

THE BLACK ENTREPRENEUR REPORT 2021



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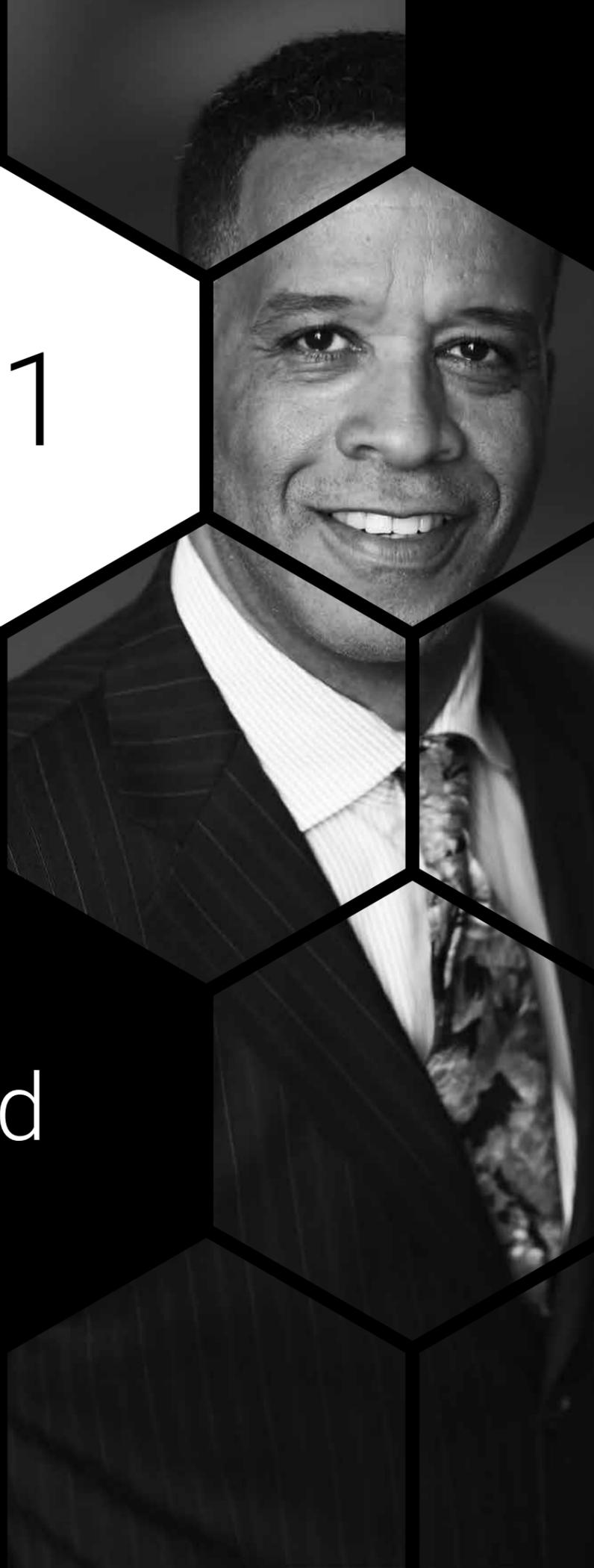


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01

Foreword



Lord Michael Hastings

Second Chancellor at Regents University and Chair of the Black Business Association & Black Business Institute at the London Chamber of Commerce.

As Chairman of the London Chamber of Commerce and Industry's Black Business Association, I am hugely honoured to endorse this report, not because it exposes the pressure issues that need addressing but because it allows us to look forward to an enhanced black business reality that people of all cultures eagerly buy services and products from. There is great potential. Now we must realise it.

The Black Entrepreneur Report (BER) is very timely, and it has shed much-needed light under the bushel of entrepreneurship within the UK. This Report is extremely insightful and pragmatic, as it seeks to deliver transformative and sustainable change within the public and private sectors. It confronts some of the systemic challenges experienced by the Black, African, Caribbean, and ethnic minority communities within the UK, which have been prevalent for many decades.

The Report has laid bare some of the structural, cultural, and systemic inequalities and has confronted these deep-seated issues head-on, in areas such as access to finance, lack of mentoring, poor leadership, social capital deficit and access to contract opportunities as well as institutionalised discriminatory practices and 'normalised' cultural issues in the seemingly multicultural Britain.

The Report is pragmatic, solution-based, and audacious and aligns palpably with the tenets of the bestselling book, *Audacity of Hope*, as heralded by President Barack Obama, as well as embracing the principles of 'loss of familiar worlds' that enable the spirit of co-existence, opportunities, development, and mutual tolerance, as suggested in Paul Scheffer's *Immigrant Nations*. BER is lucidly articulated, research-driven and philosophically provoked to bring to public knowledge solution-based approaches and recommendations, which are bold, innovative, and transformational for a

better society. Specifically, the Report has called for greater transparency and accountability, a review of policy, measurability in terms of outcomes, and the introduction of non-executive diversity boards, to name but a few. The Report further advocates a progressive leadership style that seeks to deliver real, tangible, sustainable and transformational change.

The Report informs us that the opportunity to unleash the full spectrum of diverse, synergistic, and entrepreneurial talent within the British economy is not only the right thing to do, it's also good for Britain PLC. This will materialise in a strong, robust, and dependable economy that is fully inclusive for all citizens, regardless of race, belief, ideology and religion and colour, as well as being good for businesses and giving them the support they need. The Report proposes that this new, emerging sociocultural and entrepreneurial landscape will be a win-win situation for the UK economy and society at large!



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Nero Ughujabo

Senior Strategic Adviser and Former Special Adviser to The Prime Minister at 10 Downing Street

The Black Entrepreneur Report 2021 is an important report to come at this time.

This report comes off the back of the Race Disparity Audit 2017–2019, where the government of the day had to confront the challenges that the report exposed across all public services.

The audit highlighted how ethnic disparities in employment, education and health, as well as in other aspects, impede the growth of specific cultural groups, and it guided the government of the day to focus specifically on the solutions to mitigate the disparities, particularly around education and employment.

The Black Entrepreneur Report 2021 builds on the response to the Race Disparity Audit, what we have learnt from the disproportionate impact of COVID-19 on particular groups, and the systemic structural inequality highlighted in graphic terms with the murder of George Floyd. I believe it is right to look at the challenges that continue to hold communities back and to implement policies required to level the playing field.



This is a welcomed report with tangible practical steps to move the solution forward.



It is important and extremely valuable that this report has taken the time to talk to businesses, SMEs and entrepreneurs, and investigate the practical issues they face.

This report challenges policymakers to home in on the practical solutions around access to business support, investment and funding, challenging them to take tangible steps in both the public and private sector to level the playing field of the procurement process.

This is a welcomed report with tangible practical steps to move the solution forward.

René Carayol MBE

World Leading Executive Coach, International Business Speaker and Inclusive Leadership Expert

Thank you very much for enabling me to read and digest this outstanding research and report. You have brought alive both the issues and determination of the Black entrepreneurial class here in the UK. The findings are relevant and insightful!



Paul Hargreaves

Author and Managing Director at Cotswold Fayre, Flourish

I was powerfully impacted by a quote I read from Jane Silber a couple of years ago that the 'difference between diversity and inclusion is being invited to a house and being able to rearrange the furniture'.

Some progress has been made on diversity over the years, but until we allow the non-White population of the UK to rearrange our sociocultural, economic, and institutional furniture, we will fall a long way short of what is good for us as a nation and for our businesses.

You see, the change we need is not just about doing the right thing (which it surely is) but about doing what is good for everyone. Wilkinson and Pickett in *The Spirit Level* (2009) show that equality is better for everyone, not just those impacted by injustice. The whole of society and business is better when injustice and inequality are reduced and eventually eliminated. Data is starting to emerge to show that where there is equality and inclusion in companies, and where diverse leadership teams are in place, not only is there more fulfilment and happiness in those workplaces, but these companies are more successful and make better profits. So, even if this were your only motivation (which I sincerely hope it isn't), then ensuring that injustice and inequality are removed from our businesses, supply chains and teams would be the best course of action for success.

Read this powerful report and then act on its conclusions and we will, business by business, change the world for better.



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Leroy Logan MBE

Author and Founding member of the Black Police Association Charitable Trust

The Black Entrepreneur Report 2021 is an insightful report that comes at a pivotal moment within the current discourse concerning the disparities regarding race.

The report has managed to successfully articulate the systemic and cultural challenges experienced by Black entrepreneurs specifically within the UK, without the homogenisation of the Black Asian and Minority Ethnic (BAME) community, which is very significant. The report addresses some critical issues regarding access to finance, social capital, unconscious bias, and cultural nuances that continue to perpetuate the challenges experienced by the Black entrepreneur, which is not far removed from what we find in public-run organisations and the charitable sector.

The report goes on to offer a series of strategic and significant recommendations ranging from policy through to diversity non-executive boards, all of which will help to shape not only the organisational narrative but also the decision-making process so that we can develop a more equitable society that gives access to opportunities for all, regardless of race or gender. The solutions offered in this report will require a progressive and strategic shift in the cultural mindset of industry, financial institutions, and policymakers.

The Black Entrepreneur Report is a well-developed and challenging report that can change the status quo, especially if it's fully embraced by the power brokers that shape and steer the private sector. It is timely that Dr Brown has produced this document, especially given the momentum of the Black Lives Matter movement across the world and how it resonates with their race and equality/equity issues that have been debated internationally and nationally.

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Professor Uzoechi Nwagbara (PhD)

Professor of Management, The ICT University; and Visiting Scholar Cardiff Metropolitan University, the University of the West of Scotland, University of Worcester, and University of Wales Trinity Saint David.

The Black Entrepreneur Report is provoked by an unflinching desire to address one of the subtle forms of inequality and institutionally couched discrimination that block some ethnic minorities from potential opportunities and inhibit their capacity for prosperity and reaching their full potential in a world that is sated with opportunities.

This report is not only thought-provoking but draped with evidence-based and poignant findings that etch on our collective conscience for a better society in the United Kingdom. It addresses some of the socio-economic, political, and ideological issues that constitute a roadblock to Black people's empowerment, prosperity, and development from the prism of entrepreneurship and beyond.

Proceeding from the above, The Black Entrepreneur Report follows in the footsteps of the gamut of contemporary studies shedding light on the dynamics of race relations, institutionalised racism and legitimised processes and mechanics that limit the rise and development of minority ethnic groups – specifically Black diaspora – in the UK. This is a welcome development as we collectively seek ways and means of upturning or reinventing the current landscape of injustices and discriminatory practices that buffet our multicultural Britain.

The Black Entrepreneur Report follows in the footsteps of the gamut of contemporary studies shedding light on the dynamics of race relations, institutionalised racism and legitimised processes and mechanics that limit the rise and development of minority ethnic groups – specifically Black diaspora – in the UK.





02

Executive Summary

A Time for Action

The key events of 2020 brought into stark focus the painful inequities in society and the inadequacy of the conversation surrounding diversity and inclusion. Whilst the disparities are ubiquitous within society as a whole, less attention has been given to the Black business community, which has also been impacted socio-economically and entrepreneurially.

This inaugural Black Entrepreneur Report (BER) brings together key findings from existing research and fresh insights from its own extensive survey of Black entrepreneurs to shed new light on the inherent disparities encountered by Black, African and Caribbean diaspora (BACD) business communities in the UK. The report's key intention is to galvanise a dialogue between different parts of the business community, policymakers, financial institutions and the public/private sectors, to foster open and meaningful conversations in a new and powerful way.

This timely report examines a wide range of aspects affecting Black entrepreneurs, including education and employment, access to finance, mentoring and coaching, social capital, and their inclusion in the supply chain. It encourages us to pay attention to the lived experience of BACD entrepreneurs as well as to rethink the nature of business relations in the UK.

The report presents sobering insights. It confirms that Black business owners continue to struggle to access funding, mentoring and skill-building opportunities. They suffer from a lack of inclusion in business networks and supply chains. The way Black entrepreneurs are perceived is a further barrier, and indeed may be one of the root causes of these other challenges. A staggering seventy-five per cent of respondents stated that they were perceived as being less competent or skilled than other ethnic groups. This negative perception is in stark contrast to the reality, which shows that a full 70 per cent of surveyed Black entrepreneurs have higher degrees, and that these Black-owned businesses are more likely to still be trading after five years than the national average. It seems clear that Black British people are still being misrepresented, maligned and mistreated – within business and beyond.

These findings highlight the strong contrast between the improved rhetoric and attention given to Black issues over the last 18 months, and the persistent, lived inequities that Black people and business owners experience every day. We call this the Race Paradox. The Race Paradox describes an inherent disconnect between policymakers, business leaders and aspirational governance. There is also a perceived pervasive

ambivalence between what's good for business and the economy and the shackles of the systemic cultural myopia which has stifled progress. Quite simply, we may be getting better at talking the talk. We are not yet walking the walk.

To drive real change, there must be a willingness and openness to change the culture within government, banks and corporations that serve or could be doing business with the BACD business community. For organisations to be more transparent, accountable, and responsible requires a shift in the institutional cultural fixedness and a new and more progressive form of leadership. It will need leaders who are more receptive and are willing to implement real systemic change and not remain psychologically shackled to the past and systems that may be incongruent with their organisational appetite and aspiration for change.

Government legislation will be required to galvanise support and to redress any potential imbalances within the private sector and government institutions. There must therefore be government-backed policies and legislation that underpins the rhetoric of levelling up and supporting the most underrepresented groups within society.

This report sets out recommended actions the various stakeholders can take to facilitate and transform the structural and systemic inequalities that exist. When government, institutions and corporations follow these recommendations, we can navigate a path towards the BACD's full and inclusive participation within the UK's macroeconomic landscape. Only with this decisive action will BACD businesses be afforded equal access to opportunities and not be left languishing behind the ethnic majority population.

This report proposes 21 concrete reforms within three pillars of fundamental reform:

Pillar 1: EMPOWER Black entrepreneurs, improving their access to funding, skills, mentoring and networks

- 1 Update risk policies for financing to become more inclusive
- 2 Provide investment-readiness mentoring and coaching
- 3 Government to introduce new framework agreements that grant access to finance for BACD business communities
- 4 Boost mentorship and coaching opportunities for Black entrepreneurs
- 5 Actively champion diverse businesses to build networks and social capital

Pillar 2: ENGAGE Black entrepreneurs, by procuring from Black-owned companies and engaging fully with Black communities and culture

- 6 Build centrally held databases of diverse suppliers
- 7 Make pre-qualification and RFP processes more accessible
- 8 Develop policies and frameworks to support purchasing social responsibility, including holding Tier 1 and 2 suppliers accountable for their diverse spend
- 9 Honestly reflect on progress through 360° review of diversity + supply chain opportunities for Black entrepreneurs
- 10 Require public and private sector organisations to publish their diversity supply chain expenditure
- 11 Consciously integrate cross-cultural communication into organisational strategies

- 12 Partner and integrate with diverse networks
- 13 Work with diverse consultancies to access diverse communities

Pillar 3: EMBED Black entrepreneurs, improving their access to funding, skills, mentoring and networks

- 14 Review and dismantle cultural-structural barriers
- 15 Get effective policies in place, which are actually acted on
- 16 Set and follow through on strong KPIs
- 17 Hold leaders accountable for diversity and inclusion (D&I) results
- 18 Require public and private sectors to publish their diversity statistics
- 19 Create open and transparent conversations (safe space – formal and informal)
- 20 Appoint external panel advisers to offer wise counsel
- 21 Diversify from the boardroom down

The message is clear. In the aftermath of the Windrush scandal in 2018 – and more recently the George Floyd murder and the Black Lives Matter movement – a re-examination and reshaping of systems, institutions and structures is called for. Every one of us can and must contribute to ensuring that people from all backgrounds have a more equal chance to succeed. What is good for business is also good for the economy and society!

It's time to get to work to achieve fundamental change for the long term!



03

Setting the Context

Purpose of the Report:

Focusing on the Black, African & Caribbean Diaspora (BACD)

There has been a long-standing systematic and systemic failure by various governments, both national and local, as well as governing bodies, business institutions and various financial institutions, regarding the treatment, opportunities, and access to finance for the Black, African, Caribbean diaspora (BACD) entrepreneur. Despite all the many fine words, gestures, politics and public support for diversity and inclusion, the Black entrepreneur continues to be constrained, stifled and failed by those institutions that advocate for real sustainable change. The Black Entrepreneur Report 2021 comes at a pivotal moment within the renaissance of the UK's race and diversity discourse.

The purpose of this report is specifically to investigate the current plight of the BACD entrepreneur within the UK. This report aims to achieve a more forensic and detailed examination of the underlying reasons that underpin the inherent disparities that exist for the BACD business community. There are a significant and growing number of BACD businesses across the length and breadth of the UK, with a particular predominance within the major conurbations such as London, Birmingham, Manchester, Bristol,

Nottingham, and Yorkshire. There are widely accepted perceptions and evidence that support the notion that structural inequalities exist between the Black entrepreneur and other ethnic groups within the UK.

This report was commissioned to understand the current barriers, disparities, and experiences of the BACD entrepreneur and to shed much-needed light and attention where there has been very little focus. This report is a clear and deliberate departure from previous reports where the focus was entirely through the lens of the homogenised cultural taxonomy often used to describe different ethnic groups commonly referred to as BAME (Black Asian and Minority Ethnic). Ethnic minority businesses (EMBs) are a highly heterogeneous group, so attempts to aggregate comparisons between these diverse groups can be extremely misleading. Using the BAME categorisation is often the preferred approach for research, as it is derived from the UK census categorisation, where combinations of race, ethnicity and national group are systematically aggregated into a single entity. Ethnic minority communities are diverse and have very different lived experiences, with substantially divergent cultural nuances: they cannot be treated as a homogeneous whole.

The past decade has seen the accumulation of assorted reports that have sought to examine the pervasive challenges attributed to diversity and disparity within the UK's BAME community. These reports were often initiated by various government departments and/or organisations within the private and public sector. They include:

- *The MacPherson Report (1999)*
- *The Race Disparity Audit (Office, 2017)*
- *The Parker Review: Ethnic Diversity of UK Boards*
- *Race in the Workplace: The McGregor-Smith Review (2017)*
- *The report of the Commission on Race and Ethnic Disparities (2021)*
- *Federation of Small Business (FSB)-report Unlocking Opportunity: The Value of Ethnic Minority Firms to UK Economic Activity and Enterprise (2020).*

In contrast to these reports, the Black Entrepreneur Report offers new and invaluable insights specifically focused on BACD-owned enterprises within the UK. It gathers and examines both quantitative and qualitative data pertaining to this specific community. The findings provide a platform to scrutinise the challenges faced by BACD-owned businesses across the UK. The report identifies the inherent barriers of entry and the structural and systemic challenges that may be subverting the progress of BACD-owned businesses across the UK. In doing this, it highlights the power of government, institutions and large corporations in removing barriers and supporting growth for BACD entrepreneurs. This report sets out recommended actions these stakeholders can take to facilitate and transform the structural and systemic inequalities that exist. When government, institutions and corporations follow these recommendations, we can navigate a path towards the BACD's full and inclusive participation within the UK's macroeconomic landscape. Only with this decisive action will BACD businesses be afforded equal access to opportunities and not be left languishing behind the ethnic majority population.





BACD Socio-Economic Disadvantages

There is a commonly held hypothesis that all ethnic minorities are regularly subjected to the habitual fate of inequality and mistreatment. This notion, whilst accurate, paradoxically is misleading: the view that all ethnic minorities have a similar lived experience is a misguided belief and an inaccurate portrayal that is incongruous with the BACD experience, as they have consistently encountered unfavourable outcomes when compared to any other ethnic group. Despite this assertion, both the reality and the perception of unfairness matters to all minorities as they all encounter different degrees of inequity. ‘What lies behind this disparity?’ is a key question to answer. This report recognises and acknowledges that people’s lived realities will often vary significantly, and this is particularly pertinent regarding the BACD entrepreneur.

Socio-Economic Landscape

This report examines the current environment in which the BACD community operates within the UK to gain an insight into the socio-economic landscape. The socio-economic disparities that exist within the UK can be captured here under the following guises of employment, pay, education, and poverty.

Employment Disparity

The Race Disparity Audit (Office, 2017) highlighted that employment rates have increased for all ethnic groups. However, there was a significant difference in those who are actively involved in the labour market: around 1 in 10 adults from a Black, Pakistani, Bangladeshi, or Mixed background were unemployed, compared with 1 in 25 White British people. BAME communities generally have lower economic activity rates, higher unemployment, and lower levels of full-time workers than the White population (Sunak, 2014). Almost all minority groups have unemployment rates that are roughly double the national average (6.6%); Black Africans have the highest unemployment rate (14.8%), Indians the lowest (8.1%).

Title: Percentage of 16 to 64 year olds who were employed, by ethnicity. **Location:** England, Wales and Scotland.
Time period: 2019. **Source:** Annual Population Survey / Ethnicity Facts and Figures GOV.UK

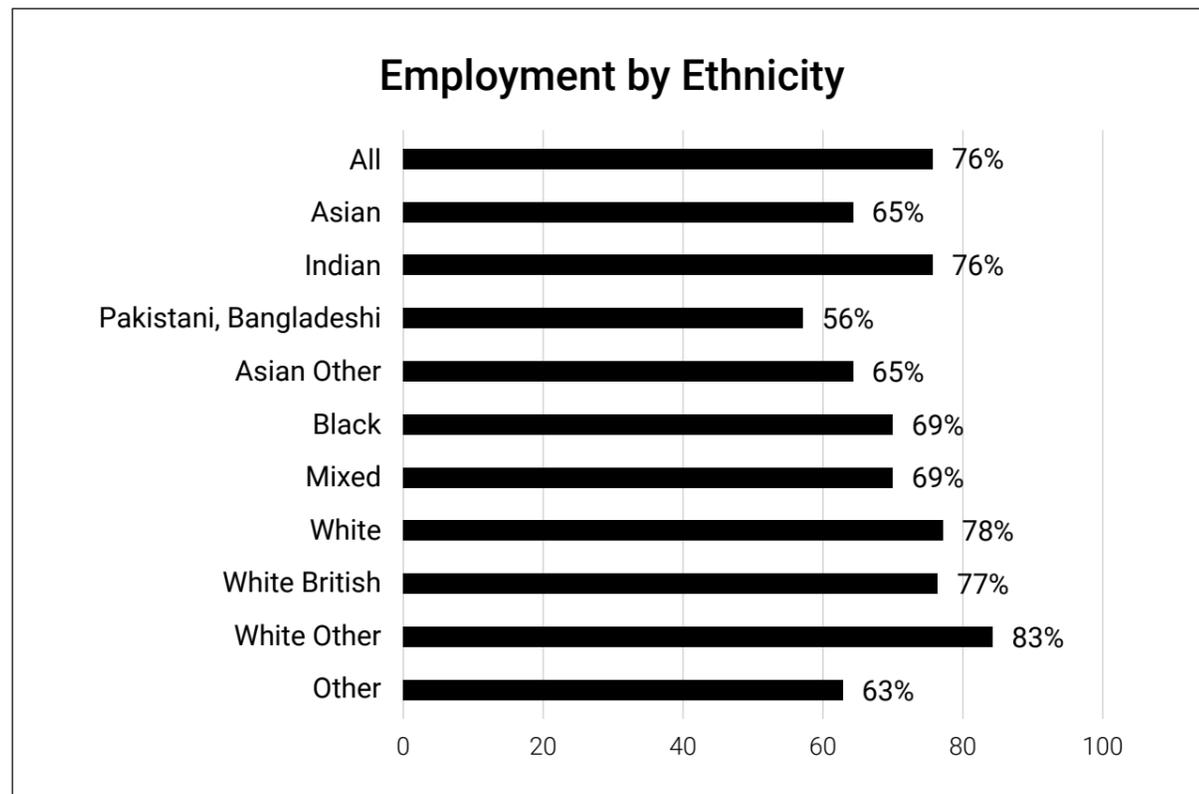


Figure 1: Employment by Ethnicity

These data indicate that 76% of working-age people (aged 16 to 64) in England, Scotland and Wales were employed in 2019. Strikingly, the three top-scoring and above-average employment rates are for the three 'White' categories, with 'White other' an impressive 83%. All ethnic minority groups score lower than White groups. 69% of people from Black groups were employed. 56% of people from the combined Pakistani and Bangladeshi ethnic group were employed, the lowest percentage out of all ethnic groups.

Pay Gap

According to the Office of National Statistics (ONS, 2018), all major minority ethnic groups have average lower pay than Whites, despite higher rates of academic attainment.

Title: The hourly median pay gap between White and the Ethnic Minority group has narrowed to the smallest since 2012. **Location:** England and Wales. **Time period:** 2012–2019. **Source:** Office of National Statistics – Annual Population Survey (APS).

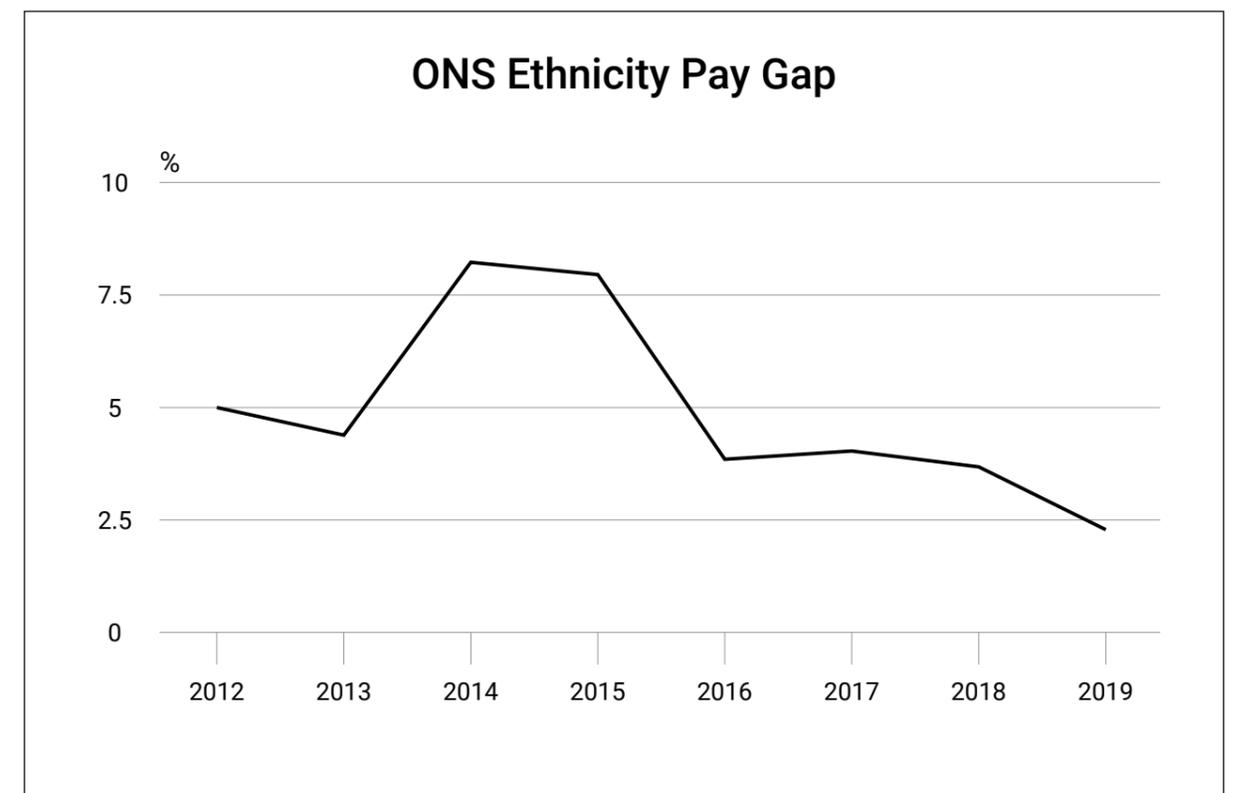


Figure 2: ONS Ethnicity Pay Gap

In 2019, the median hourly pay for those in the White ethnic group was £12.40 per hour, compared with those in the ethnic minority group at £12.11 per hour – a pay gap of 2.3%, its narrowest level since 2012. The pay gap was at its largest in 2014, at 8.4%. However, the disparities are profoundly acute in London, where the ethnicity pay gap was

the largest at 23.8% in 2019, and smallest in Wales at 1.4%. The pay gap in the East of England region was negative (-8.6%), meaning that, for that region, those ethnic minorities earn a higher median hourly wage than those in the White ethnic group.

Education

Education has long been positively associated with improved entrepreneurial opportunities (Daniel et al., 2019). To understand the higher education institutions within the UK, it was necessary to look at the demographic make-up of students and their ability to access higher education and to understand the attainment gap.

Title: Percentage of state scholl pupils aged 18 years getting a higher education place by ethnicity over time. Location: England. Time period: 2006–2019. Source: UCAS End of Cycle Report 2019 / Ethnicity Facts and Figures GOV.UK

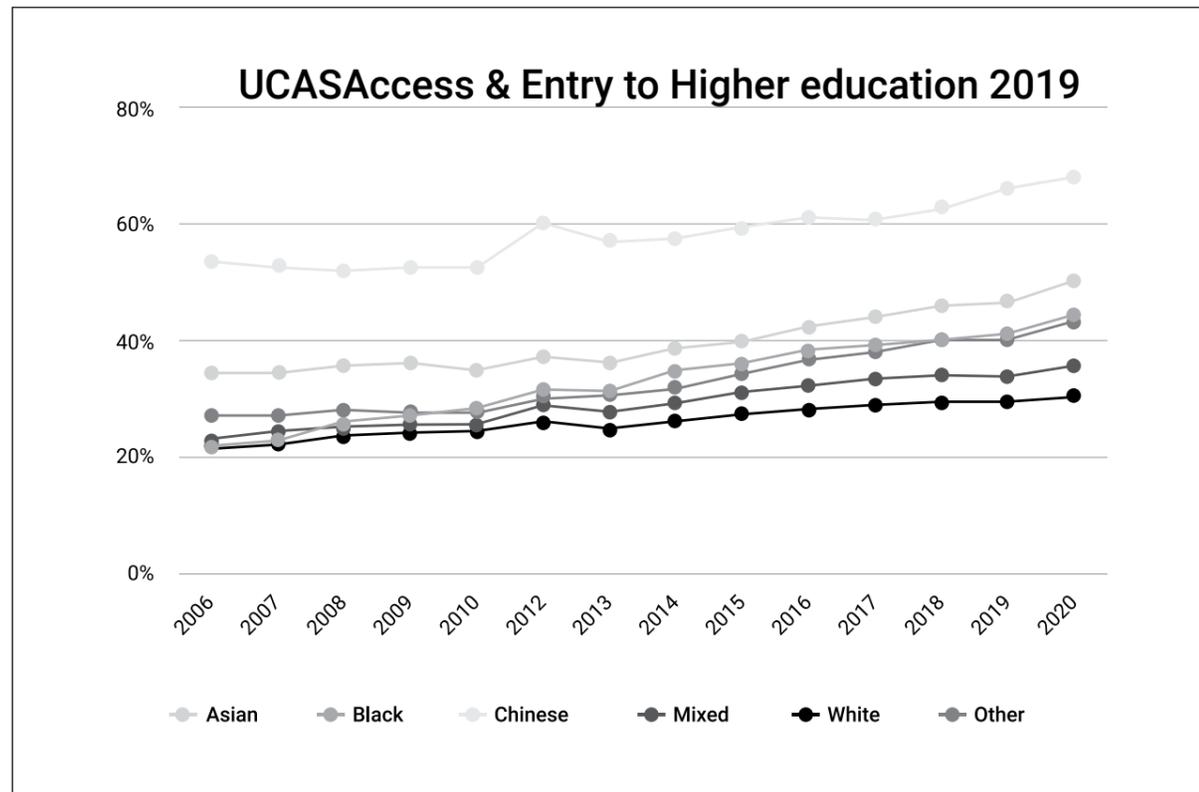


Figure 3: UCAS Access & Entry to Higher education 2019

According to the latest UCAS report (UCAS, 2019), pupils from the Chinese demographic had the highest entry rates into higher education in the UK (68.0%), the largest of all ethnic groups. The lowest entry rate of 30.3% was for White pupils. The data suggest that pupils from the Chinese ethnic group have consistently had the highest entry rates annually between 2006 and 2019. White pupils have had the lowest

entry rates for 13 consecutive years since (and including) 2007. Entry rates have increased for all ethnic groups across this period, with the biggest increase among Black pupils, from 21.6% to 44.5%, and the smallest increase among White pupils, from 21.8% to 30.3%.

Poverty

The data publicised by the Race Disparity Audit underlines the social disparities that exist amongst different ethnic groups (Office, 2017). Asian and Black households and those in the other ethnic groups were more likely to be poor and were the most likely to be defined as being in persistent poverty. Around 1 in 4 children in households headed by people from an Asian background or those in the other ethnic groups were in persistent poverty, as were 1 in 5 children in Black households and 1 in 10 White British households. Households of Bangladeshi, Pakistani, Black, Mixed and Other backgrounds were more likely to receive income-related benefits and tax credits than those in other ethnic groups. The ethnic minority population is more likely to live in areas of deprivation, especially Black, Pakistani, and Bangladeshi people.

Asian and Black households and those in the other ethnic groups were more likely to be poor and were the most likely to be defined as being in persistent poverty.

Statistics of Persistent Poverty by Ethnic Household

1 in 4
Asians



1 in 5
Blacks



1 in 10
Whites



Source: Office, 2017

COVID-19 Crisis

While the above figures are sobering in themselves, the last two years have seen minority-owned businesses hit disproportionately hard through the COVID-19 crisis. This is for two main reasons. First, the socio-economic disadvantages they

were already struggling with, such as poorer access to credit and great financial vulnerability, were exacerbated in such an unprecedented crisis. Second, the share of ethnic minority businesses and employment is highest in the industries that have been most affected by COVID-19.

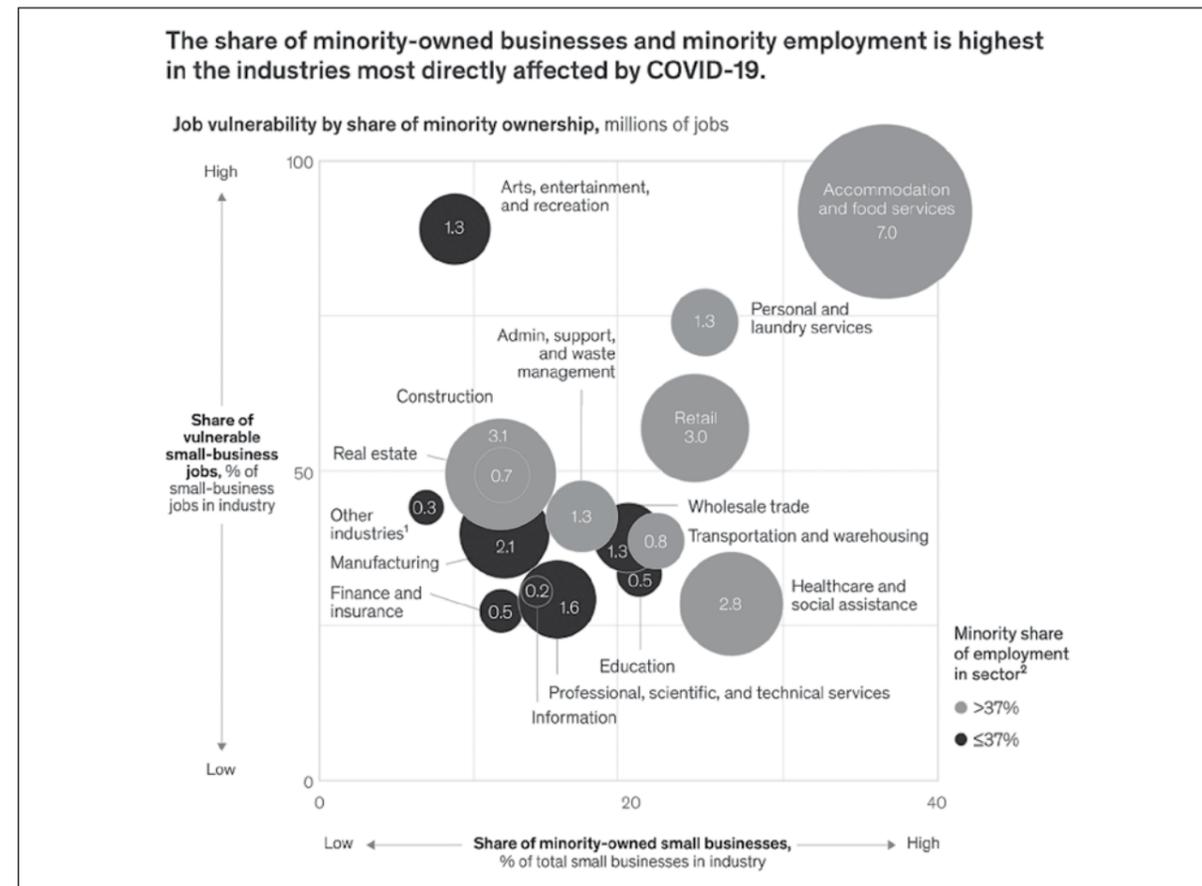


Figure 4: Impact of COVID on minority-owned small businesses and employment

In May 2020, McKinsey & Co published a detailed analysis of these disadvantages. While their study focuses on the United States, the socio-economic context in the UK is very similar. Figure 4 highlights some of these inequities, with the light-blue circles representing industries most vulnerable to the impact of COVID-19, and with the highest share of ethnic minority employment and ownership.

On top of these purely economic measures, it is also well established that minority communities have been affected more severely by the direct health impacts of COVID-19. For example, the Runnymede Trust found that 1 in 20 people from Black and ethnic minority groups in the UK have been hospitalised with the virus, compared with 1 in 100 White people, with critical care admissions more common in those from Black communities. In June 2020, the Office for National Statistics confirmed that Black men were over three times more likely to die from a COVID-related illness than White men, and Black women two and a half times more likely to die than White women. An October 2020 report from the UK parliament states that these differences are 'likely to be a consequence of pre-existing health inequalities, which refer to unfair and avoidable differences in health between different groups within society'.

Socio-Economic Effects on BACD Entrepreneurs

Smallbone et al. (2003, p. 432) defined EMBs based on the notion that ethnic minority business owners are 'different from the rest of the small business (SME) community in terms of their behavioural characteristics and concerning the type of problems that they encounter'. The multidimensional socio-economic forces, coupled with the pervasive nature of the inequities encountered by the BACD communities within areas such as employment (Department for Business, 2018), housing (Office, 2017), pay (ONS, 2018), poverty (Office, 2017), education (HEFCE, 2015) and business (FSB, 2020), have become so ubiquitous and deep-rooted that they can be considered as both debilitating and a driving force for the BACD's attitudes towards entrepreneurship. Paradoxically, these forces may have become the personification of necessity (Laman, 2014), which has stimulated the quest for socio-economic equity and freedom.

Self-employment is considered as a route out of poverty, a way out of unemployment, and a safety valve for those who are powerless to seek employment somewhere else because of discrimination and/or high unemployment rates (Meyer, 1990). The solidification of these various socio-economic conditions may have inadvertently become the catalyst and start of the precarious journey to entrepreneurship. Harrington (2018) stated that 'the government is continuing to look at new ways to tackle racial inequality in society and make sure that everyone has the same opportunities to progress'.

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The Importance of SMEs and Entrepreneurship for the Economy and Black Communities

According to the ONS, there were around 5.94 million small businesses within the UK (with 0 to 49 employees), which equates to 99.3% of the total business population. SMEs account for 99.9% of the business population (6.0 million businesses). SMEs account for three-fifths of the employment and around half of the turnover in the UK private sector. Total employment in SMEs was 16.8 million (61% of the total), whilst turnover was estimated at £2.3 trillion (52%). Employment in small businesses (with 0 to 49 employees) was 13.3 million (48% of the total), with a turnover of £1.6 trillion (36%).

There has been a consistent rise in the number of UK-based EMBs, which has seen a corresponding increase in the number of Black African entrepreneurs (Nwankwo et al., 2011). The Minority Supplier Development UK report (MSDUK, 2017) indicated that there were over 300,000 ethnic minority-owned businesses in the UK, representing over 7% of the total SME population in the UK economy. According to the Federation of Small Businesses (FSB, 2020), structural inequalities exist in the UK, and ethnic minority entrepreneurs at times will face discrimination during different stages of their business lifecycle and development.

The Department for Business (2018) research indicated that around 8% of the ethnic minority population were involved in starting a business, compared to 14.5% of the White population. Ethnic minority business ownership was evident in just over 12% of all the self-employed in 2018, with highs of 35% in London and 16% in the West Midlands. Also, a disproportionate number of ethnic minority firms were led by women.

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The increase in new business start-ups has shown no sign of abating, according to Bounds (2017). New business formations up till September 2020 were 9.5% higher than the same period in 2019 in the UK (Centre for Entrepreneurs, 2020). This upsurge has resulted in the creation of 681,704 new businesses during 2019, spread across 700 different industry classifications. Outside the USA, the UK is unrivalled in terms of new start-ups (Bounds, 2017). This may be attributed to the macro socio-economic uncertainty of Brexit and/or the consequence of the Covid-19 pandemic, which has resulted in unprecedented levels of unemployment and consequently the birth of an unparalleled number of entrepreneurs in the UK.

Notwithstanding this surge in new entrepreneurs, there has been a perennial and long-standing debate regarding entrepreneurs and their contribution to the socio-economic growth and development of economies (Carree and Thurik, 2010; Szirmai, Naudé, and Goedhuys, 2011).

Entrepreneurship has been described as the most powerful economic force known to humankind (Kuratko, 2005) and it can increase and create wealth. The question of wealth creation is somewhat incongruous, as the socio-economic disparities that exist between Black entrepreneurs are significantly different when considered alongside other ethnic groups. Dandridge (2010) contends that ethnic minority entrepreneurs will often encounter more difficulties than their White counterparts as barriers limit access to capital, markets, skills,

and work experience that helps with the development of their business. Race-centred economic inequity has been unrelenting, as it continues to impact the success of Black businesses, even at the start of the business ownership journey (Jones, 2017).

There has been an increasing uneasiness regarding entrepreneurship within the context of racial disparities and inequality. According to the Federation of Small Businesses (FSB, 2020), a prosperous economy needs to actively involve all communities irrespective of ethnic heritage, race, religion, or nationality to maximise its full growth potential. This report shines a much-needed spotlight on the challenges experienced by BACD entrepreneurs within the UK.



04

Research Findings

Research Methodology and Sample

In addition to the qualitative resources cited throughout the report, the BER conducted a survey, supported by interviews, with 105 Black African Caribbean diaspora entrepreneurs in the UK. The methodology used was quantitative, which produced empirical data that was analysed and interpreted for meaningful outcomes. The data is broken down demographically by gender, race, age, and any other pertinent subcategories that highlight areas of disparity and inequality.

The demographic spread of the survey respondents can be considered broadly representative of the BACD entrepreneurial community. As such, there are particular demographic trends worth highlighting.

First, BACD entrepreneurs are unusually well educated, with 70% having attained a higher education qualification at the minimum of a degree. This is consistent with UCAS data that show a continued quest for higher academic attainment amongst the BACD demographic: the biggest increase in entry rates to universities between 2006 and 2019 was among Black students, where it increased from 21.6% to 44.5%.

It is also striking that women represented 58% of the total entrepreneur population. This is consistent with the FSB (2020) report, which posited that a high percentage of ethnic minority businesses were led by women. This means that support for ethnically diverse businesses contributes significantly to also reducing gender-based inequities.

With a wide spread of age ranges, it is clear that both mature entrepreneurs and new social climbers have a desire to start a business. This is consistent with the DCLG (2013) report, which suggests that there is an extraordinary appetite and aspiration for start-up businesses amongst Black and ethnic minority groups in the UK, most notably amongst Black Africans (35%) and Black Caribbeans (28%), regardless of age.

Taken together, the findings indicate that BACD entrepreneurs can be considered highly educated and tend to operate in many instances as micro-businesses employing fewer than ten employees. The majority had a turnover of less than £50,000 per annum. The vast majority operate or reside within major conurbations throughout the UK, particularly London and the Midlands, and are likely to be married or in a relationship. This could suggest that they have a support structure that underpins the business, mitigating some of the associated risks of owning one's own business. On the other hand, it makes it likely that the entrepreneur has responsibilities towards dependants.

It was very poignant to note that 48.55% of the surveyed BACD businesses have been in trading for more than five years. When we consider the ONS statistic that only 40% of businesses survive beyond their fifth year, as a national average identified, this indicates an encouraging resilience within the BACD community.



A total of 105 self-administered questionnaires were completed by BACD entrepreneurs.

GENDER

58%

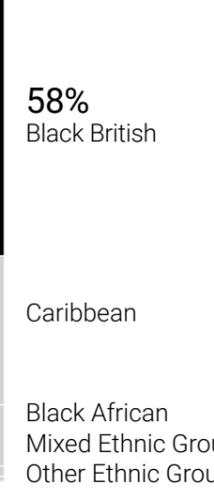
were women, confirming that black businesses are unusually gender diverse



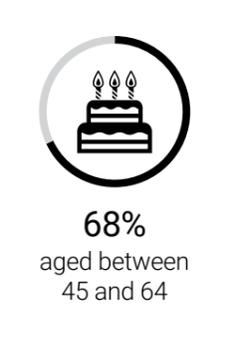
GEOGRAPHIC SEGMENTATION



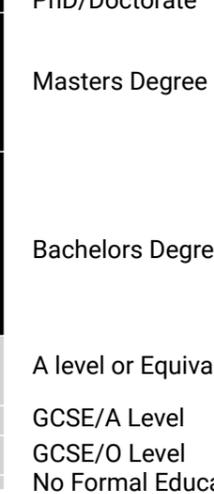
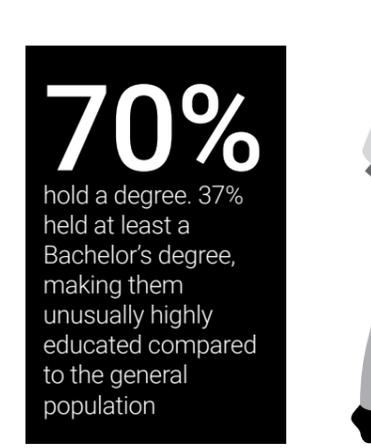
ETHNICITY



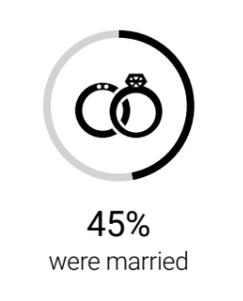
AGE GROUP



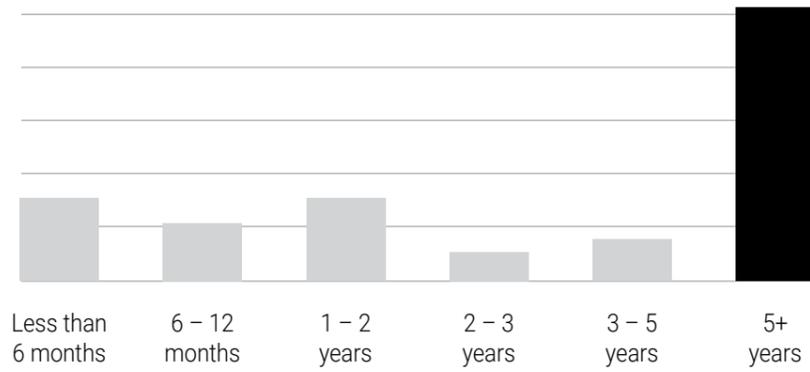
LEVEL OF EDUCATION



MARITAL STATUS



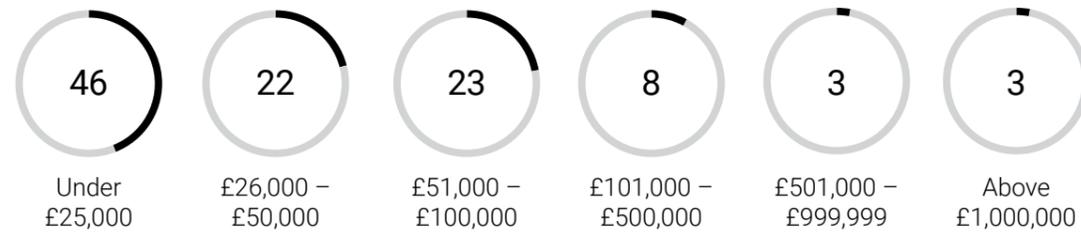
ESTABLISHMENT PERIOD



49%

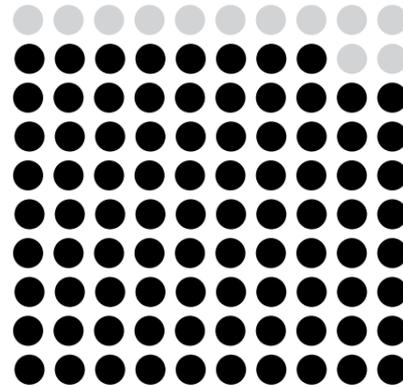
have been trading for over 5 years, suggesting that black businesses are out-performing in the long term

ANNUALISED TURNOVER

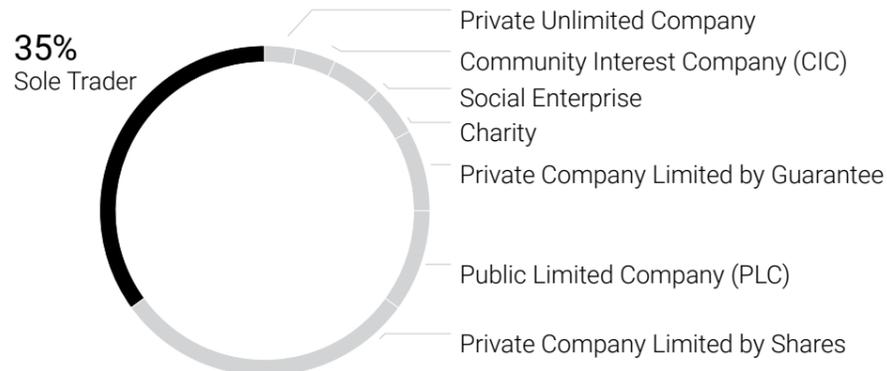


NUMBER OF EMPLOYEES

The vast majority employ between 1 and 5 people



LEGAL STRUCTURES



Results: Black Entrepreneurs Face an Uneven Playing Field

Survey results revealed striking inequities in Black entrepreneurs' access to funding, skill-building, mentoring and networks. In addition, Black entrepreneurs are suffering from unfair negative perceptions due to their ethnicity, which they feel are damaging their business opportunities.

Limited Access to Funding

Gold (2016) asserts that Black entrepreneurs are disadvantaged because of their race and consequently they have difficulty in gaining access to finance (Fairlie and Robb, 2008). Liu and Parilla, of the Brookings Institute (2020), found clear evidence of bias in financing for ethnic minority small businesses, highlighting that large banks approve around 60 per cent of loans sought by White small-business owners, compared to just 29 per cent of those sought by Black small-business owners. McKinsey & Co (2020) highlights that only 1 per cent of Black business owners get a bank loan in their first year of business, compared with 7 per cent of White business owners. Further, the COVID-19 crisis is likely to compound this issue: 42 per cent of minority-owned small businesses responding to McKinsey's US Small Business Pulse Survey reported that obtaining credit was becoming increasingly difficult, compared with 29 per cent of all respondents. While these figures are based on US businesses, unfortunately many of the trends are mirrored here in the UK.

The BER's survey and interview results confirm this. With a 90% confidence interval, 58% of the respondents agreed that their cultural identity had played a negative role in them gaining access to finance, with the largest subset 'strongly agreeing'. While some support was acknowledged, the extent of support is questionable and often insufficient.

The findings suggest that there are shortcomings when BACD entrepreneurs seek to gain access to finance and this is perceived to be a result of the structural and systemic bias that exists.

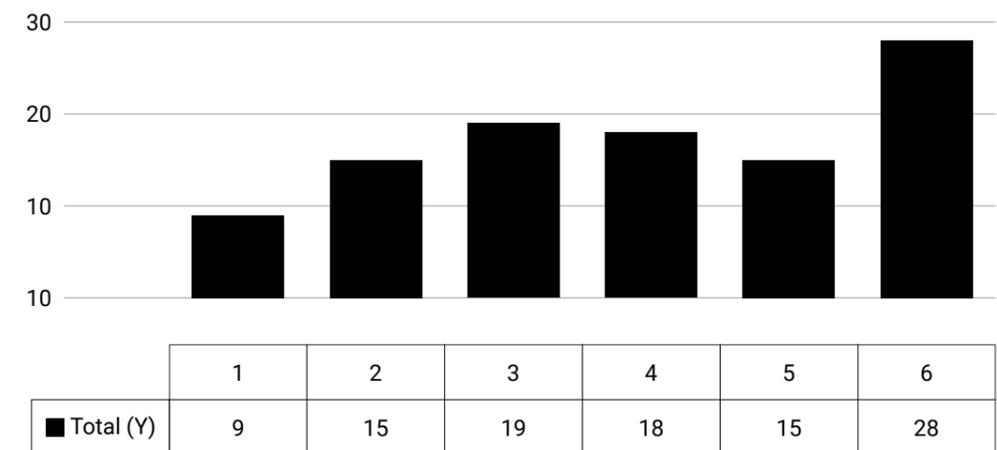


I find it difficult to get funding, as it's been said I do not have any collateral such as a property, but I have been running a business for 10 years and that does not seem to count.



– Hairdresser

Access to Finance



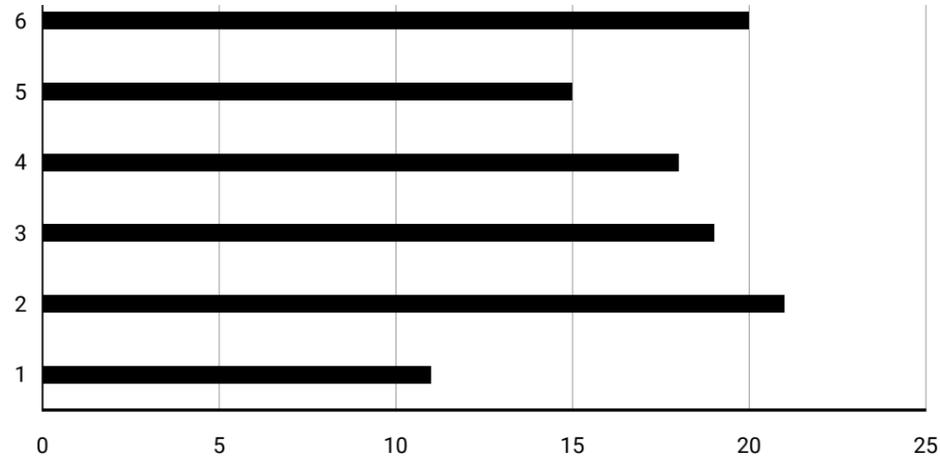
Limited Access to Skill-Building and Mentoring

Results from the survey were more ambivalent when it came to the question of mentoring, support and training. There was a roughly even split disagreeing or agreeing with whether their ethnicity played a role in their access to these tools, with a slight leaning towards deficiency in mentoring and/or coaching.

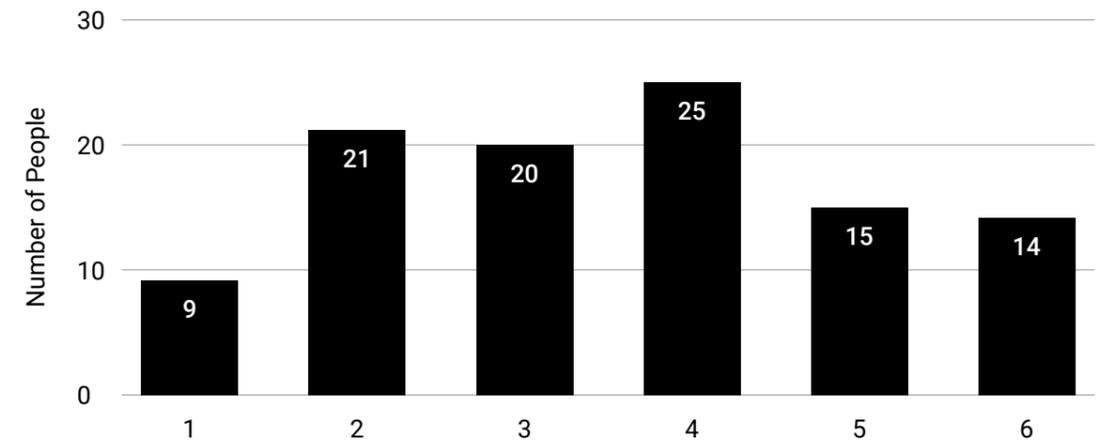
This ambivalence may be thanks to an increase in opportunities offered specifically to Black individuals and communities in recent years.

These come, for example, as a result of specifically targeted scholarships and apprenticeship programmes. Such initiatives should be celebrated and further developed; they are much needed. However, their limits must also be acknowledged. Clearly, they are still not sufficient to offset the bias within mainstream culture. Also, they do little to undermine bias within the corporations and institutions that need to change, offering a relatively easy way for corporations to show their support for diversity and inclusion, without triggering true internal culture change.

Access to Mentoring & Coaching



Access to Support & Training

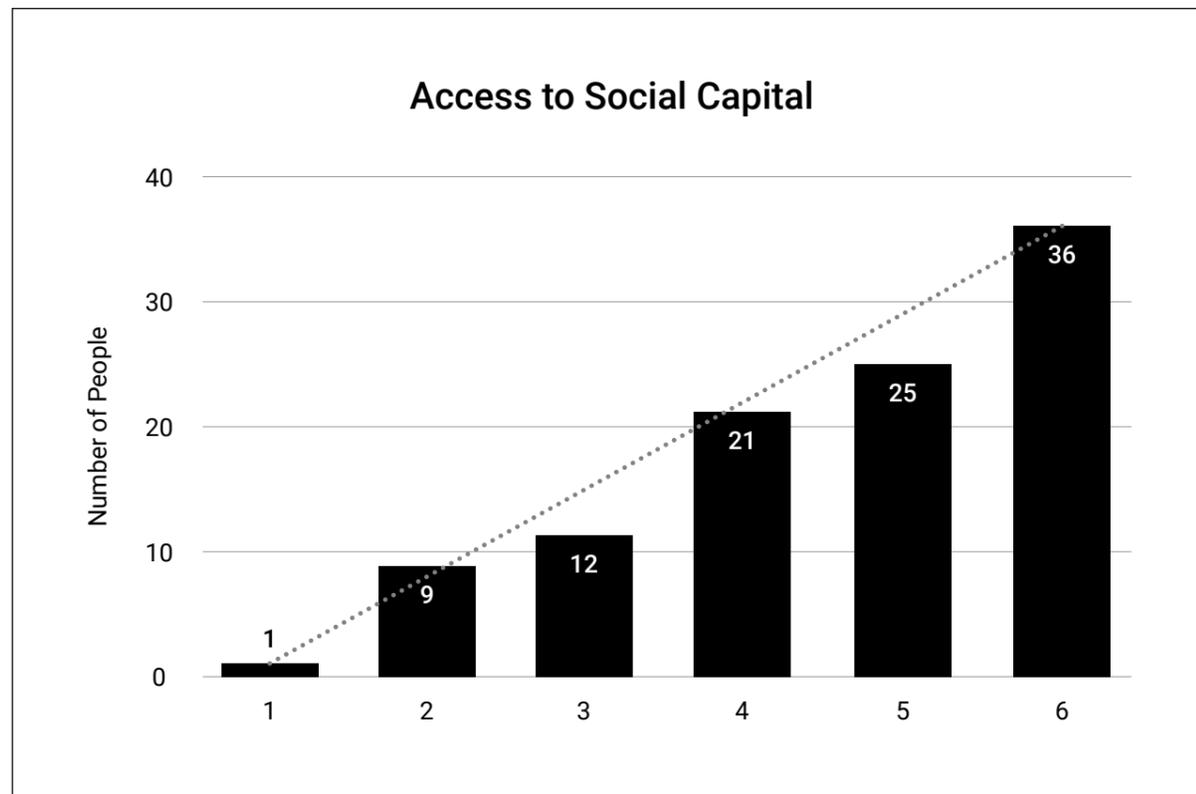


According to Thomas-Bryant (2017) from Sage Business Research, 89% of small and medium-sized businesses in the UK acknowledge that mentoring can help them to succeed, which suggests that businesses that do not have access to mentoring would greatly benefit from accessing these forms of support.

Limited Access to Networks and Building Social Capital

There is an unmistakable belief among BACD entrepreneurs that they experience an inherent lack of acceptance or sense of belonging within various institutions such as the FSB, IOD and the British Chamber of Commerce. The networks that are derived through social capital are complex, dynamic and intricate. Access is unconsciously predetermined by sociocultural factors, which grant access to those who are

predisposed through homophily that affects the patterns of interaction in favour of homogeneous connections. This tendency to seek out those who are like themselves may also affect decision makers' behaviour towards other social groups. The indicators suggest the BACD entrepreneurs will have limited influential social capital, which can negatively impact their business outcomes. This is a deep-seated cultural problem which will take great energy, determination and consistent outreach to diverse communities to overcome. internal culture change.



When I am networking, I speak to a variety of different people, who are quite often less qualified and experienced than I am, but they have a greater access to opportunities through their social capital, which gives them access to opportunities that I am unable to access. It's cronyism and conscious bias.



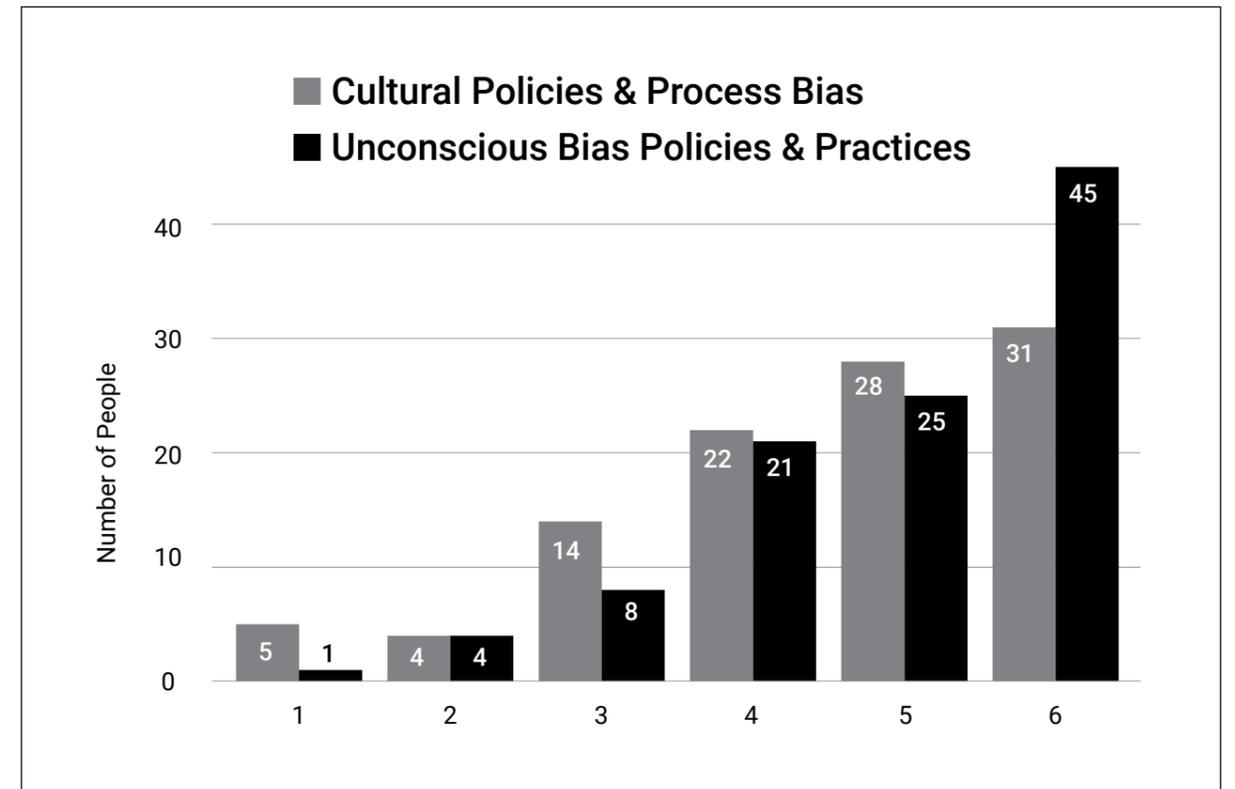
– Business Coach



The policy mechanism and various instruments that help sanction social practices make it appear right when we don't get access or support unlike other people.



– PR Agency



Disadvantaging Procedures and Policies

The findings present an unquestionable acknowledgement that ethnicity is perceived to play a negative role in policy and decision-making. While in theory policies should be there to protect equitable action, they need to be examined very carefully to establish whether they are fit for purpose. Many policies and systems are actually created with unconscious bias and can become tools for exclusion. A secondary danger is that corporations and institutions can

convince themselves they are fair and equitable, simply because they have 'correct policies'. Both of these, for example, can be the case when official criteria for financing or procurement decisions are unconsciously designed to align with White/majority business models. The survey and interview results make clear that this is a significant frustration and barrier for Black entrepreneurs.



The large corporates appear to be contradictory about diversity and inclusion. They have clearly stated policies and objectives about being inclusive and serious about diversity, but the reality is often very different when it comes to their supply chain. I find it difficult consistently to get through the door, despite my experience and expertise.

– Graphic Designer



Biased Negative Perceptions

Unconscious racial bias seems to be driving many of the above disadvantages. Unconscious bias may be considered akin to the unwitting actor portrayed in the theory of symbolic racism (Sears and Kinder, 1971). The literature suggests that there may well be organisational cultural norms that surreptitiously and unintentionally reinforce existing inequalities within an organisation.

For example, in the realm of procurement, The MSDUK (2017) Impact Assessment found that 36 per cent of corporate members expected ethnic minority businesses to be slightly behind the standards of their existing suppliers in their ability to deliver large contracts. However, in the industries represented by the ongoing supply chain, there is no empirical evidence to underpin this hypothesis.

The notion that their BACD cultural identity/ethnicity has played a role in the perception that they are less competent or skilled than non-BAME community entrepreneurs is strongly supported within our survey data; 75% of the participants agreed that they were perceived as being less competent, capable or skilled than other social groups.

In summary, Gold's (2016) assertion that Black entrepreneurs are disadvantaged because of their race resonates overwhelmingly within the BACD entrepreneurial community. Alemán and Alemán (2010) argue that there are structural disparities within institutions, and convergence will only occur when there is a symbiotic benefit or interest between the ethnic minority and the interests of their White counterparts. While extensive research has repeatedly proven the value of diversity – not just for the minority, but for the majority culture – we are still falling very short of achieving the progress we need.



I have been in front of a large potential client and they have said “we are not sure if you are able to deliver a contract of this size”. Despite running projects 3 times the size in my previous corporate life, the perception was I was not skilled or experienced enough. When I discussed the projects that I had previously delivered they were very surprised; their perception of me was that I was somehow less competent.

– Surveyor



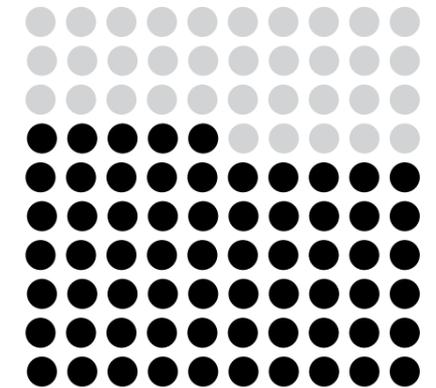
The respondents were asked *To what extent would you agree or disagree that your cultural identity/ethnicity has played a role in the following areas*

NEGATIVE PERCEPTION PORTRAYAL

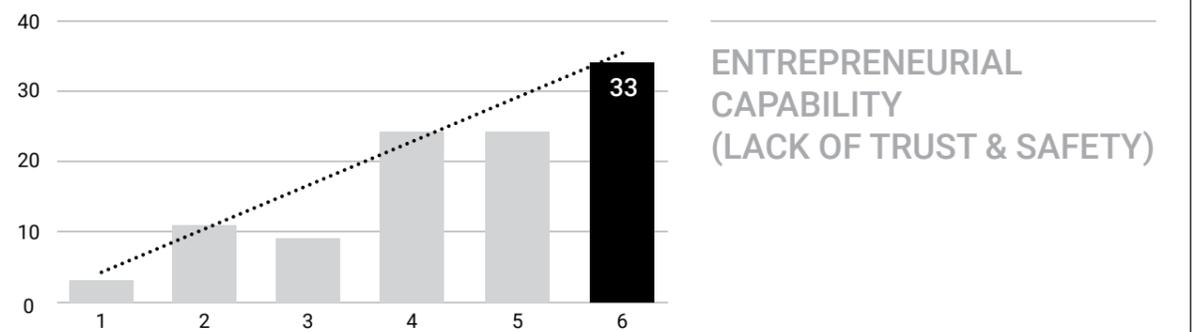
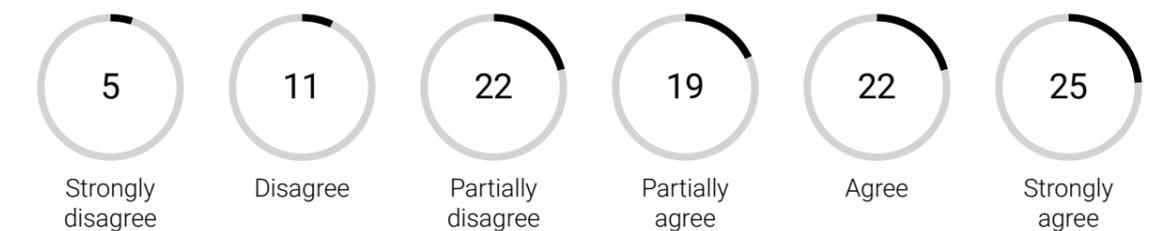


PERCEPTION OF COMPETENCY

More than half of respondents either agreed or strongly agreed



PERCEIVED/REAL ACCEPTANCE & BELONGINGNESS





The Race Paradox: Is Current Progress Just a Mirage?

The inherent nature of diversity and inequity within both the public and private sector is cause for serious concern. Whilst there is a growing appetite to deliver real change, institutions are shackled by their systemic, social, cultural, and structural mindsets. The consequence is what is now conceptualised as the Race Paradox, which is the inherent dichotomy organisations encounter daily when addressing the structural inequalities and disparities surrounding diversity and inclusion when deciding on doing business with BACD entrepreneurs.

The past decade has seen a noticeable change in the diversity agenda and the narrative surrounding diversity. However, whilst progress has been made, it has been very protracted, and the gains have been very marginal. Significant inequality is still being experienced by Black and ethnic minority entrepreneurs. Whilst there appears to be an appetite for change, this has yet to be fully manifested. Indeed, the research highlights numerous areas that require transformative and substantive change. It has also recognised that systemic and structural bias is still omnipresent within institutions and society at large. Until there is a strategic shift in organisational collective thinking, culture, and outcomes, it is hard to believe that there will be a break in the cycle that continues to perpetuate the status quo.

The current disparities experienced by the ethnic minority business community and the overwhelming level of data clearly confirms that inequality still exists and particularly within the realms and lives of BACD entrepreneurs in the UK. The lack of access to finance, resources, social capital, training, and opportunities, and lack of mentorship, requires urgent attention to redress the imbalance of these disparities. There is an inherent disconnect between what organisations maintain they seek to achieve and the practice that underpins the organisational reality.

The Race Paradox is a set of complex interconnected constructs that give an organisation the unconscious illusion of inclusion and convey the appearance of racial cohesion and equitable coexistence. This perception is often unsubstantiated; however, the narrative continues to be perpetuated and underpinned by gestures, policies, and procedures, in the belief that these structures become the counterbalance to any unintentional bias.

There is often an irreconcilable contradiction between the values an organisation purports to embody and its reality. The evidence continues to suggest that the socio-economic landscape has/does not fundamentally change in real terms when contextualised within areas such as employment, corporate social responsibility (CSR), access to finance, social capital, purchasing social responsibility (PSR) and within senior leadership teams (SLT).



There is a façade when going for funding that makes you think everything is fine in terms of race and mutual tolerance but beyond this level there are palpable forms of exclusion and discriminatory practices that affect our business growth and sustainability.



– App Designer

There is also a structural and systemic disconnect in the perception of what an organisation portrays when benchmarked against its stated key objectives, values, and beliefs. These structures would appear to be so deeply entrenched and pervasive within the inner sanctum of the organisation's culture and within the leadership teams that they become the unwitting actors who continue to perpetuate and reinforce the Race Paradox. This stifles diversity engagement and prevents the inclusion, integration and advancement of the Black, African, Caribbean diaspora entrepreneur.

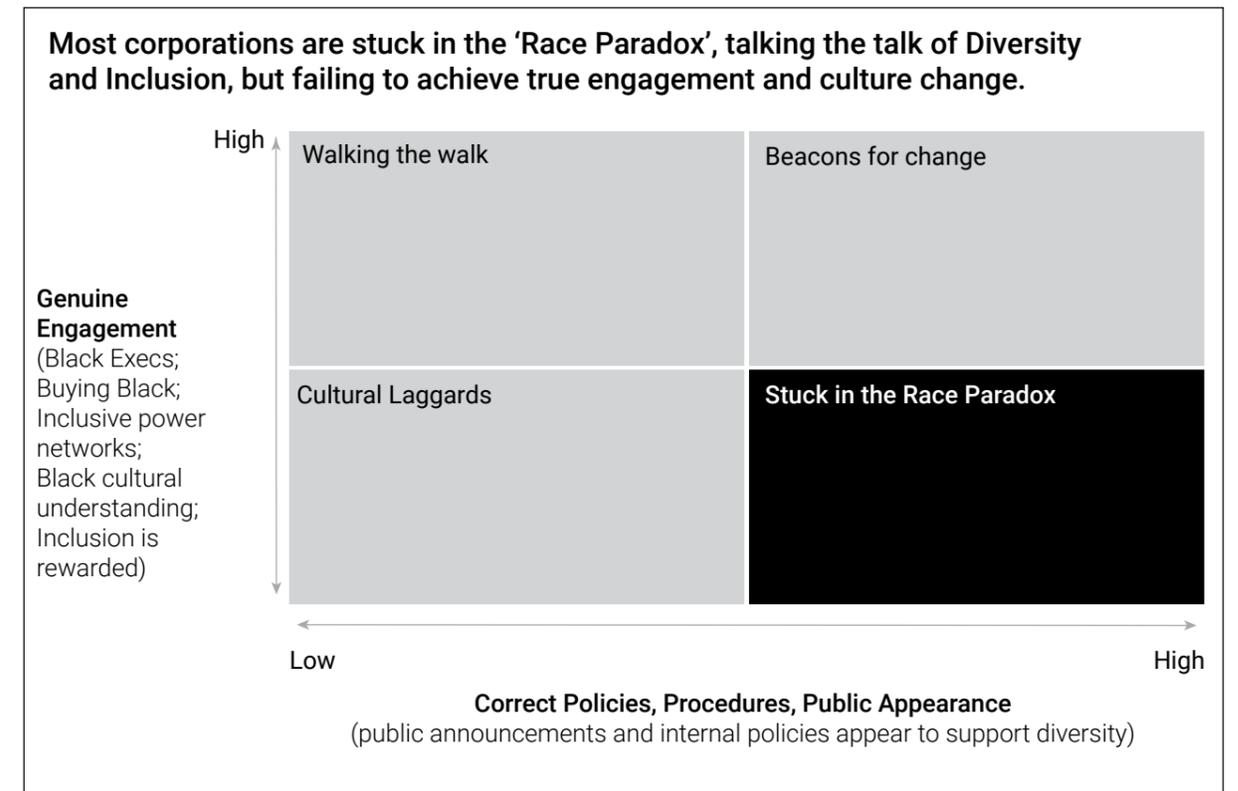


Figure 24 highlights this dilemma from a conceptual point of view, illustrating four different types of D&I participation that we see within the UK business environment.

Cultural Laggards: These are the institutions and corporations that still haven't put diversity on the radar. They neither talk the talk nor walk the walk. They will likely only change when forced – either by increasingly vociferous public protest or through legislation. At best, their focus is simply on other issues. At worst, they actively resist surrendering the power inequities which have helped them to flourish in the past. It is becoming increasingly hard for public listed companies to languish in this part of the matrix.

Walking the Walk: Above the cultural laggards in the group are those companies who are truly walking the walk of inclusion. They may not have all the 'bells and whistles' of policies and they may not see public advocacy as part of their role, but in their day-to-day operations they are diverse and inclusive. You walk into their offices, their procurement or recruitment events and see faces of every colour, of every age and seniority. You talk to the marketers, and they understand the language they need to appeal to diverse communities. In this box, we may find diverse businesses themselves, who are already operating successfully across the borders of majority culture and their own sub-cultures. This is also the box where we see multiple diversities, and heartfelt engagement with communities comes almost effortlessly. This box may also include new-generation start-ups. Particularly with the rise of technology and the democratisation of media, there is far more scope for inclusive businesses to be created from inception. These businesses may be too busy growing as yet to be creating the official policies or taking an active role in advocacy. But they all provide a role model for how inclusion can work. They have managed to navigate a sustainable pathway in ways that those in the next category have failed to do.

Stuck in the Race Paradox: This box, 'high on talk, low on walk', is unfortunately where most major corporations sit today. All have D&I policies. All do their best to say the right things in tweets (though occasionally the cultural blindness or ignorance is revealed, resulting in the scramble to apologise). Most donate or sponsor diverse events. Most now have diverse actors and actresses in their adverts. Yet if you walk inside the institution, it feels like their D&I efforts are sometimes a mirage. Black representation on boards, senior management and in the supply chain is low. Recruiters will try to recruit talented Black employees, but won't have the knowledge and attunement to know where to find them and how to appeal to them. KPIs are not ambitious, true resources aren't pushed into achieving them, nor are there consequences for missing them. It is important to note that while some of the corporations and institutions that fall within this category are consciously just 'ticking the box' or paying lip service to diversity ideals, many are making sincere efforts. Cultural, systemic and structural barriers are inhibiting change. They are trying to turn a very heavy tanker and many are not sure how to do it successfully.

Beacons for Change: Those organisations who have succeeded in truly creating inclusive environments while also modelling change through effective policies and public advocacy can be seen as true beacons for change. This is not impossible to achieve, but for those many corporations currently stuck in the Race Paradox, it will take fundamental action to lift themselves to this new status. Race Paradox organisations need to persevere, to be courageous, and to seek help from organisations in the top half of this matrix to learn how to truly engage with Black talent, Black communities and Black businesses. They need to take concrete action to drive progress. The next section focuses on what this action needs to be.





06

Recommendations for Action

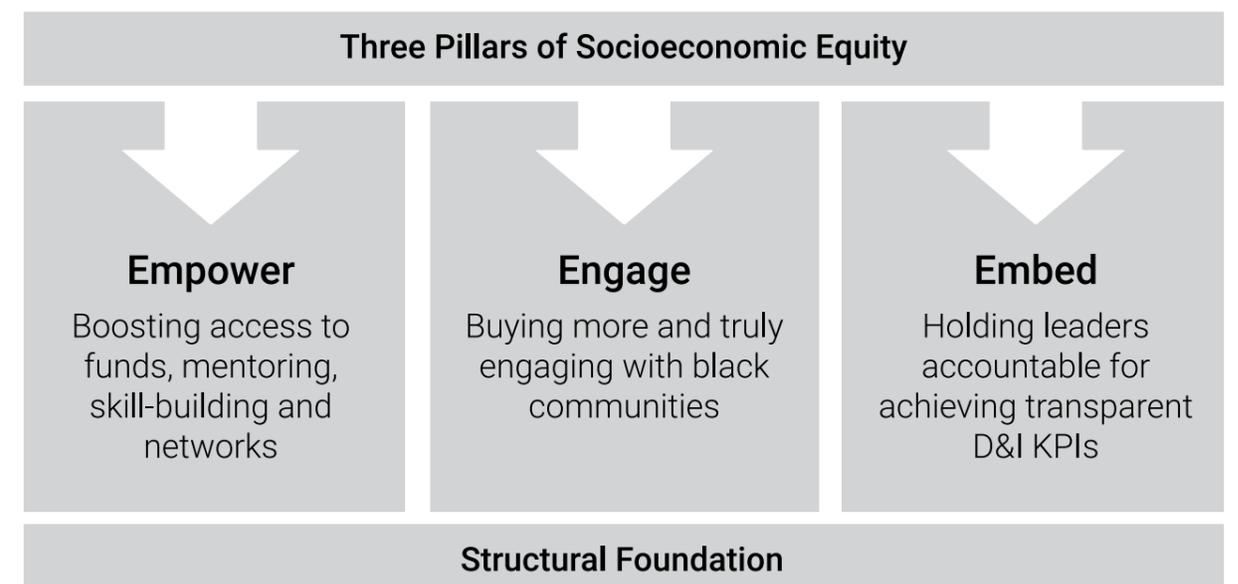
This report has identified three overarching recommendations to achieve fundamental change:

- 1: **EMPOWER Black entrepreneurs** with access to funds, mentoring, skill-building and networks
- 2: **ENGAGE Black entrepreneurs** by overcoming bias and burdensome processes to include them in procurement and engage fully with diverse communities
- 3: **EMBED true change** by holding organisations and leaders accountable for achieving transparent D&I KPIs and driving true culture change

Only by addressing multiple initiatives within each of these three pillars will we achieve true socio-economic equity. This includes action from government, corporations, and mediating organisations. Government legislation will be required to galvanise support and to redress any potential imbalances within the private sector and government institutions. There must therefore be government-backed policies and legislation that underpins the rhetoric of levelling up and

supporting the most underrepresented social groups within society.

Corporations are equally powerful in creating change. They can make a huge difference by diversifying their employee bases, boosting diverse spend within their supply chains and holding themselves, business partners and suppliers accountable for their diversity and inclusion.



Pillar 1: Empower

A. Boost Access to Finance

The ability of BACD small and medium-sized enterprises to attract and have access to finance is a critical component when funding a business. Financial liquidity ensures that a business can fulfil its growth potential, and without this funding, the prospects become extremely problematic for entrepreneurs in general when trying to build a new business. The lack of capital investment and resources is a debilitating determinant for a lot of SMEs, and acutely more so within the BACD community.

The disparities that exist between BACD and other minority businesses are very evident when the data is analysed and when we examine the lived experiences, particularly those from ethnic minority communities, and most notably the Black African, Black Caribbean diaspora. The lack of finance can and does constrain cash flow, stunt growth opportunities, and impede a business's continuation prospects. It also makes Black businesses particularly vulnerable to major shocks, such as the COVID-19 crisis.

1 Update Funding and Risk Policies for Financing to Become More Inclusive

While racial bias alone likely explains much of the struggle, the lack of funding experienced by the BACD may also stem from financial institutions' ways of thinking about and measuring risk. In particular, since the rise in awareness of global terrorism, since the 2007 sub-prime crisis and subsequent near collapse of global financial systems, financial institutions have faced an

increasing push for greater regulation and de-risking. The scale and nature of the risks that must be avoided are of course not related to funding Black businesses. However, that doesn't stop Black business being affected by this tightening, with financial institutions feeling justified in turning down funding in the name of risk.

A considerable proportion of ethnic minority businesses have relatively low creditworthiness, measured against classic standards due to their existing socio-economic disadvantages. They may well have poorer financial records and lack the financial collateral or assets needed to secure finance, and these characteristics can preclude or hinder financial institutions from lending. They are not alone in this challenge. Non-profit organisations and those in need of micro-finance are also facing greater challenges in meeting ever-more stringent policies, often lacking the resources and experience to wade through the extensive paperwork.

Indeed, the Financial Action Task Force (2018) acknowledged that pressure and regulation to control global anti-money laundering, counter-terrorist financing, and proliferation financing was damaging financial inclusion: 'De-risking remains a challenge for the countries affected. Loss of access to banking services for some remittance service providers and non-profit organisations remains a key concern for the global community. This has a wider impact on financial inclusion.'

To avoid these dangers, we recommend structural reform, where financial institutions will be required to conduct a lending review and to develop a revised risk-mitigation framework for ethnic minority businesses. The financial sector need to re-evaluate the criteria that determine risk factors to make sure they are not culturally biased and unfairly disadvantaging Black businesses. This reform is necessary to redress the structural imbalance. Without it, it is very doubtful if any tangible, sustainable change can be achieved.

In addition, financial institutions must push more effort into ensuring their processes and people are free of the unconscious bias that research has repeatedly revealed.





2 Provide Investment-readiness Mentoring and Coaching

The recommendation here is very pragmatic, and that is for financial institutions to provide coaching and mentoring to BACD and minority entrepreneurs specifically targeted to support in the finance application and business-readiness process. Banks and other financial institutions need to ensure that mentoring support is provided by experienced mentors, and those mentors should be culturally and demographically diverse and have an affinity with the ethnic minority business community that they serve. The lack of business coaches from Black and ethnic minority businesses may create a vacuum in cultural competence and affinity. The mentors will ensure that the businesses are investor ready and strategically equipped with the relevant marketing, sales and financial acuity to ensure that they are able to maximise market opportunities and mitigate risk. It is also vital that the mentors have access to culturally competent mentors and mentors that stem from the BACD background as they will be able to develop an affinity with the mentees.

These mentors could also provide advice to the financial institutions through the lending process, so that applicants are seen more holistically – as people and members of communities worth investing in – rather than unknown names on a pile of paperwork.

3 Government to Introduce New Framework Agreements that Grant Access to Finance for BACD

It is unlikely that financial institutions will achieve these changes alone. Change must be propelled through legislation and overview. This could take several forms, including: setting targets and/or incentives for ethnic minority lending; requiring transparency around lending decisions to different minorities; agreeing to the loosening of risk regulations for ethnic minority (and other socially beneficial) lending under certain thresholds; and subsidising of financial mentoring and coaching services.

Transparency is particularly important here. Developing reporting mechanisms that are open and transparent, and collecting and publishing lending data (e.g. the number of loans, value of funding, type of funding, rate and frequency of funding) by ethnicity would provide banks and other lending institutions with information that would help them identify whether their products and services are equitable and help them understand the diverse communities they serve.

B. Boost Access to Skills, Mentorship and Networks

4 Boost Mentorship & Coaching Opportunities for Black Entrepreneurs

In addition to the financial guidance mentioned above, opportunities for business and general mentoring and coaching are often lacking, inaccessible or diminished within the BACD business community. To mitigate this disparity, organisations must implement and develop structures for ongoing programmes that provide access to coaching and mentoring as a strategic tool. This will help to redress some of the imbalance of inequity, but also to develop and equip the ethnic minority business owner with the requisite skills to sustain their business long term. This will also ensure that minority businesses are fit for purpose when tendering for contracts, which will mitigate any potential or perceived risk within the public and private sector supply chain and the procurement process.

5 Actively Champion Diverse Businesses to Build Networks and Social Capital

Social capital within the business environment is a key component in gaining access to influential people, opportunities and resources. This includes the ability to form relationships, links and bonds with acquaintances, social groups, and friendship groups. The ability to access influential social networks by BACD and minority diversity groups will give the recipients access to information, resources, opportunities, and people. Businesses that have access to influential networks can significantly increase their opportunities by leveraging their social capital. Wide-ranging disparities between the various socio-economic and cultural groups makes the probability of connecting and developing new networks an inconceivable proposition unless the dynamics change.

This report recommends that government, and corporate leadership, procurement, human resources, and finance teams become social capital advocates for Black communities. For example, corporations can host diversity procurement network events. This will consciously create a space where all parties (BACD, ethnic minorities, diversity groups and organisations) will have the opportunity to meet and develop relationships, gain greater insights into opportunities and be able to understand the sociocultural landscape.

Stephen Covey wrote in *The 7 Habits of Highly Effective People* (Habit 5): 'seek first to understand, then to be understood', when explaining the key to effective, beneficial interaction. If all parties build a greater understanding of each other's perspectives, a mutually symbiotic relationship can be developed that will form the basis of strategies for a paradigm shift.

Pillar 2: Engage

A. Buy More from Black Businesses

Ultimately, for Black business to succeed and scale, they need to be bought from. Major governmental organisations and corporations have a powerful role to play due to their ability to procure at scale. However, as the results have revealed, Black businesses struggle with discriminatory negative perceptions and a lack of access to business networks. When trying to serve large corporations, they also face a similar challenge to the one they face when applying for funding: a lack of integration and understanding of the process; cultural unconscious bias; and overwhelming and sometimes inappropriate barriers and procedures. The following recommendations aim to alleviate these challenges.

6 Build Centrally Held Databases of Diverse Suppliers

Because of their lack of social capital, it is difficult for BACD entrepreneurs to gain visibility and access to corporate clients. Indeed many corporations are now proactively wanting to diversify their supply base, but don't know where to start looking. While MSDUK is working hard to champion ethnically diverse businesses, there are still only around 300 certified ethnically diverse businesses registered in the UK, compared to the 71,467 (ONS, 2019) that actually exist. To redress the lack of visibility, mediators such as the Federation of Small

Businesses (FSB), Institute of Directors (IOD), local chamber of commerce (CC and local government business growth hubs (LG) should hold central databases of diverse businesses, categorised by industry type. This will create greater visibility, accessibility, and accountability for procurement teams within both the public and private sectors.

7 Make Pre-qualification and RFP Processes More Accessible

This report advocates that major buyers, including governmental organisations and large corporations, conduct structural reviews of their pre-qualification processes for suppliers to facilitate long-term systemic change. The pre-qualification questionnaire will often preclude, hinder, or deter minority diversity businesses from inclusion as they fail to meet the obligatory qualifying criteria in areas such as turnover, experience of working within the public sector, and competence in tender completion qualification.

Changing the pre-qualification process does not mean devaluing the process or its efficacy, or reducing the quality of the applicants; instead, it presents the opportunity to gain access to the entire market talent pool and new and innovative solutions.

8 Develop Policies and Frameworks to Support Purchasing Social Responsibility, Including Holding Tier 1 and 2 Suppliers Accountable for Their Diverse Spend

Procurement teams will often seek suppliers that offer good value for money (experience, expertise, and cost) to mitigate risk and ensure efficiency and expediency. As the findings establish, purchasers may well have unconscious bias in assuming that Black businesses do not have these qualities. In addition, established majority-owned businesses that have a track record of successfully winning bids will regularly become the supplier of choice (Tier 1), not because they

are necessarily the best companies, but because they are integrated within the right networks and have the competency and skill set to navigate the tender process. This culminates in a very small, homogenised pool of companies that regularly rotate the winning of tenders, and build scale beyond others, making them the ever-more inevitable choice. This is cause for concern, as it can also result in negative socio-economic impact and poor service delivery.

The recommendation here is to build a framework and conditional clauses within the tender PQQ and bid process that will require Tier 1 & 2 suppliers to have a proportion of their business, by monetary value and percentage of ethnic minority delivery partners, as part of their supply chain, and this should form part of the pre-contract and post-contract key performance indicators. Some corporations are beginning to do this, which is very encouraging. Far more is necessary.

Similarly, when tenders are publicised within the public and private sector, consideration and weighting should be given to the degree of social impact and engagement of diverse businesses (employment opportunities, subcontracts, and contribution to the local economy). As well as including more ethnically diverse businesses as subcontractors, this can also recognise and reward the holistically positive impact many diverse businesses have within their communities.



9 Honestly Reflect on Progress Through 360° Review of Diversity and supply chain

A 360-degree feedback review system should be adopted. This will offer insights and information regarding the systemic behaviours, competencies, performances, and relationships with respect to the scope and depth of ethnic minority businesses working within the supply chain. The 360-degree feedback will accumulate performance-related data of the individuals, diversity groups and teams from a variety of sources (procurement teams, suppliers, human resources, and stakeholders). This feedback can then be used to evaluate the organisation's performance against the stated diversity objectives.

10 Require Public and Private Sector Organisations to Publish Their Diversity Supply Chain Expenditure

Government should require organisations to publish the quantity, percentage, and frequency of their spending with diverse businesses. This will ensure full transparency, corporate oversight, and better governance, by having the ability to measure outcomes, to determine progress and hold lagging companies accountable.

B. Engage Fully with Diverse Communities

11 Consciously Integrate Cross-cultural Communication into Strategy

We live and work in a diverse and multicultural society, where language, beliefs, values, culture are interconnected and interdependent. However, when organisations attempt to engage and communicate with diverse cultures, there is a tendency to adopt an ethnocentric homogenised approach. This report recommends that consideration should be given to how organisations communicate with

diverse communities, the language that is used, and the platforms that are utilised, to ensure that there is a greater degree of sociocultural alignment and to create a more conducive relationship between different sociocultural groups. The following two recommendations will further contribute to this agenda.

12 Partner and Integrate with Diverse Networks

As part of their strategic development, organisations need to develop new diverse social networks and engage at a granular level with different community groups, Black entrepreneur networks, and women diversity entrepreneurs, and ensure that their organisation has representation and access to these groups. This will build trust within the BACD and minority entrepreneur community.

Outreach and networking events are tools that can be used to make positive connections with diverse business groups and associations in formal and informal environments. The proactive nature of engaging the BACD and minority community will again further engender trust and create positive relationships and greater social capital.

13 Work with Diverse Consultancies to Access Diverse Communities

Organisations should seek to develop new communication channels and PR partners that will resonate with diverse communities (African Caribbean media channels, ethnic minority media and gender-specific media engagement). This will ensure that the opportunities, or access to those opportunities, are widely shared. As part of this strategic shift, where possible, organisations should attempt to engage boutique diverse PR agencies that have access to more diverse communities but that can also navigate and communicate in a more conducive manner that will resonate with the audience that is being targeted.

Pillar 3: Embed

A. Drive Forward with Policies, KPIs and Full Accountability

14 Review and Dismantle Cultural-structural Barriers

Organisations should undertake both formal and informal internal reviews to establish if there are systemic and structural barriers inherent within their organisational systems, processes, procedures, and policies that are either consciously or unconsciously creating barriers of entry or access to resources, information or people. This may well require external and internal resources to help the organisation identify the reforms that may be required to dismantle or revamp any structural barriers that may be present.

15 Get Effective Policies In Place, Which are Actually Acted On

As part of the strategic change, there is an urgent need for organisational reform, and the development of new diversity and inclusion policies that will form a part of the D&I framework (e.g. Corporate Social Responsibility (CSR), Purchasing Social Responsibility (PSR), D&I, Equality). While many corporations have now supplied these on paper, they tend to 'lack teeth' and risk being perceived internally and externally as 'box-ticking exercises'. To avoid this, policies must be quantifiable, measurable, fully understood and embedded in how the organisation does business. CSR, PSR, and D&I policies will require the auditing of internal systems and processes consistently to monitor progress and to ensure congruence. As a minimum requirement, institutions should endeavour to facilitate diversity and inclusion reviews on a biannual basis. This will ensure that there is a degree of accountability, responsibility, and governance.

16 Set and Follow Through on Strong KPIs

To ensure that diversity and inclusion (D&I) does not become a 'mirage', it must become a staple part of the institutional landscape, particularly within senior leadership team meetings. Diversity key performance indicators (KPIs) should become a prerequisite on the agenda of these meetings, sitting alongside profit and loss, marketing, sales, and operations. The inclusion of diversity on the agenda will not only demonstrate its importance within an organisation, but it will also hold the organisation accountable for its performance against its KPIs. The age-old adage 'what gets measured gets done' is a time-honoured truth. This is the basis of any appropriate performance management process in an organisation and will mitigate any potential substandard performance.

17 Hold Leaders Accountable for D&I Results

The senior leadership teams should be held accountable for the performance of diversity engagement within their organisation, and there should be some form of internal and external oversight to ensure that this objective is achieved. Very often, D&I policies remain the responsibility of human resources. Embedding them within business leaders' targets, and reviewing their performance against D&I measures will help to put these issues centre stage and motivate leaders to own and drive the necessary change.

18 Require Public and Private sectors to Publish Their Diversity Statistics

Government can help push forward progress by introducing a policy akin to the gender and equality pay gap, where all organisations over 250 employees will have to publish data around the ethnic diversity of their leadership teams, promotions, corporate expenditure, recruitment, and supply chain contractors. Both the general public and shareholders are increasingly holding organisations to account on measures of social responsibility, and this transparency can greatly help organisations drive change.



B. Embed with True Culture Change

To reinforce real change, there must be a willingness and openness to change the culture within institutions that service the BACD and ethnic minority entrepreneur community. For organisations to be more transparent, accountable, and responsible requires a shift in the institutional cultural fixedness and a new and more progressive form of leadership. It will need leaders who are more receptive and willing to implement real systemic change and not remain psychologically shackled to the past that may be at odds with their organisational norms.

Organisations need to build greater cultural competence; that is, the ability and acuity to be sensitive to cross-cultural differences and cultural indifference, and to adapt to other cultural needs, but also being aware of how culture can influence one's thoughts and behaviours. This type of change takes time, but is essential.

19 Create Open and Transparent Conversation and Safe Spaces

While setting ambitious targets and holding leaders accountable is key to progress, so is time to self-reflect and grow. To aid this process, organisations should attempt to create safe spaces for introspection and reflection, individually and collectively. This is often very difficult, as the tendency will be to adopt a myopic view of the world. Individuals, staff, stakeholders, and groups within an organisation should feel they can have an open and transparent discussion, without any implicit or explicit repercussions. This may be in the form of a social environment or within a team meeting. The key here is to support and encourage dialogue. Very often, with racial and equity issues, there is a fear of speaking, which stunts thinking and growth. For BACD challenges to be understood, they must be freely discussed and reflected upon.

20 Appoint External Panel Advisers to Offer Wise Counsel

The recommendation is to appoint advisers, external to departments or organisations, who will be able to offer advice, support, and guidance, to act as a counterbalance to the conventional narrative, attitudes and beliefs regarding BACD and minority communities. These should be people belonging to these communities who help to open up access to and understanding of ethnic minority lives and cultures.

21 Diversify from the Boardroom Down

Long-term change of course, cannot be achieved by external advisers alone. These can only be a temporary measure, with the ultimate objective being to diversify internally. There is an egregious lack of Black and ethnic minority representation and participation in both public and private sector institutions, particularly within senior leadership teams and within decision-making processes. Consequently, policies, regulations and decisions are quite often devoid of cultural competence. The data suggests that the majority of private and public sector organisations in the UK inherently lack diversity within the boardroom and at senior levels (race and/or gender) and therefore any potential biases will continue to be perpetuated within those institutions. The status quo will unwittingly remain, as the actors that occupy those spaces may not have the intellectual inclination or awareness needed to change.

To try to redress this imbalance and mitigate the risk of unconscious bias and cultural homogenisation, there needs to be a change within the cultural and demographic configuration of the boardroom and all leadership positions. Organisations must become more equitable and reflect the changes they are advocating externally. This report recommends the appointment of diverse non-executive directors to the board, proportionately to the size of the organisation. In addition, organisations should seek to review

and evaluate their recruitment process and their human resource management development strategy to ensure they reflect equitability across the diversity spectrum (race, gender and disability). New leaders will act as the counterbalance and critical advisers to established organisational cultures. They will be able to offer new insights and contribute to the strategic decision-making process, through having a diversity of people, thought, values, beliefs, and perspectives. This will build a more holistic robust and inclusive approach, which will support greater diversity engagement within the BACD and minority entrepreneur community.

To reinforce real change, there must be a willingness and openness to change the culture within institutions that service the BACD and ethnic minority entrepreneur community.

07

Conclusion:

Escaping the Race Paradox
to Make True Progress



This report has endeavoured to present a contemporary insight and more inclusive agenda for BACD entrepreneurs within the UK. The report has sought to highlight the inherent disparities and structural inequalities, but also to present solutions that can help to deliver long-term sustainable and transformative change. The broader picture reveals that small and medium-sized enterprises play a vital role in the UK economy through GDP contribution, employment, and socio-economic prosperity of the economy.

There have been numerous, prolonged attempts to redress the disproportionate imbalance within society, yet systemic bias is still prevalent within society and within institutions that support or could be purchasing from entrepreneurs.

The Race Paradox highlights that there is a disconnect between many of these organisations' policies and their practices. The disparities are evident across key metrics for the BACD entrepreneur, and they manifest themselves within multiple different areas, ranging from access to finance, training, social capital, mentoring, access to opportunities, and areas such as business support. As a result of sociocultural and political activism, there has been a growing level of consciousness that has been activated within the public and private sector regarding diversity and inclusion, which has created an appetite for change; however, a dichotomy still exists.

The litmus test that has been undertaken during the last decade has found the private and public sectors have lacked substantive and transformational change regarding diversity and inclusion engagement. The diversity outcomes have been somewhat underwhelming, and this has been repeatedly substantiated through the various reports commissioned during this period.

Driving and tracking progress will require a greater degree of transparency, accountability and measurability. It will take tangible change with concrete action, as opposed to idealised progressive hyperbole. It will take true culture change, rather than gesture politics. Without this, 'levelling-up' will not happen. Organisations will remain stuck in the Race Paradox. BACD

entrepreneurs will be held back from achieving their full potential.

Fundamental cultural shifts can be achieved within organisations. Doing so will manifest into long-term sustainable change which engenders trust and builds a more equitable and fairer society, perpetuating inclusivity and creating a more vibrant economy for all ethnic minority communities as well as for the majority ethnic community. A truly multicultural Britain that engages and embraces all ethnicities is not only the morally right thing to do; it is also good business. Having more businesses that can contribute to the gross domestic product, reduce unemployment, create jobs and increase the wealth and prosperity of the country through operating sustainably is good for the economy, good for all communities, and good for the United Kingdom.



The secret of change is to focus all of your energy not on fighting the old, but on building the new



– Socrates



08

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THE
BLACK
ENTREPRENEUR
REPORT
2021

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