

## Ethnic minority-led SMEs

Small scale qualitative research  
combined with evidence from  
the wider literature

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# 1. Background

## 1.1 Research objectives

At Be the Business we recognise that to ensure the future is not only more productive, but that the social benefits are felt by everyone regardless of race, gender, sexuality, ability, class, age, or other marginalised characteristic or identity, we must become more diverse and inclusive, and support the businesses we serve to do the same.

We wanted to better understand how the business support landscape, policy changes and our own programmes can better support business leaders from an ethnic minority background. We conducted a literature review into minority owned businesses in December 2020 to inform our strategy. To build on the findings from this literature review, and to add an extra level of insight, we commissioned the independent research consultancy Community Research to conduct qualitative research focusing on some of the key areas highlighted where there are key themes and potential gaps coming out in the literature.

The research objectives for this piece of work were to:

- Explore the competitive advantages of ethnic minority-led businesses.
- Understand the barriers faced by business leaders from ethnic minority backgrounds.
- Explore the use of, and attitudes towards, business information and support, including formal and informal networks.

# 2. Research findings

## 2.1 Key characteristics of ethnic minority-led businesses

There were around 248,000 ethnic minority businesses (EMBs) in the UK over three years from 2016 to 2018, equivalent to 4.4% of the total business population. These EMBs were mostly made up of smaller firms and had a self-employed business structure (sole trader or partnership). A higher proportion were family owned compared to the wider business population and tended to be located in urban areas.

Around **185,000 (74%) of EMBs had no employees** in the three years ending 2018, which is similar to the business population as a whole (76%). EMBs contributed £25 billion Gross Value Added (GVA) in 2018, slightly lower than the corresponding share of the wider business population.

EMBs are typically found in lower value-added sectors, such as retail, hospitality and personal services. However, EMBs have started to 'break out' into higher value-added sectors such as technology, pharmaceuticals and advanced manufacturing. EMBs are also more engaged in innovation and export activity compared to the rest of the business population, although the evidence is not yet clear on why this is the case.

## 2.2 Entrepreneurship in the UK

**The Total early-stage Entrepreneurial Activity (TEA) rate is significantly higher for the Non-White population in the UK**, at 13.3%, compared to the White population at 8.1% (2017-2019). Ethnic minority respondents to the GEM survey were more likely to be potential or nascent entrepreneurs (2002-2018). However, in progressing through the enterprise journey, White entrepreneurs were more than twice as likely to have an established business (i.e. to be the 'Owner-Manager (OM) of an Established Business') compared to Black entrepreneurs (5.9% versus 2.6% of GEM survey respondents).

A quality shared by most EMB leaders in the qualitative research was an entrepreneurial spirit. Participants expressed a desire to go out alone, rather than work for others, and recognised that they were more open to taking risks.

**“My husband also had decided to set up a business the very same day. So we both left really good jobs because we're a bit romantic or stupid like that, and we were like 'this time next year we'll be millionaires'.”** Woman, HR

A number of participants talked about spotting a **‘gap in the market’**, where they felt that they would be able to meet a need. In some cases they expressed that this was directly linked to their ethnic or cultural background. For example, one marketing EMB leader identified that Muslim markets were not being targeted by consumer brands; a hospitality EMB leader saw a gap for authentic Indian cuisine in their area; and a wholesale EMB leader noticed that no one was selling toys of colour. Overall, six out of the 12 EMB leaders in the research had capitalised on their ethnic background directly or indirectly to inform the direction of their businesses.

**“I found out that there were a lot of people of colour here, but they were not selling inexpensive toys to them, the toys were very expensive which got me thinking ‘you know what? I can make money out of this’.”** Woman, Retail

**“This is an advantage because, being Chinese, you know that especially in the last 20 years, almost all the electric products are manufactured in China. So, this gives me a lot of advantage which I know that okay, this product can be done in China more cost effectively rather than Europe.”** Man, Technology

### Push vs pull factors

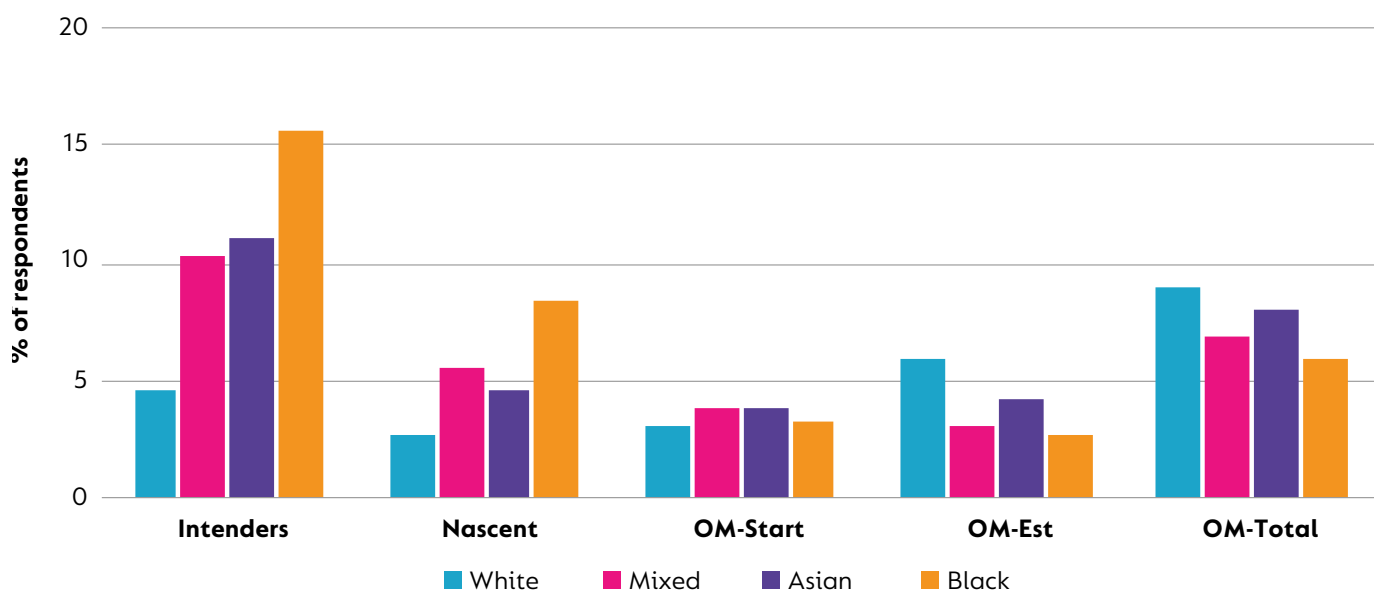
While most of the research participants expressed a desire to start their own business, for a couple of EMB leaders, an added trigger was a sense that they were not progressing as far as they hoped in a prior employee role. They questioned the extent to which their **ethnicity was potentially holding them back**. This, coupled with their desire to set out alone and/or having identified a gap in the market, was an additional driver to leave their existing ‘safe’ jobs.

**“I felt like it was largely white middle class Oxbridge graduates employing people who looked and sounded like them, and there was a lot more difficulty in ethnic minorities trying to make it within journalism.”** Man, Marketing

**“I don’t know what the reason was, I just wasn’t progressing as fast or as rapidly as I could do, and I did see people that were coming in around me moving up and I wasn’t sure whether it was to do with my ethnicity.”** Man, Events

In particular, starting a business can be a strategy to **improve labour market integration** for resident immigrants, as a way out of underemployment or unemployment.<sup>1</sup> Similarly, immigrant entrepreneurs often enter self-employment either because of a) ‘cultural’ factors i.e. common cultural elements that increase the entrepreneurial attitudes and propensities in immigrants; b) ‘structural’ forces i.e. relating to the socio-economic conditions faced by immigrants in the host country.<sup>2 3</sup>

**FIGURE 1:** Enterprise Status, 2002-18



**Source:** GEM data cited in FSB (July 2020) Unlocking Opportunity; OM refers to ‘Owner-Manager’

1 Migration Policy Institute, 2014.  
 2 ‘Structural’ forces include external factors in the host environment, such as discrimination or entry barriers on the labour market due to education and language deficits, that push immigrant entrepreneurs into self-employment.  
 3 Arrighetti et al., 2014.

Some of the business leaders we spoke to saw examples of entrepreneurship set by their friends and peers, which helped to give them the confidence to try new ventures themselves.

**“So, I did have quite a large friends group at that moment and all the time they just pushed me ‘why don’t you just... how long are you going to work filling your time, wasting your time’ and that kind of stuff.”** Man, Wholesale

**“If you’re surrounded by people that are constantly doing things, you’re going to want to do things.”** Woman, Retail

## Start-up costs & access to finance

Access to finance was highlighted in the literature as a common barrier to entrepreneurship amongst ethnic minority-led businesses.

Securing external finance including gaining access to start-up funding and insurance is often cited as the most significant barrier for both ethnic-minority and women-led businesses.<sup>4</sup> There is already a wide range of existing literature on this topic, and so this section provides a brief overview rather than going into detail on the issue.

The experience of unfavourable credit outcomes varies among entrepreneurs from different minority ethnic groups.

**“Black African firms are more than four times as likely as White firms to be denied a loan outright, Black Caribbean firms 3.5 times as likely, Bangladeshi firms 2.5 times as likely and Pakistani firms 1.5 times as likely. Indian firms had a slightly lower loan denial rate than White firms.”**<sup>5</sup>

EMBs might face more rejections because **they disproportionately face challenges which make access to finance more difficult**, including collateral shortages, poor credit worthiness (as assessed through credit-scoring), lack of formal savings, poor financial track record and language barriers.<sup>6</sup> This is supported by the SME Finance Monitor which found that EMBs have a higher risk rating and were somewhat less likely to make a profit.<sup>7</sup>

Furthermore, discouragement – where a firm needs finance but does not submit a formal application to a lender for fear of rejection – is significantly higher among EMBs.<sup>8</sup>

Other barriers to access were also identified, for example investors being unwilling to invest in ethnic minority-led businesses.

**“In our sector it’s unusual for investors, who maybe come from a White background, to invest in a Muslim start-up.”** Man, Marketing

Few of the EMB leaders we spoke with used formal channels for funding when starting up their businesses. Some had little cost outlays, particularly capital costs, because they were providing a service. Our literature review highlighted that EMBs are typically found in lower value-added sectors such as retail, hospitality and personal services.<sup>9</sup> These sectors are popular with EMBs because they make relatively modest demands on capital and expertise.<sup>10</sup>

Among those who did need funding to start their businesses (for example, to buy stock or pay for premises), some were able to borrow from friends or family, rather than secure official loans, and others relied on credit.

## 2.3 Language, community and other business strengths

In order to explore the potential competitive advantages of EMBs, research participants were asked to describe the strengths of their businesses, and then the extent to which their ethnicity had any bearing on, or relationship to, those strengths.

### The following themes emerged:

In many cases, the participant’s felt their **ethnic background helped to cement the authenticity** of the business offer, for example, the Indian EMB leader offering authentic Indian cuisine served by people from the Indian community, and the mixed-race EMB leader offering diversity training.

<sup>4</sup> ERC, 2018.

<sup>5</sup> Carter et al., 2015.

<sup>6</sup> DCLG, 2013.

<sup>7</sup> SME Finance Monitor, 2015/16.

<sup>8</sup> British Business Bank & Oliver Wyman, 2020.

<sup>9</sup> Carter et al., 2015.

<sup>10</sup> ESRC, 2015.

**“I think the fact that there is a human story behind my business and it’s not just an opportunistic approach, there’s a story to be told.”** Woman, Consultancy

Those participants with business offerings specific to their ethnic background also talked about the importance of their **community networks** in growing/maintaining their businesses, both in terms of suppliers and customers/clients, and the mutual trust that came with these.

**“The reason [the business has succeeded comes from] word of mouth. So somehow, I had to keep the trust. Not only me, even the suppliers they also keep the trust. So, this is how I think basically it’s worked through trust base only.”** Man, Wholesaler

Evidence suggests first generation migrant businesses in particular struggle to develop wider networks. Whilst the literature and the above paragraph suggests EMBs have strong family and social networks, their access to wider business networks is weaker, particularly for first generation migrant businesses.<sup>11</sup>

This is a key reason why exploration of networks is so important for EMBs. Their networks appear to be a real strength, but knowledge and use of wider, more formal business support networks appears to be lower among EMBs.

Related to this, a number of businesses also talked about **employees as a vital part of their communities**, and the importance of building and supporting strong relationships.

**“I always said to the team ‘we’re going to have open book accounting with you, so we tell you what we’re making, where we are. We already have with your performance bonuses so you know with these numbers we have the money to pay you more.’ ... We’ve had the same staff from day one, literally, no one’s left, they’re just the same people.”** Man, Events

When businesses were based in the UK but working with suppliers or clients based outside of the UK, being from a minority ethnic background could be seen as an advantage, for example when research participants were **multi-lingual**, or had a better **understanding of cultural difference**.

**“We do a lot of business with the big group that we’re working with and to have a cultural identity that also identifies when you’re working with a lot of people from India, but also with the people from Hong Kong, there is more of a trust, for me, I feel.”** Man, Manufacturing

Language barriers and lack of knowledge of culture & institutions<sup>12</sup> in the host country has been highlighted as a barrier to entrepreneurship for EMBs, but it also comes up in our qualitative research as a possible source of competitive advantage for those who have good understanding of other international markets and the UK.

Language barriers can hinder the process of developing networks and limit access to information. Minorities, especially immigrant entrepreneurs with limited language proficiency, stay within a closed community and are not aware of the mainstream support mechanisms, such as programmes, competitions, grants and activities developed to help them start their own businesses).<sup>13</sup> Furthermore, there is often limited targeting of communication around support to these groups.

Removing language barriers and building better knowledge of the UK marketplace for EMBs could therefore boost this competitive advantage.

The growing **awareness of race related issues** over the past year following the Black Lives Matters movement, had helped some participants in their businesses. This trend resulted in some direct business growth, for example, the consultancy providing diversity training, but there was also a sense that clients were trying to be proactive in terms of inclusivity, such as by asking about diversity as part of procurement processes.

**“Increasingly, we’re finding that they [clients] want to see businesses be proactive around inclusivity, diversity, social responsibility etc. In fact, some clients that we work with when we’re doing the procurement process, they have a lot of questions around our policies and what we do to ensure that we are an inclusive business.”** Man, Market Research

<sup>11</sup> European Union, 2016.

<sup>12</sup> Wishart M., Enterprise Research Centre (June 2020); SQW

<sup>13</sup> Gonul, 2018



## 2.4 Barriers to business growth

Barriers experienced by ethnic minority-led businesses are in large part very similar to the business population as a whole. However, in our research we found that these barriers can be **more severe and in some limited cases different**. Participants in our qualitative interviews were asked what the main barriers were to growing their businesses, with the following themes coming through:

- The need to focus on the day-to-day running of the business, resulting in a lack of time to focus on business growth.
- Having to manage (and learn) so many aspects of running a business beyond the core offer (for example, HR, marketing, finance etc.)
- Knowing when/having the confidence to take risks to grow (for example, investing in stock or staff)
- Cash flow issues.

In line with our literature review, research participants felt that these challenges were likely to be common to most SMEs regardless of the ethnicity of the business owner or leader and two **participants felt that their ethnicity made no difference to the success of their business** at all.

**“Have I faced any challenges [as a result of my ethnic background]? None that I can think of. It’s been a challenge every day, but I think anybody who’s in the food industry would face similar challenges.”** Man, Hospitality

For other research participants, they did feel that their ethnicity had an impact on the types of business challenges or barriers they experienced. The barriers identified in Table 1 below are a summary of the unique challenges faced by EMBs and women-led businesses (WLBs).

We captured further insight on these barriers from our research participants in particular in the area of discrimination/bias and lack of knowledge of business support provision in the UK.

### Negative perceptions/assumptions.

Some research participants felt that as a result of their ethnicity they were sometimes **treated differently within their business relationships**. This sometimes presented as a general ‘sense’ that they had. For example, one participant talked about having to make an additional effort to put people at ease (he deliberately brought a White colleague into a meeting with the bank), and another suspected that he was overlooked by clients as a result of his ethnicity.

**“Whether they choose to do business with you based on a different agenda whereas compared to someone else, you wouldn’t necessarily know that.”** Man, IT

At the more extreme end, some had experienced more overt discrimination, for example, being raided by the police for alleged undocumented workers. The story below was not a one-off experience, rather an extended period of harassment, with constant and very public checks which resulted in a negative impact on the business.

**“There were about 12 to 15 policemen with a lot of different uniformed guys and... they said it’s a fire safety check because we have new building. Then actually when they go inside there’s not only fire safety, there is immigration officers, there is police and there’s, I think, HMRC guys. So many cars, police cars, parked all over the place – looked like we are criminals, like something was happening here. Of course, they did a check and absolutely nothing happened, we are perfectly fine.”** Man, Technology

**Table 1:** Barriers to entrepreneurship experienced by underrepresented groups

	EMBs	WLBs
Language barriers	✓	
Lack of knowledge of culture & institutions of host country	✓	
Family circumstances		✓
Embeddedness in community and family networks	✓	
Lack of educational and business-related experiences/recognition of qualifications	✓	✓
Smaller and lower quality networks	✓	✓
Discrimination/bias	✓	✓

**Source:** Wishart M., Enterprise Research Centre (June 2020); SQW

The intersectionality of such issues was highlighted by some participants, saying that it wasn't necessarily purely their ethnic background that might be a barrier, but this combined with their gender, class or disability.

**“To some degree I do [think these barriers would be different for someone from a different ethnic background], but it's potentially more of a socio-economic thing than a simple ethnic background thing. It's a very middle-class industry, like a very White male middle class industry.”** Man, Engineering

**“I've got a few other layers that I've got to consider. Is it because of my dual heritage, is it because of my hair, is it because of my accent, is it because of my womanhood, is it because of my dyslexia?”** Woman, Consultancy

The intersection of gender and ethnicity compounds disparities and accentuates barriers which often leads to lower levels of success.<sup>14</sup> Examples of where this might be the case are provided below.

## Intersectionality focus

### **EMBs and women led businesses may be at a double disadvantage due to lower levels of household income.**

Entrepreneurs with a higher household income tend to see higher levels of success. This is important because, on average, Black, Asian and Other Ethnic Minority entrepreneurs have lower household incomes than White entrepreneurs, thus having a detrimental effect on business success.<sup>15</sup> Similarly, women also have lower household incomes than men on average due to higher levels of part-time employment, indicating that women led EMB owners are at a double disadvantage.

Entrepreneurs in deprived locations appear to experience more problems in accessing finance, which makes it more challenging for start-ups and longer-term sustainability. This may result in double-disadvantage for some groups, such as ethnic minorities who live in poorer parts of the inner-cities.<sup>16</sup>

**Existing homogeneous business networks are even less representative of wider society when intersectionality is considered.** The lack of representative business networks limits access to relatable role models, mentors and sponsors who could provide advice and guidance. This situation is aggravated when categories such as ethnicity, class and age intersect, thereby exacerbating exclusion.<sup>17</sup>

## **A lack of awareness of, or access to, business support.**

Some EMBs felt that their ability to grow or develop their business was hampered due to a lack of access to business support. This is reflected in the literature review which found that access to relevant business advice and networks was a barrier for EMBs. It was felt that this was partly down to a lack of awareness of the options available to businesses, for example, the funding sources, networks or information resources that already exist.

**“I think there's a lack of awareness that there is support out there and I think what ends up happening is that founders will push on with things themselves and make those mistakes without knowing that there is support.”** Man, Marketing

**“Most small business, micro business, they are eager to learn but they just don't know where.”** Man, Technology

Overall, **the level of engagement with formal business support is limited amongst minority-led businesses.**

There are several reasons for this: First, minority-led businesses tend to rely less on formal support providers compared to the majority of businesses, preferring informal networks for obtaining information and assistance.<sup>18</sup> This is partly explained by a preference for trust-based relationships to address challenges and barriers. Second, **minority-led businesses lack knowledge on what business support is available.** Third, the market environment in which minority groups operate in (i.e. low value sectors and within closed concentrated geographies) is often overlooked by mainstream support.

Given the above findings, there is a need to drive greater engagement with business support amongst minority-led business. This needs to be **targeted so that it addresses specific barriers; and this targeted support** should be linked to mainstream support. Moreover, minority-led businesses appear to favour mentoring support that involves building trust and sustained relationships.

<sup>14</sup> The British Business Bank, 2020.

<sup>15</sup> Ibid

<sup>16</sup> Economic Research Council, 2018

<sup>17</sup> Innovate UK, 2020

<sup>18</sup> British Business Bank, 2020.



## 2.5 Business support

### Mentors/advisors

A number of EMBs had access to senior level people in more established businesses who provided them with advice and guidance. They found it helpful to talk to people who had experience of running a business and who had likely encountered similar issues themselves.

Often these relationships were long term, built over a number of years. In many cases it did not matter what sector the mentor or adviser worked in as the advice sought was generic business advice, rather than specific to their industry. EMBs used these advisers and mentors as sounding boards to bounce ideas off or for help around particular issues, and trusted and valued their judgment, having developed these longer-term relationships.

**“It’s just the access to experience in that sense, people who have started their own businesses, not necessarily in my space, but like mentorship, just being able to pick up the phone and speak to someone who’s 20 years down the line from me and say ‘how did you do this when you approached that?’ Or ‘what would you suggest, do you have any feedback about this idea?’ Just input on the more business side of things.”** Man, Engineering

Some research participants had gone to existing contacts, such as family friends or company Non-Executive Directors for this advice/mentorship; others had expressly sought out people who might fit the bill (for example, via LinkedIn); and others had been officially ‘allocated’ a mentor through specific schemes.

**“We have some more senior mentors, people that I’ve known for 10 years plus who really believe in what we do and like what we do and are basically there for us whenever we need them. So those are really experienced business people that we can speak to. There’s one mentor I speak with every Saturday just for like a 30 minute catch up, he’s another ethnic minority founder as well who I just talk about our challenges week to week and helps guide me.”** Man, Marketing

Those without mentors or advisers did feel the lack and would welcome the opportunity to discuss business issues with others and/or seek reassurance.

**“What I do need is someone to almost be able to, with validation, say ‘what you’re doing there is right, that is the right thing. I don’t have a person that can say to me ‘yes, that’s what you want to be doing and I agree with you and that’s the reason why’. At the moment, it’s ‘I think I’m doing the right thing, I think I need to do this’.”** Man, Events

Whilst take up of mentoring support across all businesses remains low, the evidence reviewed suggests minority-led business value mentoring support. A few further insights include:

- ethnic minorities and women are more likely to have participated in a formal mentoring programme or still have an active relationship with a mentor compared to the overall population<sup>19</sup>
- use of mentors is at least as high amongst EMBs as it was for SME employers generally<sup>20</sup>
- having a mentor (i.e. someone to guide and advise them on their career) and a sponsor (i.e. a senior person to actively promote them in the workplace) was found to be more common among BAME groups – 28% have a mentor compared with 12% of White employees, and 15% have a sponsor compared with 6% of White employees.<sup>21</sup>

### Membership organisations/networks

Some EMBs had **fully embraced the idea of formal membership organisations and networks**, often paying reasonable sums of money to join. These tended to be those participants who had been recruited via Be the Business’ contacts. They felt that these memberships were invaluable, not just in terms of helping them to meet other business owners and make connections, but also to learn about both their industry and about running a business more generally.

**“I was on a cohort of, I think, somewhere between 30 and 40 people from loads of different businesses and organisations, it was just the perfect place to be and be networked, and it was for the South West and obviously I’m based in Bristol. So, again, networking, that social capital thing is really powerful and, if you haven’t got it, it can be really debilitating.”**  
Woman, Consultancy

<sup>19</sup> Heidrick & Struggles, 2017

<sup>20</sup> BIS, 2010 and 2012.

<sup>21</sup> Business in the Community, 2015.

**“I joined organisations, ... and I attended a lot of events. Really even when I attended networking, I didn’t really intend to get clients, to be honest with you. I thought it was a bit like a university because they’d always have these 10-minute and 15-minute speakers talking about things like social media and I’d be blown away by the fact that you can get all this information for £10, this is amazing, why is no one else here?”** Woman, HR

One participant particularly valued the opportunity to network at women-only events, finding them a more supportive environment, particularly when starting out.

**“What I’ve find in networking is I started off doing the Women in Business networks, not because I don’t like men, I do like them, but it was just a different approach. They were more nurturing and helped me to grow whereas when I went to the mixed networking, it was more competitive and lots of banter and lots of bravado.”** Woman, HR

**Business support taken up by ethnic minority-led businesses is largely dependent on informal business support networks<sup>22</sup>** and this has been reinforced by our qualitative interviews. As such, it is difficult to determine if the volume and quality of support and advice received by EMBs is similar to that received by non-EMBs although some of the networks in this piece of research appear to be vital for the success of the businesses.<sup>23</sup>

The preference for informal business support amongst minority-led business is further documented in a recent report by the British Business Bank (2020) which found that the nature of networks in which entrepreneurs operate differs between ethnic groups: businesses led by those from an ethnic minority are more likely to be members of informal, rather than formal, networks and potentially face difficulties in accessing these formal networks.<sup>24</sup>

## 3. Conclusions and recommendations

### 3.1 How to support ethnic minority business leaders

Research participants were asked what support could benefit ethnic minority led businesses such as their own. The most common suggestions were:

To **raise awareness of the existing support** available to businesses. Those who had made use of such resources felt that the main issue was that other ethnic minority owned businesses didn’t know what was already out there that they could take advantage of.

**“There’s funding in terms of grants and match funding which is available, which I have to tell you, the majority of BME led businesses I speak to haven’t heard about them until I tell them about it. Because wherever the government or local authority or these other businesses or organisations that are given funding are putting the information, they’re just not reaching people in the BME community, they’re just not getting to them.”** Woman, HR

**“Make them aware of all the opportunities that are available to them, whether that’s financial support, legal support or networking support. I don’t think people from ethnic minorities necessarily know how to venture out as much because I don’t know whether they feel comfortable in doing so.”** Man, IT

To **facilitate networking opportunities** for ethnic minority led businesses – these did not necessarily need to be sector specific as it was felt likely that there would be common issues faced across industries.

**“I think there’s probably a need for like groups of other ethnic minorities to come together to discuss learnings, to discuss how they grew, to support one another.”** Man, Marketing

<sup>22</sup> Formal networks were defined as those that stated to be part of a local Chamber of Commerce or a formal business network. Informal networks were defined as those that stated to be part of a social media business network such as LinkedIn or an informal business network that meets socially to discuss mutual business.

<sup>23</sup> FSB, 2020

<sup>24</sup> This is one of the findings which has been reiterated in the literature over the years. For an example of an older publication making this point see the Supporting Entrepreneurial Diversity in Europe report by the European Commission (2009).

**“I think giving them a network or an area or forum they can actually engage with other people who are of an ethnic background and just kind of chat the breeze, talk to other people. They might not necessarily talk about the challenges facing them as someone who might be African or Caribbean but just someone who looks like them being there to talk to can make a huge difference, to make them feel that they’re not alone.”** Man, Market Research

To increase the **visibility of people from ethnic backgrounds** at events so that people feel more confident attending.

**“Everywhere that I go I’m usually the only Black woman or woman of colour there, and some people won’t do that because it’s scary and they feel judged. So, I think just a lot more representation and making things not so monocultured.”** Woman, HR

Additionally, the literature review evidence on diversity and business support highlights one common theme: the need for **targeted outreach to engage minority businesses as opposed to a one size fits all approach.**<sup>25</sup> At the same time, it is important EMBs do not feel excluded and are brought into the mainstream by embedding targeted support in comprehensive national strategies aimed at promoting an entrepreneurship friendly environment.<sup>26</sup>

Furthermore, **measures which address barriers holistically**, by providing a combined offer of targeted and mainstream support may be best suited to support minority-led businesses.

The literature also highlights the disconnect between universal business support provision available from government agencies and the preference by ethnic minority-led (including family-run) businesses for more specific solutions.<sup>27</sup> Although the demand and requirement for tailored support is prevalent across all types of businesses, this need is particularly strong among minority-led businesses.

With the important caveats outlined in appendix 5.3, that this is a small scale study, based on a review of the wider literature and twelve interviews with business leaders from a variety of sectors and ethnic backgrounds, there are some themes and recommendations that should be investigated further:

- General levels of awareness of, and appetite for, existing support available to businesses.
  - The research indicated that EMB leaders (that had not been recruited via Be the Business contacts) had not tended to access formal business support resources. Many were reliant on informal resources, using friends and family for advice, funding and access to business contacts.
  - Even amongst those who were aware of and used existing business support, some had reservations about using such support, suggesting there may be barriers to engaging with these resources. The literature review highlights this may result from lack of trust of advisors from mainstream support organisations.
- Interest in ethnic minority networks.
  - The research suggests an appetite for networking opportunities for business leaders from ethnic minority backgrounds to come together to discuss the challenges they face. While these discussions may not necessarily focus on issues related to ethnic background, it may be that seeing other business owners from minority ethnic backgrounds and building these contacts will provide EMBs with additional social capital and confidence in the business world.
- Extent to which EMBs consider their ethnicity a competitive advantage.
  - Many of the participants drew upon their ethnic backgrounds in setting up and building their businesses; it may be worth exploring how and if these advantages could be nurtured or leveraged in some way.
- Extent to which EMBs consider their ethnicity a barrier to success.
  - While some participants in the research felt that their ethnic background had not been a hindrance at all, others felt that structural bias and/or overt racism was a barrier to their business’ development.

25 ERC, 2018.

26 Migration Policy Institute, 2014 & Innovate UK, 2020.

27 Cunningham, 2019.

## 4. Case studies

### 4.1 Informal sources of support

#### Khalid

Khalid runs a small consultancy business with a team of six that he set up with a friend. He comes from a close-knit community and was able to get financial and emotional support from family members when setting up his business. As well as practical advice he has also received encouragement from friends and family which has helped to build his confidence.

**“Just having known that there’s people backing us and supporting us and are there for us has given us the courage and the motivation to continue.”**

Khalid has not engaged with any formal networks or membership organisations, as he feels he has plenty of existing connections from which to build his business contacts.

#### Rahul

Rahul owns a small wholesale business providing Asian produce to Asian retailers. He had friends who were importing goods and he was encouraged by them to try himself. He started by buying a single container of one product and selling it to people that he knew in the restaurant industry and gradually built up from there.

**“I went to Manchester, I went to Birmingham and I just tried to find out from friends’ circle which part, which area all Asian people are living in, so I try to approach the shops around there.”**

Over the last few years he has built the business and now has a large warehouse and four employees. He has built all of his client base through existing informal networks of friends in his community; likewise all his business support and advice has come from friends and he has never accessed any formal support beyond an accountant. He feels that the success of his business relies on the mutual trust with clients, peers and suppliers.

### 4.2 Competitive advantages

#### Vikesh

Vikesh runs two Indian restaurants in a large UK city that he set up five years ago. He has close to fifty employees across the two sites. Vikesh feels that he has made the most of his Indian heritage in building his businesses. He provides an authentic experience to customers, both in terms of the food that is served and the service that people receive.

**“Most of our staff that we have employed, whether they are the managers or waiting staff, they are from the community, the food that we’re serving. So we have a lot of Indian waiting staff. We do hire locals and our Indian staff does train locals. So it’s a mix of ethnic communities coming together and that is definitely a strong point.”**

While he initially targeted customers from his own ethnic community, he soon found that the authenticity of the offer, combined with his inclusive approach, resulted in rapid growth.

**“It’s not just Indians or South Asian people living in the North East who come for our food, it’s everybody who wants the experience and people love it.”**

In addition to business support he accessed in the UK, Vikesh also drew upon advice and guidance from family and friends in India to help him build his restaurants.

**“I do look for help outside the UK, back in India where I have friends running their businesses.”**

## 4.3 Using business support resources

### Hayley

Hayley is the Black British / Caribbean owner of a HR consultancy based in the South East that employs two members of staff. She started her business from scratch six years ago and has made use of a variety of business support resources to help it grow, for example attending courses and Chamber of Commerce events and joining the Federation of Small Businesses. She found these events really valuable, from both a networking and an information gathering perspective.

**“Even when I attended networking, I didn’t really intend to get clients. I thought it was a bit like a university because they’d always have these 10-minute and 15-minute speakers talking about things like social media and I’d be blown away by the fact that you can get all this information for £10.”**

However, she found it difficult to know where or how to access these opportunities when starting out and feels that more should be done to raise awareness.

**“If someone had said to me you can go on this for free, I would have gone, or even you can go on it for half price, I definitely would have gone because I was desperate for the information. Also, signposting, I felt like I really had to wander into... I didn’t know where to turn.”**

She also felt there was a lack of networking opportunities aimed at people from ethnic minority backgrounds.

## 4.4 Not using business support resources

### Ali

Ali runs an IT consultancy business employing two members of staff that he set up three years ago. He considers himself particularly self-reliant and has not felt the need to take up any formal business support. Instead he used online resources when needing business information or advice, for example YouTube or LinkedIn. He attributes some of this attitude to his faith.

**“Taking advice from someone, yeah, it’s helpful but at the end of the day it’s my business, it’s my decision and I don’t need anyone influencing it. I’d rather make my mistakes. Also, with my religion and the way my thinking works, I’m a very strong believer in fate.”**

However, he also acknowledged that he might have been more interested in taking up external support had he been aware of what was available.

**“I think that’s where part of the problem is, is that we don’t know where to look for the information. It may be available and Be the Business might have great information but we don’t know if that’s the place to go.”**

While he could see some benefit in the idea of networks aimed specifically at EMBs he also questioned whether this might exacerbate divides.

**“People from my background feel like there’s not many of us out there doing similar things. So, I don’t know whether it’s somewhere you can collate and collaborate people of the same background as you and everyone can share their own experiences. But then that defeats the purpose of what you’re trying to achieve in making it more inclusive.”**

# 5. Appendices

## 5.1 Literature review methodology

SQW, undertook a rapid review of key literature on minority-owned/led businesses on behalf of BtB – both ethnic and women-led businesses. The approach to undertaking the work involved three stages as summarised below.

### Stage 1: Scoping and research design

- Inception meeting to discuss the study objectives, scope, and key issues/ challenges
- Identification of data sources for the literature review
- Development of a template for the literature review covering the research questions
- Search and collation of relevant literature from online sources, taking into consideration:
  - relevance and quality of the research, minority group characteristics that is the subject of the paper (i.e. ethnicity, women), country of research, and publication year
  - over 75 search terms relating to diversity, type of business, and other relevant topics

### Stage 2: Literature review

- Rapid review of literature of over 70 papers (academic, industry and policy related)
- Initial summary assessment of the evidence base
- Draft summary slides (PPT format) and presentation to BtB to help prioritise the review 2 Originally, ethnicity, gender, sexuality, socio-economic, class, age etc. were considered in relation to the research questions. However, the availability and quality of evidence on different characteristics varied substantially. Taking this into account, it was agreed with BtB that the work at this stage is limited to ethnic and women-led businesses.

### Stage 3: Analysis and reporting

- Full analysis of research findings including evidence gaps and areas for further research
- Draft report and final presentation meeting with BtB.

## 5.2 Qualitative research method and sample

Community Research conducted twelve in-depth interviews with managers and owners of ethnic minority led UK based businesses in Spring 2021. The table below shows the spread of business and participant type:

Criteria	
Gender	9 x men 3 x women
Sector	A broad range, including manufacturing, hospitality, technology, wholesale and consultancy.
Business size	3 x sole traders 3 x micro (5 employees or fewer) 6 x small (50 employees or fewer)
Ethnicity (mix of first, second and third generation)	2 x African 1 x Caribbean 1 x people from the Chinese ethnic group 3 x people from the Indian ethnic group 3 x Mixed race 2 x people from the Pakistani ethnic group
Role	2 x MD / CEO 10 x business owner

Business leaders were recruited to take part through a variety of approaches. Seven interviews were set up using a traditional recruitment agency, while the remaining five interviews came via existing contacts of Be the Business.







### 5.3 Qualitative research limitations

When reading this report, the following points should be considered:

- It is important to note that qualitative research cannot – and does not set out to be – representative of the wider population. This report is based on a small sample of twelve business people from a broad range of sectors and backgrounds, and as such is intended to highlight a diverse range of experiences to illustrate potential areas for further exploration.
- In particular it should be noted that research participants came from different ethnic communities and should not be treated as a single community or as having the exact same experience. Where possible we have tried to indicate where experiences appear to be common to all.
- Those research participants who were recruited via Be the Business networks were understandably more connected to existing business support provision than their peers are likely to be. For example, they were more likely to have joined formal business networks and membership organisations than the other research participants.