

**WEST MIDLANDS FORUM**



**A GOLDEN DECADE AHEAD**  
For Black Enterprise

## INTRODUCTION

With the right decisions, the West Midlands can look forward to a golden decade, between the Commonwealth Games and the first High Speed trains drawing into Curzon Street in 2023–2024.

Home to 4.7 million people and with a £117 billion economy that's the size of Portugal and bigger than Hungary, the West Midlands is one of Europe's most dynamic, forward-looking and ambitious metropolitan regions. Powered by nine world-class higher education institutions, educating 58,000 graduates each year, providing a vast pool of talent from which local employers can select, and with the best-connected infrastructure in the country, the West Midlands boasts 90% of the UK population within a four-hour drive. With the arrival of High Speed 2, that connectivity will be transformed. What's more, the West Midlands' population of 4.7 million is rising, with 32% of residents under 25, making the West Midlands one of the youngest regions in Europe – and one of the most diverse.

But, how do we ensure that the country's most diverse region delivers a golden decade for every community and not just the privileged few?

We believe that securing the success of Black-owned businesses is key to creating truly inclusive growth.

Professor Monder Ram and the team at Aston University's Centre for Research in Ethnic Minority Entrepreneurship (CREME) estimate that a £100 billion boost to the UK economy is within reach if the country's ethnic minority businesses (EMBs) are given the right support and their activities are recorded accurately. Harnessing that revolution could revolutionise inclusive growth – and democratise wealth building – in our region.

To understand the big moves we need to make, the West Midlands Forum partnered with the inaugural UK Black Business Show team to pull together the key thinkers, financial institutions and black entrepreneurs to draw up a roadmap for our region for the years ahead.

## RECOMMENDATIONS

Our work reveals five sets of recommendations for the region, for the government and the private sector.

### 1. Visible leadership:

- To support EMB's in the region, the Mayor of the West Midlands could establish a Black Enterprise Policy Unit. This would act as a forum and a vocal point for EMB's to communicate with the government and ensure business objectives align with those in Whitehall. This will create an alignment between engagement and policy outcomes.

### 2. Use public procurement as a source of support

- Today, the government lacks a legislative framework to deliver transparency for public procurement contracts, and as the Institute for Government notes, data collection on procurement is extremely poor.
- Yet, harnessing the spending power of local authorities and anchor institutions can ensure that when the pound is spent locally, it benefits the local area. Local authorities, hospitals, football clubs, universities and a range of other large institutions spend millions of pounds annually on goods and services – but much of that spending results in limited additional benefits for the local economy. That should change – and it could transform a local economy.
- Locally, a West Midlands Mayor could create a regional procurement target, setting a target of at least 10% (by the value of public contracting pounds) to be routed to EMB owned businesses – in line with recent targets established by President Biden for the United States.
- Our region's MP's should propose the appropriate revisions to legislation such as the Levelling Up to enable this, and we should argue to the Government that it should activate the socio-economic duties set out in Section 149 of the 2010 Equalities Act.

### **3. Transforming scale-up investment – providing capital and loans to help scale up the EMB economy**

- There is consensus that financial investment is amongst the type of support needed most to help EMB's scale up.
- Yet, the community banking and venture capital approaches which are common in the United States are also working in some parts of the UK. The Hampshire Community Bank for instance is a community interest group that has developed a locally-owned and run bank modelled on Germany's network of public savings. Sparkassen and co-operative banks focus on providing credit to small and medium sized enterprises (SMEs) in the local area.
- Another approach is to learn from Greater Manchester's work to create designated 'Cooperative Zones' – with dedicated resources to offer business advice and support for new and existing co-ops in the city-region. The approach brings together the major businesses, employers and community groups in the region to use their collective power to transform the way workers are treated, investments are made and procurement decisions are taken by putting the creating shared value within our region at the centre of decision making.
- We propose creating 'EMB Innovation Districts' in targeted parts of our region. These 'Districts' might bring together key stakeholders, universities, the banking sector and community leaders, to work together to build hotbeds of EMB wealth building in defined hubs around our region. This might also enable personalized support services to ensure change happens collectively rather than selectively.

### **4. Using assets and services working for the community**

- To create a stronger EMB local economy we must tackle unfair practices and build services that reflect the communities in which we live – from housing and energy to financial services.
- Often public agencies have access to assets that can be deployed in service of this agenda. Leeds City Council for instance has

supported community-led housing as a way to develop affordable, sustainable homes. The council supported LILAC in building 20 affordable homes and providing support in a variety of ways: selling land with exclusivity agreements; transferring empty homes on long leases to organisations who work with people who are homeless; offering practical assistance on legal and other acquisition issues, and offering affordable loans to turn plans into reality. The West Midlands should learn from this.

### **5. Business support – and inspiration**

- The business support that is needed for EMB businesses is inadequate and no single organisation currently stewards the EMB support eco-system.
- The creation of a Black Chamber of Commerce would help. It could provide core programmes and long term thinking.
- To underpin this, an explicitly written West Midlands inclusive enterprise policy should set out a clear vision and objectives for achieving more equitable access to business support across our region may help foster growth also.
- A central regional black business support hub could knit together political leadership, support new targets for procurement support, and galvanise a coalition determined to drive new contracts from private sector supply chains to EMB businesses and maximise transparency of bank and public sector support. This hub could provide policy leadership on issues that create intersectional challenges.

## THE OPPORTUNITY AHEAD

EMBs have enormous growth potential and crucially, can contribute in unique and vital ways to our economy. Over and above the vital contribution that EMB's make to creating a more fair and inclusive society, EMB's also help power national growth and the tax base. Although the Government has set out a Levelling Up White Paper - and indeed a Bill - there appears to be no specific agenda proposed to support EMBs.

There are five key virtues that EMB's bring to the British business community, the economy and society more generally:

- **Employment:** EMBs provide job and training opportunities to marginalised workers who may have experienced discrimination and hostility in the labour market, including newly arrived immigrants. As such, EMB's can act as vehicles for social inclusion and integration by creating jobs, providing crucial social hubs, offering advice and support to marginalised groups.
- **Raising aspirations:** There are strong connections between the process of starting a business and perceptions of positive impacts on the black community; often this is part of the motivation to start a business (13% outside London, 22% of people from London). Many EMBs were inspired to start their businesses by their family or community. As such, encouraging EMBs can spark a virtuous circle that motivates others to start and grow a business.
- **Powering exports and innovation:** EMB's are disproportionately involved in exports and are more likely than non-EMBs to innovate. EMB's leadership in export and import businesses helps create more diverse supply chains, and therefore adds to national resilience.
- **Enriching services:** EMBs trade in some of the most deprived areas of the country and provide vital retail services in many urban areas. Many EMB's serve low-income residents offering lower-priced products, as well

as greater convenience of operating with extended opening hours. EMB's help customise services to address the needs of a specific community. For example, during the Covid-19 pandemic, a consortium of UK EMBs implemented a local government contract to produce public health messages in several languages, which were disseminated across the UK - and worldwide through diaspora links. We need to tap into these diaspora connections to EMBs to cater to the demand of ethnic minority and immigrant communities for ethnic or country-specific products and enrich the diversity of the economy.

- **Providing positive cultural impact:** Ethnic minority, immigrant and refugee entrepreneurs and communities have been driving forces behind positive transformations and contributions to many areas of British cultural life.

## WHERE ARE WE NOW?

Compared with white British households, ethnic minorities are more likely to live in households with lower levels of total net wealth and income, with fewer people in work<sup>1</sup>.

The Resolution Foundation recently reported, '[I]n the UK, people of Black African ethnicity typically hold the lowest wealth (a median figure of £24,000 family wealth per adult), a total which amounts to less than one eighth of the typical wealth held by a person of White British ethnicity (£197,000 family wealth per adult)'<sup>2</sup>.

But: this gap is getting worse; between 2006–08 and 2016–18, the gap between the ethnic groups with the highest and lowest median household wealth (White British and Black African households) has grown to £173,000.

In the West Midlands, this gap is not as pronounced as in other regions, but nevertheless, the gap is still significant.

There is international evidence that the 'enterprise gap' may help explain this. Based on data provided by the Small Business Administration (SBA), the White House estimates that differences in business ownership account for 20 percent of the wealth gap between average white and Black households<sup>3</sup>. Hence the need for us to focus on closing the enterprise gap.

As of 1 January 2021, there were 5.6 million private sector businesses in the UK. Six per cent of SME employers were minority ethnic group (MEG)<sup>4</sup>

1 <https://www.economicsobservatory.com/what-explains-the-uks-racial-wealth-gap>

2 <https://www.resolutionfoundation.org/press-releases/wealth-gaps-between-different-ethnic-groups-in-britain-are-large-and-likely-to-persist/>

3 <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/02/fact-sheet-biden-harris-administration-announces-reforms-to-increase-equity-and-level-the-playing-field-for-underserved-small-business-owners/>

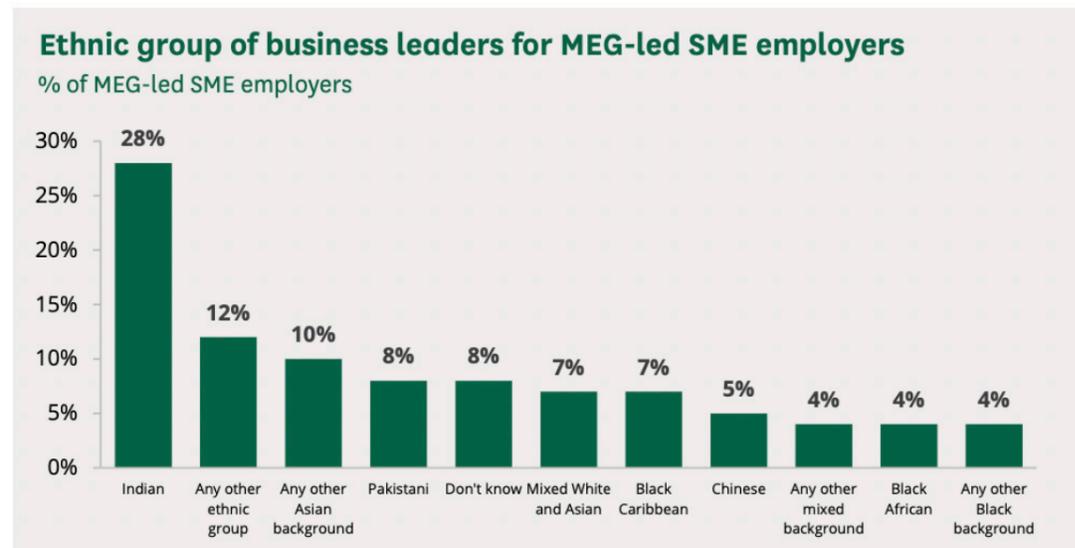
4 MEG-led is defined as having a person from an ethnic minority group in sole control or having a management team at least half of which are from an ethnic minority. See <https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf>

and MEG-led SME employers were most likely to be in the hospitality and information and communication sectors (both 9% of SME employers) and the transport sector (8%); with the weakest representation in primary and education sectors (both 1%).

EMBs already generate a Gross Value Added of about £25 billion per annum, greater than the GVA of major cities like Manchester, Birmingham and Liverpool – and industries like pharmaceuticals and agriculture. Some estimates however are higher; of Gross Value Added (GVA) of £74 billion, employment of more than 3 million people and 'contributions of £5 billion a year in corporation taxes to the Exchequer'<sup>5</sup>.

5 <https://www.smf.co.uk/wp-content/uploads/2021/11/Unlocking-the-potential-of-ethnic-minority-businesses-Nov-2021.pdf>

Table 1: Estimates of the economic and societal contribution of EMBs to the UK<sup>6</sup>



Source: BEIS, [Small business survey \(employers\)](#), 2020, Table A20

Table 1: Estimates of the economic and societal contribution of EMBs to the UK

Category of contribution	Details
<b>Contribution to GVA</b>	Estimates suggest EMBs contribute between £25bn and £74bn per annum to the economy
<b>Employment</b>	EMBs employ nearly 3 million people across the UK
<b>Profits</b>	EMBs generate £21.4bn in post-tax profits
<b>Taxes</b>	EMBs pay £4.7bn in corporation-tax payments
<b>Exports</b>	In 2018, 15% of minority SMEs exported, compared with 14% of other SMEs
<b>Innovation</b>	21% of ethnic minority businesses introduced a “process innovation” in 2019 compared to 15% of non-ethnic minority firms. 30% introduced at least one “product innovation” in 2019 compared to 19% of non-ethnic minority businesses

Sources: British Business Bank (2020); Carter, S et al. (2015); Commission on Race and Ethnic Disparities (2021); Legrain, P and Fitzgerald, M. (2020); Roberts, R et al. (2020).

Black and minority ethnic businesses face a range of systemic barriers, including pre-existing inequities that hold back BME entrepreneurs in our region. Aston University’s Centre for Research in Ethnic Minority Entrepreneurship (CREME) along with the Federation of Small Business reported a number of barriers including<sup>7</sup> the fact that EMBs are often

<sup>6</sup> <https://www.smf.co.uk/wp-content/uploads/2021/11/Unlocking-the-potential-of-ethnic-minority-businesses-Nov-2021.pdf>

<sup>7</sup> [detached from mainstream business support, struggle disproportionately when it comes to accessing finance, and have been hit hard by COVID-19.](https://www.fsb.org.uk/resources-page/new-report-reveals-the-obstacles-hold-</a></p>
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Our West Midlands Forum roundtable held at the inaugural UK Black Business Show in Birmingham, identified the importance of several barriers

**1. Capital shortage:** The lack of personal wealth at the start-up stage has a significant negative impact on the entrepreneurial outcomes of ethnic minorities in the UK.

**2. The scale-up challenge:** Businesses run by entrepreneurs from Asian and other minority backgrounds tend to have a lower start-up success rate than Black and White entrepreneurs, even though their businesses are likely to have a higher turnover (£40,000). In 2019, more than 8 in 10 (male and female) White-owned businesses reported being profitable. This is compared to three-quarters of Black male-owned firms and just under two-thirds of Black female-owned enterprises.<sup>8</sup>

**3. Lack of trust:** EMB’s face a lack of support for capital provision, business support and lack trust in support providers. On paper, EMBs have broadly equal access to bank finance products, comparable to SMEs. But EMB owners are more likely to think it is difficult to access finance and are often discouraged from applying for finance for fear of rejection. The perception of this barrier itself is a major obstacle. In turn, this contributes to EMBs looking for other means of financing. Many tend to prefer informal sources of support, such as family and friends, and are less likely to use formal and publicly funded business support services. Informal support, while valuable, can constrain EMBs from seeking more sustainable support to help them grow. The reasons for this may include perceived and actual discrimination, a belief that support providers do not understand EMB’s specific needs, and prior negative experience of inappropriate support. The bottom line is that only 43% of Black business owners trust banks, while just 27% trust “the Government to have the best

[ing-back-uk-s-ethnic-minority-entrepreneurs.html](https://www.smf.co.uk/wp-content/uploads/2021/11/Unlocking-the-potential-of-ethnic-minority-businesses-Nov-2021.pdf)

<sup>8</sup> <https://www.smf.co.uk/wp-content/uploads/2021/11/Unlocking-the-potential-of-ethnic-minority-businesses-Nov-2021.pdf>

interests of Black entrepreneurs in mind”.

**4. A failure amongst institutions to build trust:** There appears to be a consensus among EMBs that banks and other financial institutions either do not know or do not acknowledge barriers that prevent Black business owners from approaching them. Inappropriate support and short-termism in many mainstream or targeted support initiatives are often cited as key reasons for EMBs’ disengagement from, or low uptake of, formal business support services.

**5. A failure among institutions to build effective programmes:** Support providers may lack the knowledge and resources needed to establish trust and provide relevant support. There has been a range of private sector-led funding schemes targeted at EMBs, but their eligibility criteria and geographical coverage tend to be limited to firms operating in certain sectors and locations only. Digital technologies may have eased access to online information and support, but the lack of more physical and personalised support services within local communities across the UK limits opportunities for establishing rapport and trust between EMBs and finance/support providers.

**6. Unrealised dreams:** Over a 16-year period, nearly 30 per cent of people on average in the Black population were typically involved in thinking about, setting up, or operating a business venture, nearly twice the level of the white population. However, only 3 per cent of respondents over time have been reported as running a start-up or a young business with limited variation between sub-groups. This suggests that a high number of nascent black entrepreneurs do not realise their vision<sup>9</sup>.

<sup>9</sup> <https://www.fsb.org.uk/resources-page/new-report-reveals-the-obstacles-holding-back-uk-s-ethnic-minority-entrepreneurs.html>

## **HOW DO WE MAKE THE LEAP? LESSONS FROM THE UNITED STATES**

Research suggests that there are a number of important lessons that the UK and the West Midlands could learn from the United States. Indeed, President Biden has made this an important area of policy reform. Citing frustration that ‘less than 10 percent of federal agencies’ total eligible contracting dollars typically go to small disadvantaged businesses (SDB)<sup>10</sup>, the President announced a new goal in December 2021, to increase the share of contracts going to small disadvantaged businesses by 50 percent by 2025; that is the equivalent of an additional \$100 billion to small disadvantaged businesses over 5 years.

To bring transparency to this, the President began **releasing** for the first time, disaggregated data of federal contracting spending by business owner race/ethnicity. This adds to the President’s Day One Executive Order 13985, which directed agencies to work to make contracting opportunities more readily available to all eligible firms and to remove barriers faced by underserved individuals and communities. In practice, this means that government agencies are for the first time asked to increase the current statutory goal of 5 percent of contracting dollars being awarded to small disadvantaged businesses, to 11 percent. In the UK, this would imply a goal of £31 billion in government procurement contracts being placed with small disadvantaged businesses.

Overall, the United States has a far more sophisticated and developed eco-system for supporting black owned enterprises, consisting of:

1. Visible leadership
2. Funded business support
3. A better finance eco-system of banks and community development venture finance, underpinning by the Community Reinvestment Act
4. Tax incentives for businesses in low-income areas
5. Public procurement support
- 6. Transparency of data**

<sup>10</sup> A category under federal law for which Black-owned, Latino-owned, and other minority-owned businesses are presumed to qualify

**1. Visible leadership:** Leadership of policy for supporting EMB's is provided by a dedicated Under Secretary of Commerce for Minority Business Development in the Federal Department of Commerce. Donald "Don" R. Cravins, Jr. was appointed by President Biden to lead the Minority Business Development Agency (MBDA) to serve America's 9.7 million minority business enterprises. After existing for 52 years, the Minority Business Development Act of 2021 expanded and made permanent the MBDA as the United States' newest federal agency.

**2. Funded business support:** The Minority Business Development Agency (MBDA) supports minority-owned firms with business experts at MBDA Business Center. Advice ranges from securing capital, competing for contracts, identifying strategic partners, or developing exports. These Centers are located in areas with the biggest concentration of minority populations and the largest number of minority businesses<sup>11</sup>. For example, the Houston MBDA Business Center, operated by Houston Community College, and co-funded by the U.S. Department of Commerce fields business specialists who help minority businesses access procurement opportunities, markets and capital<sup>12</sup>.

**3. A better finance eco-system of banks and community development venture finance,** underpinning by the Community Reinvestment Act. Ironically, the Community Development Venture Capital movement has its roots in the Industrial and Commercial Finance Corporation (ICFC) founded in the UK in 1945 to provide long-term capital for small and medium-sized firms after World War II. Backed by the Bank of England and five major clearing banks it was funded with £10 million in equity ownership. In America, the Small Business Investment Company (SBIC) program, founded in 1958, created investment funds that could borrow up to half their capital from the federal government and receive tax incentives. Specifically, the Minority Enterprise Small Business Investment Companies (MESBICs), were privately owned investment companies, chartered by the SBA and devoted to investing in black-owned businesses. Today, the U.S. Department of Treasury's

<sup>11</sup> <https://www.mbda.gov/mbda-programs>

<sup>12</sup> <https://www.mbda.gov/business-center/houston-mbda-business-center>

Community Development Financial Institution (CDFI) Fund directly invests in and supports these financial institutions, awarding over \$1 billion to community development organizations and financial institutions directly.

**4. Tax incentives for businesses in low-income areas:** The Clinton administration pioneered the use expansion of tax credits for those setting up firms in deprived areas. The Obama administration built on the idea to designate \$5 billion in tax credits annually for its New Markets Tax Credit (NMTTC) Program which permitted taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs), which in turn provided investment in low-income communities<sup>13</sup>. The US Treasury estimates that these Credits attracted private-sector investments totalling \$26 billion.

**5. Public procurement support:** Public procurement support for ethnic minority businesses dates back to the civil rights struggle. The National Minority Supplier Development Council (NMSDC) was founded in the 1970s to provide certifications for firms that are 51% or more owned, managed and controlled by members of certain designated minority groups, including racial and ethnic minorities. President Biden recently stipulated that 11 percent of contracting dollars must now be supplied by small disadvantaged businesses.

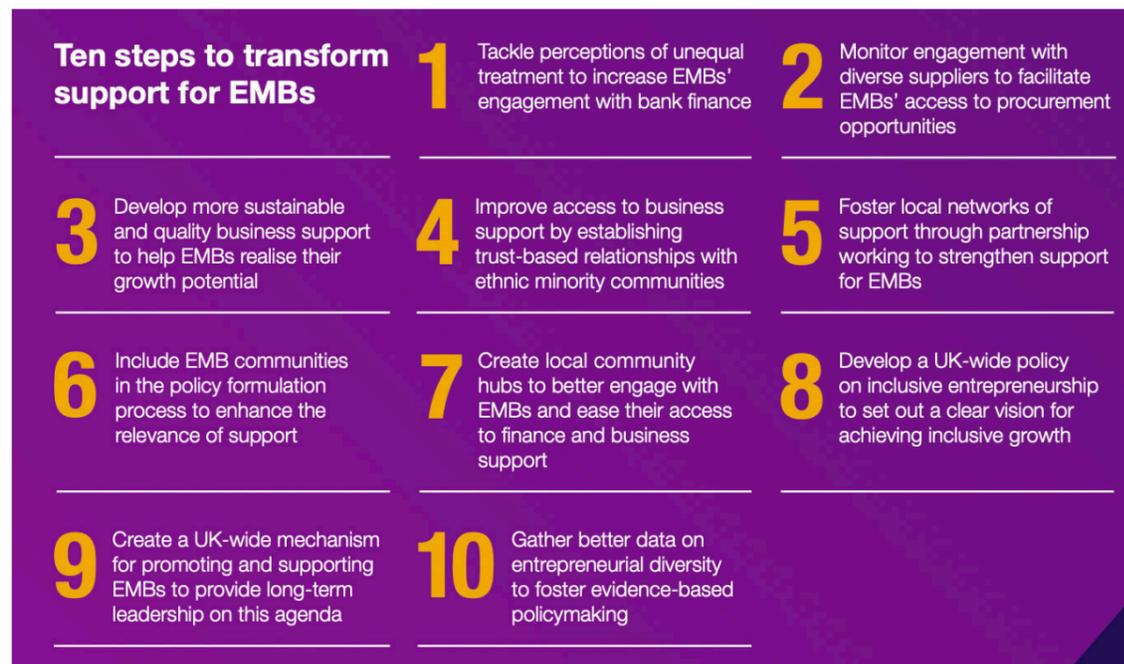
**6. Transparency of data:** In addition to recent Presidential orders releasing contracting data, broken down by ethnic origin of business owners, the New York Federal Reserve also publishes detailed studies of the access to credit for highlighting, yet firms of color continue to face structural barriers in acquiring the capital, knowledge, and market access necessary for growth. The SBCS finds that firms owned by people of color tend to have weaker banking relationships, experience worse outcomes on credit applications, and are more reliant on personal funds<sup>14</sup>.

<sup>13</sup> [http://www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)

<sup>14</sup> <https://www.newyorkfed.org/medialibrary/FedSmallBusiness/files/2021/sbcs-report-on-firms-owned-by-people-of-color>

## HOW DO WE MAKE THE LEAP? LESSONS FOR THE UK

Professor Monder Ram<sup>15</sup> and the team at the Enterprise Research Centre highlight ten measures that are key to transforming the impact of EMBs.



Our roundtable at the inaugural UK Black Business Show at the NEC in Birmingham, underlined five factors amongst these recommendations which were especially important for the West Midlands.

### 1. Visible leadership

- Visible leadership of the Black enterprise agenda is extremely important. As we heard loud and clear, 'you can't be, what you can't see'.
- This truth is widely recognised. Indeed, the Parker Review, a government-commissioned independent review into the ethnic diversity of FTSE 100 boards recommended in 2017 that each FTSE 100 Board should have "at least one director of colour by 2021". However, by 2020, more than a fifth of FTSE 100 companies still had no minority ethnic directors on their boards<sup>16</sup>.

<sup>15</sup> <https://www.propelhub.org/time-to-change-advancing-the-uks-ethnic-minority-businesses/>

<sup>16</sup> This was based on data from 95 FTSE 100 companies – 3 companies did not respond, a

- Visible 'system leadership' is essential if we are to reorganise the local economy and turn ideas into action. This entails deep and enduring partnerships with local organisations, businesses and communities.
- This kind of leadership is especially important if we are to harness the power of local institutions. So for instance, the Mayor could use his full convening power to establish a Black Enterprise Policy Unit led by an appointed Deputy Mayor to embed this agenda in the full range of the work of the West Midlands Combined Authority.

### 2. Using public procurement as a source of support:

- Government procurement is quite simply one of the most important economic development levers in the country. The Institute for Government estimates that 'Government spends £284 billion a year on buying goods and services from external suppliers. This amounts to around a third of all public expenditure.' These contracts vary widely from money spent on stationery and medicine to building schools and roads, back-office functions such as information technology or front-line services such as probation and social care<sup>17</sup>. Furthermore, diversity in public procurement is now seen as important beyond the rationale for inclusive growth. As one recent study noted, 'Supplier diversity is now seen not only as an important part of the corporate social responsibility (CSR) agenda, but there is strong evidence to support the commercial benefits of an inclusive approach to procurement'<sup>18</sup>. Furthermore, the Hackett Group recently underlined that "Research from the US indicates that companies which focus heavily on supplier diversity generate 133% greater return on their buying operations"
- The Institute for Government, however, notes that data collection on procurement is very poor. In particular, the UK government does not assess what proportion of contracts either by number or contract value, are secured and delivered by the EMB's. Worse, the

further two were "unable to provide ethnicity information at the time." Overall, the survey found that 124 of the 998 board positions on FTSE 100 companies, were held by 118 minority ethnic directors. Of these 118 minority ethnic directors, 54 (46%) were women. Since the survey, a further seven companies have stated they appointed ethnic minority directors to their boards, effective in the early months of 2021.

<sup>17</sup> <https://www.instituteforgovernment.org.uk/summary-government-procurement-scale-nature-contracting-uk>

<sup>18</sup> <https://www.msduk.org.uk/static/CIPS-Supplier-Diversity-1.pdf>

Government has yet to activate the socio-economic duties of the 2010 Equalities Act, set out in Section 149 of the Equality Act (2010) which requires all public authorities subject to the duty to 'have due regard' to equality considerations when exercising public functions<sup>19</sup>.

- This approach flies in the face of the new approaches to community wealth building which are now well-established as a philosophy of economic development all over the country, and indeed in the policy agenda accelerated by President Biden in the United States<sup>20</sup>.
- Harnessing the spending power of local authorities and anchor institutions can ensure that money spent locally creates direct benefit. The West Midlands Cooperative Taskforce<sup>21</sup> for instance set out a series of principles to make a reality of 'community wealth building' which could be used to support EMB's in the West Midlands. Local authorities, hospitals, football clubs, universities and a range of other large institutions spend millions of pounds annually on goods and services – but much of that spending results in limited additional benefits for the local economy. That should change – and it could transform a local economy. Shifting focus from 'lowest cost' to 'social outcome' means the public pound can go further in enabling local regeneration, and gaps in the local economy can be filled by EMB's.
- There are already many examples of the success of this approach. Working with partner organisations and supported by the Centre for Local Economic Strategies (CLES), Preston moved to community wealth building in 2013. They started by identifying 12 large institutions rooted in Preston, such as the council, the hospital, the university, and the police, and together revised procurement strategies, encouraged members to pay a real Living Wage and promote it through their supply chains, as well as securing a commitment, where possible, to buy locally.
- In partnership with the University of Central Lancashire the council is expanding the co-operative economy through Preston's Co-operative Network – supporting new and existing co-operatives to

<sup>19</sup> See House of Commons Library, A short introduction to equality law, 2022, <https://researchbriefings.files.parliament.uk/documents/CBP-9448/CBP-9448.pdf>

<sup>20</sup> See <https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/02/fact-sheet-biden-harris-administration-announces-reforms-to-increase-equity-and-level-the-playing-field-for-underserved-small-business-owners/>

<sup>21</sup> <https://party.coop/west-midlands-report>

grow and bid for contracts from anchor institutions.

- In Birmingham, the City Council has worked with the University of Birmingham, the Office of Police and Crime Commissioner, hospitals, housing providers to do something similar.
- Manchester City Council has transformed its procurement policies to achieve over £65 million in efficiency savings while increasing the proportion of spending with organisations in Greater Manchester from 51.5% in 2008–09 to 73.6% in 2015–16, creating over 5,000 new jobs
- In Sandwell, the council has been updating their Social Value Policy to include a stipulation for part of the evaluation of bidders to be weighted towards social value – putting people and the local community at the heart of decision making, not just pounds and pence.
- The potential for using public procurement is obvious. A West Midlands Mayor could therefore lead a region-wide progressive procurement audit, and work with private sector coalitions to transform the value of EMB's contracts with local supply chains. The challenge should be ambitious: they ensure that at least 10% by value of public contracting pounds are routed to EMB owned businesses. Given England's ethnic minority population is over 16% this does not seem unreasonable and is in line with US ambitions. To add bite to this target, the region's MP's should seek to amend the Levelling Up bill to require public agencies to put in place these targets.

### **3. Transforming scale-up investment – providing capital and loans to help scale up the EMB economy.**

- There is consensus that financial investment is amongst the type of support needed most to help EMB's scale up.
- Yet, the community banking and venture capital approaches which are common in the United States are also working in some parts of the UK. The Hampshire Community Bank for instance is a community interest group that has developed a locally-owned and run bank modelled on Germany's network of public savings. Sparkassen and co-operative banks focus on providing credit to

small and medium sized enterprises (SMEs) in the local area.

- Another approach is to learn from Greater Manchester's work to create designated 'Cooperative Zones' – with dedicated resources to offer business advice and support for new and existing co-ops in the city-region. The approach brings together the major businesses, employers and community groups in the region to use their collective power to transform the way workers are treated, investments are made and procurement decisions are taken by putting the creating shared value within our region at the centre of decision making.
- A similar approach might suggest a West Midlands 'EMB Innovation Districts' to establish and scale models across services and assets using every lever at hand. This could be through subsidy support and business rates discounts, bringing forward community buildings to boost EMB-led development in a single space. Through these new EMB Innovation Districts could galvanise local leaders, the banking sector and community finance players working together to build hotbeds of EMB wealth building in defined hubs around our region.

#### **4. Using assets and services working for the community**

- Creating a stronger EMB local economy must also focus on tackling unfair practices and building the sort of services that reflect the communities in which we live – from housing and energy to financial services. Often public agencies have access to assets that can be deployed in service of this agenda.
- Leeds City Council for instance has supported community-led housing as a way to develop affordable, sustainable homes. The council supported LILAC in building 20 affordable homes and providing support in a variety of ways: selling land with exclusivity agreements; transferring empty homes on long leases to organisations who work with people who are homeless; offering practical assistance on legal and other acquisition issues; and offering affordable loans to turn plans into reality.

#### **5. Business support – and inspiration**

- We concluded that the right kind of business support is simply not available for EMB businesses – in particular the sort of support that will help EMB businesses scale-up successful models.
- Growth Hubs for instance which were provided by LEP's often failed to provide the right sort of advice and support, and certainly did not provide the sort of 'system leadership' of 'inclusive entrepreneurship' that we see in US or Canadian models.
- Crucially, this approach needs strong public private partnerships with both the banking and finance sectors, and academic institutions providing policy research and insight and pooling the new research which is emerging from UK banks. No single organisation is currently stewarding the kind of EMB support eco-system that is needed to make a difference.
- This problem is accentuated by the lack of a Black Chamber of Commerce that could provide the kind of core programmes, and long term thinking that will be needed to champion this agenda.
- This kind of support should pay particular attention to policy issues that create inter-sectional barriers, that create additional challenges for women, and those with disabilities.
- Furthermore, this kind of clear system leadership could play an important role in enterprise education in the local school system, providing the kind of work that the National Federation for Teaching Enterprise has in the United States, along with providing a platform for telling stories that inspire others.
- To underpin this, an explicitly written West Midlands inclusive enterprise policy should set out a clear vision and objectives for achieving more equitable access to business support across our region may help foster growth also. The policy should build on and embed lessons learned from the existing good practice support initiatives aimed at EMBs in the UK and elsewhere. It should adopt a holistic approach, one that recognises the importance of providing more comprehensive and tailored support to meet the specific needs of EMBs. This should also involve efforts to tackle wider social structural or systemic obstacles, as well as supporting EMB owners to develop relevant skills and help them grow.

- Going forward, it is vital that partnerships working with ethnic minority-led organisations and anchor institutions maximise links to minority communities. Successful interventions will require collaborative partnerships involving public, private and third-sector organisations. Institutions must evaluate current business support ecosystems and rebuild them to be equitable and more supportive of EMBs and Black business owners in particular.
- Long-term initiatives that provide more comprehensive, intensive and targeted packages of support have proven successful in attracting and advancing EMBs. In order to achieve this, banks could use community engagement budgets to re-establish or boost outreach activities in selected localities populated by ethnic minority communities where start up rates are high. This can be done by targeted marketing for EMB customers, language specific services, use of EMB role models to celebrate their contribution, improving representation in the workforce, diversity training, organising community events and building online platforms.
- Long-term collaborative efforts are vital if we are to break down distrust and disengagement. Building and establishing trust requires time and commitment. The longevity of support provision itself can promote trust.
- In summary, a central regional black business support hub could knit together political leadership, create new targets for procurement support, form a coalition determined to drive new contracts from private sector supply chains to EMB businesses, maximise transparency of bank and public sector support, supply ambassadors to tell stories that inspire and provide policy leadership of issues that create intersectional challenges.

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