Ethnic minority enterprise in Scotland 'is promising but needs more support to succeed'

June 11 2018

Ethnic minority entrepreneurs in Scotland need more engagement and support from the government and key industry partners to start and grow successful businesses, according to research by the University of Strathclyde.

The study by Strathclyde Business School found 10 areas of disadvantage for ethnic minority entrepreneurs, including gaps in financial management skills, a lack of support and a failure to access external funding.

The report authors also highlighted a lack of entrepreneurial ethnic minority role models and little trust in bodies offering support.

The analysis showed that ethnic minority businesses (EMBs) account for around 3% of SME employers which suggests little under-representation when 3.7% of the Scottish population is from an ethnic minority.

In fact, 44% of ethnic minorities in Scotland have a family business background compared to 24% of white British individuals. In addition, 12% of ethnic minority adults intend to start a business in the next three years compared to 5% of white British adults.

Dr. Samuel Mwaura, lecturer in the Hunter Centre for Entrepreneurship at Strathclyde Business School, said: "While the data suggests ethnic

minorities have a seemingly higher entrepreneurial capacity this does not translate into successful established businesses.

"Our report highlights the relative disadvantage amongst ethnic minority groups in Scotland and makes proposals as to how these could be combatted using suitable policy interventions."

The research, commissioned by the Scottish Government, was based on an examination of statistics from three key entrepreneurship and small businesses databases: the Global Entrepreneurship Monitor (GEM), the Longitudinal Small Business Survey and the SME Finance Monitor.

It also draws on interviews with 45 business-owners from various ethnic minority backgrounds and five key informants from local government agencies, charities, community associations and other organisations that work with entrepreneurs from ethnic minority communities.

The 10 areas of disadvantage identified by the report were:

- Gaps in financial management skills in EMBs
- Lower investment dynamism—EMBs invest less and tend to use personal funds more rather than external financing
- EMBs start up in higher-risk, lower value-added sectors such as retail and residential care services
- Low levels of awareness of enterprise support programmes
- Lack of trust in support institutions
- EMBs that have engaged with support institutions find the support system too complex to manoeuvre
- EMBs that have persisted find advice given generic and hardly practically useful
- Lower representation and integration in mainstream enterprise networks
- Limited entrepreneurial role-models for EMB community

- Ethnic minority communities are very diverse and not cohesive or well-coordinated

Dr. Mwaura said: "One of the things that really stood out was a remark by one of our respondents that speaks to the issue of awareness of available public provisions for enterprise and outreach by the government to ethnic minority communities.

"The respondent observed that the police regularly visit mosques when they have announcements about policing and security issues because they regard the message as important to convey to the ethnic minority community and they know that by announcing it at the mosque it will reach many people at once. But no one has visited the mosque to talk about enterprise support opportunities.

"There was another point as well about culture and the business jargon used in mainstream enterprise circles. This becomes a marker of credibility and minorities not well integrated in these circles do not therefore speak the language and in turn do not immediately come across as credible even where their ideas may have some legs.

"Efforts to reach out to ethnic minorities in their social or religious centres would therefore signal to such communities that their business endeavours and contributions are recognised, valued and deemed important enough to the country to warrant mainstream support.

"In addition, enterprise education as well as extension and intermediation activities could help minorities integrate better into mainstream enterprise culture and networks and allow them to participate fully.

"It is imperative that all enterprise support programmes in Scotland now extend their hand and reach out to ethnic minority communities in Scotland."