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Social enterprise and ethnic minorities

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Abstract

Social enterprise is at the centre of current political and academic debates over the future development of the third sector and public policy within the UK. Yet there remains only very limited understanding of the involvement of migrant and ethnic minorities in social enterprise activity and the associated policy agenda. Whereas much past formal social enterprise activity in the UK has been based within the white majority population there is evidence of dynamic socially-oriented enterprise activity, both formal and informal in nature, within ethnic minority communities. Yet the lack of research undertaken on social enterprise activity within these communities has meant that much of the discussion to date has been based on assumptions and anecdotal evidence. This paper addresses this knowledge gap through presenting results from research into the development of the ethnic minority social enterprise sector in London, within the five East London Boroughs which will host the 2012 Olympics Games. The findings identify a number of important issues facing the development of this sector and question the extent to which current public policies being pursued at different state levels are acting to engage migrant and ethnic minority communities or are in fact reproducing processes of exclusion.

Keywords

Social enterprise, third sector, ethnic minorities, London, 2012 Olympic Games, welfare policy.

Introduction

Social enterprise has moved from its past modest position on the margins of UK social and economic policy to currently occupying a central position within wider debates over the role of the Third Sector and civil society. This has occurred despite a lack of agreement as to what exactly social enterprise is and does, and how it can be best supported (Borzaga and Defourny, 2001; Bridge et al., 2009; Peattie and Morley, 2008). Social enterprise is currently portrayed as a potent force with the ability to create social value and provide a financially sustainable solution to tackle an array of social problems not adequately addressed by the public and private sectors. As such social enterprise is often placed at the heart of welfare and public service reform in Britain and depicted as the 'future of public services'. In the UK, the rise of the notion of social enterprise over recent years has been largely policy led, with policy makers setting out the scope and promotion of social enterprise activity.[1] As a mainstream policy construct operating across a number of policy spheres, social enterprise is seen to offer possibilities for social inclusion, engagement and active citizenship to a full range of social groups and actors including migrants and ethnic minorities.

Despite the dominant 'boosterist' view of social enterprise within recent policy development, evidence to support current policy agendas remains weakly developed. This lack of research and understanding of this sector is somewhat surprising given that social enterprise and the third sector more generally were targeted by successive New Labour Governments from 1997 to 2010 (DTI, 2002; Kendall, 2009; Afridi and Warmington, 2009; Sepulveda, 2009); a trend which appears set to continue through the notion of the 'Big Society' which has been put at the heart of social policy development under the Conservative–Liberal Democrat coalition government. In the particular case of ethnic minority populations, very little is known about the extent and nature of their involvement with social enterprise activity. A critical view voiced by some ethnic minority groups is that social enterprise activity has been dominated traditionally by white 'majority' populations. In this view black and minority ethnic (BME) groups feel they have been marginalised, if not discriminated against, by the social enterprise movement and recent related policy development. Yet recent studies have also reported a propensity of migrants and ethnic minorities to be involved in social entrepreneurial activity (Delta Economics, 2008; OLMEC, 2007; SEC, 2009).

The aim of this paper is to shed light on the nature and extent of migrants and ethnic minority involvement in social enterprise activity and the policy issues this raises. The first part of this paper examines the notion of social enterprise and its relevance to contemporary social processes affecting ethnic minority populations in the UK.[2] The paper then moves on to present original empirical evidence related to current patterns of minority related social enterprise activity within the East London Olympics boroughs. The paper concludes by addressing some key factors that enable and constrain the development of ethnic minority social enterprise and their implications for policy development.

Social Enterprise: a universal panacea?

How has it happened that social enterprise has come to be viewed as something of a universal panacea, uncritically endorsed across the political spectrum? Typically social enterprise activity has emerged as a response to market and state failure, addressing the needs of vulnerable individuals and communities through the provision of innovative goods and services otherwise denied by private and public sectors (Amin et al., 2002; Borzaga and Defourny, 2001; Defourny and Nyssens, 2006; Peattie and Morley, 2008). The transfer of these experiences into the policy agenda has led to a view that social enterprises have a positive contribution to make not only in the regeneration of deprived areas and the combating of exclusion through the creation of enterprise and employment opportunities (HM Treasury, 1999), but also in 'helping to drive up productivity and competitiveness' and reforming welfare and public services (DTI, 2002: 19).

It is in relation to this final point – the reform of public service delivery – that the development of social enterprise activity has been most actively pursued within Britain in recent years. Voluntary and Community Organisations (VCOs) and the third sector more generally, have come under increasing pressure to become more entrepreneurial and lessen their historical dependence on state grants and donations. It is argued that social enterprise offers a way forward here, by providing a 'business-like' model of operation which is more suitable for VCOs in terms of mission, ownership, democratic governance and socially responsible profit generation and distribution, than traditional private sector models (DTI, 2002). Social enterprise is also seen as a less politically and ideologically controversial alternative to the move towards market-led provision and the privatisation of public services which has dominated the British policy agenda since the early 1980s. The idea of 'social enterprised', as opposed to 'privatised', public services (Sepulveda, 2009) is more appealing for many on the centre-left, as social-enterprised services are in theory placed in the hands of communities and add social value and economic sustainability. For the political right, the appeal lies primarily in the state minimising its involvement in areas of traditional public policy such as health, social care and education.

Yet, the evidence base to support the claims that social enterprises can provide a means for transforming public service provision and much else beyond, is at best patchy, and often non-existent. One by one the claims advanced for the transformatory potential of social enterprise have been questioned. Critical voices have raised concerns about the financial sustainability of the social enterprise business model (Hunter, 2009; Seanor and Meaton, 2008), its potential to fulfil its social mission (Dart, 2004a, b; Foster and Bradach, 2005), the innovative capacity of social enterprises as providers of public services (Haugh, 2006; Westall, 2007), and their overall impact on the social and economic inclusion of disadvantaged individuals and communities (Arthur et al., 2006; Blackburn and Ram, 2006; Carmel and Harlock, 2008; Dart, 2004a; Haugh, 2006; Pharoah et al., 2004).

The lack of solid evidence supporting the development of social enterprise activity is significant not only because the construct needs to be legitimised in the eyes of the public in order to justify the allocation of public resources to this sector, but also because the transfer of front-line public services to social enterprise and other hybrid organisations appears set to continue without knowing whether

this will achieve the intended outcomes. In such a situation, the opportunity cost of social enterprise failure is likely to be extremely high. These more generalised dangers of a policy-led process supportive of social enterprise as a means of achieving an array of objectives on the basis of limited and contested evidence raises specific questions as to its likely impact upon migrants and ethnic minorities. In this respect the extent to which social enterprise can provide a positive means for pursuing strategies of engagement, cohesion and economic inclusion for ethnic minority groups requires critical investigation. Beneath the rhetoric, the fear remains that the consequences of current policy directions are as likely to reproduce existing processes of marginalisation and exclusion for ethnic minority populations, as they are to transform them.

Migrants, ethnic minorities and social enterprise

Research on ethnic minority social enterprise in the UK has only recently begun to emerge (GEO, 2008; OLMEC, 2007; SEC, 2009; Voice East Midlands, 2004) despite the increasing prominence of social enterprise on the policy agenda for over a decade. This relative lack of research raises a number of questions. Are migrants and minority ethnic populations more or less socially entrepreneurial than their 'white' counterparts? Is BME social entrepreneurial activity less visible, operating largely 'below the radar', and/or relatively less important than other BME activities or organisations? Or is the notion of social enterprise itself problematic, often being unknown or mistrusted by the BME sector? Given the accusation from some, that the social enterprise movement is a largely 'white middle-class' affair that has failed to tap into the activity of non-white migrant and minority ethnic populations (*The Sunday Times*, 16 April 2009), there is a need to begin to answer these questions on the basis of robust evidence.

The evidence base that does exist has largely resulted from the needs of the policy-led development of the social enterprise agenda and consequently demonstrates a number of limitations[3] (Delta Economics, 2008; GEO, 2008; SEC, 2009). However, interestingly, one main message emerging from this research is that the participation of ethnic minorities in social enterprise is not only growing but also that they are more likely to become engaged in social entrepreneurial activities than are the white population. In addition, there is some evidence that social entrepreneurial activity is taking place within charitable, community-based and migrant organisations (Afridi and Warmington, 2009; NCVO, 2009) as well as ethnic minority businesses (Lyon et al., 2007; Sepulveda et al., 2010). Thus in seeking to gain a better picture of the existing level of minority ethnic social enterprise it is necessary to go beyond a merely policy-defined description of this, in order to better understand how minority ethnic social enterprise activity is interrelated to existing practices, resources, organisational forms and policies within particular contexts.

An attempt to understand social enterprise activity in this wider context requires consideration of what is known of existing practice within the ethnic minority voluntary and community and business sectors. Historically, the BME third sector in Britain has since its earliest beginnings fulfilled three main roles, which have provided the rationale for the establishing of voluntary and community organisations (Afridi and Warmington, 2009: 14). These comprise: 'self-help and self-organisation' – a preparedness of BME populations to do for themselves what British society cannot or will not do for them; 'mutuality'

– supporting those BME community members already in the country and providing for new arrivals; and 'political resistance' – collective efforts to counter the experience of racism and discrimination and to build upon alternative community provision (Craig, 2007). In terms of migrant and ethnic enterprise, past research has demonstrated the role that this plays in enabling economic inclusion where integration into the labour market is problematic (due to issues of discrimination, language abilities and skill levels), and providing products and services to meet the needs of minority communities (Lyon et al., 2007; Ram and Jones, 2008). In addition, some of this entrepreneurial activity has also played important roles in terms of enabling information exchange of business knowledge and providing mutual support within minority communities as well as contributing to the regeneration of deprived neighbourhoods (Ram et al., 2008; Sepulveda et al., 2010).

On the basis of this past and existing activity, social enterprise activity within migrant and ethnic groups provides a means for taking forward a number of these positive roles. First, it provides a means for meeting the particular needs of these communities across a range of services and products. Second it offers a basis for self-help, entrepreneurial activity and organisational forms that can contribute to the development of economic inclusion and employment generation as well as to improvements in the local environment. Finally, in terms of mutual support, social enterprise appears able to provide a further means of developing social capital and networks within minority communities useful for the pursuit of a range of social, political and economic objectives.

Yet the current move to develop or reclassify this activity in the form of a particular vision of 'social enterprise' has been largely driven by the policy agenda rather than wider economic or social forces and their interaction with particular minority communities. This is most notably the case within BME voluntary and community sector organisations where the shift towards an emphasis upon trading activity relative to grant funding has been growing and where the role of SEs in public service delivery is being most actively pursued. Importantly, this trend is also intertwined within the ongoing shift in British race relations policy from a multicultural to a community cohesion agenda (Craig, 2007; Hickman, 2008; Reitz et al., 2009; Vertovec, 2007; Kirby, 1999). As Afridi and Warmington (2009: 59) point out, the multiculturalist policy framework, with its celebration of ethnic and cultural difference, offered BME organisations a 'reasonable secure route for accessing resources' and 'produced an environment in which the BME third sector thrived'. In contrast, the focus upon integration within the community cohesion agenda requires BME organisations to stress not their *difference*, but their ability to *integrate* with other communities if they wish to access a diminishing number of funding streams and successfully bid to deliver public sector services. Such a context is therefore actively pushing BME VCOs in the direction of developing their operations in the form of social enterprise business models and rethinking their role in relation to particular minority population groups.

The policy-driven nature of the current process is important for a number of reasons. First, as has been demonstrated across a range of policy areas over a number of years, BME organisations and enterprises face particular barriers to developing their activities which equally pertain to the development of social enterprise. As the Social Enterprise Coalition's (SEC) (2009) strategy states:

> It is recognised that in many areas the UK Black, Asian and Minority Ethnic (BAME) communities face greater social and economic exclusion that can lead to inequalities... . It must also be recognised that BAME communities also face prejudice that both

aggravates these inequalities and presents barriers to developing solutions... . Exclusion often prevents these communities accessing information or support to help them develop social enterprises (SEC, 2009: 4).

Second, ethnic minority communities are frequently only weakly engaged with the policy process and poorly served in terms of policy delivery often demonstrating unequal access to mainstream support infrastructures. The SEC's strategy recognises that to better support the development of the sector: 'requires greater engagement between BAME social enterprises, the [social enterprise] movement, and support providers' (SEC, 2009: 11). A major danger is that BAME social enterprises will be unable to gain equitable access to public service and private supply contracts through competitive commissioning and procurement processes if they are not 'contract-ready' in terms of having the expected level of management, financial and operational processes and procedures in place.

Finally, this policy agenda imposes a particular and constrained vision of the social economy rooted within a neo-liberal inspired business-oriented development model. Thus, rather than building social economy practices upwards from existing BME activity, the current agenda is pushing an externally developed conception. Not surprisingly, this is contested by many third sector interests who view the process as a means to reduce funding to migrant and ethnic based organisations and force them into delivering commercial service level contracts at the expense of developing their own independent agendas, whilst also reducing the level and quality of public service provision.

Identifying migrants and ethnic minority social enterprise: the case of London

In order to attain a clearer identification of the actual roles played by social enterprising activity within BME organisations and their engagement with the policy process, this research studied BME social enterprises and VCOs in London.[4] As part of its role as the UK's lead business centre, the capital also has the highest level of social enterprise activity across the UK (GLA, 2007; Harding, 2006; OLMEC, 2007). The Small Business Service (2005) estimated that there were between 3,300 and 5,000 BME social enterprise and VCOs in London. The stock of social enterprises in the capital appeared to continue to grow strongly in the period before the economic downturn (Harding, 2006; GLA, 2007; NCVO, 2009), although in part this reflected the move towards using more inclusive definitions of social enterprise when conducting mapping exercises to include not only third sector social enterprises but also private sector businesses with social aims (see Delta Economics/IFF Research, 2010).

Given that London is one of the most ethnically diverse and cosmopolitan cities in the world (Benedictus, 2005) with a long-established role as the UK's major hub of immigration, it is perhaps not surprising that a considerable proportion of these social enterprises are BME-led organisations (OLMEC, 2007; GLA, 2007). The GLA (2007) review of social enterprise in London estimated that approximately 30 per cent were led by BME groups (70 per cent by white British); 14 per cent by Asian groups, the largest subgroup, and 5 per cent from the black population. However the data generated by these studies have to be treated with some care. Data used by the GLA's study 'Social Enterprise in London' (2007: 4) was mainly derived from the London Development Agency (LDA) 2006 London Annual Business Survey (LABS) which, for the case of London, collected data on 'private sector

employers' only and hence did not include any third sector organisations. In relation to ethnicity, LABS only asks respondents about ownership, hence neither the ethnicity of employees and volunteers, nor that of the beneficiaries, is captured. In contrast the OLMEC (2007) study was focused exclusively on BME social enterprise, yet the sample was limited by only surveying referrals from known mainstream social enterprises and third sector organisations despite the fact that most BME organisations have little contact with such mainstream organisations. The definition of BME social enterprise used was also contentious as it focused primarily on ownership, where BME-led organisations had no less than 51 per cent of board members being 'BME descendent'; and the sample only included people of African, Caribbean and South Asian descent (OLMEC, 2007: 9). These data limitations constrain our ability to understand critically the very nature of social enterprise development within the BME sector and emphasise the need for empirical research on this subject.

Methodology

As the centre of ethnic minority-led social enterprise activity within the UK, London provides a suitable laboratory for investigating the nature and scope of contemporary development within this sector. Given the limitations of existing secondary data, this study collected primary data, but to keep the study manageable focused research on five Boroughs in East London; Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest. This area was selected for three main reasons. First, this area has one of the most ethnically diverse population mixes in the UK, with 42 per cent of the population from non-white ethnic groups (ODA, 2007; Smallbone et al., 2008). Second, it is among the most deprived areas within the UK suffering from considerable social and economic disadvantage despite its location close to the financial centre of London (ODA, 2007). All five Boroughs are in the most deprived 15 per cent in the country and three are in the worst 5 per cent (ODA, 2007: 14). Third, the area has a strong presence of economic regeneration and social policy activity, not least because it comprises the five so-called 'Olympic Boroughs', which as the main site of the 2012 London Olympic and Paralympics Games, is the area intended to be the principal beneficiary of the associated regeneration activity. At the heart of London's bid for the 2012 Olympic Games was an argument that this event would provide the catalyst for a far-reaching social, economic and environmental legacy which would transform peoples' lives through improving East London's social, physical and economic environment. Among the promised benefits of the Games was the engagement and participation of BME groups within its preparation and delivery, particularly for those engaged in social enterprise (ODA, 2007). Thus the area provides a very particular socio-economic, ethnic and policy context; one which should provide the conditions to enable the start-up and development of minority ethnic social enterprises.

A sample of 352 organisations was selected for this study out of approximately 1,200 BME social enterprises and VCOs identified within the five Olympic Boroughs. The total population of BME organisations in this area was assembled using a number of sources including a database compiled by the Ethnic Minority Foundation (EMF), several online directories and a body of 'grey' material. The definition of social enterprise used was deliberately kept inclusive to ensure the inclusion of a wide range of organisations, particularly VCOs and third sector organisations.[5] The purposive sample was constructed using variables related to size, year of establishment, sector of activity and ethnicity of the

organisation. A total of 200 telephone interviews with leaders of organisations was conducted between October and December 2009. Questions aimed to generate information about the nature of social entrepreneurial activity carried out by the organisation, the impact of the social enterprise agenda on their management, and their level of engagement with or disengagement from mainstream support infrastructure.

Survey findings

The findings reported here relate to a set of key variables (size, activity type, legal status, trading activity and policy engagement) that are of critical importance to identifying the emergence and development of ethnic minority social enterprises within East London.[6] They also serve to illustrate the challenges involved in researching this sector of activity.

Size and type of activity

The bulk of the organisations surveyed (86 per cent) were small organisations employing less than 50 paid and un-paid staff, with 41 per cent having fewer than 10 workers and 45 per cent between 10 and 50. Only 12 per cent of the survey sample had between 50 and 250 staff just 2 per cent had more than 250 staff. This result corroborates the findings from previous studies which found that the sector is largely made up of micro and small organisations (e.g. OLMEC, 2007).

As regards the type of activity developed, the majority of the organisations surveyed (58 per cent) pursued a number of different activities, reflecting their attempts to address as many different community needs as possible. In order of importance, the activities of the organisations surveyed included: education (20 per cent); general advice (19 per cent); cultural and recreation (15 per cent); health and social care (15 per cent); employment and training (10 per cent); housing (7 per cent); and faith-related activities (6 per cent). The main beneficiary of this activity was the 'local community' in general (62 per cent) and where more specific social groups were identified these included young people (9 per cent), women (6.5 per cent), children (5.5 per cent) and the elderly (5 per cent). Most of these organisations operated as service providers, which is consistent with the sector and civil society organisations more generally (see NCVO, 2009). This means that current policies to contract out a greater range of public services to private and third sector providers through competitive bidding processes offers an important context for their current and future development.

Legal status

Of the organisations surveyed, the vast majority (89 per cent) had a legal structure in place or were registered or incorporated at the time of the field research. The remainder (11 per cent) did not, and/or were operating informally, an element that was not captured within the OLMEC (2007) and GLA (2007) studies. Out of the 89 per cent registered organisations, 44 per cent were Registered Charities, 31 per cent Registered Charities and Company Limited by Guarantee (CLG), 6 per cent Community Interest Companies (CICs), and the remainder were CLGs and Industrial Provident Societies (IPS). That a high proportion of larger charities had dual status as Registered Charities and Companies Limited by Guarantee indicated not only the need to give their trustees limited liability. They also felt the need for a corporate status that allowed them to pursue growth and take on greater responsibilities, for example to deliver services under contractual agreements, for the public benefit, and on a not-for-profit basis. Similarly, those organisations registered as CICs (12 in total) had more

flexibility and faced less regulation than charities,[7] which enabled them to adapt to the changing market places in which they operated (e.g. commissioning). The vast majority of organisations with CLG and CICs status were registered from 2000 onwards (the date when the CIC legal form came into being), indicating a move towards adopting a legal status that permits them to operate in such markets. Interestingly, approximately one third of the 12 CICs in the sample were still grant-dependent.

Ethnicity

A significant proportion of organisations (39 per cent – the largest respondent group), stated that they had an ethnically diverse customer base comprising a mix of people from across different ethnic groups. In turn, 32 per cent of the respondents identified the ethnicity of their customers not on the basis of skin colour but with regard to 'country of birth' (broadly nationality) and 'faith'. 'Turkish and Kurdish', 'Somali' and 'Bangladeshi' were the most mentioned national groups, whilst 'Muslim' was the main faith-based group identified. For those who described the ethnicity of their beneficiaries by skin colour, the main groups were black (15 per cent) and Asian (12.5 per cent). As far as the ethnicity of staff employed, similar patterns were evident, with 55 per cent of the organisations surveyed stating that their staff were primarily from mixed ethnic backgrounds, often from similar ethnic groups as their beneficiaries.

Trading activity

Out of the 200 organisations surveyed, nearly three quarters (74 per cent) stated that they were engaged with some form of trading activity. These income generation activities included, fees for services provided (39 per cent of organisations), hiring facilities (20 per cent), contracts (15 per cent) and membership subscription (11 per cent). This to some extent contradicts the portrayal of the BME third sector as heavily dependent on grants (Nkala, 2009), although incomes from traditional sources (e.g. grants and donations) remain important. Of the sample, 64 per cent were in receipt of grant income, 7 per cent from donations, and 13 per cent in receipt of both grants and donations, a result in line with the findings of the OLMEC (2007) and GLA (2007) studies. Overall, 15 per cent generated all their income from trading activity and 55 organisations (28 per cent) could be considered as established social enterprises in terms of meeting the criteria that 50 per cent or more of their income was derived from trading.

These findings demonstrate that social enterprising activity is penetrating deeply into the foundations of the sector. This is in line with the findings of the NCVO (2009) study which revealed that earned income has become increasingly important in the funding mix of organisations during the last few years, making up over half of all charities' income. This trend is above all observed within micro and small charities (less than £10,000 and £10,000 to £100,000 in the NCVO classification) which represented a key segment of organisations in our sample. Some 32 per cent of organisations stated that they had increased the volume of earned income during the previous two years, that is, in a period when, as a result of a combination of the economic downturn and changing policy environments, traditional funding sources were declining. This situation was exemplified by respondent comments such as: 'We need to have other sources of income [other than grants],

otherwise we cannot survive', or 'I am not sure about the future of the organisation, this all depends on grants and donations.'

Yet while social enterprising activity is changing the nature of the whole BME sector, the term 'social enterprise' is hardly associated with this process. This indicates that BME VCOs and third sector organisations see social enterprise not as 'a form of activity' which can be developed by any type of third sector organisation (as is the view of many third sector and civil society umbrella bodies) but as 'a form of organisation'; indeed one that is rather different to their own. This further confirms the view expressed elsewhere that social enterprises are seen as outsiders to the VCO and third sector (Sepulveda, 2009).

Policy engagement: the 2012 Games

In terms of policy engagement, the survey focused specifically upon the extent of involvement with preparations for the 2012 Games.[8] All but eight organisations pointed out that, to date, they had not benefited from any opportunity arising from or related to the preparation of the 2012 Games (e.g. in terms of consultation, indirect/direct subcontracting, procurement opportunities). While 45 per cent of the organisations described their relationship with the Games as neutral or passive, 40 per cent described it as either 'negative' or 'very negative'. 'We heard a lot but nothing happens', 'They don't inform us as much as they should do' were typical criticisms expressed by the interviewees in relation to the Olympic authorities. Organisations felt that support in general was rather superficial and failed to meet the specific needs of ethnic minority organisations: 'They are not interested in local people', 'Local BME people are excluded from relevant discussion or debates'. Specifically, respondents complained about the difficulties found in registering to the 'Compete For' website (a website set up for those organisations interested in registering to bid for procurement opportunities related to the preparation of the Games) and the bureaucracy involved in the procurement process: 'It is too bureaucratic and there are so many requirements to get involved that it is not worth it'.[9]

Issues in the development of ethnic minority social enterprise

A number of issues concerning researching the emergence and development of the ethnic minority related social enterprise sector and the development of the related policy agenda arise from this study and its findings.

Defining and mapping ethnic minority social enterprise

A central problem for research of this type is defining the object of study; that is what exactly constitutes an 'ethnic minority social enterprise'. The survey conducted demonstrates that organisations define the 'ethnicity' of their organisation, staff and beneficiaries in a variety of ways, including in reference to nationality, faith, skin colour (e.g. black) and region of origin (e.g. Asia). In terms of official data collection within the UK, an 'ethnic minority' person has been defined as anyone who had classified themselves in any category other than 'white'. New classifications introduced in the 2001 Census of Population meant that national as well as ethnic origin or affiliation was reflected. Subsequently, and to make the definition more inclusive, some government agencies introduced 'black and minority ethnic' (BME) and then 'black, Asian minority ethnic' (BAME) categories which are

now used in the social enterprise sector (see OLMEC, 2007; SEC, 2009). Academically informed definitions (Hall, 1990) add further complexity as an ethnic minority group is defined as a group that has different nationality, ethnicity, religion, language or cultural traditions to that of the majority of the population. The fact is that the official ethnic minority terminology, with its additions, black and Asian, was developed to cover the now well-established 'minority majority' groups (e.g. Indian, Pakistani and Afro-Caribbean) but fails to adequately capture the whole spectrum of minority groups and new arrivals that have settled in the UK from 1990s onwards.

A further difficulty relates to the basis upon which a social enterprise is categorised as 'ethnic'. Most definitions tend to focus upon the issue of ownership and control, rather than the enterprises' staff or beneficiaries. Whilst in research on ethnic enterprise a focus upon ownership is relatively unproblematic – given that it is generally relatively easy to identify the owner-manager within small firms – this issue becomes far more complex where there is a wider range of stakeholders involved in the running of social enterprises which display a variety of ownership and management models. Voice East Midlands, for example, provides a loose definition of 'black and minority ethnic social enterprise' as those organisations that: 'trade in the markets to primarily fulfil social objectives, with social ownership primarily belonging to the BME community' (2008: 2). In contrast, the SEC (2009: 5) advances a more precise definition that focuses upon the owner/managers as the key variable, claiming that 'a common definition is emerging on what constitutes a BAME social enterprise; it is where 50% or more of the owners/managers come from BAME communities'. Whilst such a definition is more pragmatic, clearly an alternative percentage other than a simple majority could be argued for, whilst in practice, establishing the proportions of owner/managers who come from a BAME community is often difficult.

Yet, the issue is further complicated by the fact that a social enterprise also has to be defined in relation to fulfilling social objectives (Lyon and Sepulveda, 2009). If the social mission of a social enterprise and therefore its beneficiaries is at the heart of the definition, then, it can be argued that the added social value or impact of that organisation needs to be subject to scrutiny to see to what extent organisations actually support BME communities. For example, it is possible that an organisation that does not have a majority of ethnic owner/managers is as effective as BME-led organisations, or indeed more so, in meeting the needs of a particular ethnic community. There is therefore a need in researching this sector to recognise those organisations which play an important role in supporting BME communities that are not necessarily run by BME people (e.g. ownership and management may comprise a mix of people from white and minority ethnic backgrounds). A strong case exists therefore for not placing 'ethnicity' per se at the heart of the definition because of the associated definitional and conceptual problems; a situation further reinforced by the developing policy context which favours more generic and cross-group forms of identity and affiliation.

Beyond definitional concerns, there are other challenges to mapping ethnic minority social enterprises. As was evident in the study findings, a significant number of organisations (11 per cent) lacked legal status and operated informally or in an unregulated manner. It is quite likely that the survey failed to capture more of these types of organisations given the methodological difficulties in locating them. Indeed, some argue that a lack of legal status is the norm for most migrant and refugee

organisations (Holland and Ritvo, 2008; Zetter et al., 2005). Certainly, where many organisations operate 'below the radar' of relevant bodies and support infrastructure, there are clear constraints on accurately measuring the stock of organisations and any estimation of the number of BME organisations is liable be a substantial underestimate. In this regard McCabe and Phillimore (2009: 6) argue that:

> despite policy spend (rather than investment), there remains a substantial gap between the policy rhetoric around community based/BME activities and a real understanding either of the number of such groups, their functions, contribution to policy agendas, or the extent to which they operate outside mainstream structures and agendas and therefore remain 'below the radar'.

Of particular interest in relation to the development of social enterprises are unregistered BME organisations, such as 'faith-based' organisations, which deliver local community services (e.g. health and education), but which are neither officially recognised nor recipients of public funding. Yet, these organisations – which generally are small, self-funded and survive with very low and irregular incomes (Community Matters/LGA, 2006; Zetter et al., 2005) – may be involved in trading activity and hence are a particular type of BME informal enterprise activity which, while providing goods and income-generating opportunities for BME people, may also reproduce forms of disengagement and exclusion (Sepulveda and Syrett, 2007; Sepulveda et al., 2010).

Forces driving/constraining minority related social enterprise activity

The primary force that has driven social enterprise type activity within ethnic minority groups relates to issues of supply and demand within sizeable and often growing ethnic minority populations. Despite the move towards far greater restrictions on immigration to the British Isles, particularly for unskilled immigrants from outside the EU, the supply of necessity/opportunity entrepreneurialism is considerable, with BME individuals and groups ready to identify and exploit opportunities (Harding, 2006). In the case of London in particular, with one-third of its population from a migrant background and a foreign-born population of over 50 per cent in some inner London Boroughs (Kyambi, 2005; LDA, 2006), there is a presence of a critical mass providing a strong demand for goods and services. The many needs of BME populations, for example in terms of accessing health, social care and education services, are frequently poorly served or not addressed by the existing welfare system. This context has created a demand for specialised service provision which provides opportunities for the development of alternative forms of BME provision and representation.

Alongside this growth of supply and demand of social enterprise activity more broadly, government policy under successive New Labour governments (DTI, 2002; Cabinet Office, 2006a, b) sought to support the development of BME-related support and service organisations. The development of BME organisations was initially sponsored by streams of grant-aid targeted to the BME sector but then shifted towards the payment of fees for the delivery of contracts. Whilst in the 2001–2 period grants represented 52 per cent of all government funding for charities, by 2004–5 this proportion had declined to 38 per cent, and in 2006 fees for the first time surpassed grants as the main source of all third sector income (Afridi and Warmington, 2009).

Whilst this trend towards specialisation in service provision has been driven by a combination of supply and demand factors sponsored by state policies and channelled through local authority

commissioning, other factors have constrained the development of the sector. The shift from grant funding to contracts has generated countless difficulties for organisations and the individuals and groups who run them. Some of these strike at the heart of an organisations' raison d'être (Kendall, 2009) as they have sought to reconcile conflicting roles and interests between the pursuit of financial sustainability to ensure their future, and their original social mission, values and hence legitimacy within the local community (Hudson, 2009). Other difficulties encountered range from the practical problems of a lack of resources and skills to get 'contract-ready' and so be able to compete in the public contracting market place and the increasingly competitive nature of the contracting market itself. Afridi and Warmington's (2009: 83) argue that:

> For many new and emerging BME organisations the present environment presents even greater problems. Too many BME organisations have become divorced from their political roots. They are children of 'grant' funding, ham-strung by a legacy of state patronage that ideally they need to free themselves from.

Whilst the current economic and political climate will indeed necessitate many BME third sector organisations to move from past forms of 'state patronage' it is less clear how many will be able, or indeed willing, to secure a future within a competitive market-based service delivery context.

Engagement with the policy process and the changing policy environment

The relationships between BME organisations and the policy process are dynamic and comprise different dimensions. First, there is the relationship between BME organisations and mainstream support infrastructure. Existing research findings emphasise the low level of engagement of the BME sector with regard to support infrastructure more generally and the resulting low level of take-up of available services (Afridi and Warmington, 2009; Lyon et al., 2007; Ram and Jones, 2008; SEC, 2009; Voice East Midlands, 2004). The reasons for this lack of engagement with existing support services are two-fold. First, BME organisations, especially smaller ones which constitute the vast majority, commonly identify a series of factors that limit access. These include not knowing if or where support is available, finding the services available unsuitable for their needs, finding the process of accessing services complex, and perhaps most significantly, distrusting mainstream support agencies on the basis of perceived institutional racism and discrimination. Unregistered organisations that operate below the radar lack influence and official recognition by statutory agencies, and are neither recipients of relevant support nor qualify to bid for contracts to deliver services (McCabe et al., 2007; McCabe and Phillimore, 2009). Many of these issues are identified in the SEC's strategy for the development of the minority-led social enterprise sector (SEC, 2009). Second, support providers are often not fit for purpose in terms of liaising with, and addressing the needs of, the BME sector. Frequently 'ready-made' services are supplied that are designed for a different target group, such as SME enterprises (Peattie and Morley, 2008). This is a particular issue for social enterprises which are frequently referred to SME support providers who may not understand the nature of the social enterprise phenomenon (Hines, 2006). The emergence of specialised social enterprise support services (often within SME service providers) and finance (cf. social banking and social investors) has improved the support infrastructure in recent years, but is far from being an ideal platform for the development of the sector.

A second dimension concerns the engagement of BME organisations with the wider policy processes. The manner in which funds are currently being allocated to VCOs and third sector or 'civil society' organisations, has promoted the development of the social enterprise model within the BME sector. The challenge of shifting to this new agenda is considerable for many BME VCOs and as the availability of public funds tightens and competition for contracts increases, failure for many seems unavoidable. Public contract markets are becoming more attractive to larger VCOs and umbrella third sector organisations (Afridi and Warmington, 2009) as well as private sector providers. One outcome of this is the development of the practice among some private companies of setting-up sister organisations under a different legal structure in order that they can compete more effectively for contracts targeted at the non-profit or not-only-for-profit sectors.

A final dimension concerns the political climate relating to Britain's race relations policies. This is set to shape the nature of social entrepreneurial activity within BME third sector organisations through the emergence of new priorities for the allocation of resources to the BME sector. A consultation document published in 2008 (*Cohesion Guidance for Funders: Consultation*) (CLG, 2008: 5) set out the government's view that funders: 'should not automatically award grants to third sector activities organised on the basis of "single identities", defined in terms of single ethnicity, nationality or religion'. Instead they should primarily assess 'how their funding can be used to provide opportunities for interaction' among people and groups from different backgrounds, identities and forms of affiliation in relation to those who run an organisation, its target group (customers or beneficiaries) and staff. Interestingly, another novel outcome of the crisis of multiculturalism has been the renewed emphasis on 'faith', or faith-based service provision, within both government policy-making and in the BME sector's own plans and lobbying (Afridi and Warmington, 2009: 61). This accent on faith further questions the notion of race and ethnicity or even nationality as the primary defining characteristic of an organisation, and has opened up new opportunities for securing funds and developing the BME sector, as well as concerns over the appropriateness of using faith-based organisations to deliver public services.

Conclusions

This paper has presented evidence of a sizeable and growing ethnic minority social enterprise sector within London generally and East London in particular. Wider and more comprehensive mapping exercises are, however, still required to assess accurately the scale and nature of the ethnic minority social enterprise sector. Yet it is also apparent that the developing contours of this sector and the processes driving its development remain only partially understood. One important issue is that the social enterprise term has not been embraced by the BME sector which indicates a degree of suspicion between this sector and the social enterprise movement and related policy agenda. What is evident is that although the ethnic minority third sector is moving towards greater involvement in trading activity and hence increasingly demonstrates the characteristics of social enterprises, this is largely the result of push factors from wider government policy in relation to reduced grant funding for VCOs, and there remains only limited engagement with the social enterprise sector and related policy mechanisms. In this respect ethnic minorities are currently far from being 'at the core of the social

enterprise movement's work' as suggested by the SEC (2009) BAME social enterprise strategy. The case of the failure to engage with the BME social enterprise sector in East London in the run-up to the 2012 Olympics provides a clear demonstration of the enduring gap between policy rhetoric and concrete practical achievement.

To develop an enhanced understanding of ethnic minority social enterprises requires an examination of difficult and complex definitional issues. The central constructs of 'ethnicity' and 'social enterprise' are both of themselves highly contested notions. Debates related to these concepts are rooted in wider processes of change relating to population diversity and its implications for notions of identity and citizenship, and the relationships between private, public and third sectors within contemporary capitalist societies. Critically these issues of definition are not just technical questions related to the measuring and mapping of the sector. The manner in which ethnic minority social enterprise activity is defined and theorised has important consequences for the nature of its incorporation into the political process. Currently social enterprise as a policy construct, initiated under New Labour and now taken forward within the notion of the Big Society of the Conservative–Liberal Democrat coalition, has been in practice reduced to a narrow arena for action focused upon the delivery of public services within which the scope for participation by small scale BME organisations is highly restricted.

How migrants and BME organisations relate to these changes within the wider policy shift from multiculturalism to community cohesion is also of critical importance. The shifting policy discourse is requiring migrant and BME associations to adopt approaches that focus less upon the difference between ethnic groups and more upon working across diverse communities. 'Ethnicity' as an official form of identity for BME groups is one main casualty of this process. Opportunities for securing resources and gaining economies of scale via collaboration and partnership working among organisations with different 'ethnic' or 'national' anchorages are evident as a result of this shift. However, there are also major challenges involved in having to negotiate often embedded forms of identities to facilitate such collaboration among BME organisations. How they adjust to or contest the new policy imperatives is an ongoing process. What is apparent is that this change provides strong threats to the working of many existing migrant and BME organisations, but also opportunities for others to move beyond the confines of past agendas that have often required minorities to define themselves in ethnic terms, and pursue the social needs of a wider group of minority populations and social groups. Clearly the contested nature of this process will have important social and political implications for the development of related social enterprise activity.

End notes

1. This policy-led development of social enterprise has been endorsed by major umbrella organisations from the social enterprise movement and the third sector (e.g. the National Council for Voluntary Organisations), some of which have been established as a direct result of public funding to promote the social enterprise agenda (e.g. the Social Enterprise Coalition).

2. The focus of this study was the so-called 'visible ethnic minorities'. 'Less visible minorities' such as white minority groups (e.g. migrants from East Europe or native white-British population living within predominantly non-white areas), were not included in this research.

3. The sample sizes and methodologies used within research undertaken on this subject to date means it is not possible to draw reliable conclusions as to the extent of ethnic related social enterprise activity. The mapping of minority ethnic social enterprises in London carried out by OLMEC (2007: 3) relied almost entirely on referrals from known 'mainstream' organisations, which significantly restricts the representativeness of the sample. The report does not disclose the total figure of referrals and the response rate, although the latter is regarded as 'disappointingly low' by its authors. Research by Voice East Midlands (2004) produced a most robust dataset on the basis on multiple sources and snowballing techniques, but only 35 social enterprises out of the 1,100 questionnaires distributed completed the postal survey carried out (3.2 per cent response rate).

4. The importance of social enterprising activity within the BME small business sector is readily acknowledged by the authors (see Lyon et al., 2007; Sepulveda et al., 2010). However, this commercial business end of the social enterprise spectrum was not the focus of this study and remains a point of controversy. It is argued by some that the social enterprise term has 'evolved to take on the broader meaning of almost any kind of commercial activity undertaken in pursuit of social goals' (Kerlin, 2006: 251). Thus in the Delta Economic/IFF study (2010) a definition of social enterprise is used that includes not only commercial activity undertaken by VCOs and third sector organisations (including fair trade and co-operatives) but also social enterprising activity undertaken by for-profit private businesses. This study contends that for-profit private businesses that had 'making a difference' or social objectives as a primary trigger, and reinvested their surpluses in the business to pursue those objectives, constitute truly 'hidden social enterprises' although they would not 'necessarily self-identify as social entrepreneurs' (Delta Economics/IFF Research, 2010: 5).

5. This definition of social enterprise is in line with the definition used by the National Council for Voluntary Organisations, according to which social enterprise is 'a form of activity', notably commercial or trading activity, which can be undertaken by any VCO or third sector organisation (NCVO, 2009).

6. These findings relate to the first stage of an ongoing research project. A second stage, which will involve an in-depth qualitative study of a sample of ethnic minority social enterprises, will allow these, and other variables to be explored in further detail.

7. Community Interest Companies (CICs) do not have charitable status although many CICs do consider themselves to have charitable objectives.

8. The second stage of this research will investigate the extent of minority-led social enterprises across a wider range of policy support.

9. The issue of the complex and bureaucratic nature of the procurement process emerged as a key point in the Guardian roundtable discussion on social enterprise and the 2012 Olympic Games (*Guardian*, 28 July 2010).

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