

**Reaching the Parts That Other Policies Have Failed to Reach? Developing Ethnic  
Minority Business Support in the UK through Increasing Engagement with  
Minority Communities**

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One of the fundamental issues in the landscape of UK small business policy is the unevenness in the take-up of support and advice by businesses, particularly by EMBs who have tended to rely instead on self-help and informal sources of assistance . This paper seeks to contribute to the development of policy designed to reach the businesses that have traditionally been under-represented in the client base of mainstream business support agencies. The paper will present new evidence on a model of business support which builds upon the activities of existing, community-based organisations and utilises them as a vehicle to reach minority groups of business owners.

## **INTRODUCTION: BUSINESS SUPPORT FOR ETHNIC MINORITY ENTERPRISES**

This paper seeks to contribute to the development of appropriate business policy for black and minority ethnic owned small firms (BMEs). Previous research shows that the level of engagement in the support and advice infrastructure varies according to business and owner-manager characteristics (refs needed). Whilst there are a number of mainstream business support agencies in the UK, their capacity, relevance and ability to deliver to BMEs has been limited (Curran and Blackburn, 1994; Ram and Smallbone, 2002). Indeed, research suggests that the level of engagement of some ethnic minority groups is especially low and those for new immigrants is particularly weak (see Odamtten and Blackburn, 2004). A bottom-up approach, embedded in the existing activities of community groups may contribute to the development of enterprise support to different ethnic minority groups.

Pockets of good practice have been identified by previous research (see Ram and Smallbone, 2002; SBS, 2004), although a need for greater engagement with communities that have been under-represented has also been identified. The Office of the Deputy Prime Minister (ODPM) for example, has recently emphasised the role of local strategic partnerships and within these community based personal advisers as one element of a broader strategy of combating disadvantage (ODPM, 2004).

This low take-up of mainstream support can be attributed to various factors including;

- i) Cultural and language differences (including norms, traditions and religion) between ethnic minority groups
- ii) Lack of 'trust' and confidence between ethnic minority groups and mainstream providers
- iii) BMEs lack of knowledge about what support is available and a lack of experience of engaging the support infrastructure
- iv) Absence of engagement and connectivity between business advice and other areas of advice (such as immigration advice)

One of the reasons for the apparent failure of mainstream policy to reach all types of ethnic minority business (EMB) is because of their variation and differing needs. Some EMB groups have been more successful at engaging with mainstream providers than others. There have also been some vigorous efforts to support EMBs at a local level, based on 'bottom-up' strategies of policy development and delivery which have achieved success. EMBs also operate within certain sectors and locations creating their own specific challenges.

One of the possible ways of overcoming barriers to connecting policy with BMEs is to build upon already existing organisations and relationships with minority communities. Certainly, there has been a rise in the number of community based organisations amongst BMEs, run by members from their own ethnic group, seeking to meet a range of economic and social (rather than entrepreneurship or business) needs. One estimate is that there are around 5,500 black and ethnic minority community organisations in England and Wales. Thus, although mainstream support bodies have had limited success in reaching ethnic minority based enterprises, there has been a growth in ethnic minority based *community* groups.

This research focuses on an innovative approach to developing business support for EMBs and newly arrived immigrants, based in London. The research is considered to be of major significance in the development of public policy for ethnic minority enterprise, since engagement with these bodies has been under-represented or even absent in previous policy dialogues and initiatives. (Marlow, 1992; Ram and Sparrow, 1993; Ram and Smallbone, 2001; 2003). This low level of engagement with business support services is also reflected in studies of London (Blackburn and Rutherford, 1999; Fadahunsi et al., 2000), although more recent evidence from the agencies themselves suggests that their penetration of ethnic minorities has improved.

### **Objectives and Scope of the Paper**

This paper seeks to analyse the effectiveness of engaging community based organisations as vehicles to enhance business ownership and development within these groups. This can be measured in terms of :

(i) The success, or otherwise, of the community organisations to recruit suitable community-based businesses advisers. This is relatively unexplored territory and therefore difficult to set out preconceptions. However, it may be more difficult to appoint people or indeed find people who wish to take-up such a position.

(ii) The quality of the community based business advice. In particular, to what extent is the quality of the advice provided compromised by the need to recruit from within a relatively small population who have the appropriate experience and qualifications?

(iii) That the advice and support provided is taken up by the target audience and that these experience benefits from the engagement. If the advice is taken-up, we sought to explore the types of enterprises and their support preferences. Many BMEs operate in labour-intensive sectors with low profit margins. If locally based advice is available we would expect this to be taken up but the actual nature of the support needs have not been examined prior to this research.

(iv) That this advice represents activity over and above what is provided through the mainstream. Our a priori reasoning suggests that the take-up of community-based business advice does not displace activities of the mainstream. This is based on the premise that the bulk of BMEs do not engage with the mainstream.

Further, we expect that there will be some variation in the nature and performance of this support model according to the different community based organisation. The strength of the community-based business model will obviously depend on the foundations of the community organisations themselves and their extent and depth of connectivity with their own community base. We will draw upon the case study material to illustrate any variation and explain the reasons for this variation.

One of the issues surrounding community based research is it becoming ‘ghettoised’, that is imploding within the locality and particular immigrant group to which it operates....(David you mentioned 1980s projects ?). The paper will also provide evidence on the ability or otherwise of these model of business support delivery to engage with complementary business advice networks outside that of the immediate community.

### **Methodological Considerations**

This paper draws on engagement with an European Union funded project REFLEX (Regenerating Enterprise through Local Economic Exchange). The project sought to harness the embedded networking and cultural capacity of 10 community organisations in London and utilise them as a vehicle for the delivery of enterprise support to business owner-managers within these ethnic minority groups. All the community organisations are located in areas of multiple deprivation and within the top 10 per cent of the most deprived wards in the country. The approach builds on the inherent strengths of these organisations, including communication, trust and cultural embeddedness within their respective ethnic minority, gender or religious groups. However, because of the relative uniqueness of this approach, there is little evidence on how this model of reaching business owners operates in practice.

The research was embedded into REFLEX from the inception of the project which lasted for three years. There were four phases of the project: a literature review of the support needs of black and minority owned businesses; an overview of the community organisations involved in REFLEX (Blackburn and Odamtten, 2003); and a case study analysis of four of the 10 community organisations involved in REFLEX, examining the variety of ways in which the project has been rolled out into different organisation and cultural settings (Blackburn and Odamtten, 2004) and finally, an analysis of those who have received business advice and information from the community organisations (Blackburn et al., 2005). We draw upon evidence from all phases of the project but especially the latter phase and would like to explain some of the methodological issues inherent to a project of this kind. It was important that the people interviewed in the final phase of the research 'represented' the variety of businesses receiving advice and support. This included variations in business sector, size of enterprise and stage of development. The preliminary stage of the research, therefore, involved detailed liaison with the community based business advisers on how effectively engage with the target business beneficiaries (Table 1).

Insert Table 1 here

The process of interviewing businesses began with each community based business adviser providing the names and addresses of up to five individuals who had received advice from their RELEX activity together with an outline of the type of advice and training provided. Nine community organisations were involved in the final phase of the project, so this provided a 'bank' of 45 contacts from which 30 were selected for interview. The main criteria for final selection in the survey included type of advice, stage of development, business sector and size of enterprise. The community organisations' business advisers then informed those owner-managers who were to be approached by the research team, to seek their permission and brief them on the objectives of the research. This also acted as means of providing an important introduction to the business by an 'external' body.

Those individuals that were targeted for interview were then sent a letter by the SBRC to introduce them to the research and prime them for interview. All were assured of confidentiality to enable a free-flow of discussion and where necessary allow the respondent to air their views on community based business advice. Concerns regarding selection bias were discussed by the team and respondents were assured that constructive criticism as well as the benefits of community based business support was welcomed.

Where possible, interviews were conducted face-to-face, but in three cases these were conducted over the telephone. In the event, 33 people were interviewed from nine community organisations.

We accept that the numerical base of the study is small but this must be set against the extensive information collected on how REFLEX has operated from the community organisations themselves, as well as the difficulties of accessing businesses which otherwise have shown resistance to receiving advice, let alone research.

Obviously, where the research is embedded in the project development, there is a potential risk in becoming captured by the overall project objectives and becoming more of an advocate of the project rather than an analyst. The philosophy behind this research was to provide feedback as an when possible, but researchers were conscious of their research role and need to strike a balance between providing feedback to the project team whilst at the same retaining a critical perspective on the development of the project.

## RESULTS

On the surface, REFLEX appears to have been a success. To date an estimated 1200 individuals have received advice and training through the community organisations involved in the REFLEX project. This number however, masks the type of advice delivered, the nature of the businesses receiving the advice, its effects and the sustainability of this model.

One of the conventional stereotypes of ethnic minority owned businesses is that they tend to be in labour intensive, low profit margin sectors (Curran and Blackburn, 1993). Some of the businesses interviewed confirmed this stereotype whilst others were involved in higher value added activities including education and the arts. Table 2 shows the spread of businesses by broad industrial sector. Restaurants, cafes and ‘take-aways’ are the most popular form of business activity followed by retail outlets.

Insert Table 2 here

<b>Table 2</b>		
<b>Nature of Business Activity</b>		
	Frequency	Per Cent
Restaurants and Takeaway	10	30.3
Education and Arts	8	24.2
Retail and Wholesale	6	18.2
Clothing Manufacturing, Alternations	3	9.1
Cleaning Services	3	9.1
Business and Financial Services	2	6.1
Building and Central Heating	1	3.0
Total	33	100.0

These businesses were also young. Only five businesses had started before 2000 and nine had started in 2004. This may be a reflection of the dynamism of the BME start-up market but it may also be a result of the development of the new or enhanced advisory service spawned by REFLEX. On the other hand, the results suggest that older, established enterprises tend *not* to be using the service provided by REFLEX. This is not

surprising given that the constituency of the REFLEX project and the community organisations themselves tend to be focused on newcomers to the labour market, job-seekers and those looking to change their labour market position rather than already successful business owners.

Insert Table 3

<b>Table 3</b>		
<b>Financial Turnover of Business</b>		
	Frequency	Per Cent
Up to £20,000	5	15.2
£20,000 - £49,999	7	21.2
£50,000 - £100,000	9	27.3
£100,000 +	3	9.1
Not Yet Trading	3	9.1
Total	27	81.8
No Answer	3	18.2
Total	33	100.0

The financial turnover of the businesses receiving support tended to be micro-enterprises rather than medium sized-enterprises (Table 3). The businesses also varied in terms of their employment but if official definitions are applied, the bulk would be considered to be *micro-enterprises* rather than small businesses. Overall, those that were already trading employed 94 people. Three businesses employed 10 people, whilst 5 were self-employed.

### **Discussion of Research Issues**

*(i) The success, or otherwise, of the community organisations to recruit suitable community-based businesses advisers. This is relatively unexplored territory and therefore difficult to set out preconceptions. However, it may be more difficult to appoint people or indeed find people who wish to take-up such a position.*

Finding appropriately qualified business advisers did prove to be a challenge for the REFLEX project. Ten business advisers were recruited under the auspices of REFLEX by the project leaders together with key staff in each of the community based organisations. However, some of these had no prior business experience and included for example, a qualified veterinarian, a part-time masters student, a social worker etc etc.....Two of the incumbents left the post within the first six months of the project causing a gap in provision for a short period of time. However, the REFLEX project had a built in business-adviser training programme, provided by the Islington Training Network and Islington Enterprise Agency. These agencies provided continuity in identifying the training needs of the business advisers as well as helping them raise their own capacity. With time, the role of the community base business adviser became clearer and indeed developed much stronger in some areas than in others.

For example, business advisers developed their own group – the Association of Community Based Business Advice (ACBBA), with the stated objectives to:

1. build on the capacity of community organisations to contribute to the creation of wealth by members of their own communities through the provision of business advice and enterprise support.
2. provide a two-way communication channel between business at a community level and business support agencies.
3. provide an effective platform for VCS to contribute to the formulation of policy and programmes for the delivery of Enterprise support in deprived communities and to enable those who are unemployed to move into self-employment and enterprise development.
4. support the work of Community Organisations engaged in delivering support to businesses at a community level through the effective development of support structures and “tools for the job”
5. continuously enhance the effectiveness of Community Organisations to deliver business support
6. enable community organisations to provide a vehicle for the contracting of the services by mainstream of Community Organisations to deliver business support in deprived communities
7. develop quality standards appropriate for the development of enterprise support at a community level
8. provide inspiration and support to its member organisations to ensure that their business support services are of the highest quality.
9. build successful working relationship with mainstream business support agencies
10. undertake research to ensure that opportunities for people who are currently disadvantaged in the labour market are continuously developed in a manner that is appropriate to different cultures and backgrounds and effective for business development.

This organisation has been successful in that it has secured subsequent funding from....

The results therefore show that an emphasis on coming from within the ethnic minority group is more important than having prior formal business experience or advice training. In some sense, this is understandable: whilst becoming a business adviser can be ‘learnt’, learning a culture is much more difficult, if not impossible.

*(ii) The quality of the community based business advice. In particular, to what extent is the quality of the advice provided compromised by the need to recruit from within a relatively small population who have the appropriate experience and qualifications?*

The business advisers varied in terms of their prior experience and this inevitably affected the quality of the advice available. However, all the business advisers have become members of the UK Institute of Business Advisers and undertook formal training to Small Firms Advisory Development Institute (SFEDI) standards. Thus although starting from a low experience base, these business advisers have developed over the period of their engagement in the REFLEX project.

Data from the survey of businesses receiving advice confirms a high level of satisfaction with their engagement with the community based business adviser (Table 4) although this is based on a low number of respondents.

<b>Table 4</b>		
<b>How Would You Rate the Quality of Advice Received?</b>		
	Frequency	Per Cent
Excellent	3	23.1
Good	6	46.2
Average	2	15.4

Below Average	2	15.4
Total	13	100.0

Users of external non-community based advice were asked to rate the quality of advice received. The results show *mixed levels of satisfaction* which offers an interesting comparison with that from the advice received from the community organisation based sources. Obviously, the low numbers in this survey mean that the results must be treated with caution. However, if we also look at the results of how this compares directly with advice received from the community organisations, a more balance view about the relative quality can be seen (Table 5).

<b>Table 5</b>		
<b>How Does the Business Advice Compare with the Advice from the Community Organisation?</b>		
	Frequency	Per Cent
Better	6	50
About the Same	2	16.7
Worse	4	33.3
Total	12	100.0

*(iii) That the advice and support provided is taken up by the target audience and that these experience benefits from the engagement. If the advice is taken-up, we sought to explore the types of enterprises and their support preferences. Many BMEs operate in labour-intensive sectors with low profit margins. If locally based advice is available we would expect this to be taken up but the actual nature of the support needs have not been examined prior to this research.*

One of the key problems in delivering business advice to BMEs is actually conveying the message to owner managers that a support infrastructure exists. Hence, a key *raison d'être* of REFLEX was the advantage of gaining access to difficult to reach groups through building on existing personal linkages. The results infer that this thinking is relevant. Almost one third (30.3%) of the beneficiaries first heard about the community based business advice function through promotional materials and events (Table 6). This is followed by 'word of mouth' recommendations and by the individual's own personal contact with the organisation. It appears that informal methods dominate the process of communication to those in their community. This should not however detract from the use of printed materials. A range of materials have been translated into different languages for those seeking advice on how to start and run a business and these have been shown to be very popular.

<b>Table 6</b>		
<b>How Did You Hear About the Business Advice Service?</b>		
	Frequency	Per Cent
Word of Mouth	9	27.3
Promotional Materials/Events	10	30.3
Personal Contact from Organisation	6	18.2



Church/Regular Meetings	3	9.1
Other	5	15.2
Total	33	100.0

*(iv) That this advice represents activity over and above what is provided through the mainstream. Our a priori reasoning suggests that the take-up of community-based business advice does not displace activities of the mainstream. This is based on the premise that the bulk of BMEs do not engage with the mainstream.*

Formally, REFLEX had as a partner Business Link for London, the principal delivery agent for government sources business support in the UK. Unfortunately, this aspect of the project did not take-off during its functioning, much to the exasperation of some of the key partners in the project. Questions were asked about the ‘empty chair’ which should have been filled by Business Link at the partner project meetings. A key problem here was conveying to Business Link that REFLEX would help the agency meet their objectives. In time, the absence of a Business Link representative became the norm and it was clear that REFLEX would have to function without this role. Indeed, business adviser representatives became increasingly sceptical about the role Business Link could play anyway. Many were sceptical about the Business Link approach to business advice delivery particularly the ‘top down’ ‘formulaic’ and ‘target driven’ culture dominant in mainstream business support.

However, in addition to REFLEX supported community based advice, these business owners were also able to access other sources of private and public sector business advice and support (Table 7). More than half (51.5%) of the beneficiaries had not received advice from any other provider outside of the community organisation. This is not surprising since the businesses were drawn from a pool of those who had sought community based advice rather than mainstream sources. Of those 16 business owners that did seek ‘outside’ advice, seven had been to their bank (21.2%), five to Business Link (15.2%), two to the Chamber of Commerce (6.1%) and seven to a variety of other organisations. Four of those 16 who sought outside advice paid for the services.

<b>Table 7</b>		
<b>Other Business Organisations Received Advice from in the Last 12 Months (n=17, multiple response)</b>		
	Frequency	Per Cent
Business Link	5	23.8
Bank	7	33.3
Chamber of Commerce	2	9.5
Other	7	33.3
Total	21	100.0

There were various reasons cited for opting to go to non-community based organisations. These tended to pivot around financial issues, such as raising finance and advice on doing so. Hence, banks, Business Link and other advice providers such as solicitors and

accountants were important. These reasons included the need to make necessary changes on existing bank accounts, the desire for professional advice and legal concerns over residential status.

What does emerge from the results is an implicit segmentation by business owners of *type* of business support and *source* of support. Non-community based advice tended to be on financial matters whilst community based advice and support was broader, including management and business development issues. The latter was obviously more suited to being rooted in the business community context, whilst the results also showed that there was also a role for mainstream sources related to finance.

These findings and emerging notions of a segmentation of support are confirmed when business owners were asked their views on the role of community based business advice and support in the wider context of business advice and support. None of the respondents regarded community based business advice and support as a replacement for that offered by other organisations. Indeed, most of the beneficiaries (60.6%) reported that the outside services were not comparable to those received through their community organisations. Indeed business owners regarded most community based support as a complement to, rather than a replacement for, the advice available from the organisations.

## **DISCUSSION**

David add your wonderful words of wisdom here!!

## **CONCLUSIONS**

The results have some implications for the model of community based business advice. First, given the variety of business support needs shown in the survey, it is important that community based organisations engage with each other and the mainstream. This will help facilitate a more comprehensive service for prospective and existing business owners. Second, the quality of the advice and support available should be continually at the top of the agenda for community based advice bodies. Quality cannot stand still and it is likely that the expectations of those businesses receiving advice will rise as they become more mature businesses. Third, whilst early stage business owners are prepared to emphasise trust, friendliness and an active engagement with their community based business advisers as they develop they will require different and in some case more specialist forms of advice and support. It is important that stronger linkages are made with mainstream bodies to ensure that the good foundations provided by the community based business adviser are built upon by other agencies.

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