MINORITY ETHNIC ENTERPRISE IN SCOTLAND: A NATIONAL SCOPING STUDY

FINAL RESEARCH REPORT

FOR SCOTTISH EXECUTIVE

Professor David Deakins, Dr Mohammed Ishaq, Professor David Smallbone*, Geoff Whittam and Janette Wyper

Paisley Enterprise Research Centre
University of Paisley
*Small Business Research Centre
Kingston

With assistance from: Philomena de Lima, University of Highlands and Islands, Kaiser Kahn, Glasgow City Council, Amjид Akram, Edinburgh Chamber of Commerce and Lifang Lamb, Fife Council Development Services

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GLOSSARY

The following abbreviations are used in the report.

BBA  British Bankers’ Association
CEEDR Centre for Enterprise and Economic Development Research (Middlesex University)
CRE  Commission for Racial Equality
GEM  Global Entrepreneurship Monitor
ETLLD Enterprise, Transport and Lifelong Learning Department
GDP  Gross Domestic Product
GROS General Register Office for Scotland
MEB Minority Ethnic Business
NS-SEC National Statistics – Standard Economic Classification
ONS Office for National Statistics
PERC Paisley Enterprise Research Centre (University of Paisley)
RAG Research Advisory Group (for Minority Ethnic Enterprise National Scoping Study)
SBRC Small Business Research Centre (Kingston University)
SCROL Scottish Census Results On Line
SBS Small Business Service
SME Small and Medium-sized Enterprise
VAT Value Added Tax
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EXECUTIVE SUMMARY

1. This national scoping study on minority ethnic enterprise in Scotland is the first systematic study on the distinctive nature and importance of minority ethnic businesses (MEBs) in Scotland. The vitality of Scotland’s economy is dependent upon the range and diversity of entrepreneurial activity. MEBs are an important contributor to that diversity and this study identifies the extent of their importance and diversity. To do this, the study has used a combination of research methods: secondary 2001 Census data analysis, quantitative analysis of baseline data, qualitative interviews and extensive consultation with key informants. The extent of this study provides an opportunity, for the Scottish Executive and other agencies, to build on the main findings and some implications from the main conclusions.

Research Aims

2. The main aim of the scoping study was to provide information on the distinctive issues and distinctive importance of MEBs in Scotland. In order to do this it has been necessary to:

2.1 Map their geographical and sectoral distribution and importance in Scotland.

2.2 Examine the nature of distinctive issues with MEBs in Scotland compared to a white control group and MEBs in other areas of the UK.

2.3 Investigate the importance of the nature of issues with an interview-based sample with MEB owners across different localities and different sectors, representative of the distribution indicated by the quantitative phases of the study.

2.4 Undertake extensive consultation with minority ethnic community leaders, providers of finance, advice and support from both ‘mainstream’ and specialised agencies.

Research Methods

3. The scoping study has used a combination of research methods to achieve these aims. These methods have been used in distinct stages so that the quantitative methods, used in the earlier stages, can underpin the basis of the qualitative samples used for the later stages of the study. In more detail the study has involved the following research methods:

3.1 Secondary data analysis of the 2001 Census data on the numbers and distribution of self-employment in Scotland by minority ethnic groups including: Pakistani, Indian, Chinese, Bangladeshi, African and other groups. The analysis has included an investigation into the importance of minority ethnic self-employed and small employers in the main cities, the Central Belt outwith the main cities and rural areas including the Highlands and Islands and the South of Scotland.

3.2 Baseline data analysis of a dataset of 81 MEBs located in Scotland including representation of Pakistani, Chinese, Indian, Bangladeshi and African owners. The dataset also comprised an additional 33 white-owned businesses, which served as a control group.
3.3 A programme of 41 face-to-face, semi-structured interviews with MEB owners including representation of the minority ethnic groups from the quantitative analysis phases. The programme of interviews has been designed to include representation of different sectors; both traditional, such as retailing, and emergent, such as IT and leisure and of geographical distribution in the main cities, in the Central Belt and in rural locations in the Highlands. Most of the interviews have been transcribed and analysed using a qualitative software package.

3.4 An extensive programme of consultation with 32 key informants through either face-to-face interview, telephone interview or e-mail communication. The consultation was completed with identified key informants from minority ethnic business communities in different localities and with representatives from support agencies and providers of finance including, where possible, key decision-makers that have experience of direct contact with MEB owners.

4. Methodological issues in conducting the research were overcome through assistance from the Research Advisory Group, for which the research team are grateful, and by having a research team that contained experienced researchers with minority ethnic communities who could, in some cases, conduct interviews in the respondents’ first language. The research team have used the respondents’ own perception of their ethnicity using definitions of minority ethnic groups from the 2001 Census.

Summary Findings

5. The following summary findings are identified, as associated with each stage of the study.

5.1 From the 2001 Census data

- Minority ethnic business owners account for just over 3 per cent of all self-employed in the nation, or, alternatively, minority-owned businesses account for 3.6 per cent of the number of small employers. It is estimated that there are over 4,400 MEB registered enterprises in Scotland. However, the importance of MEBs is greater than the ethnic breakdown of Scotland’s population might suggest, this is due to the higher rates of self-employment and business ownership in minority ethnic communities than other ethnic groups, with the highest rates of self-employment in the Pakistani, Chinese, Indian and Bangladeshi communities respectively. The relative importance of the numbers of MEBs for Scotland will increase in the future, on current trends, due to the younger demographic profile of the minority ethnic population.

- The most important concentration of minority ethnic enterprises geographically is in Glasgow, which is Scotland’s most important city for minority ethnic enterprises. MEBs account for 10.6 per cent of the self-employed and 14 per cent of small employers in Glasgow. It is estimated that there are over 1600 VAT registered MEBs in Glasgow alone. High rates of self-employment also exist in Edinburgh, particularly in the Pakistani community, with MEB owners accounting for over five per cent of the total numbers of self-employed for the city. Dundee is also important where MEBs account for over 7 per cent of the self-employed for the city.
• MEB owners are also important in areas of the Central Belt outside Glasgow and Edinburgh and indeed this area contains over 45 per cent of all the minority ethnic self-employed in Scotland, with a similar proportion accounted for with the number of small employers and own-account workers.

• In the remaining rural areas, of the Highlands and Islands and the South of Scotland, MEBs are much smaller in number and more dispersed, although there are still some high rates of self-employment.

5.2 From the database analysis.

• The database analysis, comparing MEBs in Scotland to a white control group and equivalent MEBs in England, indicated a concentration of MEB owners in traditional sectors of retailing and catering. The analysis also indicated a lower propensity of MEB owners in Scotland to obtain management qualifications and formal training (compared to MEBs in England). However, the analysis found that MEBs in Scotland were not disadvantaged in terms of their actual growth performance.

• The analysis found larger differences between minority ethnic groups in their success in raising external finance at start-up than between MEBs as a group and white-owned firms. It was Chinese-owned firms who showed the highest propensity to access finance from mainstream sources. They also showed the highest propensity to access external advice at the start-up stage. MEB owners were significantly more likely to draw on finance from family and friends at start-up than white-owned firms. Finance from informal sources appeared particularly important in the case of Pakistani-owned firms.

• The analysis indicated that in seeking and accessing formal finance, MEB owners had lower success rates than white-owned firms. In terms of seeking and accessing advice and support, the analysis indicated that MEBs, as a group, were less likely to do so than white-owned firms, although there were differences between minority ethnic groups.

5.3 From the programme of interviews

• The interviews revealed a richness and diversity of MEBs through the range of sectors, different ownership and generation. The interviews highlighted great contrasts between the experience of MEB owners in different locations, in different sectors and in different markets. MEB owners in declining sectors and in declining markets have adopted coping strategies that draw upon innovation in service and product provision and adding value. There is also evidence of successful diversification and breaking into new markets. One common theme appears to be high drive and ambitious MEB owners who are able to achieve business development and growth, even in traditional sectors, and in the face of increased competition.

• In accessing formal finance, the qualitative findings reinforce the quantitative baseline analysis, indicating dependence by MEB owners on personal and informal community sources for finance. This finding is further affected by a marked reluctance to approach institutional providers, even with 2nd generation owners.
• The interviews indicated that, although variable, MEB owners tend to be well-educated. Some MEB owners have been willing to engage in additional training, although there is some evidence that this could be enhanced. MEB owners appear to be remarkably adaptable to the demands of new technology and willing to innovate. Although the quantitative baseline analysis indicates limited management qualifications and training, the interviews reveal that when training is available, then MEB owners will take this up.

• The interviews confirm that the role of social capital and resources acquired from close knit networks, is complementary to that of informal capital, although it may act as a barrier to the ambitions of younger and 2nd generation MEB entrepreneurs. Related to this finding, is the lack of awareness and, more importantly, basic knowledge of the level and type of services provided by the mainstream agencies, which should be a major focus of concern. The lack of engagement ranges from the relatively basic lack of awareness, attitudes that see support agencies as not relevant, and deliberate strategies to by-pass support agencies.

• The interviews also indicated important additional issues of diversification, crime, security, insurance and racism, further highlighting and reinforcing the diversity of MEB experience in different sectors and localities in Scotland. In some localities such issues are an acute everyday and common occurrence, in some cases such barriers have been overcome by remarkable resilience in the face of adversity in trading conditions. In some cases there has been a more stoic acceptance that such difficulties are part of the normal and expected patterns of establishing a successful business.

The main conclusions

6. Combining the analysis from these different stages of the research together with the extensive consultation has provided a basis for interpretation and conclusions. These are discussed as separate chapters in the main report but include the following.

6.1 A key conclusion is the importance of the numbers and diversity of MEBs in Scotland. It is noted that there are likely to be over 4,500 MEBs contributing an estimated £500 million to £700 million towards Scotland’s GDP. In diversity, MEBs contribute to range of sectors and locational areas although there are still concentrations in traditional sectors. In location, the highest concentrations are Glasgow and Edinburgh, however, MEBs are also important to maintaining diversity in other locations, especially areas of the Central Belt, contributing to local economic development. In rural areas as well, such as the Highlands, the role of minority ethnic enterprises is important, helping to diversify and enrich local rural economies, particularly given the demographic context for rural areas, which generally provides a more marked ageing population structure than other areas of Scotland.

6.2 Minority ethnic diversity is important for contributing to the competitiveness of individual businesses and economies in various ways. It is suggested that diversity can be seen as a source of creativity and innovation and that policies can be developed to help promote such diversity, contributing to diversification. Examples of positive strategies to promote such diversity as a source of innovation and creativity that have been used elsewhere, for example in London, are discussed in the main report.
6.3 The interviews revealed that, even in traditional sectors, MEB owners are resourceful and prospering, and are able to innovate and diversify. However, Scotland is dependent for cultural and ethnic diversity on MEB owners that are both geographically and sectorally concentrated. The continuing vitality and diversity of MEBs will be crucially significant for Scotland’s economy. Demographic trends indicate a significantly ageing population for Scotland (GROS, 2004), it is important that the younger age profile of minority ethnic communities is able to contribute to economic development through the achievement of potential entrepreneurial development. This will mean encouraging both diversification of sectoral concentrations and ensuring engagement of new start MEBs with appropriate and relevant support.

6.4 Having noted the importance and diversity of MEBs in Scotland, there are particular issues regarding access to finance and business advice and support.

- First, there is comparatively low access to formal sources of finance. There is a marked reluctance to approach banks and institutional providers of formal sources of finance, although there is little reporting of any dissatisfaction with the commercial banks. Take-up of targeted financial schemes is also low, for example with micro-credit or loan funds that might have MEB owners as users. It is suggested that it is an issue that may be compounded by the lack of engagement by MEB owners with mainstream support (and other agencies) that could act as a referral mechanism for such sources of finance. There appears to be a lack of intermediaries between agencies, the banks and minority ethnic communities that could provide a means of building the trust that is required to establish relationships with the commercial banks.

- Second, there is a lack of engagement with the formal mainstream sources of advice and support such as Business Gateway and a low take-up of formal training. This matters because it could restrict the development potential of MEB owners that could benefit from such sources of support and it is important for Scotland’s economic performance and productivity that these business owners do engage with public sector sources of support. There are different dimensions to this non-engagement. These dimensions include a lack of awareness of sources of support and advice to deliberate strategies to avoid engagement. The former could be tackled by profiling and the use of additional means of communication, making messages relevant to local minority ethnic communities. The latter requires the building of trust with local minority ethnic communities in the same way as required to build relationships with formal sources of finance such as the commercial banks. It is suggested that the key issue for the Scottish Executive and the Enterprise Networks is the development of initiatives that improve communication and engagement with MEBs, partly through initiatives that provide incentives, such as targeted procurement policies, and through developing links with community leaders or with organisations that represent MEB owners. An increase in the take-up of formal training should follow from increased engagement. The feasibility of establishing a representative formal body for MEBs in Scotland such as a Minority Ethnic Business Forum or Institute should also be explored. Any initiatives to raise profile will need to be embedded in local minority ethnic communities to provide the bridges to build trust. The study also notes the importance of the legal context, for support agencies, from the Race Relations (Amendment) Act 2000. For example, such organisations will need to be aware of how this Act extends protection against racial discrimination by public authorities and
places a new enforceable general duty on public authorities to promote equality and eliminate discrimination, including in the delivery of support.

6.5 This study has identified a number of additional issues including:

- Third, the nature of succession planning. Many MEBs are family businesses, where these are in traditional sectors there may be a reluctance of the 2nd generation to continue in the family business. In addition, in some cases, there are different attitudes of the 2nd generation even where they wish to continue with the family business. Although there will be similar issues in family businesses generally, the nature of such issues will be different with MEBs and may require specialist advice and support.

- Fourth, the need for diversification with MEBs in traditional sectors. Although it is noted that MEB owners have shown resilience and innovation in traditional sectors, there are still areas of support needed to achieve diversification. It is noted, in the main report, that these sectors are perceived to be ineligible for support, such as retailing and catering. However, it should be possible to provide advice and assistance drawing upon successful examples of diversification or providing assistance with feasibility studies. Increased diversification may be achieved by the promotion of diversity linked to increasing innovation and creativity, drawing upon examples of successful policies elsewhere, mentioned in the main report.

- Fifth, the marginalisation of MEBs in some localities, trapped in hostile trading conditions that exist in difficult environments, often facing crime and racism. The geographical distribution of MEBs is very uneven. Likewise, so is the pattern of MEB experience and trading conditions. Support for MEBs in marginal trading conditions probably needs co-ordinated and targeted assistance from a range of organisations to ensure that trading conditions improve and assistance is provided to achieve breakout of such markets and environments. However, the concern of MEB owners in such environments could provide an opportunity for a policy initiative targeted against crime and racism, this would provide an incentive for MEB owners to engage with providers of public sector support and advice. An examination of policies designed to improve local trading environments through holistic approaches could be examined from elsewhere in the UK.

- Sixth, the nature of MEB experience in rural areas. MEBs in rural areas are virtually invisible in terms of assistance and profiling. Their needs are different as they do not have the advantage of strong networks and strong social or informal sources of capital, therefore, they may be more self-reliant and may require specific assistance. In rural localities, new MEBs provide additional variety, diversity and creativity in the local environment that can attract additional wealth into such areas through increased tourism and trade. It is argued that it should be a part of the policy of agencies in such areas to attract greater numbers of MEBs. As well as contributing to local rural economies through the natural diversity of MEB business ownership, the ethnic diversity of cuisine and culture should be an element of a tourism strategy. The development of MEBs in these sectors to promote diversity, could provide a mechanism to engage MEBs in mainstream support, whilst recognising their distinctive needs. Agencies in rural areas, such as VisitScotland, should profile ethnic diversity as a positive tourist strategy.
Areas for further research

7. Finally the authors suggest a number of areas for further research that arise from this study:

- Quantitative data collection on the importance and pattern of MEB owners in local economies.

- Further qualitative and longitudinal research to capture the dynamic aspects of business development with MEB owners in different sectors. The research could investigate the nature of inter-generational ambitions and succession planning.

- The dynamic nature and changing role of social capital and its distinctive nature for MEBs could provide an important strand of research. This would help to inform agencies how best to build bridges and trust with local minority ethnic communities. The relationship between formal and informal sources of both finance and advice whether they are substitutes or complementary, is a key area for further investigation.

- An investigation of methods of successful diversification that can inform support policy in this area. There is a need for further research to examine ways of achieving diversification in two main areas. The first area focusing on supplier diversity and the second area focusing on assessing scope for diversity being developed as a source of competitiveness for the Scottish economy.

- Further investigation with MEB owners on the nature of human capital and the management training and development needs of MEB owners in different sectors. A training needs analysis (TNA), with selected MEBs, could help to determine the nature of management development seminars and assistance, perhaps drawing on experience from the Glasgow City Council MEB support programme.

- An investigation into the nature of marginalisation of MEBs in difficult trading conditions. Such an investigation could identify mechanisms that will assist breakout into wider markets and identify policies that could provide some security and protection for existing MEB owners operating in hostile trading environments.

- The nature of MEB development in rural areas of Scotland should be investigated further through additional qualitative and case study research to determine the extent of integration and/or isolation of MEBs and their associated special needs.

- An investigation into improving the relationships between sources of advice, support and finance, which could provide additional information on appropriate mechanisms that can build bridges with minority ethnic communities and their businesses.

- Finally, monitoring and evaluation of existing and planned initiatives will be required that may be targeted at MEB owners.
CHAPTER ONE    INTRODUCTION

1.1  This report provides results from a comprehensive national scoping study, commissioned by the Scottish Executive, on minority ethnic enterprises in Scotland. The study is the first systematic research undertaken with minority ethnic businesses (MEBs) and their owners in Scotland. The limited extent of previous studies and the lack of comprehensive work with the importance of MEBs is an omission in the 21st Century, when the importance of MEBs for the diversity and vitality of modern economies has been recognised for some time (Bank of England, 1999). This study identifies the vital importance of MEBs for Scotland’s economy in growing and emergent sectors such as IT and leisure, as well as their traditional sectors of retailing, wholesaling and catering.

1.2  The study utilises a combination of research methods and data sources. First, analysis of secondary Census data on self-employment rates in minority ethnic groups in Scotland. Second, quantitative analysis of baseline data on the distribution, characteristics and importance of minority ethnic businesses (MEBs). Third, findings from a programme of qualitative, in-depth face to face interviews with MEB owners conducted by the research team. Fourth, the research team has completed extensive consultation with key informants from enterprise support agencies, specialist agencies, funders and minority ethnic community leaders. However, before reporting the main findings, it is important to establish the nature and purpose of the scoping study and to provide some contextual background.

The nature and purpose of the study

1.3  The study aims to provide information on the particular issues and the distinctive importance of MEBs in Scotland. It also aims to build upon previous research. For example, the largest study with MEBs in the UK, by Ram, Smallbone and Deakins (2002) indicated that they do face additional barriers in accessing formal sources of finance and are reluctant to engage with business support agencies (Ram, et al. 2002). The study utilises further analysis from this UK study to highlight the distinctive nature and profile of MEBs in Scotland. At the same time, the scoping study builds upon previous research undertaken in Scotland to investigate the changing importance of known issues with MEBs for Scotland. For example, a well-known finding from previous research is the reluctance of MEB owners to engage with mainstream enterprise support provision, and previous research has established that this is little different in Scotland (Deakins, et al. 1995).

1.4  For the programme of qualitative interviews, the study has focused upon six minority ethnic groups to build upon the Ram, et al (2002) study which covered issues concerning MEB owners from the following communities; Indian, Pakistani, Bangladeshi, Chinese, African and Caribbean. It is recognised by the research team that other MEB owners from different communities may face similar, equally important issues. However, there is less known about such groups, but the difficulties and limitations of research with such groups, without considerable resources, has been indicated by the Barclay, et al. (2003) study for the Scottish Executive which focused on the implications for society in Scotland of policy and experience of asylum seekers. The research team has consulted with representatives of such groups, where this was feasible, during the consultation stage of this study. It is important that the nature and limitations of the scoping study is seen within these set parameters. Nevertheless the scoping study is still relatively ambitious, given the limited previous research with MEB owners in Scotland. A brief indication of previous research in Scotland is included in the following section of this report.
1.5 The issues discussed in this study reflect those in the Prime Minister’s Strategy Unit’s project *Ethnic Minorities in the Labour Market* (http://www.strategy.gov.uk.) The Scottish Repercussions of the aforementioned project were then later highlighted by an event organised by the Scottish Executive, Scottish Enterprise and the CRE (http://www.scotland.gov.uk/library4/DD/Equality Unit). This event was significant as it demonstrated the extent to which the Strategy Unit’s findings were applicable to a Scottish setting. Linked to this are the different issues facing different minority ethnic businesses, that is, MEBs which are owned by people from differing minority ethnic backgrounds and, as such, policy aimed at supporting the minority ethnic community should reflect this diversity. Additionally, the geographical spread of the minority ethnic population is a further issue that is highlighted by this study. The Strategy Unit’s project emphasises the need for ‘joined up-thinking’ by differing government departments, acknowledged by the Government with the setting up of a Task Force, bringing together Ministers, Government officials and key external stakeholders with the objective of Departments working in a more co-ordinated way.

**Limitations of the Study**

1.6 The study, although the largest of its kind in Scotland, provides an indication of the nature and importance of minority ethnic enterprise, only. Therefore, there are limitations due to the nature and purpose of the study, for example, there are issues with minority ethnic enterprises which will need further investigation. Areas for further research are indicated in Chapter 7.

**Previous research with minority ethnic enterprise in Scotland**

1.7 Previous research in Scotland is limited; for example, the Netto, *et al.* (2001) study for the Scottish Executive, which was itself a review of the literature and research with minority ethnic communities in Scotland, commented that there is a dearth of published research on this subject in Scotland (Netto, *et al.* 2001, p 128). This review of previous research suggested that MEB owners have high levels of sectoral concentration in traditional service sectors such as retailing, wholesaling, catering and in clothing manufacture; highlighting problems of diversification for MEB owners as a major issue. For example, Deakins, *et al.* (1995), a study of issues facing MEBs in the West of Scotland, recommended support strategies that enterprise agencies might adopt to support MEBs with diversification strategies in the West of Scotland. Bent, *et al.* (1999) focused specifically on the retail sector, with MEBs in the East of Scotland, and noted the high degree of competition faced by MEBs located in this sector in the East of Scotland. Thus, a focus of such studies has been on issues faced by MEBs in Scotland in traditional sectors. The needs of MEBs in such sectors are related to marketing and business development strategies that take account of high competition and declining demand characteristic in these sectors. The recent study undertaken for Fife Council on MEB owners in Fife (Fife Council Development Services, 2004), which involved a survey of MEB owners from an extensive database in Fife, indicated, “Most ethnic minority business is concentrated in the restaurant, takeaway and retail sectors” (Fife Council Development Services, 2004, p. 3). A study for Glasgow City Council on businesses in Tradeston, commissioned to look at the effects of redevelopment of this area, but predominantly with MEB owners, indicated that 89 per cent were in traditional sectors of textile and wholesaling (EKOS, 2004). The 2002 Omnibus Survey for Scotland on Small Business did include minority ethnic businesses in its sample of 1,000 SME owners, but there is no breakdown of the issues or sector, reported in the survey, by ethnic group (Scottish Executive, 2003).
1.8 However, the Ram, et al. (2002) UK study, which included a sample of MEB owners in Scotland, indicated that MEBs in Scotland were well represented in emergent new and developing sectors of the economy such as IT, telecommunications, software, media and mobile phone technology, compared to levels indicated in previous studies. The needs of MEBs in such sectors are different from those in traditional and declining sectors of the economy. Although such MEBs may be associated with successful growth, the Ram, et al. (2002) study showed that they could still face barriers in accessing finance and business support, but Scottish MEB owners were not identified separately for further analysis in this study.

1.9 The importance of MEBs for the economy has been shown repeatedly by a number of studies (Bank of England, 1999). Self-employment rates for the UK are higher among some minority ethnic groups than in other sections of the population. There is considerable variation with rates for South Asians among the highest and rates with African and Caribbeans the lowest (ONS, 2003). However, a recent report indicates that the current variation in rates is changing with higher rates of new start self-employed from “Black and Mixed race groups” (SBS, 2004, page 12). Other studies have shown that, in the UK and in Scotland, minority ethnic groups have higher entrepreneurial capacity. This is an important factor in economic growth, according to the Global Entrepreneurship Monitor (GEM) national studies, although the sample sizes for Scotland were very small (18 or 1.2 per cent of the respondents) in the GEM study for Scotland (GEM Scotland, 2002, page 19). There does seem to be consistent evidence, however, that entrepreneurial activity rates are high in minority ethnic communities compared to their white counterparts (GEM, UK Report, 2003). A recent report by the Scottish Executive confirms the importance of self-employment by minority ethnic groups in Scotland (Scottish Executive, 2004). The result is that minority ethnic enterprise is far more important for Scotland’s economy than the size of the minority ethnic population might suggest. This is discussed in more detail later with the analysis of the secondary data on self-employment.

1.10 It is worth noting as well, that the contribution of MEBs in rural areas is potentially important given the demographic context of rural areas, which may suffer declining populations, as well as ageing population structures, in some areas (Bryden, et al. 2001). As will be discussed, a small number of interviews with MEB owners in rural areas have been included as part of this study.

Organisation of the report

1.11 The remaining chapters of this final research report deal with research methods and data sources, secondary data analysis, baseline data analysis and qualitative data analysis. The report includes a chapter on interpretation and integration, which includes additional data and information gleaned from the extensive consultation that has been undertaken by the research team. Finally the report draws conclusions that incorporate some implications for policy.
Terminology

1.12 The terminology used in the report has been made as consistent as possible, however, where a term is cited directly such as from the Census 2001 data, the Census terms are used. This mainly applies to terms used in the secondary data tables in the annexes.

1.13 For the purposes of this report, the importance of MEBs refers to their contribution to the local and national Scottish economies, referring to both numerical numbers of MEB owners in relation to all business owners, especially small and medium-sized business owners, and their relative value.
CHAPTER TWO RESEARCH METHODS AND DATA SOURCES

2.1 The scoping study utilises a combination of quantitative and qualitative research methods defined over two main stages. The first stage has involved analysis of secondary data, quantitative analysis of baseline data and a programme of qualitative face-to-face interviews with MEB owners. The second stage involved informed consultation with community leaders and key informants as stakeholders in minority ethnic enterprises in Scotland. This research design is illustrated in Figure 2.1.

Figure 2.1: Research design

Stage 1

Secondary Census Data Analysis on Self-Employment and Small Employers by Ethnicity

Baseline Data Analysis

Design of Semi-Structured Interview Questionnaire

Programme of Forty One Qualitative Interviews using Semi-structured Questionnaire

Stage 2

Consultation with providers of advice, support, finance and key informants and community leaders

Secondary data

2.2 The main source of secondary data on the importance of minority ethnic groups is the 2001 Census. Data from the 2001 Census is available from the General Register Office for Scotland (GROS, 2004) and can be obtained at different levels of disaggregation from their website (www.scrol.gov.uk) and from the publication of a series of CD-ROMs with Census data tables (GROS, 2004). The research team requested data from GROS on self-employment by gender and ethnicity for council areas for Scotland and data on National Statistics Standard Economic Classification or NS-SEC. The number of small employers and own account workers is used as a proxy for the number of enterprises, and this data has also been compiled by the research team at council level areas from the 2001 Census data. However, the breakdown by ethnicity is not as disaggregated to the same extent by ethnicity as is self-employment, so a combination of both self-employment data and data on the number of small
employers has been collected. The use of self-employment and small employers is, as indicated, a proxy for the numbers of minority ethnic enterprises in Scotland. Obviously, this is a limitation of the study, but the numbers of self-employed have been used as indicators of the level of enterprise activity where data is not otherwise available, for example, with the number of female-owned enterprises (SBS, 2004).

2.3 Self-employment and the number of small employers for Scotland are shown in Tables 2.1 and 2.2. The distribution of minority ethnic enterprise, as represented by self-employment data, has been used as a guide for the distribution of interviews by ethnicity and by area.

Table 2.1: Distribution of minority ethnic self-employment in Scotland

<table>
<thead>
<tr>
<th>Area/City</th>
<th>Numbers of minority ethnic self-employed</th>
<th>Average self-employment rate by minority ethnic group</th>
<th>Proportion of all minority self-employed in Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glasgow</td>
<td>1874</td>
<td>18.1%</td>
<td>25.1%</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>1162</td>
<td>11.9%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Dundee</td>
<td>325</td>
<td>17.0%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>251</td>
<td>9.68%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Other Lowland Scotland</td>
<td>3375</td>
<td>23.2%</td>
<td>45.2%</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>312</td>
<td>20.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>South of Scotland</td>
<td>167</td>
<td>26.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>All Scotland</td>
<td>7466</td>
<td>19.1%</td>
<td>100.1%*</td>
</tr>
</tbody>
</table>

*Total does not add to 100 due to rounding

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 2.2: Distribution of minority ethnic small employers and own-account workers in Scotland

<table>
<thead>
<tr>
<th>Area/City</th>
<th>Numbers of minority ethnic small employers and own-account workers</th>
<th>Average per cent rate by minority ethnic group</th>
<th>Proportion of all minority small employers and own-account workers in Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glasgow</td>
<td>2052</td>
<td>19.8%</td>
<td>26.6%</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>1146</td>
<td>11.7%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Dundee</td>
<td>337</td>
<td>17.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>230</td>
<td>8.9%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other Lowland Scotland</td>
<td>3448</td>
<td>14.8%</td>
<td>44.7%</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>315</td>
<td>12.3%</td>
<td>4.1%</td>
</tr>
<tr>
<td>South of Scotland</td>
<td>187</td>
<td>18.8%</td>
<td>2.4%</td>
</tr>
<tr>
<td>All Scotland</td>
<td>7715</td>
<td>14.8%</td>
<td>100.1%*</td>
</tr>
</tbody>
</table>

* Total does not add to 100 due to rounding

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh

Notes on data

- All self-employment is included in summary tables, this includes part time and full time self-employment where the definition of part time is for those working up to 30 hours per week.

- Economically active definitions include all those active in the workforce aged 16 to 74.

- Therefore self-employed includes those up to 74. This may tend to under-estimate the proportion of minority ethnic enterprises in Scotland, although not the overall numbers, due to the younger age structure of minority ethnic groups. This is due to the demographic nature of the minority ethnic population, which has a younger age profile (for an analysis of minority ethnic demographic profiles see ONS, 2003).

- NS-SEC is National Statistics - Socio-Economic Classifications. This provides an economic position, based upon an occupation. Class 4 are small employers and own-account workers. These are defined as employers in small organisations and will include sub-contractors.
Baseline data

2.4 The baseline dataset is held on 81 MEBs, located in Scotland. This is part of a larger dataset held of 855 MEBs in the UK for six minority ethnic groups. The dataset was constructed from a two-stage set of telephone interviews conducted with MEB owners during 2000 and 2001. Therefore the dataset is contemporaneous with the 2001 Census.

2.5 The dataset contains profile data on the enterprise (e.g.; sector, employment size, age, turnover, profitability) and the entrepreneurs (e.g.; age, gender, generational status, education level, motivation for start-up) as well as access to finance and business support both at start-up and during the 12 months prior to the interviews. The database was specially constructed to include both traditional and emergent sectors of MEB activities. Data for a white control group is also held, matched against the MEB dataset in terms of sectoral mix and size. Thus, this data consists of a matched stratified sample.

2.6 A total of 81 of the 855 MEBs surveyed in 2001 as part of the British Bankers' Association (BBA) study are located in Glasgow and Edinburgh, split between the minority ethnic groups (i.e.; 30 Pakistani, 25 Chinese, 20 Indian, 4 Bangladeshi and 2 African), together with 33 of the 219 in the white control group.

2.7 Whilst the 2001 survey sample was national in scope, it was not designed with the intention of enabling separate analysis by region or devolved administration. Hence, the Scottish element in the sample is not representative of MEBs in Scotland. In practice, it is mainly comprised of Pakistani, Indian and Chinese-owned businesses, with very few Bangladeshi, African and Caribbean-owned firms. It is not designed to be necessarily representative of the proportionate importance of MEBs by minority ethnic group in Scotland, although this is examined in Chapter 3, in the secondary data analysis. This must be taken into account when interpreting the results of the analysis presented in this report particularly since, in the national study, Africans and Caribbeans appeared to be disadvantaged compared with both their white and other minority ethnic counterparts.

2.8 A further point to note in making comparisons between England and Scotland is, of course, that there are different public support infrastructures in the two nations. In addition, the survey was conducted before the establishment of the current Business Gateway support infrastructure, which was not established under its present name until 2003.

2.9 Despite these limitations, the 2001 BBA survey database has been used to inform the current project in two main respects:

- To provide insight into the characteristics and experiences of MEBs in Scotland (particularly those that are Pakistani, Indian or Chinese-owned), paying particular attention to any distinctive features, compared with those of their counterparts in the UK.

- By using the results from the national study as a whole may have implications for MEB groups in Scotland, which are under-represented in the Scottish sample, particularly Africans and Caribbeans.
Face to face interviews

2.10 The research team have completed 41 face-to-face interviews. There were some delays in completing the programme, but this is a common feature of research with MEB owners who are reluctant to co-operate or engage with researchers, even if careful explanation of the study’s importance to their community has been undertaken beforehand. The research team are grateful for initial contact lists supplied by Glasgow City Council, Edinburgh Chamber of Commerce and Fife Council Development Services. The research team has been able to supplement this list through their own contacts. From these separate sources, a ‘target’ database was constructed guided by two criteria. First, by the broad distribution of MEBs geographically. This is shown in Chapter 5 (see Table 5.3). Second, by a requirement to include both emergent as well as traditional sectors. This was important to ensure that the results from the interviews were not dominated by issues reported from MEB owners located in traditional sectors. Thus, for example, one list of contacts was used sparingly as it was dominated by traditional retail and catering sectors. The initial target database resulted in only a 25 per cent agreement rate to requests for interview from an introductory letter explaining the purpose and importance of the study. Therefore, the need arose for the research team to increase the interview sample from its own contacts.

2.11 The interview sample, which the research team constructed, should be regarded as a purposeful but crafted sample. It includes representation from five minority ethnic groups, an attempt has been made at geographic distribution and it includes a small number from the rural Highlands and Islands. It is representative of both emergent and traditional sectors of MEB owners. A summary of the main features of the interview sample is shown in Chapter 5 (see Table 5.1). It should be noted that because of the purposeful nature of the sample it has not been possible to locate many of the interviews, as initially desired, in the Central Belt. To obtain the sample it has been necessary to undertake more of the interviews in Glasgow and Edinburgh, although the research team has included representation from Central Belt locations.

2.12 The research instrument used for this phase of the study was a semi-structured interview guide. The research team has taken account of comments from the Research Advisory Group (RAG) in the interview questions and in conducting the interviews. The nature of the research meant that the interviews had to be conducted in a sensitive and flexible manner. The diversity of MEB owners is a known feature from previous research and was highlighted as a characteristic in the Ram et al (2002) UK study. Thus the interviews were conducted with appropriate flexibility to accommodate the diversity. All the researchers employed on the project have previous experience of conducting qualitative research with MEB owners. In some cases, interviews have been conducted in the respondents’ first language and subsequently translated. The research team was also able to call on an experienced researcher with the minority ethnic communities who also had multi-lingual skills and had familiarity with different cultures. The research team was able, therefore, to gain the trust of respondents and gain their respect, an important issue in determining the validity of the qualitative research.

2.13 For this phase of the study the research team have not included any interviews with white business owners. The purpose of this phase was to obtain greater depth of information on issues facing MEB owners, in line with purposeful interview samples.
Dealing with ethnicity and cultural perceptions

2.14 The research team have used the respondents’ own perception of their ethnicity using the 2001 Census questionnaire form definitions\(^1\) with the respondent. The researchers have avoided imposing any pre-conceived or stylised views of respondents. The researchers admit that some of the questions may have had an institutional bias (that is reflecting existing academic literature and research on business issues), but the flexibility and grounded approach of the researchers allowed the respondent freedom to provide their perspective on issues such as social, financial and human capital. The semi-structured interview questionnaire used as an interview guide by the researchers is provided in Annex 5.

\(^1\) Available from the ONS website (www.statistics.gov.uk)
CHAPTER THREE  SECONDARY DATA

Introduction

3.1 The secondary data analysis uses self-employment data as a proxy for the importance (that is the numbers of minority ethnic-owned businesses) and the distribution of minority ethnic enterprise in Scotland. This data is corroborated through the additional collection and analysis of data on small employers, which does give a breakdown by ethnicity, but not in the same detail as self-employment data. The research team did also collect neighbourhood statistics, which give the number of small and medium-sized enterprises by ward level. However, this data gives no breakdown by ethnicity and is drawn from VAT-registered businesses only. Therefore, it contains some deficiencies and does not add usefully to the overall picture of the importance and distribution of minority ethnic enterprise in Scotland, apart from known concentrations of minority ethnic enterprises in small inner-city locations, such as Tradeston in Glasgow. This data has been omitted from the following analysis.

3.2 Following on from this explanation, the reader needs to bear in mind that as a proxy for the numbers of minority ethnic-owned enterprises, the data will have a number of deficiencies, it will tend to:

- Over-estimate the importance of MEBs in rural areas and under-estimate their importance in urban areas, because overall self-employment rates are generally higher in rural areas.

- In comparison to white-owned businesses, it will tend to over-estimate the importance of MEBs, because national UK rates of self-employment and minority ethnic ownership are higher in small and micro-sized firms compared to white owners.

- In gender differences it will tend to under-estimate the importance of women-owned minority ethnic enterprises, because overall self-employment data is known to under-estimate the number of women-owned businesses (SBS, 2004).

- Finally, the reader should bear in mind that results presented are from using 2001 Census data records and obviously the pattern of minority ethnic enterprise will have altered a little, although not significantly. This approach is still methodologically better than using more recent Labour Force Survey data on self-employment, which relies on sampling techniques. It is also methodologically consistent with the baseline data analysis, which is based on the 2001 dataset and survey, as explained earlier.

3.3 Overall, with these deficiencies in mind, this is still the most reliable indicator of the numbers and proportions of minority ethnic enterprises in Scotland. When combined with the baseline data analysis in Chapter 4, it provides a powerful, quantitative picture of the relative numbers of minority ethnic enterprises in Scotland, from this an estimate of their importance in the economy is given later, something that has not been achieved in previous studies.
3.4 Table 3.1 illustrates self-employment rates for Scotland for different minority ethnic groups, using standard Census 2001 definitions of ethnicity. The data used to derive the self-employment rates can be found in Annex 1, Table 1. The average self-employment rate\(^2\) for Scotland is calculated at 10.2 per cent, for minority ethnic groups. However, for South Asians, the self-employment rates are much higher at 28 per cent for Pakistanis, 21 per cent for Chinese and 20 per cent for Indians. Alternatively, there were over 7,400 self-employed from minority ethnic groups, accounting for over 3 per cent of all the self-employed in Scotland. It is worth noting that the Scottish Executive’s report gives slightly higher self-employment rates for some minority ethnic groups, particularly for Pakistanis and Chinese (Scottish Executive, 2004). They are reported at 32 per cent and 22 per cent respectively. The difference is accounted for by the definition of economically active used by the Census classifications (ages 16-74). As noted above, the Census data tends to under-estimate the importance of minority ethnic groups due to their younger demographic structure.

3.5 Figure 3.1 shows that other minority ethnic groups also have higher rates of self-employment than the average for Scotland with the Bangladeshis’ rate being 18 per cent and other South Asians being 16.5 per cent. Although there are lower rates of self-employment among African and Caribbeans in Scotland, at 6.8 per cent and 8.7 per cent respectively, their overall rates for the UK are also below 10 per cent and are not significantly different from the UK rates (ONS, Census 2001)\(^3\).

3.6 Data from the 2001 Census has also been collected for the importance of minority ethnic groups as small organisation employers and own account workers (under Class 4; NS-SEC, ONS, 2004). This data is shown by the tables in Annex 2 and can be used to corroborate the self-employment indicators on the importance of minority ethnic enterprise for Scotland. Aggregate data from Table 1 in Annex 2, under this definition, are illustrated by Figure 3.2

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\(^2\) Calculated against all those deemed to be economically active  
\(^3\) UK rates of self-employment are highest for Pakistanis at 22% and Chinese at 19%
Figure 3.1 Self-employment rates for all Scotland by minority ethnic group (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
3.7 The numbers (and hence importance) of MEBs for Scotland is greater than the overall levels of MEB demographics might indicate as mentioned earlier. With a total number of 7,532 MEB self-employed, this accounts for just over 3 per cent of all self-employed in Scotland. Alternatively using the number of small employers, MEB owned small-employers account for 3.6 per cent.

3.8 By extrapolation, using self-employed as a proxy for minority ethnic enterprise, then there are probably over 2,500 MEBs that are small firms with employees. Data on the number of enterprises in Scotland from the DTI (source, Small Business Service) and used by the Enterprise, Transport and Lifelong Learning Department (ETLLD), Analytical Services Division (ASD) of the Scottish Executive indicates that there were 78,560 small firms with employees (where small firms are defined as less than 50 employees). This data is compiled from VAT registered enterprises and Inter-Departmental Business Data (source, Small Business Service) and gives the most accurate data on the number of enterprises and small firms that are employers (as opposed to the self-employed). According to a report from the ETLLD (ASD) of the Scottish Executive, there were 149,300 registered enterprises operating in Scotland in 2001 (Teasdale and Walker, 2003). From this figure it is implied that there are over 4,400 registered minority ethnic enterprises in Scotland. (Assuming that minority ethnic enterprise is represented in the same proportions in the numbers of registered enterprises as in the numbers of self-employed in Scotland. However, previously we have noted that in some respect, due to demographic profiles, Census data may underestimate the numbers of minority ethnic enterprises.)

3.9 The total number of enterprises, including unregistered enterprises, is more difficult to calculate, but DTI (Small Business Service) data, that includes zero employees, indicates over 234,000 ‘enterprises’ for Scotland, indicating that in total there are over 8,000 MEB
enterprises. Alternatively, other sources suggest 240,000 ‘enterprises’ in Scotland. For example, the Scottish Executive Omnibus Survey (2003, page 1), Comments that

"Small and medium sized enterprises (SMEs) are a very important sector of the Scottish economy. They account for 99% of the 243,000 businesses (November 2001) active in Scotland and they represent 50% of non-government employment."

3.10 From this data it can be implied that there are a total of over 8,500 MEBs in Scotland (holding to the same assumption that minority ethnic enterprises are represented in the same proportion).

3.11 The importance of minority ethnic enterprise to Scotland’s GDP, can also be estimated from their percentage of the number of private sector enterprises and, therefore, their contribution to private sector turnover. The DTI have stated “a dynamic small business community is central to enterprise in the UK, generating 52% of private sector turnover” (DTI, 2003). SMEs account for 50% of private sector employment (Scottish Executive Omnibus Survey, 2003).

3.12 MEBs, therefore, account for about 3 to 3.5 per cent of private sector turnover, or 1 to 1.5 per cent of Scotland’s GDP. Revised estimates of Scotland’s GDP in 2001 put total GDP at £64 billion, or approximately £13,660 per head (Scottish Executive, Statistics and ONS, 2004). This suggests, using a number of assumptions, that the contribution of minority ethnic enterprise to Scotland’s GDP is in the region of £500 million to £700 million. A detailed explanation of the process of estimating the contribution of MEBs to GDP is given in Annex 3.

Differences by gender

3.13 There are, of course, significant differences by gender when considering the importance of minority ethnic enterprise. Much higher rates of participation by minority ethnic groups in self-employment for males compared to females are in evidence. Thus the rate for Pakistanis increases among males to 34 per cent, for Chinese to 25 per cent and to 23 per cent for Indians. These compare to 16.6, 15 and 15 per cent, respectively, for female rates of self-employment. However, the point should be made that, even with these lower rates for female self-employment, they are still well above the national rate for women in Scotland, which is only 6 per cent.

3.14 In terms of the participation rates by gender, male minority ethnic self-employed accounts for 74 per cent of all minority ethnic self-employed in Scotland, overall proportionate activity rates are 23.6 per cent for males compared to 12.4 per cent for females.

3.15 Data on these minority ethnic self-employment rates by gender can be examined in Annex 1, Tables 2 and 3 and are illustrated in Figures 3.3 and 3.4.

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4 This range for the contribution to GDP has been estimated conservatively from an assumption of over 4,000 MEBs accounting for 3% of SMEs. It is further assumed that this accounts for approximately 1% or less of GDP, (there are some large minority ethnic enterprises) which gives the calculation of £500-£700 million. See Annex 3.
Figure 3.3: Males: self–employment rates by ethnicity (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Figure 3.4: Females: self-employment rates by ethnicity (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Geographical distribution of minority ethnic enterprise

3.16 Although national census data indicates the importance of minority ethnic enterprise for Scotland, this hides considerable variation in this importance across the country. Annex 1 provides tables on the importance of self-employment for Scotland’s main cities (Glasgow, Edinburgh, Aberdeen and Dundee); the remaining Lowland areas apart from the South of Scotland; the Highlands and Islands and the South of Scotland, Dumfries and Galloway and the Scottish Borders. Annex 2 provides equivalent data for the number of small employers for the same areas by minority ethnic groups, although there are fewer breakdowns by ethnicity in the tables in Annex 2.

The cities

The city of Glasgow

3.17 Glasgow is the most important city in Scotland for the numbers and proportion of minority ethnic enterprises. With a minority ethnic population of over 31,500, it contains 31 per cent of the minority ethnic population for all of Scotland. Glasgow’s share of minority ethnic enterprise is equally as important, as might be expected given the geographical dominance of Glasgow for Scotland’s minority ethnic population. The city contains 25 per cent of all minority ethnic self-employment for Scotland. For small employers and own-account workers the city is slightly more important, representing nearly 27 per cent of this category of minority ethnic enterprise.

3.18 Figure 3.5, illustrates the self-employment rates for minority ethnic groups in Glasgow, using the 2001 Census data tables. As might be expected, self-employment rates in Glasgow are lower than the national average, but for minority ethnic groups the self-employment rates are much closer to their national averages, especially for the Indian and Pakistani communities. More detailed data on the numbers of self-employed for Glasgow can be examined in Table 10 in Annex 1 and, by comparison, Table 8 in Annex 2 for the numbers of small employers. Glasgow is particularly important for Pakistani-owned businesses and contains 34 per cent of all the self-employed in Scotland that are in this ethnic group.
3.19 The importance of MEBs for Glasgow is revealed when comparing the minority ethnic self-employed to the total numbers of self-employed for the city. MEBs account for 10.6 per cent of the self-employed and when considering the proportion of small employers this rises to 14 per cent. These are the highest proportions of any city or area in Scotland. Thus MEBs are particularly important in Glasgow. Neighbourhood ward data was also collected for Glasgow and indicated that there are 10,600 firms registered for VAT, of which, approximately 96 per cent are small firms, that is, they employ less than 50 employees. Thus the contribution of MEBs to small firms and small firm ownership in Glasgow is particularly important.
3.20 The City of Edinburgh is Scotland’s second city in terms of importance for minority ethnic enterprise. With a minority ethnic population of over 18,000 it contains 18 per cent of Scotland’s minority ethnic population. Edinburgh contains 15.6 per cent of the minority ethnic self-employed for all of Scotland with a slightly lower proportion of minority ethnic small employers and own-account workers.

3.21 Self-employment rates for Edinburgh are illustrated in Figure 3.6 There are particularly high, almost dramatic, rates of self-employment in the Pakistani community, although in terms of numbers this ethnic group is relatively much less important than they are in Glasgow. However, Edinburgh is relatively important for African and Caribbean-owned businesses. For example, the city contains over 30 per cent of all African self-employed in Scotland. Although overall numbers are small, this still represents the most significant presence of these communities in Scotland.

3.22 Although a much lower proportion than the City of Glasgow, the number of MEBs in Edinburgh is important, accounting for 5.1 per cent of the total numbers of self-employed for the city.
Figure 3.6: Self-employment rates for minority ethnic enterprise in Edinburgh (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh

The city of Dundee

3.23 Although third in importance, Dundee comes some way behind Glasgow and Edinburgh for the importance of minority ethnic enterprise as measured by minority ethnic self-employment. With a minority ethnic population of over 5,000, it has 5.2 per cent of Scotland’s minority ethnic population. Whether taking self-employment data or small employer data, it accounts for 4.4 per cent of Scotland’s minority ethnic enterprises.

3.24 Data on self-employment rates in Dundee can be examined in Table 8 in Annex 1. Although the numbers of minority ethnic self-employed are relatively small compared to other cities in Scotland, there are relatively high rates of self-employed in the South Asian communities, especially Pakistani and Indian communities, where the rates are above 20 per cent.

3.25 The proportion of all self-employed in Dundee that are MEBs is 7.3 per cent, indicating their importance to the vitality of the city's economy.
Figure 3.7: Self-employment rates for minority ethnic enterprise in Dundee (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh

The city of Aberdeen

3.26 Aberdeen is the least important of Scotland’s cities for minority ethnic enterprise when measured by the number of minority ethnic self-employed or the numbers of small employers. Although its minority ethnic population of over 6,000 represents 6 per cent of the minority ethnic population for Scotland, it accounts for just 3.4 per cent of all minority ethnic self-employed or only 3.0 per cent of minority ethnic small employers for Scotland.

3.27 Data on self-employment rates by ethnic group for the city can be examined in Annex 1, Table 7 and are illustrated in Figure 3.8. A notable feature in Aberdeen is that the rates are uniformly lower than other cities and compared to national rates. For example, the self-employment rate for the Indian community is only 5.1 per cent compared to national rates of 19 per cent. Rates of self-employment for all categories do not rise above 20 per cent with the highest rates in the Pakistani community. For other ethnic groups, rates are nearer the national trends, but are still notably lower. This may reflect greater employment market opportunities in Aberdeen.
Minority ethnic enterprise outside the cities

The Central Belt and Lowland Scotland

3.28 The remaining areas of Lowland Scotland contain significant levels of minority ethnic enterprise as shown by Table 4, Annex 1 on self-employment and by Table 2, Annex 2 on small employers. With 3,375 minority ethnic self-employed, this area contains over 45 per cent of all the minority ethnic self-employed in Scotland. A similar proportion is accounted for with the number of small employers and own-account workers. This demonstrates that minority ethnic enterprise is important outside the main cities. Rates of self-employment are illustrated in Figure 3.9. This shows, for example, the average rate of self-employment in the minority ethnic groups for this area is 23.1 per cent, being particularly high with the Pakistani community at 35 per cent. These compare to an average self-employment rate for this area of only 9.7 per cent.

3.29 It should be remembered, however, that medium and larger enterprises will be more important in the cities. Nevertheless for local economic development in these areas, these rates indicate the important contribution to local economic development by MEBs in the Central Belt.
Figure 3.9: Self-employment rates for minority ethnic enterprise in Lowland Scotland excluding the South and the main cities (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh

Highlands and Islands and the South of Scotland

3.30 The remaining areas of Scotland have smaller numbers of minority ethnic self-employed, and obviously are of much less importance in terms of numbers, compared to other areas, as an important contributor to the local economy.

3.31 For illustrative purposes only, self-employment rates are shown for the Highlands and Islands region. In rural areas of Scotland, minority ethnic communities are more dispersed, reducing the importance of social capital. The numbers involved are comparatively small as shown in Annex 1. For example, the minority self-employed account for less than 1 per cent of the total self-employed in the Highlands and Islands. Nevertheless, as indicated by previous work, their role is perhaps less visible, but still can be significant and there are additional issues for MEBs in rural areas, associated with the more dispersed distribution. It should also be noted that in the context of an ageing population structure (and declining population in some areas of the Highlands and Islands), the role of MEBs could be significant in contributing to the vitality of local economies (Bryden, et al. 2001).
Figure 3.10: Self-employment rates for minority ethnic enterprise in the Highlands and Islands (per cent)

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Summary

- The secondary data indicates that minority ethnic enterprise ownership of businesses is important in Scotland, accounting for just over 3 per cent of all self-employed in the nation, alternatively minority-owned businesses account for 3.6 per cent of the number of small employers (using NEC-SE classification). By extrapolation, and bearing in mind limitations of the data, it is estimated that there are over 4,400 MEB registered enterprises in Scotland, for unregistered enterprises there may be over 8,000 MEBs, inclusive of those with zero employees.

- The importance of MEBs is greater than the ethnic breakdown of Scotland’s population might suggest. This is due to the higher rates of self-employment and business ownership in minority ethnic communities than other ethnic groups, with the highest rates of self-employment in the Pakistani, Chinese, Indian and Bangladeshi communities respectively.

- The importance of MEBs for Scotland will increase in the future, on current trends, due to the younger demographic profile of the minority ethnic population. For example, the rates of self-employment are considered to be under-estimated because of this factor. In comparison to the white population, Scotland’s minority ethnic population will increase (rather than decrease) the numbers of younger people that may start an enterprise (below 30 years of age).

- Glasgow is Scotland’s most important city for minority ethnic enterprises. MEBs account for 10.6 per cent of the self-employed and 14 per cent of small employers. Neighbourhood data indicated 10,600 firms registered for VAT in Glasgow. Extrapolating from these data sets, suggests over 1600 VAT registered MEBs in Glasgow, underling the importance of minority ethnic enterprise for the city.

- High rates of self-employment also exist in Edinburgh, particularly in the Pakistani community. Although the numbers of MEBs are lower, the number of MEBs in Edinburgh is important, accounting for 5.1 per cent of the total numbers of self-employed for the city.

- In the remaining cities, Aberdeen and Dundee; there are higher rates of self-employed and in numbers of MEBs in Dundee. In Dundee MEBs account for over 7 per cent of the self-employed.

- Outside the main cities in Scotland, MEBs are also important in areas of the Central Belt. Indeed this area contains over 45 per cent of all the minority ethnic self-employed in Scotland, with a similar proportion accounted for in the number of small employers and own-account workers.

- In the remaining rural areas, of the Highlands and Islands and the South of Scotland, MEBs are much smaller in number and more dispersed, although there are still some high rates of self-employment. There are special issues for MEBs in rural areas and a small number of interviews were undertaken by the research team in the Highlands and Islands. Comments are made on special issues with this group in later chapters of this report. The role of MEBs in the context of rural areas has been noted, in this
section, given that they are areas that face more acute demographic issues than other areas, in some cases declining populations and a steeply ageing population structure.
CHAPTER FOUR       BASELINE DATA ANALYSIS

INTRODUCTION

4.1 As discussed in the research methods, the following information in this chapter provides a detailed analysis from a dataset on 81 MEBs and 33 white-owned businesses located in Scotland. The chapter also gives analysis on comparisons between the Scottish MEBs and the full dataset of 855 MEBs for the UK. The dataset covers the six minority ethnic groups; Indian, Pakistani, Bangladeshi, Chinese, African and Caribbeans. As indicated in chapter 2, the dataset contains profile data on the characteristics of the enterprise, the entrepreneurs and their access to finance and business support both at start-up and during the 12 months prior to the interviews. The remaining sections that follow, in this chapter, deal with profile characteristics of the surveyed MEBs and their owners, their access to finance and their access to business advice, information and support. Some conclusions are provided at the end of this section to summarise the key findings. As indicated in the research methods chapter, the survey was conducted before the establishment of the Business Gateway network.

CHARACTERISTICS OF SURVEYED ENTREPRENEURS AND ENTERPRISES

Characteristics of entrepreneurs

- The vast majority of surveyed MEBs in Scotland are male owned

4.2 Most surveyed MEBs are owned by male entrepreneurs (79 per cent), as they are in the rest of the UK (78 per cent). They are not significantly different from the white-owned control group in this respect. However, unlike the rest of the UK, most of the remainder of Scottish MEBs are co-owned (17 per cent), reflecting the greater proportion of Chinese-owned firms in the Scottish sample, since co-ownership was a particular feature of the Chinese community in the study as a whole. A corollary is the low proportion of women-led businesses, reflecting the dominance of Indian and Pakistani owned firms in the Scottish sample.

- More than 1 in 4 MEB owners are second generation migrants, having been born in the UK

4.3 Twenty seven per cent of the Scottish sample are second-generation migrants, compared with 22 per cent in the rest of the UK.

- MEB owners in Scotland are younger than their English based MEB counterparts.

4.4 In the UK sample, a statistically significant difference was observed between the age distribution of MEBs compared with their white counterparts. In Scotland, the MEBs surveyed are somewhat younger than those in England, with 72 per cent below 45 years old (compared with 62 per cent), although the white control group of entrepreneurs in Scotland was also younger, with 73 per cent below 45 years old, compared with 50 per cent in England.
• Scottish MEB owners show a low propensity to have formal management qualifications, management training and/or previous management experience in another company.

4.5 The surveyed MEB owners in Scotland showed a significantly lower propensity to have formal management qualifications (17 per cent), compared with their counterparts in England (34 per cent) and with the white control group (28 per cent). They were also much less likely to have participated in formal management training than surveyed MEBs in England (17 per cent compared with 32 per cent), or indeed compared with the white control group overall (31 per cent). Whilst these features may be partly explained by the low proportion of African and Caribbeans in the sample, since these minority ethnic groups were the most likely to report formal management qualifications and training in the UK survey as a whole, the result does point to an area of support need.

4.6 In view of the younger age profile of MEB owners in the Scottish sample, it is perhaps not surprising that they had a lower propensity to have had management experience in other companies before starting their firms (28 per cent compared with 40 per cent of MEB owners in England). They are significantly less likely to have had previous management experience than entrepreneurs in the white control group, both in Scotland (66 per cent) and in England (52 per cent).

Characteristics of enterprises

• The vast majority of Scottish MEBs surveyed are microenterprises

4.7 As previous studies have shown, the vast majority of MEBs are microenterprises, employing less than 10 people: 78 per cent compared with 76 per cent of the white control group, 80 per cent and 73 per cent respectively in the case of the English sample. At the same time, this means that a significant minority of surveyed MEBs in Scotland were small firms, employing 10 or more. This contributed to an overall mean total employment of 8.26 and a median of 5 employees, compared with a mean of 12.6 and a median of 4 employees in the Scottish white control group; and a mean of 7.78, with a median of 4 employees in the surveyed MEBs in England.

• The majority of surveyed MEBs in Scotland are in retailing and catering, with a few manufacturing and professional service firms

4.8 In Scotland, 65 per cent of surveyed MEBs were operating in retailing/wholesaling and 24 per cent in restaurants/catering, with just 6 per cent in professional services and 4 per cent in manufacturing. This is a less diversified sectoral mix than in the English sample, where 32 per cent were in retailing/wholesaling; 25 per cent in professional services; 22 per cent in restaurants/catering; 11 per cent in other (mainly personal) services; and 9 per cent in manufacturing.

4.9 As Table 4.1 shows, there are some differences in the sectoral mix between minority ethnic groups, although in each of the three largest minority ethnic groups, retailing/wholesaling accounted for a majority of surveyed firms, with restaurants/catering being the second most common.
### Table 4.1: Sectoral Mix by MEB group in Scotland

<table>
<thead>
<tr>
<th>Sector</th>
<th>Africans or Caribbeans</th>
<th>Pakistani</th>
<th>Indian</th>
<th>Bangladeshi</th>
<th>Chinese</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td>3 (10%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3 (4%)</td>
</tr>
<tr>
<td><strong>Restaurants</strong></td>
<td></td>
<td>6 (20%)</td>
<td>4 (20%)</td>
<td>4 (100%)</td>
<td>5 (20%)</td>
<td>19 (24%)</td>
</tr>
<tr>
<td><strong>Retailing/Wholesaling</strong></td>
<td>1 (50%)</td>
<td>19 (63%)</td>
<td>14 (70%)</td>
<td>-</td>
<td>19 (76%)</td>
<td>53 (65%)</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>5 (6%)</td>
</tr>
<tr>
<td><strong>Other Services</strong></td>
<td>1 (50%)</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td><strong>All firms</strong></td>
<td>2</td>
<td>30 (100%)</td>
<td>20 (100%)</td>
<td>4</td>
<td>25 (100%)</td>
<td>81 (100%)</td>
</tr>
</tbody>
</table>

Source: Kingston SBRC Minority Ethnic Business Database

- Surveyed MEBs are typically long established firms

4.10 As in England, a majority of surveyed firms in Scotland were more than ten years old at the time of the interviews in 2001. In fact, enterprises in the Scottish sample showed an older age profile than their English counterparts: 60 per cent were at least 10 years old, compared with 53 per cent in England and 50 per cent of white owned firms in the Scottish control group. This older age profile may be associated with a greater predominance of Indian and Pakistani-owned enterprises in the Scottish sample, which are typically older than their African and Caribbean counterparts in the national sample.

- Although surveyed MEBs in Scotland showed a slightly lower propensity to be growth orientated, the difference was small.

4.11 Although MEBs in Scotland showed a lower propensity to have been seeking to grow in the 12 months prior to the interviews (that is, during 1999-2000) (48 per cent) than either their white counterparts (52 per cent) or English MEBs (51 per cent), the differences observed are not statistically significant.

4.12 Similarly, when asked if they were seeking to grow their businesses in the 12 months following the interviews, 74 per cent of MEBs in Scotland reported they were, compared with 71 per cent of their counterparts in England and 78 per cent of the white control group.

- Surveyed MEBs in Scotland do not appear to be disadvantaged in terms of actual growth performance compared with either MEBs in England or their white-owned counterparts.

4.13 Unlike the national survey, which showed the reported performance of MEBs to be weaker than that of firms in the white-control group, this was not the case in the Scottish sample. In Scotland, 84 per cent of surveyed firms that were growth seeking, achieved some growth in sales in 1999/2000, compared with 70 per cent of those in England and 79 per cent of all growth-seeking, white owned firms. Moreover, a similar proportion achieved sales
growth of 20 per cent or more in that year (35 per cent) compared with firms in the other groups.

4.14 A similar picture of relatively strong performance emerges with respect to reported profitability in the same period. 53 per cent of Scottish MEBs reported an increase in profits in 1999-2000 in relation to the previous year, compared with 36 per cent of their counterparts in England and 52 per cent of white control firms.

4.15 At the same time, most surveyed MEBs in Scotland maintained the same employment level in 1999-2000: 86 per cent compared with 72 per cent of their MEB counterparts in England and 69 per cent of white control group, surveyed in Scotland. As a result, only 9 per cent of surveyed Scottish MEBs actually increased employment during this 12 month period and just 5 per cent reduced it.

- Surveyed Scottish MEBs are predominantly local market oriented, although few are dependent on co-minority ethnic markets

4.16 Although a majority of surveyed MEBs in Scotland appear to be local market orientated, they are not significantly different from the white control group in this respect. 87 per cent depend on the town/city in which the firm was based for at least half their total sales, compared with 78 per cent of the white control group. 76 per cent depend on the local market for at least three quarters of total sales compared with 75 per cent of the control group firms.

4.17 Scottish MEBs surveyed appear less dependent on customers from either the same or other minority ethnic groups than their counterparts in England, perhaps reflecting the smaller concentrations of minority ethnic people in Scotland, and possibly the older age profile of the Scottish sample. However, as noted in the previous chapter, minority ethnic communities have a higher proportion of people of working age than national averages. In practice, a majority (87 per cent) reported making some sales to other minority ethnic customers, but only one third relied on members of minority ethnic groups for at least half their total sales. The equivalent figures for the English sample were 96 per cent and 56 per cent respectively.
Access to finance

Start-up finance from formal sources

4.18 All business owners/managers interviewed in the baseline survey, undertaken in 2000, were asked if they had attempted to obtain external finance when they started their business and, if so, what their experience had been. This included both formal sources (such as banks, leasing companies, venture capital partners, loan funds and grant awarding bodies), as well as informal sources, such as family and friends. It should be noted, however, that since surveyed enterprises were mainly established firms, their experience with respect to accessing start-up finance was not necessarily recent.

- With regards to accessing external finance from formal sources at start-up, among surveyed firms in Scotland, there is greater variation between minority ethnic groups than between MEBs and white-owned firms.

4.19 The diversity of experience with respect to accessing external finance between MEBs was one of the key themes emerging from the BBA project as a whole (Ram, et al. 2002, page 133). The results from the Scottish part of the survey confirm this, although there are detailed differences, compared with the UK results overall, that stem from the ethnic composition of the Scottish sample. As in England, Chinese-owned firms are by far the most successful group in Scotland in accessing bank finance; significantly more so than the white control group. Pakistani-owned firms showed a similar propensity to have accessed bank finance at start-up as white owned firms. Indian-owned firms, which made up most of the rest of the Scottish sample, appear disadvantaged compared with both white-owned firms and their English MEB counterparts. As Table 4.2 shows, banks appear to be the dominant formal external source of finance in all minority ethnic groups, with a leasing company being the only non-bank formal source used by any MEB in Scotland during this period.

Table 4.2: External finance from formal sources at start-up (i.e. other from own savings, family and friends), (2000 Survey)

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Firms Obtaining External Finance</th>
<th>Firms Obtaining Bank Finance</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scotland</td>
<td>England</td>
<td>Scotland</td>
</tr>
<tr>
<td>African &amp; Caribbean</td>
<td>0</td>
<td>55 (31%)</td>
<td>0</td>
</tr>
<tr>
<td>Pakistani</td>
<td>9 (31%)</td>
<td>48 (32%)</td>
<td>9 (31%)</td>
</tr>
<tr>
<td>Indian</td>
<td>4 (20%)</td>
<td>69 (42%)</td>
<td>4 (20%)</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>1</td>
<td>43 (32%)</td>
<td>1</td>
</tr>
<tr>
<td>Chinese</td>
<td>16 (64%)</td>
<td>68 (49%)</td>
<td>15 (64%)</td>
</tr>
<tr>
<td>All MEBs</td>
<td>30 (38%)</td>
<td>283 (37%)</td>
<td>29 (36%)</td>
</tr>
<tr>
<td>All firms</td>
<td>12 (36%)</td>
<td>64 (35%)</td>
<td>11 (33%)</td>
</tr>
</tbody>
</table>

Source: Kingston SBRC Minority Ethnic Business Database

4.20 Although few Africans and Caribbeans were included in the Scottish sample, their significant disadvantage in the UK survey compared with both white-owned firms and other MEB groups is relevant to the Scottish context, because of the potential role that Africans and
Caribbeans play in the Scottish minority ethnic population; that is, their potential contribution to minority ethnic enterprise activity.

4.21 As in England, detailed analysis shows that among firms that are successful in accessing external finance at start-up from formal sources, this typically accounted for about half the total start-up capital (median 48 per cent; mean 45 per cent). There appears little difference between either white-owned firms (median 50 per cent; mean 48 per cent) and MEBs, or between minority ethnic groups themselves (Pakistani: median 50 per cent; mean 53 per cent; Indian: median 50 per cent; mean 49 per cent; Chinese median 50 per cent; mean 45 per cent).

4.22 In Scotland, MEBs show a higher propensity to use loans, in cases where they were able to access bank finance at start-up, compared with white-owned firms (56 per cent and 13 per cent respectively), although the sample size is too small for the difference to be statistically significant, with fewer relying on overdrafts (41 per cent and 75 per cent respectively). There was no statistically significant difference between surveyed MEBs in Scotland and their counterparts in England with regards to the distribution of overdrafts and term loans.

4.23 Not surprisingly, collateral is required in the vast majority of cases where bank finance has been accessed at start-up, as it is in the case of white-owned firms (86 per cent and 90 per cent respectively), although it is somewhat less common in the case of firms surveyed in England (73 per cent of MEBs accessing bank finance and 71 per cent of white-owned firms).

4.24 Firms that had been successful in accessing bank finance at start-up were asked if their successful application to one bank had previously been rejected by another. In Scotland, 24 per cent of MEBs accessing bank finance reported that this had been the case, compared with 20 per cent of white-owned firms (comparable figures in the English sample were 18 per cent and 26 per cent respectively). In view of the small sample size, the difference between MEBs in Scotland and other groups is too small to be statistically significant.

Start-up finance from informal sources

- MEBs were significantly more likely to draw on start-up finance from family and friends than comparable white-owned firms

4.25 Previous research has suggested that one of the distinctive characteristics of MEBs, compared with white owned firms is their greater propensity to draw on finance from within their own personal and community-based networks. The survey results show that, as in the English sample, MEBs in Scotland were significantly more likely to have accessed finance from informal sources at start-up (54 per cent and 38 per cent respectively). Moreover, where finance from informal sources was used, it typically represented a significant proportion of total start-up capital (median 50 per cent; mean 57 per cent). At the same time, the proportion of total start-up finance contributed from informal sources varies considerably between the main minority ethnic groups in the Scottish sample. This is highest among the Pakistani (median 80 per cent) and Indian-owned firms (70 per cent), but lower in the case of the Chinese (40 per cent).
Firms accessing external finance 1999-2000

4.26 As Table 4.3 shows, only 17 per cent of firms in the Scottish sample (established for at least one year) had sought external finance from a bank or other formal source, during the 12 months prior to the interviews in 2000 (15 per cent of MEBs and 21 per cent of white-owned firms), which was not significantly different from the sample in England\(^5\). However, whilst all the white-owned firms that sought finance from formal sources received some, only half the MEBs did so, with success rates being lower than in the English sample (79 per cent). In the Scottish sample, banks appear to be the dominant formal, external source of finance accessed during the 1999-2000 period by established firms (6 MEBs and 6 of the white-owned firms). Only a handful of firms accessed finance during this period from a leasing company, venture capital or public sector sources.

Table 4.3: External finance from formal sources during the 12 months prior to the interviews in 2000 (i.e. other than from own savings, retained earnings, family and friends)

<table>
<thead>
<tr>
<th><code> </code></th>
<th>Firms Seeking External Finance</th>
<th>Firms Obtaining External Finance</th>
<th>No of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scotland</td>
<td>England</td>
<td>Scotland</td>
</tr>
<tr>
<td>African and Caribbean</td>
<td>0</td>
<td>37</td>
<td>0</td>
</tr>
<tr>
<td>Pakistani</td>
<td>4</td>
<td>24</td>
<td>2 (50%)</td>
</tr>
<tr>
<td>Indian</td>
<td>2</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>1</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Chinese</td>
<td>5</td>
<td>14</td>
<td>3 (60%)</td>
</tr>
<tr>
<td>All MEB</td>
<td>12</td>
<td>118</td>
<td>6 (50%)</td>
</tr>
<tr>
<td>White control</td>
<td>7</td>
<td>27</td>
<td>7 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>145</td>
<td>13 (68%)</td>
</tr>
</tbody>
</table>

Source: Kingston SBRC Minority Ethnic Business Database

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\(^5\) Respondents were not asked to distinguish whether the funding sought was short or medium-term.
Access to business information, advice and consultancy

Advice from an external source at start-up

4.27 With regards to the use of advice and/or guidance from an individual or organisation outside the firm at start-up, the results from the Scottish sample broadly mirror those in the study as a whole. 29 per cent of MEBs in Scotland accessed advice from some external source, compared with 31 per cent in the white control group (the equivalent figures for the English sample were 30 per cent and 27 per cent respectively). In most cases, respondents described the type of assistance received as 'general start-up advice', except in the case of the use of banks and accountants, where 'help in accessing finance' and 'financial planning' were emphasised.

Table 4.4: Sources of external advice at start-up in Scotland (2000 survey)

<table>
<thead>
<tr>
<th>Sources</th>
<th>All MEBs</th>
<th>White-Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family &amp; friends</td>
<td>19 (25%)</td>
<td>5 (16%)</td>
</tr>
<tr>
<td>Banks</td>
<td>12 (16%)</td>
<td>1</td>
</tr>
<tr>
<td>Accountants</td>
<td>8 (11%)</td>
<td>3 (9%)</td>
</tr>
<tr>
<td>LECs</td>
<td>4 (5%)</td>
<td>4 (13%)</td>
</tr>
<tr>
<td>Enterprise Trusts</td>
<td>1 -</td>
<td>1</td>
</tr>
<tr>
<td>Minority Ethnic Business</td>
<td>3 (4%)</td>
<td>0</td>
</tr>
<tr>
<td>Association</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>At least one</td>
<td>22 (29%)</td>
<td>10 (31%)</td>
</tr>
<tr>
<td>At least one public source</td>
<td>4 (5%)</td>
<td>4 (13%)</td>
</tr>
<tr>
<td>At least one formal source</td>
<td>15 (20%)</td>
<td>6 (19%)</td>
</tr>
<tr>
<td>No of respondents</td>
<td>76 (100%)</td>
<td>32 (100%)</td>
</tr>
</tbody>
</table>

Source: Kingston SBRC Minority Ethnic Business Database

4.28 However, unlike the English sample, MEBs as a group are as likely to have accessed start-up advice from one of the formal sources as a white-owned firm (20 per cent and 19 per cent respectively), although less likely to have used one of the public or quasi-public sector agencies (5 per cent and 13 per cent respectively). The explanation for the difference is the predominance of Chinese-owned businesses in the Scottish sample, who had used external advice at start-up (58 per cent), typically from a combination of formal banks (71 per cent of those using some source) and accountants (50 per cent)) and informal sources (i.e. family and friends: 86 per cent). Only a small minority of Indian and Pakistani-owned firms have used external advice start-up (16 per cent and 11 per cent respectively) and then mainly from informal sources.
Sources and use of external advice post-start-up

4.29 Surveyed firms were also asked about advice they had received from an external source since they started their business. In the Scottish sample, 34 per cent of MEBs had accessed advice from some external source, compared with just 16 per cent of the established white control group (significant at the 0.05 level). As Table 4.5 demonstrates, the main types of assistance where MEBs are more active relates to 'managing finance'; 'business planning'; IT/computing; and 'coping with government regulations'.

Table 4.5: Types of external advice used since start-up

<table>
<thead>
<tr>
<th>Types of advice</th>
<th>White owned firms</th>
<th>MEBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtaining finance</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>Managing finance</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Business planning</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>IT/computing</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Coping with government regulations</td>
<td>9%</td>
<td>15%</td>
</tr>
<tr>
<td>Workforce training</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Management training</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Premises</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Exporting</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Kingston SBRC Minority Ethnic Business Database

4.30 As in the English sample, there is a significant difference between MEBs and white-owned firms in who they turned to in order to obtain this external assistance. By far the most common source for MEBs was 'family and friends' (19 per cent of all MEBs) followed by LECs (15 per cent); and banks and accountants (12 per cent each). In contrast, none of the white-owned firms mentioned an informal source, whereas 27 per cent reported accessing external advice from a LEC; 12 per cent from an enterprise trust; and just 6 per cent (each) from banks and accountants.
SUMMARY AND CONCLUSIONS

- The fact that most MEBs are microenterprises, operating in the retailing or catering sectors, means that many of their characteristics and development problems are shared with white-owned firms, with similar size and sector characteristics.

- Although to some extent influenced by the ethnic composition of the survey sample, the low propensity of MEB owners in Scotland with management qualifications, training and/or management experience in another company points to an area of distinctive support need.

- MEBs in Scotland do not appear to be distinguished from similar white-owned firms in terms of growth orientation, or disadvantaged in terms of their actual growth performance.

- Scottish MEBs surveyed appear less dependent on customers from either the same or other minority ethnic groups than their counterparts in England, perhaps reflecting the smaller concentrations of minority ethnic people in Scotland.

- As in England, there are larger differences between minority ethnic groups in their success in raising external finance at start-up than between MEBs as a group and white-owned firms. Significantly, Chinese-owned firms show the highest propensity to access finance from mainstream sources. They also show the highest propensity to access external advice at the start-up stage.

- Although few Africans or Caribbeans were included in the Scottish sample, their significant disadvantage in the UK survey compared with both white-owned firms and other MEB groups is relevant to the Scottish context. This is because of the potential role that Africans or Caribbeans play in the Scottish minority ethnic population; that is, their potential contribution to minority ethnic enterprise activity.

- As in England, MEBs in Scotland are significantly more likely to draw on finance from family and friends at start-up than white-owned firms. Finance from informal sources appears particularly important in the case of Pakistani-owned firms.

- Only about 1 in 6 established firms sought external finance during the 12 months prior to the interviews. Whilst there was little difference between MEBs and white-owned firms in their propensity to seek such finance, MEBs appear to have lower success rates.

- In terms of start-up advice, Chinese-owned firms appear the most outward looking, often taking advice from a combination of formal (banks and accountants) and informal sources (family and friends). As a group, MEBs were less likely to take advice from a public or quasi-public sector agency than white-owned firms.

- Unlike white-owned firms, MEBs continue to use informal sources of advice once the business is up and running, often in combination with more formal sources.
CHAPTER FIVE  ANALYSIS OF INTERVIEW DATA

INTRODUCTION

5.1 This chapter provides a detailed analysis of the 41 face-to-face interviews undertaken by the research team. The nature of the sample provides a rich data source on the real experiences of minority ethnic business owners (MEBs) in Scotland, but the findings cannot necessarily be generalised, rather they reflect the rich diversity of such experience. The findings from this chapter need to be placed in the context of the secondary and quantitative data analysis, this is done in the next chapter to interpret and integrate the findings.

5.2 The qualitative software package, QSR Nvivo, has been used to code data against key themes such as advice, support, finance, social capital, motivation, networks, generational issues and succession planning. This coding is based on known issues from the literature, from the quantitative analysis, and the nature of the experiences of MEB owners themselves, allowing the data to ‘tell its story’, as well as analysis against known frameworks. The result is a particularly rich diversity, which seems to be distinctive in Scotland, a vitality that is remarkable given the range of sectors and experience. This is brought out in some of the analysis, which is described in the remaining sections of this chapter.

Business and personal profiles

5.3 It can be seen from Table 5.1, that the MEBs included in the interview programme provide a cross-section of different traditional and emergent sectors. A similar diversity is provided by the representation of different ages, by different generations and the inclusion of a selection of women MEB owners. The analysis indicates a small weighting in the interviews of first generation to second and third generation owners in the proportion of 55 per cent to 45 per cent. Similarly, a wide diversity is represented in terms of size and growth with reported turnovers varying between less than £50k to £20 million. What is more remarkable is the resilience shown by MEB owners from the analysis. Business growth appears to have been achieved even by MEB owners that are surviving in traditional sectors that face increased competition, although some have experienced declining turnovers.

5.4 The majority of MEB owners interviewed were relatively well established, although a number of recently established young firms were also included. The issue of succession planning was explored with the more mature businesses.

5.5 Table 5.1 shows that the interview sample contains a cross section of traditional and emergent sectors. The analysis will consequently reflect the nature of different issues that may be reflected in business development, growth and diversification. Tables 5.2 and 5.3 provide summaries of MEB owners by minority ethnic group and by location respectively. A good representation of MEBs was eventually achieved by the research team including MEBs from different minority ethnic groups and different locations. The research team are indebted to members of the Research Advisory Group, which has greatly helped in achieving this representation.
<table>
<thead>
<tr>
<th>Code</th>
<th>Minority Ethnic Group</th>
<th>Sector</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meb 01</td>
<td>Chinese</td>
<td>Computer sales</td>
<td>Glasgow</td>
</tr>
<tr>
<td>Meb 02</td>
<td>Pakistani</td>
<td>Computing technology</td>
<td>Glasgow</td>
</tr>
<tr>
<td>Meb 03</td>
<td>Pakistani</td>
<td>Computing</td>
<td>Glasgow</td>
</tr>
<tr>
<td>Meb 04</td>
<td>African</td>
<td>Insurance</td>
<td>Edinburgh</td>
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<tr>
<td>Meb 05</td>
<td>African</td>
<td>Restaurant</td>
<td>Edinburgh</td>
</tr>
<tr>
<td>Meb 06</td>
<td>Bangladeshi</td>
<td>Restaurant with diversification</td>
<td>Edinburgh</td>
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<td>Meb 07</td>
<td>African</td>
<td>Training and development</td>
<td>Glasgow</td>
</tr>
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<td>Meb 08</td>
<td>Pakistani</td>
<td>Clothing manufacture</td>
<td>Glasgow</td>
</tr>
<tr>
<td>Meb 09</td>
<td>Indian</td>
<td>PR and marketing</td>
<td>Edinburgh</td>
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<tr>
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<td>Restaurant</td>
<td>Edinburgh</td>
</tr>
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<td>Glasgow</td>
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<td>Property</td>
<td>Glasgow</td>
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<td>Meb 13</td>
<td>Chinese</td>
<td>Manufacture-herbal medicine</td>
<td>Central Belt</td>
</tr>
<tr>
<td>Meb 14</td>
<td>Pakistani</td>
<td>Retail and property</td>
<td>Kirkcaldy</td>
</tr>
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<td>Meb 15</td>
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<td>Cultural exchange</td>
<td>Edinburgh</td>
</tr>
<tr>
<td>Meb 16</td>
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<td>Edinburgh</td>
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<tr>
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<td>Pakistani</td>
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<td>Glasgow</td>
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<td>Indian</td>
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<td>Ross-shire</td>
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<td>Meb 35</td>
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<td>Dundee</td>
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<td>Meb 40</td>
<td>Bangladeshi</td>
<td>Restaurant</td>
<td>Forfar</td>
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<tr>
<td>Meb 41</td>
<td>Bangladeshi</td>
<td>Restaurant</td>
<td>Dundee</td>
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Source: Paisley PERC Minority Ethnic Business Database
Table 5.2: Summary by minority ethnic group

<table>
<thead>
<tr>
<th>Minority Ethnic Group</th>
<th>Number of interviews</th>
</tr>
</thead>
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<td>Pakistani</td>
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<tr>
<td>Indian</td>
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<tr>
<td>Bangladeshi</td>
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<tr>
<td>Chinese</td>
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<tr>
<td>African</td>
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<tr>
<td>Other</td>
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</tr>
<tr>
<td>Total</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Paisley PERC Minority Ethnic Business Database

Table 5.3: Summary by location

<table>
<thead>
<tr>
<th>Area/City</th>
<th>Number of interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glasgow</td>
<td>19</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>8</td>
</tr>
<tr>
<td>Dundee/Forfar</td>
<td>3</td>
</tr>
<tr>
<td>Other Lowland Scotland/Central Belt</td>
<td>7</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>4</td>
</tr>
<tr>
<td>All Scotland</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Paisley PERC Minority Ethnic Business Database
Business growth

5.6 The majority of MEB owners were achieving business growth even in traditional and competitive sectors. This was achieved by a combination of different factors including successful diversification, through exploitation of opportunities in different markets, through developing niche or quality products in traditional markets, through innovation and through co-operative behaviour. In some cases the transfer of business ownership from 1st to 2nd generation owners had led to innovation in business practices or the identification of additional markets. For example, one 2nd generation owner in a traditional sector had introduced incentives to employees to maintain business growth:

“We keep growing. We keep going after more business, going after new markets, we're always we're constantly pushing for more business and we have very motivated sales force out there. Well money motivates them, they've all rewarded for bringing results so they're all keen to get them...more business in.”

5.7 In general, there were successful diversification and survival strategies evident in traditional sectors and successful innovation and growth strategies in new and emergent sectors. These are described in more detail.

Survival strategies in traditional sectors

5.8 One strategy that had achieved survival and growth in a traditional sector with increased competition included co-operation with other business owners. This was mentioned by one MEB owner:

“Say we have the likes of the paper shop across the road and a grocery store across the road we all work together rather than fighting with each other we all benefit rather than cut throat which would benefit nobody but the customers and you'd still get the customers moaning, it wouldn't make any difference.”

5.9 One MEB business owner admitted that they faced increased competition from the increasing growth in market share of supermarkets, but at present they were able to maintain custom through incentives to bring in customers, once inside the premises they may complain but would still buy.

“We do get people complaining that the supermarkets are cheaper but as we always advice them that if you feel that they're cheaper then please do go and get it from there because we can’t buy it for a pound and sell it for 50p to you in simple terms. So they he haw and they moan and groan but once they're in the store they do buy it.”

5.10 Another MEB owner from this traditional sector mentioned how they had managed to achieve growth through greater professionalism.

“Well the number of retailers has definitely declined but the professionalism in the retail industry has improved so the business is still fairly there as a
general market --but for us as a company we've actually seen quite a substantial amount of growth in the last couple of years.”

5.11 Sometimes survival had been achieved through identifying an opportunity to maintain and grow within a traditional sector, as commented upon by one MEB owner in retailing

“Not really just kept it steady I would say. I think it would have decreased but because I brought the Post Office on board it’s kept level. So my last couple of years have just been level, I haven't made any more that what I should but the income from the Post Office has helped us that all I would say. I would say it’s declining now, the convenience market, because of all these other you know Tesco Express and Sainsbury's and all the small shops opening up I think its making a big difference.”

5.12 Growth has also been achieved by a traditional clothing manufacturer through spotting gaps in the market and developing a niche product.

“Our main competitors are I would say are white British companies based mainly in the Midlands, Nottingham, Leicester that sort of area. That's a very traditional area for this sort of thing. Very traditional for this embroidery business and these are companies that have been around longer than we have but their main focus tend to be either selling the embroidery machines or the threads, there was nobody who was a consumables expert till we came along and we saw this gap in the market and we've took advantage of that.”

5.13 Of course, outwith traditional sectors, some very successful strategies were evident in the emergent sectors. These were not necessarily restricted to the well-known growth sectors such as IT and technology-related areas but included newer areas such as the creative industries and leisure-related activities. This business growth was achieved through the drive of high ambition and the searching for new markets, particularly international markets and through a willingness to continually invest as reported by one owner.

“Just to keep growing, to keep driving it forward--to tackle more international markets to basically get better at what we do become more efficient, we're always investing in our systems and improving the business wherever we can.”

5.14 An example of new market areas exploited by MEB owners was reported by one owner in a new leisure-related sector.

“I just seen the scope for it, I just seen there was a huge scope, a huge gap in the market, especially in Scotland, I'm the only one that does this in Scotland, the only one.”

5.15 Co-operative and networking strategies to achieve growth were also in evidence in new and niche markets such as the growing leisure and travel market. One recently established and start-up MEB owner, for example, indicated that they had been able to exploit
new services to the Middle East, discussing new services to Dubai they had identified growth opportunities through co-operation.

“I've been attending the Arabian travel market and the last 2 years and I've been meeting obviously different companies, tour operators and everything taking ideas from there.”

Motivation and business start-up

5.16 A mixture of positive and more negative reasons was reported on motivation for business start-up. The analysis indicates approximately 50 per cent giving positive reasons, with approximately equal proportions citing either more negative reasons or ‘other’ reasons for business entry. Positive reasons are associated with independence and discreet decision-making associated with a strong desire to ‘own a business’ and to enjoy the lifestyle or increased independence of income. For example, one owner had left his previous employment because he desired the independence and decision-making associated with business ownership.

“I'll be a lot more happier working for myself cause you probably end up making more money apart from the fact that you really don't want to be listening to other people and work to other peoples deadlines...”

5.17 Another MEB owner cited the incentive of independence that came from control as owner as opposed to working for others.

“I worked my butt off basically given the service for other people, you know and making customers happy for other people, so why not do that for myself and make some money? I mean I might be getting a wage every week, but I mean, I'd rather make more than that, you know to be honest with you, just something for myself, you know, that's all it is.”

5.18 Additional positive motivations were associated with greater ambition and drive that is required for any successful entrepreneur.

“You know I'm not just ...not just in business, I like a challenge and I like to put myself through challenges to see what I can achieve you know...... ”

5.19 More negative reasons were in some evidence, albeit a minority. These were associated with limited employment opportunities or viewing entrepreneurship as an alternative to unemployment. One example is given from an MEB owner in the IT sector, discussing the need to find an alternative to being unemployed.

“I was unemployed for a good part of a year and I didn't sign on for the first 7 months, I didn't but the day I signed on I started working for someone and its very devastating I was so....I was lowering myself so I've been working ever since I've left school and never had to resort to public funds and especially when you've graduated you don't expect to be on the......unemployed. Its probably an Asian thing you know not to go to the state.”
5.20 Strong and positive motivations were reflected in high ambitions of business owners, whether in business start-up or established businesses, with an associated strong determination to overcome barriers that may exist. Encouragingly, start-ups were likely to be in new and emergent sectors, avoiding the long hours and hard work that may be associated with traditional sectors like catering and retailing. This was partly explained by the different ambitions and approaches of 2nd and 3rd generation owners as explained by one young 2nd generation owner, partly to live up to greater expectations.

“There's a lot of Asian children like myself or ....will not go into retail because it...I think they're looking for not just satisfaction they looking for a bit....looking to get something out of life as well cause mums and dads have just worked like donkeys all their lives and they've got us somewhere....”

5.21 It is important to stress, however, that positive reasons for motivation do not guarantee successful business development, what will be more important is the ability to learn from experience.

5.22 However, there was also reference to the greater barriers that MEB owners might face in start-up, perhaps just in gaining credibility, in dealing with customers and other businesses. Of course all small firm start-ups face barriers such as issues of credibility, but it is arguable that these are higher for MEB owners. This was testified to by a number of owners, although the degree of the severity of such barriers seemed to vary by sector and by region. One MEB owner summed up the situation in the following way.

“I think we're looked down on, I think its an uphill struggle for anybody from an ethnic origin although I consider myself Indian as far as origin but as far as nationality is concerned I'm British and that's the way I see myself.”

5.23 Of course, there were some high growth and successful business start-ups. However, when such barriers are combined with other issues, described later, such as the lack of engagement with start-up assistance through the Business Gateways, there is a case for providing specialised assistance for new start minority ethnic businesses.

Financing their businesses

5.24 The interview data analysis indicates, as expected, that there is a heavy reliance on personal and family sources for the financing of MEB owners’ businesses with little utilisation of formal external sources of finance, particularly at start-up. Although there was evidence that banks became more important after start-up, a typical approach would be to continue to fund their businesses through personal and internal sources as reported by one MEB owner:

“Well its self-financing just through profits which I make, you know good profits and we keep utilising some of those profits to build the business up.”

5.25 The importance of family and the community was important for start-up (and in some cases development) finance, but once established, most MEB business owners further growth and development was self-funded. As indicated by one owner, the following was often representative of the financing.
“[From] parents, mainly finding the initial need of a cash injection and from there onwards it is pretty much self-financed.”

5.26 In some cases the community was important for providing sources of start-up finance and this was not necessarily limited to extended family networks or to the local community but could be international in extent. For example one Chinese owner indicated that they had raised funding from three sources:

“[From] the relatives in Hong Kong and the relatives in mainland China and some friends here.”

5.27 Exceptionally, with a high growth business, one MEB owner reported how they had financed their business through institutional finance and through venture finance, but had still resorted to bringing the business back into private ownership, because of some difficulties encountered with this formal venture capital.

“At start up it was personal, then as we grew we had bank finance. Then the bank suggested 3i’s, actually we were the first in Scotland to have quality institutional investments, they ended up with 24.9 per cent of our company and we became a public company. But that's when the problems began ----as we began to grow the ethnic difference began to come through and the glass ceilings began to appear. We bought ourselves back with venture capital funding and now we're pretty much personally funded backed by the --- bank.”

5.28 Financing start-up by reliance on personal and immediate family sources is, of course, the testified experience of the vast majority of all small business owners, not just MEB owners. Banks become more important for most small business owners, once a track record of trading is established. However, what is distinctive and noticeable with MEB owners in Scotland, is that there is a marked reluctance to approach or attempt to utilise bank finance after start-up or for development finance. In some cases there was a perception that the time involved was not worthwhile, even though approaches may have been made as indicated in the following comment.

“We did approach a bank for loans but after several meetings and several business plans it was getting to the stage that I realised that it was too much effort and not enough gain, so I did not really go down that route any more.”

5.29 In other cases there were deeper cultural and religious reasons given for not approaching the banks. For example, because of deeply held beliefs as stated by the following owner.

“I don't believe in borrowing money from the bank because we don't believe in paying interest.. [due to religious beliefs] ....if I can do without borrowing from a bank I will do it.”

5.30 Although such views were in evidence, there were also strong feelings against using banks which were more centred on cultural practice, some taking pride in not having to resort to banks, who were often seen as a last resort. For example the following owner comments on
being able to raise finance by ‘bootstrapping’ (raising small amounts from varied sources), as a way of avoiding the banks as an alternative source of finance.

“A hundred pounds here, a hundred pounds there we just..........every time he got a couple of hundred quid thirty quid here thirty quid there you know what I mean there's been nobody going to the banks and paying them interest. We've not borrowed a single penny from any banking institution.”

5.31 There is some evidence that brokers may be involved as intermediaries between MEB owners and the main commercial banks or loan companies (an initial finding that can be supported from the earlier UK study for the British Bankers’ Association on Access to Funding and Business Support, Ram, et al. (2002)). An example is provided by one MEB owner who discusses how he found it easier to raise the credit and bank finance that was needed by going through an intermediary or broker.

“Banks are not interested unless as I say your dealing through one of these intermediaries ....what do you call them again...people who help to get you loans and all that. If your going for a loan you go yourself there's a hundred barriers in front of you but if you go through a broker it seems so easy that's what I found out and then your having to pay a little bit extra than what you would if you'd done it yourself all these fees are involved in that.”

5.32 There is strong evidence that the role of the community is important for providing start-up finance as indicated. There is also a high dependency on personal sources and family for start-up finance, even allowing for the well-established and mature businesses, such as the following 2nd generation owner, who recalled the initial start-up.

“Our main source of finance used to start up ----I believe that my father and my uncles used personal sources, family, and community contacts— to start-up.”

5.33 However, even with 2nd or 3rd generation and younger firms there was still a reliance on personal sources and a reluctance to approach banks and a reliance on “the community”.

Relationships with the commercial banks

5.34 Reported relationships with commercial banks, where they existed, were variable with a mixture of views and experience. There were some difficulties reported, for example, approaching several banks before securing funding, high levels of security required and difficulty securing credit. An example of this category is provided by one MEB owner who claimed that his bank had promised to provide finance.

“My old bank promised they would give me money but when it comes to the nitty gritty--- no [and] I eventually got one after I think about three. The third one lucky.”

5.35 However, in general there was an acceptance that banks are bound by normal practices of risk assessment in lending decisions, that they had to be convinced as much as anyone else about the financial viability of propositions. In addition, where a relationship had
been established for some time, there was evidence of satisfactory views of relationships. An example of this category is provided from one MEB owner.

“Banks are fine. We find them to be very helpful because they'll give you support that you need and they'll always tell you to stay... keep you within your means so they're always quite a restrictive measure to make sure you don't over commit yourself.”

5.36 Of more concern is the reluctance to approach the commercial banks and potential lost opportunity for funding growth and for additional profits and business from MEBs for the commercial banks. There is evidence that this may be partly explained by an expectation on the part of MEB owners that there is considerable additional paperwork and bureaucracy required if they were to approach a bank for funding. There may also be language barriers created by the limited employment of minority ethnic staff by the banks themselves. Although Chinese business owners have been shown by the quantitative analysis to do well in accessing formal sources of finance, this perceived difficulty was explained by one Chinese owner in answer to a question about approaching banks for finance.

“No. I never think about that and I know its very difficult and because from when we go to open a business account ...its very difficult spending a lot of time and also passing from.....because we're not British, we're not Scottish we're Chinese people and I think it was very difficult.”

Experience in rural areas

5.37 A small number of interviews were undertaken in the rural area of the Highlands and Islands, as indicated in Table 5.3. This limited evidence suggests here a combination of greater range of funding opportunities and the more dispersed nature of minority ethnic communities, meant that there appeared to be less reliance on personal sources and community sources than elsewhere in Scotland, there was more evidence that a combination of sources were used including public sector grant, public sector loans and banks.

The role of social capital

5.38 It is arguable that the role of social capital is of key importance in minority ethnic enterprise development. Its role is complementary to that of informal capital, providing advice alongside informal finance. Social capital replaces the role of institutional sources of advice in the same way that informal finance can replace and substitute for the role of institutional sources of formal finance. The complementary nature of its role is revealed through the involvement of family, relatives and the general local community as sources of advice. MEB owners may also rely upon access to business advice through a network of business contacts through their own community.

5.39 In some cases, advice may be provided through direct involvement in the business as discussed by one MEB owner.

“It was my brother actually bought the first property and because I'm doing my professional qualifications I'm in my final stages, we bought one bought two and then we thought that they could be a way of earning money, I mean I put a lot of my studies into it and I started getting a lot out of it so I mean it
just progressed from there... ...well I work quite close with my brother and that we've seen a common goal and now we're kind of progressing towards that...financially...... but they're happy that we've both got a common goal.”

5.40 There are a variety of important roles for social capital apart from the financial ones, friends and relatives may be used as business mentors, giving direct advice, they may be directly involved in decision-making or they may be used as a sounding board, as a means of developing and honing concepts and ideas and as an aid to problem-solving. This was illustrated by one MEB owner when discussing how he was able to call upon sources of social capital as a sounding board for decision-making and recognised the importance of such advice in the learning process as a small business owner.

“Family and friends. ---You listen, you do ask them things but then you make up your own mind on what ....you know...I mean its good to have someone there that you can ask because you've got to learn from somewhere....you know being brought up in a family where business was discussed quite regularly even in the house my grandfather was over from Pakistan would always be discussing business with my father and I would be sitting there listening so.....it was instilled in me from a young age”

5.41 The use of the informal network for business advice is illustrated by another MEB owner who discussed how they would use the informal network of contacts in the community.

“For business advice we use family and friends, we use community sources....Just like local businessmen in the community and stuff ...we speak to them or if we've got an idea of doing something we'll just run it past them, get their feel get their advice on it.”

5.42 Again, like the importance of informal capital, there was evidence that such sources of social capital were still important for 2nd generation and young company owners, although, the source of social capital or sources of advice may well be different in nature, because of different, if overlapping, networks. One young MEB owner referred to his circle of friends that he relied upon for advice in a variety of professional and business ownership situations.

“I've got friends that are also involved in business, I've got some very clever friends actually, a few guys that are chartered accountants, a guys that's involved in finance just some guys that are running some franchises as well, there's one boy that just opened up a Papa Jones, an American Pizza place, and there's another guy that's opened up another Insurance claims place, Cold Concept Solutions, so these guys....basically we feed off each other.”

5.43 There was recognition that the family was still important for 2nd generation owners, not necessarily for direct advice to provide support, but to discuss issues and problems as discussed by another 2nd generation owner.

“Family's always important I think...you know...yes there's always family disagreements and conflicts but I think you know having my father there as someone who's shoulder I could lean on and I could ask things even though I didn't agree with a lot of things.”
5.44 It is still usual to use family and friends for additional advice or for advice on problems that cannot be solved individually, as revealed by this typical statement.

“Normally if the knowledge you have you solve yourself but if some cases on issues you never come across then you ask your friends or your family. So normally in your case do you just do it yourself? If any problem come up and I know to solve it then I'll solve it, a problem I've never faced before I will ask friends and relatives.”

Social capital: help or hindrance?

5.45 Potentially the importance of social capital is both help and hindrance to MEB owners. For example, there is no doubt that the ability to call upon sources of advice and the accumulated learning of previous business experience as social capital is invaluable to new start MEB owners and even for well-established owners, especially those in traditional sectors where there is a wealth of accumulated experience and indeed co-operative behaviour to overcome problems. Yet this may also be viewed, in some respects, as a barrier to business growth and achievement, particularly where advice may be limiting or inappropriate. For example, one young MEB owner commented on how he decided that advice from his family was inappropriate for the entrepreneurial risk-taking that he sought.

“I left school and went straight into business. I worked for a year for my father and grandfather and I had a different......I had different views to what they had so I decided to do my own thing. Well it was basically.....they were very much old school and had...you know they weren't prepared to take risks, they were very set in their ways and they didn't want to.....didn't want to see change brought into the business, I was keen to do things which they didn't want me to do so I decided to.....but I couldn't work with them and I branched off and started my own business.”

5.46 However, the role of social capital can also be revealed in some surprising ways, for example, in the development of opportunities to diversify and enter different sectors due to contacts and knowledge in the community. An example is provided by one owner who was able to move from clothing into catering.

“[We moved] because of our relations and our friends and relatives they are in the restaurant trade--so they suggested ...you know why don't you look at this side of the business, then we just looked into it and decided.”

5.47 The role of social capital is probably underrated, in terms of its role in the development of MEBs. It can be as important as family networks and the community are as sources of finance. It is used in a surprising number of ways, for advice, for support, as a sounding board and for information on alternative business opportunities. This partly reflects the richness and diversity of minority ethnic communities in Scotland.

5.48 The role of social capital is complex, with many dimensions, some of the issues have been highlighted, but it is an area that deserves further investigation.
The role of human capital

5.49 The qualitative analysis supports the quantitative analysis in indicating that MEB owners are well qualified, often having university education and degree qualifications. Previous business experience or relevant employment experience were also in evidence. Strong and extensive human capital has been reported with previous studies with MEB owners and provides one factor that can explain the strong growth, innovation and successful business strategies of MEB owners, whether in traditional or emergent sectors.

5.50 In some cases, human capital was also strengthened by a willingness to undertake additional training, although the quantitative baseline analysis suggests that participation in formal management training was low. However, one MEB owner was able to comment on the range of additional courses and qualifications that he had obtained demonstrating a keenness and desire to add to qualifications, experience and training.

“When we had the retail shops, because I was the manager of one of the shops and I felt at that time that I needed some proper education as well to do the job that just going from experience wasn't enough, so I went to Reid Kerr College in Paisley and I done night classes and I got a diploma in supervisory management studies, so that's the formal qualification and then since then I've been to Anniesland College and I've got some education in computers there, I've also taken advantage of Glasgow City Council training and I've gone on to do other things in managing business and so forth.”

5.51 In general, there was a willingness to pursue education and training. There may be differences in human capital across Scotland with MEB owners which may be related to opportunity and provision. For example, in Glasgow-based MEBs there was reference to training provided by the Ethnic Minority Enterprise Centre (EMEC) and management development seminars provided by the City Council. Those that had more limited experience tended to report earlier histories of problems (including racism) forcing them to leave education. For example, a 1st generation owner commented that he left school “very difficult, we were bullied a lot because there were only 2 or 3 Asians in that area.”

5.52 Barriers to education and the accumulation of human capital were mentioned by others. Indeed one business owner considered that he had avoided such barriers by working in America, where talent could be recognised on its merits.

“When I graduated I joined Ford Motor Company as a graduate trainee and that was a very lucky break because allowed me to join the meritocracy. If I'd worked in Scotland I would have been excluded by colour, speech, schooling etc religion.”
5.53 Negative experiences need to be balanced against more positive ones and a positive desire to use human capital in business ownership. For example, where a university education was apparent with 2nd generation owners, a strong motivation to enter business ownership was still evident, as expressed by one young MEB owner when discussing previous education and career choices.

“I was at school and then university and then I joined my fathers business. --- I came straight into business from university. ---- I always wanted to do business, right from an early age I was interested in business, so my father asked me to join the business and I hadn't really considered doing anything else.”

5.54 This characteristic, of completing education up to degree level, but retaining a strong desire to enter entrepreneurship as a career appears to be strongly represented in South Asian business owners.

5.55 An alternative scenario where the MEB owner has left education at an early stage and then accumulated business experience, building up knowledge and experience from the entrepreneurial process, appears to be more typical of Chinese business owners. This was commented on by one Chinese business owner reflecting on motivation and extensive accumulated business experience.

“I've always been in business ever since I left education I've always wanted to be in business. To serve, basically to serve our community, our Chinese ethnic community and I've done that for 21 years. --I've been in a few businesses, I have like most business ups and downs. I was initially from down in England, had you know.....a good 10 years business life down there , moved up here and continued to do so, so yea its been about 21 years in business.”

5.56 The role of entrepreneurial learning is important to the success of MEB owners in developing the accumulated knowledge that may allow them to respond, innovate and develop successful businesses in the face of increased competition. As commented by one MEB owner in a traditional sector,

“Well I've learned a lot from the business as I say, business is a learning process like everything else in life as you go on you learn.”

5.57 Undertaking of additional training, especially by well-established owners appears to be at relatively low levels, a factor that was indicated by the baseline quantitative analysis. Additional management training was also something that was reported as a need by a number of MEB owners. The experience in rural areas suggests that training may be difficult to access, despite there being identified training needs, although it is recognised that training may be more difficult to provide in rural areas, due to a support premium (Baldock and Smallbone 2003).

Business and succession planning

5.58 A related management development issue is the extent to which MEB owners were engaging in business and succession planning. As is the case with many small business
owners, there is a reluctance to engage in forward planning, expressing a preference for having a plan ‘in my mind’ rather than detailed on paper.

5.59 This in itself may not be an issue, however, when the lack of forward planning is applied to the discussion of succession planning and planning for exit, the indications are, from the interview data analysis, that many MEB owners are ill-prepared for the transfer of knowledge, if there is to be a succession of ownership. Given that many MEBs are family-owned businesses this is likely to be an important issue. One of the problems is the transfer of tacit knowledge that resides with the owner and management of the current business. As expressed by one MEB owner, the transfer of such tacit knowledge is difficult to prepare for, indicating that it needs careful planning and involvement of successors long before transfer takes place and indicating that it was an area of concern.

“When you build a business from scratch you know exactly all the strengths and weaknesses of the business you know the business inside out and its not something you can actually...you know.. that someone else can sit and learn, so I think if anything that's probably my single biggest concern.”

5.60 The nature of the way that many MEB owners do business and develop their businesses often militates against forward planning, although, as already noted, this does not prevent considerable innovation, creativity and successful entrepreneurial growth. However, it can be noted that this may be connected to the relatively low utilisation of formal sources of bank finance. The reliance on informal and community sources for finance is connected to perceptions that planning is unnecessary, being required only to raise money. An example of such a view was provided by one MEB owner.

“To be honest, I don't believe in it (planning) because its so, ---its not dynamic its static and you only use a plan when you want to get money from some group so personally I don't believe and with certain groups you got to buy your plan to suit the taste and knowledge of what they know, the group knows, you go beyond what they know and they think you are just ....talking nonsense or just ......so they don't see beyond so it depends on who you talking so I personally I don't believe this if for me. This is when you asked me early on 'where you get the money from?' mainly from friends or connections. I think that goes a far better way then just a business plan to get money from the bank.”

5.61 This underlines the importance of any related intervention or initiative by support agencies which should emphasise the process of planning rather than the production of business plans per se.

5.62 It was admitted by some business owners that succession was a problem because their children were not interested in taking on commitments that might mean long hours of work. It was admitted that their children had different objectives. This was a factor for MEB owners in traditional sectors particularly catering and retailing. For example, in discussing this, one MEB from a traditional sector commented that with different attitudes of his children he had changed his mind about growth plans for his business.

“I did want to increase my stores but I've changed my mind recently in the last 6 months, I've completely changed I thought you know the children would
come over and they would help in the business but they've got a different attitude towards the business, they don't mind helping just now but they actually don't want to go into that sector at all and from what I'm seeing for the future a lot of the business are just being sold off.”

5.63 The nature of the long hours of work, particularly in the convenience food retail sector, was noted by another MEB owner commented on why her son would not want to take over the business.

“Because he sees the lifestyle and the hardness and there's no social life in it and we work 24 x 7, we don't have holidays, myself and my husband have never been on holiday together.”

5.64 It is likely that increased competition, notable in the retail convenience sector, will continue to have an adverse effect on MEB owners, despite their ability to innovate and diversify. The limited degree of succession planning, in all sectors, while true of all small businesses, should be an area of concern.

Attitudes to mainstream advice and support

5.65 It is well known that there is a lack of engagement with mainstream sources of advice and support, as reported through the quantitative baseline analysis. The interview findings give greater depth on attitudes to such sources of advice and support. These findings will obviously be an important consideration in the formulation of any policy initiative that may attempt to tackle the lack of engagement.

5.66 There appear to be a number of different levels of attitudes to mainstream sources of advice and support. At the most basic level, there is, firstly, a lack of awareness of their existence. At a secondary level, there is a belief that the services provided are time consuming or involve some form of payment for advice. Where knowledge is improved, then a third approach is characterised by a belief that such services are not relevant to the needs of MEB owners and such owners may by-pass such sources of advice and support.

5.67 An example of these attitudes is provided by one MEB owner, which involves both a basic level and a rationalisation that such services will only restrict the development of the business.

“Well I never really heard of these people before. Its very hard to say if they'd be any use but if your in business and you want to move fast you want these kind of people holding you back by ....'oh you've no filled in this form up...or you haven't given us a drawing...or you haven't done this because....' When you go after a business and the people who are selling the business aren't going to wait till one of these local authorities or business associations or these kind of people are satisfied with the paperwork we've sent them.”

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5.68 An example of high growth businesses that may by-pass such services is provided by one high growth minority ethnic entrepreneur who considered that they would by-pass the support agencies.

“I have, and I've had a terrible experience the Gateway didn't even bother to answer my calls recently when about a year ago when I decided to talk to the bank I thought I'd share it with them, however once again I'm very adept at skirting round them. What I've done is become a very active member of the CBI and I'm part of the growing business forum.”

5.69 In a very different scenario, an MEB owner might be overwhelmed by additional pressures to be aware of the relevance of mainstream support agencies. In some cases, MEB owners considered that the pressure of other concerns meant that such sources were not very relevant to their position. One MEB owner in this position reported that, while there was awareness, such pressures would take priority over such considerations.

“I didn't actually approach any of them because that was the last thing on my mind when...picture yourself in a scenario where ...you've been out of work for 3 or 4 months and your always used to working all your life, all of a sudden you're sitting there your getting no ---money, you're getting nothing, you've got mortgages coming over the top of your head and you're maybe a couple of months behind in your mortgage and stuff like that, all the bills are piling up the last thing you think about is going to these people and saying, 'what can you do for me'.”

5.70 A more typical view, however, was associated with a lack of awareness and a lack of knowledge of how such agencies might deal with MEB owners.

5.71 A further issue concerns the nature of communication used by mainstream support agencies such as the Local Enterprise Companies and Business Gateway. This Chinese owner when discussing the services of Business Gateway commented on the notable lack of different forms of communication and languages appropriate for MEB owners.

“They have one ethnic minority people advisor; (who) only speaks English, or I think for Hindu people, nobody speaks Chinese. I think if somebody had speak Chinese it would be more and more helpful.”

5.72 However, at least in the main cities, Business Gateway do provide translation services, at no additional costs with leaflets in different languages, although it is likely that the level of such specialised support will vary as discussed in Chapter 6.

5.73 Where experience was reported with support agencies, such as Business Gateway, they were highly variable. In some cases positive, in some cases commenting that, “grants were more useful than advice”, and in some cases more negative. For example, one owner considered that advisers were not aware of the needs or experience of minority ethnic enterprises.

“They actually didn't help you much, they actually gave you a knock back saying well you need this qualification to do that but they didn't look at your
experience side of it all, they didn't think..... look maybe the ethnic minority need this help here.”

Additional issues

5.74 A number of additional issues are discussed that were identified by a number of MEB owners. Although they varied in importance, nevertheless, they were sufficient to be mentioned and discussed in detail by a number of MEB owners. These issues included diversification, insurance premiums, crime and racism.

Diversification

5.75 It was noticeable that diversification was stated as an objective for most of the MEB owners, but some either lacked the opportunity or resources to see this objective to fruition. However, those that had achieved diversification demonstrated that even in declining and traditional sectors, it was possible to take advantage of opportunities. For example, one MEB owner with a small retail outlet, located in the Central Belt was able to describe how they had taken opportunities to expand the space and acquire the local post office.

“I demolished the stairs to make it into one small shop and then we bought the flat upstairs which meant we could extend it even further so its now 2000 sq ft so it's a big shop and then just 2 years ago we added on the Post Office. We had the opportunity to buy it and we brought it into the shop and we went open plan.”

5.76 Diversification perhaps explains the continued survival of some MEB owners in traditional sectors, such as retailing or wholesaling. Even though it was quite common for such MEB owners to discuss major losses of customers to increased competition, the businesses were surviving because previous profits had been invested in new businesses in alternative sectors, notably property and services. Alternatively, some owners had shown remarkable perseverance and innovation, demonstrating the depth and richness of innovative and entrepreneurial capacity that exists in Scotland’s MEB community. For example, one MEB owner discussed how they had achieved diversification through innovation with a traditional clothing manufacture business, in response to increased competition.

“We started with the one product which is an interlining which embroidery backing is a derivative, is part of that family, we diversified into other products very successfully until about 1997 and then the clothing market disappeared, Marks and Spencer's and everybody started pulling out the U.K. Overnight we saw almost our ---say 60 per cent-- of our customer base disappear within a year and probably today I would think we lost 90 per cent of our customer base that we had for clothing manufacturers at that time so we knew to survive we had to diversify into other products and that's why we went into embroidery.”

5.77 The extent of diversification meant that many MEB owners were effectively portfolio entrepreneurs, owning a number of different businesses, often in non-connected sectors. As suggested this may help to explain, how owners(particularly first generation) have managed to survive and prosper in the face of increased competition in traditional sectors. However, others were trapped in limited and declining markets with insufficient resources (whether
financial or human) to breakout into different sectors. Support agencies may be able to successfully target such firms with advice and related support, drawing upon the experience of the successful MEB support programme, operated by Glasgow City Council, and the experience of successful MEB owners, which has targeted MEB owners in traditional sectors to assist them with diversification plans and fund raising (see Annex 4 for a description of the MEB support programme).

Crime and insurance

5.78 It is difficult to determine the extent to which these issues are more prevalent with MEB owners in Scotland, compared to all small business owners. Such issues may be increasing and be prevalent in the small business community generally, in addition they may reflect the location of some MEB owners who may be in low-income location areas with higher levels of crime and higher insurance rates. Having made these qualifications, however, it was noticeable that such issues were volunteered in general discussion about a range of issues facing their businesses. It seems that there are underlying forces in society that combine to make these issues more prevalent for MEB owners.

5.79 For illustration purposes, one case is provided of how one MEB owner felt that they were a target for organised crime.

“We are constantly having our windows smashed and just our business computers being stolen. ---Six times since October and so we have two special CID task forces and we have surveillance cameras belonging to the CID in the house. So we are a target for organised theft and it's a real issue for us and we put our house on the market because of that. So it's a kind of jealousy thing and we have to manage that. It's the biggest problem here.”

5.80 Crime or security was also considered to be an issue in rural environments, but without resources (from local businesses) that would be required to invest heavily in security, basic protection such as CCTV was often absent. However, this would probably apply to all small business owners in such areas. The incidence of crime and the experience of MEB owners seemed to be particularly acute outside the main cities with references, in a small number of cases, to targeted attacks on business and personal property. This may have reflected the lower levels of security and/or policing in such areas. Whatever the reason, such levels of crime compounded the problems such business owners were coping with, representing a drain on resources, adding to survival issues and making business growth and diversification more difficult.

5.81 The concern with crime could be built on by agencies seeking to engage with MEB owners, a targeted policy in this area could lead to greater engagement with sources of advice and support.
Racism

5.82 Underlying such experiences for some MEB owners was reported (covert and overt) racism. This may have expressed itself for example in higher targeted crime, but more subtle forms were also reported which affected that nature and practice for MEB owners in doing business. One MEB owner, referring to the nature of doing business, particularly in Scotland, claimed that they suffered from a bias against doing trade with other Scottish companies, leading them to look for business in England.

“To be honest I'll tell you doing business in Scotland is more difficult than it is doing business in England. When I approach companies in England I'm judged on my company and my company's performance when I try and do business in Scotland the first thing I'm judged on is possibly my colour but definitely they say to me 'well I've been dealing with Jock for 30 years why should I stop dealing with him to deal with you, even though you can offer me better product you can offer me better price and everything' but in Scotland that is a big big problem. Scottish companies want to deal with other Scottish companies and they want to deal with white Scottish companies they don't want to deal with Asian Scottish companies.”

5.83 Some MEB owners admitted that it was “more difficult to do business”, but approached this with a stoic acceptance that such attitudes were only to be expected and that they had to work harder to achieve success because of such barriers. It was in the nature of dealing with customers or suppliers where different forms of racism materialised. In a small number of cases, reference was made to the effect of changing a name on doing businesses and the beneficial effect of removing the perception, for example, of dealing with an Asian business.

5.84 The combination of these barriers and difficulties meant that for some MEB owners, in some localities, the realities of doing business, of their experience and their everyday lives meant that they were forced to adopt coping strategies, adjusting to different markets, to greater costs and to surviving rather than achieving successful diversification and growth. Against these experiences must be placed the diversity and richness of successful diversification and growth, across different sectors and in different localities, which is a much more common and typical experience for MEB owners in Scotland.
SUMMARY

5.85 In this chapter, the key findings from the programme of over 40 face to face interviews with MEB owners across different localities and sectors in Scotland have been examined. The remarkable vitality and diversity of MEB owners in Scotland and their real experiences of doing business, in some cases in hostile environments, have been described. The main findings have focused on key issues that MEB owners face in the development, growth and survival of their businesses. The key findings of the interview analysis include:

- Business development and growth has been achieved through remarkable resilience of MEB owners in traditional sectors in the face of increased competition. Also MEB owners show high personal drive and ambition to achieve business growth by exploitation of new market areas and the introduction of additional value-added approaches to traditional sectors. A mixture of motives that account for business start-up are indicated regarding personal decision-making on business entry, however, the strong drive found behind the growth ambitions of MEB owners is also reflected.

- In the key area of finance, the qualitative findings reinforce the quantitative baseline analysis indicating a dependence on personal and informal community sources for finance. There is a marked reluctance to approach institutional providers, even with 2nd generation owners. Causes of this reluctance are complex, but these factors are creating barriers against the development of closer relationships between minority ethnic business communities and the banks. There is some indication that greater attempts on the part of commercial banks to employ more minority ethnic staff could improve relationships and increase the business that they secure with MEB owners. Developments in Islamic banking could also be important and have potential for breaking down barriers in Scotland.

- The interviews confirm that the role of social capital, although important, can be a two-edged sword and it may act as a barrier to the ambitions of younger and 2nd generation MEB entrepreneurs. It does, though, fulfil an important complementary role to that of informal finance, acting as a source of learning as well as providing a sounding board for business issues and problems. It will be important for both mainstream and specialised agencies to ensure that their role and services can build upon and complement the role of social capital rather than replace it.

- Human capital, whilst variable, is important and MEB owners tend to be well-educated. Although the quantitative baseline analysis indicates limited management qualifications and training, the interviews reveal that when training is available, as in Glasgow, then this will be taken up by MEB owners. Support and advisory agencies can assist in providing advice on preparation of business plans that meet the requirement of formal institutional providers of finance such as the commercial banks and in their role as referral mechanisms and channels of communication. Establishing engagement and trust will be crucial to this role. Whilst there is evidence of innovation and successful diversification, support agencies will need to build upon this success.

- The lack of awareness and, more importantly, basic knowledge of the level and type of services provided by the mainstream agencies should be a major focus of concern. It seems that there are a number of degrees of the nature of this lack of awareness and
knowledge. These range from the relatively basic lack of awareness through attitudes that see support agencies as not relevant, to deliberate strategies to by-pass support agencies.

- Additional issues of diversification, crime, security, insurance and racism further highlight and reinforce the diversity of MEB experience in different sectors and localities in Scotland. There is no doubt that for some MEB owners in some sectors and in some localities, such issues are an acute everyday and common occurrence. While some MEB owners noted the erosion and decline of their acuteness, there is little doubt that they are still evident and real issues for MEB owners in Scotland.

- Finally in conclusion, Scottish MEB owners’ experience and development is particularly diverse, making it difficult to generalise about their experiences. It is clear, however, that Scottish MEB owners have exploited new growth markets, they have been resilient in traditional markets, they have achieved success in the face of adversity, have been innovative, ambitious and growth-seeking. At the same time, though, it is arguable that the potential of at least some MEB owners is also being constrained through the by-passing of mainstream sources of support and formal sources of external finance. In addition, there could be benefits from the encouragement of greater participation in training and business-related seminars.
CHAPTER SIX  CONSULTATION AND INTERPRETATION

INTRODUCTION

6.1 This chapter examines the key themes that have emerged from the different elements of the national scoping study on the importance of minority ethnic enterprise in Scotland. It draws together an interpretation of the importance of different themes from secondary, quantitative and qualitative findings. In addition the authors take the opportunity to bring in findings from the extensive consultation undertaken with community leaders and institutional providers of support, advice and finance. These findings are not reported in any detail; rather they are used to provide a balance of views, to bring in other experience and issues and to provide an additional perspective.

6.2 The extent of consultation is indicated in Table 6.1 in terms of the range of views, different perspectives and institutions consulted. In each case an identified key informant was consulted. Consultation was conducted either through face-to-face interviews, by telephone or by e-mail. Due to the variety of sources consulted, a flexible consultation guide was used by the research team. Although two versions of this guide were used and are provided in Annex 6, the relevance of this guide obviously varied according to the key informant and the source consulted. Therefore, the research team used a very flexible approach for this final stage of the study. For the most part the interviews were not recorded, key issues and salient points were noted and this has formed the basis of further analysis and interpretation.

Table 6.1: Consultation: key informant sources

<table>
<thead>
<tr>
<th>Type of Source</th>
<th>Number of key informants consulted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community leaders</td>
<td>7</td>
</tr>
<tr>
<td>Specialist minority ethnic agencies</td>
<td>5</td>
</tr>
<tr>
<td>Scottish Enterprise and Local Enterprise Companies</td>
<td>6</td>
</tr>
<tr>
<td>Highlands and Islands Enterprise</td>
<td>2</td>
</tr>
<tr>
<td>Business Gateway</td>
<td>2</td>
</tr>
<tr>
<td>Scottish Executive (ETLLD)</td>
<td>1</td>
</tr>
<tr>
<td>Business associations/Chambers</td>
<td>2</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>3</td>
</tr>
<tr>
<td>Specialist funders</td>
<td>2</td>
</tr>
<tr>
<td>Other specialised support or training</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Paisley PERC Contacts
Table 6.2: Number of key informants by locational remit

<table>
<thead>
<tr>
<th>Geographical Remit</th>
<th>Number of key informants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glasgow and West of Scotland</td>
<td>11</td>
</tr>
<tr>
<td>Edinburgh and East of Scotland</td>
<td>3</td>
</tr>
<tr>
<td>Dundee and Tayside</td>
<td>2</td>
</tr>
<tr>
<td>Aberdeen and Grampian</td>
<td>2</td>
</tr>
<tr>
<td>Highlands and Islands</td>
<td>2</td>
</tr>
<tr>
<td>National remit</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Paisley PERC Contacts

6.3 Table 6.2 also gives a breakdown of key informants by geographical remit area, this reflects the nature of the locational area that their organisation was involved with and the nature of their area remit. Table 6.2 illustrates that key informants were also chosen for the nature of their experience with MEBs and minority ethnic communities in different locations in Scotland. This reflects the underlying methodology and research strategy in the study- that is to include representation from the main cities in Scotland, the Central Belt and rural areas such as the Highlands and Islands.

6.4 Finally, the aims of the scoping study should be born in mind. These are concerned with identifying the nature of and importance of minority ethnic enterprise in Scotland, together with its distinctive features. Whilst important issues for minority ethnic enterprise owners are identified, further research and work will be required to map the nature and scope of these issues, and how they impact on minority ethnic enterprise owners. With these caveats in mind, the interpretation and significance of identified issues are discussed, drawing together material from different chapters of this report.

The diversity of minority ethnic enterprise in Scotland

6.5 A key recurring theme is the strength and diversity of minority ethnic enterprise in Scotland. This is apparent from the 2001 Census data on self-employment, the baseline data analysis and the in-depth qualitative analysis. The importance of the main minority ethnic groups has been identified in the secondary data analysis. Although the importance was dominated by the city areas, (especially Glasgow and Edinburgh), and by a predominance of sectors, nevertheless, important cultural diversity in parts of the Central Belt and other areas of Scotland are reported. The baseline data analysis demonstrated more Scottish MEBs in traditional sectors and less diversity than their English counterparts, but also a good representation of growth orientated business owners. One of the features that emerges, supported by the interview data, is the innovation and resourcefulness of MEB owners even in predominant traditional sectors of retailing and catering. As commented on by one respondent from the consultation, “although there is so much pressure on them, they are doing extremely well”.

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6.6 Nevertheless, the main dependence for Scotland on cultural and ethnic diversity in business ownership is in the main cities and to some extent in traditional sectors, although this is a changing and dynamic pattern. This has been confirmed by some of the consultation especially in reference to the dependence on the traditional sectors by minority ethnic enterprises. The interviews have revealed the extent of diversity that does exist particularly in new and emergent sectors and the innovation and resourcefulness of MEB owners.

6.7 A related issue is the extent to which issues are related to traditional sectoral concentration of MEBs, reported in this study, rather than distinctive issues that reflect ethnicity of owners and hence issues associated with MEBs rather than sectoral issues. The authors are aware that issues may reflect sectoral concentration, for example, where there is a need for diversification, however, the authors have been careful to report distinctive issues, which are discussed in this chapter, and the consultation has assisted this process.

6.8 It can be argued that ethnic diversity can contribute to the competitiveness of individual businesses and economies in various ways. One route is because diversity can be seen as a source of creativity and innovation. This is illustrated by recent work undertaken in London on the role of Asians in the creative industries. This work concluded that as typically knowledge-based or skill-based businesses, Asian-owned firms in creative sectors contrast with the low value-added nature of many traditional areas of Asian business activity in London, such as clothing and retailing (Smallbone, et al. 2005).

6.9 Such diversity needs to celebrated and profiled by the Scottish Executive and the Enterprise Networks. The consultation revealed that there are only a limited number of agencies that are promoting such diversity, although Scottish Enterprise recognise the importance of diversity for the promotion of innovation and creativity. However, even where there are successful minority ethnic entrepreneurs, there are only a few that are well known or profiled. Consultation has revealed that profiling and the promotion of more minority role models could be easily achieved and there was strong support for the beneficial effects of such measures in raising the profile of the diversity of minority ethnic entrepreneurs in growth businesses and in different sectors. For example, some agencies particularly outside the main cities, and in rural areas, could obtain information on how to profile MEB diversity from units within the Scottish Executive or other more specialised agencies concerned with promoting diversity. It is recognised that attempts are being made to increase communication and raise the profile of support services, this is a theme that is returned to in the conclusions and implications.

6.10 The consultation revealed that this diversity, especially the nature of entrepreneurial skills of MEB owners, is an asset for Scotland that should be promoted. There are implications of the range of diversity for support agencies as well. The consultation indicated that Scottish Enterprise and Business Gateway “lump all ethnic groups together”. Highlands and Islands Enterprise also recognised a need to understand the minority ethnic communities better and their business owners. Thus the consultation revealed that MEB owners are treated by the mainstream support agencies as homogenous with similar needs, perhaps located in traditional sectors, whereas the reality is a much richer picture of diversity that requires much more individual treatment. Indeed, there is a tendency in some of the mainstream support agencies to see MEB owners as located “predominantly in retail and catering” or related sectors. However, specialised agencies were seen to be in touch with the diversity of minority ethnic enterprise, and were in contact with a much more diverse pattern of minority ethnic ownership. The problem of non-engagement is a separate issue that is dealt with later.
Diversity was further enhanced by the relatively young age profile of MEB owners. The baseline data analysis indicated the younger age profile compared to English MEB owners. The secondary Census data analysis is also important for identifying the younger age profiles of minority ethnic groups. The interviews revealed the growth aspirations of younger owners, often as 2nd generation owners. As mentioned previously, the recent introduction of the young person’s business start-up grant, by Business Gateway, should be beneficial and is a welcome initiative.

The importance and contribution of minority ethnic enterprise to Scotland’s economy and GDP

The secondary Census data analysis led to estimates of over 4,000 MEB owners, perhaps contributing over 1.5 per cent of private sector turnover. The actual number of small business owners in Scotland is unknown but can be estimated from official sources. MEBs probably account for over 3 per cent of all small business owners in Scotland, a higher figure than demographic returns might suggest. The contribution to GDP is, therefore, significant, but difficult to estimate without making a series of assumptions, as explained in Chapter 3. The quantitative baseline data analysis suggested that Scottish MEB owners have relatively smaller enterprises and hence smaller turnovers than their English counterparts. Thus any estimation of the importance and contribution of minority ethnic enterprise to Scotland’s economy and GDP needs to be treated with caution.

According to recent revised estimates, in 2001, Scotland’s GDP was estimated at £64 billion. The best estimate of MEBs contribution to Scotland’s GDP, bearing in mind the reservations expressed, is in the range of £500-£700 million. The significance of MEBs for the vitality of Scotland’s economy, however, cannot be over-estimated. MEBs contribute to the vibrancy of the small business sector and that is vital for health and prosperity in Scotland. If the Scottish Executive wish to build a strong, Smart Successful Scotland (Scottish Executive, 2001), then it will be necessary to ensure that the diversity and importance of Scotland’s MEBs is promoted and supported. A detailed explanation of the process of estimating the contribution of MEBs to GDP is given in Annex 3.

The consultation supported the important contribution that MEB owners have made to local economies. It was reported that MEBs make “a huge contribution” to local economies, especially in some areas of the Central Belt, as well as in Glasgow and Edinburgh, a view given some support by the secondary data analysis. Even in rural areas, such as the Highlands and Islands the contribution of MEB owners to the richness and diversity of the regional economy was recognised in the consultation, particularly given the demographic context in rural areas.

Underlying this importance, the in-depth interviews also revealed strong growth and survival strategies of MEB owners. Growth and diversification were achieved, despite difficult trading conditions in competitive sectors. Therefore, it is not just the importance of MEBs to Scotland’s economy which is relevant, but also their potential contribution through strong business growth

This assumes that the contribution will be a little under 1% of Scotland’s GDP, see also the previous discussion in Chapter 3.
Human capital and access to training

6.16 The baseline data analysis and the in-depth interviews suggest that MEB owners have limited formal management training but are younger and have less experience than the white owners. However, MEB owners are often well qualified, as reported in Chapter 5, although their extent of management experience prior to start-up may be more limited. The baseline analysis suggested that the relatively low levels of access of formal management training could be treated as a policy issue.

6.17 However, the interviews indicated that, in general, there was a willingness to pursue education and training by MEB owners where this was available. It was suggested, in Chapter 5, that there may be differences accounted for by access to opportunity and provision. For example, it was suggested that there may be greater awareness, access and opportunity in Glasgow compared to other areas in Scotland. The consultation revealed some support for this view and general support for limited access to adult training. For example, it was suggested that there may be greater awareness, access and opportunity in Glasgow compared to other areas in Scotland. The consultation revealed some support for this view and general support for limited access to adult training. For example, it was reported to the authors that minority ethnic groups do not access career training opportunities “as well as their white counterparts do”. In some areas, specialist training and management development programmes have been introduced with good participation rates. For example, management development seminars run by Glasgow City Council are well attended through promotion from their minority ethnic business support programme. In other areas, in Scotland, the consultation revealed that there is less provision, being part of mainstream services and within mainstream agencies. This may explain the relatively low access and take-up, an issue that is recognised by some of the mainstream agencies.

6.18 Combining material from the interviews, from the consultation and from the baseline data analysis suggests that, where provided, management and additional training will be undertaken. However, there may be an issue in providing additional support to increase take-up. Additional management training was also something that was reported as a need by a number of MEB owners. The experience in rural areas as well suggests that training may be difficult to access, despite there being identified training needs. There may be a need to use additional communication methods in rural areas to reach MEB owners. This would suggest that initiatives to raise awareness of training opportunities and making provision relevant would be worthwhile, although it is recognised that Highlands and Islands Enterprise are well aware of such issues.

Financial capital and access to formal sources

6.19 The baseline data analysis indicated that MEBs as a group in Scotland do not access formal sources of finance to the same extent as either the white control group or comparative MEB groups in England. Hence, they were more likely to rely on informal sources of finance, such as finance from family and friends, than their white counterparts, relying on informal finance for a significant part of their start-up capital. However, as pointed out in Chapter 4, there are considerable ethnic differences with, for example, Chinese MEB owners being more successful in accessing formal sources of finance. The face-to-face interviews with MEB owners give support to a picture of relatively low levels of access of formal finance, albeit reinforcing a pattern of inequality through examples of successful access and utilisation as well as examples of avoidance of formal sources through reliance on personal and informal sources. The interviews did reveal that the banks became more important providers of finance after start-up, but overall the interviews confirmed a heavy reliance on personal and family sources.
6.20 More importantly, the interviews revealed a marked reluctance to approach the banks and other institutional sources of finance, for both start-up and development finance, even allowing for the well-known tendency of small business owners, generally to rely on personal and internal sources. A number of sources, from the consultation, particularly by community leaders, were able to confirm this marked reluctance. Although as testified by a number of respondents, once relationships were established, and the initial reluctance was overcome, then MEB owners did not have "any more problems than white guys". The consultation with institutional providers revealed that there was certainly an awareness of this issue, but with limited attempts to reach into MEB communities. As indicated by respondents, the commercial banks and institutional providers "treat all business the same"; but the banks need to be more proactive, in some areas in Scotland, towards developing relationships with minority ethnic communities and their businesses.

6.21 The interviews revealed that for some minority ethnic groups, religious and cultural reasons prevent them from accessing formal sources of finance such as the commercial banks. Again the consultation revealed that institutional providers of finance are aware of such issues and would like to see Islamic Banking developments, which have been launched in England, introduced in Scotland. This is a development that the Scottish Executive could encourage with any discussions with representatives of the commercial banks.

6.22 Where specialised finance is provided, accessed by all small businesses, such as loan schemes, providers were dependent on referral from agencies or intermediaries. Therefore, a compounded result of the lack of engagement with support agencies, is low take-up by MEB owners. However, where there is strong contact with minority ethnic communities and with MEB owners, then take-up can be high. For example, a separate study undertaken by the authors for Glasgow City Council has indicated that a specialised MEB support programme was very effective at levering in additional sources of finance, especially from institutional as well as specialised sources (see Annex 4 and PERC, 2004). In Edinburgh, as well, strong links exist with local minority ethnic communities and MEB owners. Although support is delivered through mainstream agencies, the links that exist mean that there is a strong and active referral system to formal sources of finance. This is something that is suggested is lacking in some areas of Scotland. The PERC study of Glasgow City Council’s MEB support programme suggested that financial incentives can be offered to encourage more MEBs to access formal and institutional sources of support (see Annex 4). This appears to be a more acute issue in Scotland than other areas of the UK.

6.23 The recent introduction of the Business Start-up Grant for young people (aged 18-30) should provide a significant welcome support for start-up MEB owners in this age range. The secondary data analysis, in Chapter 2, has indicated the younger demographic profile of the minority ethnic population in Scotland.

Social capital and access to formal sources of advice and business support

6.23 The importance of social capital was a key finding from the interviews. Conceptually, social capital refers to the ability of decision-makers, such as entrepreneurs, to draw on resources from their social networks (Lin, et al. 1981; Portes, 1998), or the ability to use resources from social exchange (Emerson, 1972). Such social networks may be based on a number of networks including family, community and organisational business networks such as local business clubs and business forums.
6.24 Chapter 5 revealed that MEB owners, as may be expected, are indeed able to rely on strong social capital from their family, friends and their communities. However, its role is both complex and variable, not always being beneficial and could act as both help and hindrance. For example, for 1st generation MEB owners, strong social capital has played a powerful complementary role to that of informal finance. However, for some 2nd generation owners it can operate as hindrance, particularly where the attitudes and ambitions of 2nd generation owners can be different from their parents. This is a finding confirmed from the consultation phase of the study, where there was agreement that 2nd generation owners have different attitudes to those of 1st generation, in fact some were of the view that they tended to be very different. Other writers have suggested that 2nd generation owners may be more willing to access formal sources of advice and support (see, for example, Baldock and Smallbone, 2003; CEEDR, 2000), but there wasn’t strong evidence of this. There are clearly some policy issues that arise from these issues. For example, there may well be a specific support need where businesses transfer from 1st to 2nd generation ownership, the research suggests that support agencies need to be aware of such issues.

6.25 A more pressing problem, however, is the overall lack of engagement with mainstream, formal sources of support and advice. This is reported by the study with the baseline analysis. This is an issue throughout the UK, since the analysis showed that it is only marginally different in Scotland from other areas of the UK, although, as with other issues, there are marked ethnic differences with particularly low rates found with Indian and Pakistani business owners. However, the interviews confirm the bypassing of mainstream support agencies and the reliance on community sources for advice and support. Given the legal context, which places a duty on public sector agencies to ensure that minority ethnic groups are not disadvantaged, this means that the lack of engagement should be a major concern to policy makers.

6.26 The interviews provided greater depth and information on attitudes to formal sources of advice and support. It is suggested that these may be on different levels from a lack of awareness of their existence, to a level where awareness is high but sources are viewed, by MEB owners, as not relevant to their needs. In general, although views differed, the consultation provided some support for these overall general attitudes of MEB owners. However, the level of seriousness with which these issues were taken varied considerably. In some cases it was recognized that there were awareness and communication problems, but it was also felt that, because of concentrations of MEB owners in traditional sectors such as retailing and catering, that much of the constituency was therefore outside the reach and scope of support agencies.

6.27 The consultation also revealed a concern of some respondents in mainstream support agencies with an argument of “non-displacement” of support provision. An argument that support and advice can only be provided, particularly with start-ups, where it involves non-displacement of existing businesses (for example in non-competitive emergent business sectors). Yet, as a counter-argument the Glasgow City Council’s MEB support programme demonstrates that targeted support can be provided to traditional sectors without displacement effects by providing advice and assistance with diversification, innovation and business growth (PERC, 2004).

6.28 It would appear that there is considerable scope for development of brokerage arrangements, which allow MEBs to access mainstream sources of advice, support and finance. Again, there was strong support for such developments from the consultation,
although the support for a separate Minority Ethnic Business Forum was more lukewarm, but it is noted that this has been successful, in England, in providing a bridge between institutional sources of advice and support and MEB owners and in general raising awareness of such sources. It may be that an alternative initiative is required to provide such a bridge. However, such an initiative should be an imperative of Scottish Executive policy. The consultation further revealed that an awareness raising event is planned by Scottish Enterprise early in 2005. This will need to be followed up with additional initiatives that seek to put something more substantial in place that will meet the current gap in enterprise support provision for MEB communities in Scotland, as evidenced from the programme of interviews with MEB owners and discussed in Chapter 5.

Other issues

6.29 A number of other issues have been discussed in Chapter 5, these have included business and succession planning, diversification, insurance, crime and racism. These are distinctive additional issues facing MEBs in Scotland. Comments have been made on the nature of these and it has been noted that that there is no consistent pattern, but it has been observed that MEB owners are able to diversify and innovate even where there are acute and difficult trading conditions; where insurance, crime and racism can all be problems. The existence of these issues was supported by the consultation. Some local business communities and economies are dependent on the survival of MEBs for the vitality of their local economic development, sometimes this survival and vitality takes place within a difficult environment. In such cases additional initiatives may be required to recognise the local importance of MEBs, their contribution to diversity and to the local economy and to assist them to access mainstream sources of support.

6.30 Finally, the importance of the legal context cannot be underestimated. In particular, the Race Relations (Amendment) Act 2000, which came into force in April 2001, represents a significant overhaul of race relations legislation. The Act strengthens and extends the scope of the 1976 Race Relations Act: it does not replace it. Whilst the legal framework is complex, there are no variations in its applicability in Scotland compared to England and Wales. Some of the Act’s new provisions are likely to have repercussions for support agencies and other stakeholders interested in the research on minority ethnic businesses. Such organisations will need to be aware of how this Act extends protection against racial discrimination by public authorities and places a new enforceable general duty on public authorities to promote equality and eliminate discrimination, including in the delivery of support. Organisations will need to consider measures to eliminate any unlawful discrimination in the delivery of services, which will have implications for support agencies and other bodies engaged in delivering a service to minority ethnic communities. They will also need to make efforts to promote positive action as there is a general duty to promote equality of opportunity and good race relations. More specific details on the implications of the legal context to such measures that support agencies need to take, are given in the following chapter.
Summary

6.31 This chapter has incorporated the results from the consultation process undertaken by the research team, but has also provided an opportunity to synthesise findings from separate elements of the national scoping study. The main findings can be summarised as follows.

- The combined results demonstrate a strong theme of the diversity of minority ethnic enterprise in Scotland, which has been maintained in the face of increasingly competitive sectors, especially in retailing and catering. Although minority ethnic enterprise is characterised by locational and sectoral concentration, albeit accompanied by new and emergent sectors, it is also characterised by innovation and resourcefulness of MEB owners, with diversity as an important source of creativity and innovation. We suggest that such diversity, innovation and creativity of minority ethnic enterprise could be celebrated and profiled. However, it is recognised that steps have been taken to raise awareness and promote diversity, such as, events connected with the ‘Fresh Talent’ initiative. Also, the recent introduction of the young person’s business start-up grant should benefit new start young MEB owners.

- On human capital and access to training, the combined results suggest that there is limited formal management training undertaken by MEB owners, although there is a willingness to pursue training where this is available. We suggest that additional communication methods might be explored as a means of increasing the relatively low take-up of formal management development and training by MEB owners.

- On accessing finance, the combined results indicate relatively low levels for MEBs in terms of formal finance, although it should be noted that there are inter-minority ethnic differences, with, for example, Chinese owners relatively successful at accessing formal sources of finance. An important finding is a marked reluctance to approach institutional sources of finance such as the banks, something that could be addressed through more pro-activity and focus on the development of relationships with minority communities in Scotland by the Scottish commercial banks. In addition, we suggest that the recent launch of Islamic Banking in some areas of England could be examined to see if this would be relevant to areas of Scotland.

- On social capital and access to formal sources of advice and business support, the combined findings indicated that MEB owners rely upon strong social capital through close networks with family and the minority ethnic community. A key issue, however, is the lack of engagement with mainstream providers of advice and support such as Business Gateway, with particularly low levels with Indian and Pakistani business owners. In some areas there is a basic lack of awareness, which could be tackled. For example, we suggest that there is scope for brokerage arrangements which will allow MEB owners to access mainstream sources of advice, business support and through referral formal sources of finance.

- Other important issues included business and succession planning, diversification, insurance crime and racism. These were all distinctive issues, which were found to face MEB owners in Scotland. Success of MEB owners in the face of many difficulties, including trading conditions, is testament to their resourcefulness.
We also point out that the importance of the legal context through the terms of the Race Relations (Amendment) Act 2000 which places a new enforceable general duty on public authorities to promote equality and eliminate discrimination with implications for the provision and delivery of support.
CHAPTER SEVEN  CONCLUSIONS

7.1 This study is the first systematic and comprehensive national study on the distinctive importance of MEBs in Scotland. It was noted in the introduction that this was an omission, since the important contribution of MEBs to the UK economy has been recognised for some time (Bank of England, 1999). The study has used a combination of research methods; secondary Census data analysis, quantitative analysis of baseline data, qualitative interviews and extensive consultation. The extent of this study provides an opportunity, for the Scottish Executive and other agencies, to take forward implications from the main findings and some of the policy measures that could be considered from the main conclusions, are identified. In addition, an indication of areas for further research are provided. It is important to realise that, although the scope of the study has been extensive, the nature of the study is still one that has identified issues, rather than provided a full in-depth investigation. The previous chapter has interpreted and integrated the main findings and this chapter builds on this to identify the main conclusions.

The importance and diversity of minority ethnic enterprise in Scotland

7.2 Minority ethnic enterprise in Scotland accounts for a little over three per cent of all self-employment and there are likely to be over 4,500 registered MEBs, contributing an important share of Scotland’s GDP. It is estimated this is in the range of £500 to £700 million for 2001 (see previous chapter and Chapter 3 for explanation). Although such a contribution to GDP is important, it is the diversity of minority enterprise that is vital to Scotland’s economy. The highest rates of self-employment were in the Pakistani, Chinese, Indian and Bangladeshi communities respectively and the highest geographical concentrations were in Glasgow and Edinburgh. In Glasgow alone, for example, it is suggested that there are over 1600 VAT registered MEBs. However, it is also indicated that MEBs are also important to maintaining diversity in other locations, especially areas of the Central Belt, contributing to local economic development. In rural areas, such as the Highlands, the role of minority ethnic enterprises is still important, helping to diversify and enrich local rural economies, although it is recognised that delivering business support effectively to MEBs in rural areas and areas of low minority densities is more challenging than in an urban context.

7.3 Although there is evidence of diversification, with strong representation of MEBs in new and emergent industrial sectors such as ICT, telecommunications, media and leisure, the database analysis indicated that Scottish MEBs are still more concentrated in the traditional sectors of retailing, wholesaling and catering than their counterparts in England. The interviews revealed that even in traditional sectors, MEB owners were resourceful, were still prospering, being able to innovate and diversify. However, it is still the case that Scotland is dependent for cultural and ethnic diversity on MEB owners that are both geographically and sectorally concentrated. The continuing vitality and diversity of MEBs will be crucially significant for Scotland’s economy. Demographic trends indicate a significantly ageing population for Scotland (GROS, 2004), it is important that the younger age profile of minority ethnic communities is able to contribute to economic development through the achievement of potential entrepreneurial development. This will mean encouraging both diversification of sectoral concentrations and ensuring engagement of new start MEBs with appropriate and relevant support. This emphasises the importance of policy initiatives focused on diversification. Further investigation and consideration should be given to the ways in which diversity programmes run by supply-side agencies such as Scottish Enterprise
can potentially contribute towards the diversification of minority ethnic businesses into different sectors. (for example, see Ram M. and Smallbone D. 2003).

7.4 Without being contradictory, it is concluded that the diversity of minority ethnic enterprise is also important in Scotland. For example, MEB owners are represented in a considerable range of different sectors, are operating in global markets and achieving significant business growth. The pattern of MEB ownership is dynamic and diverse. The dynamic nature of this pattern is reflected in the importance of younger 2nd generation owners. The baseline analysis indicated a younger age profile for MEB owners compared to their English counterparts. Where there is inter-generational transfer of ownership, this may mean particular support needs.

7.5 The Scottish Executive and other agencies will need to recognise the dynamic pattern and diversity of MEBs. Discussion, previously in Chapter 6, has indicated the potential of policies seeking to exploit the links between diversity and competitiveness through innovation and creativity (Smallbone, et al. 2003; CEDER, 2000). Also, as indicated in the previous chapter, MEBs cannot be treated as having homogenous needs, however, some issues deserve particular attention; these include access to finance.

**Access to finance**

7.6 It is concluded that there is comparatively low access to formal sources of finance by MEBs in Scotland. This was indicated by the baseline data analysis when compared to MEB owners in England and when compared to a white control group. The reliance on informal and personal sources of finance was particular high, although there were ethnic differences with Chinese owners less reliant on such sources. There is a marked reluctance to approach banks and institutional providers of formal sources of finance, although it is commented that once relationships were established there is little reporting of any dissatisfaction with the commercial banks. Take-up of targeted financial schemes was also low, for example with micro-credit or loan funds that might have MEB owners as users. In some cases, religious and cultural reasons were cited for the avoidance of institutional sources of finance such as the commercial banks. Even allowing for such factors, however, the conclusion is that there is a low take-up of formal and institutional sources by MEB owners in Scotland.

7.7 This should be of concern to the Scottish Executive and the commercial banks. It is suggested that it is an issue that may be compounded by the lack of engagement by MEB owners with mainstream support (and other agencies) that could act as a referral mechanism for such sources of finance. There appeared to be a lack of intermediaries between agencies, the banks and minority ethnic communities that would provide a means of building the trust that is required to establish relationships with the commercial banks, at present that trust is noticeable only by its absence.

7.8 It is recommended that experience from the Glasgow City Council’s minority ethnic business support programme is examined for lessons that can be learned for building trust and developing initiatives that can lever in additional sources of finance with MEB owners (see Annex 4). Separate interim evaluations of this support programme have demonstrated that formal sources of finance will be used by MEB owners when trust is established through the intermediary role of business advisers employed on the programme acting as a referral mechanism (PERC, 2004).
Access to support, advice and training

7.9 Traditionally, minority ethnic communities have had strong local networks, which have provided resources both financially and socially. It has been noted that the strong local networks that provide informal finance for MEB owners also provide social capital, or informal sources of advice and support. The interviews have confirmed that the local minority ethnic communities are important for sources of finance and advice and support. There are many dimensions to such resources and it has been noted that strong social capital may not always be beneficial (as is assumed in much of the previous literature). It is concluded that in Scotland, like other areas of the UK, such informal sources of support, advice and finance have been important to the development of minority ethnic enterprise.

7.10 Therefore, the lack of engagement with the formal mainstream sources of advice and support such as Business Gateway is perhaps not surprising. The baseline analysis indicated similar levels of non-engagement compared to MEB owners in England. Although it is possible to argue that the lack of engagement may not matter for some MEB business owners, as only a minority of all business owners will utilise such sources of advice and support, the issue is still important since it will affect the potential of the minority of MEB owners that could benefit from such sources of support. In addition, those that could benefit are the potential growth businesses from the MEB community, particularly those engaged in diversification into new and emerging areas of business activity. It is important for Scotland’s economic performance and productivity that these business owners do engage with public sector sources of support, so that they can achieve their potential.

7.11 There are different dimensions to this non-engagement. These dimensions include a lack of awareness of sources of support and advice to deliberate strategies to avoid engagement. The former could be tackled by profiling and the use of additional means of communication, making messages relevant to local minority ethnic communities. The latter requires the building of trust with local minority ethnic communities in the same ways that are required to build relationships with formal sources of finance, such as the commercial banks. The key policy issue for the Scottish Executive and the Enterprise Networks, therefore, is the development of initiatives that improve communication and engagement with MEBs, partly through initiatives that provide incentives, such as targeted procurement policies, and through the need to develop links with community leaders or with organisations that represent MEB owners.

7.12 One of the gaps in Scotland, is a recognised voice for MEB owners and their communities. Although there was lukewarm support for the development of a Scottish Minority Ethnic Business Forum, a representative organisation, so long as it is embedded in minority ethnic business communities, should be encouraged, such as the proposed Scottish Institute for Asian Businesses. It may be noted here, that we describe support as lukewarm mainly because opinions, where they were given by MEB owners, were not consistently supportive, as some felt that such a body might have narrow interests. Any initiatives to raise profile will need to work in conjunction with representatives of local minority ethnic communities to provide the bridges to build trust. These are complementary to the initiatives that are required to build trust with the commercial banks. Taken together they will start to close the support and finance gaps that currently exist for Scottish MEBs, as mentioned in the previous chapter, they should be a priority of policy.
7.13 A further related policy issue is that there is a low take up by Scottish MEB owners of formal sources of management training and they have lower rates of formal management qualifications and training compared to equivalent MEB owners in England. Therefore, a further benefit of initiatives to build trust with MEB owners and their local communities, that could be expected, is the greater take-up of formal sources of training. It should be remembered, of course, that small business owners in general have a low take-up of formal sources of training. However, it is also noticeable that where strong relationships have been built with MEB communities, sources of management training such as management development seminars will be well attended. As mentioned in the previous chapter, initiatives to raise awareness of training opportunities, making provision relevant and using additional communication methods, in relation to these, would be worthwhile.

7.14 The legal context, mentioned in the previous chapter, means that there is a general duty to make the promotion of racial equality central to the work of public authorities. This means that the affected organisations must take account of racial equality in the day-to-day work of policy-making, service delivery, employment practice and other functions. Support agencies will have to consider whether they are doing enough to help MEBs. Specifically they will have to consider whether they understand the issues intrinsic to MEBs and whether they have the resources to meet the requirements of such businesses. They should also be able to provide the right advice when approached by MEBs and that they are making enough of an effort to engage with MEBs.

7.15 In order to meet their general duty under the law, support agencies and their associated bodies may have to consider whether they have enough diversity in their workforce, e.g. personnel who can speak minority ethnic languages and can communicate with ethnically diverse clientele. Organisations such as Business Gateway and Scottish Enterprise will have to review their recruitment and selection policies and in line with legislative requirements, introduce ethnic monitoring (if not already in place) and have a coherent action plan to promote equality of opportunity in the delivery of services. This may also require a reassessment of the current equal opportunities policy of organisations and the extent to which they should provide some kind of race awareness training for their staff.

**Additional issues**

7.16 This study has identified a number of additional issues including:

7.17 The nature of succession planning. Many MEBs are family businesses, where these are in traditional sectors there may be a reluctance of the 2nd generation to continue in the family business which raises a succession planning problem. In addition, in some cases there are different attitudes of the 2nd generation even where they wish to continue with the family business. Although there will be similar issues in family businesses generally, the nature of such issues will be different with MEBs and may require specialised advice and support.

7.18 The remaining concentration of MEBs in traditional sectors and the need for diversification. Although it has been noted that MEB owners have shown resilience and innovation in traditional sectors, there are still areas of support needed to achieve diversification. Although these sectors are perceived to be ineligible for support, such as retailing, it should be possible to provide advice and assistance drawing upon successful examples of diversification or providing assistance with feasibility studies. The Glasgow MEB support programme has managed to provide assistance of this nature to help MEBs in
traditional sectors achieve diversification and ways of making such experience and practice more widely available should be undertaken.

7.19 Marginalisation of MEBs in some localities, trapped in hostile trading conditions that exist in difficult environments. It has been noted that the geographical distribution of MEBs is very uneven. Likewise so is the pattern of MEB experience and trading conditions. Some MEBs are in new sectors, niche and expanding global markets and achieving business growth. By contrast there are also examples of MEBs operating in marginal economic environments with limited local markets, where there are high crime rates and overt racism against the owners. Thus the nature of any intervention and support has to be very different. The latter category probably needs co-ordinated and targeted assistance from a range of organisations to ensure that trading conditions improve and assistance is provided to achieve breakout of marginal conditions. However, the concern of MEB owners in such environments could provide an opportunity for a policy initiative targeted against crime and racism, this would provide an incentive for MEB owners to engage with providers of public sector support and advice. An examination of policies designed to improve local trading environments through holistic approaches could be examined from elsewhere in the UK.

7.20 The nature of MEB experience in rural areas. MEBs in rural areas are important, as in urban areas, for their contribution to local economies and to cultural diversity, especially in the context of demographic issues. Yet they are virtually invisible in terms of assistance and profiling. Their needs are different, they do not have the advantage of strong networks and strong social or informal sources of financial capital, therefore, they may be more self-reliant and may require specific assistance. In rural localities, new MEBs can provide additional variety and diversity in the local environment that can attract additional wealth into such areas through increasing local economic diversity, tourism and trade. Arguments of non-displacement in policy, made by respondents in the consultation phase of this study, should not be allowed to prevent assistance to new start MEBs. Indeed it should be a part of the policy of agencies in such areas to attract greater numbers of MEBs. For example, Smallbone and Baldock in their study of MEBs in rural Devon and Cornwall concluded that the majority of MEBs operated in sectors that were relevant to tourist-related activities and that the ethnic diversity of cuisine and culture should be an element of a tourism strategy for the sub-region. They recommended that MEBs should be actively encouraged to take part in a range of initiatives to develop and promote the tourist sector (Smallbone and Baldock, 2003).

7.21 Agencies in rural areas, especially bodies such as VisitScotland, should profile ethnic diversity as a positive tourist strategy. As an illustration, award winning restaurants in the East of Scotland were identified through undertaking this scoping study. It is a pity that such success, in localities not readily associated with MEBs, is not celebrated and profiled more widely. However, it is recognised that there are more difficulties for the LECs in rural areas and Highlands and Islands Enterprise in developing effective strategies for the delivery of support.

Areas for further research

7.22 A number of areas for further research and monitoring arise from this study including:

7.23 Quantitative data collection on the importance and pattern of MEB owners in local economies. This should be conducted on a Local Enterprise Company basis so that each LEC can determine the profile of ethnic diversity in each locality. This should be accompanied by
the sharing of experience by all LECs and with centres of expertise in MEB support agencies from Glasgow and Edinburgh. This could be done perhaps by a specialised unit within Scottish Enterprise (or for the Enterprise Networks) to disseminate information to individual LECs and Highlands and Islands Enterprise. Such a specialised unit, if established, could be tasked with developing approaches that would enable the more complete participation of MEB owners with the mainstream providers of support and finance. It has been suggested earlier, that this may be achieved by working closely with a representative body such as the proposed Scottish Institute for Asian Businesses or a Scottish Minority Ethnic Business Forum, although care should be taken not to duplicate provision.

7.24 Although diversity is a feature of Scotland’s MEBs, nevertheless, concentrations of MEBs in traditional sectors have also been highlighted. Therefore, there is a need to investigate methods of successful diversification that can inform support policy in this area. There is a need for further research to examine ways of achieving diversification focusing on (i) supplier diversity and (ii) assessing scope for diversity being developed as a source of competitiveness for the Scottish economy.

7.25 An investigation into improving the relationships between sources of advice, support and finance, which could provide additional information on appropriate mechanisms that can build bridges with minority ethnic communities and their businesses.

7.26 Further qualitative and longitudinal research to capture the dynamic aspects of business development with MEB owners in different sectors. The research could investigate the nature of inter-generational ambitions and succession planning.

7.27 In particular, the dynamic nature and changing role of social capital and its distinctive nature for MEBs could provide an important strand of research. This would help to inform agencies how best to build bridges and trust with local minority ethnic communities. The relationship between formal and informal sources of both finance and advice, whether they are substitutes or complementary, is a key area for further investigation.

7.28 A related strand with this research would be the nature of human capital and the management training and development needs of MEB owners in different sectors. A training needs analysis (TNA), with selected MEBs, could help to determine the nature of management development seminars and assistance, perhaps drawing on experience from the Glasgow City Council support programme.

7.29 An investigation into the nature of marginalisation of MEBs in difficult trading conditions. Such an investigation could identify mechanisms that will assist break-out into wider markets and identify policies that could provide some security and protection for existing MEB owners operating in difficult and marginal trading environments.

7.30 The nature of MEB development in rural areas of Scotland should be investigated further through additional qualitative and case study research to determine the extent of integration and/or isolation of MEBs and their associated special needs.

7.31 Finally, monitoring and evaluation of existing and planned initiatives will be required that may be targeted at MEB owners.
ANNEX 1: TABLES ON SELF-EMPLOYMENT BY MINORITY ETHNIC GROUP FOR SCOTLAND

Table 1: Aggregate data by ethnicity for all Scotland

<table>
<thead>
<tr>
<th>Ethnicity</th>
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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
## Gender

### Table 2: Males: aggregate data by ethnicity

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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 3: Females: aggregate data by ethnicity

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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 4: Lowland Scotland excluding the South of Scotland and the cities

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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
### Table 5: Highland Scotland including the Western Islands and Orkney and Shetland

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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 6: The South of Scotland (Dumfries & Galloway and the Scottish Borders)

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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 7: The cities: Aberdeen

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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
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Table 8: The cities: Dundee

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<td>2</td>
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<td>0</td>
<td>11</td>
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</tbody>
</table>

Source: http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 9: The cities: Edinburgh

<table>
<thead>
<tr>
<th></th>
<th>Total Econ Active</th>
<th>Males Self Employed</th>
<th>Females Self Employed</th>
<th>Total Self Employed</th>
<th>Per Cent Self employed</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Other White British</td>
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<tr>
<td>Other White</td>
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<td>657</td>
<td>507</td>
<td>1164</td>
<td>10.9</td>
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<td>Indian</td>
<td>1176</td>
<td>94</td>
<td>34</td>
<td>128</td>
<td>10.9</td>
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<td>30</td>
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<td>19</td>
<td>11.0</td>
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<td>African</td>
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<td>19</td>
<td>48</td>
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<tr>
<td>Black Scottish</td>
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<td>7</td>
<td>2</td>
<td>9</td>
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<td>78</td>
<td>34</td>
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<td>12.0</td>
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</tbody>
</table>

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 10: The cities: Glasgow

<table>
<thead>
<tr>
<th></th>
<th>Total Econ Active</th>
<th>Males Self Employed</th>
<th>Females Self Employed</th>
<th>Total Self Employed</th>
<th>Per Cent Self employed</th>
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<tbody>
<tr>
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<td>3234</td>
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<td>678</td>
<td>386</td>
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<td>8.6</td>
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<tr>
<td>White Irish</td>
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<td>397</td>
<td>109</td>
<td>506</td>
<td>10</td>
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<tr>
<td>Other White</td>
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<td>189</td>
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<td>341</td>
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<td>Pakistani</td>
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<td>911</td>
<td>127</td>
<td>1038</td>
<td>23</td>
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<td>Bangladeshi</td>
<td>74</td>
<td>6</td>
<td>3</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Other South Asian</td>
<td>554</td>
<td>64</td>
<td>15</td>
<td>79</td>
<td>14.2</td>
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<tr>
<td>Chinese</td>
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<td>4</td>
<td>10</td>
<td>6.4</td>
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<td>48</td>
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<td>Other Minority ethnic</td>
<td>618</td>
<td>35</td>
<td>20</td>
<td>55</td>
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</table>

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
ANNEX 2  TABLES ON SMALL EMPLOYERS BY MINORITY ETHNIC GROUP FOR SCOTLAND

Table 1: Aggregate data by ethnicity for all Scotland

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>White Scottish and Other White</th>
<th>Indian and Other South Asian</th>
<th>Chinese</th>
<th>African, Caribbean and Other Minority Ethnic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Economic ally Active</td>
<td>2424081</td>
<td>2384733</td>
<td>7080</td>
<td>13623</td>
<td>7034</td>
</tr>
<tr>
<td>Small employers</td>
<td>152376</td>
<td>146880</td>
<td>914</td>
<td>2999</td>
<td>1069</td>
</tr>
<tr>
<td>Per cent</td>
<td>6.3</td>
<td>6.2</td>
<td>12.9</td>
<td>22.0</td>
<td>15.2</td>
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</table>

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 2: Lowland Scotland excluding the South of Scotland and the Cities

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>White Scottish and Other White</th>
<th>Indian</th>
<th>Pakistani and Other South Asian</th>
<th>Chinese</th>
<th>African-Caribbean and Other Minority Ethnic</th>
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</thead>
<tbody>
<tr>
<td>Total Economic activity</td>
<td>1421222</td>
<td>1406653</td>
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<td>4565</td>
<td>2758</td>
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<td>Small employers</td>
<td>121974</td>
<td>118526</td>
<td>732</td>
<td>1573</td>
<td>820</td>
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<tr>
<td>Per cent</td>
<td>8.6</td>
<td>8.4</td>
<td>24.4</td>
<td>34.5</td>
<td>29.7</td>
<td>7.7</td>
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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 3: Highland Scotland including the Western Islands and Orkney and Shetland

<table>
<thead>
<tr>
<th></th>
<th>All</th>
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<th>Pakistani and Other South Asian</th>
<th>Chinese</th>
<th>Black African-Caribbean and Other Minority Ethnic</th>
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</thead>
<tbody>
<tr>
<td>Total Economic ally Active</td>
<td>220431</td>
<td>218937</td>
<td>160</td>
<td>354</td>
<td>267</td>
<td>713</td>
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<tr>
<td>Small employers</td>
<td>31785</td>
<td>31470</td>
<td>21</td>
<td>106</td>
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<td>Per cent</td>
<td>14.4</td>
<td>14.4</td>
<td>13.1</td>
<td>29.9</td>
<td>36.3</td>
<td>12.8</td>
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</table>

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 4: The South of Scotland (Dumfries & Galloway and the Scottish Borders)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>White Scottish and Other White</th>
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<th>Chinese</th>
<th>Black African-Caribbean and Other Minority Ethnic</th>
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</thead>
<tbody>
<tr>
<td>Total Economically Active</td>
<td>122093</td>
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<td>22</td>
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<td>69</td>
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<td>Per cent</td>
<td>15.5</td>
<td>15.5</td>
<td>22.9</td>
<td>44.6</td>
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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 5: The cities: Aberdeen

<table>
<thead>
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<tr>
<td>Total Economic ally Active</td>
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<td>108698</td>
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<td>458</td>
<td>570</td>
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<tr>
<td>Small employers</td>
<td>6301</td>
<td>6121</td>
<td>17</td>
<td>71</td>
<td>79</td>
<td>63</td>
</tr>
<tr>
<td>Per cent</td>
<td>5.7%</td>
<td>5.6%</td>
<td>3.8%</td>
<td>15.5%</td>
<td>13.9%</td>
<td>5.7%</td>
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</tbody>
</table>

Source:  
http://www.scrol.gov.uk/scrol/analyser  
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 6: The cities: Dundee

<table>
<thead>
<tr>
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<tr>
<td>Total Economically Active</td>
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<td>Small employers</td>
<td>3971</td>
<td>3634</td>
<td>80</td>
<td>191</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Per cent</td>
<td>6.1%</td>
<td>5.8%</td>
<td>19.7%</td>
<td>22.6%</td>
<td>15.1%</td>
<td>6.9%</td>
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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 7: The cities: Edinburgh

<table>
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<th>Pakistani and Other South Asian</th>
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</thead>
<tbody>
<tr>
<td>Total Economic ally Active</td>
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<td>755</td>
<td>1425</td>
<td>804</td>
<td>1474</td>
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<td>14801</td>
<td>120</td>
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<td>15.9%</td>
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<td>12.4%</td>
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Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
Table 8: The cities: Glasgow

<table>
<thead>
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<th>Chinese</th>
<th>Black African-Caribbean and Other Minority Ethnic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Economic ally Active</td>
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<td>1491</td>
<td>1983</td>
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<td>Small employers</td>
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<td>12531</td>
<td>351</td>
<td>1255</td>
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<td>148</td>
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<td>Per cent</td>
<td>6.1%</td>
<td>5.4%</td>
<td>19.7%</td>
<td>24.6%</td>
<td>20.0%</td>
<td>7.5%</td>
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</table>

Source:
http://www.scrol.gov.uk/scrol/analyser
see also CD Rom Series. Census Analysis – General Register Office for Scotland, Edinburgh
ANNEX 3  THE PROCESS OF ESTIMATING THE CONTRIBUTION TO GDP

The estimate of the contribution of MEBs is based on a number of assumptions. The process is explained in more detail in this annex. As indicated in the report, the estimate must be treated with caution as each stage in this process contains assumptions, which are detailed as follows.

Estimate of the number of MEBs.

A3.1 This is based on the using the proportion of minority ethnic self-employed as proxy for the proportion of all MEB owners. The proportion of self-employed is calculated at 3 per cent, however, it was noted that the method of recording self-employed may under-estimate the proportion of all self-employed, this is due to the age range that is used in Census data to calculate the numbers of self-employed.

A3.2 Using the figure of 149,300 for all registered enterprises in Scotland during 2001, gives a figure of 4,400 registered MEBs. It can be argued that there are more small or medium-sized enterprises (SMEs) in total. One estimate is over 234,000 enterprises in Scotland. However, 4,400 can be used as a conservative estimate of the number of MEBs in Scotland.

GDP in Scotland in 2001

A3.3 The next stage is to use a figure for GDP for 2001. The latest revised figures for GDP put this at £64,000 million for 2001.

Estimate of MEBs contribution to private sector’s share of GDP.

A3.4 According to the DTI, SMEs account for 52 per cent of private sector turnover. It can be argued that turnover cannot be used in calculating GDP, since it is value-added that contributes to GDP. However, it is a reasonable assumption that SMEs also contribute 50 per cent of value-added and hence the private sector’s contribution to GDP. Although, it should be noted that correlation between turnover and contribution to GDP will vary over time and by industrial sector, so inter alia such estimates may vary over time.

Contribution to GDP: estimating the range

A3.5 The final step in the calculation is to assume that the share of private sector turnover and value-added will be in a range which is less than half of this, that is 1 to 1.5 per cent of GDP.

A3.6 Strictly, 1 to 1.5 per cent would give a contribution in a range from £600 million to £900 million. To be more conservative the estimate has been reduced to £500 to £700 million.
ANNEX 4  THE GLASGOW MINORITY ETHNIC BUSINESS SUPPORT PROGRAMME

A4.1 The programme provides advice, financial support and access to other support, such as networking seminars and training events, to start-up and established MEBs. Previous research has also identified that, specifically in the West of Scotland, MEBs were over-represented in traditional sectors such as wholesaling and retailing. There was a need for diversification projects with established MEBs and for greater representation of MEBs in emergent and developing sectors of the economy. Therefore, the MEB support programme specifically includes targets for diversification projects with established MEBs as well as specific targets for new start MEBs and increased turnover and employment resulting from increased business development and business growth of Glasgow’s MEBs. In addition a stated aim of the programme has been provide a link with established support agencies and programmes, such as those provided by Business Gateway. For example, the programme’s aims include:

A4.2 To identify growth businesses in the minority ethnic community and provide priority assistance for them to develop into export-minded operations through the adoption of innovative management processes and introduction of new and additional technology.

A4.3 To provide a holistic business advisory support service, which will identify all the business needs, and then to facilitate the appropriate programme of business solutions, in partnership with other support agencies.

A4.4 To provide support for the MEB community to access relevant business support from the mainstream business development agencies.

A4.5 The programme benefits from ERDF support under the West of Scotland Objective 2 programme, provided through Strathclyde European Partnership.

A4.6 Separate interim evaluations have been carried out by PERC for the Department of Development and Regeneration Services, Glasgow City Council.
ANNEX 5 INTERVIEW STRUCTURE

Minority Ethnic Enterprise: Scoping Study

Interview Structure

Researcher introduction

(previous letter or as appropriate to introduction)

The purpose of the study is to establish the importance of issues facing minority ethnic enterprises in Scotland. These may be concerned with establishment, development and growth of your business and the environment that you face. We wish to reassure you that any information given is confidential to the study.

Interviewer __________________
Date _______________________

Interview recorded ___________________

Reference number ___________________

I wish to begin by asking some questions about you and your business:

1. The Business Owner and the Business Profile

1.1 How long has your business been operating (years)

1.2 Are you the founder/owner? Are there other founding partners/owners?

Probe for other involvement or ownership in the enterprise

1.3 Location

Has this changed?

Probe for reasons?

1.4 Ethnicity as per Census 2001 definitions

1.5 You have been invited to be part of this study as a minority ethnic enterprise owner, would you agree with this description?

Check on business owner’s perception of ethnicity

1.6 Generation and age: are you first, second or third generation?

1.7 What did you do before you started (or joined or bought) this business?
1.8 Your previous education? And qualifications?

1.9 Why did you start (join or buy) this business?

1.10 What is the main product/service of your business?

Probe for diversification

1.11 Who or what are your main markets and customers?

1.12 Why are you in this business sector?

1.13 Do you have any other business interests?

1.14 What is your current turnover this year?

1.15 Over the last three years, what has happened to your turnover?

Increase/decrease?

Probe for the extent of growth?

1.16 Who are your main competitors?

1.17 Over the last three years, what has happened to your competition?

Increase/decrease

Probe for the extent of change

1.18 What are the main ambitions and objectives for your business?

Probe for short term? Medium term? and long term?

2. Sources of Finance

2.1 How have you financed your business and it is development?
2.2 What were the main sources of finance used at start-up?

Please give proportions:

**Check list**

<table>
<thead>
<tr>
<th>Personal sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
</tr>
<tr>
<td>Community contacts</td>
</tr>
<tr>
<td>Bank finance</td>
</tr>
<tr>
<td>Leasing</td>
</tr>
<tr>
<td>HP company</td>
</tr>
<tr>
<td>Venture finance from individual or company</td>
</tr>
<tr>
<td>Grant funding --where from?</td>
</tr>
<tr>
<td>Other public sector funding--?</td>
</tr>
<tr>
<td>Micro-credit (e.g., Developing Strathclyde)</td>
</tr>
<tr>
<td>Any other source or special funding</td>
</tr>
</tbody>
</table>

Approached?

Did this involve referral from a business advice or support agency such as Business Gateway?

Experiences?

2.3 How has the importance of these changed during business development?

2.4 Did you have to provide any security to obtain finance?

2.5 EITHER: (NB OR/AND CAN APPLY)

If you have not raised finance from an external source (eg a bank or other financial institution), why not?

Probe for views of external funders

OR

If you have approached or applied to an external source and not been able to raise finance, why not?

Probe for experience, what were reasons given?  
How did you feel about the reasons given?

If you have raised finance from an external source, why?

Probe for experience –how would you describe your relationship?

2.6 Do you have any experience of micro-credit or other special funding (e.g., Developing Strathclyde, Edinburgh City?)
2.7 Do you plan to fund expansion, development or diversification of your business in the future?

If appropriate; how and why?

If not, why not?

Check list for source for expansion

<table>
<thead>
<tr>
<th>Personal sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
</tr>
<tr>
<td>Community contacts</td>
</tr>
<tr>
<td>Bank development loan</td>
</tr>
<tr>
<td>Leasing</td>
</tr>
<tr>
<td>HP company</td>
</tr>
<tr>
<td>Venture finance from individual or company</td>
</tr>
<tr>
<td>Other equity capital</td>
</tr>
<tr>
<td>Grant funding --where from?</td>
</tr>
<tr>
<td>Other public sector funding--?</td>
</tr>
<tr>
<td>Any other source or special funding</td>
</tr>
</tbody>
</table>
3. Sources of Advice

3.1 What have been the main sources of advice that you have used at the start and/or development of your business?

Check list:

- Family and friends
- Community sources
- Other businesses
- Independent professional sources (e.g., lawyers, accountants, bankers etc)
- Trade or industry bodies, e.g., trade associations
- Minority ethnic business association --e.g., Asian Business Association, Black Business Association
- Chamber of Commerce
- Business Gateway
- Local Enterprise Company
- Business Mentoring Scotland
- Specialised enterprise agency or Enterprise Trust
- Local authority
- Specialised programme (e.g., Glasgow MEB programme
- Minority ethnic or community advice or training centre
- Federation of Small Businesses (FSB)
- CBI Scotland
- Any other source

3.2 Why did you approach < EACH SOURCE > and what were your experiences?

Probe for experience; did it meet your needs?

3.3 Are you aware of < EACH SOURCE >?

3.4 For future development of your business where would you turn to now for advice? Is there anywhere you would not seek advice? If so, why not?
3.5 What are your most important current needs for advice?

Resources/sourcing?
Development/growth?
Training?
Diversification?
Recruitment?
Staff development and related training?
Technology-related?
E-business?
Succession planning?
Business planning?

4. Business issues

4.1 What are the current most important or critical issues facing your business?

Check list

<table>
<thead>
<tr>
<th>Sales/marketing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversification</td>
<td></td>
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<tr>
<td>Competition</td>
<td></td>
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<tr>
<td>Raising finance</td>
<td></td>
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<tr>
<td>Staff recruitment</td>
<td></td>
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<tr>
<td>Staff development and training</td>
<td></td>
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<tr>
<td>Technical knowledge</td>
<td></td>
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<tr>
<td>IPR and related issues (eg patents)</td>
<td></td>
</tr>
<tr>
<td>Managing change</td>
<td></td>
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<tr>
<td>Premises and related issues</td>
<td></td>
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<tr>
<td>E-business and related issues</td>
<td></td>
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<tr>
<td>Internationalisation/exports</td>
<td></td>
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<tr>
<td>Dealing with new regulations</td>
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<tr>
<td>Sourcing supplies</td>
<td></td>
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<tr>
<td>Dealing with debts/cash flow</td>
<td></td>
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<tr>
<td>Obtaining insurance</td>
<td></td>
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<tr>
<td>Other business-related issues</td>
<td></td>
</tr>
<tr>
<td>Non business-related issues eg crime and related issues such as security</td>
<td></td>
</tr>
</tbody>
</table>

4.1 Where would you go for advice on <CHECK LIST>?

Any places you would not go, and why not?

4.2 What do expect will be the most important issues in the future for your business <CHECK LIST>?

4.3 What are your plans for the future development of your business?

4.4 Have you used or developed a business plan?
4.5 Have you considered planning an exit from this current business?
If Yes probe for reasons/measures considered.

5. Other Issues

5.1 How do you resolve problems?
Self-reliant? Or Discuss with others?

5.2 What are the needs of minority ethnic enterprises?
That is; generic issues that may be similar to other businesses
Probe for issues?

5.3 What are the special needs of MINORITY ETHNIC enterprises?
That is; special issues that may be distinctive for minority ethnic enterprises
Probe for issues?

5.4 Would you see a role for:
Scottish Minority Ethnic Business Forum?
Minority Ethnic Chamber of Commerce?
Asian or other Minority Ethnic Group or Association?
Sectoral association (e.g., clothing/food /other body)
Any other body to represent minority ethnic enterprises?

5.5 What role or function should this body perform for minority ethnic enterprises?

5.6 What networks do you currently use?

5.7 What is the role of business advice and support agencies in these networks?

5.8 What barriers do you perceive in business networks?

5.9 Are there any other important issues which you would like to discuss that we have not covered?

THANK YOU FOR YOUR TIME AND HELP ETC
ANNEX 6  CONSULTATION GUIDES

Consultation Guide: Advisory and Support Organisations Only

1. What are the aims and objectives of your organisation?

2. Are there any conflicts in these objectives?

3. What contact do you have with MEB owners?

4. What services do you provide?

5. Is this any different from that provided for all business owners and why you have this particular policy?

6. Do you consider that there are any gaps or omissions in support for MEB owners?

7. Has your experience in support for MEBs led to any distinctive elements of your policy in this area?

8. Do you have any targets for supporting MEBs?

If so, how do you operationalise these targets?

9. Do you have any future plans or initiatives concerning support for MEBs?

If so how are they to be funded?

10. What do you consider are the needs of MEB owners?

   a) for advice and support?
   b) for sources of funding?

11. Have you any comment on whether there is a need for an Minority Ethnic Business Forum for Scotland?

12. What proportion of your staff are from minority ethnic groups?

13. Do any of your staff have a working knowledge of minority ethnic languages?

14. What marketing or promotional guides are used to target minority ethnic business owners?

15. What contact do you have with minority ethnic communities?

16. What relationships exist with other support organisations?
17. Have you any further comments from your experience on the need for a distinctive support policy for MEBs?

Finally have you any material leaflets etc on your organisation.
Consultation Guide: Funders Only

For alternative funders only:

1. What are the aims and objectives of your organisation?
2. Are there any conflicts in these objectives?

All Funders

3. What contact do you have with MEB owners?
4. What contact do you have with minority ethnic communities?
5. What services do you provide to MEB customers?
6. What percentage of your customers are MEB customers?
7. Are these any different from that provided for all business owners?
8. Has your experience with MEBs led to any distinctive elements of your policy in this area?
9. Do you see a need for a distinctive approach to MEB owners?
10. What relationships exist with other support organisations?
11. Do you consider that there are any gaps or omissions in support for MEB owners?
12. Do you have any targets concerning MEBs?
   If so, how do you operationalise these targets?
13. Do you have any future plans or initiatives concerning MEBs?
14. What do you consider are the needs of MEB owners?
   a) for advice and support?
   b) for sources of funding?
15. Have you any comment on whether there is a need for an Minority ethnic Business Forum for Scotland?
16. What proportion of your staff are from minority ethnic groups?
17. Do any of your staff have a working knowledge of minority ethnic/community languages?
18. What marketing or promotional guides are used to target minority ethnic business owners?

Finally have you any material leaflets etc on your organisation.
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