



TIME TO CHANGE: A BLUEPRINT FOR ADVANCING THE UK'S ETHNIC MINORITY BUSINESSES



► ACKNOWLEDGEMENTS

This report was co-authored by Eva Kašperová, Richard Roberts and Monder Ram on behalf of the Centre for Research in Ethnic Minority Entrepreneurship (CREME), with support from Dr Stella Mascarenhas-Keyes (Stellar Consultancy Services).

The research project was supported by Giacomo Solano and colleagues (Migration Policy Group), Tolulope Olarewaju, Jamel Stambouli, Kristina Stoewe, Shuai Qin, Muhammad Abdul Aziz. Eva Kašperová was the project lead for the report.

Special thanks to Sharniya Ferdinand, Julie Baker and Stephen Blackman at NatWest Group in delivering the report and to all participants who took part and contributed to consultations on the draft recommendations.

► ABOUT CREME

The Centre for Research in Ethnic Minority Entrepreneurship (CREME), based at Aston University, is a leading research group on diversity in enterprise, internationally recognised for its work on ethnic minority entrepreneurship. Led by Professor Monder Ram, CREME engages with practitioners and policymakers to further the understanding of ethnic minority entrepreneurs and their support needs to help influence policy and practice. The centre routinely works with public and private sector organisations, including business support agencies, local authorities, community groups, corporate sector and ethnic minority businesses, to develop evidence-based approaches to inclusive enterprise support.

► ABOUT NATWEST GROUP

NatWest Group is the largest business and commercial bank in the UK, with a leading retail business. It is the biggest supporter of the business sector – banking around one in four businesses across the UK and Ireland, from start-ups to multinationals. NatWest Group champions diverse entrepreneurship and remains committed to supporting the UN Sustainable Development goals on gender equalities and reduced inequalities. Women made up at least 60% of those NatWest supported in 2021, and more than 26% of business owners supported were from Black, Asian and Minority Ethnic backgrounds. More than 75% of the businesses we support are based outside of London and the South East, with 52% of businesses having a socially purpose-led focus.

TIME TO CHANGE REPORT – KEY INFORMATION

Ethnic Minority Businesses and the £100bn prize

The contribution of ethnic minority businesses (EMBs) to the UK economy could increase four-fold from £25 billion to £100 billion GVA by realising the following changes:

- ▶ Implementing the recommendations outlined in this report
- ▶ Enabling more EMBs to grow in line with the wider business population
- ▶ Recording EMB ownership more accurately to better recognise the value of EMBs and to target support more appropriately

Recognising the issue of discouragement


Tackling the perception of finance barriers and high levels of discouragement could significantly increase EMBs' uptake of bank finance and help them grow:

- ▶ In the immediate pre-Covid-19 period, the number of SMEs with a viable business plan holding back from seeking a loan was sometimes greater than the number of SMEs approaching banks for the first time for a new loan
- ▶ The incidence of discouragement is higher in EMBs than SME population, particularly because of the issue of distrust
- ▶ More than 90% of all discouraged borrowers are creditworthy but have never approached a bank
- ▶ The challenge for the finance sector, particularly banks, is to improve marketing and targeting of EMBs with innovative engagement initiatives such as local community hubs

Ten steps to transform support for EMBs

- 1** Tackle perceptions of unequal treatment to increase EMBs' engagement with bank finance
- 2** Monitor engagement with diverse suppliers to facilitate EMBs' access to procurement opportunities
- 3** Develop more sustainable and quality business support to help EMBs realise their growth potential
- 4** Improve access to business support by establishing trust-based relationships with ethnic minority communities
- 5** Foster local networks of support through partnership working to strengthen support for EMBs
- 6** Include EMB communities in the policy formulation process to enhance the relevance of support
- 7** Create local community hubs to better engage with EMBs and ease their access to finance and business support
- 8** Develop a UK-wide policy on inclusive entrepreneurship to set out a clear vision for achieving inclusive growth
- 9** Create a UK-wide mechanism for promoting and supporting EMBs to provide long-term leadership on this agenda
- 10** Gather better data on entrepreneurial diversity to foster evidence-based policymaking

CONTENTS

 Click on number
to go to page

Acknowledgements	02
Key information	03
Foreword	05
Executive summary	06
Introduction	13
Methodology	15
The UK landscape of ethnic minority entrepreneurship	17
The current and potential contribution of ethnic minority businesses	19
The barriers faced by ethnic minority businesses	21
Theme 1: Valuing diversity of enterprise and supporting ambitious ethnic minority businesses to grow	24
Recommendation 1: Redress perceived and actual barriers to finance	24
Recommendation 2: Increase access to procurement opportunities in the corporate sector	30
Recommendation 3: Provide more comprehensive, intensive and bespoke support	34

Theme 2: Promoting long-term partnerships that build stronger networks of support for ethnic minority businesses	42
Recommendation 4: Build long-term trust-based relationships with businesses	42
Recommendation 5: Foster local networks of support to boost business survival and growth	46
Recommendation 6: Include businesses in the local policy formulation process	51
Recommendation 7: Improve access to finance and support through local community hubs	54
Theme 3: Developing a UK-wide inclusive enterprise policy that signals the importance of support for ethnic minority businesses	58
Recommendation 8: Develop a UK-wide policy on inclusive entrepreneurship	59
Recommendation 9: Create a UK-wide mechanism to coordinate support for ethnic minority business	65
Recommendation 10: Gather and provide better data on entrepreneurial diversity	67
Conclusion	71
Testimonials	73
References	76

FOREWORD

A word from NatWest Group, supporters of Aston University's CREME report. As the UK's biggest bank for business, at NatWest Group we're committed to championing small businesses and supporting growth – but we know there are barriers that disproportionately affect EMBs.

In our support for local communities, we aim for at least 20% of the places on our 13 nationwide accelerator hubs to go to ethnic minority entrepreneurs. At present, 25% of businesses in our hubs are EMBs, and we have also worked with Business in the Community and Hatch Enterprise to support EMBs to grow, as well as providing specific support for female ethnic minority-led businesses.

But there is much more still to be done. EMBs have been hit particularly hard by the Covid-19 pandemic due to the sectors in which they tend to operate, so we need to ensure recovery supports the businesses that need it most.

This report from CREME brings together nearly 30 years of expertise and best practice from around the globe to highlight the barriers faced by EMBs, as well as opportunities for engaging with these businesses and supporting them better. It sets an agenda for action that organisations across sectors can take individually and collaboratively to advance the UK's EMBs.

We welcome the opportunity to use this report to inform our next steps in ensuring EMBs reach their growth potential. The report shows EMBs could contribute £100bn to the UK economy, four times their existing contribution, if the changes outlined in this report were to be implemented.

Only close collaboration with businesses, policymakers, financial institutions and existing business support providers can deliver meaningful change to ensure EMBs get the support they need to fully realise their ambitions.

Now is the time to accelerate action, and at NatWest we commit to playing an integral role in the change that is required.



Andrew Harrison
Head of Business Banking,
Natwest Group

EXECUTIVE SUMMARY

- ▶ The UK economy must recover from the impact of the Covid-19 pandemic. EMBs have been hit particularly hard because of the sectors in which they operate, as well as more severe health impacts on some ethnic minority communities. The events of Black Lives Matter have renewed public interest in tackling racial inequalities, with enterprise support likely to form a key part of the policy response to address economic disparities between ethnic minority groups. Within this wider context, there are immediate opportunities for EMBs to play a major role in the economic recovery, including the UK Government's vision to "level up" economic disparities across regions and to promote "Global Britain" following the UK's exit from the European Union.
- ▶ The UK's EMBs make a significant economic contribution. An estimated 250,000 ethnic minority-led firms contribute around £25bn per annum to the UK economy, with a GVA matching or surpassing that of major cities and sectors. EMBs have a strong ambition to grow; they are disproportionately involved in export activity and are more likely than non-EMBs to engage in various forms of innovation¹.
- ▶ EMBs additionally make an important social and cultural contribution by providing employment to marginalised groups excluded from the labour market, acting as vital social hubs of advice to new migrant communities to help them integrate, offering a wide range of products and services, revitalising deprived city areas and positively shaping the cultural diversity and attractiveness of British cities.
- ▶ This contribution and ambition of EMBs is often constrained by multiple barriers throughout their entrepreneurial journey, particularly in accessing financial resources, wider markets and appropriate support. Although ethnic minorities in the UK are consistently more entrepreneurial than the population generally, they are less likely to operate established or mature firms that generate stable income. The contrast is noticeably stark between White and Black ethnic groups. White business owners are more likely to run established firms over 42 months old than their Black counterparts (67% and 43% respectively).
- ▶ This report sets out recommendations which, if implemented, have the potential of generating a four-fold increase in the annual GVA for EMBs, from £25bn to £100bn. Drawing on a rigorous appraisal of existing research and international best practice, 10 evidence-based recommendations are presented for central government, local policymakers and organisations across sectors to help unlock the potential of ethnic minority entrepreneurs and maximise their economic contribution.
- ▶ Our recommendations are reported under three core themes – valuing diversity of enterprise and supporting ambitious EMBs to grow; promoting long-term partnerships that build stronger networks of support for EMBs, and developing a UK-wide inclusive enterprise policy that signals the importance of support for EMBs.

¹ Sources are given in the main body of the research report.

Theme 1:

Valuing diversity of enterprise and supporting ambitious ethnic minority businesses to grow

- ▶ EMBs in the UK comprise both high-growth innovative and export-oriented firms, as well as smaller enterprises operating locally and in more traditional sectors. This diversity of EMBs and their varied contributions must be valued. Business support provision over the past decade has tended to focus on growth in a narrow range of sectors. Supporting ambitious EMBs to grow is vital, but many EMBs are perceived by support providers as lifestyle businesses or not prioritised, often because of the sectors in which they operate. There is more individual organisations across sectors can do to better engage with and support all EMBs.
- ▶ The lack of personal wealth at the start-up stage has a significant negative impact on the entrepreneurial outcomes of ethnic minorities in the UK. Many turn to external finance to help them realise their entrepreneurial ambition. Although EMBs in the UK have broadly equal access to bank finance products, comparable to SMEs, EMB owners are more likely to think it is difficult to access finance and are often discouraged from applying for finance for fear of rejection. The perception of barriers itself is a major obstacle, potentially preventing many ambitious entrepreneurs who would otherwise be accepted for finance from seeking support they need to develop.
- ▶ Strength of feeling on the access to finance issue, particularly regarding perceptions of unequal treatment, varies between ethnic subgroups. However, Black entrepreneurs especially hold very strong feelings regarding unequal and unfair treatment. This generates a lack of trust and appears to be at the core of higher levels of discouragement, with a knock-on effect to the wider UK economy. Finance providers must redress both perceived and actual barriers to finance and be accountable for their engagement with EMBs to help maximise their growth potential.
- ▶ Additional barriers to accessing bank finance include a lack of credit history and poor financial track record linked to creditworthiness. Closures of traditional bank branches in many inner-city localities, combined with a move to remote banking services, has made physical access to finance and relevant support services more difficult. These issues, exacerbated by the pandemic, potentially prevent many EMBs from seeking and acquiring finance.
- ▶ EMBs often operate in a comparatively narrow range of traditional sectors – such as catering and retail – and, in many cases, within highly saturated and competitive co-ethnic markets, limiting their growth potential. While some businesses succeed in breaking out into wider sectors or more profitable mainstream markets – for instance, through procurement opportunities in the supply chains of large purchasing organisations – there remains considerable scope for diversification into new markets. Additionally, there is a strong business case for creating more diverse supply chains – large purchasing organisations, especially in the corporate sector, must be accountable for their engagement with EMB suppliers to help them realise their growth ambitions.

- ▶ EMBs tend to prefer informal sources of support, such as family and friends, and are less likely to use formal and publicly funded business support services. Informal support, while valuable, can constrain EMBs from seeking more suitable support to help them grow. However, inappropriate support and short-termism of many mainstream or targeted support initiatives are often cited as key reasons for EMBs' disengagement from, or low uptake of, formal business support services.
- ▶ Increasing the growth of EMBs requires quality support that meets the specific needs of EMB communities. Long-term initiatives that provide more comprehensive, intensive and targeted packages of support have proven successful in attracting and advancing EMBs. Yet support for EMBs in the UK tends to be fragmented and short-lived. As the UK "builds back better", the time is ripe to rekindle, extend and systematically embed successful policy interventions to ensure wider reach, relevance and long-term sustainability of support for EMBs.

Our recommendations are:

Recommendation 1:

Redress perceived and actual barriers to finance

Recommendation 2:

Increase access to procurement opportunities in the corporate sector

Recommendation 3:

Provide more comprehensive, intensive and bespoke support

Theme 2:

Promoting long-term partnerships that build stronger networks of support for ethnic minority businesses

- ▶ A lack of trust is consistently cited as a key barrier preventing many EMBs from engaging with formal business support and finance providers. The reasons for high levels of distrust are multiple, including perceived and actual discrimination, a belief that support providers do not understand EMBs' specific needs, and prior negative experience of inappropriate support. While there is much individual organisations can do to facilitate better access to finance and business support, as elaborated under Theme 1, a more collective response is needed to address the lingering issue of distrust.
- ▶ Distrust and disengagement are more likely to be tackled successfully through long-term collaborative efforts of organisations across sectors to build strong and sustained relationships with ethnic minority communities. Building and establishing trust requires time and commitment. The longevity of support provision itself can promote trust, as opposed to the short-termism that often characterises support initiatives. Efforts to hire diverse staff reflecting the diversity of clientele and targeted marketing can also increase awareness of support and enable support providers to gain trust with EMBs.
- ▶ Trusted and appropriate support is important to increase EMBs' uptake of formal services. Yet support providers may lack the knowledge and resources needed to establish trust-based relationships and to provide relevant support. Partnership working with ethnic minority-led organisations and anchor institutions with existing links to minority communities, such as libraries, universities and civil society groups, can enable local support providers to create a stronger network of support that responds to EMBs' needs and instils trust.



International examples of collaborative efforts across private, public and third-sector organisations show that such partnership models work in developing successful support initiatives targeting EMBs. Working collaboratively can help support providers deliver more comprehensive and quality support, as well as ensuring long-term financial sustainability of support initiatives.

- ▶ Enterprise policies and support initiatives must be underpinned by a robust evidence base and be responsive to the needs of local business communities. Involving EMBs in the policy formulation process from the start by seeking to understand the challenges they face, and their specific support needs, can give more credibility to local business support initiatives and potentially increase EMBs' uptake of formal support.
- ▶ While many EMBs have benefitted from the government-backed Start Up Loans scheme, difficulties in accessing finance, especially the issue of discouragement, continue to hinder EMBs' potential. A range of private sector-led funding schemes targeted at EMBs have been initiated, but their eligibility criteria and geographical coverage tend to be limited to

firms operating in certain sectors and locations only. Digital technologies may have eased access to online information and support, but the lack of more physical and personalised support services within local communities across the UK limits opportunities for establishing rapport and trust between EMBs and finance/support providers.

Our recommendations are:

Recommendation 4:

Build long-term trust-based relationships with businesses

Recommendation 5:

Foster local networks of support to boost business survival and growth

Recommendation 6:

Include businesses in the local policy formulation process

Recommendation 7:

Improve access to finance and support through local community hubs

Theme 3:

Developing a UK-wide inclusive enterprise policy that signals the importance of support for ethnic minority businesses

- Themes 1 and 2 highlight the role of individual organisations, as well as more collective response across sectors to help advance the UK's EMBs. However, the potential of ethnic minority entrepreneurs cannot be fully realised without a clear vision for promoting and supporting entrepreneurship among ethnic minorities and other under-represented or disadvantaged groups, recognising that some entrepreneurs may be disadvantaged by their gender, ethnicity, disability and other social identities. To achieve inclusive growth, the UK requires inclusive enterprise policy to set out clear objectives and steps towards ensuring that people from all sections of society can start and manage a successful business.
- Black Lives Matter and the Covid-19 pandemic have exposed the structural inequalities that still exist and continue to disadvantage ethnic minority communities in the UK. The Scottish and Welsh governments have taken active measures to tackle racism and provide better support for EMBs – for example, by setting procurement targets or encouraging partnership working. However, there is currently a lack of UK-wide leadership to promote and support inclusive entrepreneurship across all nations and regions. International examples of best practice show governments in countries such as Canada, Germany and the United States playing an active role in promoting and co-funding collaborative cross-sector support initiatives aimed at EMBs. Many of these initiatives have proven to be successful in offering more comprehensive, intensive and tailored services while also ensuring long-term financial sustainability of support.
- A UK-wide inclusive enterprise policy will signal to business support providers and relevant institutions across sectors and regions the paramount importance of fundamental changes required in the enterprise environment to tackle the barriers faced by ethnic minorities and other under-represented and disadvantaged groups of entrepreneurs. It will provide a vision and guidance on the development of policies and support initiatives at the local level. It should also recognise the interrelation of enterprise and wider policy areas, including health, social security, education and work, to develop a holistic approach towards tackling the wider obstacles that constrain entrepreneurial success – for example, setting out goals to eradicate gender and ethnicity pay gaps. The inclusive enterprise policy may be developed by utilising frameworks like The Better Entrepreneurship Policy Tool created by the OECD, as well as drawing on lessons learnt from international best practice.
- The implementation of a UK-wide inclusive enterprise policy will require an effective mechanism for coordinating activities, such as monitoring and sharing of best practice across ministries, departments, sectors and regions. It is currently unclear who owns this agenda or is accountable for promoting and supporting EMBs, calling for a dedicated agency to lead and oversee progress. These efforts can potentially restore trust among business communities, signalling that their support needs are being taken seriously by the government. A review of international best practice shows a dedicated mechanism to coordinate support targeted at EMBs has been established and provides a vital leadership role on this agenda in countries like Canada and the US.

- ▶ While a UK-wide inclusive enterprise policy will provide vision and guidance, developing more specific policies and strategies at the local level will be needed to ensure support initiatives are relevant and responsive to the needs of local business communities. There are geographical differences in the representation of ethnic minorities across regions. For instance, some regions may be populated by new migrant communities, while others may have a higher concentration of second or third-generation migrants—this diversity has implications for business support. Locally formulated inclusive enterprise policies, based on the assessments of local business needs, can help fill gaps in support for diverse groups of entrepreneurs.
- ▶ Inclusive enterprise policies, whether developed at local or national level, must be evidence-based. It is essential to gather comprehensive evidence on the diversity of business communities, the challenges they face in starting and running a business, and their specific support needs. Embedding questions on ethnicity and other personal characteristics in key business surveys is vital. Using a range of data from multiple

sources can help determine more accurately which solutions and interventions are required. Additionally, by developing regular, robust and adequately funded monitoring and evaluation protocols, data can be collected to demonstrate that value for money inclusive enterprise policy solutions are implemented, and to provide evidence of what works, for whom, under what circumstances and why.

Our recommendations are:

Recommendation 8:

Develop a UK-wide policy on inclusive entrepreneurship

Recommendation 9:

Create a UK-wide mechanism to coordinate support for ethnic minority business

Recommendation 10:

Gather and provide better data on entrepreneurial diversity

INTRODUCTION

The UK economy must recover from the loss in GDP due to the Covid-19 pandemic – a pandemic that has disproportionately affected ethnic minorities and ethnic minority businesses (EMBs)².

EMBs have been hit particularly hard because of the sectors in which they operate, as well as more severe health impacts on some ethnic minority communities (British Business Bank 2020). The UK Government's recovery plan, focusing on increasing productivity and stimulating innovation, includes a commitment to levelling up regional disparities. Brexit has necessitated looking for new markets and trading partners³. Yet the government's plan to level up and to exploit global trade opportunities makes little reference to EMBs.

Recent events, including Black Lives Matter, have renewed public interest in tackling racial inequalities, with enterprise support likely to form a key part of the policy response to economic disparities between ethnic minority groups. Within this wider context, there are immediate opportunities for EMBs to play a major role in economic recovery, the promotion of a global-facing Britain and the development of a more cohesive society, if an explicitly written UK-wide policy on inclusive entrepreneurship is adopted and implemented at national, regional and local levels. This report presents 10 evidence-based recommendations, which form a blueprint for advancing EMBs in the UK.

There are about 250,000 ethnic minority-led firms in the UK, contributing £25bn per annum to the UK economy, with a GVA matching or surpassing that of major cities such as Birmingham or sectors like pharmaceuticals and agriculture (Roberts et al 2020). EMBs also make a wider social contribution; the multicultural fabric of British cities and towns has been shaped over the years by migrant entrepreneurs from across the world, representing more than 150 countries (Centre for Entrepreneurs and DueDil 2014). This cultural diversity adds to the attractiveness of urban areas to domestic and international tourists, and plays an important role in stimulating creativity, innovation and entrepreneurship which, in turn, increases productivity and wages (Syratt and Sepulveda 2011; Nathan 2015). EMBs help revive local communities and provide vital retail services in much neglected urban areas (Jones et al 2018).

This contribution of EMBs tends to be unrecognised, and the potential of ethnic minority entrepreneurs is often constrained by the multiple barriers they face in starting and operating a business, particularly in accessing financial resources, wider markets and appropriate support (Carter et al 2015). Our analysis shows that while ethnic minorities in the UK do not lack entrepreneurial ambition, they are less likely than the population generally to run established

2 'Ethnic minorities' is used in this report to refer to all ethnic groups except White British. All diverse communities have distinct needs but in terms of ownership and legal structure, 'ethnic minority businesses' (EMBs) is used as a generic term to cover the following: (a) ethnic minority-led businesses where 50% or more of their management team are from ethnic minorities, or if a person from an ethnic minority is in sole control of the business; (b) businesses with multiple owners, of which ethnic minorities are the majority, and (c) businesses where ethnic minorities are the majority shareholders.

3 Build Back Better – our plan for growth (publishing.service.gov.uk).

or mature firms that generate stable income over time. Additionally, entrepreneurial efforts of ethnic minorities are more likely to result in closures. This evidence highlights the importance of enterprise policy efforts aimed at improving the survival and growth of EMBs.

The current impetus to revive and grow the UK economy provides multiple opportunities to further increase both the quality and quantity of EMBs, and their share of national GVA. While some successful actions to tackle barriers are already in place, many have been discontinued or restricted, in some cases exacerbated by the pandemic. The time is ripe to maximise the potential contribution of EMBs by rekindling, extending and systemically embedding into practice successful interventions, drawn from the UK and worldwide, to ensure wider reach and sustainability of support for EMBs. More collaborative policy solutions need to be implemented at national and local levels, and across sectors, by public, private and civil society stakeholders. This will require long-term commitment and sustained investment of funds.

This report makes actionable recommendations to promote the inclusion of EMBs in finance, product markets and business support. Our findings and recommendations are underpinned by a robust evidence base, utilising a range of methods and data sources, including the following.

1. A comprehensive review of journal publications and wider research evidence on EMBs.
2. Quantitative evidence from the Global Entrepreneurship Monitor (GEM) and SME Finance Monitor on new trends in ethnic minority entrepreneurship.
3. An evaluation of inclusive enterprise policies in the UK, with a specific focus on EMBs.

4. A review of international examples of best practice in supporting EMBs, considering financial sustainability of initiatives and whether they offer a holistic package of support and are replicable in different contexts.

Additionally, eight consultation events were held across England, Scotland, Wales and Northern Ireland with key stakeholders, including EMBs and support providers, to test the viability of our recommendations.

Triangulating evidence from multiple data sources, using a range of methods, has enabled us to validate our findings and recommendations. Nevertheless, methodological challenges remain. First, the lack of an agreed upon definition of ‘ethnic minority business’ and because not all EMB owners self-identify as ethnic minority can lead to under-reporting and less accurate estimates. Second, official administrative data on ethnicity is often lacking, of variable quality and hard to aggregate over time and space. Third, ethnic minorities and their businesses are characterised by “superdiversity” (Vertovec 2007); they are heterogenous in terms of migration history to the UK, country of origin and settlement patterns, as well as class, gender, age, religion and other characteristics. These complexities, and their inter-relationships, are often not captured in the data.

The first section of the report elaborates on our methodological approach, followed by a profile of ethnic minority entrepreneurship in the UK to set the context for our recommendations. Second, we look at the current and potential contribution of EMBs to the UK economy. Third, we outline the key barriers that prevent EMBs from maximising their full potential. The remainder of the report focuses on our recommendations elaborated under three core themes. Each recommendation is supported by evidence and suggestions on how it can be implemented.

METHODOLOGY

This project sought to develop actionable and evidence-based recommendations, utilising insights from both research and good practice, to promote greater inclusion for EMBs in finance, product markets and business support. Our methodological approach comprised several phases, drawing on the secondary (or existing) research as well as new empirical evidence and analysis of data from multiple sources.

First, we conducted a comprehensive review of academic literature and wider research on EMBs, covering more than 150 journal articles and industry reports, including the most recent studies in this area. Our particular focus was on the barriers EMBs face in accessing finance and business support, as well as wider challenges such as difficulties in accessing mainstream markets or navigating regulatory requirements. Further evidence on the profile of UK's EMBs and their economic and social contribution was reviewed to provide context for the subsequent sections. We have drawn primarily on the UK evidence but also international literature where relevant.

Second, we utilised quantitative data from the Global Entrepreneurship Monitor (GEM) and the SME Finance Monitor datasets to offer new insights on the most recent trends in ethnic minority entrepreneurship in the UK. The long-standing and internationally recognised GEM survey is a representative adult population survey that tracks individual's interest or involvement in entrepreneurial activity. This could be "no interest" – and this is the most common response as most economically active people are employed. However, the survey also identifies those running an established firm, or a start-up, as well as those "thinking" about setting up a firm or actively seeking to do so at the time of the interview. The GEM survey has run in the

UK for many years and, although it is important to acknowledge it does not track individuals over time, it is the most reliable indicator we have of the health of the UK entrepreneurial environment. We have drawn heavily on the results split by ethnic groups.

The SME Finance Monitor is a market research-style survey providing independent and robust data on access to finance among SMEs, particularly their perceptions of past and future finance needs. It uses interviews to ask questions regarding business characteristics, ambitions and plans. The data has been collected quarterly since 2011 (4,250 interviews each quarter) and the results are now increasingly available in an anonymised form to researchers. We have used the published reports from this survey and ongoing independent academic review of the data. Although the survey is funded by several banks, the whole process is independent of their influence. The survey is unique worldwide in terms of its frequency, sample size and its inclusion of a comparable credit score for each business spoken to, critical in determining application outcomes. The analysis allows for the grouping of results by ethnic origin of the business owner(s).

Third, while our review of academic and industry literature helped us identify the key challenges EMBs experience in engaging with formal and mainstream business support services, we complemented this with an evaluation of enterprise policies and support initiatives in the UK. Here we carried out desk research drawing on a range of sources, including policy documents, departmental websites and 'grey' literature to map out the existing landscape of policies and support initiatives aimed at EMBs. In conducting the evaluation, we utilised the

Better Entrepreneurship Policy Tool developed by the OECD to assess the existing enterprise policy/support, the regulatory environment, financing of entrepreneurship, development of entrepreneurship skills, and entrepreneurial culture and networks.

Fourth, we drew upon additional evidence from a review of international best practice in supporting EMBs to provide comparisons with other developed nations. Experts on enterprise policy and support for EMBs in Europe, the US and Canada assisted at this stage by conducting desk reviews and, in some cases, interviews with key stakeholders. Consideration of financial sustainability of initiatives, whether they offer a comprehensive package of support (for example, comprising a combination of business skills training, finance and language support), and whether the initiatives are replicable across different contexts were some of key criteria in establishing best practice.

Additionally, eight online consultation events were held during autumn 2021 with a total of 32 key stakeholders based across the UK, including in different regions of England, Scotland, Wales and Northern Ireland. Typically, these consultations comprised a diverse mix of stakeholders from mainstream business support organisations, finance providers and specialist business support agencies, as well as EMBs. These events provided an early opportunity for representatives of business support ecosystems and their beneficiaries to comment on the appropriateness and viability of our recommendations.

THE UK LANDSCAPE OF ETHNIC MINORITY ENTREPRENEURSHIP

The UK has around 250,000 ethnic minority-led firms (Roberts et al 2020). Our focus here is primarily on enterprise activity among small and medium-sized businesses (typically independent firms with fewer than 250 staff or less than £25m of sales), but a slightly wider approach looking at enterprising people who responded to the GEM has allowed us to paint a landscape of the overall entrepreneurial activity of ethnic minority communities.

Ethnic minorities in the UK are consistently more entrepreneurial than the White population, but less likely to be involved in running older, established firms that can generate a stable income over time. This conclusion is based on an analysis of GEM data for the last 18 years (2002-2019), which shows that while there is some variation between the years, ethnic subgroup, gender and location, there are several key patterns that can be observed over time.

First, among those thinking about going into business, the rate for ethnic minority groups is around twice that of the White population; the difference is significantly higher when comparing the Black community (23%) and the White population (7%).

Second, in terms of the total entrepreneurial activity (TEA) rate – which measures involvement either in setting up a new venture or running a very young one under 42 months – for the non-White group overall and for both males and females, the TEA rate has been consistently higher than that for the White group. While the female TEA rate was typically around half of the equivalent male rate, female non-White ethnic groups normally had higher rates compared to White females. This higher rate matches the pattern for males, but female activity rates are more volatile than among males regardless of ethnic group.

Third, the TEA rate by UK regions and ethnic group shows that three regions – South East, East and London – had the highest overall TEA rate in the UK and some of the strongest results for all the main ethnic subgroups. In contrast, the regions with the lowest levels of enterprise activity (East Midlands, Yorkshire and Humber, and the North East) also had below average non-White TEA rates (especially the North East's Black community).

Fourth, for non-White groups, entrepreneurial activity doesn't necessarily result in income generation for owners. The contrast is noticeably stark between the White and Black ethnic group results. More than two-thirds (67%) of all White business owners are running established firms of over 42 months old, while the equivalent figure in the Black community is 43%. In other words, most Black business owners are in effect running start-ups or fragile young firms prone to failure.

There are several additional characteristics of EMBs that help us understand the landscape of EMB population in the UK and their support needs. First, most EMBs are sole traders or self-employed partnerships, with a quarter being independent companies with fewer than 250 employees. Second, EMBs comprise both growth-oriented value-added businesses started by entrepreneurs who have seized opportunities in various sectors and businesses set up by ethnic minorities out of necessity because they are unable for various reasons to obtain employment in the UK labour market. Third, EMBs are disproportionately involved in export activity, different forms of innovation and sales growth (Roberts et al 2020).

Fourth, EMBs tend to be smaller than businesses run by their White counterparts. For example, a recent study (British Business Bank 2020) found that after starting a business, Black business owners have median turnover of just £25,000, compared with £35,000 for White business owners. The challenging market environment in which EMBs operate powerfully constrains their capacity to develop and grow (Edwards et al 2016). Fifth, EMBs tend to be over-represented in sectors like hospitality, retail and transport. As these involve face-to-face activities, they have been particularly severely affected by the Covid-19 crisis (Roberts et al 2020). The higher incidence of morbidity and mortality among ethnic minorities, affecting business owners, employees, the self-employed and customers, led many to decrease or cease their trading activities.

Sixth, there is a greater incidence of family-run firms, either in terms of ownership or close management, among non-White than White ethnic groups. This has particular implications for the provision of appropriate support, taking into consideration the family dynamics involved in running EMBs (Cunningham and McGuire 2019). Seventh, EMBs often turn to co-ethnic labour, including family members and relatives, as a vital resource in starting and running a business. Those on low wages in particular rely on a continued supply of kinship networks to survive (Edwards et al 2006).

Eight, there are both higher start-up rates and closure rates in the ethnic minority enterprise community than in the rest of the UK population. After several decades in which high start-up rates among ethnic minorities have not led to an increase in the stock of established EMBs we can only conclude that closure rates for ethnic minorities must be higher⁴. There are lots of young, fragile and short-lived attempts to set up a business, which drains local community capital and enhances perceptions of discouragement and disadvantage. Once ethnic minority firms have got through the start-up phase of activity, they perform exceptionally well in terms of future growth and exporting, suggesting the 'shortfall' in numbers resulting from a higher enterprise 'churn' may have a measurable economic 'drag' on the UK economy as a whole, which could be addressed by policy action.

Furthermore, there is a strong possibility of a wider debilitating impact a higher enterprise churn rate could have on local communities. The diversion of financial resources to enterprises that may ultimately have to close is an ongoing drain on community resources as a whole. It creates ongoing waves of start-up and young firms that either fail to create any local jobs for the community to fill, or the jobs created are few and often short-lived. In contrast, entrepreneurship activity among the White community more often leads to an established stable enterprise and jobs. This situation has occurred despite much higher rates of entrepreneurial activity in the non-White community than in the White population.

4 This of course refers to closure rates, not failure rates.

THE CURRENT AND POTENTIAL CONTRIBUTION OF ETHNIC MINORITY BUSINESSES

EMBs are already making a significant contribution to the UK economy and society. First, using the narrow definition of ethnic minority-led firms alone (notwithstanding issues around definition and data capture mentioned earlier), EMBs generate a GVA of about £25bn per annum. This is highly significant because it is similar or surpasses the GVA of major cities like Manchester, Birmingham and Liverpool, and industries such as pharmaceuticals and agriculture (Roberts et al 2020). Second, there is a strong ambition among EMBs to grow; they are disproportionately involved in exporting activity and are more likely to engage in product and process innovation than firms generally (Roberts et al 2020). Third, EMBs create employment; if we assume that EMBs supported about one million jobs in the UK with an average salary of £20,000 a year, that would represent a further £20bn of gross wages and salaries being paid.

The above contribution of EMBs can be further enhanced if the UK Government takes concrete steps to capitalise on the key strengths of ethnic minority communities, particularly their entrepreneurial ambitions and tendencies to innovate and export. There is a strong business case for advancing EMBs. Improving access to finance, wider markets and quality support could enable EMBs to grow, potentially increasing their share of GVA to £100bn.

EMBs in the UK make an important social and cultural contribution beyond 'hard' economic benefits (Jones et al 2018). For instance, many EMBs trade in some of the most deprived areas of the country, helping to revive local communities and providing vital retail services in much neglected urban areas (Jones et al 2018).

These retail businesses often serve low-income residents by offering lower-priced products, as well as greater convenience of operating with extended opening hours (Ram and Jones 2016). Additionally, EMBs cater to the demand among ethnic minority and immigrant communities for ethnic or country-specific products, and simultaneously, provide greater diversity of offering to native-born customers wishing to try new exotic goods (Edwards et al 2016).

EMBs often provide job and training opportunities to marginalised workers who may have experienced hostility in the labour market, including newly arrived immigrants, while also employing native British workers (Jones et al 2018; Ram and Jones 2016). They act as vehicles for social inclusion and integration, not only by creating jobs but also by serving as crucial social hubs, offering mutual advice and support to marginalised groups of immigrants and refugees to help them overcome social exclusion and isolation (Jones et al 2018; Ram and Jones 2016; Jones et al 2014a; Lyon et al 2007). By supporting the integration of immigrants within the wider community, EMBs help strengthen social cohesion (Jones et al 2014a), easing concerns over the impact of immigration on community relations (Syrett and Sepulveda 2011).

The cultural contribution of EMBs deserves wider recognition. Ethnic minority, immigrant and refugee entrepreneurs have been a driving force behind a positive transformation and contribution towards many areas of British cultural life, from food and sports to music, arts and entertainment. Although EMBs have traditionally traded in areas like retail and catering, they are

increasingly found in the wider sectors of the economy (MSDUK 2021; Jones et al 2014a), acting as important role models for aspiring entrepreneurs (Centre for Entrepreneurs and DueDil 2014).

The restaurant sector is perhaps one of the most prominent examples of EMBs' cultural contribution to British cities, as illustrated by a range of ethnic food quarters, such as Chinatowns (Syrett and Sepulveda 2011). Asian and African-Caribbean entrepreneurs have successfully developed an independent restaurant sector in cities like Birmingham, serving a diverse group of customers but very often a White majority clientele (Ram et al 2000). These entrepreneurs have introduced a wider range of flavoursome foods, with the Indian curry becoming a national dish (Panayi 2008). The diversity of food outlets and restaurants across London, Birmingham and other urban areas adds to the cultural attractiveness of town centres and high streets, not only by offering sought-after exotic foods but also through various events and festivals held in ethnic food quarters that are magnets to local communities and tourists alike, generating growth (Syrett and Sepulveda 2011).

The social and cultural contribution of EMBs is not easily measured, given our varied and subjective understanding of what it is and why it is important. Capturing positive social change, such as personal experience of inclusion or well-being of individuals and communities, requires different methods using softer indicators and a more multi-disciplinary and historically sensitive approach. Regrettably, social value of EMBs has hitherto received little or no recognition, but this may change hopefully as the government recently has elevated its role – for example, making submissions on social value a mandatory requirement in the procurement of government contracts (Cabinet Office 2020).

The contribution of EMBs is often felt beyond their immediate locality. As diaspora communities, they are characterised by a spider's web of transnational kinship, friendship and associational links and networks, not only bilaterally between UK

and countries of origin, but also multilaterally with a wider range of countries. These transnational links are an important source of financial, human and social capital, facilitating EMBs' entrepreneurial activities, knowledge exchange, technology transfer and innovation (Lissoni 2018; Jones et al 2010; Kerr 2008).

Diaspora entrepreneurs provide crucial investment in business development, innovation and job creation, as illustrated in the case of African entrepreneurs in London who send regular sums of money to relatives in Nigeria; for instance, to fund house construction (Ojo 2012). While such activities are clearly vital in supporting regions of Africa and other developing nations, successes of transnational entrepreneurship by UK-based EMBs are few and hindered by limited access to finance and other forms of capital (Jones et al 2010). This has important policy implications for a more globally outward-facing, post-Brexit and post-pandemic economic recovery that is advocated by the government.

Finally, EMBs can contribute to the implementation of the international aid policy that links the Global North with the Global South. While part of the implementation of the policy is humanitarian aid, there are increasing calls to complement this with aid for trade policies (ICAI 2019). During the Covid-19 pandemic, a consortium of EMBs in the UK implemented a local government contract to produce public health messages in several languages, which were widely disseminated in the UK and worldwide via diaspora links, leading to improved health outcomes (Mascarenhas-Keyes and Arriaga-García 2021). Diaspora links can importantly support innovation and entrepreneurship in the Global South. For example, returnee entrepreneurs can have a positive impact on their home countries by introducing innovations, creating jobs and acting as entrepreneurial role models (Grünhagen 2018).

THE BARRIERS FACED BY ETHNIC MINORITY BUSINESSES

Ethnic minority entrepreneurs, and Black entrepreneurs in particular, continue to face multiple barriers to achieving their full potential. There are of course variations in entrepreneurs' experiences, and the diversity of EMBs necessarily paints a complex picture of the barriers they face. A robust and inclusive explanation of these barriers must take into account individual, social structural and wider contextual influences (Kloosterman 2010). It is important to consider entrepreneurs' experiences at the intersection of ethnicity and wider markers of difference, such as gender, religion or age (Ram et al 2017). Furthermore, minority entrepreneurs may experience different barriers at different stages of the entrepreneurial journey, from start-up to exit. The events of Covid-19, and the introduction of lockdown and social distancing measures since 2020, have created significant additional challenges for many small businesses across the UK, with disproportionate negative impact on EMBs over-represented in some of the most affected sectors, such as hospitality.

Considering the wider structural and systemic disadvantages experienced by ethnic minorities, EMB owners often face discrimination, perceived or actual, throughout the entrepreneurial journey, constraining their access to external finance, wider markets, business support and other resources needed to succeed in business (Martinez Dy 2019; Bates et al 2018a, 2018b; Martinez Dy et al 2017; Ram et al 2017; Jones et al 2014b; Davidson and Fielden 2010; Teixeira et al 2007). In the most recent study of aspiring and established Black entrepreneurs, 53% of respondents reported to have experienced racism or discrimination, while 84% perceived racism as a potential barrier to their entrepreneurial efforts (Black Business Network/ Lloyds Bank 2021). The lack of trust in finance

and business support providers additionally contributes to such widespread perceptions of anticipated barriers, discouraging EMBs from seeking appropriate support. Entrepreneurs from new migrant communities reported experiences of discrimination in their interactions with the authorities, having negative consequences for their mental health, the willingness and ability to integrate in the host country and business growth prospects (Hagos et al 2019).

Discriminatory attitudes of potential and existing customers can be a barrier to business start-up and growth – and can even lead to business failure. Black African entrepreneurs in the UK reported difficulties of winning contracts with White-run businesses (Mendy and Hack-Polay 2018). Racism in the form of verbal or physical abuse was highlighted as an “occupational hazard” in a study of shopkeepers in Scotland; two-thirds of respondents experienced racism, particularly those born overseas, and just under a third faced racial discrimination on a regular basis (Ishaq et al 2010). The perception or anticipation of discrimination itself can also act as a barrier to seeking and accessing important resources. Evidence of variation in the levels of tolerance of discrimination by different ethnic minority groups (Davidson and Fielden 2010) additionally points towards possible underreporting of discrimination by minority entrepreneurs.

Many EMBs face similar barriers to starting and operating businesses as SMEs generally. The lack of access to external finance, wider markets and appropriate business support are often cited as some of the most significant challenges for EMBs (Carter et al 2015). We discuss these in later sections of the report, but we first highlight some of the additional obstacles that prevent ethnic minority entrepreneurs from developing their businesses.

First, insufficient financial resources before starting a business are a challenge for most entrepreneurs, but ethnic minority groups appear to be disproportionately affected. Disparities in incomes from employment and pay gaps between some ethnic minority groups, particularly Black, Bangladeshi and Pakistani employees, and their White counterparts are believed to significantly shape ethnic minority entrepreneurs' start-up efforts and explain a number of differences in entrepreneurial outcomes (British Business Bank 2020).

- Entrepreneurs with higher incomes are more likely to invest in their idea and to complete more business development activities compared with those on lower incomes.
- Aspiring entrepreneurs with lower incomes are more likely to cite lack of money as a key barrier to success compared with those reporting higher incomes.
- Low income is a particular constraint for women entrepreneurs from minority backgrounds.

Taken together, these findings confirm the crucial role of personal wealth and the initial financial resource position in shaping ethnic minorities' start-up experiences and their capacity to develop ideas into viable and mature firms.

Second, prior work experience is strongly linked to entrepreneurial success. For instance, employment enables aspiring ethnic minority entrepreneurs to acquire relevant business-related skills (Hussain et al 2007), as well as facilitating access to financial resources and networks. However, recent evidence shows that the lack of development and progression opportunities some ethnic minority groups experience in employment is also reflected in their business performance. In the UK, a significantly lower percentage of Black business owners (3%) who worked full-time before starting a business reported turnover of £250,000 or more, compared with the overall business owner population at 16% (British

Business Bank 2020). Although entrepreneurial outcomes of ethnic minority entrepreneurs are necessarily shaped by the wider social context, including the particular markets they enter (Kloosterman 2010), human capital plays a vital role throughout the entrepreneurial journey, particularly for EMBs operating in knowledge intensive sectors like media, pharmaceuticals or information technology (Carter et al 2015). Limited business management and finance skills can be a major constraint that affects business survival and performance of EMBs (Hagos et al 2019; Mendy and Hack-Polay 2018; Mwaura et al 2018).

Third, EMBs face particular difficulties in understanding, navigating and complying with regulatory requirements and administrative procedures, such as the rules around health and safety, planning permission, national insurance, sector-specific regulation and VAT. These regulatory challenges tend to be exacerbated by the lack of appropriate information and support (Jones et al 2012; Ojo 2012). The regulatory barriers exist throughout the entrepreneurial journey in the form of obstacles to becoming a formal entity (that is, legally registering a business) or remaining formal (that is, operating legally and complying with regulation). Understanding and navigating regulatory requirements is difficult, especially for new migrant entrepreneurs entering the uncertain and unfamiliar UK environment who lack information on how to comply with various regulations (Sepulveda et al 2011).

Fourth, limited English language proficiency can be an additional and major barrier in developing and growing a business, particularly for new arrivals in the UK but also for older, first-generation migrants (Hack-Polay et al 2021; Davidson and Fielden 2010; Altinay and Altinay 2008; Bagwell 2006). Ethnic minority entrepreneurs with limited English often struggle to access important information, to navigate the regulatory and administrative requirements related to business, and to communicate with potential customers. Limited English can also

be an obstacle in accessing finance and business support, and a potential threat to business sustainability (Davidson and Fielden 2010). The lack of time to develop English language skills is a related challenge (Barnes and Cox 2007), supported by the evidence that ethnic minority self-employed people in the UK work longer hours than their White British counterparts (Brynin et al 2019).

Fifth, EMBs in the UK experience specific difficulties in accessing labour. For instance, businesses in the restaurant sector face particular challenges given the reluctance of second-generation migrants to work as waiters or chefs, combined with difficulties in recruiting immigrant replacements (Barrett et al 2001). Changes to immigration rules constraining the inflow of migrants can generate significant obstacles for EMBs, which rely on co-ethnic labour but are located in geographical

areas without a large ethnic minority community (Rahman et al 2018). More successful EMBs tend to employ a diverse workforce, with a higher share of White employees (Carter et al 2015), while greater workforce diversity has also been linked to a greater capacity to break out into mainstream markets (Arrighetti et al 2014).

We now turn to our evidence-based recommendations, which are set out under three core themes:

1. valuing diversity of enterprise and supporting ambitious EMBs to grow
2. promoting long-term partnerships that build stronger networks of support for EMBs
3. developing a UK-wide inclusive enterprise policy that signals the importance of support for EMBs.

THEME 1: VALUING DIVERSITY OF ENTERPRISE AND SUPPORTING AMBITIOUS ETHNIC MINORITY BUSINESSES TO GROW

Ethnic minority communities in the UK do not appear to have a business creation problem. Rather, issues are more evident in terms of longer-term business survival and growth (Han et al 2009; Fraser 2014). The ambition is not lacking in ethnic minority communities to start a business, but their entrepreneurial efforts do not succeed to the level seen in the wider business population – our analysis of GEM data shows this is particularly the case for Black entrepreneurs. Some of these disparities can be attributed to a combination of barriers faced by EMBs at the social structural and individual level as outlined above.

The economic and social contribution of all EMBs should be recognised and valued. There is a strong business case for creating a more inclusive business support environment that

enables EMBs to flourish, with positive impacts on the UK economy. Improving access to support services and markets to create a level playing field for EMBs is also the right thing to do to bring about a more equitable society. This first theme of the report comprises three recommendations, intended to stimulate action across sectors to recognise and enhance the current and potential contribution of EMBs to the UK economy and society. These are primarily actions individual organisations can take now on their own, or at the industry level, to advance EMBs and help them realise their growth ambitions. We believe that forward-thinking organisations of all types and those seeking to build healthy, inclusive and sustainable local economies have a part to play and can take steps voluntarily to advance inclusive entrepreneurship.

Recommendation 1:

Redress perceived and actual barriers to finance

Finance is a vital resource for most entrepreneurs in the process of starting and running a business. The lack of personal wealth at the start-up stage is a major obstacle for ethnic minority entrepreneurs in the UK, preventing many from realising their entrepreneurial potential. Women entrepreneurs in particular, regardless of ethnicity, have lower incomes from employment than men before starting a business, with consequences for their entrepreneurial outcomes (British Business Bank 2020). For early-stage ethnic minority entrepreneurs, financial constraints are often intensified by commitments or obligations to support relatives, both in the UK and abroad. This is particularly the case for new migrant entrepreneurs who send large amounts of money to their home countries, with

implications for their ability to invest in and sustain or grow their business in the UK (Jones et al 2014b; Ojo 2012). Limited financial resources among some ethnic minority groups and women can partly explain both their lower participation in entrepreneurship and business performance (Carter et al 2015).

The lack of personal wealth means EMBs look at external sources of finance to start and develop their business. However, EMB owners are more likely than the SME population to think that it is more difficult to obtain finance, and that difficulty in accessing finance is a major obstacle to growth. The subgroup that more often agrees with the view that finance is a problem is the Black community, although this is far from exclusively the case. Recent evidence from the SME Finance Monitor

RECOMMENDATIONS

confirms the perception of barriers in accessing finance is itself a major obstacle, and this is more evident in the EMB community. Consequently, more EMBs appear to deliberately withhold from applying for financial support. We next discuss these barriers in detail, with a particular focus on banks.

One of the main providers of financial support is banks. High street banks play a prominent role in ethnic minority communities, but there have been long-standing concerns about the poor access to financial services by EMBs (Carter et al 2015). The recent availability of better-quality data and deployment of more sophisticated econometric analyses provides robust evidence that helps to address this issue. The key independent data source in this regard is the Financial Lives Survey, undertaken by the Financial Conduct Authority. The latest results collected in 2020 (FCA 2021a) show that across the broad reach of personal financial products, ethnic minority customers were nearly always less likely to use a product than White customers. While this disparity at first glance is a cause for concern, the FCA analysis also looked at this pattern of product usage with reference to a range of explanatory factors, notably linked to age and income. These results indicate that ethnicity appears to have no role in explaining these differences in product usage. Rather, the higher incidence of younger people in the ethnic minority communities and the lower historical levels of personal wealth/asset accumulation among older ethnic minority consumers provide a comprehensive explanation. Put simply, ethnic minority consumers appear to have fair and equal access to personal banking product – any variations can be explained by taking into account individual ability to repay or the appropriateness of product to their need (FCA 2021b).

Considering access to business customer bank products, while the business banking sector does not have a direct equivalent to the FCA's Financial Lives Survey, it is possible to

investigate the usage of a broad range of financial products and services split by ethnic subgroup from the SME Finance Monitor (BDRC 2007 onwards). Again, our analysis shows broadly similar usage of finance products comparing EMBs and SMEs (27% of EMBs surveyed were using at least one of the core finance products compared with 29% of SMEs). However, a higher degree of variation can be observed between ethnic minority subgroups and by product type. Also, unlike the personal sector data, in several areas both at an all EMB level, or the subgroups, product usage in some cases was higher for EMBs than in the SME population as a whole. As in the case of the personal sector, the ethnic grouping of individual businesses has no identifiable role in determining the outcome. All these results underpin the view that EMB business owners appear to access the same range of core banking products in similar frequency over time to the SME business population as a whole.

Similarly, when looking at applications for new credit, drawing on the results of the latest analysis of SME Finance Monitor data up to mid-2020, which updates and extends the analysis on UK (Fraser 2009; Cowling et al 2021/22), overall application and acceptance rates for EMBs – while not identical – also look very similar to the wider SME market. However, there are some concerns about the position of the Black-led business community. Black loan applicants appear to have slightly poorer than expected application outcomes, suggesting issues may well be evident in this group that deserve further attention. Similar conclusions were drawn in earlier analyses of SME Finance Monitor data covering the years 2004 to 2008 (Fraser 2009), although the scale of concern on this issue has fallen over the last decade.

There are various reasons for these observed disparities in access to bank finance. While our analysis confirms earlier quantitative results suggesting racial discrimination by banks cannot explain these differences (Fraser 2009; DCLG 2013), EMBs face several specific

RECOMMENDATIONS

challenges that constrain their access to bank finance. These include collateral shortages, poor creditworthiness (as assessed through credit scoring), lack of formal savings, poor financial track record, low confidence and take-up of professional support services, and language barriers.

Despite the evidence of the apparent absence of racial discrimination by banks, EMBs and Black businesses in particular still have a poor view of financial services in general and do not sufficiently take advantage of what banks have to offer. More recent evidence shows Black entrepreneurs have very low levels of trust in banks – only 43% trusted banks to have their best interests in mind and only 13% sought financial support or funding for their business from banks when setting up their business (Black Business Network/Lloyds Bank 2021). There are various reasons for this level of disengagement, of which two major ones – expectations and discouragement – are discussed below.

Expectations of financial support

Evidence from GEM data on those actively engaged in starting a business or running a very new enterprise shows ethnic minority entrepreneurs, compared with entrepreneurs generally, have a different level of expectation for support from providers of all start-up funds. They have a much higher expectation of support in general, and especially from close relatives, financial services or government. When SME owners are asked if they have confidence the bank will approve an application for finance, expectations vary markedly, with many EMBs who plan to approach the bank reporting much lower confidence than other SMEs. This concern exists across all SMEs; credit acceptance rates overall are typically about 72% of all that apply but the expectation of success is much lower among EMB applicants (39% of EMBs compared with 51% of SMEs who are thinking of applying soon). This degree of pessimism is of a particular concern for those businesses that recognise

they have a need for future funding but are reluctant to apply for external finance (about 3% of all SMEs and 9% of EMBs).

It is not clear how high expectation arises, and it may reflect wider social and cultural factors or the ability to access information and advice by this sector of the entrepreneurial community. An issue for perhaps wider consideration is that this over-expectation, which may well lead to greater frustration and disappointment at the very genesis of a business idea, could taint relationships between financial services and ethnic minority entrepreneurs in a way that persists over time.

Discouragement arising from personal perceptions and experiences

Concerns over the process and principles of borrowing are the key foundations of discouragement, whereby a firm deliberately avoids applying for a new finance product for fear of rejection despite having viable business plans, and so forgoes the potential growth to their enterprise that could have occurred. Additionally, when entrepreneurs feel the costs attached to applying for finance are too high, they may be discouraged from applying (Fraser 2009). Discouragement is a particular issue for high street banks. For entrepreneurs who are used to more in-depth and frequent interactions at a business and personal level, banks can seem remote and bureaucratic (ie a concern over a process of borrowing). For some business customers, concerns over the process of borrowing can have trust implications. On top of this, some may also be concerned about taking on debt, worrying it may damage a credit score or complicate access to state benefits for their household (ie a concern over the principle of borrowing).

Researchers looking at discouraged borrowers at a firm level have strong evidence that most firms are “credit ready” and would be successful if they applied (Kon and Storey 2003). However, for many SME owners with limited access to personal or family wealth,

RECOMMENDATIONS

discouragement leads to development and investment plans being abandoned. This is an issue acknowledged to be notably more evident among EMB owners, who are more likely than SMEs to abandon business ideas (British Business Bank 2020; BSWN 2020; Bray 2020; Motune 2020). The latest data from the SME Finance Monitor covering 2018 to 2020 suggests 19% of all current EMB non-borrowers with a funding need are discouraged from approaching a bank to address this gap. The figure in the SME population as a whole was 11%. Linked to financial discouragement for ethnic minority entrepreneurs are other underlying factors that directly influence the fears of discriminated borrowers, such as poor language skills, lack of confidence or fear of debt. These push many EMBs towards informal financial solutions.

The above review of the evidence shows that, to the degree that EMB owners face a finance gap, it is largely demand-side based and it is a perception gap, underpinned by high levels of discouraged borrowers. This perception gap may be more damaging to customer-industry relations, as trust in banking by EMB owners – especially first-generation immigrant entrepreneurs – has traditionally been higher than in the SME sector as a whole (although this may be largely evident in selected ethnic groups). Thus, regardless of the reality of actual financial product access and usage, the perception of a problem in accessing external financial products remains deeply embedded.

Our review of the available literature has struggled to identify any credible evidence-based proposals to reduce or eliminate this perception gap with a particular focus on EMBs. Some wider SME finance market initiatives (referrals, credit information, bank switching, supply side diversification) could play a role, but the potential contribution they could make to solving EMB finance issues

has not been a focus of attention. However, more generally, the dearth of EMB-focused policy ideas reveals a failing by the UK and international SME research community. It is vitally important that steps are taken to address the perception issue if the higher potential contribution of EMBs to the UK economy are to be realised. Across the SME sector, eliminating discouragement could potentially significantly increase the number of credit applications and EMBs would make up a very large share of this increase.

Drawing on our analysis of the UK SME Finance Monitor, based on pre-Covid volumes of business as a rough indication of the importance of this matter, if – and we recognise this is an extreme example – application discouragement for SMEs was totally eliminated by supply and demand side actions, about 25% of the beneficiaries of such an achievement would be EMB-led businesses (even though such firms are around 4% of the business stock). Also, this would not require high street banks to lower credit standards, but rather maximise engagement with credit ready customers who already exist.

Implementation of Recommendation 1

The research evidence presented above has highlighted the key role of finance in supporting EMBs to reach their potential, as well tackling the perceived and actual barriers EMBs face in seeking and obtaining finance to grow. The UK banking sector has regularly commissioned work to examine these issues and has often introduced initiatives to promote engagement with EMBs (Roberts et al 2019). However, the issues of distrust and discouragement continue to sour business engagement of banks with ethnic minority communities, notably with Black entrepreneurs. As a result, we think the industry should commit to the following specific actions.

1. Banks should review their existing support at the pre-application and post-application stage in the finance application process, with a view to understanding the impact of current processes on their relationships with EMB customers. These insights should be used to develop more appropriate support throughout the finance application process to better manage EMBs' expectations, gain and maintain relationships of trust, and reduce discouragement. This could include initiatives such as better information provision on finance options and the finance application process, more effective communication using diverse methods, greater transparency about the finance decision-making process, conversations about finance options and expectations early in the relationship to prepare EMBs for finance application in future, and signposting to appropriate support where EMBs do not meet bank's criteria.
2. A commitment by the UK banking sector to continue funding research to monitor application volumes and outcomes on a permanent basis, including facilitating independent access and scrutiny of the data (SME Finance Monitor). This will be important in monitoring progress, as well as signalling commitment to diversity and instilling confidence in EMB communities.
3. Extending this research-based approach to other areas of bank-customer activities such as complaints, lending appeals and business recovery work (drawing on anonymised datasets) to understand whether and how EMB owners' perceptions are based more on wider bank experience.
4. Banks should also use marketing/community engagement budgets to re-establish or boost outreach activities in selected localities populated by ethnic minority communities where research evidence points to high start-up activity but lower than average post 42-month survival rates. This can be in the form of actions such as the following.
 - a. Targeted marketing to engage better EMB customers (for example, branch signs).
 - b. Language-specific services and communications (for example, translation service).



RECOMMENDATIONS

- c. Use of EMB role models to celebrate the contribution of EMB communities and to address issues of discouragement.
 - d. Improving diversity and ethnic minority representation within the workforce.
 - e. Diversity training for staff to improve cultural awareness and sensitivity.
 - f. Introducing diversity champions to promote and improve diversity internally (for example, in recruitment and procurement procedures).
 - g. Organising community events to better engage with EMBs (for example, community contact sessions with local business groups).
 - h. Building online support platforms to extend the reach of activity beyond key business locations or provide a wider range of customer contact options.
5. Banks should also appoint community-focused EMB liaison staff in key business centres to coordinate this work and a named person in head office of MD or equivalent rank to develop accountability and trust.
 6. Many of the above initiatives have operated in the past in UK high street banks, or may still do in some form, but should be rekindled. However, we also think they should be extended in an appropriate way to the wider financial services sector offering business services. UK high street banks should not be an isolated special case in this regard, it should apply in spirit to equity providers, insurance and leasing companies plus the newer platform systems. Many of the newer elements of the financial ecosystem are still developing and should embed key elements of the above strategy in the day-to-day work, although some variations may well be sensible based on customer volumes.
 7. All the above represents a challenging agenda to tackle low trust levels and high discouragement rates – and cannot be achieved overnight. However, we think at the very least, at an individual firm level, a commitment to move in this direction could be made by Financial Conduct Authority (FCA)-regulated providers within 12 months. We propose the model of an Accountability Pledge – a publicly declared commitment with a brand agreed among the regulatory bodies, such as the Stock Exchange, FCA and the Bank of England – to appear in published reports (similar to the Good to Go Scheme introduced by the Business Regulation authorities to respond to Covid-19 opening up). This would initially require trade bodies such as UK Finance and the Association of British Insurers to set up a working group to establish a common identity and some core principles which, in turn, would be the basis on which individual financial service providers would publicly adopt. Going forward, it would be up to customers, investors and regulators to judge how well the firms follow this pledge.

Recommendation 2: Increase access to procurement opportunities in the corporate sector

Difficulty in accessing wider product markets is one of the key barriers preventing ethnic minorities from realising their entrepreneurial ambitions (Carter et al 2015). Increasing EMBs' engagement with procurement opportunities in the supply chains of large purchasing organisations can help them access more profitable markets and facilitate their growth. Diversifying supply chains is not just about equality of opportunity; there is a strong business case for supplier diversity (Holford et al 2009). While all organisations across sectors have a role to play, the corporate sector could perhaps have the biggest impact because of its large purchasing power.

Although ethnic minorities in the UK are a highly diverse group, increasingly entering a wider range of sectors and business activities (Edwards et al 2016), some groups have historically concentrated in particular economic areas. For instance, South Asians were found in manufacturing or services and Chinese people in food sectors (Barrett et al 2001). There are generally low barriers to entry in these traditional sectors but, for many entrepreneurs, this also means they trade in highly saturated and competitive markets (Mwaura et al 2018; Ojo 2012). Much of the evidence focuses on the barriers from the perspective of an entrepreneur and the market strategies they adopt, but there are also structural issues that potentially constrain entrepreneurs' entry and success in wider sectors and markets – for example, the influence of customers' judgement and engagement with EMBs. This is particularly relevant in the context of large purchasing organisations across sectors where efforts to diversify supply chains could open up market opportunities for EMBs (Ram and Smallbone 2003). We examine the evidence from both perspectives.

The entrepreneurial outcomes of EMBs in the UK show striking and recurring consistency over time when comparing 'new' and 'old' migrant communities, despite the many differences in their level of resources and access to community support. The new migrant entrepreneurs appear to concentrate in similar traditional sectors and markets (Sepulveda et al 2011), suggesting the enduring social structural barriers continue to powerfully constrain EMBs' entry into wider and more profitable economic spaces (Edwards et al 2016; Jones et al 2012). Generational differences have been observed, with second and third-generation migrants found to operate in more diverse areas, for instance in creative industries (Smallbone et al 2005). Yet many EMBs continue to work in traditional sectors despite noticeable increases in the owners' human capital through educational qualifications (Jones et al 2012).

Ethnic minority entrepreneurs often start a business within 'ethnic enclaves', or areas with high concentration of people from the same ethnic group. This provides them with access to co-ethnic customers and important resources, including finance, labour and support (Hack-Polay et al 2020). However, high levels of competition for customers and resources within ethnic enclaves can be constraining (Dheer 2018). EMBs can also be found in vulnerable or declining sectors (Barnes and Cox 2007; Ram et al 2003) that press many to the margins of survival (Edwards et al 2006).

A frequently cited solution to the marginal position of EMBs operating in sectors and markets that constrain their growth prospects is to encourage 'break out' into wider markets, often outside of co-ethnic communities (Basu 2011). EMBs that trade in non-local, non-ethnic customer markets appear most successful in achieving breakout (Ram and Jones 1998). Further support for this strategy comes from the US, where a study of migrant entrepreneurs found that serving local clients in minority neighbourhoods is strongly linked

RECOMMENDATIONS

to firm closure and low profitability (Bates and Robb 2014). Having a large co-ethnic customer base can result in a financial penalty for EMBs (Shinnar et al 2011).

Yet it is not always necessary for EMBs to break out of ethnic markets, as long as they move into geographically wider markets that generate higher value-added and profit margins. Transnational entrepreneurship activities are one example. Black African entrepreneurs in the UK, for instance, have escaped local, highly competitive ethnic markets by doing business in Nigeria as a way of gaining competitive advantage (Ojo 2012). Given the potential of digital technology to facilitate the expansion of business into larger markets at relatively low cost, EMBs can successfully ‘break through’ into national or global ethnic markets (Basu 2011).

Successful breakout and breakthrough strategies require knowledge of the wider markets and various forms of capital (Lassalle and Scott 2018; Dheer 2018; Carter et al 2015). Individual level of education, experience and the ability to leverage international business networks can strengthen the capacity to enter wider markets, as does hiring of non-ethnic labour (Basu 2011). Multiculturally-hybrid firms that involve ethnically diverse employees and business partners are more likely to possess competencies, such as information, management and professional skills, required to succeed in mainstream markets (Arrighetti et al 2014).

Barriers in accessing wider markets can be additionally explored from a customer perspective. Promoting supplier diversity in large purchasing organisations can be an important means of increasing EMBs’ engagement with wider markets (Theodorakopoulos et al 2005; Ram and Smallbone 2003). Examples of supplier diversity programmes in such organisations can be found in Europe and the US, often driven by strategic corporate social responsibility initiatives. However, there are also significant

economic benefits of engaging with EMBs. For example, larger organisations can gain valuable insights and competitive edge when entering ethnic minority markets or can take advantage of the significant levels of innovation offered by EMBs (Blount and Li 2021).

There is evidence that EMBs in the UK are entering supply chains of large purchasing organisations (Woldesenbet and Worthington 2019; Ram et al 2011). These successes can sometimes lead to unintended consequences for firms with limited bargaining power, including issues with loss of control, greater reliance on a single buyer and delayed customer payments (Ram et al 2011). Additionally, racial bias often prevents EMBs from being taken seriously by potential customers and investors (MSDUK 2021). Elsewhere, research evidence points to customer discrimination as a key barrier. In the US, Younkin and Kappuswamy (2019) found that prospective consumers tend to anticipate lower prices for products from African-American entrepreneurs. Moreover, a study of consumer price discrimination in China (Liu et al 2020) shows that potential consumers hold bias against “common products” from EMBs and offer a lower price.

In the context of supply chains, the racial identity of a buyer can impact on their decision-making. A study by Gligor (2020) found that in the US, buyers tend to select suppliers who belong to their own race when choosing between suppliers offering similar products. In a comparative study of large purchasing organisations in the US and the UK, Blount and Li (2021) found the buyers in the UK organisations have greater expenditure with EMBs than their US counterparts. However, research in this area is limited. Supply chain management researchers rarely consider the impact of racial differences of suppliers and buyers (Esper et al 2020).

RECOMMENDATIONS

In the UK, there is currently a lack of monitoring and data on business ownership by ethnicity (Green 2020), making it difficult to determine the representation of EMBs in both public and private-sector supply chains, the support that is needed to help EMBs enter wider markets, or to help large purchasing organisations engage with diverse suppliers. Evidence indicates public and private business support initiatives in the UK generally provide support for EMBs in the initial business start-up processes, but do not assist in tackling challenges at later stages – for instance, help in finding buyers or accessing networks (Owalla et al 2020). New measures to deliver social value in public procurement – for instance, by showing how a supplier would tackle inequality – have potential to increase engagement of EMBs, particularly social enterprises, with public procurement opportunities (Cabinet Office 2020). Yet there is no comparable requirement in the private sector to diversify supply chains.

Implementation of Recommendation 2

We propose a joint communication is sent from the Prime Minister, the Governor of the Bank of England and the Chair of the Financial Conduct Authority asking all UK FTSE 250 members, as well as firms with a UK banking licence or regulated by the FCA, to undertake a voluntary audit of their business engagement with UK-based ethnic minority-led suppliers. This Accountability Challenge should also be extended to all public departments responsible for tax-funded spending. It should be recognised this is not an easy task for many firms, government departments and other institutions using public funds. But as guidance, two key pieces of information should be published.

1. The share of their UK supplier base with an ethnic minority background.
2. A summary of any specific actions or initiatives they have in place to protect, enhance or increase this share of activity over the years ahead.

We note that already in some firms such action goes on day to day, often unrecognised, which we want to celebrate and promote as best practice. However, we also feel we need to challenge the UK corporate sector and, more widely, large purchasing organisations across sectors to acknowledge this activity is patchy and needs to be nurtured if we are truly going to deliver the potential shown by the high rate of entrepreneurial activity in ethnic minority communities.

It may well be appropriate for a mixture of individual corporate audits – say, from FTSE 100 members – to be included as a statement in the annual reports alongside some sectoral reviews undertaken by leading trade associations or sponsoring government departments to cover smaller corporates and the wider business community. These details would of course be settled through stakeholder engagement. What matters is that the UK business sector responds to the challenge and starts the journey rather than the exact reporting mechanism or – for the moment – the issues of data quality.

We would suggest 12 months after accepting the challenge, the authors of it host an event to review the emerging results, celebrate best practice and discuss problems.



Recommendation 3: Provide more comprehensive, intensive and bespoke support

Business advice and support are vital in helping entrepreneurs and small businesses develop and grow. Appropriate support can facilitate various aspects of business development, including access to wider markets, finance and other resources needed to succeed in business. EMBs in the UK face multiple obstacles that prevent their access to suitable business support, some shaped by their attitudes towards and uptake of formal support services as well as specific supply and demand side barriers.

Uptake of formal business support

Overall, around nine in 10 businesses in the UK take up advice, largely before they start trading (Mole et al 2021). Taking up external business advice can increase firms' strategic knowledge and competitiveness (Mole et al 2017) and help them raise bank finance (Scott and Irwin 2009). There is a positive relationship between the use of a range of external advice and business growth (Berry et al 2006), suggesting a comprehensive support offering that can help business owners with a variety of needs is highly valuable.

When firms receive intensive business support, they report greater employment growth (Mole et al 2008). A more intensive adviser-client interaction is also linked to an improved quality of advice (Mole 2021). Further evidence shows customised, tailored and firm-specific intensive business support is vital in providing relevant information to firms interested in procurement opportunities but also, importantly, in changing the mindset and boosting confidence of entrepreneurs ambivalent about engaging with wider markets, including supply chain opportunities (Woldensenbet and Worthington 2019).

Despite these benefits of comprehensive, intensive and bespoke external business support, ethnic minorities in the UK are less likely than the wider population to access valuable advice for free (British Business Bank 2020), less likely to access publicly funded business support and training opportunities (Cunningham and McGuire 2019) and are less integrated in mainstream business support ecosystems (Mwaura et al 2018).

EMBs tend to rely more on informal sources of support, often from their co-ethnic networks, including family and friends, and are less likely to seek formal business support services (Roberts et al 2020; Cunningham and McGuire 2019; Sepulveda et al 2011; Davidson and Fielden 2010). Historically, however, there has been an interest among EMBs to use formal sources of support, such as banks and accountants (Dhaliwal 2006; Ram et al 2002; Ram et al 1999; Marlow 1992). Moreover, some differences can be observed across ethnic subgroups – Black African and Afro-Caribbean entrepreneurs in particular were found to rely less on informal co-ethnic networks than other EMB groups (Scott and Irwin 2009; Dhaliwal 2006).

The leveraging of informal support networks from co-ethnic communities can be vital for EMB survival – as a crucial source of both financial and non-financial resources (Dheer 2018). Informal advice can also serve as a stepping stone towards the use of more formal sources of support (Mole 2021). However, some EMBs' over-reliance on such informal networks can be an obstacle to accessing more appropriate formal sources of support at different stages of business development (Deakins et al 2003). Several additional supply and demand side barriers that prevent EMBs in the UK from taking up formal business support services are discussed on the next page.

Supply-side barriers

From the supply side perspective, five key barriers have been identified. First, there has been a significant reduction in publicly funded business support services over the past decade. Creating equality of opportunity for groups perceived as under-represented or disadvantaged in entrepreneurship was a key policy focus of UK Governments in the 1990s and 2000s (Mallett and Wapshott 2020), of which women and ethnic minorities were the key targets (Higgins and Williams 2009). Yet the slow progress towards a more regularised and identifiable support system for EMBs ceased with the introduction of austerity measures and a widespread termination of publicly funded business support from 2010 onwards, including reduction in the funds for community organisations assisting EMBs (Ram et al 2017; Ram et al 2012). The publicly funded advice service previously delivered face-to-face was replaced by online and telephone services, offering more generic advice while signposting those in need of intensive advice to private providers (Mole et al 2017). These developments have directly undermined previous efforts to create a more inclusive business support environment, particularly for women entrepreneurs, who are twice as likely as men to use publicly funded business support schemes (Scott and Irwin 2009), and for Black entrepreneurs, who are particularly discouraged by the cost of private support (British Business Bank 2020; Nwankwo et al 2008).

Second, there is variability by geographical location in the quantity and quality of business support services available to EMBs. The provision of business support across the UK is uneven, with different locations having a different pattern and mix of mainstream and specialised business support agencies, as well as different levels of intervention from local authorities (Deakins et al 2003). Our assessment of inclusive enterprise policies

and support initiatives aimed at EMBs identified several specialist initiatives targeting EMBs. However, these tend to be small scale, operating in particular geographical locations, primarily urban areas, or focused on a particular identity of an entrepreneur, such as refugee specific support. For example, Ashley Community Housing is a social enterprise providing free business support to third-country nationals living in the South West of England or the West Midlands⁵. The increasing use of digital technologies may help alleviate some of the location-related barriers to accessing business support, but the existence of a digital divide (Serafino 2019) means some EMBs may not have easy access to the internet or culturally specific functionality may be lacking.

Third, the existing business support services are not always publicised very well, and so EMBs are often unaware of the available support, which further prevents their engagement with formal support provision (Cunningham and McGuire 2019; Mwaura et al 2018; Dhaliwal 2006). One of the key obstacles for support agencies is to effectively identify and engage with EMBs. Many support providers fail to use appropriate communication channels to reach these firms and generally lack adequate databases to capture essential information about EMBs and their support needs (Emslie and Bent 2007; Ram and Smallbone 2003; Deakins et al 2003; Oc and Tiesdell 1999).

Fourth, while there is a role for both specialist and mainstream agencies in creating a supportive environment that enables EMBs to thrive, business support in the UK is often fragmented and disjointed (Ram and Smallbone 2003). A few specialist or tailored initiatives exist to support EMBs – for example, the Diverse Supply Chains project in the Midlands⁶ – but they tend to be small scale, localised and driven by a small number of committed individuals. The lack of coordination and integration between specialist and mainstream agencies makes it

5 Migrant Business Support | ACH.

6 Diverse Supply Chains.

RECOMMENDATIONS

difficult for EMB support users to navigate access to appropriate and complementary services (Cunningham and McGuire 2019; Ram et al 2012; Ram and Smallbone 2003; Deakins et al 2003). Moreover, the objectives of mainstream business support agencies can differ considerably from EMBs' support needs (Cunningham and McGuire 2019), and their failure to engage with EMBs has contributed to the development of specialist support agencies targeted at EMBs (Deakins et al 2003).

Yet the funding for specialist business support agencies is variable and changes over time. In the UK, specialist agencies often operate in parallel to mainstream support providers rather than working more closely with them. This lack of collaboration can be explained by limited resources constraining specialist agencies in building links with mainstream providers. Additionally, while specialist agencies tend to be more successful in reaching EMBs, deficient funding can also constrain them from establishing professional status and credibility with EMB clients (Deakins et al 2003). The ad hoc and marginalised nature of business support for EMBs is a recurrent theme in the UK and elsewhere. A study of 28 European cities revealed a complex patchwork of policies and initiatives (Rath and Swagerman 2016).

Fifth, business support providers tend to target firms that operate in certain sectors or those at a particular stage of business development, which can sideline many EMBs. For instance, the key remit of local enterprise partnerships (LEPs) in England has been to support growth-oriented firms, often in cutting edge sectors, leaving many EMBs with the potential to grow disengaged from these mainstream support services. EMBs operate in diverse sectors and include high-tech growth-oriented firms, as well as those in more traditional sectors like retail and catering. Yet local support providers often see EMBs as lifestyle businesses (Cunningham and McGuire 2019), failing to recognise and value their varied contribution or to prioritise their support needs.

Demand-side barriers

Turning to the view of external business support services from the perspective of EMBs, six additional barriers can be identified. First, as noted earlier in our review of take-up of financial support, there is a general lack of trust in mainstream business support providers. Establishing trust between adviser and entrepreneur is a vital influence on the uptake of advice (Bennett and Robson 2004), particularly in the case of EMB communities (Ram and Jones 2008). Although entrepreneurs generally distrust outsiders (Mole 2021), the lower tendency of external advice uptake among EMBs can be explained, at least partly, by a lack of trust in formal support services (Scott and Irwin 2009). The issue of distrust is addressed in more detail under Recommendation 4.

Second, EMBs often find it difficult to identify the right support programme to suit their needs. SMEs generally spend considerable time researching various sources of support to find the right programme – only one in five SMEs find the right programme leading to a decision to enrol, and only one in 20 capture a high productivity impact after participating in the programme (NatWest Group 2021a). This suggests the variety and fragmentation of existing support schemes in the UK may be difficult for small businesses to navigate. Additionally, once SMEs join a programme, they are often dissatisfied with having limited internal capacity to apply changes in the business, suggesting there is a lack of implementation support (NatWest Group 2021a). Similarly, EMBs find support services can be very time-consuming to access (Cunningham and McGuire 2019) and because many work long hours, finding time and energy to participate in schemes such as English language skills training can be difficult (Barnes and Cox 2007). The take-up of business support services among EMBs is more likely if they are delivered at a convenient location and time (Dhaliwal 2006). Hence more flexibility is needed in

RECOMMENDATIONS

designing support schemes around business owners' time commitments, as well as creating a one-stop-shop to help them find the right support more quickly and easily.

Third, EMBs need to perceive business support services as valuable and cost effective to engage (Ram et al 1999). Business owners generally want to see that support schemes provide value for money, particularly in the case of private-sector providers (Mole et al 2017). The uncertainty about the benefits of business support can discourage the smallest firms most, where business owners question the value of advice (Mole 2021). Historically, South Asian businesses in England were highly critical about the usefulness of support, targeted or mainstream, and reported on prior negative experience of advisers being impatient or uninterested (Dhaliwal 2006; Ram et al 1999). More recently, a fifth of EMBs surveyed in Scotland did not think their engagement with support institutions would be fruitful (Mwaura et al 2018). The cost of support, combined with uncertainty about its benefits, is a particular issue for Black entrepreneurs (British Business Bank 2020; Nwankwo et al 2008).

Fourth, communication barriers often prevent EMBs from accessing business support services. The lack of English language proficiency can be a significant barrier to starting and developing a business, especially for new arrivals in the UK, but also for older, first-generation migrants (Hack-Polay et al 2021; Davidson and Fielden 2010; Altinay and Altinay 2008; Bagwell 2006; Smallbone et al 2005). EMB owners with limited English often struggle to access important information, to navigate the legal and administrative procedures related to business, and to communicate with potential customers. The older generation of female entrepreneurs from South Asia, China and the Middle East reported poor English as a major obstacle in accessing finance and support in the UK, and a potential threat to business sustainability (Davidson and Fielden 2010). Language barriers have been

successfully tackled in other European countries, where our review of best practice support initiatives shows that the delivery of services in a variety of languages can be effective. For instance, in Germany, Kompass – Centre for Entrepreneurship has very well-developed intercultural and language sensitivity in its provision of support: support beneficiaries not proficient in German can attend activities offered in a variety of languages, the support providers are proficient in a variety of European languages, as well as Arabic, and professional interpreters are used when needed⁷.

Fifth, EMBs often perceive business support services as inappropriate or inaccessible. It has been argued that business advice should not be viewed as a one-off event that shapes decision-making, but rather as a process comprising several stages including attraction, engagement, exit and extension. These different stages in the advisory process tend to be overlooked and need to be considered in more depth for business support to become more effective (Mole 2021). This raises questions about how support programmes are promoted, as well as their appropriateness and effectiveness in meeting the specific needs of SMEs, suggesting a more personalised programme design may be needed. Similar criticisms have been raised by Cunningham and McGuire (2019), who found the format of mainstream support is inappropriate for family-run EMBs, which prefer a more “direct and particularised engagement” to meet their specific needs. Women entrepreneurs from ethnic minority backgrounds found mainstream business support insufficiently tailored to their specific needs or culturally insensitive (Davidson and Fielden 2010).

Ethnic minority entrepreneurs in the UK were found to invest more time and money in developing their business ideas, but they completed fewer business development activities needed to succeed in business. Access to advice (and finance) is associated with doing more development activities,

7 Kompass – Home (kompassfrankfurt.de).

RECOMMENDATIONS

suggesting EMBs are less likely to access such vital resources (British Business Bank 2020). Evidence elsewhere in Europe shows similarly that immigrants' business advisory needs are less likely to be fulfilled compared with non-immigrants (Kremel 2016), and that business advisers often struggle with the fast-changing context shaped by increasing competition, emergence of new business activities and ethnic diversity – for example, where advisers rely on translation services to communicate with EMBs but such services are unavailable (Chikweche and Bressan 2020).

Sixth, it has been recognised many EMBs do have specific support needs (Davidson and Fielden 2010) and the robust evidence on their low uptake of mainstream support justifies a more tailored approach. The limited understanding of the diversity of EMBs in the UK was found to generate poor policy and provision of support, characterised by ethnic managerialism, whereby support providers see EMBs simply as either Asian or Black, neglecting the specific needs of British-born, women or new migrant communities (Ram et al 2017). Evaluations of how mainstream support agencies respond to the needs of new migrant communities reveal policymakers and practitioners struggle with the complexities arising in this era of superdiversity (Ram et al 2011; Ram and Jones 2008).

Some of the distinct needs of EMBs can be attributed to factors such as motivations, gender or legal status rather than ethnicity alone (Ram and Jones 2008). Scholars have been cautious of specialist support schemes, as they potentially marginalise EMBs without drawing them into mainstream support with more appropriate business development opportunities (Ram and Smallbone 2003). In this regard, mainstreaming of EMB support is considered good practice to ensure quality of support (Ram et al 2012). Hence there is a role for both specialist and mainstream agencies in creating a supportive environment that enables EMBs to thrive. How to effectively balance and

coordinate the provision of mainstream and specialist support for EMBs is another question requiring further attention. One of the key issues underpinning this debate is the lack of agreement or a clear strategy, with different support agencies adopting quite different approaches, generating a clash between the goals of support providers and EMBs' needs. Support agencies have been operating under the principle of equality of access or universality, precluding advisers from outwardly targeting some groups more than others (Cunningham and McGuire 2019; Ram and Smallbone 2003), which may have contributed to the continued disengagement between EMBs and mainstream support providers.

International examples of best practice in supporting EMBs

Many of the barriers faced by EMBs in accessing business support can be found in other national contexts. Several lessons can be learnt from our review of international examples of support programmes and initiatives aimed at EMBs, with the potential to replicate best practice in the UK. Successful support initiatives tend to provide a holistic business support offering for ethnic minority entrepreneurs, resonating strongly with the guidance of the United Nations (2018) in its review of best practice in supporting migrant and refugee entrepreneurs.

The European Commission guidebook (2016) similarly suggests providing at least three types of support at the same time – one for each of the three following dimensions.

1. Support to improve business-related skills (eg business training, legal or administrative advice, mentoring, coaching).
2. Support to develop non-business-related skills (eg networking, language and other skills).
3. Support to satisfy tangible needs (eg access to finance and provision of facilities).

RECOMMENDATIONS

The comprehensive approach to EMB support was achieved mostly through business training, counselling and/or mentoring, as well as networking opportunities and indirect financial support. The work of Kompass in Germany is particularly effective: the organisation systematically provides extensive and well-structured support to beneficiaries from the pre-start-up phase through to the post-foundation growth phase via its 4+1 phases model. The model gradually tackles challenges encountered by beneficiaries through constant support and specialised services, resulting in a business survival rate of 85% as many as five years after inception. An exemplar of support for the development of non-business-related skills is found in French organisation PLACE⁸, which combines traditional entrepreneurship support with activities aimed at the development of soft skills such as training for collaboration, leadership, critical-thinking and confidence-building. This ensures all beneficiaries develop a useful skillset, not only for entrepreneurial purposes but also for general employment and contribution to society.

As we have seen from the evidence presented above, existing provision of support in the UK does not meet the needs of EMBs. Reduced public funding for business support services in the UK over the past decade led to closures of many specialist support agencies with links to EMB communities, creating gaps in support provision and further disengagement from the mainstream. EMBs need to be integral to formal business support ecosystems, yet many remain overly reliant on informal networks and, wittingly or unwittingly, locked out of mainstream business support systems.

Our review of international evidence has identified examples of focused and effective business support initiatives to strengthen and develop EMBs. However, we think many of the major public and privately funded business support operations in the UK lack this creativity and flexibility in the services they offer. As a result, many of these services are seen as inappropriate by ethnic minority entrepreneurs and are ignored, or they may be appropriate but are not well known and poorly marketed.

8 Home – PLACE (place-network.org).

Implementation of Recommendation 3

It is clear from our review of evidence that engaging EMBs with formal business support services is vital in helping them develop. However, the existing support in the UK is often perceived as inappropriate and EMBs' engagement with it is further undermined by the issue of distrust. Increasing the quality of business support provision is crucial to improve the quality of EMBs. This can be achieved by developing targeted support initiatives that both meet EMBs' specific needs and are strongly linked to wider mainstream support provisions. We suggest some measures that can be taken to address the multiple barriers EMBs experience in accessing appropriate business support.

1. Support providers must develop more comprehensive, intensive and bespoke business support initiatives aimed at EMBs to boost business owners' engagement with formal support services and provide more quality support that meets the specific needs of EMB communities. While several support providers already do this well, much has been lost following changes to operating conditions post-2010 and will need to be rebuilt to offset growing levels of disengagement in many communities. Support providers must commit to the following.
 - a. Funding locally developed initiatives that seek to promote and support entrepreneurship and business development among under-represented and disadvantaged groups of entrepreneurs, including ethnic minorities, based on local circumstances and needs.
 - b. Developing more comprehensive packages of support involving a combination of measures, including advice, skills training, mentoring, networking and financing, to offer more tailored and intensive support that enables EMBs to overcome difficulties in accessing finance and markets and help them grow.
 - c. Drawing on lessons learnt from the past and from international best practice in supporting EMBs to develop more appropriate and holistic support offering.
 - d. Sharing and celebrating best practice in supporting EMBs across sectors and regions.



RECOMMENDATIONS

2. Support providers must better engage with EMB communities and help them connect with mainstream and specialist support services. Like the financial services sector, this could be done by either starting or rekindling various outreach activities, such as the following.
 - a. Targeted marketing to better engage EMB customers.
 - b. Language-specific services and communications.
 - c. Improving diversity and ethnic minority representation within the workforce and leadership.
 - d. Diversity training for staff to improve cultural awareness and sensitivity.
 - e. Introducing diversity champions to promote and improve diversity internally, (eg in recruitment and procurement procedures).
 - f. Organising community events to better engage with EMBs, (eg community contact sessions with local business groups).
 - g. Building online support platforms to extend the reach of activity beyond key business locations or meet a wide range of customer contact options.
3. Many of the larger providers of business advice and support should respond to the corporate audit Accountability Challenge we proposed under Recommendation 2

to monitor and improve engagement with EMBs as both customers and suppliers. But locally focused, sole trader or SME providers also play a key role here. So, we suggest the challenge to address this should fall to the professional bodies through regional/local networks, perhaps with support from ethnic minority professional members as diversity champions, or the introduction of appropriate continuing professional development training.

4. Like the financial services sector, all this cannot be achieved overnight. However, we think at the very least, at an individual organisation level, a commitment to move in this direction could be made by regulated providers or publicly funded providers within 12 months using the Accountability Challenge model.

THEME 2: PROMOTING LONG-TERM PARTNERSHIPS THAT BUILD STRONGER NETWORKS OF SUPPORT FOR ETHNIC MINORITY BUSINESSES

Theme 1 focused on proposals to rekindle and strengthen efforts to promote and support EMB communities in the UK through the actions of individual organisations. The focus was deliberately towards a short-term timeframe. Our research shows, however, that truly embedded change and progress on diversity requires a more collective, long-term action.

This second theme of the report emphasises the importance of strong and sustained collaboration and partnership of relevant stakeholders to facilitate long-term engagement and commitment to this agenda over the medium to longer term. We make four specific recommendations under this theme, which are discussed next.

Recommendation 4:

Build long-term trust-based relationships with EMBs

The uptake of formal business support among EMBs can be shaped by the quality of the relationship between the parties. Studies have highlighted issues such as power imbalances in the relationship between adviser and entrepreneur, different world views, and entrepreneurs' distrust of outsiders (Mole 2021). Trust between entrepreneur and adviser is an important influence on the uptake of advice (Bennett and Robson 2004). Scott and Irwin (2009) suggest the lower tendency of external advice uptake among EMBs can be explained by a lack of trust in formal support services generating "discouraged advisees", while Ram et al (2013) have highlighted the importance of trust-based support in reaching EMB communities. For new arrivals in the UK, particularly refugees, distressing experiences when interacting with authorities, including migration officials and Jobcentre staff, can undermine trust in mainstream support providers (Lyon et al 2007). All this points to the importance of addressing wider social influences, such as general perceptions and attitudes towards migrants, that necessarily shape EMBs' perceptions of, and engagement with, business support providers.

Establishing trust with EMBs can importantly facilitate the quality and effectiveness of business support provision. Evidence suggests, for instance, that highly trusted sources of advice, such as solicitors and accountants, are linked to having less difficulties in accessing finance (Scott and Irwin 2009). A repeat business, where adviser and advisee meet regularly, like in the case of accountants, has been linked to trust and competent advice (Mole 2021), suggesting long-term relationships are important for both advice quality and the establishment of trust. Having a long-term, quality adviser-advisee relationship can also help businesses alleviate their financial problems (Han et al 2014). Hence there is a strong evidence base in support of nurturing stronger, sustained and trust-based relationships between support providers and ethnic minority entrepreneurs to boost the development of EMBs.

The capacity of business support providers to develop trust-based relationships with ethnic minority entrepreneurs can be compromised by marginalised and poorly resourced entrepreneurial ecosystems (Ram et al 2017;

RECOMMENDATIONS

Rath and Swagerman 2016). Prior attempts have been made by support providers in the UK to address the issue of distrust among EMBs. For instance, by employing advisers from similar ethnic minority backgrounds to reach EMBs more easily, or by working with community-based agencies that have already established relationships with EMBs to create bridges between mainstream and specialist support provision (Ram and Smallbone 2003; Oc and Tiesdell 1999). However, many of these initiatives have been lost over the past decade with cuts to publicly funded business support services (Ram et al 2017).

There is often a disconnect or a divergence of thinking between the nature of mainstream business support services and how EMBs learn and develop, which can undermine EMB owners' perceptions of trust and engagement with formal support services. For example, while family-run EMBs see their family and social relations as important resources that strengthen their business, advisers tend to view such firms as lifestyle businesses and therefore not a priority for support agencies. Considering many EMBs are family-run and community embedded, enterprise policy designed around an individualistic entrepreneurial actor may also be inappropriate (Cunningham and McGuire 2019). Additionally, family-run EMBs are a largely heterogeneous group in terms of their aspirations and business orientation, requiring a more tailored approach as opposed to universalistic support (Cunningham and McGuire 2019; Basu 2004).

Our review of international evidence further demonstrates the value of good quality sustained relationships and the paramount importance of trust for the uptake of formal business support and external finance among EMBs. The best practice support initiatives aimed at EMBs in the US, Canada, Germany, Portugal and Sweden have been in existence for a decade, if not longer. This longevity alone can promote trustworthiness. There are few counterparts in the UK where EMB support has often been ad hoc and short-lived, resulting in

the lack of trust and disengagement of EMB communities from formal support provision. Moreover, EMB support initiatives in Europe, Canada and the US tend to be connected to resource-rich networks comprising city councils, regional/national administrative offices, trade unions, financial institutions, civil society and the private sector, enabling them to collectively develop and implement a more comprehensive package of support which itself can signal both competence and trustworthiness.

In Germany, for example, a close relationship with a financial institution appears to have been a key factor in the delivery of successful financial support to beneficiaries. Kompass' crisis intervention support mechanism, which became operative during the Covid-19 pandemic, is an outstanding example of this. Through its partnership with WIBank (a state bank of Hessen), Kompass was able to support beneficiaries to obtain loans. Kompass employees are accredited to the bank's digital platform and can directly provide the necessary information for beneficiaries, effectively streamlining financial applications. This resulted in a 100% success rate of financial applications via this particular instrument, equivalent to 1.2 million euros (£1.01m) in micro liquidity.

A similar example is the Swedish Ester Foundation. Working with Swedbank and the Johanniterhjälpen charity, the foundation has set up its own microcredit system through which participants can access loans at manageable rates and with reduced risk⁹. Migrant women whose business plans have been approved by the Swedish Employment Agency can receive additional financial start-up support from the agency and are entitled to further loans from Swedbank.

9 Ester (stiftelsenester.se).

Implementation of Recommendation 4

Efforts to establish trust-based relationships with EMBs and to increase their engagement with formal business support services will require a long-term commitment and a continued investment of funds that can withstand changes of governments and ensure financial sustainability of support for EMBs. Our review of evidence shows EMB owners prefer trusted sources of advice, and that a long-term adviser-advisee relationship not only promotes trust but is also a crucial indicator of business advice quality. Successful support initiatives targeted at EMBs are characterised by longevity and financial sustainability. Long-term sustainable support can facilitate repeat interactions needed to cement relationships with EMBs. Importantly, resources must be allocated to devote time for relationship building activities and efforts to diversify the workforce so that advisers reflect the client base. Providers of business support, such as LEPs, must commit to this agenda long term by doing the following.

1. Allocating resources for business engagement activities to build bridges with EMB communities at the local level. This should form a part of the local strategy/ action plan for inclusive entrepreneurship, with clear objectives and timeframes for achieving higher levels of support uptake among EMBs. This could be a stand-alone strategy initiated by individual LEPs or it could be integral to economic strategies developed at the local level by local authorities.

The LEP network responsible for the strategic direction and policy of LEPs could champion, coordinate and monitor progress on inclusive entrepreneurship across LEPs. All these activities could signal commitment to EMB communities and potentially help overcome the issue of distrust in mainstream support providers.



RECOMMENDATIONS

2. Identifying and connecting with trusted local stakeholders such as libraries, universities, community advice organisations and specialist business support agencies that already support EMB communities, or new actors that could plug the gaps in the existing provision of support, with the view of establishing long-term collaborative partnerships. The British Library's Business and IP Centres have proven to be successful in engaging and supporting businesses across the UK, particularly EMBs¹⁰. Business support providers' efforts to connect with the wider network of relevant organisations, including ethnic minority-led groups or community organisations, could help them gain trust with EMB communities.
3. Improving the diversity of advisers and ethnic minority representation in the workforce of business support agencies can help support providers better connect with EMBs and gain trust. Our evidence shows the use of advisers from similar ethnic minority backgrounds can be effective in increasing EMBs' engagement with formal support provision. This is not a novel proposition, but we believe all organisations would benefit from having a workforce that reflects the diversity of its client base and wider population.

¹⁰ Business and IP Centre – The British Library (bl.uk).

Recommendation 5: Foster local networks of support to boost business survival and growth

Many of our recommendations in this report propose actions that individual organisations, including support providers and large businesses, can take alone to improve their engagement with EMB owners. However, more collective action will be needed to create a business support ecosystem that is truly accessible and characterised by a comprehensive, intensive and bespoke package of support to meet EMBs' needs. At a local level, mainstream and specialist business support agencies, finance providers, community advice organisations, ethnic minority-led groups and wider anchor institutions, such as universities and libraries, should collaborate to build a stronger network of support for EMBs.

The current business support ecosystem in the UK is largely fragmented and disjointed (Cunningham and McGuire 2019; Ram and Smallbone 2003). Mainstream and specialist business support agencies targeted at EMBs often operate in parallel rather than working together, which makes it difficult for EMBs to navigate and access appropriate and complementary services (Cunningham and McGuire 2019; Ram et al 2012; Deakins et al 2003). Additionally, there is some evidence of intense competition between private and public providers of specialist support services that can generate tensions and further undermine collaborative efforts (Fallon and Berman Brown 2004).

Examples of collaborative initiatives involving partnerships between several institutions to offer a more bespoke support for EMBs can be found in some parts of the UK. For instance, the Centre for Research in Ethnic Minority Entrepreneurship (CREME) at Aston University

has joined forces with the private sector and civil society to offer a range of support initiatives for EMBs located in some of the most deprived areas of Birmingham. One of its long-standing initiatives, the Business Leaders Project, has been delivering group training and one-to-one support in partnership with NatWest, Greater Birmingham and Solihull Local Enterprise Partnership, (GBSLEP) and Citizens UK. The project is unique in utilising community organising methods, not only to engage EMBs with mainstream support provision but also to empower EMB owners to become business leaders and campaign on the issues that affect EMB communities at the local level. The project has been co-funded by the partners since 2016 with an aim to develop a more inclusive business support ecosystem for EMBs in the city – many of which had not used formal business support previously¹¹.

The Diverse Supply Chains project, funded by the European Union, is another partnership of CREME, GBSLEP, NatWest and other private sector stakeholders, including HS2. Its aim is to develop EMBs' procurement potential through training workshops (for example, introduction to tendering), online courses (for example, digital marketing) and grants (up to £2,500)¹². Finally, the P Word is a nine-month leadership development and mentoring programme for diverse artists and entrepreneurs seeking to scale up. P Word is an initiative developed in partnership between CREME, Birmingham City Council and Punch Records – a leading music and arts agency¹³. Such initiatives help to address concerns that EMBs tend to be disconnected from mainstream business support networks and institutions (Ram et al 2017; Rath and Swagerman 2016).

Specialist initiatives can also be found in other UK cities, such as the Connecting BAME Social Entrepreneurs programme in Manchester, focusing on capacity building, mentoring and

11 Grassroots Innovation: Combining Community Organising with Business Support – Monder Ram.

12 Diverse Supply Chains.

13 The P Word press release – new leadership programme for diverse creative entrepreneurs – Punch – UK's Leading Music and Arts Agency (wearepunch.co.uk).

RECOMMENDATIONS

networking opportunities¹⁴. One of the key players in supporting refugee and ethnic minority integration in the UK – Ashley Community Housing – has been offering a range of services, including business support, across Birmingham, Bristol, Coventry and Wolverhampton. This is a good example of a single organisation providing a holistic programme whereby business support services are part of a range of services that meet the multiple needs of beneficiaries, including housing, education and employment. A key insight from the flourishing debate on local business ecosystems (Morris et al 2015; Spigel 2020) is that entrepreneurial firms are embedded in communities; integrated and complementary support institutions are seen as vital to the growth of enterprises.

There is some evidence that the corporate sector is increasingly engaging with UK-based EMBs. For instance, NatWest's commitment to support people from diverse communities has led to initiatives such as the NatWest Entrepreneur BAME pre-accelerator pilot project. The bank has committed to focus its support on those who face highest barriers to entry, including ethnic minority communities (NatWest Group 2021b), as well as setting out commitments and targets to increase representation of ethnic minorities within its workforce (NatWest Group 2020). Similar initiatives have been introduced by other banks in recent years, including the Barclays Black Founder Accelerator, developed in partnership with Foundervine¹⁵, and the Lloyds Black Business support hub, provided in partnership with Black Business Network and Foundervine¹⁶. These examples send out positive signals that the banking sector is committed to supporting EMBs, although such partnership initiatives may need to be scaled up to effectively reach wider EMB communities.

Our review of international evidence shows that a fundamental and recurring aspect of successful business support initiatives is a

strong network of partners and stakeholders collaborating to support ethnic minority entrepreneurs. Best practice initiatives were found to have developed solid relationships with multiple partners including political and administrative departments, financial institutions, experts, corporations and other integration and entrepreneurship-focused organisations, such as business incubators. Organisations can benefit greatly from strong relations within their ecosystem in terms of delivery of services. For example, they can better support EMB beneficiaries in obtaining funding if they have established partnerships with microcredit institutions or banks.

In Canada, for example, the Black Entrepreneurship Program is a newly formed partnership between the Canadian Government, Black-led business organisations and financial institutions that will invest up to 265 million Canadian dollars (£163m) over four years to help Black entrepreneurs realise their growth potential.

The programme comprises three main elements.

1. Black Entrepreneurship Loan Fund to improve entrepreneurs' access to finance.
2. National Ecosystem Fund to support not-for-profit Black-led business organisations in their capacity to provide support, mentorship, financial planning and business training for Black entrepreneurs.
3. Black Entrepreneurship Knowledge Hub involving a partnership with educational institutions to conduct research and identify barriers to success faced by Black entrepreneurs¹⁷.

While it is still early to determine the success of the programme, its partnership model is particularly promising in terms of providing substantial resources to ethnic minority-led support organisations.

¹⁴ Connecting BAME Social Entrepreneurs | www.gmcvo.org.uk.

¹⁵ Foundervine | Barclays.

¹⁶ BBN Support Hub | Black Business Network | UK.

¹⁷ Home – Black Entrepreneurship Program – Black Entrepreneurship Program (canada.ca).

RECOMMENDATIONS

In Sweden, NyföretagarCentrum (NFC), or the New Entrepreneur Centre, is the largest start-up support agency offering free advice, a loan programme, e-courses and mentorship for aspiring entrepreneurs. The initiative has been particularly effective in engaging migrant entrepreneurs and connecting them with experienced mentors (Solano et al 2019). In 2020, more than 16,000 people from different countries received help. NFC has built a wide and diverse support network comprising various partner organisations and institutions, including large corporations that can support entrepreneurs entering specific sectors, resulting in an enhanced level of credibility and accessibility. NFC's activities are co-financed by its large number of partner organisations and local municipalities. This organisational model and the strong and ever-growing network of support organisations have allowed for a high level of financial sustainability over time. NFC has been in operation since 1985 and its model has been replicated on a national level, with a local NFC organisation found in 225 out of 290 Swedish municipalities¹⁸.

In the US, the Enterprising Women of Color (EWOC) initiative, which is a part of the Minority Business Development Agency (MBDA), involves a high level of collaboration between MBDA and civil society organisations such as the YWCA O'ahu, which seeks to eliminate racism and empower women by working side by side in planning, managing and funding the initiative¹⁹.

In 2019, YWCA served 1,381 business clients, while a further 2,840 women participated in its events²⁰. The EWOC is a holistic programme that aims to support women in building their businesses, securing procurement contracts and capital through provision of information, one-to-one counselling, training and events aimed at facilitating access to contracts.

Our review of international best practice in supporting EMBs shows partnership working across sectors is a key success factor. First, it can improve the longevity and financial sustainability of business support interventions. Second, business support ecosystems comprising diverse actors can offer a wider and more comprehensive package of support, or signpost EMBs to most relevant support. Third, partnerships provide important opportunities for knowledge exchange to help support providers develop better understanding of EMBs and vice versa. For instance, banks and support agencies can team up to provide better pre-application support (for example, in providing accessible information and managing expectations of the finance application process) to address the issue of discouragement in applying for finance. Furthermore, partnership working can facilitate greater engagement of EMBs with formal and mainstream support provision. For example, collaborative efforts of mainstream providers and ethnic minority-led community groups with links to EMB communities can help overcome the issue of distrust.

We have provided some good practice examples of such partnership initiatives in the UK. However, the UK exemplars are an exception rather than a rule and are developed locally, on a small scale, without wider application. Local policymakers and relevant organisations from across sectors must build on these successes and share knowledge to ensure such collaborative efforts can be replicated across UK regions.

18 Partners – Start-up Centre (nyforetagarcentrum.com).

19 MBDA | Enterprising Women of Color Business Center at YWCA O'ahu | Honolulu, HI (ewocoahu.org).

20 2019 Annual Report (squarespace.com).

Implementation of Recommendation 5

Successful interventions to engage EMB communities in formal business support provision and to deliver quality support will require collaborative partnerships involving public, private and third-sector organisations. Key stakeholders must evaluate current business support ecosystems and rebuild them to be equitable and more supportive of EMBs and Black business owners in particular. Anchor institutions like universities and hospitals can help facilitate these efforts because of their civic role and potential to develop long-term relationships with EMB communities. We recommend the following.

1. Institutions from across sectors and industries build bridges to strengthen the local network of support for EMBs by developing close relationships with key relevant partners. Collaborative efforts of multiple organisations can be more effective to meet the specific needs of different groups of EMBs. A more inclusive business support ecosystem could involve the following.
 - a. An establishment of formal partnerships between a range of relevant organisations, including business support agencies, finance providers, corporations, civil society, universities and other institutions, underpinned by a long-term commitment of resources involving a combination of public and private funding.
 - b. Partnerships between support agencies and ethnic minority-led organisations to develop new services or expand existing ones (for example, mentoring, networking and financial planning) to facilitate more targeted support and better engagement of EMBs.
 - c. Partnerships between support agencies and finance providers like banks to offer more tailored support for EMBs and address the issues of distrust and discouragement in applying for finance. This could involve assistance with legal and administrative procedures, direct referrals to partner financial institutions or support with finance applications.
 - d. Partnerships between support providers and research institutions/universities to facilitate knowledge exchange and regular evaluations of local business support ecosystems to identify support strengths/gaps, feeding into policy formulation, replication and scaling up of best practice across regions.



RECOMMENDATIONS

- e. Such collaborative activities could operate at a community level to become local community hubs reflective of local market and societal circumstances. In major city regions, several hubs may be required to reflect both geographic and diversity issues. They could be co-located with existing civil society advisory services or housing associations. However, we would hope some of the larger hubs could offer outreach activities to improve ethnic minority support services in all parts of the UK, even where the number of clients is smaller.
- f. An effective signposting mechanism to help EMBs navigate and access appropriate business-specific and other support services, for example, community integration support, legal advice or language skills training. This could involve an online platform to ensure easy access and wider reach, in combination with offline initiatives of individual organisations where language, communication or other barriers prevent engagement.

Recommendation 6: Include businesses in the local policy formulation process

In general, enterprise policies focused on improving outcomes for a particular group of entrepreneurs or businesses benefit from the target group input. Historically, business support in the UK has been generic and characterised by a top-down approach ill-suited to the needs of EMBs. Ethnic minority firms were largely absent from wider debates and initiatives to support small firms (Roberts et al 2019). It has been suggested a key cause of enterprise policy ineffectiveness lies in how decision makers formulate policy (Arshed et al 2014). Lessons from the past and research evidence often exert little influence on enterprise policymaking (Smith et al 2018). Such policy formulation issues are not simply a matter of deficient learning; they reflect the interests of powerful actors who govern decision-making processes (Arshed et al 2014). Involving EMBs in the policy formulation process may give greater legitimacy to support interventions and address the issues of distrust in mainstream support provision (Xheneti 2021).

An example of a UK-based initiative that has sought to engage EMBs in the policy formulation process is the already mentioned BLP in Birmingham. BLP is an exemplar of how community organising methods can be used to foster grass roots engagement of business owners in local enterprise policy and support development. Community organising practice is about bringing people together to campaign on the issues that affect them. Citizens UK – a civil society organisation that is one of the key partners on the project – has been teaching and promoting community organising for several decades. The use of community organising as a method for engaging businesses in enterprise policy formulation is a pioneering new addition to the vast portfolio of activities undertaken by Citizens UK Birmingham – one of its chapters across the UK (Mascarenhas-Keyes and Arriaga-García 2021).

Community organising focuses on building trust and long-lasting relationships between people and organisations from diverse backgrounds as a basis for further action. Community organisers use a range of tools to achieve this goal. In the case of BLP, a dedicated community organiser was employed to reach out to disenfranchised EMB owners and establish rapport. A series of ‘listening campaigns’ were held in the community to understand EMBs’ challenges and support needs. Moreover, business owners participating in the project were trained in civic leadership skills, empowering them to both confront and collaborate with power holders. Additionally, the project has directly shaped the campaign work of Citizens UK Birmingham; improving business support for local EMBs has become one of its key priorities. Close collaboration of BLP partners, including Citizens UK, a university research centre, local business support providers and a high street bank, helped ensure EMBs are involved directly in making their business support needs known to decision makers.

Our review of international evidence demonstrates the prominent role played by EMBs in the co-production of business support initiatives. In Canada, this principle is embedded in the Black Entrepreneurship Program. One of the main approaches adopted by the Government of Canada has been to facilitate direct meetings and discussions with targeted groups to identify their needs and challenges, and to create relevant mechanisms of support with a strong focus on capacity building. A series of discussions were held with multiple stakeholders on the design and implementation of the programme. The discussions involved Black entrepreneurs and business owners, organisations run by and serving the Black business community, academics and other key knowledge holders on Black entrepreneurship in Canada. In Europe, there are many exemplars of systematic ways of engaging ethnic minorities in the development

RECOMMENDATIONS

of support programmes. Sweden's NFC, for example, undertakes formal reviews of beneficiary experiences of support received, while the Migrant Entrepreneurs Support Office of the Portuguese High Commission for Migrations²¹ stresses the importance of a continued dialogue with beneficiaries to ensure they are engaged in the delivery of services.

The evidence presented above shows EMBs should be able to provide input into policies targeted at them and, in line with best practice, become policymaking partners and co-producers in developing more inclusive, flexible and responsive support initiatives. This is particularly important at the local level – establishing strong relationships between policymakers, intermediaries and local communities can significantly influence policy outcomes, give greater legitimacy to business support interventions and address the issue of distrust in mainstream support provision.

21 Office to Active Migrants in Portugal (GAEM) – ArtigoDetalhe – ACM.

Implementation of Recommendation 6

EMBs must be genuine partners in the co-production of business support initiatives at a local level. Policymaking needs to be informed by the evidence base on the challenges and support needs of local business communities, including EMBs, and respond flexibly to changing circumstances. Local decision makers can do this by undertaking formal consultations with diverse groups of businesses at the policy formulation stage. However, a lack of trust can discourage EMBs from engaging with such formal processes. Utilising help from community organising groups or similar intermediaries that encourage civic engagement and have a track record of forming strong links with local communities from diverse backgrounds may be more effective. Broad-based civil society organisations like Citizens UK can be supported to replicate and scale up the exemplar of best practice in Birmingham across other cities and regions.

Community organising tools like listening campaigns and neighbourhood walkabouts can be effectively used by decision makers to engage disenfranchised groups of EMBs in the policy formulation process.



Recommendation 7: Improve access to finance and support through local community hubs

As noted earlier, the lack of access to finance and high levels of discouragement among EMBs in approaching banks for finance products is a major barrier for ethnic minorities, and Black communities in particular, at all stages of the entrepreneurial journey. Limited access to financial resources is also evident in other national contexts. Our review of the international examples of support initiatives shows this barrier is addressed by making access to finance a key component of a more comprehensive package of business support. For example, a substantial loan fund is a key component of Canada's Black Entrepreneurship Program, and the Minority Business Development Agency (MBDA) in the US provides customised business development support to help EMBs access capital. Germany's Kompass initiative drew on its partnership with WIBank to obtain loans for ethnic minority entrepreneurs during the pandemic.

In the UK, a variety of financial support schemes exist to encourage and support business start-up and growth, aimed at businesses in general or those operating in particular sectors. For example, the government-backed Start Up Loans scheme run by the British Business Bank provides loans of up to £25,000 and 12 months of free mentoring. Information about this scheme is available in different languages, and the scheme also worked closely with the Department for Work and Pensions to support New Enterprise Allowance (NEA) applicants (British Business Bank 2021).

The NEA programme supported unemployed people in receipt of certain benefits to move from welfare support into self-employment, with a weekly allowance worth up to £1,274 over a 26-week period, mentoring support and an opportunity to apply for a loan to help with

start-up costs. The programme closed for new applicants in January 2022. Of those who joined NEA between 2011-2020, 21% were from ethnic minority backgrounds, particularly people from Black (9%) and Asian (4%) groups (DWP 2021a). More than one in five loans administered through the Start Up Loans scheme have gone to ethnic minority entrepreneurs since 2012 (BEIS/RDU 2018).

Working in partnership with Financing Sharia Enterprise, the British Business Bank has also developed a Sharia-compliant investment product for entrepreneurs who hold Islamic values (British Business Bank 2022a). Additionally, government-backed guarantee schemes such as the Recovery Loan Scheme (previously the Enterprise Finance Guarantee), designed to help small firms access finance, can free up funds for EMBs (British Business Bank 2022b). A variety of private and third-sector support exists to help EMBs access alternative sources of finance. For example, through crowdfunding or peer-to-peer lending platforms, such as Funding Circle²², partnerships with lenders to ease access to finance for EMBs, for instance, Lendoe²³, or grants offered by organisations like UnLtd²⁴ aimed specifically at social enterprises.

While these initiatives are to be applauded, our desk review of the UK finance ecosystem for EMBs identified several issues with the existing support. First, the geographical coverage is often limited. A plethora of the targeted funding interventions are concentrated in London (for example, Foundervine, FounderTribes, Lendoe, Extend Ventures). While this is hardly surprising, given the dominance of the capital in the business landscape, there is the possibility of excluding EMBs from other regions of the country, especially where EMB start-ups are in less wealthy areas due to the lower costs of living and operating a business. Digital technologies may have eased access to online information and support, but the lack of more physical and personalised support services at

²² Funding Circle: Fast, Affordable Small Business Finance.

²³ Lendoe – Loans for underestimated entrepreneurs.

²⁴ UnLtd – Home | The Foundation for Social Entrepreneurs.

RECOMMENDATIONS

local community level can be an obstacle to accessing finance, particularly for entrepreneurs who face additional communication barriers.

Second, a variety of tailored schemes exist to help specific ethnic minority subgroups such as Black or Asian entrepreneurs gain access to finance. For example, organisations like the Black Business Network²⁵, the Asian Business Connexions²⁶ or UK Curry Connect²⁷ target Black and Asian business communities. There are also initiatives aimed at refugee entrepreneurs, including the Centre for Entrepreneurs²⁸ and The Entrepreneurial Refugee Network²⁹. While these schemes are important in offering more tailored support, they tend to be limited by their specific area of activity and geographical reach. There is a particular focus on minority groups that are more established or socially embedded in the UK, while some of the new migrant communities may lack similar support networks. Moreover, specialist initiatives focused on particular groups often lack resources and capacity to connect EMBs with mainstream support networks.

Third, the profile of many EMBs in terms of size and sector often excludes them from accessing some of the existing interventions. For instance, many of the support interventions aim to support EMBs in the technology sector or those demonstrating high growth potential. However, many EMBs do not operate in such high growth sectors. Generally, a small share of EMBs run the kind of businesses that can benefit from the investment ecosystem that exists in cities like London. This means support interventions, particularly venture capital investment, are only accessible to a minority of EMBs, leaving the vast majority ineligible. EMB founders in the UK, particularly those from Black communities, are hugely under-represented among businesses that are either venture capital-ready or funded (Cornerstone Partners 2021).

Fourth, apart from some notable exceptions, such as the aforementioned Barclays Black Founder Accelerator programme (a partnership of Barclays and Foundervine), many specialist or mainstream support schemes do not have such valuable partnerships with different financial institutions that would facilitate access to finance and valuable support to boost the growth of ethnic minority-led enterprises. The fact that there are various organisations trying to address the challenges faced by EMBs in accessing finance is encouraging as it ensures a one-size-fits-all approach is not taken. Yet the fragmentation of support activities has shielded support providers from the possibility that there is a lot of disjointed and uncoordinated effort, as opposed to a more collective response, to tackle access to finance barriers on a larger scale.

25 Entrepreneurial Journeys | Black Business Network.

26 Asian Business Connexions: Newcastle Upon Tyne (abconnexions.org).

27 UK Curry Connect – UK Curry Connect.

28 Centre for Entrepreneurs.

29 TERN – The Entrepreneurial Refugee Network – Supporting refugees into business (wearatern.org).

Implementation of Recommendation 7

We would expect the wider finance industry – including alternative funding and equity providers – to engage with the local community hubs proposal discussed under Recommendation 5 to provide more personalised advice and support (for example, through mentoring) alongside measures to ease access to finance. The perceptions about lack of debt funding remain especially strong in EMB communities, notably among Black entrepreneurs, with a consequence of higher-than-average levels of discouragement in applying for bank finance and loss of trust. This has not been helped by the evolution of the high street banking industry, with the closure of many traditional local bank branches that used to provide a local access point and hub for advice.

We propose UK high street banks seek to address this access gap by working with the UK's community finance network, especially community development finance institutions (CDFIs)³⁰, to capitalise locally focused loan funds, targeting areas highly populated by EMBs, especially those already reporting high start-up rates. CDFI loans may meet the criteria for state-sponsored loan guarantee schemes or the Community Investment Tax Relief.

It should be recognised the British Business Bank would clearly have a key role in this work, and we believe it would fully complement many of the suite of programmes it currently operates around start-up loans and fast growth funds. All the existing schemes are subject to review as part of the post-Covid recovery plan, and we think the community finance scheme should be an integral part of this review as part of the levelling-up work. Indeed, it could be argued a further extension of the British Business Bank's existing schemes alone may be a suitable substitute to our local community hub proposal, but we would disagree. Our proposal is just as much about rebuilding trust in local communities

and reducing debt discouragement as the actual supply of funds. We suggest in certain diverse communities this will require the promotion of local community hubs where networking and advice can be brought together, and locally-based credit managers can make decisions to reflect market conditions and knowledge. This is particularly different from a national start-up funding scheme, even if it has local agents, as these are seeking to address different structural issues. Rather, the community hub approach should be designed to complement existing programmes, so it is explicitly additional and targeted at particularly marginalised ethnic minority communities.

The local community hubs would contribute to building EMB communities and networks while addressing issues of perception, responsiveness of credit and advice to local conditions and knowledge, and the needs of minority communities. This would target enterprising communities and encourage EMBs to seek out finance from high street banks or a wider group of less traditional finance providers, facilitated by the community hubs that work in partnerships with relevant stakeholders.

³⁰ Responsible Finance – We are the voice of the Responsible Finance industry.

RECOMMENDATIONS

This recommendation could target local enterprising communities and rebuild perceptions about the access to growth funds at commercial rates. The CDFI would borrow wholesale funds and on-lend using a retail customer-facing model. The banks could set up referral arrangements for existing customers looking for funding they were unwilling to provide, as well as still make a reasonable return on depositors' funds. The community finance lenders would also be able to offer a retail finance product to some of the community hubs discussed above, perhaps across the same region or larger city, so achieving a more economically sustainable volume of business and a more varied risk profile. Successful business development would then encourage EMBs to come back to high street banks for additional funds, approach a wider group of less traditional debt, asset finance or even equity providers – with an introduction provided by the community hub. The use of existing state-sponsored schemes, including loan guarantees and the Community Investment Tax Relief, would also show significant recognition and risk sharing between the public and private sectors without asking for the commitment of new taxpayer funds.

The full details of such a recommendation would need further stakeholder discussion. As an example, most CDFIs have net annual lending targets of between £2m and £5m a year. An evergreen lending facility of £50m could, through recycling of repaid loans, sustain at least eight to 10 local community hubs even

if default rates rose to 20% a year with no loss of lender capital (Roberts and Walker 2018). However, a lot of the preparatory work can draw upon the experience of the Responsible Finance RGF programme started in 2012, which included similar funding arrangements (albeit on a matched public-private funding basis). An industry-wide approach might be one possible delivery model – similar to the creation of the Business Growth Fund in 2010-2012. Alternatively, this may be something individual banks may want to take forward where they have established links with local providers and communities.

THEME 3: DEVELOPING A UK-WIDE INCLUSIVE ENTERPRISE POLICY THAT SIGNALS THE IMPORTANCE OF SUPPORT FOR ETHNIC MINORITY BUSINESSES

Our recommendations have so far focused on the individual and collaborative actions that can be taken in the short to medium term by support agencies, finance providers, corporate sector and others at a local level to build a more inclusive business support ecosystem from the ground up. For this final theme – developing a UK-wide policy for inclusive entrepreneurship – we direct our recommendations at national-level decision makers. Our review of international best practice initiatives shows the state can play a vital leadership role in promoting and catalysing efforts to develop support for EMBs, often backed by long-term financial investment. This may be particularly important following the UK's exit from the European Union. Government will need to step up and plug any funding gaps to sustain local support initiatives targeting EMBs. Some of these have previously been supported through schemes like the European Social Fund or the European Regional Development Fund. Indeed, most local initiatives aimed at supporting EMBs across Europe are financed or co-financed through national or supranational sources of funding.

Our evaluation of inclusive enterprise policy and support in the UK revealed the policy and support for EMBs is uneven and patchy across England, Scotland, Wales and Northern Ireland. The intersectional nature of disadvantages experienced by many entrepreneurs from ethnic minority backgrounds, notably women, has been recognised³¹. Yet there have not been any concerted efforts at the UK-wide level to address the barriers faced by EMBs and other under-represented or disadvantaged groups of entrepreneurs. We hope stronger leadership at the UK-wide level, guided by an explicitly written inclusive enterprise policy, will also influence interventions we proposed in themes 1 and 2 regarding local leadership and the accountability pledge, and challenge to the finance and corporate sectors. The lack of reliable data on EMBs and the absence of a UK-wide mechanism to reinforce the importance of support for EMBs further weakens existing efforts to promote inclusive entrepreneurship and to monitor progress.

31 The Rose Review of Female Entrepreneurship (publishing.service.gov.uk).

Recommendation 8: Develop a UK-wide policy on inclusive entrepreneurship

There is a growing body of literature on the relative ineffectiveness of UK enterprise policy and support, particularly inclusive policies aimed at disadvantaged or under-represented groups of entrepreneurs (Xheneti 2021; Smith et al 2018; Ram et al 2017; Arshed et al 2014). Enterprise policy involves a range of public measures and interventions to encourage and support entrepreneurship and small business development with an aim to stimulate economic growth. Decision makers in the UK have been interested in enterprise development for many years, but the lack of a national policy has led to a significant proliferation of initiatives generating a patchwork of policies and an increasingly complex landscape of support for entrepreneurs to navigate. Poor learning from previous experience, failure to rigorously evaluate policies and use evidence, and limited collaboration and knowledge sharing between relevant stakeholders are believed to be some of key reasons for enterprise policy ineffectiveness. Enterprise policies can create path dependencies and stability, but they must also be responsive to external events and shocks, such as recessions, and must change over time. The evolution of enterprise policy in the UK reflects these dynamics (Mallett and Wapshott 2020). The inclusive enterprise policy specifically has tended to develop in response to crises.

EMBs were virtually non-existent from parliamentary debates until the early 1980s, following the outbreak of urban riots, the subsequent recognition of the need to address race relations and the evidence of economic discrimination. Promoting ethnic minority entrepreneurship was a key policy response, leading to initiatives like the introduction of business development officers within banks

(focusing particularly on Black entrepreneurs) and the creation of the Ethnic Minority Business Initiative in 1982 (Roberts et al 2019). In the 1990s and 2000s, a greater emphasis was placed by government on creating equality of opportunity for groups perceived as under-represented or disadvantaged in entrepreneurship, including ethnic minorities (Mallett and Wapshott 2020; Higgins and Williams 2009). Yet the slow progress towards developing a regularised and identifiable support system for EMBs ceased with the introduction of austerity measures in 2010, and a widespread termination of publicly funded business support for small firms, including reduction in the funds for community organisations assisting EMBs (Ram et al 2017; Ram et al 2012).

The current UK Government's focus on the post-Covid economic recovery emphasises efforts to “build back better” and “level up”. However, its plan to level up regional disparities and to exploit global trade opportunities makes little reference to EMBs. This seems a missed opportunity considering that EMBs, often located in some of the most deprived geographical areas, already importantly contribute to the levelling up vision. Many EMBs could also utilise their links with home countries to exploit transnational entrepreneurship opportunities and contribute to the UK's global trade vision. The UK Government-backed 2021 inquiry into racial disparities (CRED 2021) was criticised for its neglect of institutional racism (OHCHR 2021) and was seen as a missed opportunity regarding its entrepreneurship recommendations, with little consideration given to the structural barriers faced by EMBs.

RECOMMENDATIONS

The lack of a UK-wide inclusive enterprise policy has encouraged the setting up of some informal arrangements to influence enterprise policy. In the UK Parliament, several All-Party Parliamentary Groups (APPGs) – that is, informal cross-party groups with a shared interest in a particular policy area – have been active in influencing decision-making on inclusive enterprise policy. For instance, the APPG on Black and Minority Ethnic business was set up in 2019 to promote a national strategy that would support EMBs in their ambitions to grow. The APPG on Inclusive Entrepreneurship, with a specific interest in disabled entrepreneurs, was set up in 2020. The Women and Enterprise and Entrepreneurship APPGs were both registered in 2015. The latter seeks to promote and support entrepreneurship across diverse groups. The lack of an overarching UK-wide policy with clear objectives and targets for encouraging and supporting inclusive entrepreneurship raises questions about policymakers' learning from research evidence in the UK and elsewhere. Hence we are recommending the explicit incorporation of an inclusive enterprise policy into the current enterprise policy agenda.

The absence of a UK-wide inclusive enterprise policy is further evident as the devolved administrations adopt different approaches in terms of the perceived underlying barriers faced by EMBs and the proposed measures for tackling disparities between EMBs and wider business population. These specific policies of the devolved administrations paint

a picture of disparate approaches and disjointed thinking on the issue of inclusive entrepreneurship across England, Scotland, Wales and Northern Ireland. The Scottish Government is committed to tackling racism and discrimination, recognising that inequality and social exclusion are perpetuated by systemic and structural issues (Scottish Government 2021). It is committed to improving conditions for ethnic minority entrepreneurship, including better information and data monitoring to understand the needs of EMBs and partnership working with community-based organisations to improve support and engagement with EMBs. Social enterprises in particular have been shown to successfully engage with marginalised EMBs (Scottish Government 2016). Partnership working across public, private and third sector, and greater inclusion of people from all sections of society, are at the heart of the Scottish vision and approach to accelerating entrepreneurship and innovation (Scotland Can Do 2021). Furthermore, Scottish Enterprise – the national economic development agency – has set out a strategy for equality mainstreaming within its policies and practices (as an employer and service provider) to achieve sustainable and inclusive growth (Scottish Enterprise 2021).

The Welsh Government has set out an action plan for racial equality, focusing on entrepreneurship as one of the 13 policy areas that will drive the realisation of this vision by 2030 (Welsh Government 2021). The current enterprise support system in Wales is designed to offer an inclusive service while also recognising the need to provide additional support for people from under-represented groups, including ethnic minority communities. The latter is achieved through outreach activities and efforts to better communicate services. For instance, using role models to raise awareness and confidence in the existing service. The plan outlines several policy actions

RECOMMENDATIONS

to improve conditions for EMBs. For instance, bidders for service provision to Business Wales – the national business support agency – will be required to outline how they aim to reflect the diversity of their client bases and staff. A review of marketing and engagement activities, and collaboration with representative bodies, will also be undertaken to better serve the needs of EMBs. Among other goals, the plan also highlights cross cutting efforts to improve data and how ethnic minority communities are engaged and funded. Finally, there is a recognition to address intersectionality across different policy areas to ensure the plan responds effectively to the specific needs of people from ethnic minority groups who may be additionally disadvantaged, for example, by their gender identity or disability.

In Northern Ireland, the Business Strategy 2017-2021 set out by Invest Northern Ireland – the regional economic development agency – highlights the need to focus on entrepreneurial companies with greatest potential to grow, including firms that aspire to innovate, create jobs and export (Invest NI 2017). The country does not have an explicitly written policy for inclusive entrepreneurship nor for supporting EMBs. The official online platform for business advice in Northern Ireland (nibusinessinfo.co.uk) signposts EMBs to specialist support networks such as African Caribbean Business Network³² and National Black Women's Network³³ for more targeted support.

In contrast to the UK, other countries have national-level strategies to promote and support inclusive entrepreneurship. Several initiatives have been promoted by the EU to encourage integration and employment for new migrants (Taddei and Solano 2020). The US has long-standing programmes of support for Black and

ethnic minority entrepreneurs, including a public policy tradition of affirmative action (Boston 1999). The already mentioned comprehensive programme of support recently initiated in Canada aims to address the historical and systemic barriers facing Black entrepreneurs.

The promotion at state level is reflected in funding, and the combination of private and public funding appears to be a successful feature in ensuring sustainability over time. The Portuguese Migrant Entrepreneurs Support Office and Kompass in Germany represent an exception to the private-public funding combination, as the former is entirely state-funded through the High Commission for Migrations (which receives funds dedicated to migrant integration from the national budget) and the latter is mostly funded by the City of Frankfurt and its departments. Support organisations, such as ADIVE (Agence pour la Diversité Entrepreneuriale)³⁴ in France, have moved from being largely privately funded at inception to receiving a greater proportion of national or EU-level public funding once demonstrably successful. Other organisations – for example, Jumpp in Germany³⁵ – receive funding from European or national institutions in the context of tenders for limited-time projects. In these cases, the sustainability of the initiatives is subject to eventual renewal by the issuing institutions. The main player in many initiatives is the private sector. While the role of the private sector in Canada is held mainly by the financial institutions with the support of the government, in the US the private sector is playing a vital role in planning funding and implementing support initiatives.

32 African Caribbean Business Network (ABCN) (itzcaribbean.com).

33 National Black Women's Network (nbwn.org).

34 Adiver | AGENCE POUR LA DIVERSITÉ ENTREPRENEURIALE.

35 jumpp.de.

RECOMMENDATIONS

The lack of an explicit written policy on inclusive entrepreneurship at the UK-wide level has several implications, of which three are highlighted here. First, there are potential implications for the local delivery of support for EMBs. Some parts of the UK, particularly in England and Northern Ireland, are left behind in terms of tackling structural inequalities and enabling minority groups to access appropriate business and financial support. Stark variations in the TEA rate across UK regions supports this conclusion. For instance, East Midlands, Yorkshire and Humber and the North East have some of the lowest levels of TEA and a below average TEA rate for ethnic minority groups. The replacement of previous nine regional development agencies with 38 LEPs, and the subsequent disruption of publicly funded support networks, has been perceived as a significant cost by agencies as well as SMEs. Businesses reported concerns about the loss of well-functioning programmes and uncertainties about the role of LEPs (James and Guile 2014). The creation of LEPs was characterised by minimal formal guidance and, because of their locally-shaped nature, the opportunities for shared practice have been limited. Additionally, it is believed the persistent role of central government has constrained LEPs' capacities to be more locally determined (Broadhurst 2018). Our evaluation of inclusive enterprise policies revealed only a small number of LEPs have an explicit commitment to support EMBs. Most recently, a board director of one of the LEPs questioned whether LEPs mirror the diversity within the regions they represent (King 2021).

Second, support for EMBs is largely fragmented and initiated by a small number of actors at local level. Good practice examples in supporting EMBs through partnerships of universities, private-sector organisations, civil society, local authorities and LEPs exist in a

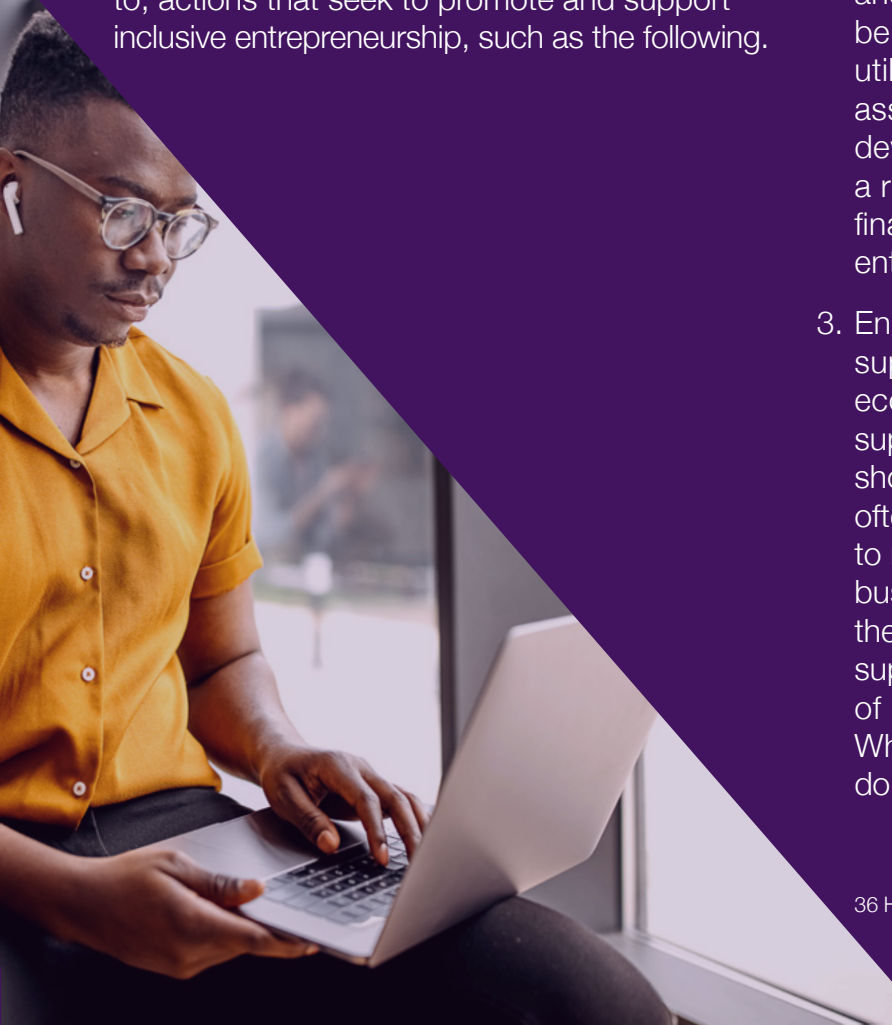
small number of cities. However, these are exceptions rather than the rule. Our review identified only two out of 38 LEPs providing specific support schemes aimed at EMBs. For instance, the Greater Birmingham and Solihull Local Enterprise Partnership has funded several projects developed in collaboration with universities, civil society and private sector to create a more inclusive business support ecosystem for EMBs in Birmingham and to support EMBs in bidding for contracts (GBSLEP 2020). More recently, the UK Government has issued a guidance for LEPs to work with employers to reduce disparities in unemployment between different ethnic groups – for example, through awareness raising, traineeships and apprenticeships (DWP 2021b). Such efforts could potentially address the barriers ethnic minority communities face in accessing labour market opportunities that importantly shape their entrepreneurial intentions and outcomes (British Business Bank 2020). Additionally, LEPs must review their engagement with EMB communities and learn lessons from best practice examples presented in this report.

Third, not only is business support for EMBs fragmented, but one of the key shortcomings of current enterprise policy is that most business support initiatives in the UK, and in Europe, are agent-centric – that is, centred on the development of human capital. For example, through provision of training and mentoring – while neglecting structural conditions of entrepreneurship, such as barriers in accessing markets (Ram et al 2017). Similar criticisms have been raised in relation to women's enterprise policy, which tends to focus on changing women's actions rather than social conditions that generate barriers to entrepreneurship (Rouse and Trehan 2020). This evidence suggests a need for a more systemic approach towards supporting under-represented and disadvantaged groups of entrepreneurs, one that shifts the balance towards tackling wider social structural barriers that constrain entrepreneurship.

Implementation of Recommendation 8

To address the relative ineffectiveness of current enterprise policies and to better support ethnic minorities and other under-represented or disadvantaged groups of entrepreneurs, we recommend the UK Government develops an explicitly written inclusive enterprise policy to set out a clear vision and objectives for achieving more equitable access to business support across regions. The policy should build on and embed lessons learnt from the existing good practice support initiatives aimed at EMBs in the UK and elsewhere. It should adopt a holistic approach, one that recognises the importance of providing a more comprehensive and tailored support to meet the specific needs of EMBs. This should also involve efforts to tackle wider social structural or systemic obstacles, as well as supporting EMB owners to develop relevant skills and help them grow. A UK-wide policy on inclusive entrepreneurship would signal leadership and commitment to this agenda and offer guidance to policymakers at a local level. This could include, but is not limited to, actions that seek to promote and support inclusive entrepreneurship, such as the following.

1. Recognising explicitly the current and potential contribution of EMBs to the policy objectives of levelling up, inclusive growth, increasing exports and supporting innovation, while developing a cohesive and supporting national policy environment to sustain this contribution.
2. Conducting regular assessments of inclusive enterprise policy and support to evaluate the business support ecosystem for EMBs, and other groups, and to address any support gaps in under-performing regions with lower entrepreneurial activity and high business failure rates. This could be done through independent research utilising inclusive entrepreneurship assessment frameworks, like the one developed by the OECD, which covers a range of areas, including access to finance, networks, social security and entrepreneurial culture³⁶.
3. Encouraging LEPs to develop targeted support initiatives that reflect their local economic trends, demographics and support needs of diverse groups. Our review shows enterprise policymaking in England is often undifferentiated across regions, failing to respond to the specific needs of diverse business communities, and constrained by the centrally driven message of universalistic support provision that prevents development of more specialist or targeted schemes. While it must be recognised many EMBs do not self-identify as an ethnic minority and



RECOMMENDATIONS

- may prefer general or mainstream services, there are others that do require more tailored or specialist support. The evidence of a continued disengagement of EMBs from mainstream business support services reinforces this view. Policymakers at the UK-wide level must signal the importance of inclusive entrepreneurship to ensure that diverse support needs are taken seriously in the process of policy formulation at the local level.
4. Encouraging LEPs to develop local strategies and action plans with an explicit focus on inclusive entrepreneurship that would guide efforts to design and implement targeted support initiatives. This should be underpinned by evidence and informed by research into the barriers and support needs of local businesses from diverse backgrounds. It should also include objectives for improving outreach and engagement with EMB communities where disengagement from mainstream support services continues to be a major obstacle to their development and growth.
 5. Encouraging support providers across sectors to strengthen local business support ecosystems for EMBs. This should involve better collaboration of public, private and third-sector organisations and institutions through partnership working to create a more joined-up system that can deliver a more comprehensive, intensive and quality support for EMBs. Best practice partnerships should be rewarded to celebrate successes of such collaborative efforts nationally and to promote knowledge exchange across regions.
 6. Initiating a UK-wide campaign promoting the benefits of cultural diversity to strengthen social cohesion. Over the past few years, the UK has been described as an environment that is hostile to immigration. The Brexit vote of 2016, the Windrush scandal in 2018 and more recent reports of issues with the EU Settlement Scheme have contributed to these developments, with potential consequences for wider social relations as well as entrepreneurial behaviour of minority groups. Our quantitative analysis shows a significant drop in the level of entrepreneurial activity among ethnic minorities in 2018, possibly linked to uncertainties surrounding Brexit debates at the time. Qualitative studies show some minority entrepreneurs have considered relocating their businesses to other countries in Europe. Policymakers must address this culture of hostility to prevent feelings of social exclusion that could potentially impact on the health and safety of individuals and the general public, and to sustain a positive entrepreneurial culture among ethnic minority communities.
 7. Tackling wider systemic and social structural barriers that constrain entrepreneurship opportunities and outcomes of ethnic minority communities. The recent report by the British Business Bank (2020) shows limited employment and promotion opportunities, linked to the lack of financial resources available to invest in business start-up, can constrain some ethnic minority groups from developing their ideas into viable businesses. The lack of capital can be further exacerbated through gender and ethnicity pay gaps that exist in the labour market. Additionally, given that EMBs are often located in urban areas, issues such as crime, poor transport or housing found in many deprived city areas can be detrimental to business development. Such systemic barriers must be addressed at national level.

Recommendation 9: Create a UK-wide mechanism to coordinate support for ethnic minority businesses

The implementation of a UK-wide inclusive enterprise policy will require a delivery mechanism, ideally a national-level body, which can coordinate multiple strands of activity and proactively suggest new activities. To advance the contribution of EMBs to the UK economy, a dedicated national mechanism for supporting EMB communities would provide sustained leadership on this agenda. We suggest this body should be empowered and adequately resourced to advocate for best practice, monitor and evaluate regional practices, and share lessons learnt from best practice across regions. It is important to ensure EMBs are integrated into key policy priorities, there is oversight of all government policies and they are subjected to equality impact assessments. Given it is currently unclear who owns the agenda of promoting and supporting EMBs, the creation of such a mechanism is needed to provide long-term leadership and commitment.

In the US, Canada and several countries in Europe, the state plays an active role in promoting and supporting entrepreneurship among ethnic minority groups. The Minority Business Development Agency (MBDA) was originally established as the Office of Minority Business Enterprise by US President Richard Nixon in 1969. Based in the US Department of Commerce, the mission of the MBDA is to promote the growth of minority owned businesses through the mobilisation and advancement of public and private-sector programmes, policy and research. The MBDA pursues this mission by funding a network of centres that provide EMBs with a variety of business assistance services. The pivotal role of this kind of agency is evident in the examples of best practice presented in this report.

The Government of Canada provides considerable assistance to civil society organisations for the provision of support to EMBs. The Black Entrepreneurship Program is the most recent illustration of state-sponsored initiatives in Canada to boost entrepreneurial success. It is one of the main publicly funded initiatives to tackle racism against the Black community and to strengthen the entrepreneurship ecosystem for Black entrepreneurs across Canada. Furthermore, the initiative seeks to empower not-for-profit, Black-led, national and regional organisations to develop new services or expand those already on offer, such as mentorship, networking, financial planning and business training. High levels of state involvement are also present in some of the national initiatives in Europe, notably the funding of national agencies like Kompass in Germany, NFC in Sweden and the Migrant Entrepreneur Support Office in Portugal.

These central agencies are often the facilitators of strong local networks of support for EMBs. The international best practice examples identified through our review generally benefited from being embedded in a strong and diverse network of partners comprising government agencies, financial institutions, experts and private-sector intermediaries. This is instructive for the UK, where fragmentation and marginalisation of support for EMBs is a recurring theme (Cunningham and McGuire 2019; Ram and Smallbone 2003).

Implementation of Recommendation 9

The UK Government lacks a focused approach towards promoting and supporting EMBs, and it is unclear who owns this agenda, making it hard to coordinate policies that advance EMB interests. International evidence demonstrates the possibility and the value of a more coordinated effort through a national-level body that acts as a mechanism for implementing inclusive enterprise policy, while also providing long-term leadership and commitment to this agenda.

There is a compelling case for a strong central voice at the heart of government. A strong national mechanism should be established to reinforce the importance of EMBs within and beyond government and to co-ordinate inclusive enterprise policy actions across relevant ministries, local governments, civil society and private-sector organisations. The precise form this entity might take requires further consultation and the development of consensus on funding to ensure its longevity. At a minimum, it would be resourced to do the following.

1. Provide leadership on this agenda and advocate for best practice in EMB support.
2. Ensure that EMBs are integrated in key policy priorities, notably levelling up, inclusive growth, international trade and international aid.
3. Facilitate development of business support networks to ensure local business support ecosystems are responsive to the needs of EMBs.
4. Systematically monitor the extent to which regional agencies are pursuing strategies of inclusive enterprise in their catchment areas and evaluate their strategies and support initiatives aimed at promoting and supporting EMBs.



Recommendation 10: Gather and provide better data on entrepreneurial diversity

The development and implementation of a national policy focused on inclusive entrepreneurship needs to be data driven to promote transparency and accountability, and to ensure interventions provide value for money. The gathering of quantitative data needs to be complemented by qualitative insights to gain an in-depth understanding of EMBs, the challenges they face and their support needs. This recommendation needs to be seen in the context of any sphere of public policy where monitoring progress and evaluating impact all rely on access to reliable, robust and timely data.

EMBs are a diverse group and it can be challenging to draw statistical generalisations. A key issue that has implications for policy is to decide which businesses should be subsumed under the concept of 'ethnic minority business'. In this report, we have used EMB as an umbrella term to refer to a highly diverse group in terms of ethnicity, migration experience and other personal characteristics. Studies offering more detailed analyses by ethnic subgroups are vital to identify any group specific challenges and disparities. Additionally, many business owners do not self-identify simply as an ethnic minority, particularly the second and third generation of migrants born in the UK, and therefore there is a potential under-reporting that leads to a lower assessment of the contribution of EMBs to GVA. While it will take time and effort to arrive at a suitable definition of EMBs, given that entrepreneurs' identities are far more complex and cannot be reduced to ethnicity, better data collection and monitoring will be a worthwhile strategy as it will help address the issue of under-reporting of the current contribution of EMBs and, more generally, help underpin a national policy on inclusive entrepreneurship.

The issues of definition could be resolved, at least partly, with the acquisition of a larger volume of data than currently available to facilitate robust analyses using a greater range of statistical techniques. At present, the lack of harmonisation of concepts undermines the aggregation of data from sources such as standard national datasets including the Census, Annual Population Survey, Inter-Departmental Business Register, Longitudinal Small Business Survey and Companies House data, to name a few. National datasets can be complemented by local data gathering exercises, as well as those undertaken by the private and third sectors. The value of large datasets allowing robust econometric analysis has been exemplified in this report. For instance, the SME Finance Monitor, established in 2011, provided sufficient cross-sectional and longitudinal data for analysis in relation to core business finance products, which has helped debunk the long-standing concern that racial discrimination was the main explanation for the lack of access to finance by EMBs (Fraser 2009). However, the lack of accurate data, as well as precise methodologies, continues to be a major issue in researching EMBs, for example, in identifying and measuring discrimination or getting a deeper understanding of the bank finance application process from different perspectives (Carter et al 2015).

RECOMMENDATIONS

This report shows there are a plethora of initiatives on the ground that are expected to serve EMBs. However, as well as a better national statistical framework from the top down to ensure value for money, monitoring and evaluation should be integral to intervention programmes so that quantitative and qualitative evidence can be collected and analysed to identify and understand what works, for whom, under what circumstances and why. Lessons learnt need to be captured to both iteratively implement existing programmes and to inform future programmes. For instance, identifying examples of EMBs that have successfully transitioned from a heavy reliance on informal networks towards greater engagement with formal support providers, and the conditions that have enabled them to do so, may inform future initiatives to improve the uptake of formal support among EMBs.

While UK-wide policies seem largely detached from the evidence base and lack systematic and rigorous effort to monitor and evaluate current support initiatives, this is not mirrored in the devolved administrations and countries overseas. In Scotland and Wales, there are increased efforts to improve data collection and monitoring on EMBs. The Scottish and Welsh governments seek to tackle structural and systemic barriers by improving data monitoring. The requirement from Business Wales's suppliers to demonstrate how they aim to achieve diversity of their client bases and staff members could incentivise support agencies to increase their own monitoring of engagement and outreach work to attract more EMB clients. Improvements to data monitoring and actions to better engage with EMBs are generally perceived as good practice in terms of improving business support for this group.

The international evidence shows best practice initiatives place particular importance on research and knowledge generation to better understand the target groups, their needs and the gaps within existing services, and to tailor their own services accordingly. In Canada, for instance, there is a long and sometimes demanding monitoring and reporting process – the Covid-19 business impact survey it produces covers location, sector, age and size of firm, but also looks at personal characteristics of business owner covering gender, sexual orientation, disability and ethnicity – including 10 different ethnicity subgroups. The equivalent UK version does not allow for such granular analysis³⁷.

37 150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3310027601

Implementation of Recommendation 10

Robust data analyses, monitoring of progress and impact evaluation all rely on access to reliable data in any sphere of public policy. The collection of business data to allow reporting by the ethnicity of the owner is recognised as an international problem. However, our review of the evidence suggests the UK has fallen behind in the depth and quality of this data when compared with other countries. Our coverage is still better than in some other countries, but this mid-ranking position is not sufficient. We propose the following.

1. UK-wide effort to gather better data on entrepreneurial diversity.
 - a. In the short to medium term, all government-funded business surveys should ensure sample sizes and questionnaire design are sufficient to allow a breakdown in the results by ethnicity subgroups, including specifically the Black community. The ethnic ownership question design should be agreed across government and used in all cases.
 - b. In the medium term, as the results of the 2021 Census become available, the government should prioritise an in-depth review of ethnic minority-related business information covering owner-directors and the self-employed, as well as support a full review making comparisons with 2011 and 2001. Plans should also be made to ensure the data analysis provided can be easily updated in all future national census work.
 - c. In the medium to longer term, the government should ensure the Inter-Departmental Business Register (the IDBR) is as fully populated as possible, with a marker to indicate information on ethnic ownership, probably along the lines of the current “EMB-led definition” in the Longitudinal Small Business Survey. The information to populate the IDBR should be drawn from other administrative records, which will need to be adapted. This will take time and may never get to 100% coverage, but should be able to cover most ethnic business GVA and employment. As in the case for similar analyses, this will reduce the degree of estimation required, so increasing the accuracy and detail of economy wide estimates. Interim steps to this goal will allow more rapid improvement in data coverage, such as adding an ethnicity question to Companies House data on shareholders with significant control – nationality is already established but not ethnic origin. More detailed analysis and dissemination of existing data collected by the Annual Population Survey on self-employment would also help.

2. Support providers must be guided by the research evidence. The diversity and complexity of the EMB population needs to be recognised and must inform the formulation and implementation of business support initiatives. Business support agencies need to do the following.

- a. Build an evidence base on the diversity of the business community in the areas they operate, including its sectoral composition, start-up and success rates, and support needs as a foundation for more relevant marketing and targeting of services.
 - b. Take the evidence on business population diversity into account when designing business support initiatives and services so they reach and help all businesses that would benefit.
 - c. Evaluate and monitor the impact of support initiatives on EMBs so that one can tell if they are making a difference.
3. Private sector organisations are encouraged to monitor their business engagement activities. All the above would still leave a complementary role for private-sector and public-sector agencies. Indeed, in Theme 1, we highlighted these bodies should take action to survey and collect information in this regard. However, the following should be remembered.
- a. In many supply chain relationships, suppliers will question the legitimacy of a customer collecting this information without a strong lead from the national government.
 - b. Without high-quality data, the efforts of the private-sector and public-sector agencies will lack a reliable context for comparison purposes.

Looking forward, we would hope to move towards a time when monitoring and evaluation of the business diversity agenda can be a valued and shared activity between the public and private sectors. At present, central

government data supply is not sufficient and the private sector especially often appears to be threatened with regulation or a penalty if it does not do it instead. We have a vision where the national statistical services and relevant government departments could provide a strong data framework down to a meaningful sub-national level. Private suppliers and public bodies could undertake survey work, or in some cases customer analysis, and be able to draw valid judgements on business diversity issues by reference to the national database.

4. Collect and analyse data on the social value contribution of EMBs. We have drawn attention to the high social value contribution of EMBs. It is gratifying to see the UK Government has now made it mandatory for all those applying for public contracts to identify the social value of their proposal and that this is an essential component of the contract evaluation protocols. We recognise that while it may be challenging to develop a framework that collects robust quantitative and qualitative data on the social value contribution of EMBs, it is important to do this to provide a holistic picture of the contribution of UK's EMBs. As a first step, a pilot study could be launched and evaluated prior to scaling up.

CONCLUSION

This report has developed actionable insights from research and good practice to promote greater inclusion of ethnic minority businesses (EMBs) in finance and business support. It sets out 10 evidence-based recommendations that provide a blueprint for advancing the growth potential of EMBs. As the UK strives to recover from the Covid-19 pandemic and move on from Brexit, improving access to finance and business support will be vital to help EMBs maximise their economic and social contribution.

The implementation of these recommendations could help tackle the multiple barriers faced by EMBs and potentially increase their GVA contribution from the current £25bn to £100bn. The entrepreneurial ambition of ethnic minorities can play a crucial role in the UK Government's vision of levelling up prosperity across regions, promoting trade opportunities of Global Britain and creating a more cohesive society. There are several key principles that underline this blueprint.

First, the need for **a systemic approach** recognising that support for EMBs should be a core element of a wider national strategy aimed at tackling racial inequality. In this regard, integrating EMBs into broader policy agendas of inclusive growth, productivity and innovation is imperative. The lack of personal wealth at the pre-start-up stage and limited financial resources throughout the entrepreneurial journey is a major obstacle for ethnic minority entrepreneurs, hindering their growth potential. Tackling wider social structural barriers such as

unequal access to labour market opportunities and product markets, and gender and ethnicity pay gaps, is therefore critical to help create a level playing field for aspiring entrepreneurs from ethnic minority communities.

Second, the need for greater **accountability** of organisations across public, private and third sectors, including business support agencies, finance providers and large purchasing organisations, for their business engagement with EMBs. Our report has highlighted the importance of valuing diversity of enterprise. Yet there is currently a lack of leadership at the UK-wide level to promote and support inclusive entrepreneurship and it is unclear who owns this agenda. At the individual organisational level, any forward-thinking organisation must recognise the benefits of diversity and seek, at the minimum, to review its engagement with EMBs as clients or suppliers. While some already do this well, and best practice should be acknowledged, there is more organisations can do to support EMBs.

Third, the need for long-term **partnerships** underpinned by collaborative efforts of organisations from across sectors to develop more appropriate support for EMBs. While each organisation can act individually and commit to our accountability pledge and challenge to improve its engagement with EMBs, there is a need for more collective action to tackle the systemic barriers that constrain EMBs' growth. Several promising partnership initiatives already exist in some regions of the UK to deliver bespoke support, but such initiatives are an exception rather than the rule. Examples of international best practice demonstrate the importance of collaborative efforts in designing and implementing more intensive, comprehensive, targeted and quality support initiatives appropriate to EMBs' needs. A combination of public and private funding appears to be the most effective model for ensuring financial sustainability of support initiatives targeting EMBs.

Finally, to address the barriers faced by EMBs and help them realise their entrepreneurial potential will require **commitment and leadership** from the government, as well as local business support ecosystem actors. The current lack of an explicit UK-wide policy on inclusive entrepreneurship could mean some parts of the country are left behind in terms of tackling structural inequalities and enabling entrepreneurs from ethnic minority communities (and other under-represented or disadvantaged groups) to access finance, wider markets and quality business support. If past experience is a guide, ensuring commitment from key stakeholders may be the biggest challenge.

TESTIMONIALS

“This report provides an authoritative and comprehensive insight into the UK’s business support landscape for ethnic minority business owners by setting out the systemic and structural barriers that they face. It also makes a very clear business case for a strategic policy change away from one-size-fits-all and towards tailored business support and access to finance to unlock the economic powerhouse that ethnic minority-led businesses present to UK PLC.”

Diana Chrouch, Special Adviser to the APPG for Black, Asian and Ethnic Minority Business Owners and Chair of National Policy for Ethnic Minority Business Policy of the Federation of Small Business

“It is well known that diversity is good for business and that diverse businesses deliver better performance. As the UK’s economic development bank, the British Business Bank aims to break down barriers by improving access to finance for entrepreneurs so that more founders from a Black, Asian or other ethnic minority background may achieve their business goals.

“Creating more opportunities for people from all walks of life to make the most of their skills and talent is vital to the success of the UK’s economic growth and prosperity. Entrepreneurs, regardless of their background, should be equally welcomed and supported in the world of business. However, who the person is and how they fit in to the society around them can too often impact the range of options open to them as well as the barriers they face. This report helps to shine a spotlight on these issues and the actions needed for enduring change.”

Catherine Lewis La Torre, CEO, British Business Bank

“We know that ethnic minority businesses face real challenges in today’s world of work, and this report has shown that with so much potential available, business leaders must do more to support them.

“The pressing need to support ethnic minority businesses is also why Business in the Community’s Race at Work Charter commitment has expanded to encourage employers to get more inclusive talent in their supply chains, which will result in more diverse role models leading successful businesses in the UK.

“One way in which employers can start is by reviewing their supply list, set targets to increase the representation of diverse talent and ensure that procurement teams ramp up the company’s connections to ethnic minority businesses.

“Employers themselves can focus on providing mentoring and networking opportunities for their colleagues, which makes all the difference in making a person feel included and looked after by their company.

“People are businesses’ best asset, and the smart employers will realise that prioritising progression, inclusion and diversity today will lead to a successful business tomorrow.”

Sandra Kerr CBE, Race Director at Business in the Community

“This superb report – based on the latest research and international best practice – offers an ambitious yet practical agenda for supporting UK’s ethnic minority entrepreneurs. It is essential reading for any organisation seeking to deliver effective and inclusive business support.”

Anthony Impey MBE, CEO, Be the Business

This landmark report by CREME provides a transformative programme of support for Black and ethnic minority entrepreneurship in the UK. It is based on leading edge research and best practice from around the world. The recommendations can help make a step change towards the development of ethnic minority entrepreneurs. We at UNITEE will use its insights in our own work as Europe’s only organisation representing entrepreneurs and professionals with a migrant background. The report will inspire our aim to develop a Europe-wide agenda for migrant entrepreneurship.

UNITEE – New European Business Confederation

“UK Black Business Show & UK Black Business Week aims to inspire and connect Black business owners and professionals whilst also equipping black professionals and entrepreneurs with business insights, new skills and knowledge to navigate the world of work. With the work we do, it is important to have reports like this to help us understand the challenges and barriers facing diverse communities. I’m also pleased to see that the report also discusses actionable measures for us to tackle these challenges collaboratively.”

Raphael Sofoluke, CEO and Founder, UK Black Business Show & UK Black Business Week

“This report could not have come at a better time. EMBs are contributing hugely to new enterprise and job creation in the UK but, at the same time, many new enterprises are not able to reach their full potential due to the barriers that exist. Addressing and dismantling these barriers is neither easy nor is it something that will happen quickly as the barriers are complex and often deeply entrenched in the cultural fabric of our society. It takes a village (ecosystem) to support a founder with the right access to networks, customers and finance and this work should be done strategically and in collaboration across the many stakeholders that exist. We believe that there is an urgent need to rally together now, to unlock the economic potential that EMBs present, whilst at the same time also addressing the inequalities that exist within their communities. We are looking forward to continuing this work with all our partners.”

Dirk Bischof, CEO, Hatch Enterprise



REFERENCES

- Altinay, L. and Altinay, E. (2008) 'Factors influencing business growth: the rise of Turkish entrepreneurship in the UK', *International Journal of Entrepreneurial Behaviour & Research*, 14(1): 24-46.
- Arrighetti, A., Bolzani, D. and Lasagni, A. (2014) 'Beyond the enclave? Break-outs into mainstream markets and multicultural hybridism in ethnic firms', *Entrepreneurship & Regional Development*, 26:9-10, 753-777.
- Arshed, N., Carter, S. and Mason, C. (2014) 'The ineffectiveness of entrepreneurship policy: is policy formulation to blame?', *Small Business Economics*, 43: 639-659.
- Bagwell, S. (2006) 'UK Vietnamese businesses: cultural influences and intracultural differences', *Environment and Planning C: Government and Policy*, 24: 51-69.
- Barnes, I. and Cox, V. (2007) 'EU migrants as entrepreneurs in Lincolnshire Exploiting the enterprise culture', *Entrepreneurship and Innovation*, 8(3): 209-218.
- Barrett, G. A., Jones, T. P. and McEvoy, D. (2001) 'Socio-economic and policy dimensions of the mixed embeddedness of ethnic minority business in Britain', *Journal of Ethnic and Migration Studies*, 27:2, 241-258.
- Basu, A. (2011) 'From 'break out' to 'breakthrough': Successful market strategies of immigrant entrepreneurs in the UK', *International Journal of Entrepreneurship*, 15: 1-23.
- Basu, A. (2004) 'Entrepreneurial Aspirations among Family Business Owners: An Analysis of Ethnic Business Owners in the UK.', *International Journal of Entrepreneurial Behavior & Research*, 10 (1/2): 12-33.
- Bates, T., Bradford, W. D. and Seamans, R. (2018a) 'Minority entrepreneurship in twenty-first century America', *Small Business Economics*, 50:415-427.
- Bates, T., Bradford, W.D. and Jackson III, W. E. (2018b) 'Are minority-owned businesses underserved by financial markets? Evidence from the private-equity industry', *Small Business Economics*, 50:445-461.
- Bates, T. and Robb, A. (2014) 'Small-business viability in America's urban minority communities', *Urban Studies*, 51(13): 2844-2862.
- BDRC (2007 onwards), SME Finance Monitor Online Homepage, accessed 15th July 2021. This site includes an archive listing and access portal for all SME Finance Monitor publications.
- BEIS / RDU (2018) 'Support for ethnic minority entrepreneurs helps 11,000 businesses get off the ground', UK Department for Business, Energy & Industrial Strategy and Race Disparity Unit, 20 August 2018, Available at [gov.uk/government/news/support-for-ethnic-minority-entrepreneurs-helps-11000-businesses-get-off-the-ground](https://www.gov.uk/government/news/support-for-ethnic-minority-entrepreneurs-helps-11000-businesses-get-off-the-ground) [Accessed on 26/04/2022].
- Berry, A. J., Sweeting, R. and Goto, J. (2006) 'The effect of business advisers on the performance of SMEs', *Journal of Small Business and Enterprise Development*, 13(1): 33-47.
- Black Business Network / Lloyds Bank (2021) 'Black. British. In Business & Proud Report', September 2021.

Blount, I. and Li, M. (2021) 'How Buyers' Attitudes Toward Supplier Diversity Affect Their Expenditures with Ethnic Minority Businesses', *Journal of Supply Chain Management*, 57(3): 3–24.

Boston, T.D. (1999) *Affirmative Action and Black Entrepreneurship*, London: Routledge.

Bray, M. (2020) 'Building & Sustaining More Black-founded Businesses', *Founders Forum*, Available at ff.co/building-sustaining-more-black-founded-businesses/ [Accessed on 26/04/2022].

British Business Bank (2022a) 'Sharia compliant finance', Available at startuploans.co.uk/sharia-compliant-finance/ [Accessed on 26/04/2022].

British Business Bank (2022b) 'Recovery Loan Scheme', Available at british-business-bank.co.uk/ourpartners/recovery-loan-scheme/ [Accessed on 26/04/2022].

British Business Bank (2021) 'Start Up Loans', Available at startuploans.co.uk/ [Accessed on 26/04/2022].

British Business Bank (2020) 'Alone, together: Entrepreneurship and diversity in the UK', October 2020, Available at british-business-bank.co.uk/research-alone-together/ [Accessed on 26/04/2022].

Broadhurst, K. (2018) 'In the pursuit of economic growth: drivers and inhibitors of place-based partnerships', *Regional Studies, Regional Science*, 5(1): 332–338.

Brynin, M., Karim, M. S. and Zwysen, W. (2019) 'The Value of Self-Employment to Ethnic Minorities', *Work, Employment and Society*, 33(5) 846–864.

BSWN (2020) 'Impact of COVID-19 on BAME Led Businesses, Organisations & Communities', A report by Black South West Network, Available at [static1.squarespace.com/static/594948a7414fb5804d2b4395/t/5ec3ee3](https://static1.squarespace.com/static/594948a7414fb5804d2b4395/t/5ec3ee32a5b5c27385219625/1589898876817/Covid19_Report_v2_compressed.pdf)

[2a5b5c27385219625/1589898876817/Covid19_Report_v2_compressed.pdf](https://static1.squarespace.com/static/594948a7414fb5804d2b4395/t/5ec3ee32a5b5c27385219625/1589898876817/Covid19_Report_v2_compressed.pdf) [Accessed on 21/03/2021].

Cabinet Office (2020) 'New measures to deliver value to society through public procurement', News Story, Published on 24 September 2020, Available at gov.uk/government/news/new-measures-to-deliver-value-to-society-through-public-procurement [Accessed on 26/04/2022].

Carter, S., Mwaura, S., Ram, M., Trehan, K., Jones, T. (2015) 'Barriers to ethnic minority and women's enterprise: Existing evidence, policy tensions and unsettled questions', *International Small Business Journal*, 33(1) 49–69.

Centre For Entrepreneurs and DueDil (2014) 'Migrant Entrepreneurs: Building our Businesses Creating our Jobs', A report by Centre for Entrepreneurs and DueDil.

Chikweche, T. and Bressan, A. (2020) 'An investigation on the need for business advisers who can respond to the changing needs of small business enterprises faced with a dynamic operating environment', *Journal of Small Business & Entrepreneurship*, Epub ahead of print.

Chrouch, D. (2020) 'BAME Business Owners COVID-19 RESPONSE: Voice from the Grassroots Consultation Findings'.

Cowling, M., Liu, W. and Conway, E. (2021/22) 'Ethnicity and bank lending before and during COVID-19', *International Journal of Entrepreneurial Behavior & Research*, Epub ahead of print.

CRED (2021) *Commission on Race and Ethnic Disparities, Final Report*, HMSO, London.

Cunningham, J. and McGuire, D. (2019) 'Business support and training in minority-ethnic, family-run firms: the case of SMEs in Scotland', *Human Resource Development International*, 22(5): 526–552.

Davidson, M. J. and S. L. Fielden (2010) 'Black, Asian and Minority Ethnic female business owners: Discrimination and social support', *International Journal of Entrepreneurial Behaviour & Research*, 16(1): 58-80.

DCLG (2013) 'Ethnic Minority Businesses and Access to Finance', UK Department for Communities and Local Government.

Deakins, D., Ram, M. and Smallbone, D. (2003) 'Addressing the business support needs of ethnic minority firms in the United Kingdom', *Environment and Planning C: Government and Policy*, 21: 843-859.

Dhaliwal, S. (2006) 'The take-up of business support by minority ethnic enterprises: The experience of South Asian businesses in England', *Entrepreneurship Management*, 2: 79-91.

Dheer, R. J. S. (2018) 'Entrepreneurship by immigrants: a review of existing literature and directions for future research', *International Entrepreneurship and Management Journal*, 14: 555-614.

DWP (2021a) 'New Enterprise Allowance statistics: April 2011 to June 2020', UK Department for Work and Pensions, Available at: <https://www.gov.uk/government/statistics/new-enterprise-allowance-april-2011-to-june-2020/new-enterprise-allowance-statistics-april-2011-to-june-2020#characteristics-of-those-on-new-enterprise-allowance> [Accessed on 12/07/2021].

DWP (2021b) 'Guidance: Local Enterprise Partnerships and BME workers: A practical guide to addressing skills challenges', UK Department for Work and Pensions, Available at [gov.uk/government/publications/ethnic-minority-employment-bulletins/local-enterprise-partnerships-and-bme-workers-a-practical-guide-to-addressing-skills-challenges#executive-summary](https://www.gov.uk/government/publications/ethnic-minority-employment-bulletins/local-enterprise-partnerships-and-bme-workers-a-practical-guide-to-addressing-skills-challenges#executive-summary) [Accessed on 26/04/2022].

Edwards, P., Ram, M., Jones, T. and Doldor, S. (2016) 'New migrant businesses and their workers: developing, but not transforming, the ethnic economy', *Ethnic and Racial Studies*, 39(9): 1587-1617.

Edwards, P. and Ram, M. (2006) 'Surviving on the Margins of the Economy: Working Relationships in Small, Low-Wage Firms', *Journal of Management Studies*, 43(4): 895-916.

Emslie, L. and Bent, R. (2007) 'Public sector business support providers: marketing business support to the ethnic business sector', *Marketing Intelligence & Planning*, 25(5): 460-482.

Esper, T. L., Goldsby, T. J. and Zinn, W. (2020) 'A Challenge in Our Time: Issues of Race in Supply Chain Management', *Journal of Business Logistics*, 41(3): 178-181.

European Commission (2016) 'Evaluation and Analysis of Good Practices in Promoting and Supporting Migrant Entrepreneurship: Guide book, August 2016.

Fallon, G. and Berman Brown, R. (2004) 'Supporting ethnic community businesses: lessons from a West Midlands Asian business support agency', *Regional Studies*, 38: 137-148.

FCA (2021a) Financial Lives Survey, 2020, Financial Conduct Authority, Available at [fca.org.uk/publications/research/financial-lives](https://www.fca.org.uk/publications/research/financial-lives) [Accessed on 26/04/2022].

FCA (2021b) Financial Lives Survey, 2020 - Ethnic Commentary, Financial Conduct Authority, Available at [fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus#lf-chapter-id-consumer-trends-from-2017-to-early-2020-levels-of-product-holding](https://www.fca.org.uk/publications/research/financial-lives-2020-survey-impact-coronavirus#lf-chapter-id-consumer-trends-from-2017-to-early-2020-levels-of-product-holding), [Accessed on 26/04/2022].

Fraser, S. (2014) 'Back to borrowing? perspectives on the Arc of Discouragement', Enterprise Research Centre, White Paper, 8.

Fraser, S. (2009) 'Is there Ethnic Discrimination in the UK Market for Small Business Credit?', *International Small Business Journal*, 27(5): 583–607.

GBSLEP (2020) 'Call for second wave of applications at launch of first-of-its-kind initiative supporting BAME businesses seeking Commonwealth contracts', Greater Birmingham and Solihull Local Enterprise Partnership, 30 January 2020, Available at gbslep.co.uk/news-and-events/news/call-for-second-wave-of-applications-at-launch-of-first-of-its-kind-initiative-supporting-bame-businesses-seeking-commonwealth-contracts/ [Accessed on 26/04/2022].

Green, W. (2020) 'Firms urged to commit 1% of spend with ethnic minority businesses', The Chartered Institute of Procurement and Supply, Published on 1 July 2020, Available at cips.org/supply-management/news/2020/july/firms-urged-to-commit-1-of-spend-with-ethnic-minority-businesses/ [Accessed on 26/04/2022].

Gligor, D. (2020) 'Birds of a feather: The impact of race on the supplier selection and evaluation process', *International Journal of Production Economics*, 230, 107802.

Grünhagen, J. H. (2018) *Entrepreneurship in emerging economies: The phenomenon of returnee entrepreneurs*. PhD thesis, Queensland University of Technology.

Hack-Polay, D., Ogbaburu, J. T., Rahman, M. and Mahmoud, A. B. (2021) 'Immigrant entrepreneurs in rural England- an examination of the socio-cultural barriers facing migrant small businesses in Lincolnshire', *Local Economy: The Journal of the Local Economy Policy Unit*, 35(7): 676-694.

Hack-Polay, D., Igwe, P. A. and Madichie, N. O. (2020) 'The role of institutional and family embeddedness in the failure of Sub-Saharan African migrant family businesses', *The International Journal of Entrepreneurship and Innovation*, 21(4) 237–249.

Hagos, S., Izak, M. and Scott, J. M. (2019) 'Objective institutionalized barriers and subjective performance factors of new migrant entrepreneurs', *International Journal of Entrepreneurial Behavior & Research*, 25(5): 842-858.

Han, L., Benson, A., Chen, J. J. and Zhang, S. (2014) 'The use and impacts of bank support on UK small and medium-sized enterprises', *International Small Business Journal*, 32(1) 61–80.

Han, L., Fraser, S., & Storey, D. J. (2009) 'Are good or bad borrowers discouraged from applying for loans? Evidence from US small business credit markets', *Journal of Banking & Finance*, 33(2): 415-424.

Holford, L., Tregaskis, O., Ram, M. and Jones, T. (2009) 'Handbook on Supplier Diversity in Europe', *Supplier Diversity Europe*, Centre for Research in Ethnic Minority Entrepreneurship and Migration Policy Group.

Hussain, J., Millman, C. and Scott, J. (2007) 'Ethnic minority graduate entrepreneurs in the UK: Characteristics, motivation and access to finance', *Industry and Higher Education*, 21(6): 455–463.

ICAI (2019) 'Annotated bibliography: Information note: The use of UK aid to enhance mutual prosperity', Independent Commission for Aid Impact, 23 October 2019, Available at icai.independent.gov.uk/html-version/information-note-the-use-of-uk-aid-to-enhance-mutual-prosperity/# [Accessed on 26/04/2022].

- Ishaq, M., A. Hussain, and G. Whittam (2010) 'Racism: A Barrier to Entry? Experiences of Small Ethnic Minority Retail Businesses', *International Small Business Journal*, 28 (4): 362–377.
- Invest NI (2017) 'Business Strategy 2017-2021', Invest Northern Ireland, May 2017.
- James, L. and Guile, D. (2014) 'Evaluating the transition from Regional Development Agencies to Local Economic Partnerships: The views of SMEs in the British West Midlands', *Local Economy*, 29(3) 181–194.
- Jones, T., Ram, M. and Villares-Varela, M. (2018) 'Diversity, economic development and new migrant entrepreneurs', *Urban Studies*, 56(5): 960-976.
- Jones, T., Ram, M., Li, Y. and Edwards, P. (2014a) 'The Contribution of New Migrant Entrepreneurs in the UK', Report prepared for the Centre for Entrepreneurs, CREME.
- Jones, T., Ram, M., Edwards, P., Kiselinchev, A., and Lovemore, M. (2014b) 'Mixed embeddedness and new migrant enterprise in the UK', *Entrepreneurship & Regional Development*, 26:5-6, 500-520.
- Jones, T., Ram, M., Edwards, P., Kiselinchev, A. and Muchenje, L. (2012) 'New Migrant Enterprise: Novelty or Historical Continuity?', *Urban Studies*, 49(14): 3159-3176.
- Jones, T., Ram, M. and Theodorakopoulos, N. (2010) 'Transnationalism as a Force for Ethnic Minority Enterprise? The Case of Somalis in Leicester', *International Journal of Urban and Regional Research*, 34.3: 565–85.
- Kerr, W. R. (2008) 'Ethnic scientific communities and international technology diffusion', *The Review of Economics and Statistics*, 90(3): 518–537.
- Kloosterman, R. C. (2010) 'Matching opportunities with resources: A framework for analysing (migrant) entrepreneurship from a mixed embeddedness perspective', *Entrepreneurship and Regional Development*, 22:1, 25-45.
- Kon, Y. and Storey, D. J. (2003) 'A theory of discouraged borrowers', *Small Business Economics*, 21(1): 37-49.
- Kremel, A. (2016) 'Fulfilling the need of business advisory services among Swedish immigrant entrepreneurs: An ethnic comparison', *Journal of Entrepreneurship and Public Policy*, 5(3): 343-364.
- Lassalle, P. and Scott, J. M. (2018) 'Breaking-out? A reconceptualisation of the business development process through diversification: the case of Polish new migrant entrepreneurs in Glasgow', *Journal of Ethnic and Migration Studies*, 44(15): 2524–2543.
- Lissoni, F. (2018) 'International migration and innovation diffusion: an eclectic survey', *Regional Studies*, 52(5): 702-714.
- Liu, F., Liao, X. and Ming, C. (2020) 'Prejudice, Does It Exist or Not? Consumer Price Discrimination in Minority Entrepreneurship', *Frontiers in Psychology*, 11: 2180.
- Lyon, F., Sepulveda, L. and Syrett, S. (2007) 'Enterprising Refugees: Contributions and Challenges in Deprived Urban Areas', *Local Economy*, 22(4): 362–375.
- Marlow, S. (1992) 'The Take-up of Business Growth Training Schemes by Ethnic Minority-owned Small Firms in Britain', *International Small Business Journal*, 10(4): 34-46.
- Martinez Dy, A. (2019) 'Levelling the playing field? Towards a critical-social perspective on digital entrepreneurship', *Futures*, Available online 9 July 2019.

Martinez Dy, A., Marlow, S. and Martin, L. (2017) 'A Web of opportunity or the same old story? Women digital entrepreneurs and intersectionality theory', *Human Relations*, 70(3): 286-311.

Mascarenhas-Keyes, S. and Arriaga-García, G. (2021) 'Community Organising for Inclusive Industrial Policy: A case study of Citizens UK Birmingham and migrant micro-enterprises', NESTA, June 2021.

Mendy, M. and Hack-Polay, D. (2018) 'Learning from failure: A study of failed enterprises of self-employed African migrants in the UK', *Journal of Small Business and Enterprise Development*, 25(2): 330-343.

Mole, K. (2021) 'Advice to entrepreneurs and small businesses', *Foundations and Trends in Entrepreneurship*, 17(2): 154-231.

Mole, K., North, D. and Baldock, R. (2017) 'Which SMEs seek external support? Business characteristics, management behaviour and external influences in a contingency approach', *Environment and Planning C: Politics and Space*, 35(3) 476-499.

Mole, K., Hart, M., Roper, S. and Saal, D. (2008) 'Differential gains from Business Link support and advice: a treatment effects approach', *Environment and Planning C: Government and Policy*, 26: 315-334.

Morris, M., Neumeyer, X and Kuratko, D. (2015) 'A portfolio perspective on entrepreneurship and economic development', *Small Business Economics*, 45:713-728.

MSDUK (2021) 'Minority Businesses Matter: The Contribution and Challenges of Ethnic Minority Businesses in the UK', An OPEN report by Legrain P. and Fitzgerald M. for MSDUK.

Mwaura, S., Levie, J., Stoyanov, S., Lassalle, P. and Carter, S. (2018) 'Taking steps to combat barriers to ethnic minority enterprise in Scotland', Hunter Centre for Entrepreneurship, May 2018.

Nathan, M. (2015) 'After Florida: Towards an economics of diversity', *European Urban and Regional Studies*, 22(1): 3-19.

NatWest Group (2021a) 'A springboard to recovery: Building back better together', NatWest Group.

NatWest Group (2021b) 'Removing barriers to enterprise', NatWest Group, Available at natwestgroup.com/our-purpose/enterprise.html [Accessed on 26/04/2022].

NatWest Group (2020) 'Banking on Racial Equality A Roadmap for Positive Change', NatWest Group.

Nwankwo, S., Akunuri, J. and Madichie, N. O. (2008) 'Supporting black businesses: narratives of support providers in London', *International Journal of Entrepreneurial Behaviour & Research*, 16(6): 561-580.

Oc. T. and Tiesdell, S. (1999) 'Supporting Ethnic Minority Business: A Review of Business Support for Ethnic Minorities in City Challenge Areas', *Urban Studies*, 36(10): 1723-1746.

OHCHR (2021) 'UN Experts Condemn UK Commission on Race and Ethnic Disparities Report', United Nations Human Rights Office of the High Commissioner, Available at ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=27004&LangID=E [Accessed on 26/04/2022].

Ojo, S. (2012) 'Ethnic Enclaves to Diaspora Entrepreneurs: A Critical Appraisal of Black British Africans' Transnational Entrepreneurship in London', *Journal of African Business*, 13(2):145-156.

Owalla, B., Vorley, T., Coogan, T., Lawton-Smith, H. and Wing, K. (2020) 'Absent or overlooked? Promoting diversity among entrepreneurs with public support needs', *International Journal of Entrepreneurial Venturing*, Epub ahead of print.

Panayi (2008) *Spicing up Britain: The Multicultural History of British Food*, London: Reaktion Books.

Rahman, M. Z., Ullah, F., and Thompson, P. (2018) 'Challenges and issues facing ethnic minority small business owners: The Scottish experience', *The International Journal of Entrepreneurship and Innovation*, 19(3): 177–193.

Ram, M., Jones, T. and Villares-Varela, M. (2017) 'Migrant entrepreneurship: Reflections on research and practice', *International Small Business Journal*, 35(1) 3–18.

Ram, M. and Jones, T. (2016) 'The two faces of migrant entrepreneurship in the UK', *e-Organisations & People*, 22(3): 25–33.

Ram, M., Jones, T., Edwards, P., Kiselinchev, A., Muchenje, L. and Woldesenbet, K. (2013) 'Engaging with super-diversity: New migrant businesses and the research–policy nexus', *International Small Business Journal*, 31(4): 337–356.

Ram, M., Trehan, K., Rouse, J., Woldesenbet, K. and Jones, T. (2012) 'Ethnic minority business support in the West Midlands: challenges and developments', *Environment and Planning C: Government and Policy*, 30(5): 504–519.

Ram, M., Woldesenbet, K. and Jones, T. (2011) 'Raising the 'table stakes'? Ethnic minority businesses and supply chain relationships', *Work Employment and Society*, 25(2) 309–326.

Ram, M. and Jones, T. (2008) 'Ethnic minority business: Review of research and policy', *Environment and Planning C: Government and Policy*, 26: 352–374.

Ram, R., Gilman, M., Arrowsmith, J. and Edwards, P. (2003) 'Once more into the sunset? Asian clothing firms after the national minimum wage', *Environment and Planning C: Government and Policy*, 21: 71–88.

Ram, M. and Smallbone, D. (2003) 'Policies to support ethnic minority enterprise: the English experience', *Entrepreneurship & Regional Development*, 15: 2, 151–166.

Ram, M., Sanghera, B., Abbas, T., Barlow, G. and Jones, T. (2000) 'Ethnic minority business in comparative perspective: The case of the independent restaurant sector', *Journal of Ethnic and Migration Studies*, 26:3: 495–510.

Ram, M., Sanghera, K., Raja Khan, D. and T. Abbas (1999) 'Ethnic matching' in enterprise support: The process in action', *Journal of Small Business and Enterprise Development*, 3(3): 149–156.

Ram, M. and Jones, T. (1998) *Ethnic Minorities in Business*. Milton Keynes: Small Business Research Trust.

Rath J and Swagerman A (2016) Promoting ethnic entrepreneurship in European cities: Sometimes ambitious, mostly absent, rarely addressing structural features. *International Migration Review* 54(1): 152–166.

Roberts, R., Ram, M., Jones, T., Idris, B., Hart, M., Ri, A., and Prashar, N. (2020) 'Unlocking Opportunity: The Value of Ethnic Minority Firms in UK Economic Activity and Enterprise', *The Federation of Small Businesses*. London, U.K.

Roberts, R. G., Ram, M. and Jones, T. (2019) 'It Took A Riot....UK Policymaking for Ethnic Minority Entrepreneurship', *Institute for Small Business and Entrepreneurship Conference*, 14–15 November, Newcastle, UK.

Roberts, R. and Walker, S. (2018) 'The Future of CDFI Business Lending', *Report by the Centre for Research in Ethnic Minority Entrepreneurship*, March 2018.

Rouse, J. and Trehan, K. (2020) 'A Review of Assumptions Underlying Women's Enterprise Policy Initiatives', *Enterprise Research Centre, State Of The Art Review No 38*: March 2020.

Scotland Can Do (2021) 'Scotland Can Do: A national vision & approach to accelerating entrepreneurship and innovation', Sponsored by Scottish Government and delivered by Entrepreneurial Scotland, Available at cando.scot/ [Accessed on 26/04/2022].

Scottish Government (2021) 'Race Equality Action Plan 2017/21 – Final Report', March 2021.

Scottish Government (2016) 'Scotland's Social Enterprise Strategy 2016-26', December 2016.

Scott, J. M. and Irwin, D. (2009) 'Discouraged advisees? The influence of gender, ethnicity, and education in the use of advice and finance by UK SMEs', *Environment and Planning C: Government and Policy*, 27: 230-245.

Sepulveda, L., Syrett, S., and Lyon, F. (2011) 'Population superdiversity and new migrant enterprise: The case of London', *Entrepreneurship & Regional Development*, 23:7-8, 469-497.

Serafino, P. (2019) 'Exploring the UK's digital divide', UK Office for National Statistics, 4 March 2019.

Shinnar, R. S., Aguilera, M. B. and Lyons, T. S. (2011) 'Co-ethnic markets: Financial penalty or opportunity?', *International Business Review*, 20: 646-658.

Smallbone, D., Bertotti, M. and Ekanem, I. (2005) 'Diversification in ethnic minority business: The case of Asians in London's creative industries', *Journal of Small Business and Enterprise Development*, 12(1): 41-56.

Smith, A.M.J., Galloway, L., Jackman, L., Danson, M. and Whittam, G. (2018) 'Poverty, social exclusion and enterprise policy: A study of UK policies' effectiveness over 40 years', *The International Journal of Entrepreneurship and Innovation*, 20(2) 107-118.

Solano, G., Wolffhardt A., Xhani, A., (2019) *Measures to Support Early-Stage Migrant Entrepreneurs*, MEGA Handbook.

Spigel, B. (2020) *Entrepreneurial Ecosystems*, Cheltenham: Edward Elgar.

Syrett, S. and Sepulveda, L. (2011) 'Realising the diversity dividend: population diversity and urban economic development', *Environment and Planning A*, 43: 487-504.

Taddei, L. and Solano, G. (2020) 'Immigrant entrepreneurship in Europe, A comparative analysis of trends in the Member States of the European Union', In: Centro Studi e Ricerche IDOS (ed.), *Report on Immigration and Entrepreneurship 2019 -2020*, IDOS, pp. 7-17.

Teixeira, C., Lo, L. and Truelove, M. (2007) 'Immigrant entrepreneurship, institutional discrimination, and implications for public policy: a case study in Toronto', *Environment and Planning C: Government and Policy*, 25: 176-193.

Theodorakopoulos, N., Ram, M., Shah, M. and Boyal, H. (2005) 'Experimenting with Supply Chain Learning (SCL): Supplier Diversity and Ethnic Minority Businesses', *International Entrepreneurship and Management Journal*, 1: 461-478.

United Nations (2018) 'Policy Guide on Entrepreneurship for Migrants and Refugees', New York: UNCTAD.

Vertovec, S. (2007) 'Superdiversity and its implications', *Ethnic and Racial Studies*, 30(6): 1024-1054.

Welsh Government (2021) 'An Anti-Racist Wales: The Race Equality Action Plan for Wales – Emerging Vision, Purpose, Values and Envisaged Future by 2030'.

Woldesenbet, K. and Worthington, I. (2019) 'Public Procurement and Small Businesses: Estranged or Engaged?', *Journal of Small Business Management*, 57:4, 1661-1675.

Xheneti, M. (2021) 'Policies for promoting entrepreneurship as a means of increasing social inclusion', In: Cooney, T. (eds) *The Palgrave Handbook on Minority Entrepreneurship*.

Younkin, P. and Kappuswamy, V. (2019) 'Discounted: The effect of founder race on the price of new products', *Journal of Business Venturing*, 34: 389-412.

