16th Annual Ethnic Minority Business Conference

**MAKING DIVERSITY AND ENTERPRISE EVERYONE’S BUSINESS**

Friday 26th October 2012
British Bankers’ Association, London
Organised by:
The Centre for Research in Ethnic Minority Entrepreneurship (CREME),
De Montfort University

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Summary

One might have expected an atmosphere of gloom and doom at the 16th Annual Ethnic Minority Business (EMB) Conference given the poor economic outlook and the huge reductions in public funding for business support. But such expectations were the opposite of the mood of optimism the Conference generated.

Attendees’ optimism was buoyed on hearing how institutions that can make a real difference, particularly those in the private sector, were taking on board the research on: the importance of EMBs for the economy; the challenges that these businesses face; and many examples of good practice in helping them meet these challenges. Most importantly, attendees heard how these institutions were beginning to act on this evidence.

Hosted at the British Bankers’ Association’s (BBA) headquarters in London, itself a sign of the watershed nature of the Conference, it focused on the work of the Enterprise and Diversity Alliance (EDA), a unique collaboration between senior managers from the private and public sector, professional associations and academic institutions, in mobilising the significant untapped resources within the private sector to unleash the potential of EMBs and other diverse small and medium sized enterprises (SMEs).

The second theme of the Conference was a review of the latest and most comprehensive evidence on small firms’ access to finance and the role finance and financial management played in small firms with potential for rapid growth. What barriers did EMBs and other SMEs face in accessing affordable finance and what changes were needed to help overcome these barriers?

‘We now have a lot of people in important positions on board of this agenda, including the commitments from the Minister. We have definitely taken a large leap forward today, to a different level.’

Karen Surdhar, Leicester City Council
Thirdly, the Conference turned to business mentoring, perhaps the core Government policy in relation to SME support, examining different approaches which had proved to be effective in developing trusting and beneficial mentoring relationships which were advantageous to both the mentee and the mentor.

The Conference ended with a call for more Local Enterprise Partnerships (LEPs), banks, accountants, large firms and others to join with the EDA, the BBA and other EDA partners to make diversity and enterprise their business through activity in collaboration with EMBs and other diverse SMEs that can make a real difference to growth of both these businesses and the economy as a whole.

‘It was a very positive event. It showed that the British Bankers’ Association and their members were engaging positively with an important agenda and there are some very interesting models of good practice that are developing.’

Robin Landman, OBE, Network for Black Professionals

Introduction

Opening the Conference, CREME’s Director, Professor Monder Ram, stressed the importance of EMBs for the national economy and particularly for its major cities such as Leicester and Birmingham. It is estimated that they contribute between £20 and £40 billion to the national economy every year and provide over 6% of total SME employment. They also tend to be more innovative and have more international links than other SMEs, often growing faster. But they face many challenges and ‘this Conference is about generating and sharing ideas on how we meet these challenges’.
Irene Graham, Managing Director of Business Finance and Strategic Initiatives at the BBA, welcomed attendees, stating that while diversity and inclusion were part of the BBA’s core values, it was clear that there was a need to rebuild trust and confidence in the banks especially around access to finance. Banks need to be more transparent and need to provide better and more appropriate support to ensure businesses get the right finances at the right time. Research was also fundamental. She described how the BBA was working with the EDA on a programme of local workshops and other engagement and support activity. The BBA also wanted to work together more with other agencies in this arena such as the Local Enterprise Partnerships (LEPs).

The Government’s commitment to supporting EMBs and removing barriers to their growth and survival was underlined by the Right Hon Don Foster MP, Parliamentary Under-Secretary of State at the Department of Communities and Local Government. He said that it was essential for growth that we get more money flowing through the economy especially for EMBs and other SMEs, but given the constraints on public funds, the bulk of funds would have to come from the private sector including the institutions in this room. A Government report on EMB access to finance was being prepared which would contain many recommendations for action. It would take on board ideas that emerge from this Conference.
Session One: The Enterprise and Diversity Alliance (EDA)

Introducing the next section, Professor Monder Ram observed that the EDA was one way that a number of institutions had been responding to the challenges raised by the introductory speakers.

The EDA is a unique collaboration between senior managers from the private and public sector, professional associations and academic institutions to promote development and growth of diverse SMEs through imaginative and productive relationships with large firms and providers of business services and finance. The EDA works closely with local business associations, pooling experience, knowledge and resources to provide support on the ground for minority entrepreneurs.

It seeks to ensure that advice on business start up and development is:

- strategic and not ad hoc;
- sustained;
- super-diverse, recognising that businesses are diverse in a whole number of ways, not just the ethnicity of their owners.

EDA members are from banking, accountancy, academic institutions, large firms, business support agencies and so on. They bring commitment to act and to be ambassadors within their own networks. For example, the EDA’s bank members have been instrumental in securing the BBA’s involvement and commitment.

‘This was a breath of fresh air. We’ve had promises before but the promises today seem to be backed up by action. We need economic change that is inclusive. Today was a big step in the right direction.’

Chris Isa Ellis, Leicestershire Ethnic Minority Partnership
The EDA’s approach is to research what is needed and what works and then apply it. Each member develops an action plan which reflects their interests and what they can offer. For example, the ACCA is looking at how to mobilise the 30% of its members who are BME to target EMBs with advice on access to markets and finance. Others have organised events at a local level to provide information and advice on issues of concern to SMEs such as on tax, finance and property issues. Most recently, the EDA has organised local workshops with the BBA and some of its members for EMBs on access to finance, listening as well as providing advice.

The EDA has also worked around procurement to get the public sector and large private firms to treat EMBs and SMEs as valued assets by easing access to their supply chains. Peer to peer and large-small business mentoring has been widened through work with Business in the Community, corporates and banks.

The EDA is keeping the knowledge gained over the last 20 years alive and a basis for action. For the academics involved, it is about engaged scholarship – putting the implications of their research into practice and action learning from this practice.

**Session Two: Access to Finance**

The deepest recession since the 1930s has renewed interest in access to finance for SMEs in general and EMBs in particular.

Introduced by Professor Richard Roberts, SME Market Analysis Director at Barclays, this session reviewed the latest data and research on EMB access to finance and on the role of finance and financial management in SME growth, drawing out the implications for policy and practice.
In another talk rich with data, Dr Stuart Fraser (Associate Professor of Enterprise at the Warwick Business School) reviewed the research to date on differences in access to finance by the ethnicity of business owners and the reasons for these differences. Black businesses are 4 times more likely than White businesses to have loan applications denied and along with Bangladeshi businesses, pay on average 1% points more for their loans. Why is this happening?

Drawing on the most extensive survey data available on SMEs and finance, Dr Fraser showed that in contrast to the conclusions of similar econometric studies in the USA, these differences in outcomes were not because of direct discrimination by financial institutions, but because certain business risk factors were more prevalent amongst certain ethnicities (e.g. missed loan repayments, less business experience, less collateral and fewer business assets, and shorter banking relationships). In addition, EMB perceptions that they would face discrimination meant that they were more likely to be discouraged from applying for finance.

This analysis suggests that EMB policy should be directed at tackling the issues of lower:
- business experience and financial skills;
- take up of financial advice;
- business performance.

The surveys also provided some encouraging news: incidences of critical problems with finance among Black and Bangladeshi owned businesses seem to have fallen; there is some evidence that the gap in Black/White owned business overdraft rejection rates is narrowing; and the discouragement rate among Black owned businesses is falling.
Drawing on qualitative and quantitative surveys, Emmanouil (Manos) Schizas, Senior Economic Analyst at the Association of Chartered Certified Accountants (ACCA) stated that although there was no conclusive evidence of direct discrimination, there is still much to be done to break down barriers to EMBs’ access to finance and growth.

Manos’s evidence suggested a number of features commonly associated with rapidly growing firms: they tend to need substantial capital, they are largely self-financed; usually seek foreign markets; respond to global competition but normally grow domestically first. Indeed, there are few countries where SMEs can grow without exporting.

More recent surveys have begun to identify the ethnicity of business ownership. This data suggests that EMBs:

- were more likely to have a high growth in turnover;
- were less likely to be profitable in the last year;
- were more likely to be planning to grow through new products and services and looking to expand overseas;
- tend to provide more employment than average.

Manos also identified factors that help an SME garner finance from banks and survive and grow including having: a business plan at the outset which is regularly reviewed; trained people in charge of finances; no critical cash-flow/credit problems; access to professional advice before applying for funds. In short, financial capabilities of a firm are a cause of growth not a consequence.

He therefore concluded that there is a role for mentoring in improving financial competence. Mentoring does fit the learning styles of entrepreneurs, but it is not cheap or quick although it does need some pay off in the short term. A key distinction between advising and mentoring is that advisers deal with individual problems while mentoring unlocks opportunities.
Session Three: Mentoring: Innovations and Experiences

This session was introduced by Stephen Pegge, Director SME & Commercial Communications at Lloyds Banking Group. Business mentoring is a star attraction of the Coalition Government’s business support policy. The Department of Business Innovation and Skills has a target of providing SFEDI training for 15,000 mentors, having achieved almost 11,000 to date. The banks have also committed to recruiting several thousand people to provide business finance mentoring support. Much has been written on this initiative but less on how to make mentoring work well for SMEs and on how to ensure mentoring opportunities are taken up and used productively by EMBs and other diverse businesses.

The EDA has much to offer here as its members have had a focus on mentoring from the early days, well before its prominence in national policy. An overview of this work was provided by Professor Kiran Trehan of the University of Birmingham. From the outset, the EDA had seen that the real value of mentoring was only extracted when a deep, trustful and productive relationship was established between the business mentor and mentee. This has been achieved through three broad approaches, all of which were thought through beforehand and informed by an action learning process which sought to measure the impact on the ground, building the evidence base of what worked as mentoring proceeded.

The first approach was to establish peer to peer mentoring groups such as the 12-8 Group, six African-Caribbean businesses that provided advice and support to each other's businesses. Fyshnet, a Bangladeshi businesses peer to peer network was also catalysed and currently Mindset, a multi-ethnic network, is being facilitated.
The second approach was to develop mentoring relationships between a large corporate (wholesaler and retailer, A.F. Blakemore & Son Ltd) and the smaller businesses in the 12-8 Group. Brokered by Business in the Community, this proved to be of great benefit to the smaller businesses and to the corporate, providing fertile ground for developing its managers and leaders.

The third approach was work with the BBA’s mentoring scheme, taking what the Lloyds Banking Group was offering and linking it in with grassroots businesses that they would not usually be able to reach. This was achieved through organising a pre-mentoring event with a relaxed atmosphere to inform potential mentees about the process, hear what their concerns were and thereby establish trust and a better starting point. Further details of how this worked were provided by Jackie Jenks, Manager of Business Mentoring at the Lloyds Banking Group.

Two EMB business owners, Neelam Meetcha and Ian Harris, explained the benefits they had obtained from mentoring, emphasising that you had to stick with it and trust the mentor sufficiently to take on board some difficult messages they might give you. This meant that the mentor really had to understand the mentee’s business, providing a real learning opportunity for the mentor as well.

Mid-counties Cooperative Society, the second largest retail cooperative in the country, described how it had supported a Balti restaurant in Halesowen called Balti Towers that wanted to package and sell its Balti sauces. Mentors from Mid-counties helped the business owners develop this idea through conception, business planning, production and marketing. Balti Towers has become a very successful supplier, receiving a regional business award. The mentors also learnt a great deal from the experience.
The Way Forward

In summing up the day, Professor Monder Ram invited attendees to join with the EDA on its journey to make diversity and enterprise everyone’s business. The EDA will be:

- keeping abreast of emerging evidence;
- organising a series of informing and listening events with the BBA and others across the country;
- disseminating information on EMBs and engaging new networks;
- rolling out the approaches to mentoring it has pioneered.

The aim is to see this way of working embedded in the work of LEPs and others. It is already working with leading members of the Greater Birmingham and Solihull LEP and there is a need to expand this to LEPs across the country. There is also a need to ensure that the initiatives outlined by the Minister reach EMBs and take into account their dynamics. “The EDA has already started this journey and I hope you will join us in taking it forward,” he said.

‘We have shown that as businesses we are willing to play our part and really push forward the agenda, breaking down barriers. We should see EMB issues not as problems but as opportunities. It was great for networking, particularly in this building. We normally feel out there on our own. Today has been fantastic.’

Douglas Beoku-Betts, Leicester African Caribbean Business Association (LACBA)
The key messages from this Conference are:

For the banks and other financial institutions:

- improve communication with and understanding of SMEs that approach you seeking finance, explaining decisions and offering continuing advice and mentoring opportunities whatever the decision;

- reach out to develop more productive and long lasting relations with EMBs and other diverse businesses by following the example of the BBA in organising information and listening events with local business networks;

- become involved in long term business finance mentoring schemes which reach and create trusting relationships with EMBs and other SMEs.

For large businesses:

- establish business mentoring programmes which establish trusting, long term relationships with EMBs and other SMEs – there is a business case for this, not just CSR;

- examine procurement procedures to remove unnecessary barriers to EMBs/ SMEs becoming part of your supply chain.

For business service and support agencies:

- understand the importance of EMBs to the economy and your customer base, and address the specific issues they face recognising that they are often similar to those of other SMEs and that all businesses are diverse in many ways besides the ethnicity of their owner.

For EMBs and their associations, including wider SME associations:

- seize the opportunities being provided by the BBA, EDA members and others, working with them to spread the word about what is available;

- consider becoming involved in peer to peer mentoring networks or other business mentoring opportunities which suit your needs;

- establish longer term business and financial advice relationships.
For Local Enterprise Partnership:

- work with the BBA, the ACCA and the EDA to engage local networks of EMBs and SMEs;

- encourage the development of business mentoring and financial advice which establish longer term, trusting relations with EMBs and other SMEs that are often by-passed by such initiatives and therefore not engaged;

- investigate the potential to establish seed capital for peer to peer mentoring projects and grant and loan schemes that target those with good business ideas and skills but with lower access to capital;

- base initiatives on the best evidence available and use action learning to improve the evidence base.

For the government:

- encourage LEPs to tap into the business advice and mentoring that can be offered by the local private sector and to work with EMB and other SME networks to reach SMEs that have been excluded or are discouraged from engaging with such opportunities;

- encourage banks to be more transparent and to feed back on loan decisions and to arrange post-decision advice for applicant SMEs;

- recognise that the real value of business mentoring is reaped when trusting and understanding relationships are established, and that this takes time;

- consider establishing grant and loan funds which target those with good business ideas and skills but less collateral and that are linked to take up of long term financial and business advice. This should include seed capital for peer to peer mentoring networks.
‘We really had very good engaged dialogue and discussion today, with good ideas to carry forward. Stuart and Manos gave us a clear picture of what is happening out there in the business community describing outcomes we need to work on. The discussion was very good on how we get mentoring into businesses in the right way.

The discussions that took place outside the main events have been equally important and just as enlightening. They sparked a great number of ideas that we now need to carry through. We’ve begun to get local bank managers involved with local EMBs through, for example, workshops in Leicester and Birmingham. We’re now working on a plan of action for 2013. We have to work more closely with the Local Enterprise Partnerships and draw them into joint work with accountants, banks and local businesses.’

Irene Graham,  
British Bankers’ Association

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If you would like further information about the Enterprise & Diversity Alliance, please contact Liz Frost at: efrost@dmu.ac.uk