

**Mapping BME Social Enterprise**  
in the East Midlands

**Condensed Report**

Making money

Making a  
difference

voice  
east midlands



# ACKNOWLEDGEMENTS

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# FOREWORD



'Making Money, Making a Difference: Mapping Black & Minority Ethnic (BME) Social Enterprise in the East Midlands' was an ambitious twelve month project. VOICE East Midlands has been working hard to formulate the first reliable and up-to-date regional information on black & minority ethnic social enterprise in the region. It gives me great pleasure to introduce the report, which is the first of its kind in this region.

Behavioural differences between mainstream and BME social sector enterprises have important implications on support needs and how they can be effectively addressed. BME social enterprises contribute to society by providing goods and services which the market or public sector is unwilling or unable to provide and by developing skills and creating employment for the socially excluded BME people. Many provide a niche focus, based on the type of product/service offered or the customer served (usually BME products/ groups). Most importantly, they face additional barriers linked to structural, cultural and religious factors and racial discrimination and ethnic stereotyping. The report highlights significant issues affecting established and aspiring BME Social Enterprise. These include a lack of financial assistance and access to funding, a lack of support securing adequate premises and business planning, and the need for skills development in management, organisational development and ICT.

The multiplicity, scarcity or absence of appropriate external support conveys it as ad hoc and lacking in focus. Few BME social enterprises had experience of or positive experiences of accessing appropriate mainstream support. This was not only due to poor levels of awareness but rather a perceived inadequacy of the support available in relation to their support needs. Support on offer fails to understand the role and ethos of BME social enterprises or recognise the need for distinct culturally sensitive support. External support is often accessed through co-ethnic informal sources, especially during start-up in the early stages. The support strategy for BME social enterprise needs to ensure that arrangements reflect a diverse population and actively engaging BME groups. Support must recognise the distinct nature of BME Social Enterprise, the role of the local dimension and ensure cultural awareness and understanding. There was a consensus among key informants concerning the need for professional customised support involving those both experienced in providing support for BME communities and familiar with the needs of the sector as a whole or the sub-types that comprise it.

The understanding of how best to tailor and deliver support to the sizeable, vibrant and thriving BME Social Enterprise sector in the region is still at an early stage. Voice East Midlands aims to facilitate and enhance the support environment for the BME community; to address and implement the recommendations made in this report. I hope that you find the report of interest and thank you for your interest in the work of VOICE East Midlands. I would like to take the opportunity to thank all the organisations, sponsors and key informants who supported the research process. I cannot stress enough the need for the key partners and stakeholders delivering social enterprise support in the region, to engage with Voice East Midlands and BME Social Enterprises to address the recommendations expressed in this report.

Len Shillingford  
Chairperson  
Voice East Midlands

# EXECUTIVE SUMMARY

Social enterprises are not defined by legal status but by their nature. Social mission is embedded in business within its structure, governance and how profits are generated. Trading activities are used, thus organisations adopt models best reflecting their core values and purposes. The report adopts the following definition to describe BME Social Enterprise (BMESE):

*“Black and Minority Ethnic Social Enterprises (BMESE) are organisations that trade in the market to primarily fulfil social objectives. Surpluses are principally reinvested for that purpose into the business or community, with social ownership primarily belonging to the BME community”*

Three common characteristics (enterprise orientation, social aims and social ownership) compose the definition, with research targeting both established and aspiring BMESE within the region. Aspiring BMESE refer to those working to become more like established social enterprises; for whom a challenge is to identify and maintain social elements reflecting their core values whilst trying to raise traded income. BMESE do not share the same growth and profit maximisation goals as all small enterprises. They are micro enterprises and operate in deprived areas and niche markets, with higher costs and fewer opportunities for economies of scale. The large number of existing BMESE in the region make up a small part of the potential demand for social enterprise support services. They face additional barriers due to cultural and structural factors, racial discrimination and ethnic stereotyping. The role of social enterprise is particularly significant in developing local economies and improving service delivery in BME groups; as economic and social issues (unemployment and social exclusion) disproportionately affect them. Links must be developed to ensure support is available for BMESE, by understanding their needs to develop pragmatic and tailored solutions to overcome them.

The East Midlands is large and diverse, with a population of just under 4.2m people and a settlement structure based on the major cities of Nottingham, Derby and Leicester, forming a ‘triangle’. Approximately 5% of the regional population are from BME groups and are often concentrated in the deprived urban centres of the ‘triangle’. Information concerning the ethnic diversity within BME enterprise, especially at regional and local level, is underdeveloped. Regionally there exist approximately 36,000 Voluntary and Community Organisations, of which about a fifth belong to the BME sector.

Impressive BME entrepreneurship rates ignore the need to address such entrepreneurship as an alternative to their limited labour opportunities. The SEU (Social Exclusion Unit) suggests there are more than 5,000 social enterprises in the UK, earning at least half of their gross income from trading activities and the DTI suggests the existence of approximately 200-250 social enterprises in the region, with little reference to the BME proportion of this figure.

## What value and contribution do BMESE make?

- Promote autonomy, independence and confidence in marginalised BME groups, whilst accessing hard to reach groups and providing significant local goods and services that matter, which other markets and agencies fail to reach.

- Provide jobs for BME people and other individuals disproportionately affected by labour market exclusion, discrimination and disadvantage.
- Play a crucial role in rebuilding and creating economic activities relevant to local BME community needs and provide much needed neighbourhood renewal and regeneration.
- Contribute to the East Midlands economic plan and break the vicious cycle of low skills, low pay and low economic activity.
- Provide informal support for the economically vulnerable and provide de facto apprenticeship schemes for future entrepreneurs. These social contributions are usually made without official support, financial or otherwise.

## What characterises BMESE and BME enterprise?

- The specific culture that a BME individual comes from affects their ability to access available advice and support-often insensitive to cultural background, language and religious barriers.
- BMESE are often situated within and benefit disadvantaged areas. They often target niche markets within their own communities, whilst also targeting wider markets.
- A distinctive approach to business, derived from historically deep-rooted and powerful religious and cultural traditions. These include strong entrepreneurial skills, information, and knowledge of ethnic groups, as well as their attitudes, leadership potential and capacity for solidarity. Ethnic solidarity can provide a source of mutual aid, as many BME business owners rely on their family and ethnic community to generate specific borrowing strategies (e.g. the informal ‘character loan’ and rotating credit associations). Many rely on community based savings and loan schemes that meet the needs of those facing cultural sensitivities, language difficulties, a poor knowledge of credit environments and racism.
- Operate in a manner that complements the high value this placed on community focus and control; helping to tackle socio-economic exclusion and generate much needed wealth, and local/public services.
- Most enterprises set up are not structurally sound and few establish themselves as BMESE due to the lack of proper planning and support at the initial stages (or financial reasons).

## Research Aims

- To map existing and potential BMESE-with links to current infrastructure, support agencies and key players.
- To collect baseline information and the characteristics of BMESE.
- To ascertain the views and experiences of the BMESE-including support needs, barriers, examples of good practice and opportunities for growth in the region.
- To ascertain the extent to which these needs are addressed by support providers and identify any gaps in service delivery.

## Research Outline

- *Desk top research:* A literature review to identify key issues and BMESE, using existing contacts, databases and snowballing techniques.
- *Postal survey:* Of established/ aspiring BMESE in the East Midlands. A strong database was developed whilst continually snowballing for further contacts and respecting confidentiality and data protection issues. 1,100 questionnaires were distributed, with a response rate of 3.2%.
- *Personal interviews & case studies:* Reviewing the extent of regional support provision for BMESE.
- *Research process overviewed by reference group consultation:* An editorial body, providing on-going feedback and commenting upon the research process and hereby providing an inclusive and transparent approach to the project.
- *Focus groups:* To test previous findings and test potential recommendations.

## Findings

- Enterprising culture, very small in size, with low capacity and resource issues.
- Desire to move away from grant dependence, labour market discrimination and towards personal independence.
- Often based in inner cities, they have a strong local BME customer focus based on loyalty and flexible relations.
- Usually Companies Limited by Guarantee, 'stand alone' and member based.
- All BME organisations questioned receive at least a third of their annual gross income from grant funding. Established BMESE rely on contracts/ letting; with aspiring BMESE rely on grants and donations.
- Main social aims involve education and skills training. Additional social aims were linked to supporting disadvantaged groups and BME related interests.
- Main trading activities entail education and community development. Additional trading activities are linked to training/ advice.
- Established BMESE have high number of full time paid workers. Aspiring BMESE show strong levels of part time volunteers.
- Strong aspirations to expand trading activities relate paradoxically with the intense efforts made to secure funding. BMESE gain real encouragement and strength from networking with each other and sharing experience.
- Barriers for BMESE revolve around cultural issues such as language, gender, religious restrictions and a lack of relevant support and understanding of BMESE issues. Poor grant funding and access to finance and support, specialist support and qualified/ trained staff are serious barriers.
- Barriers for staff training involve shortages of time, money and appropriate training to BME cultural and structural needs. Gaps exist in business planning, management accounting and financial applications.

- Low levels of business planning and social auditing means that BMESE fail to consider projects as social enterprises assuming they understand the concept, which is rare!
- Local support is sought via informal networks (in-house, councils or sponsors).
- A lack of advisors with real understanding of social enterprise means they fail to recognise potential social enterprise opportunities and are then unable to lead them to the relevant support agencies best situated to support them. The few BMESE that had some awareness of 'social enterprise' refer to notions of charity and social benefit rather than business angles. Many fail to recognise business aspects or plan and prepare along recognised business lines, which affects their sustainability and viability.
- Many are unaware of relevant support. Where support has an understanding of social enterprise, BME groups are either unaware of it or that it ill addressed their cultural or language needs. Provision is patchy, uneven and usually dependant upon resources. Generic packages lack the skills to tackle beyond this due to poor experience with and information regarding BMESE.
- Priority support needs involve direct financial assistance, securing appropriate premises and business planning.
- The main opportunities ascribed to future growth of BMESEs include BME specialist support, improved mainstream support, increased BME engagement at a local level, more awareness raising activities and more skills and development training for BMESE. Staff and management training and the development of business skills, ICT and quality systems were also highlighted.
- Stakeholders emphasise a need for more connected support and effective signposting. If built on mutual trust and understanding, this can lead to effective collaboration, skills sharing and partnership work.
- Support must be BMESE specific, via those with strong interpersonal relationships and empathy with BME groups, and to provide intensive and confidence building assistance.

## Regional Support Structures

Few BME social enterprises had used 'mainstream' business support agencies, partly because of their origins and because conventional routes were not useful. There is call for innovation in developing diverse means of delivering support. The needs of BMESE are usually seen as generic, except for barriers formed by issues of access and language. Specialist support is not offered and the level of experience of working with BMESE is poor and patchy. Existing organisations supporting (BME) social enterprise focus support around business planning, business management advice, capacity building and to varying degrees, signposting to sources of financial support/ provision of financial support, training and support for networking of social enterprises. BME specific voluntary sector support groups provide an additional level of expertise and resource to existing social enterprise support organisations that can assist in addressing issues of capacity and training for BME groups. BMESE have different support needs from their White counterparts due to size, sector, language, religion, cultural issues, gender specific aspects-which all affect the manner in which support is delivered.

### Available support tends to be inadequate in the following ways:

- Not intensive enough and the time too short, with services targeted towards start-up and small organisations. 'Volume services' are most likely to be provided (advice and information is the most frequently provided service) and business planning and training skills feature prominently. Intensive services (mentoring, one-to-one and welfare rights advice) are unlikely to be available; with peer group and networking services provided through the voluntary sector. Few provide support for volunteer development, advice on personnel, property and recruitment advice. Advice on funding provision is important to BMESE regardless of their development stage. There is a need to consider better targeted and customised support mechanisms aimed at BMESE.
- Support is not geared towards social enterprise, so cannot adequately advise on issues such as appropriate legal structure, sources of funding, using volunteers; Support fails to consider the sensitivities, cultural, language, woman and family care needs of BME groups.
- Current provision is very fragmented and often located in premises with a professional rather than a community feel, creating within BME groups an uncomfortable feeling of not belonging.
- Few have a specific BME (SE) policy and are not in the process of developing one. Many do not recognise the distinct support needs of BME clients, perceiving their needs as the same as other small business (e.g. business planning and access to finance).

### Restrictions for Support Agencies

- Resources and geographic coverage constraints
- Lack of appropriate training
- Low levels of and inappropriate tools, products and services development.
- Awareness, understanding and focus on BMESE
- Poor networking

### Recommendations

BMESE can produce a host of hybrid forms and a threat to their evolution is the tendency to drive towards a single form, replicating orthodox small business and losing the essential difference between them and other enterprise. Regardless of the label, there are distinctly recognisable elements of BMESE that must be recognised and responded to effectively. The forces of disadvantage can be multiple and disadvantage is not only a product of racism (institutional or covert) but also other factors like faith, gender, geography and socio-economic status. BMESE face similar issues in development and sustainability as other social enterprises, including the importance of being able to access appropriate external support. The mixture of income streams generated by social enterprises (a combination of enterprise, grants and donations reflecting mixed interests in social, cultural, community and economic activity) result in complex issues arising when considering access to finance and long term sustainability. BMESE often work within and serve communities and individuals whose ongoing experience is of social and

economic exclusion, bringing with it a range of additional complications. With a low take up of external investment sources, BME groups represent areas of high levels of economic decline-hence by investing in BMESE, sponsors can influence long term regeneration.

These proposals were developed to assist support provision acknowledging the needs of BMESE:

- Focus on the locality and opportunities amongst aspiring BMESE
- Improve engagement and awareness strategies, whilst promoting collaboration with and between BMESE.
- Improve access to and appropriateness of financial packages.
- Promote BME entrepreneurialism and develop key BMESE growth areas.
- Address the relevance and inflexibility of support provision to BMESE.
- Develop good practice toolkits for BMESE, alongside other tailored support delivery.
- Tackle BMESE labour and staffing difficulties.
- Promote the value of and simplify social auditing.
- Encourage engagement with the private sector.
- Tackle negative perceptions and labour market discrimination.
- Acknowledge diversity and establish specialist BMESE support.

### Further Research

- Lessons must be learnt from initiatives and past research designed to promote social entrepreneurship, to learn about key issues such as succession and the difference between entrepreneurship and management requirements throughout an organisation's life-cycle. With regards to transferable learning, the occasional case study is promoted, with little or no sharp-end lessons. It is here that valuable learning about "what works" can be generated.
- Sectoral research can help describe and understand each sector and their constituent segments. It is important to research those with the greatest potential for the social economy; establish the nature of this economy's competitive advantage and identify the entry barriers. Identifying and tracking the benefits of BMESE activities can help support organisations, funders and attract new investors.
- There is immense research work already going on that is not being drawn upon. There is scope to draw in the lessons from others and to disseminate them actively in a digestible form, using the learning to improve support and training materials. Such research can support policy-makers to improve decision making processes and support development agencies in targeting interventions more effectively and social economy organisations self-help knowledge. It is important to ensure that what is disseminated is provided in a form that maximises the chance of consumption and the change that enhances benefit to the ultimate beneficiaries.



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