8th February 2007

CEMESME RESEARCH ON SMES’ ENGAGEMENT WITH DIVERSITY IN THE WORKPLACE

UNTAPPED RESOURCES – ARE UK BUSINESSES FAILING TO REAP THE BENEFITS OF AN ETHNICALLY DIVERSE WORKFORCE?

“CEMESME’s core values are crucial in promoting equal opportunities and making British firms more aware of diversity and internationalisation issues in the workplace. I am thrilled to be associated with this important initiative from PRIAE.” – Lord Bilimoria, CBE, DL – Chair of the National Employment Panel for the SMES Board

The CBI welcomes the PRIAE/CEMESME research report and PRIAE’s cross-cultural mentoring initiative to meet SMES’ needs. This is a practical and positive initiative that encourages a culture of co-operation rather than relying on enforcement through legislation.” – Susan Anderson, Director of HR Policy, CBI

Findings from research published today by PRIAE (Policy Research Institute on Ageing and Ethnicity www.priae.org) indicate that the UK’s small and medium-sized businesses (SMEs) – the engine room of the UK economy – have made slow progress in employing people from ethnic minorities and have little understanding of the potential commercial benefits resulting from an ethnically diverse workforce.

The EU-funded CEMESME (Contribution of Ethnic Minorities to SMEs – Notes to Editors) research study – involving detailed responses from 300 SMEs with statistically significant results – highlights businesses’ level of engagement with ethnic diversity issues and whether they think diversity has a positive impact on financial and export performance.

The findings suggest that, aside from compliance with discrimination-based legislation, SMEs are not proactive on the diversity ‘agenda’:

- over three-quarters of the companies surveyed have less than 10% of their employees from ethnic minorities;
- 90% of companies have 10% or fewer ethnic minority managers; 35% have none;
- Nearly 90% of SMEs in the sample do not know the ethnic minority background of their UK customers.
- Few SMEs have strategies for increasing ethnic diversity internally or engaging with ethnic minority customers or suppliers.

The key issue, however, is whether a diverse workforce actually contributes to improved business performance and profitability. A significant proportion (33.5%) of companies believe that it does. True, an equal number don’t think diversity is significant factor but, as PRIAE suggests, this ambivalence is understandable. If most SMEs do not have a sufficiently broad experience of diversity, either in employment or market terms, how can they know that they are missing out on the commercial advantages resulting from diversity?

“It’s essentially a matter of improving SMEs’ education and a step change in their actions,” says PRIAE Director Professor Naina Patel. “The evidence for the benefits of ethnic diversity in the workplace is compelling. When we spoke to ethnically diverse SMEs we got
the same story: diversity prompts greater awareness of business opportunities, particularly with regard to identifying new customers and developing new markets."

PRIAE's research suggests that UK SMEs' exporting policies remain largely dependent on 'traditional' English-speaking markets – North America, Australia/New Zealand and South Africa. However, ethnically diverse SMEs, while exporting to these markets, also have strong links with Latin America, the Middle East and North Africa, and South and East Asia. Managerial language skills in the SMEs and achievement of export market objectives are correlated: the greater percentage of multi-lingual managerial staff, the more confident SMEs are in achieving their export market objectives.

"And we've got first hand evidence that diversity does help SMEs to perform better," says CEMESME Project Director Ahsan Malik. "We've been conducting a pilot 'mentoring' project involving SMEs and seconded MBA students from ethnically diverse backgrounds. They've been working with the SMEs to develop specific processes and new business initiatives and the feedback from the SMEs has been hugely positive. In each case, the companies have received immediate benefits.

Naina concludes: "Of course diversity in itself doesn't guarantee improved business performance, but there is an obvious case for SMEs to be made more aware about the potential advantages of employing people from ethnic minorities. This isn't a case of introducing 'affirmative action' with regard to companies' employment policies: it's about making the most of a valuable, but still largely untapped, resource."

-ends-

To receive a copy of the CEMESME report or to find out more about the CEMESME project, please contact:
Mel Davids – CEMESME Project Officer, PRIAE
mdavids@priae.org
Tel: 0113 285 5990

Philipa Jose – Flagship Consulting
philipa.jose@flagshipconsulting.co.uk
Tel: 020 7886 8440

A summary of the findings can be downloaded from www.priae.org after the 8th February launch.

Notes to Editors

CEMESME Project (www.priae.org/projects/cemesme.htm)

The European Social Fund-supported project concentrates on employment, enterprise and the corporate culture of British SMEs regarding diversity in the workplace. Its aim is to clarify the implications of diversity management on companies' business performance, especially with regard to their international capability.

Its main objectives are:
- to promote employment of the ethnic minority workforce in the UK and continental Europe;
- to promote equality of opportunity;
- to encourage good relations between people from different racial and ethnic backgrounds;
- to clarify the positive implications of workforce diversity management on a company's business performance;
- to disseminate good practice on the inclusion of ethnic minority employees;
- to make company cultures more sensitive to diversity.

CEMESME focuses on the 'demand' side of the diversity issue – making a cogent case for companies to maximise the benefits accruing from a diverse workforce.

PRIAE is a leading independent charitable institute specialising in ethnicity and ageing. PRIAE raises all its finances through call for applications and commissioned work. The institute operates from its head office in Leeds (info@priae.org; www.priae.org).