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**British business may be colourful, but is colour-blind? Simon Walsh looks at the UK's record on diversity in companies**

Napoleon allegedly dismissed the British as 'a nation of shopkeepers'. His 21<sup>st</sup>-century worldview might not be so different, but if a country is to be judged by those who run its commerce, modern Britain can demonstrate a diversity within its entrepreneurs which is not so evident in other parts of the world. Alongside developments in society, the pattern of British business and its workers has been steadily changing over the last 50 years. Back then, manufacturing was our main industry and the workforce was predominantly white. Today the scene is different. Not only do we have diversity within business but diversity within our workforce – and not just in the corner shop, for a long time the main preserve of the Asian entrepreneur.

Yet any glance at an Asian rich list will confirm that corner shops or shops in general do not dominate the business portfolio of today's traders. Syed Ahmed, who tried his luck on Sir Alan Sugar's *The Apprentice*, has business interests in property and the internet. Pharmaceuticals is another emerging strength for Asian businesspeople, and the food products have made the fortunes of Patak and Noon, to name but two. Cobra Beer is another success story. A middle band of Asian business leaders has emerged recently. Instead of the corner shops and post offices at one end of the scale – with multinationals in textiles, mining and transport at the other – real estate, computer systems, telecommunications are new boom sectors which present prime opportunities for investors and speculators alike.

"Resources like the internet and the British approach to encourage entrepreneurs, particularly over the last 30 years, have helped this," comments Professor Naina Patel of the Policy Research Institute on Ageing and Ethnicity (PRIAE). "The common stereotype of Asians and small shops and/or Chinese restaurants remains a common feature of Britain's small businesses, but the increasing diversification into other areas of business for minority ethnic entrepreneurs is also a reality. They suggest that one can break out out of such models and compete on a more level playing field." Prof Patel and her team are currently engaged in the UK's first comprehensive survey of the role and integration of black and minority ethnic (BME) employees in small and medium-sized enterprises (SMEs). Initial results make for unwelcome if expected reading, and show diversity is not as widespread or as integrated as it should be.

With more than 90 per cent of British business being SMEs they are the engine room of the UK economy, but they have been slow to embrace diversity. The CEMESME (Contribution of Ethnic Minority Employees to SMEs) research project has so far polled 297 UK SMEs with 250 employees or less. It found the majority (69 per cent) were family-owned and the vast majority (91 per cent) where of white British ownership.

The low level of ethnic minority-owned SMEs is hardly surprising as none appeared until the 1950s, reflecting immigration patterns from the

Commonwealth. But in the past 50 years little has changed in terms of business ownership until now. Families are less likely to own a business today, due to the increased variety of finance options from financial markets and institutions to capitalise a business as well as changing legislation on ownership structures.

All of this is good news for entrepreneurs who can point to new and ongoing business opportunities, but for employees it is less positive. 80 per cent of the companies who responded had either an entirely or mostly white workforce, with BME employees being 1 in 10 or less. 90 per cent of companies had 10 per cent or fewer managers from BME backgrounds; 35 per cent none at all. The situation is reversible. The small rump of BME-owned companies reported high levels of managers and employees from BME backgrounds, but very few from traditional white ones. The PRIAE team is hoping to engage more minority ethnic businesses as part of its on –line survey. Results of such a survey would inform the businesses and help improve the case among policymakers to support them further.

The gap is an educational one. Over a third (34 per cent) of all companies surveyed believed that a diverse workforce actually contributes to improved business performance and profitability. PRIAE has results to bear this out too. “We’ve been conducting a pilot ‘mentoring’ project involving SMEs and seconded BME MBA students from ethnically diverse backgrounds,” explains CEMESME Project Director Ahsan Malik. “They’ve been working with the SMEs to develop specific processes and new business initiatives. The feedback from the SMEs has been hugely positive: in each case the companies have received immediate benefits.”

Tackling this situation is not so simple as introducing quotas or upping numbers of BME employees in British SMEs. Diversity training and support services are important, but lag down on the agenda behind recruitment policies and procedures for women employees and workers over the age of 50. 65 per cent of companies said they had nobody responsible in the organisation for racial equality.

It is hardly surprising that many talented BME employees choose not to shatter glass ceilings. A motivation for many BME entrepreneurs in founding their own business is motivated by discrimination in the first place or a genuine fear that career progress will be limited. A further consideration is stress, which perpetuates the problem. “The workplace has now become the major cause of stress in our lives,” explains Dr Deenesh Khoosal of the Royal College of Psychiatrists. “BME employees have to contend with high stress levels at work like everyone else, but factor in pressure they may have from general racism in society, institutional racism in the company they are working for, any family issues, and the fear of not progressing or being overlooked because of their ethnicity, and those levels increase. BME employees become forced back into themselves – afraid and unable to perform to their best abilities.”

With the public sector having set the pace on quotas and senior appointments, the issue here is clearly at the door of the private sector. There are many high profile BME entrepreneurs but fewer well-known employees. Boardrooms are as guilty of this, having a woeful record on women in senior positions which is only exacerbated by an even worse representation of BME talent. Diversity can help organisations understand both developing customer bases and emerging markets, as well as ensuring the range and experience of the workforce is represented at the top and helps drive strategic innovation.

Cobra Beer's Lord Bilimoria, who praised the CEMESME project for 'being serious and significant' and promoting 'diversity and internationalisation issues', is also on record attesting to the importance of ethnic diversity within organisations – not for the sake of political correctness but because it makes business sense. He has built his company into an international brand in the space of 17 years and has recognised that understanding markets and customers beyond the traditional base is vital to development and innovation.

As Professor Patel expands, "Diversity in itself doesn't guarantee improved business performance, but there is an obvious case for SMEs to be made more aware of the potential advantages of minority ethnic employees. Team profiles, variety approaches, wider customer focus – these are all positives in companies with diverse workforces. If those employees are supported and developed then the company has a very strong chance of competing at the highest levels."

Napoleon's reference to shopkeepers might not have been so original. He could himself have lifted it from *The Wealth of Nations* by Adam Smith, an economist in history whose ideas have been referred to recently by political leaders on both sides of the Atlantic. He identified in 1776 that 'raising up a people of customers is a project...extremely fit for a nation whose government is influenced by shopkeepers'. If the customer is king or even emperor, then to start from the viewpoint of a shopkeeper may not be such a bad place after all.

'Untapped Resources – the opportunities of an ethnically diverse workforce', PRIAE Research can be downloaded at [www.priae.org](http://www.priae.org)