



Barriers to Ethnic Minority Social Enterprise

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SOCIAL ENTERPRISE EAST MIDLANDS (SEEM)

Social Enterprise East Midlands (SEEM) has been created to ensure that social enterprise in the East Midlands flourishes and grows. SEEM brings together, for the first time, the key stakeholders in the region's social enterprise sector with a collective mission 'to create an environment in the East Midlands where social enterprise is encouraged to develop and enabled to grow.'

SEEM was established in April 2002 following research commissioned by the East Midlands Development Agency, which concluded that social enterprises are a key player in reducing social exclusion and promoting the regeneration of disadvantaged and declining areas.

SEEM has catalytic, policy, lobbying, networking and mainstreaming responsibilities. Their future strength will be realised through these different functions and forms. At the same time as being a regional unit, SEEM provides a framework through which existing social enterprise support agencies and trade associations can unite.

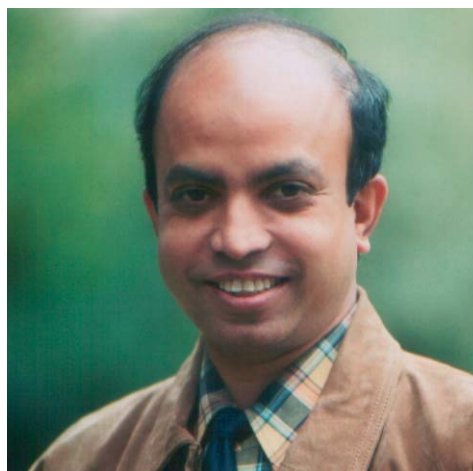
SEEM will act as a 'department store' for social enterprises, providing them access to a wide range of services, some managed by SEEM but most delivered by our partners.

SEEM has identified 3 key areas for action:

- **Creating an enabling environment and entrepreneurial culture:** influencing and shaping policy, developing training programmes and creating markets for social enterprises,
- **Supporting social enterprises to become better businesses:** developing business support services, producing tools to assist organisations to harness their trading potential,
- **Establishing the value of social enterprise:** developing social audit measures, raising awareness of the sector, demonstrating the added value of social enterprises.

SEEM also seek to address the problems that social enterprises have in accessing finance to support their start up and growth. SEEM manages the Social Enterprise Development Fund to provide grants for new and developing social enterprises and we are also a partner in the East Midlands Community Loan Fund.

For more information on SEEM visit our web site at www.seem.uk.net



LEICESTER & COUNTY CO-OPERATIVE DEVELOPMENT AGENCY (LCCDA)

LCCDA is a long established Social Enterprise development agency that provides advice, counselling, training and support to emerging and established social enterprises. CDA also provides training in business planning, financial management, bookkeeping, marketing & promotion, ICT, office administration, team building and personnel management. The agency has specialist skills in tailoring legal structures for all forms of social enterprises. The CDA provides ongoing support to enterprises after start-up, subject to resources. This can range from issues such as preparation of accounts and tax returns, business expansion, personnel management and marketing.

The CDA has become a "trusted intermediary" for many people by working through the faith and community networks.

The CDA's Revolving Loan Fund helps fund start-up or expansion where access to commercial loans may be difficult to achieve.



LCCDA staff.

Introduction

The East Midlands is the vibrant heart of England and home to 4.17 million people from many cultures and communities, which is one of the region's key strengths. The region, currently 35th on the European list of best places to live and work, is on a mission to achieve a top 20 placing by 2010. One certainty is that social enterprises and businesses run by people from ethnic minority communities will play a vital part in the region's future development plans.



Tawakal garage.

Social enterprises and businesses owned by people from the varied ethnic minority communities in the East Midlands both play a significant role in the region's economy, contributing millions of pounds to economic output and employing thousands of people. Significantly the last few years have seen an increase in social enterprises that are led by ethnic minorities, these businesses are termed as Ethnic Minority Social Enterprises or EMSE.

The importance of EMSE

A Bank of England report calculated that 9% of start-ups in 1997 came from the Black Minority Ethnic (BME) sector and that BME represent a 5% share of the total business population. Other research indicates that BMEs represent almost 7% of the total business stock in the UK, which is likely to increase over time since the UK ethnic minority population is expected to almost double over the next 25 years. The birth rate of the indigenous population has been steadily falling and has not been at a sustainable level since 1966. This fall in birth rate, combined with the growth in the elderly population has left a labour gap, which has essentially been filled by people from the ethnic minority communities. 240,000 ethnic minority people live in the East Midlands; this is 5.6% of the total population of the region. Many business developments and innovations have come from these communities and will no doubt continue to do so. A factor of recent years has been that increasingly people

from ethnic minority communities chose to achieve their business objectives via social enterprises. Creating their own employment is often the only option for many ethnic minority people, especially first generation residents who find that they lack the relevant education, qualifications or experience to enter the job market. Self-employment within their own communities is often the only choice. However, self-employment can be lonely and is a particularly difficult option for people from disadvantaged or excluded groups, hence the tendency to work with other members of the local community to develop and run socially controlled enterprises. Many countries have traditionally co-operative ways of working and immigrants from these countries often bring these ways of working with them and are thus more likely to establish social enterprises. Examples are the Jamaican communities who introduced Credit Unions to England and Somalis who have transplanted their highly co-operative forms of working to the UK.

Social enterprises create ways for local people to take ownership of their future by being actively involved in designing and implementing solutions to fit their own, or the needs of their community. This is of importance for all sectors of the population, but perhaps more so for people from minority ethnic groups who are more likely to be disenfranchised and excluded from the labour and education markets. Social enterprise allows these communities to reduce socio-economic exclusion and increase wealth creation, whilst providing appropriate local and public services.

Social enterprises allow ethnic minority communities to break free of the low productivity, low pay, low skills cycle which disproportionately affects these groups and in doing so are directly contributing to the aims of the region's economic plan by providing jobs in dynamic, better paid growth areas. Ethnic minorities in social enterprises are able to take control of their work and build better working conditions with improved training and development opportunities and these effects radiate outwards within the ethnic minority communities and the community as a whole. Also social enterprises attract the 'hard to reach' communities who might otherwise be excluded from traditional business services.

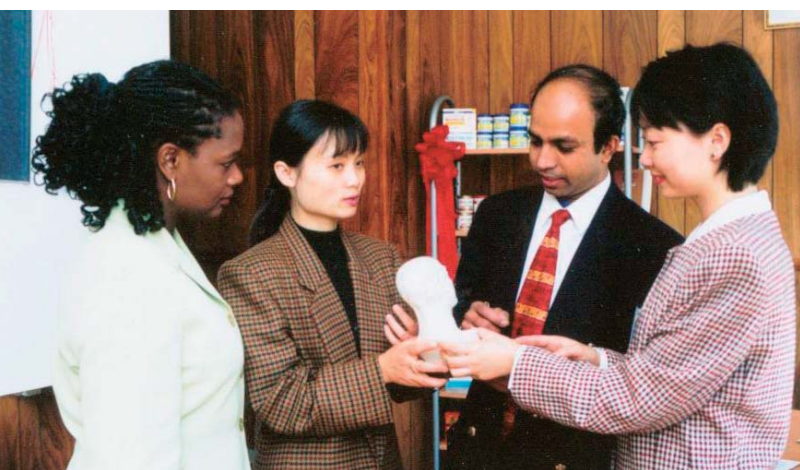


Joseph Essentials.

EMSE are involved in a range of growth businesses including:

- house building
- childcare
- eldercare
- training, including ICT training
- supplementary schools – meeting needs that are not fulfilled in the general educational system
- advice services including solicitors and counsellors
- community development services including resource and business centres
- environment and employment services
- hospitality and catering
- healthcare especially complementary therapies

For many years, groups of people, from across all communities have worked and campaigned to improve local services, their environment, and their living conditions. Community action and an enterprising culture are essential for a healthy society (DTI 2003). The Government's aim is to widen the enterprise culture in the UK, so that everyone, regardless of their background or circumstances, has the chance to go as far as their talents will take them. The Government has identified social enterprise and community groups as key providers of public services. Their intended role became clear in September 2002 with the announcement of the results of a crosscutting review of relations between Government and the voluntary sector (Gosling 2002). Social enterprises provide a mechanism for bringing excluded groups into the labour market, raising skill levels and increasing the chance for future employability (Hewitt 2002). The purpose of the research is to explore the main contributions that social enterprise can bring to overall economy of the UK and the key factors that act as barriers to ethnic minority social enterprises.



Acuherb Good Health Centre.

Objective of the Research

In the absence of an agreed definition of EMSE and the lack of comprehensive registers of EMSE the research faced an initial challenge to identify and locate EMSEs in the East Midlands. However, the purpose of the research was to develop a meaningful definition of EMSE through literature review of Black and Minority Enterprise (BME), social enterprise, and consulting different stakeholders of the third sector economy in the East Midlands. The research adopted case study and a questionnaire survey approach to explore the barriers faced by EMSEs. The research also investigated whether the outcome of the research is determined by the combination and counter-effect of a wide range of factors that cannot necessarily be captured in large-scale studies.

The research covered a number of broad aims and objectives:

- To create a definition of EMSE and the issues relating to start-up, growth and the survival rate of EMSE.
- To consider the scope and contribution of EMSE to the local economy, particularly to ethnic minority people.
- To identify the characteristics of EMSE.
- To explore the support and services available to promote social enterprises, particularly EMSE in East Midlands.
- To increase the knowledge base for future research.

This research presents the findings arising from an investigation of the literature on BMEs, social enterprises and its subsequent examination by key stakeholders.

Scope of the research

Since the study is the first research on this subject, this particular research is based solely on results from the first round baseline survey. As a consequence, the findings presented should not be considered as conclusions from the study as a whole. The main purpose of the research was to provide baseline information of EMSE in terms of their size, sector, barriers and contribution.

Executive Summary

Definition of Social Enterprise

A social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for the purpose in the business or in the community, rather than being driven by the need to maximize profit for

shareholders and owners (DTI 2002). The Small Business Service (SBS) defined social enterprise as *“competitive businesses, owned and trading for social purpose. They seek to succeed as businesses by establishing a market share and making profit”*. Social enterprises combine the need to be successful businesses with social aims. They emphasise the long-term benefits for employees, consumers and the community” (SBS 2003). SEEM defines social enterprise as, *“an organisation, which is involved in enterprising activities for social aims with social ownership and democratic principles at its core”*. SEEM believes the combination of enterprise with social aims and ownership makes social enterprise distinct from charity, commercial and government sectors although it has principles in common with each. OECD has defined social enterprise as *“any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment”* (OECD, 1999, p.10). Leicester CDA defines social enterprise as, *“a viable trading concern with social objectives, and adopting some form of social ownership, control and participation”*.

Definition of EMSE

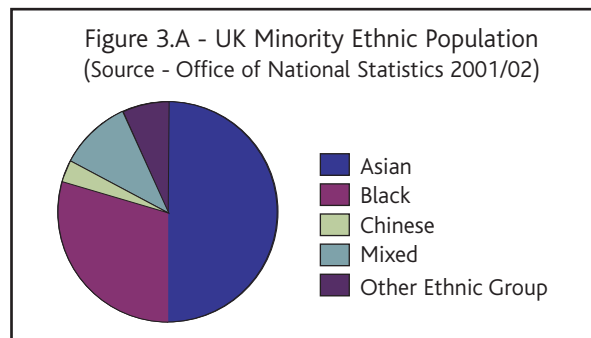
EMSE is an enterprise with social ownership (of which 50% or more belongs to ethnic minority people), democratically controlled and whose surplus is reinvested for the community.

Ethnic Minority Mix

The size of the ethnic minority population in the UK is 4.6 million, which represents 7.9% of the total population of the UK (Census 2001). Indians are the largest ethnic minority group, followed by Pakistanis, mixed ethnic backgrounds, Black Caribbean, Black African and Bangladeshis. The remaining ethnic minority groups each account for less than 0.5%, but together account for a further 1.4% of the UK population. In England ethnic minorities make up 9% of the total population, compared with only 2% in both Scotland and Wales and less than 1% in Northern Ireland.

The ethnic minority population is concentrated in the large urban centres. Nearly half (45%) of the total of ethnic minority people live in the London region, where they comprise 29% of all residents. In Leicester they represent 36.14% of the total population and in the East Midlands 5.6% as a whole.

78% of Black African and 61% of Black Caribbean live in London. More than half of Bangladeshis (54%) live in London, followed by Birmingham, Leicester and Manchester. Other ethnic minority groups are more dispersed.



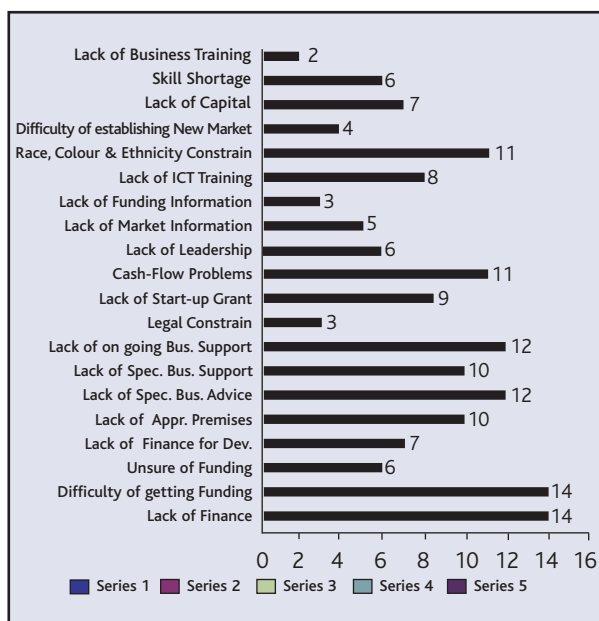
Key Findings

The key findings of EMSE research are as follows:

- No reliable data of EMSE was available.
- No clear definition of EMSE was available.
- Due to the lack of reliable data and a clear definition of EMSE, the size, scope and contribution of EMSE was not available.
- The majority of EMSEs in East Midlands are situated in Leicester. Other areas are Derby, Nottingham, Mansfield and Northampton.
- The majority of EMSEs are based in inner cities.
- The majority of the respondents claimed they were unaware of the Local Strategic Partnership (LSP), SEEM, MEEM and Business Link’s role in supporting social enterprises.
- The main purpose (activities) of EMSEs are housing, childcare, training, supplementary schools, advice, community development, environment and employment.
- 58% of EMSEs had income below £20,000.
- 68% of EMSEs expect to increase their income during next year. However, 21% of EMSEs do not know what will happen next year. 5% predict a reduction of their finances in the next year.
- 47% believes that EMSE will create further jobs for the community.
- The main barriers identified were lack of funding or difficulty of access to funding (74%), lack of adequate specialized business support (63%), lack of skills & training (42%), lack of on-going support (63%) and lack of premises (53%).
- 58% of EMSEs believe their race and colour, and lack of understanding of cultural issues from business advice centres, local authorities, funding agencies, banks etc. were major barriers to EMSE development. 47% believe that Setting-up grants and on going support are very important for the start-up, survival and growth of EMSE.



Common barriers to EMSEs



Key Recommendations

The research recommends the following proposals for consideration for the development of EMSEs:

- There is a need to have a clear definition of Social Enterprise including Ethnic Minority Social Enterprise. The DTI's definition differs from that used by Social Enterprise East Midlands (SEEM) and Leicester CDA. Business Link follows the DTI's definition. Definition is important because it has an impact on identifying social enterprises, and on setting targets and priorities.
- Establish EMSE Partnership Groups for each county, taking representatives from Business Link, Regional Development Agency, Local Strategic Partnership, Learning & Skills Council, Local Authorities and Social Enterprise Development Agencies who should work as partners, to develop EMSE in the region.
- The Regional Development Agency (RDA) should play a lead role to make sure all the support organisations play their part in supporting social enterprise; especially when they have regulatory power over Business Link, Strategic Partnership and other regeneration programmes.
- Business Links need to strengthen their networks with ethnic minority communities at a local level. They should set aside specific funds to support social enterprise in their area. Business Link Devon has operated in this way for some time and other Business Links may wish to follow their example. Business Links should also undertake initiatives, such as secondment of staff to social enterprise agencies. Sub-contracting social enterprise business support responsibility to the specialist social enterprise organisations would ensure that assistance benefits these hard to reach groups directly.

- Business support agencies should act as a "trusted intermediary" for disadvantaged communities through the faith and community networks.
- Establish "Social Enterprise Centres", in different areas, especially those areas where there is a high concentration of ethnic minority communities. These centres can act as a resource centre for EMSE, regenerate areas, create employment and provide premises and workspace to EMSEs.
- Provide start-up grants to new EMSEs in disadvantaged areas.
- Recruitment of Social Enterprise Advisers from different ethnic backgrounds who are able to understand race, colour, culture and other issues pertinent to ethnic minority people.
- Provide "on going" business advice and support to Social Enterprises, particularly to EMSE.
- Provide training grants to improve business management and financial management skills.
- Community Development Loan Fund should be more flexible. A separate Community Development Loan Fund should be setup which is not be based on interest, so that the fund can address the needs of the large Muslim populations in the UK who are prohibited from paying interest or gaining from interest.
- Conduct EMSE mapping exercise to ascertain the exact size and contribution of EMSEs in East Midlands.
- EMSE adopt best practices, such as skills audit, social audit, Investors in People etc.

Recommendation for Future Research

Improved qualitative and quantitative data are required across the region in order to better understand the effects of the barriers to EMSE development. The research only provides some examples of many successful ethnic minority social enterprises in the East Midlands. They illustrate the range and diversity of EMSE, but there is a need for further research to buildup a comprehensive evidence base of EMSE in the region to quantify its scale and contribution. Strong and reliable evidence on the sector will allow policy makers and service providers to develop accurate assessment of the demand for finance, advice and support needs and monitor changes in the sector over time. ■

Common Themes:

This research was undertaken to complete a thesis for the Master of Studies in Community Enterprise at the Judge Institute of Management Studies, Cambridge University. Three researchers from the East Midlands, Nizam Chowdhury, Rachel Elliott and Chris Wade, all received support from East Midlands Development Agency for their research and this Research Note is part of a linked series featuring their findings. The three topics covered are Barriers to Ethnic Minority Social Enterprise, Barriers to Asset Transfer and Unlocking the Potential of Rural Social Enterprise. Some common themes emerged from the three studies and these are set out below:

Most social enterprises are currently small scale but have potential to grow. There is a considerable policy imperative at this time to increase both the scope and size of the social enterprise sector. However, there is also concern within the sector over whether or not this is desirable and over issues of capacity.

All three studies identified barriers faced by social enterprises, many of which were common, including:

- Access to finance
- Access to advice and support
- Restricted networking opportunities
- Lack of skills and difficulties in recruiting skilled staff
- Lack of appropriate premises.



Nilema Devi.



Zahira Media Solutions



Gayatri Beauty Clinic.

MASTERS OF STUDIES IN COMMUNITY ENTERPRISE JUDGE INSTITUTE OF MANAGEMENT UNIVERSITY OF CAMBRIDGE

The Masters of Studies in Community Enterprise is a two-year part-time postgraduate degree course for senior managers in community-based regeneration organisations. The course, which is the only one of its kind in the UK, has a number of aims:

- To enable senior staff in organisations involved in community enterprise, social business and community regeneration to develop leadership and management skills through participation in an intellectually rigorous and practically relevant course.
- To provide participants with a framework for critically evaluating the strategies and environments of their organisations.
- To foster a strong understanding of the community enterprise culture and its context.
- To develop an understanding of ways of achieving self-sufficiency and sustainable business practices in organisations with social aims.

For more information email:
Communityenterprise@jims.cam.ac.uk

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