accessible role models

We provide access to ‘achievable’ role models as we believe that too often the only images of women in business are ‘superwomen’ with high-flying careers and glamorous lifestyles that bear no relation to most women’s experiences. Real, inspiring stories can give women the confidence to say, “I can do that”.

We bring successful businesswomen from our clients’ communities in to workshops and events to talk about their experiences, often it helps to know that there are “people like me” running businesses in their community.

## What the private sector is doing itself: examples of good practice

### Good practice 3 - Accessing markets, supplier diversity

Difficulties in accessing markets have long been recognised as barriers to the survival and growth of SMEs including EMBs and women-owned businesses (EMWs). To some extent, these difficulties may be caused by factors internal to individual businesses, reflecting, for example, under-developed skills in researching markets or preparing tenders, or tight operating budgets which do not allow the release of sufficient management time to develop new markets. But they are often a result of external factors such as a lack of knowledge amongst procurers of the local SMEs. Many contracts are too large for SMEs to bid for or have unnecessary conditions that are harder for SMEs to satisfy than larger firms. EMWs may also find themselves excluded from the informal business networks that prove to be invaluable in accessing information and advice that help win contracts.

In response to these barriers, local economic and business development agencies have focussed for many years on initiatives that help local firms to access markets. There is a rich vein of experience to build upon from across Europe and the USA including:

- A compilation of local business directories or directories of businesses owned by a particular under-represented group such as women or ethnic minorities. With the development of the internet, this showcasing has become digital via ‘Find it in...’ sites.
  - Supporting the development of business networks of SMEs. As well as stimulating peer-to-peer support, these networks have been useful tools for publicising public and private procurement opportunities and for engagement more generally.
  - Reviewing tendering procedures to remove unnecessary barriers faced by SMEs such as breaking contracts down into smaller sizes. There is clearly a tension here with the efficiency agenda which has encouraged more centralised and larger contracts, tension that has intensified with tighter financial conditions.
  - Creating a ‘level playing field’ by opening up tenders to all through the establishment of transparent platforms or portals containing information on tendering opportunities.
  - In contrast, positive action approaches have been taken whereby tenders are restricted to a smaller group of SMEs. These approaches do run the risk of falling foul of competition and European legislation but they can often be justified by equalities legislation or by specifying specialist knowledge which only those invited to tender have. They also have the merit of reducing the number of tenders that a procurer receives and of improving the chances of local SMEs securing work and of keeping tendering costs lower: a win-win situation for buyer and supplier.
  - Meet the Buyer events whereby SMEs or specific groups of enterprises are provided with opportunities to meet with buyers from large purchasing organisations.
  - Supply side initiatives which combine capacity-building and business advice with efforts to increase the number of small businesses tendering for and winning contracts.
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There is also evidence that enterprise support agencies are recognising procurement as an important local development tool which is even more essential in the current financial environment.

With fewer financial resources available for direct economic assistance it will be increasingly important to use what will still be sizeable budgets for purchasing goods and services as a tool to promote the competitiveness of local firms.

In addition, even larger private sector procurement processes can be mobilised to promote local economic development and reduce economic exclusion faced by many SMEs, including EMBs and women-owned businesses.

## The Supplier Diversity and Inclusion Code of Conduct

WEConnect, working with RBS have developed amongst a host of others elements, a supplier code of conduct, which follows:

By voluntarily adopting this supplier Diversity Code of conduct, we affirm our commitment to provide a level playing field for SMEs women owned and other diverse and under-represented suppliers in our communities. Also we strengthen our market places, promote competitive advantage and enable business sustainability in the communities we serve and support.

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