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Developing Diversity in SMEs: collaboration between a city, a business school and employers. Adam Palmer, Reader in Human Resource Management and Nigel Bradley, Research Assistant Southampton Business School

Abstract

This paper explores the question of whether there is an ethical business case for SMEs employing a more diverse workforce. Regan and Stanley (2003: p. v) have argued that employers should look beyond their legal obligations in respect of disadvantaged groups. What attitudes do SME employers have to such proposals, what are their current practices and how can they be supported to meet skills shortages through employing a more diverse workforce?

The primary data has been derived from focus group sessions with local SMEs and interviews with the procurement managers of large employers in Southampton. Examples of good practice in employment policies of SMEs, methods of engagement, attitudes to diversity and business benefits are discussed in relation to the literature on inclusion strategies for disadvantaged groups in employment. The feasibility of using supply chains to encourage employment diversity in SMEs is evaluated.

Looking to future research, the paper considers how research, evaluation, benchmarking and analysis might support the exchange of ideas, knowledge, information and experience between local organisations. In concluding it reflects on how Southampton's labour market intelligence capability and the capacity of local organisations to deliver effective support services to businesses and individuals could be built. Finally, the paper initiates discussion on the feasibility of addressing low

economic activity and participation rates among women and disadvantaged individuals and communities, while increasing the supply of skills and entrepreneurs to expand the small business and social economies.

Introduction

The changes envisaged in the obligations of Small and Medium Size Enterprises (SMEs) to comply with anti-discrimination legislation and the Government's wish to break down the barriers that impede employment of those who come from disadvantaged groups, present particular challenges for SMEs. The literature identifies some of the issues involved and suggests that customer supplier relationships may have a role to play in enhancing the likelihood of employment for otherwise disadvantaged individuals.   In practice the promotion of equality appears to have rested primarily on one strategy: that is, getting employers to realise that advancing equality in their employment practices is in the best interests of their business and viewed by Dickens (1999) as: "…the so called business case for equality".

The literature was used together with a previous survey, " Diversity in the Workplace: the views of SMEs in the Southampton and Portsmouth areas" (2002), to frame focus group discussions with SMEs in the Business Support Industries and Social Care sectors. The results from the focus groups were then used to provide questions for semi-structured interviews with the procurement managers of key large employers within the city of Southampton, United Kingdom

The researchers' interest is in the development of models that can be used to initiate policies and strategies, and promote within the SME community a willingness to achieve equal opportunities (EO) in recruitment and employment practices for disadvantaged people, within organisations that are currently neither prepared nor predisposed to take positive action (Dickens, 1999).

Political, Social and Legal Context

There has been a growing awareness, in the European and United Kingdom Governments of the need to address some of the problems encountered by members of disadvantaged groups when attempting to enter the labour market. Within the United Kingdom a legal framework has been developed which is underpinned by a desire to eliminate discrimination within the workplace for disadvantaged social groups. Governments argue that the promotion of equality, through anti-discrimination legislation is desirable, and anticipate that this approach will lead to a society that is just, cohesive and harmonious.

Among the groups identified as being disadvantaged within the labour market in the United Kingdom (UK) and for which anti-discrimination legislation has been enacted are those classified on the grounds of ethnicity (Race Relations Act 1968), gender (Sex Discrimination Act 1975) and more recently, discrimination as it affects the disabled (Disability Discrimination Act 1995: James, 2000); sexual orientation (Sexual

Orientation Regulations 2003) and religious beliefs orientation (The Employment Equality (Religion or Belief) Regulations 2003).

In addition a programme of consultations is currently taking place which forms part of the process for introducing legislation which, it is envisaged, will outlaw age discrimination in employment. It is predicted that an Act of Parliament, concerned with the issue of age discrimination, will come into force sometime during 2006 (DTI, 2004).

Using what is known about the dynamics of recruitment from within the disabled community is pertinent to the discussion of employment diversity because it is estimated there are well over one million disabled people in the UK who would like to work but do not do so. Although many disabled people do work, the rate of unemployment within that social grouping remains at over 50 per cent (see Table 1).

This is thought to be more than the total for all other disadvantaged social groups combined, suggesting that for most disadvantaged individuals, Government plans to help them enter or return to work have not been fulfilled (Regan and Stanley, 2003).

Many aspects of this discussion are relevant to other disadvantaged groups. As with the efforts made to promote equality between women and men it has been demonstrated that progress can be made in combating discrimination, but that this requires changes to be made in practices and attitudes including the active support of all those stakeholders who have an interest in effecting social improvements (European Commission, 2004).

Table 1:

Employment Rates For All Working Age Adults

		1997	1998	1999	2000	2001	2002
Lone Parents	Total	45.5	46.7	48.3	51.4	51.5	53.3
Ethnic Minorities	Male	65.1	64.3	64.9	66.1	66.1*	66.2*
	Female	47.7	48.2	47.5	48.9	48.8*	50.0*
	Total	56.5	56.4	56.2	57.6	57.4*	58.3*
Disabled Individuals	Male	nb	45.0	47.5	49.0	49.1	49.2
	Female	nb	41.0	43.9	43.5	44.5	45.7
	Total	nb	43.1	45.8	46.4	47.0	47.6
Over 50's	Male	67.2	67.8	68.5	68.6	70.2	69.8
	Female	60.7	62.2	62.8	64.0	64.9	65.3
	Total	64.5	65.4	66.1	66.7	67.9	67.9
All Working-age	Male	77.5	78.1	78.4	79.1	79.3	78.9
	Female	67.2	67.6	68.3	68.9	69.3	69.5
	Total	72.6	73.1	73.6	74.3	74.6	74.4

Source: United Kingdom National Action Plan on Social Exclusion 2003-2005: The Annex (2003)

* A discontinuity in the series occurred after 2001, when a change in the definition for ethnic minorities was introduced.
(Nb: there is no data available for 1997)

With the importance of the role that employment is thought to have in reducing poverty and social exclusion for disadvantaged groups this has meant that they are being denied all the benefits that work provides. This is, as acknowledged by Regan and Stanley (2003): " asneither good for disabled people nor for the wider economy and society". However, a recent shift in emphasis has taken place that is based on pragmatism and self-interest rather than one that is founded upon morality and social justice, and this is used as a rationale for equality action (Dickens, 1999).

A Business Case?

With a requirement for all employers to comply with their legal obligations in respect of disabled people, the function of the employer is crucial in any discussion about disadvantaged individuals and employment. It could be advantageous, as argued by Regan and Stanley (2003), for employers to go even further. However, to justify and promote this idea it is necessary for employers to be willing to accept that an 'ethical business case' can be made for any proposals regarding changes in their recruitment practices.

Employers need to accept the argument that the interests of their business can be affected by the perceptions that internal and external stakeholders hold in response to social issues. These concerns can include the policies and practices that are adopted by employers in recruiting and retaining individuals who come from those groups that are perceived, by stakeholders, as being socially disadvantaged.

In promoting 'the ethical business case', its effect on the 'bottom line' must not be overlooked. An emphasis on how a business treats its current and potential employees may influence, positively or negatively, the customers' and other stakeholders' perceptions of the business in relation to its social responsibilities (Regan and Stanley, 2003). The over-riding factor, according to the focus groups, for a lack of positive action in employing a more diverse workforce was cost.

A recent Income Data Services survey (2004) found that a large majority of private sector respondents said they were motivated to pursue diversity initiatives because it made good business sense. However, only half were able to identify any tangible benefits due to the relative lack of monitoring and measurement of effectiveness. Relevant to the business case, albeit for large employers, are the better retention rates amongst minority groups saving recruitment costs for Northern Rock and the improvements in employee and customer satisfaction for B & Q.

In the focus groups there was an overwhelming sense that skills shortages were the biggest problem for SMEs, as their members kept returning to the issue. On the other hand only a few countenanced linking increasing diversity in their businesses as a strategy designed to fill skills gaps or to offer new business opportunities. Some non-strategic successes were

quoted: a financial services company happened to employ a Chinese person and discovered significant gains in business from that community. This lends some support for the view of Miller *et al* (2004:21) that employing people from disadvantaged groups may help to attract customers from that group.

The minority who recognised the business case stressed the importance of good human resources (HR) policies in general to provide the environment for diversity to flourish. Further, training was seen as very important and even then there was the chicken and egg problem of BMEs; for example, not seeing themselves as welcome in a white workplace. The problem is that people from disadvantaged groups do not apply.

Targeted approaches to recruitment did not seem to have much resonance. The point was made that small businesses are only interested in strategies that are inexpensive and solve a problem. The perception is that diversity is going to cost money because there will be more training costs involved and the possibility of expensive litigation if they make any (unintended) infringements of employment law. " If you actually have to positively do something to recruit a diverse workforce that aren't going to add any extra value, it's difficult to justify".

In contrast the three large private sector employers interviewed identified the positive benefits of "being better able to relate to customer base", " different people with different ideas", and "a larger employment pool". They were confident that their diversity policies were a route to tapping into, for example, the " £40 billion business from BME groups alone" The employment law compliance was also seen as a good business sense because the implementation of policies could keep you out of expensive litigation and negative publicity. They saw benefits flowing from corporate image, ethical investment and attracting the business of public bodies.

Although small businesses " don't have the time" some were keen to demonstrate how useful they found away days for strategy think tanks and business problem solving. Changing perception to seeing diversity as part of that business strategy might be helpful.

For any strategy to succeed, there is a need for it to be introduced in a manner that eliminates recruitment bias. This requires an understanding of the needs of disadvantaged people and the identification of any practical assistance that is available to employers. This in turn may enhance the recruitment chances of those individuals (Regan and Stanley, 2003). In influencing changes in recruitment practices dominant customers or, to a lesser extent suppliers, need to apply a mixture of hard (push) and soft (pull) levers in order to achieve the desired results (Regan and Stanley, 2003).

Skills Shortages and Employment Diversity

Osborne (1988) commented, when unemployment levels were low and the USA economy was strong, that this resulted in many organisations experiencing problems in recruiting and retaining staff. As a consequence of this employers recruited from within socially excluded groups that were previously overlooked.

With a strong and stable economy (Wolf, 2004) that is based upon higher consumer spending, growth in exports and investments (Williams, 2002) unemployment levels in the UK have fallen. With suitable labour resources becoming more difficult to access it would seem that disadvantaged individuals might now have better opportunities to gain employment as it becomes increasingly necessary for employers to find recruits from within alternative social groupings in order to remain competitive.

In the focus groups businesses were fairly set in their recruitment habits. For example, some "generally employ graduates" even though they tend to move on within two years, whilst others employ older people who tend to stay with their employer "for years and years". On the other hand there was considerable negativity about graduates lacking the required skills and the fact that SMEs do not have the luxury of being able to invest more time or money in training. Graduates were perceived as being too narrow in their outlook and their expectations were too high. As one employer put it there were lots of brains but they need to be trained. Many bemoaned the ending of apprenticeships in the 1980s. The majority welcomed the government's proposals to reform secondary education to include technical training from an earlier age.

"I think these reforms are good idea, I was written off at school. I like the idea of doing NVQs beside academic work then you can see the relevance of academic qualifications to a trade" (recruitment consultant).

"Yes suddenly people realise when they have to take crucial measurements etc in plumbing or apply physics, mathematics, calculations to electrical work how relevant it all is" (apprentice training company).

Significantly, although the discussion focused in all three groups on graduates, the summary of shortages cited below was not particularly centred on the graduate market.

- Manual and skilled work in hotel and catering – looking to recruit overseas;
- Secretarial skills, typing still much needed " its a trade going out of fashion very fast";
- Financial sector, high turnover of new entrants once trained;
- The well publicised shortage of electricians and plumbers;
- Painting and decorating;
- IT people in niche markets.

A report by Bivand (2002) would appear to confirm that there is a correlation between the availability of potential employment opportunities and the level of employment for individuals who come from disadvantaged social groups. This relationship is also reflected regionally.

It would seem that that where there is a pattern of higher levels of employment for disadvantaged people this is not the result of employers engaging in more 'progressive policies' but rather one of pragmatism where there are fewer candidates from within the local labour market to choose from (Bivand, 2002).

The reaction of SMEs in the Southampton study was to target solutions to skills shortages with perceived minimal recruitment and training costs. Hence older workers were viewed positively as a source of labour although some assumed that they would lack modern skills such as those required for IT or the ability to adapt, and might even be unattractive to younger small business owners Eastern European, Indian and African sources of labour were identified as solutions before any consideration of disadvantaged groups.

However, one SME, owned by a BME (Black Ethnic Minority) pointed out that one has to seek people from the BME community out: " It's going out there and finding them because unfortunately they never seem to come forward…it's about trust".

One company positively discriminated in favour of older people because it: "needed a stable workforce", recognising that people who have been: "made redundant and … over 45 and … finding it difficult to find a job…reward us with loyalty" (Social Enterprise). Another recognised that as a result of employing foreign language speakers they have seen an increase in foreign clients " he speaks Egyptian … and now we notice we get more Egyptian clients, we had Italian speaking, we get more Italian clients" (Corporate Accommodation Provider). In practice though, the majority targeted specific groups that they felt met their specific business needs quickly. Such groups included older women for part time work, young people for pressurised jobs and those with experience and training.

There was some recognition, and actual examples, of positive results from employing older people returning to work, especially if flexible hours and term time only working was offered. "We have found quality people this way" (financial services business). A recruitment agent then picked up the issue of age and gave his example of the Cardiff Call Centre that wanted to employ students and only targeted students in their recruitment because they thought they would be articulate and bright. However, the Centre was unable to recruit them due to a lack of interest. The agent put forward the idea of employing the over forties and this proved to be an outstanding success.   All that was required was to put them on a one-week training course and then they were really good. The business benefit was that mature people talked confidently to customers about mortgages and loans and could related to the challenges to that customers face in their lives whereas students would know nothing about these things.

The above might therefore be applied to disadvantaged groups. As argued by Bivand (2002): "when employers experience difficulty in recruiting, they are more willing to both employ disabled people and to make changes to their business practices to enable them to recruit and retain staff with disabilities".

Funding can help to bridge the gap between the pros and cons of employing a more diverse workforce. However one employer talked about the new deal aimed at young people, where in the end, 50% of companies do not recruit them, in effect, using them as free labour. He mentioned the problem of many young people thinking they would receive more money on the dole than from employment. The same employer also made

the point that too much funding can have an adverse effect; employers go through the motions to secure funding but do not follow the process through to achieve what the policy was designed for, to get people back to work. There was then a discussion about how young people's expectation were either too high (because they had a degree they expected instantly to have large salaries) or far too low (they would rather just give up and go on the dole than actually do some work). There was talk about jobs that were now done by immigrant workers from the Eastern block, who are the only people prepared to do them; on the other hand some young people who are very well qualified will work for quite a low salary in order to get into a particular profession or get into a particularly prestigious company. The ones who get on are the ones who realise they don't know it all.

Supply Chains

There are few, if any, examples within academic literature of employing specific strategies that apply the principles of 'self-interest' to encourage employers to put in place policies and practices that are designed to enhance the chances of those individuals who come from those disadvantaged social groups that anti-discrimination legislation is designed to help. Nevertheless, even if there is no direct evidence available from academic sources, concepts based upon strategies employed in 'total quality management' (Carter *et al, 2000*) can act as a theoretical base from which appropriate models could be developed.

Practices have been introduced by businesses, and Government and non-Government organisations (NGOs) within their supply chains, that have been designed to build a culture of 'total quality management' (TQM) within those organisations which fall within their sphere of influence. For instance, a dominant customer can help shape the employment practices of suppliers (Kinnie *et al*, 1999). This can occur directly by impacting upon human resource (HR) policies and practices.

Three of the largest private sector employers in Southampton reflect this practice with regard to their supply chains and employment practices. Originally this was particularly prompted by a desire to not be associated with international suppliers who may for example exploit child labour, but the principles have been extended to support employment diversity in the UK. These employers see this as a natural extension of their approach to other matters of quality, for example Health and Safety requirements.

It has been argued by Kinnie *et al* (1999) that: "…SMEs are embedded in a complex supply chain being dependent on a few relatively important customers and, less often, suppliers". This highlights the potential for dominant customers to positively influence the actions of suppliers where their recruitment policies and practices are concerned. However, the power that customers can exert upon their suppliers may be limited if

their ability to influence them is constrained by the restriction of opportunities to appoint alternative sources of supply (Watson, 2001).

The large employers are potentially able to exert considerable influence over suppliers through the tender process and will demand compliance with product and environmental standards. One employer suggested that more influence could be exerted over employment practices if there was a equivalent international quality standard based on Investors in People. The employers applied the same contractual requirements, which include employment practices, to all suppliers large and small. There is also a increasing tendency to have restricted lists of preferred suppliers, clearly this is an incentive to compliance with all aspects of the contract to remain on the list.

One advantage of maintaining a good relationship between a supplier and a big company is that SME's are afforded some protection from the demands placed upon it in an otherwise uncertain business environment. Maignan, Hillebrand and Mcalister (2002) demonstrate how socially responsible buying is practised increasingly by large corporations. Suppliers contracting with them will be aware that a large part of their business is dependant on good relationships being maintained between themselves and their customers, which will include compliance with social responsibility requirements. The continuation of a good relationship will provide 'some stability' and hope of 'repeat business' in the future although: "Big corporations tend not to give SMEs secure long-term contracts - so the SME also benefits from a substantial reduction in its cost of sales….". The power that customers can exert upon their suppliers may be limited if there are few opportunities available to them to move to alternative suppliers (Watson, 2001).

Only those ideas that have commercial viability will survive over the long term with 'fads' tending to fail (Watson, 2001). Therefore, to implement any strategy that is intended to influence the dominant partner in a supply chain relationship in order to drive a change in its suppliers' recruitment policies, there is a need to identify those areas where mutual self-interest will be served.

Employer Propensity to employ disadvantaged groups

For employers, providing accessibility in the workplace is associated with the need for making physical changes to the infrastructure to enhance access (Bivand, 2002). This restricted perception of disability affected the responses given in the focus groups. As Bivand (2002) noted: "organisations were prepared to take additional actions to assist disabled people, but they had little idea that this might actually be required of them".

The wide range of perceptions in the focus groups is illustrated by the following summary of one transcript:

" Male A then made an unpopular joke that the menopause test as a way of avoiding employing pregnant females who would have then to take time off or if you'd let them go, successfully pursue for unfair dismissal. Female B annoyed about this comment and wondered what test they would be providing for men. Female B said what does it

matter if an employee has time off, for example, in her organisation a male who has an artificial leg and every so often he gets pressure sores on his stump but they are perfectly prepared to allow him occasional time off or to work from home. The three men in the group then said they would not accept this in their business. Further discussion ensued about small businesses just could not afford to lose this time. They talked about the cost of unproductive time and if the government really wants a change in employment diversity they should be prepared to fund the difference between employing able bodied and a person with a disability who may have to have time off".

From the focus group discussions it is possible to identify a number of issues that could create barriers for a diverse range of job applicants:

- a desire for all job applicants to be career minded and show willingness to progress (Internet business);
- a desire for 'people who have already been trained and can walk straight in';
- making assumptions about applicants' abilities: "our business is all about words, so we can't have somebody who can't read words or spell words" in reference to an applicant with dyslexia (Solicitors):
- targeting young people with financial commitments for commission-based jobs;
- believing that the employer's duty of care prevented the employment of disabled people.

Modification of the work environment

Many employers were found to have made adjustments to the job or carried out modifications to the working environment in order to accommodate disabled employees with some not realising that they had done so. However, when prompted by a list of modifications that help to accommodate the needs of individuals from disadvantaged groups, including changes such as flexible working patterns, flexible hours, and special leave for reasons connected with their disability, the number of employers who said they had made these adjustments rose. This would suggest that some employers had employment practices already in place that benefited their disabled employees, although they had not viewed them as being linked to the employment of disadvantaged individuals.

When not prompted the modifications most frequently mentioned by employers as having been done to adapt the workplace in order to accommodate the needs of disadvantaged people were physical, and included the provision of special equipment and agreeing to flexible working hours. Other modifications to the work environment were identified including training, on the job support, special leave and counselling. Larger organisations were also reported to have made the largest number of modifications when compared with smaller ones. However, this difference may be accounted for because in large companies where higher numbers (on aggregate) of individuals are employed there may also be a larger proportion that comes from disadvantaged groups.

One of the focus groups revealed far more fundamental barriers. A recruitment consultant quoted small companies that might not even employ any females This was confirmed by another participant who knew a company with over 250 employees who did not employ females because they had no facilities for females, for example,. toilets. " These companies are actually afraid to employ people because they think that the legislation is going to trip them up and that they are going to be sued for whatever reason, a lot of management time has to go into diversity and they have not got the time. They need an idiots guide because there is too much information".

A particularly striking account of the issues, albeit from the past, was the participant who herself was turned down for an apprenticeship although she got through to the last round in a national competition. The choice for the employer was between her and a male.   However, the company informed her that they regretted that although she was equally strong as a candidate there were no female toilet facilities. As a result it would be impossible to have just one toilet for her so they could not offer her the job.

Conclusions

The overriding theme from the focus groups was that they were far more drawn to discussing skills shortages in general rather than diversity in employment. This persisted despite the invitation and the increasing use of prompts during the sessions. Having said that a minority of employers came because they were very interested in the diversity issue;

" Culture issues are invariably one of the major problems to achieving peak performance…if there are culture issues there are diversity issues and they impact on all sorts of things" (small management consulting company);

" My work is involved with the community communications, diversity is particularly interesting and indeed diversity is relevant to all audiences…" (Public relations SME).

The significant difference in the previous diversity awareness research carried out in Portsmouth and Southampton is the anticipated " awareness and reality gap" in practice and thought. In all the focus groups it was very hard to facilitate discussion on alternative strategies to meet skills shortages. In most cases diversity was clearly not at the forefront of their thinking. Although when individuals started to quote a few examples of success the response was mixed enthusiasm.

 A minority view was that diversity policies can be effective; a housing association was quoted to have increased representation from nil to include gays, BME and women in key posts over three years. A business consultant who had delivered diversity training in a large public sector organisation felt that for most people it was a non-issue until awareness rose. They: "thought it was the PC (political correctness) police telling you to be nice to people" rather than learning about and taking pleasure from differences.

There was a view from some members of one group that there was a generation gap in relation to racism. However there did not seem to be an appreciation that racism was not the

only block to increasing diversity in employment. One young employer, who perceived themselves as very comfortable with all sorts of people, had to admit that all their employees were white and added that they tended to only employ young people because they would fit in more with their age profile!

Concerning the issue of assistance with employing people from disadvantaged groups, employers agreed that there was a lot of information available although in reality though it was seen as difficult to access: "You end up going round in big circles for several hours because you can't get to the specific point that you want". Employers wanted a: "quick digest that's specific to me" but felt this was not available without having to: "pay a lot for it".

It was clear from the conversations that many SMEs had limited understanding of the issues around diversity and in particular about disability. Making the effort was seen as: "hassle… and you feel you can't justify the time or the effort".

Given the limitations of the help identified, the notion that someone could pro-actively come to an employer with information and actually tell them what they needed to do was seen as a possible solution. Anything that makes life easier is welcome; for example, proactive agencies rather than mail shots. A predominant perception amongst the groups was that agencies equals paperwork, legislation, fear of litigation and politics. The stereotypical agency representative was seen as some one with no appreciation of business who arrives with:

"…a lot of paper, a big manual, or a big lot of floppy disks that takes up all day….".

There is a plea for easily accessible information and proactive assistance in solving problems. Another form of support was suggested. This involved big companies sponsoring: "ten other companies to get them up to the best … standard, on the basis that those then … do another five on a rolling basis".

One view held was that SMEs are not interested in spending the time. "There have been lots of schemes and they have all had limited success". One participant identified how he had worked in business providing fire risk talks and giving free seminars on risk assessment for SMEs. Normally the receptionists were sent by the SMEs although the invite was to the Director.

The large private sector companies had sympathy for the position of the SMEs. "What is needed is a simple, single clear pamphlet on the business case for diversity". The paradox is that those with the most advanced approaches to employment diversity, a minority, are subject to the most scrutiny whilst SMEs, the largest part of the economy, do not have the resources or inclination. Indeed there is speculation that regulatory authorities realise the small business sector would not survive such scrutiny and are left alone. This begs the question of whether there is role for more large employers using their relative power in the marketplace to the mutual benefit of themselves, SMEs and communities.

Discussions with large corporations about the extent of their power to influence employment practices of small business suppliers centred around the absence of an equivalent recognised quality standard to the International Standards Organisation (ISO) series. One respondent speculated that such a standard might be developed on the principles of Investors in People (IIP). There was recognition that the current IIP process would be too burdensome for most SMEs, but something simple yet robust could provide the leverage in this aspect of the contractual relationship

This initial stage of the research has identified the challenges in realising the notion that SMEs can be a major contributor to increasing diversity in employment in the short term. Further, to realise this ambition as part of a city's employment strategy will require significant cultural change within the SME sector. This is the same challenge that large public and private sector organisations, with all their resources, have found difficult enough. However, where the focus group research found pockets of enthusiasm and success it was clear that smaller organisations could be encouraged to embrace diversity as part of a business strategy. A business environment where this can flourish is perhaps more likely to be developed through a combination of business partnerships and commercial incentives than through regulation.

The research exposed enough examples of success to develop case studies that can be used to promote more widely the benefits of diversity. This, together with the findings of this paper, will be used to target the support required to help SMEs meet skills shortages and provide mutual benefits for business, the community and the city. It is hoped that large employers within the city will contribute their experience and expertise in employment diversity to assist their SME suppliers. Case study material developed will be disseminated nationally at appropriate conferences.

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