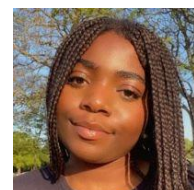




WHAT ARE THE CHALLENGES FACED BY LEICESTER'S BLACK BUSINESS COMMUNITY?



This report was produced by University of Leicester intern, Lara Anubi, using interviews with several prominent black businesspeople in the East Midlands. The report has been edited by Peter Allen of the LLEPs Business Gateway Growth Hub.



Executive Summary

- Leicester's black population numbers around 27,000 and is 6% of the total county population. It is Leicester's fastest growing ethnic community.
- Black enterprises typically only survive for 3 years as opposed to the 7 years for Leicester's average businesses.
- Black female businesspeople seem to be under-represented and not prominent. All interviewees had encountered sexism in their working lives.
- The Somali population have an additional barrier in terms of funding through debt is not allowed in their Muslim religion.
- The Somali business landscape is far more varied than the black business community in Leicester (BBCL) in general.
- Communication channels recommended for reaching the BBCL are word of mouth and provision of information on business support services. This could be via gatekeepers in the community; Tik Tok; and digital media. The key communication issue appears to be those large parts of the BBCL (including key gatekeepers) are not aware of what support is already available from the Business Gateway and others. A programme of 'outreach' to these key people would be useful.
- There is a lack of active business networks for BBCL and local government support has reduced in previous decades. The West Midlands has much better provision.
- Funding is a very big issue for the BBCL, made worse by the lack of generational wealth (i.e., parents supporting with their savings) and the consistent perception of the

banking sector as unsupportive. There is also a lack of 'financial education' about the right type of funding and where to find it.

- Potential entrepreneurs within the BBCL have low self-belief and confidence and a high fear of failure. They also tend to self-limit to a small range of business areas.
- There are some cultural issues whereby those who attempt something new may be 'put down' by their peers within the community.
- Any BAME themed initiatives typically do not support the BBCL effectively because one size does not fit all ethnic groups.

The contributors (in alphabetical order)



Byron Dixon OBE is the founder and CEO of Micro-Fresh



Mark Esho MBE is the founder and CEO of Easy Internet



Abdikayf Farah is the Chief Executive of the Somali Community Parents Association Charitable Incorporated Organisation



Dorothy Francis MBE is Co-Director at the Co-operative and Social Enterprise Development Agency (CASE)



Chintu Lamba is founder and Creative Director at Initiated Nation



Annie Otum is the founder of Black Owned Leicester



Harriet Saunders is a Fund Executive at the FSE (Funding Scaleup Enterprises) Midlands



Pamela Sharpe is the founder of Mela & Sharpe and an Investment Business Mentor

Introduction

According to Population UK, black people make up around 6% of the local population, meaning that around 27,000 black people call Leicester their home. Despite being one of the smallest ethnic minorities in Leicester, many businesses have emerged and are emerging from this growing community. The African Caribbean community is said to be the fastest growing ethnicity in Leicester within the last two decades. (Centre on Dynamics of Ethnicity, 2011 p.1). This report aims to outline the main challenges and issues that the black business community in Leicester (BBCL) encounter, in order to identify what can be done to support the BBCL. The report will also consider communication with the BBCL and other subtopics that arise. The research has been gathered through interviews with some of Leicester's most successful black business owners and professionals, supported by independent research of the author. Many of these issues come from deep-rooted, societal, and institutional barriers related to race or ethnicity and therefore cannot be changed overnight. However, positive action can be taken and is required.

The composition of the BBCL in Leicester

The composition of the BBCL is not a thoroughly researched topic. However, the African Caribbean Citizens Forum (ACCF) which included Mark Esho on its board, produced a report concluding that black enterprises have a relatively low 3-year survival rate compared to the averages for Leicester City, as well as lacking businesses outside of Leicester city altogether. The report gives great insight into what sorts of businesses make up the BBCL. Out of 45 businesses the nine sectors included: retail (29%), hairdressing (24%), education and training (9%), Other (9%), Internet Cafe (9%), Internet Services (4%), design (4%), restaurants (4%) and lastly wholesale (4%). In addition to this, their research found there were no black doctors that owned their own practice, no solicitors, dental practices, chemists/pharmacies or any manufacturing enterprise owned or led by Black people. This report is from 2009 and provides good context but it is now quite out of date.

Mark Esho's businesses were founded in 2000 and 2004 and there were several successful black businesses at the start of the new millennium. Since then, many more businesses have been created, for example, Byron Dixon's Microfresh (scientific) or Pamela Sharpe's Mela and Sharpe (business consultancy). The East Midlands Black Business Network (EMBBN) listed more than 200 businesses but this was disbanded shortly before the Covid-19 pandemic. Taking a look at the Black Owned Leicester website, a more modern overview of the BBCL, it is clear to see that many of the businesses are retail businesses, hair and beauty and some food-based businesses (the site lists 30 local businesses). However, there is a real estate investment firm and several emerging businesses in Leicestershire more widely. During the research, a pattern of the types of businesses that black people are running in Leicester could be observed and they are not dissimilar to the variety of businesses found in the ACCF report in 2009. All interviewees stated that hair and beauty and business within the food industry are very prominent within the BBCL. Businesses that Harriet Saunders, of The FSE Group (scale-up finance), referred to such jobs as 'low barriers to entry jobs', businesses that tend to be set up out of necessity.

However, one of the issues with this is that businesses find it harder (but not impossible) to scale up and grow. This is unfortunately inevitable if a business solely caters for black people, considering the relatively small local population.

Women of the BBCL

The research involved speaking with four brilliant black female business owners and professionals. Being a black woman, especially in a male-dominated field is essentially what Annie Otum calls a 'double-whammy', in that not only are you treated differently because of race, you are also treated differently as a woman. It is important to mention that every individual woman's experience is different. For example, Harriet Saunders found that she had noticed issues with gender more than issues with race, whereas Dorothy Francis discussed how both being black and a woman led to big challenges when it came to things such as

networking. A common theme was that black women can be underrated, spoken over and not listened to in professional settings. In cases like this, Harriet Saunders said it is important to learn “how to assert yourself and establish boundaries”. There is also very little information on black female businesses in Leicester online which demonstrates the lack of visibility and therefore, role models. For example, a well-known local awards ceremony for women held in 2021 showed no black woman in any images of the awards. This suggests that women of the BBCL are slightly isolated from the wider business community in Leicester, including the female business community.

The Somali Business Community (SBC)

Another subsection of the BBCL is the SBC. Many Somalis migrated from other European countries rather than directly from Africa. There are over 15,000 Somali people in Leicester. Around 50% of the Somalis in Leicester have migrated from the Netherlands and are the largest ethnicity within the Black community (Hussian, 2014). Adbikayf Farah of the Somali Community Parents Association (SOCOPA) said that Somali people migrated to the UK to seek more opportunities, as well as wanting to live among a more diverse population with more cultural tolerance. Dorothy Francis from CASE mentioned how many Somali entrepreneurs migrated to Leicester specifically for business opportunities with social enterprises and cooperatives. This is part of the reason that the SBC is very community-based and includes a much bigger variety of businesses than the BBCL generally. Farah referred to many different businesses such as taxi services, community shops, fabric and grocery shops, cafes/restaurants, telecommunication shops and many education services. Education is very important because it creates a sense of community within the younger generations. On the Somali education centre website, it says that "We believe that a strong sense of community and cohesion starts with the youth first."

Although many of the challenges the SBC face are the same as the rest of the BBCL, there are some specific challenges. For example, the SBC are mainly Muslim, and that also brings

a sense of community. Because of this, they support each other's businesses, more than the BBCL does as a whole. However, networking is a challenge for the SBC due to language barriers and cultural differences. Similar to the rest of the BBCL, the SBC have funding issues but there are even more complications because of religious reasons: debt should be taken only if necessary and is otherwise forbidden. Loans with interest are also forbidden (Zainol, 2016). Making sure networks, business support and financial support are accommodating to these language barriers and cultural differences is important to help the SBC.

Communication with the BBCL

There are multiple ways to communicate with the BBCL. Pamela Sharpe spoke about how COVID has encouraged more businesses to embrace their online presence and is “spilling into hybrid working”. Therefore, utilising the internet and specifically social media is a great way to communicate. Harriet Saunders also stated that having a digital presence is vital but also mentioned how word of mouth is a tried and tested, reliable way to communicate with the BBCL.

With this in mind, communicating with the BBCL can be split into three sections: social media, word of mouth, and traditional in-person community outreach. These methods are not mutually exclusive and cross over regularly.

Having a good social media presence is one of the best ways to reach the BBCL. A good social media presence includes clear and professional content, a clear audience, a respectable following and most importantly interaction and engagement (Flynn,2012). One example of this is TikTok. TikTok is a short-form, video-sharing app that allows users to create and share 15 second to 3-minute videos, on any topic. (Geysler, 2022) It differs from the other platforms because it has more potential to reach millions of people with just one post. One may argue that TikTok is just for the younger generations and not appropriate for business

advertising. However, another reason why it is a good platform is that posts are commonly shared on other social media platforms e.g. Instagram reels or WhatsApp group chats. Also, there are many young black business entrepreneurs emerging who avidly use this app. When you look at the #blackbusinessesuk, 1.3B video views have used this hashtag. Moreover, The People of Colour in Tech (POCIT) platform published an article regarding TikTok's Business Accelerator Program. In August 2022 TikTok is showcasing its third annual accelerator program for black businesses. Here they aim to elevate the voices of Black-owned businesses, giving them access to resources, benefits, and networking opportunities as well as business support. This is a great and appropriate platform to be communicating with black-owned businesses (Kpakima,2022). The black community on TikTok (blacktok) is huge and could benefit from having somewhere they can go when seeking business support, support that will just pop up on their 'for you page' (FYP). Expanding social media exposure could also help with growth, one of the issues raised earlier about BBCL businesses.

From the interviews, it was clear that knowing where to find support is one of the main challenges the BBCL face at the moment (which will be discussed in more detail later in the report). Social media can create forums for clients to say good things about the business, specifically black clients because black people trust black people when it comes to black experiences. This is why word of mouth is so important to the black community. Social media can generate word of mouth and gain the trust of other black business owners. Strategies such as using "social media to collaborate with other influencers in the community, but also making sure you combine networks to get the best coverage and deliver the best message" will be beneficial according to Harriet Saunders.

In terms of in-person community outreach, collaborating with black business influencers in person and online can generate awareness. In addition, attending and creating in-person networking events specifically for black businesses is a good way to communicate. The church is a prominent community where black people and black business owners gather consistently.

Generally black Christians “integrate themselves in the local Christian church congregations, an experience that resulted in the founding of various independent black initiated and led churches” around the UK (Kalilombe,1997). Churches have many programs where the aim is to support the members. Therefore, when it is appropriate, in-person outreach in search of black businesses could potentially be welcomed in a church setting as part of another program. Overall, to communicate with black business owners you need to be seen and therefore advertise in places that are visible to the BBCL.

Networking

The networks available for the BBCL are sparse. Networking refers to “the systematic establishment and use of internal and external links between people, teams and organisations in order to improve performance” (Van Aalst, 2003). Therefore, it is such an important part of the business community in general. It is a complicated topic because there are networks available for business owners in Leicester and of course, they are open to everybody. However, few black faces are seen at these events. During the research, each person was asked if they had seen other black faces at networking events, and the answers were unanimous in saying that there was very little representation of black people within East Midlands networks. Mark Esho MBE, of Easy Internet, mentioned that to have more than one black face at networking events, his company had bought tables to fill the seats with black business owners in an attempt to reduce what he calls the ‘credibility gap’ – the idea that a lack of black faces at networking events could negatively impact the credibility of black people. In the UK, one person of colour or one minority amongst the majority (often white middle-class men) can be seen as a representative of their whole minority which is a huge and unfair pressure. This same pressure could deter black entrepreneurs from attending events at all. More black people in attendance at events would help address what Esho calls the ‘credibility gap’.

An issue that arose during the research was whether the black business community tend to view other black business owners as competitors rather than people to collaborate with. However, this is not helped by the lack of events in which black people can meet each other and share experiences that are specific to black business owners. Both Dorothy Francis MBE and Mark Esho MBE felt the networks for the BBCL were stronger a couple of decades ago. Esho mentioned the LABCA, Leicester Afro-Caribbean Business Association, which was funded by the City Council but later ceased ten years ago due to lack of funding. Francis stated that the networks in Leicester “are not as strong as they used to be and that is an issue”. In line with this, Griffin wrote an article about black business owners in the West Midlands not having the networks that they need. The article raises some valid issues such as lack of management, opportunities and overall networks (Griffin, 2022). All of the interviewees were asked whether this was also an issue in the East Midlands and was met with an overwhelming sense of agreement. Byron Dixon OBE spoke about how the networks in Birmingham, although still lacking, are still substantially better than the networks for the BBCL. To make a difference within BBCL networks, it would be helpful to create events with a specific aim to involve the BBCL using the methods of communication mentioned in this report. Following this, members of the BBCL would benefit by working with each other to work as a business community rather than individual businesses. When that sense of community has been restored the visibility of the BBCL will improve.

Funding

One of the main objectives of the interviews was to find out the recurring challenges for the BBCL. The biggest challenge is funding. Funding within the BBCL is a very multi-layered issue that goes wider than Leicester or Leicestershire. Some of the recurring issues obtained from the interviews are: sourcing start-up money; lack of generational wealth; knowledge of funding and perceived institutional prejudice in the banking sector. In terms of sourcing start-up money, Lawal writes an insightful article exploring the reasons why black businesses fail within the first 12 months. Here he writes “In order to stay in business, your start-up capital should

cover your business for at least 12–18 months after opening.”- (Lawal Jr, 2019). He continues to state that black businesses are running out of money leading to business failure, although it is not a ‘black and white’ situation (meaning ‘clear cut’ in this context). Firstly, generational wealth has a massive impact on finding start-up money being a black-owned business. According to GOV.UK black households are most likely out of all ethnic groups to have the lowest weekly income. Moreover, people of Black African ethnicity typically hold the lowest wealth with a median figure of £24,000 (generational family wealth per adult), and the Black Caribbean ethnicity typically holds £41,800. Compared to White British who hold £197,000. (The Resolution Foundation, 2020). Although shocking, these wealth gap statistics are one of the components of the funding issues that impact black people. Furthermore, financial security is something that some members of the BBCL may lack. However, when speaking with Harriet Saunders and Pamela Sharpe they gave examples of many other options where businesses can find financial support. For example, through equity, crowdfunding, grants, loans and much more. There are options out there, although they are not always marketed to the BBCL very well. Through research, black entrepreneurs can find support. The challenge here is that there is a lack of knowledge regarding financial support. Businesses are aware they need financial support. However, they may not know what sort of financial support would suit their business, what paperwork they need in order to apply for financial support, how to make a business plan of a certain standard etc. This is all due to a lack of financial education. Saunders mentions how financial education is really needed and how these things do happen but are not well publicised enough. On the Mela and Sharpe website, there is a section for free resources to help those in need of support. More resources of this kind would help those members of the BBCL who have not had access to financial education in the past. Another very important aspect of these financial challenges is institutional prejudice, particularly through banks. All the interviewees highlighted this as a problem, agreeing that it is so much harder for black people to receive a loan from the bank. One question referred to what financial support the BBCL would prefer, and the response was generally, ‘any support we can get!’ This demonstrates how hard it is for the black community to be seen as credible and equal

compared to their white business counterparts. According to Simon Hughes, The Liberal-Democrat deputy leader at the time, he had “heard of banks lending to white customers but turning down requests from black people even if they had a better financial reputation.” (Hughes, 2012) In addition, more recently Andrews spoke about how “black victims of fraud are more than twice as likely to be denied a refund by their bank as white customers” (Andrews,2017). These are two examples of where racial discrimination by banks has been documented.

They both have a very upsetting effect on young black professionals hoping to set foot into the world of business. Chintu Lamba of Initiated Nation largely works with young black professionals. During interview, he spoke about the detrimental effects funding issues cause for young black professionals. The challenges mentioned above are contributing to the negative connotations that come with starting a business as a black person. Annie Otum discussed feedback from one of her workshops - some said “we know that we are going to fail before we even try, so we’re not going to try” which Annie said is the type of attitude that is holding black entrepreneurs back. Financial knowledge and acknowledging the other challenges will help to combat these attitudes.

Knowing your value

Within society, black people do not have a level playing field. The effects of this have led to the BBCL lacking exposure, lacking funding and lacking networks. The theoretical cards are stacked against black businesses.

“According to a recent report by the Federation of Small Businesses and the Centre for Research in Ethnic Minority at Aston University, black-led businesses contribute as much as £25 billion to the UK economy” (Ried,2021). Black businesses are vital to the economy. When interviewing just a few of the business owners of the BBCL, a real passion could be observed when owners talked about their own businesses. Owners not only valued their businesses but also themselves in the face of adversity, leading to the creation of many successful

businesses. Self-value, determination and ambition could all be factors that hold back others in the BBCL. When discussing this with Lamba he reported that businesses sometimes end up "limiting themselves, sometimes because other people have limited them and labelled them". Therefore, faced with these challenges, it is easy to become disheartened, to accept the stereotypes of society. Valuing yourself and your business is part of having psychological capital (Squared,2021). An impactful way to help the BBCL could be to help strengthen their psychological capital. Psychological capital "produces a state of psychological increase in which the person has the high confidence to expend the effort necessary to succeed" in business. (Lima,2020). Working on one's personal skills such as leadership, self-worth, decision making, and dealing with pressure and rejection are ways in which psychological capital can improve. It is crucial to support the BBCL in this way to help tackle the challenges that black business owners face in Leicester and in the UK.

Conclusion

In conclusion, running a business, regardless of race, gender, sexuality, or disability will inevitably come with an array of different challenges. Therefore, for minority-owned businesses, challenges can be varied and multiple. From the relatively small sample of this research, access to funding and financial education were clear themes for the BBCL, as well as the lack of good networking opportunities.

Communication with the BBCL could be improved because the support required is not always marketed to the group appropriately. The existing communication networks do not guide the members of the BBCL to the correct business support services. Couple this with a lack of exposure to other black businesses where similar experiences could be shared, and it stresses the need for improved outreach. The lack of networks contribute to the financial challenges the BBCL face, considering many people do not know what financial support is available to them. All of these challenges are relatively conquerable but combined with pockets of unconscious and conscious racial discrimination in society, it is even more challenging. This

is why strengthened psychological capital would benefit members of the BBCL and provide a foundation to overcome barriers. Furthermore, the community cannot do it alone and support from organisations like the LLEP, the Business Gateway Growth Hub and the rest of the BBCL is vital.

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Appendix

Interviews conducted - 8

Gender split- 50% female, 50% male.

Sectors -

25%: Finance, 25%: Science and Tech, 12.5%: Co-operative,

12.5%: Digital, 12.5%: Charity, 12.5%: Media and Production

Key responses

100% said funding was the biggest challenge.

100% said that there are not enough networking events for the BBCL.

80% said that word of mouth is a good way to communicate with the BBCL.

100% of the women said they have experienced sexism during networking.

87.5% said that they rarely see any other black faces at networking events.

100% agreed that institutional prejudice within the banks is a problem.