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**Images p26, 69, 71, 76, 77, 78, 99, 123**

When referring to this work, the full bibliographic details must be given as follows:

Taylor-Lewis, D. (2012) *Entrepreneurial support for black (Afro-Caribbean) and Asian construction businesses: Can it enhance their growth?* PhD Thesis. Oxford Brookes University.

**ENTREPRENEURIAL SUPPORT FOR  
BLACK (AFRO-CARIBBEAN) AND ASIAN CONSTRUCTION  
BUSINESSES: CAN IT ENHANCE THEIR GROWTH?**

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A thesis submitted in partial fulfilment of the requirements of  
Oxford Brookes University for the award of  
Doctor of Philosophy

**DECEMBER 2012**

## **ABSTRACT**

This thesis investigates challenges encountered by UK Black (Afro-Caribbean) and Asian Construction Businesses (BACBs). It focuses on the effects of UK policies that offer entrepreneurial support to assist BACBs' survival and growth. Despite significant interest and intensive debates, empirical research has been inconclusive with regards the effectiveness of the implementation of such policies on the survival and growth of BACBs. Moreover, there was no conceptual model or theoretical framework that had been applied in order to aid the understanding of their survival and growth. Hence, the aim of this study is to close this research gap by developing a framework, and to make recommendations for more appropriate support mechanisms to assist in the survival and growth of BACBs.

A critical literature review of the effectiveness of support offered by the UK Government led to the development of an integrated model of growth factors that informed both the pilot study and the main questionnaire design. Some of these growth factors were contextual, and so necessitated a qualitative approach. However, because the model was validated through in-depth case studies, the pilot study, main questionnaire and case studies were all undertaken and analysed within an ontology that leaned towards an objective-constructivist perspective, and an interpretivist epistemology. A mixed methodology (qualitative and quantitative) approach was also employed, in order to get a better understanding of the relationships and for robust analyses.

The findings indicated that support take-up by the respondents was extremely low. However, support mechanisms of networking and continuous professional development assisted the respondents' growth. Therefore, when constructive, well organised public support is offered, there is a high probability that it will be taken-up. Policy should be targeted to assist in areas (growth intentions, innovative practices and good human resource management) which impacted on turnover and profits in order to provide sustained growth.

## **ACKNOWLEDGEMENTS**

My heartfelt thanks and praise to God Almighty Jehovah, my Provider, Defender and Protector during these last 4 years. Praise and thanks to Jesus, my Personal Saviour and Friend without whom I would never have embarked on this journey. Grateful thanks to the Blessed Holy Spirit for His endless inspiration, guidance and motivation to complete this journey.

My deepest and warmest gratitude is extended to my husband, David Taylor-Lewis who was always there to provide very useful advice and encouragement. His faithfulness, dedication, patience and silence reassurance will never be forgotten.

Special thanks to Professor Joseph Tah, my Director of studies for his patience, commitment, advice and invaluable comments given throughout this project. I will always be grateful for the knowledge and experience that I have acquired, especially the most important thing in his mentoring and guidance, which was the need to attain the highest standard in every area of the research.

Dr Kurul, Dr Keivani, Peter Smith, Becky Horton, friends and colleagues and the rest of the staff at Oxford Brookes University, who have all assisted in various ways to enable the completion of this thesis.

Sincere thanks to my two Referees who had faith and confidence in me to undertake such an assignment: Dr Abraham Daniel-Joel and Dr Darius C. Webber (no longer with us). Special thanks to their wives and families.

Finally, my appreciation and thanks to Mrs Lara Oyedele, Mr Leslie Lanyina, Mr Victor Sivagunam, Ms Jackie Collins, Ms Constance Osbourn and others, including the participants who assisted in important areas of this research. Special gratitude is expressed to the case study participants whose participation enabled me to complete this thesis.

## **DEDICATION**

This thesis is dedicated to the memory of my Dad, Edmund Thomas Cole; my Mother Josephine Edmund-Cole, my husband David Taylor-Lewis, my sister and her husband, Stella and Mac Benjamin, Niece and Nephew, Makella and Adrian.

<b>CHAPTER ONE</b>	<b>1</b>
<b>INTRODUCTION</b>	<b>1</b>
1.1 RATIONALE	1
1.2 AIM AND OBJECTIVES	5
1.3 RESEARCH METHODOLOGY	5
1.4 SUMMARY OF RESEARCH FINDINGS	7
1.5 STRUCTURE OF THESIS	8
<b>CHAPTER TWO</b>	<b>11</b>
<b>UK BLACK AND ASIAN CONSTRUCTION BUSINESSES: CONTEXT AND POLICIES</b>	<b>11</b>
2.1 INTRODUCTION	11
2.2 UK SMALL BUSINESSES: CATEGORIES AND DEFINITIONS	11
2.3 DEFINING BUSINESS GROWTH	13
2.4.1 <i>Challenges encountered by EMBs and BACBs</i>	18
2.5 BUSINESS SUPPORT	22
2.5.1 <i>The Support Mechanisms</i>	25
2.5.2 <i>Challenges to support mechanisms: the big issue of low take-up of support</i>	30
2.6 POLICY DEBATE: UK HISTORICAL CONTEXT	33
2.6.1 <i>Reviewing current UK Policies: how effective are they?</i>	36
2.6.2 <i>Equality Act 2010 and Equal Opportunity Policies</i>	37
2.6.3 <i>The Public Contracts Regulations</i>	38
2.6.4 <i>Supplier Diversity Initiatives</i>	41
2.6.5 <i>Targeting of Impoverished Areas</i>	42
2.6.6 <i>Business Link's (co-ordinating) role</i>	44
2.7 POLICIES TARGETING MINORITY BUSINESS ENTERPRISES (MBEs): UNITED STATES	46
2.8 SUMMARY AND IMPLICATIONS FOR POLICY, SUPPORT PROVISION AND INDUSTRY PRACTICE	50
<b>CHAPTER THREE</b>	<b>55</b>
<b>BUSINESS GROWTH / ENTREPRENEURSHIP: TOWARDS A CONCEPTUAL MODEL</b>	<b>55</b>
3.1 INTRODUCTION	55
3.2 ENTREPRENEURSHIP	55
3.3 ETHNIC ENTREPRENEURIAL GROWTH	61
3.3.1 <i>The Reactive Cultural Theory</i>	63
3.3.2 <i>Minorities Ethnic Enclave Theory</i>	64
3.3.3 <i>Theory of Middleman Minorities</i>	65
3.3.4 <i>The Mixed-embeddedness Concepts</i>	66
3.3.5 <i>The Ethnic Resource Model</i>	67
3.4 STRATEGIC MANAGEMENT AND STRATEGIC ORIENTATIONS	73
3.4.1 <i>Porter's five forces framework</i>	75
3.4.2 <i>The Structure-Conduct-Performance model (SCP)</i>	76
3.4.3 <i>Barney's strategic management processes</i>	78
3.4.4 <i>The Resource-based view (RBV)</i>	80
3.4.5 <i>Dynamics Capability Approach</i>	81
3.5 BUSINESS GROWTH	82
3.5.1 <i>The Stochastic Model</i>	82
3.5.2 <i>The Descriptive Model</i>	83
3.5.3 <i>The Evolutionary Approach</i>	83
3.5.4 <i>The Resource-based Approach</i>	84
3.5.5 <i>The Learning Model</i>	84
3.5.6 <i>The Deterministic Model</i>	84
3.6 THEORETICAL FRAMEWORK TO ADDRESS CHALLENGES ENCOUNTERED BY BACBs	90
3.7 ASSESSING VARIOUS MODELS AND FRAMEWORKS	96
3.8 SUMMARY	112
<b>CHAPTER FOUR</b>	<b>119</b>
<b>RESEARCH METHODOLOGY</b>	<b>119</b>
4.1 INTRODUCTION	119
4.1.2 <i>Philosophical underpinning</i>	120
4.1.3 <i>Ontological and Epistemological considerations</i>	121
4.2 RESEARCH STRATEGY	130
4.2.1 <i>Methodological approaches and influences</i>	130
4.2.2 <i>Justification of Paradigm</i>	135
4.3 RESEARCH DESIGN	139

4.3.1	<i>Background, choice of Data collection and analyses</i>	141
4.3.2	<i>Concepts and levels of measurement</i>	144
4.3.3	<i>Questionnaire survey Design</i>	148
4.3.4	<i>Questionnaire survey rationale</i>	149
4.3.5	<i>Questionnaire: key components</i>	149
4.3.6	<i>Pilot study Design Rationale</i>	152
4.3.7	<i>Pilot study administration and feedback from respondents</i>	153
4.4	DATA ANALYSIS OF PILOT STUDY	156
4.4.1	<i>Business and characteristics of owner</i>	156
4.4.2	<i>Business and personal characteristics of respondents</i>	163
4.4.3	<i>Growth aspirations, networking and winning contracts</i>	164
4.4.4	<i>Factors that impacted on growth</i>	167
4.4.5	<i>Public support</i>	168
4.4.6	<i>Private support</i>	168
4.4.7	<i>Management practice</i>	168
4.4.8	<i>Characteristics of the UK Construction Industry</i>	168
4.4.9	<i>Summary of findings that informed main questionnaire and case study</i>	169
4.5	RESEARCH METHODS	169
4.5.1	<i>Main questionnaire survey and justification</i>	169
4.5.2	<i>Case study Design, justification and selection</i>	171
4.5.3	<i>Research tools</i>	174
4.6	EVALUATION	175
<b>CHAPTER FIVE</b>		<b>177</b>
<b>DATA ANALYSIS: MAIN QUESTIONNAIRE SURVEY</b>		<b>177</b>
5.1	INTRODUCTION	177
5.1.2	<i>Rationale of analyses</i>	177
5.2	CHARACTERISTICS OF OWNER AND BUSINESS	178
5.2.1	<i>Age profile of business</i>	178
5.2.2	<i>Business size</i>	179
5.2.3	<i>Location of businesses</i>	180
5.2.4	<i>Location of clients/customers of businesses</i>	181
5.2.5	<i>Core services of businesses</i>	182
5.2.6	<i>Main activities of businesses</i>	183
5.2.7	<i>Sector of activities</i>	184
5.2.8	<i>Legal status of businesses</i>	185
5.2.9	<i>Registration with professional organisation</i>	185
5.2.10	<i>Level of education</i>	186
5.2.11	<i>Years of experience</i>	186
5.3	ASSOCIATIONS OF CHARACTERISTICS OF BUSINESS AND OWNER	187
5.3.2	<i>Associations of characteristics of business and owner and growth</i>	188
5.3.3	<i>Associations of characteristics of business and growth</i>	190
5.4	BUSINESS CHARACTERISTICS AND GROWTH (TURNOVER)	192
5.4.1	<i>Characteristics of business and owner</i>	192
5.5	ENTREPRENEURSHIP, BUSINESS ORGANISATION, PROCUREMENT AND PROFITABILITY	195
5.5.1	<i>Growth aspirations</i>	195
5.6	NETWORKING AND WINNING CONTRACTS	202
5.7	ALTERNATE WAYS OF GROWING BUSINESSES	212
5.8	TURNOVER/FEE INCOME	214
5.9	FACTORS AFFECTING SURVIVAL AND GROWTH OF BUSINESS	216
5.10	UK PUBLIC BUSINESS SUPPORT	224
5.11	MANAGEMENT PRACTICE OF RESPONDENTS	233
5.12	CONSTRUCTION INDUSTRY'S CHARACTERISTICS	237
5.13	SUMMARY	244
<b>CHAPTER SIX</b>		<b>252</b>
<b>CASE STUDIES: VALIDATION OF MODEL</b>		<b>252</b>
6.1	INTRODUCTION	252
6.2	CASE STUDY TYPOLOGY	252
6.3	BUSINESS PROFILE	255
6.4	BUSINESS SIZE AND OWNERS' CHARACTERISTICS	256
6.5	BUSINESS PROFITABILITY, GROWTH OBJECTIVES AND PROCUREMENT PRACTICE	261
6.6	BENIGN FACTORS AFFECTING GROWTH OF CASE STUDIES: CHALLENGES	271

6.7	BUSINESS PUBLIC SUPPORT	277
6.8	BUSINESS MANAGEMENT PRACTICE	279
6.9	SUMMARY AND VALIDATION OF MODEL	282
<b>CHAPTER SEVEN</b>		<b>293</b>
<b>EMERGING THEMES AND DEVELOPMENT OF A FRAMEWORK</b>		<b>293</b>
7.1	INTRODUCTION	293
7.2	EMERGING THEMES FROM CASE STUDIES AND MAIN QUESTIONNAIRE SURVEY	293
7.3	FRAMEWORK FOR PROVIDING MORE APPROPRIATE SUPPORT	296
<b>CHAPTER EIGHT</b>		<b>301</b>
<b>CONCLUSIONS AND RECOMMENDATIONS</b>		<b>301</b>
8.1	INTRODUCTION	301
8.2	OVERVIEW OF RATIONALE, AIM AND OBJECTIVES	301
8.3	HAVE THE QUESTIONS BEEN ANSWERED?	303
8.4	THE IMPORTANCE OF THE RESEARCH	306
8.5	CONTRIBUTION TO KNOWLEDGE	311
8.6	RESEARCH METHODOLOGY AND LIMITATIONS OF RESEARCH	312
8.7	RECOMMENDATIONS	313
8.8	FURTHER RESEARCH	315
REFERENCES		316



## List of Tables

Table 2.1	Breakdown by Small and Medium Businesses	12
Table 2.2	Small businesses in the UK economy	13
Table 2.3	Taxonomy of challenges encountered by EMBs and BACBs	21
Table 2.4	Proposed business support framework: Source DTI (2007)	24
Table 2.5	Principal strategic aims and objectives of Business Link and Partners	27
Table 2.6	Services provided by Business Link	27
Table 2.7	Provision and targeting of support services	29
Table 2.8	Methods used to identify the needs of firms	29
Table 2.9	Schedule of legislation influencing support to EMBs and BACBs	37
Table 2.10	USA: Survey of Small Business finances	49
Table 3.1	Abstraction of key concepts and variables with the disciplines	85
Table 3.2	Theoretical concepts of growth within four disciplines	86
Table 3.3	Operationalisation of theoretical concepts	118
Table 4.1	Rationale of main survey questionnaire	148
Table 5.1	Number of employees	179
Table 5.2	Level of education	186
Table 5.3	Years of experience	186
Table 5.4	Correlation between characteristics and growth	188
Table 5.5	Association between characteristics of business and growth	189
Table 5.6	Association between characteristics of business and growth 2	191
Table 5.7	Association between characteristics of business and growth 3	195
Table 5.8	Networking and winning contracts	202
Table 5.9	Association between success of procuring contracts and growth	212
Table 5.10	Association between alternate ways of growing business and growth	213
Table 5.11	Association between challenges encountered and growth	224
Table 5.12	Public support taken-up by respondents	226
Table 5.13	Association between success rate of public support and growth	230
Table 5.14	Private business support offered and take-up of respondents	231
Table 5.15	Association between success rate of private support and growth	232
Table 5.16	Generic management and strategic objectives	233
Table 5.17	Association between strategic management practices and growth	237
Table 5.18	Association between construction industry's characteristics & growth	240
Table 5.19	Growth determinants	240
Table 6.1	Classification of cases	254

## List of Figures

Figure 1.1	Structure of thesis	10
Figure 2.1	Main channels of support by UK Government and European Union	26
Figure 3.1	Determinants of Immigrant Businesses	69
Figure 3.2	Schematic framework of researching EMBs	71
Figure 3.3	Porter's Framework	76
Figure 3.4	The structure-Conduct-Performance Model	77
Figure 3.5	The strategic management processes	78
Figure 3.6	Factors used in proposed conceptual model	94
Figure 3.7	Theoretical framework highlighting growth factors	95
Figure 3.8	Adapted Cragg and King's model	99
Figure 3.9	Adapted Glancey's model of performance	99
Figure 3.10	Detailed intermediate conceptual model	115
Figure 3.11	Intermediate conceptual model	116
Figure 3.12	Proposed integrated conceptual model	117
Figure 4.1	Framework of the research process	119
Figure 4.2	Research approaches	123
Figure 4.3	Research strategy	133
Figure 4.4	Research design	145
Figure 4.5	Age profile of respondents	156
Figure 4.6	Number of current employees	157
Figure 4.7	Number of past employees	157
Figure 4.8	Locations of respondents	158

Figure 4.9	Location of clients/customers of respondents	158
Figure 4.10	Core services of respondents	159
Figure 4.11	Main activity sector of respondents	159
Figure 4.12	Sector of activities of respondents	160
Figure 4.13	Legal status of respondents	161
Figure 4.14	Organisations to which respondents are registered	161
Figure 4.15	Education of respondents	162
Figure 4.16	Experience of respondents	163
Figure 4.17	Turnover/fee income of respondents	166
Figure 5.1	Age profile of business	178
Figure 5.2	Location of businesses	180
Figure 5.3	Location of clients/customers of businesses	181
Figure 5.4	Core services of businesses	182
Figure 5.5	Main activity sector of businesses	183
Figure 5.6	Sector of activities	184
Figure 5.7	Legal status of businesses	185
Figure 5.8	Registration with professional and trade organisations	185
Figure 5.9	Impact of characteristics of owner and business, on business growth	192
Figure 5.10	Growth intensions	196
Figure 5.11	Growth intensions, increase in profits	196
Figure 5.12	Growth intension, increase in employees	197
Figure 5.13	Importance of factors on business growth (1 of 2 sets)	200
Figure 5.14	Importance of factors on business growth (2 of 2 sets)	201
Figure 5.15	Success rate of procuring contracts from organisations (1 of 5 sets)	207
Figure 5.16	Success rate of procuring contracts from organisations (2 of 5 sets))	208
Figure 5.17	Success rate of procuring contracts from organisations (3 of 5 sets)	209
Figure 5.18	Success rate of procuring contracts from organisations (4 of 5 sets)	210
Figure 5.19	Success rate of procuring contracts from organisations (5 of 5 sets)	211
Figure 5.20	Alternate ways of growing a business	213
Figure 5.21	Turnover/Fee income 2007	215
Figure 5.22	Turnover/Fee income 2008	215
Figure 5.23	Turnover/Fee income 2009	215
Figure 5.24	Factors affecting respondents' survival and growth (1 of 6 sets)	218
Figure 5.25	Factors affecting respondents' survival and growth (2 of 6 sets)	219
Figure 5.26	Factors affecting respondents' survival and growth (3 of 6 sets)	220
Figure 5.27	Factors affecting respondents' survival and growth (4 of 6 sets)	221
Figure 5.28	Factors affecting respondents' survival and growth (5 of 6 sets)	222
Figure 5.29	Factors affecting respondents' survival and growth (6 of 6 sets)	223
Figure 5.30	Support take-up of respondents	225
Figure 5.31	Frequency of support take-up by respondents	225
Figure 5.32	Success rate of Public support offered to respondents (1 of 3 sets)	227
Figure 5.33	Success rate of Public support offered to respondents (2 of 3 sets)	228
Figure 5.34	Success rate of Public support offered to respondents (3 of 3 sets)	229
Figure 5.35	Effect of management practice on respondents business (1 of 3 sets)	234
Figure 5.36	Effect of management practice on respondents business (2 of 3 sets)	235
Figure 5.37	Effect of management practice on respondents business (3 of 3 sets)	236
Figure 5.38	Effect of construction industry's characteristics (1 of 2 sets)	238
Figure 5.39	Effect of construction industry's characteristics (2 of 2 sets)	239
Figure 6.1	Original theoretical framework with modifications	290
Figure 6.2	Revised theoretical framework	291
Figure 6.3	Revised integrated conceptual model	292
Figure 7.1	Framework for providing more appropriate support	300

## APPENDICES

Appendix A	Questionnaire	334
Appendix B	Interview schedule	340
Appendix C	Scatter plots	344
Appendix D	Cross Tabulations	352

## Abbreviations and Acronyms

ABC	Association of Black Contractors
ACE	Association of Cost Engineers
ALMO	Arm's Length Management Organisation
APM	Associate of Programme Managers
ARB	Architects Registration Board
ASAQS	Association of South African Quantity Surveyors
BACB	Black Afro-Caribbean and Asian Construction Business
BAME	Black Asian Minority Ethnic
BICS	British Institute of Cleaning Scientific
BIS	Business, Innovation and Skills (former Business Enterprise & Regulatory Reform, and former DTI)
BNI	Breakfast Networking Institute
CDM	Construction Design Management
CHAS	Contractors Health and Safety Scheme
CIH	Chartered Institute of Housing
CIOB	Chartered Institute of Building
CPD	Continuing Professional Development
CRE	Commission of Racial Equality (now EHRC)
CSME	Construction Small and Medium-sized Business
EMB	Ethnic Minority Business
EMBF	The Minority Business Forum
EHRC	Equality and Human Rights Commission
EU	European Union
FBH	Federation of Black Housing
FENSA	Fenestration Self-Assessment Scheme
FMB	Federation of Master Builders
ICE	Institute of Civil Engineers
IOD	Institute of Directors
MBE	Minority Business Enterprise
MoD	Ministry of Defence
MMR	Mixed Methodology Research
NHBC	National Housing of Building Council
NHS	National Health Service
NICEC	National Inspection Council for Electrical Contractors
NIQS	Nigerian Institute of Quantity Surveyors
OJEU	Official Journal of the European Union
PFI	Public Finance Initiative
PPP	Public-Private Partnership
PSA	Private Support Agencies
PCR	Public Contracts Regulations
RIBA	Royal Institute of British Architects
RICS	Royal Institute of Chartered Surveyors
RSL	Registered Social Landlords
SBA	Small Business Administration
SBS	Small Business Service
SDI	Supplier Diversity Initiative
SME	Small and Medium-sized Enterprise
SOBA	Society of Black Architects
UK	United Kingdom
USA	United States of America

# CHAPTER ONE

## INTRODUCTION

### 1.1 Rationale

This research focuses on the construction industry in the United Kingdom (UK). The European Construction Industry ranked second largest contributor to the European Union (EU) Economy. In addition, the UK construction industry produces 10% of the UK's GNP and consists of 98% of construction businesses that are small and medium-sized (CSMEs) (BIS, 2011). These CSMEs are economically important to both the EU and the UK economies with their £2.9 billion (59% output) to the UK economy. Regrettably, due to the characteristics of the UK construction industry, several challenges to survival and growth are encountered by the smaller, more vulnerable businesses (McCabe, 2006). Not surprisingly, it has been argued that such challenges of competitiveness, fragmentation, complexity and volatility, adversely impact on these CSMEs, resulting in many liquidations and bankruptcies each year (Egan, 1998; Langford and Male, 2001; McCabe, 2006). This phenomenon is a great loss to the UK economy and many CSMEs do suffer considerable hardship.

Some CSMEs are owned by groups of individuals who originate from ethnic minority backgrounds. Black (Afro-Caribbean) and Asian Construction Businesses (BACBs) is one such group. This group represents 3% of the construction industry in England (SBS, 2006), and the owners are from 'Black', 'Asian' or 'non-white' ethnic backgrounds. These owners have to be 50% of the business, and have at least a 50% share in their businesses in order to meet the ethnic criteria for ownership. Empirical evidence shows that small and medium-sized businesses (SMEs) suffer from inherent challenges due to having limited resources and bargaining power, irrespective of ethnic origins (WYEP, 2006). Furthermore, a whole range of challenges, which include access to finance, recruitment of staff, training and experience, lack of track record, insufficient resources, and insufficient turnover are encountered by SMEs (SBS, 2006). However, significantly, BACBs tend to encounter different challenges from those of their non-ethnic counterparts due to their ethnic origins and colour of skin (Emslie and Bent, 2007). Moreover, discrimination has been identified as an extra layer encountered by Ethnic Minority Businesses (EMBs). Due to these different and distinct challenges, increasingly researchers have highlighted the need to provide

assistance and support to specifically address these challenges (Emslie and Bent, 2007; GLA, 2007).

These specific challenges encountered by BACBs included lack of track record, recruitment of staff, lack of specialist capabilities, insufficient resources, insufficient turnover, cited by Steele and Sodhi (2004); access to finance, discrimination, and social exclusion (old boy networks) cited by GLA (2007). Interestingly, some of these challenges are also encountered by non-ethnic businesses especially in the area of procuring contracts as Steele and Todd (2005) emphasised. However, research in these areas within the context of the construction industry is still limited and sparse (Taylor-Lewis et al., 2009). Very little work has been undertaken within the entrepreneurial context in order to get a better understanding of the effect that a combination of such challenges and ethnicity have on the survival and growth of BACBs in the UK construction industry.

Many extant empirical studies focused on challenges encountered by SMEs and EMBs. However, very few actually identified specific support needs of such groups. Classic examples were SBS (2003) that considered business support to be a key input to the survival and growth of businesses in general. However, it was not until SBS (2006) conducted an ethnic booster survey in England that business support was seen by businesses, support agencies and other stakeholders as relevant to all types of businesses. In a similar vein, SBS Durham (2006) identified businesses' growth and the myths that acted as challenges to their growth, without addressing specific needs for providing support. In contrast, Baldock and Smallbone (2003) identified both challenges and support needs of EMBs. Similarly, several studies tackled a specific challenge encountered by EMBs, such as finance (see Fraser, 2005; and Hussain and Matlay, 2007). Other studies discussed and tackled multiple challenges (for example Baldock and Smallbone, 2003; Nwankwo, 2005).

Several studies focused on the policy and in-depth public support offered by the UK Government (e.g. Ram and Smallbone, 2001; Ram et al., 2002; Law, 2007). However, few carried out in-depth studies on specific support needs of EMBs. A lone example was SBS (2006) emphasising that offering the right support and advice was very important, as there was significant evidence that the provision of effective and appropriate business support and advice could help businesses to become established, prosper and grow. However, it is not certain whether such businesses are being offered appropriate support in order for them to survive and to grow. Not surprisingly, research exclusively on the appropriateness of support needs of BACBs

and factors such as challenges encountered, characteristics of owner and growth objectives that affect their survival and growth have not been fully investigated within the entrepreneurial context. Hence, a first gap in knowledge has appeared, and this research intends to close this gap.

DTI (2007) and BERR (2008) defined business support as “one of the many ways in which government interacts with business and it is a means of giving direct (rather than tax-based) support to a business or group of businesses or to people starting or considering starting a business”. The UK Central Government, local authorities and local business advisory agencies offer a phenomenal amount of variety of support mechanisms targeted at EMBs and BACBs, thereby helping to address the challenges that they encounter (SBS, 2006; WYEP, 2006; DTI, 2007). However, several studies indicate that, although a phenomenal amount of support has been offered annually to assist such groups to survive and grow, they remain small, with limited resources and bargaining power and do not achieve any growth over several years (Ram and Smallbone, 2001; Baldock and Smallbone, 2003; SBS, 2006; Emslie and Bent, 2007).

UK Government policy has been used to alleviate and ameliorate some of these challenges (Ram et al. 2002; CRE, 2003; Ram et al. 2005; CRE, 2007). However, targeted policies and initiatives and the effectiveness of specific support offered to EMBs and BACBs have been riddled with complexities, and some of these initiatives have not impacted positively on such businesses (Ram and Smallbone, 2001; SBS, 2006). Moreover, the targeted support is offered in a piecemeal manner with financial resources being the dictates of the mode of delivery and frequency of timing of such targeted support. It has also been difficult to ensure that the same level of support policy can be implemented across the UK when some reporting procedures vary from county to county (Johnson and Reed, 2008). Regrettably, several of the support mechanisms to assist growth have fallen short of impacting positively on EMBs and BACBs (Baldock and Smallbone, 2003; Deakins et al., 2003; Hussain and Matlay, 2007).

Another confusing aspect is the non-prescriptive nature of small business policies; and the considerable number of such policies that create difficulties in their identification. Hence, several searching questions need to be asked at this point. What policies and initiatives are offered as targeted support to BACBs? How effective are they? Do these policies and initiatives positively impact the profits of BACBs? Ram and Smallbone (2001) found that some of these policies and initiatives concerning diversity of businesses have not impacted positively on such businesses.

Moreover, how far entrepreneurship is promoted as opposed to merely assisting SMEs and EMBs including BACBs with their daily operations is less clear. Various reports such as Johnson and Reed's (2008) appear to skirt this aspect. Likewise, recent policies being launched still do not address the critical areas of survival and growth in any considerable depth. Especially so in areas where the support needs to positively impact on their profits, thereby assisting growth to be sustained over several years, as opposed to just over several months. There is definitely a gap between creating these policies and implementing them. How can this gap between policy debate and implementation of support be bridged? Thus, the second research gap at this point is that empirical findings of the interplay between support and growth in terms of profits is extremely sparse. There needs to be a better understanding of the extent to which entrepreneurial support can influence BACBs' survival and growth.

Research studies on UK Government policy cover extensive areas, and make linkages between entrepreneurial theories (Ram et al., 2002; Ram et al., 2005; Ram and Jones, 2007). However, some of these studies do not identify the factors that actually make a business survive and grow. Moreover, research exclusively on support policy and BACBs including factors such as support offered by the UK Government, take-up rate of support; strategic management and growth factors that affect survival and growth have not been fully investigated within the construction environment. There is definitely a third gap in research here to be closed. This gap would be closed by identifying the factors that affect the growth of BACBs. A better understanding would then be developed of the interplay between these growth factors, challenges encountered within the construction industry and support policy that effects on the survival and growth of BACBs.

Complexity of the growth phenomenon within the business environment has led to the emergence of different conceptual models and frameworks such as Porter's (1999) five forces framework and the Structure-Conduct-Performance Model (Barney 2011). Some of these frameworks and conceptual models have become institutionalised and widely recognised as distinct schools of approaches (Porter, 1999; Barney, 2011). Others have been combined in various ways, and within various disciplines in order to explain growth, and to assist businesses to survive and grow (Churchill and Lewis, 1983; Cragg and King, 1988). However, there is little evidence of an accepted theoretical framework or conceptual model which could be applied to assist in understanding small ethnic sub-groups. In addition, there was limited research on models for small non-ethnic businesses from which comparisons could be drawn. Hence, there is a fourth gap to be closed in the research and research literature with

regards the development, understanding and use of conceptual models within a strategic management context for assisting EMBS and BACBs. Closing this gap should lead to the establishment of a framework that would assist in the provision of more appropriate support mechanisms in assisting the survival and growth of BACBs. It is hoped that this framework would facilitate policy making and assist policy makers in making better informed decisions with regards available support; the take-up rate of such support, and survival and sustained growth of BACBs.

There were four main research questions derived from identifying gaps in the literature review which are:

1. How appropriate is the kind of support offered to BACBs in order to assist their growth?
2. What levels of entrepreneurial support offered to BACBs would impact their profits?
3. What are the factors that affect growth (turnover) of BACBs?
4. What support mechanisms can assist the survival and growth of BACBs?

## **1.2 Aim and Objectives**

The aim is to develop a framework and to make recommendations for more appropriate support mechanisms that can assist in the survival and growth of BACBs.

The objectives are to:

- identify and evaluate the existing UK policy and support mechanisms offered to BACBs by the UK Government
- identify the various factors that affect the growth of BACBs and support mechanisms offered to BACBs
- develop a framework and make recommendations for more appropriate support mechanisms that can assist in the survival and growth of BACBs

## **1.3 Research Methodology**

A plethora of empirical literature is available on the impact of challenges on survival and growth of UK CSMEs (Weston, 1996; Meldrum and Berraranger, 1999; Miller, 2000; Egbu et al., 2005; Boyd and Xiao; 2006; Lu and Sexton, 2007; Perez-Aroas et al., 2007). However, research on some ethnic CSMEs is still slow and sparse. The



sparse literature offers coverage of some important issues such as procurement and discrimination, policy and support, but regrettably, few offer useful theoretical and empirical insights as to alleviating their impact on the survival and growth of BACBs. Moreover, very little work has been undertaken to develop an accepted theoretical framework, to get a better understanding of, and to inform policy makers about the impact of a combination of such challenges and ethnicity on the growth and survival of BACBs. Therefore, the aim of this research methodology was to develop a better understanding of the interplay between specific challenges, support mechanisms and aspects of ethnicity, and the effects on the survival and growth of BACBs in the fieldwork. The approaches taken in researching BACBs are a constructivist ontological and an interpretivist epistemological approach, as it is important to be able to reconstruct the world as BACBs construct their own realities through their own interpretations and perceptions of their worlds (Collins and Hussey, 2003; Denzin and Lincoln, 2011). In order to get a better understanding about the interrelationships between the factors that affect the growth of BACBs, a combination of qualitative and quantitative approaches that consist of robust analyses is utilised (Brace et al., 2003; Bryman, 2008). Furthermore, the choice of research methods and tools would have to be flexible in order to obtain a holistic picture of these small businesses (Yin, 2003). Thus, a combination of a critical literature review, a pilot study, a postal questionnaire survey and case studies has been undertaken.

Some empirical studies have concluded that businesses do achieve growth given the appropriate type of support and assistance over a period of time. However, the issue of time was partly addressed by requesting information for turnover and support taken up over a period of three years. In this way, trends or patterns can be revealed and support needs can be identified, so that recommendations can be made to assist BACBs. This study focuses on public support (provided by the UK Government) as opposed to that of private support (provided by family, friends, experts, such as solicitors and accountants) provided for BACBs. This choice seemed appropriate because there has been more research in this public arena by SBS (2003); SBS (2004); Fraser (2005); SBS (2006) and Li (2007), so trends can be compared and investigated; and because this support is provided by policy makers they can be challenged or lobbied in the event of their initiatives and policies being ineffective. However, private support has been included in the questionnaire and success rate of support mechanisms were compared in the Data Analysis chapter. In the investigation of the challenges encountered by BACBs the literature review included EMBs, because majority of the research on support was targeted at such businesses.

## 1.4 Summary of research findings

Challenges encountered by BACBs and the inappropriateness of support offered to them by the UK Government, including low take-up of support by BACBs were highlighted in the critical literature review. The findings have had implications for theory development, implementation of policy, industry practice and business growth models, including contribution towards closing the gaps in knowledge in the area of business support.

Challenges with accessing finance confirmed that there were still unresolved and unanswered questions as to the refusal of banks and financial institutions lending to the respondents; however, creative ways had been found to overcome this challenge in the case studies. Most significantly, the other two main challenges of discrimination and social exclusion only affected some businesses, and they were not significant factors that affected these respondents' survival and growth. Other significant challenges encountered by the businesses were UK Government policies and initiatives; competitiveness and non-diversity within the construction industry. Policy implication was still an unresolved matter of bridging the gap between implementation and practice for businesses. Competitiveness within the construction industry still suggested the hostile and complex environment within which the businesses had to operate. Non-diversity confirmed that the larger main contractors still were not including respondents on their supply chains. The implication here is that the challenges seemed to be more sector specific, or due to having small business characteristics and some exclusively to their ethnicity.

The findings were that support take-up by the respondents was extremely low; however, the support that was taken-up in terms of continuous or periodical support, via networking, having continuous networking events; continuous professional development, e-business, supplier diversity programmes, and loans and grants proved successful, and assisted survival and growth.

Growth intentions and innovative practices confirmed the respondents' commitment and practical operations which they had to undertake in order to achieve actual survival and growth. Good human resource management was essential to business operations and assisted survival and growth considerably. In addition, ensuring that good relationships with employees were maintained assisted the respondents' businesses. Maintaining a close relationship with clients and customers were important aspects in assisting survival and growth. Flexibility in working relations and

forging alliances (such as being in the supply chain of main contractors) proved useful to maintaining workload. Vigorously maintaining a financial plan and carrying out objectives, and maintaining community focused activities were also essential. The importance of registration with professional and trade organisations was stressed in order to gain credibility with clients/customers, competitors and stakeholders. Foresight in selecting sectors of activity and actively keeping abreast of stakeholder activities were especially crucial in procuring planned maintenance from the public sector.

## 1.5 Structure of thesis

**Chapter one**, the introduction, sets out the rationale and background to the research, including aims and objectives. It further gives a detailed description of the scope of the research and motivation of the choice of topic. The research methodology is also briefly discussed by highlighting the various specific aspects that are elaborated in the fourth chapter, and describes the main findings.

**Chapter two** consists of a critical literature review of the effectiveness of policy support offered by the UK Government in order to assist in the survival and growth of BACBs. The review addresses the major issues which impact on the survival and growth potential of BACBs and identifies the gaps in the research literature. Comparisons are drawn from the challenges that Minority Ethnic Businesses (MEBs) encounter within the USA construction industry, and implications for policy, support provision and industry practice are discussed.

**Chapter three** focuses on the growth phenomenon of BACBs. It critically evaluates and assesses several models, underpinning theories and theoretical frameworks in order to identify concepts that are likely to affect survival and growth of BACBs. A detailed typology is developed depicting a visual comparison of the various theoretical concepts. Common relevant factors are identified within each of four disciplines and they are utilised to develop an integrated conceptual model that can be used in further in-depth studies so as to better understand the survival and growth of BACBs.

**Chapter four** gives a detailed analysis of the research methodology by describing the relevant theories that impact on the choice of research strategy. It also reviews current methodologies by making comparisons with several research designs and offers justification for the different choices made. Examining the reasoning and

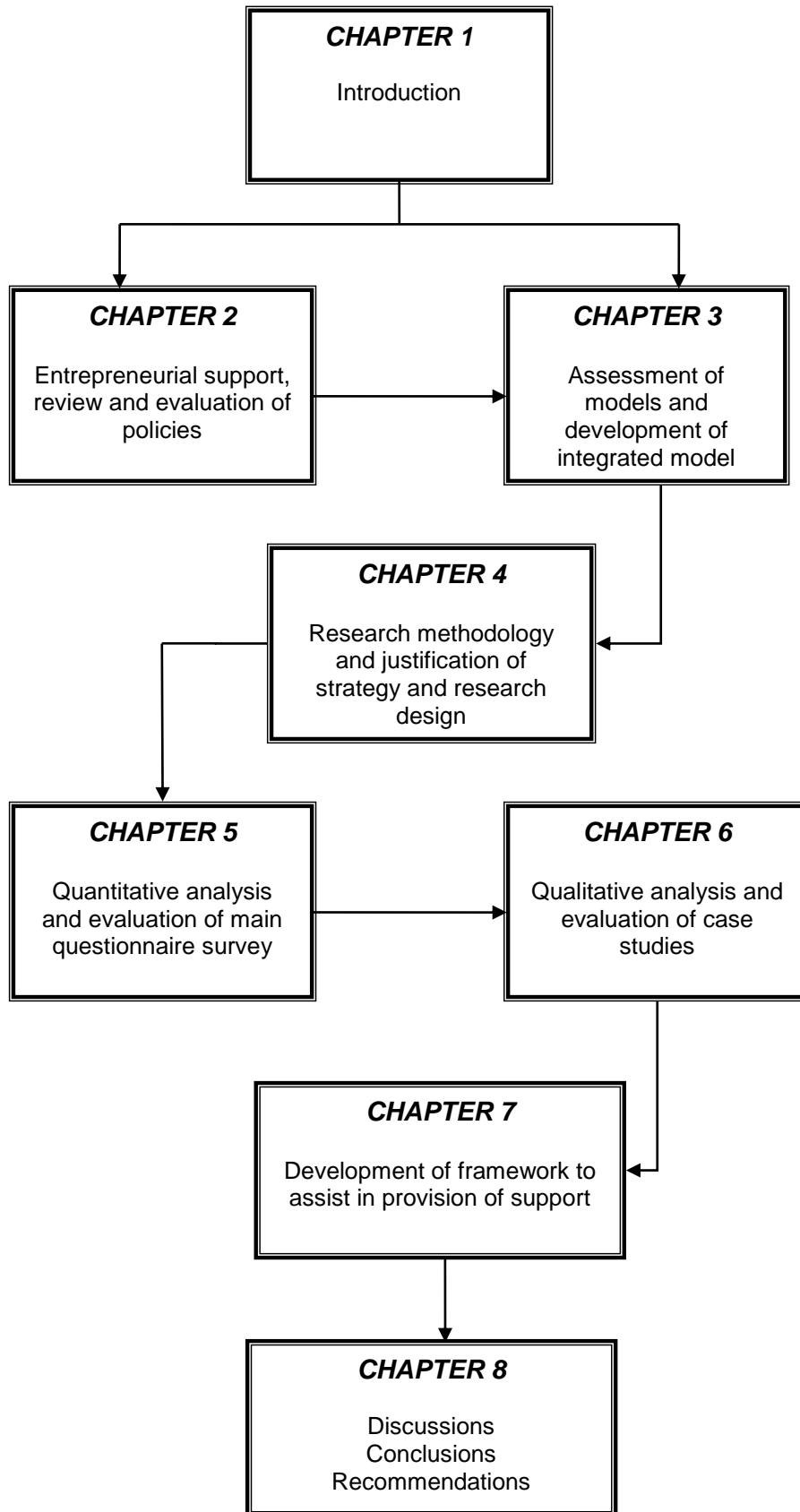
rationale behind the choice of research strategy, research design and devising the research methods that would achieve the objectives are the key issues. The chapter concludes by discussing the reliability and robustness of the results and reasons for the research strategy.

**Chapter five** presents the data analyses. The importance of this chapter is that it crystallises all that is discussed within critical literature review chapters two and three, and seeks to make comparisons using the new empirical data which is presented in detailed charts, graphs and tables.

**Chapter six** uses grounded analysis to evaluate the contents of the in-depth interviews within detailed narratives of the case studies and validates the conceptual model.

**Chapter seven** synthesises studies and combines results from the main questionnaire survey and the case studies in order to develop a framework for the provision of more appropriate support for BACBs, and which utilises relevant aspects of theory, policy and findings.

**Chapter eight** concludes by making recommendations for providing more appropriate and customised support that would assist in the survival and growth of the respondents and BACBs of the wider community. Figure 1.1 depicts the structure of the thesis.



**Figure 1.1**      **Structure of thesis**

## CHAPTER TWO

### UK BLACK AND ASIAN CONSTRUCTION BUSINESSES: CONTEXT AND POLICIES

#### 2.1 Introduction

Chapter one introduced the research, its motivation, rationale, aims and objectives, research methodology, research findings and structure of the thesis. This chapter critically reviews relevant UK Government legislation that aims to provide entrepreneurial support to EMBs and BACBs. It thus reveals how effective such policies are in assisting the survival and growth of such businesses. Initially, brief definitions and categories of businesses are presented. This chapter is then divided into five parts. First, business growth is discussed. Next, the effects of the construction industry and its environment and challenges encountered by EMBs and BACBs are discussed. The support systems and challenges to their uptake are presented. An international perspective of the construction industry in the United States of America (USA) is discussed, in order to learn lessons of good and bad practice. The USA was chosen as an example because their Government programmes targeting Minority Business Enterprises (MBEs) have been in operation for over four decades, a considerable length of time in comparison to the UK programmes (Ram and Smallbone, 2003) or anywhere else in Europe. Finally, the review concludes with a discussion and implications for policy, support provision and industry practice.

#### 2.2 UK Small businesses: categories and definitions

The European Commission conforms to the categorisations below:

1. Micro-businesses – those with fewer than 10 full-time employees
2. Small businesses – those with fewer than 50 full-time employees
3. Medium-sized businesses – those with fewer than 250 full-time employees
4. Large businesses – 250 full-time employees or more

There were 4.8 million businesses in the UK, at the start of 2008 (BIS, 2010), and the vast majority (99.3%) are small. Only 27,000 (0.6%) are medium-sized and 6,000 (0.1%) are large. The EU has defined the different businesses in terms of turnover and numbers of employees, and these are widely used in various countries across the

EU and within various industries. In the UK, BIS (2010), categorised the various businesses into four distinct groups: Micro businesses, Macro businesses, Medium businesses and Large businesses. Small Businesses have two sub-groups, the Macro and Micro Businesses (see Table 2.1). Micro Businesses have up to nine employees, and turnovers of up to two million euros. Majority of Micro Businesses are self-employed as sole traders, some having just one employee or they are in partnerships. Macro Businesses have ten to forty-nine employees, with a turnover of up to ten million euros (or GBP 6.72 million). Medium Businesses have fifty to two hundred and forty-nine employees, with a turnover of up to fifty million euros (or GBP 27.36 million). Large Businesses have over two hundred and fifty employees with no upper limit with regards turnover.

**Table 2.1 Breakdown of UK small and medium businesses**

<b>Micro, small and medium size businesses (2007)</b>	
<b>Business size (number of employees)</b>	<b>Total number of businesses</b>
Zero	3,460,360
1-9 (micro)	1,019,295
10-19	111,165
Zero to 19 employees	4,590,820
10-49 (small)	166,820
50-249 (medium)	26,690
250+	5,920

Source: BIS (2010) Small and Medium Enterprise Statistics 2007.

Table 2.2 shows that the construction industry has the second largest number of SMEs, with the service industry having the largest number. However, these figures do not represent those businesses that employ up to 49 employees as the UK definition states, and so the percentage shown is likely to be considerably more than 21%. This table also does not depict EMBs that consist of 7% of the 4.8 million businesses, nor does it depict BACBs that are a sub-group of the EMBs, representing 3% of the construction industry in England (SBS, 2006).

**Table 2.2 Small Businesses in the UK Economy**

<b>Small Businesses in the Economy</b>	<b>Number of Businesses</b>	<b>Number of businesses with fewer than 20 employees (including zeros)</b>	<b>Percentage</b>
Agriculture; Fishing	168,000	168,000	4%
Mining, Utilities	13,000	13,000	0%
<b>Construction</b>	<b>978,000</b>	<b>970,000</b>	<b>21%</b>
Wholesale, Retail, Repairs	562,000	546,000	12%
Hotels and Restaurants	150,000	142,000	3%
Transport, Communication	298,000	293,000	6%
Financial Intermediation	67,000	65,000	1%
Business Services	1,131,000	1,115,000	24%
Education	163,000	161,000	3%
Health and Social	274,000	263,000	6%
Other services	528,000	524,000	11%
Manufacturing	348,000	329,000	7%

Source: BIS (2010) Small and Medium Enterprise Statistics 2007.

### **2.3 Defining business growth**

Very few researchers have offered definitions for business growth. Due to the sometimes unpredictable and erratic nature in which small businesses achieve growth, it has been difficult to get a consensus as to the best, or the most appropriate way to define business growth (Curran and Blackburn, 1993; Aldrich, 1999; and Dobbs and Hamilton, 2007). Over the years, these researchers have argued that there is no unifying theory that can reflect the heterogeneity of growth in small businesses, and understanding of the growth process remains limited. There are two main ways in which small businesses achieve growth. The first is organically by expanding or becoming larger (Churchill and Lewis, 1983). The second is inorganically, by acquisitions of smaller businesses (Barney, 2011). Majority of small firms grow organically, and so only, organic growth and its models are discussed within this review.

There are two broad distinctions between the different types of organic growth. Growth can be linear, sequential deterministic and invariant (Churchill and Lewis, 1983); and a business can go through recognisable distinct stages. Another definition is a change in size over any given time period and a business rate of growth can be



identified through linear interpolation between its observed size at the beginning and end of the period (Dobbs and Hamilton, 2007). Then again, growth can be a continuous and unpredictable change. It can also be non-linear, discontinuous and individualistic (Poutziouris, 2003; Phelps et al., 2007). Churchill and Lewis' (1983) organic growth model conceptualises the fact that firms go through five distinct stages of growth, starting from conception, to youth, maturity, decline and then to the demise stage during their life-cycle. Whereas, there are numerous other growth models that vary from one stage to eleven stages (Phelps et al., 2007). Definitions of growth and conceptual frameworks that evolved in order to understand business growth varied in emphasis. Some studies gave more emphasis to the way a business achieves growth than the factors that lead a business to achieve growth. Other disciplines were more concerned with the resources that were required in assisting in this growth process, as opposed to how firms can acquire knowledge and implement it in order to grow (Penrose, 1959). Despite all extant literature on understanding business growth, there is sparse literature on EMBs and BACBs, and such groups have often struggled to remain in the market (Fadahunsi et al., 2000; Fallon and Brown, 2004).

Recent literature increasingly cites the benefits of business growth, and the impact growth has on global economies. Moreover, growth of markets across the world has recently been linked to EMBs to a significant extent. In the UK, EMBs are increasing in numbers. They are also an important contributor to the UK economy, contributing in excess of £15 billion per year (SBS, 2003), including BACBs, (a sub-group of EMBs) that form 3% of the UK construction industry which is extremely important to the EU and UK economies. The most cited public benefit of small business growth however, is the contribution made by these businesses to employment, with emphasis on the major role they play in job creation across national borders (Aldrich and Waldinger, 1990; Blackburn, 1993). However, such scholars recognise that there is some controversy with regards the direct impact on economies, because growth in employment may result from many businesses causing incremental expansions, or a small minority of high growth businesses can contribute to the new employment. At this point it is necessary to define survival. For a business to be able to survive, it has to be able to pay all its weekly or monthly expenses. The notion of just being able to pay for these expenses with no money left over (profits) is surviving. Whereas, for a business to grow, it has to be able to pay not just its entire weekly and monthly expenses, but have some money left over which would be its profits, and therefore it is achieving growth. Hence, the obvious benefit of growth for a business is that it is able to pay all expenses weekly or monthly, and would achieve growth if the business has an increased return on their investment as Dobbs and Hamilton (2007) concluded

in their study and review of business growth and growth models. In effect, growth is equated to achieving a monetary return and as such make a profit.

SMEs are responsible for 55% of the UK employment including 51% of all UK turnovers (SBS, 2003). However, SMEs view their world in an operational way (Egbu et al., 2005). These authors observed that the biggest operational issue was cash flow, (which obviously impacts on survival and growth) that has been echoed by Storey (1994). This may be the reason that in recent years the UK lacked entrepreneurs who wanted to establish a growth business. Unfortunately, because growth is often contextualised, it is usually defined or qualified when carrying out surveys. The UK Government's, Small Business Service (SBS) (2006) gave a classification of a business growth. Under the classification, the definition of 'sustained growth' was that "a business had to have experienced employment growth during the previous year and planned to take on more staff during the next year" (SBS, 2006: 67). In order to derive a wider indicator of growth trends among small businesses, past and anticipated job growth were combined into a single indicator. The three other categories for growth were 'contained growth', "in which employment grew in the past year but was not expected to grow again in the next one"; 'new growth', "in which employment did not grow in the past year but expected to grow again in the next one"; and 'no growth', "in which there was no employment growth in the past year, not expected any in the next one" (SBS, 2006: 67). Interestingly, SBS (2006) believed that this measure of growth is very much about perception and confidence, and therefore may not relate to a proper assessment of growth potential in some cases. The survey also revealed that sustained growth is related to: exporting; young, well-qualified management; planning to widen markets and product/service portfolios; using external finance; training staff and managers; and reducing energy, water and waste disposal costs. How important are some of these factors, such as exporting, planning to widen markets and product/service portfolios, young (the age range was not specified) in enhancing the growth of CSMEs? Due to the complexity of survival and growth, it is difficult to access their support needs without understanding their growth objectives and support needs.

After considering the various definitions of growth, including the aim and objectives of this research, the most appropriate way to define growth needs to take into account the context of UK Government support policies. Moreover, the relationship between survival and growth is positively correlated, and there is the need to assess growth in quantifiable terms. In addition, business growth in terms of employment size does not always result in higher profits within the same fiscal year. Hence, the definition

presented here is adopted from that of the UK Government's SBS (2006) of "sustained growth" which is "a business had to have experienced employment growth during the previous year and planned to take on more staff during the next year" (SBS 2006: 67) and is also able to pay all expenses weekly or monthly achieving a monetary return and as such make a profit. This definition would be useful in the later chapters of this thesis.

## **2.4 Effects of the construction environment and the challenges encountered by BACBs**

The construction industry consists of various organisations and businesses that engage in Building Contracting; Civil Engineering; Specialised construction activities (SIC, 2007). However, other related professions such as Architectural and Engineering activities; Other professional, scientific and technical activities are categorised as separate industries, even though they are important sectors of the construction industry. This definition of the construction industry has been argued by scholars within the built environment such as Barrett (2008) and Goodier et al. (2008) and Ruddock (2008) as being inadequate, portrays an incorrect size, gives a wrong impression as to the operations of the various markets, and more so very limited in its remit. This argument persists because of the numerous different sectors and markets that exist within the construction industry that incorporate a wide range of businesses and services, including the construction and supply of materials and products; building service manufacturers, providers and installers; contractors and sub-contractors and advisors and construction clients that design, build, operate and refurbish buildings and properties.

Within all this complexity and fragmentation of areas and sectors, exist two main and very important sectors, - public and private sectors. Stark differences prevail between these sectors with regards to procurement practices, procuring work and tendering for contracts. Barrett and Lee (2008) and Goodier et al. (2008) are just a few who have argued consistently and vehemently that because of arduous bureaucratic and administrative procedures; extremely time-consuming legislation; industry practices that generate high transaction costs for the small business; numerous CSMEs, EMBs and BACBs endure hardship, and encounter challenges to their survival and growth. In contrast, lead times for the procurement of a project are on average considerably shorter, transaction costs are much lower, and there are fewer legislation matters with which to contend within the private sector. Another concern that has been highlighted with regards the public sector is that the bureaucratic procedures in the tendering and

bidding processes and some of the initiatives, or practices such as partnering exclude most CSMEs due to their smaller size, and would usually choose larger well-known businesses. Moreover, it is within the public sectors that continuous and/or periodical work is available, and for which CSMEs, including BACBs can have opportunities to bid or tender for contracts.

Smallbone (1997) emphasised that SMEs have several size-related characteristics such as limited financial resources; limited human resources; having a distinctive organisational culture of the combination of ownership and management; and tend to have less ability than larger businesses to influence and shape their external environment, there is still a lack of understanding with regards CSMEs. CSMEs produce approximately 2.5 billion pounds as an industry (SBS, 2006). Disappointingly, this phenomenal amount of money generated each year does not seem to have been used to boost the entrepreneurial activities within the Industry. In spite of this high capital generated, however the construction industry still remains renowned for its low activity for entrepreneurship. McCabe (2006) emphasised that the volatile nature of the construction industry resulted in many CSMEs, (including EMBs and BACBs) going into bankruptcy each year. He has argued that these peculiar problems within this Industry that have been identified as endemic and inherent such as high-unemployment, lack of training, economic uncertainty and erratic labour arrangements have historically had detrimental effects on the smaller, more vulnerable businesses.

Various solutions have been suggested to address some of these challenges encountered by CSMEs. Weston (1996) recommended strategic planning. Meldrum and Berranger (1999) concluded that Higher Education could meet some of the shortcomings of these groups. Boyd and Xiao (2006) proposed knowledge based workshops for these businesses in order to alleviate their operational costs and management problems. Perez-Aroas et al. (2007) designed a knowledge management tool for improving sharing businesses' knowledge amongst themselves. Other researchers and academicians have focused on innovation in order to assist survival and growth. Innovation, like competitiveness can be an enigma; very difficult to describe and can take many forms. Lu and Sexton (2007) called innovation the new idea. Whereas, Egbu (2003) classified innovation in several ways: taking an economic perspective, innovation can be a product (cost reduction) or a process, (new knowledge, which allows the production of quality superior output from a given resource). Yet again it can be incremental or radical. Notwithstanding all these permutations, innovation does not always result in increase in profits (Drucker, 2007). Nevertheless, Egbu et al. (2005) argued when researching surveying practices, that

CSMEs' main concern was survival because the construction industry consists of fiercely competitive markets and environments. Moreover, the fact remains that due to their small size and limited resources the inherent challenges of CSMEs still continue with the main areas of concern that impact on their survival and growth being that of the UK economy, regulations, competition, cash flow and taxation (SBS, 2006). In recent years research literature focusing on construction professionals, including EMBs and BACBs (that own their businesses) hardly emphasise the entrepreneurial aspect of their businesses in terms of business development and growth. The focus is usually on innovation which does not always lead to growth in profits or increase in employment. Moreover, hardly any research has been carried out in order to fully understand the effect of the interplay between challenges encountered within the construction industry; support policy; available support; the take-up rate of such support and the effects on the survival and growth of BACBs. Thus, the first gap in knowledge would be filled by conducting this critical review.

#### **2.4.1 Challenges encountered by EMBs and BACBs**

EMBs and BACBs are younger in age and so tend to have been trading for less time than their non-ethnic counterparts (SBS, 2006; WYEP, 2006). Similarly, the financial turnovers for the former tend to be lower than their non-ethnic counterparts, resulting in them not being able to tender or bid for very large contracts (Ram et al., 2002; Steele and Todd, 2005; Smallbone et al., 2008). Moreover, forty per cent of EMBs are based in the 15% most deprived wards in England, whereas, only 24% of non-ethnic businesses are in such impoverished wards (SBS, 2004). Law's (2007) extensive research on policy and ethnicity emphasises that EMBs in general remain in poverty stricken areas, with some of them not being able to break away and diversify into other geographical areas and other industrial sectors. He argues that even though UK Regional Policies have been used to provide support in various ways for such impoverished areas, there has not been success in abating the situation for such businesses.

A key study by Ram and Smallbone (2003), was concerned about the support available to EMBs, and realised that so much research had been carried out in densely populated areas in which they were located. Those businesses in the smaller, more remote towns, such as Devon and Cornwall had been neglected and were lacking in most areas of support. Although their research covered only forty-two firms, (fifty-five per cent of these firms were in the food services and hotel sectors), it was a full research survey and so was included in the taxonomy of challenges. The

challenges of EMBs were perception of racism; low awareness and use of mainstream business support agencies and membership organisations.

Specific challenges were revealed by Steele and Todd (2005) when they investigated the success of CSMEs, including BACBs, obtaining contracts from the public sector. These challenges known as *barriers* included training and experience; lack of track record; insufficient resources; lack of specialist capabilities and insufficient turnover. The researchers pointed out that these challenges were encountered by both BACBs and their non-ethnic counterparts, and so, both groups encountered similar challenges in the area of public procurement.

Steele and Sodhi (2004) identified challenges that they also called barriers that prevented BACBs from getting contracts from RSLs. The interesting aspects of this research were that its findings covered a multitude of areas, within this public social sector. Its research objective was to evaluate the fairness and equitability of the social housing sector. Lack of willingness to give constructive feedback by the housing associations to a BACB that would assist them in the event of that particular company bidding for further work in deciding on successful tenderers was a main contention. The researchers argued that there were several areas that were identified as being a disadvantage to potential BACB tenderers such as the lack of flexibility by some RSLs in terms of payments, previous experience and insurance levels. These challenges encountered within the procurement process within the social sector were the lack of transparency of the bidding system; inconsistencies of the implementation of the policies of the stakeholders; and inability of businesses to cope with large contracts (GLA, 2007). It is widely known that the public sector provides fairly secure and fairly continuous work from which SMEs, EMBs and BACBs can benefit. Moreover, due to similar challenges encountered by both BACBs and non-ethnic businesses within this area of procuring work from the public sector, all the groups find it difficult to compete for such contracts (Smallbone et al., 2008).

SBS (2006) identified the most important challenges (in order of priority) to growth that affected approximately six thousand SMEs based in England as competition, regulations, the economy, recruiting staff and taxation. A booster of EMBs included deprived wards and a response was received from 1600 EMBs from all sectors in England and included BACBs. EMBs encountered challenges of competition, recruiting staff, the economy, regulations and taxation. SBS's (2006) revealed that Black (Afro-Caribbean) businesses were significantly more likely to expect to grow than other EMBs. Additionally, increasing sales was the route to achieving business

growth. However, it was reported that such businesses were more concerned with challenges such as staffing, premises and obtaining finance. The results from the booster survey found out that EMBs were slightly more likely than non-EMBs to say they had experienced discrimination. However, SBS (2006) revealed that discrimination was not qualified nor described.

Another key research literature, Greater London Authority (GLA, 2007) identified several challenges which were encountered by BACBs. These were lack of training; social exclusion (Old Boy Network), discrimination, lack of understanding of diversity with client bodies; lack of overall strategic policies by UK Government; the unwillingness to change, and the closed social networking groups. However, more importantly were the challenges encountered by these groups when attempting to get contracts, which were the lack of training and experience; lack of track record; insufficient resources; lack of specialist capabilities and insufficient turnover (GLA 2007). The researchers argued that the survival and growth of such businesses were greatly compromised due to the wide reaching challenges that were encountered. However, this study focused more on other minority groups, -ethnic women and disabled persons who were self-employed and tradecrafts as opposed to established construction and professional consulting businesses. Hence, this critical literature review's focus would be specifically on BACBs that are established businesses.

In summarising, specific challenges encountered by BACBs were being smaller in size, younger in age and having a lower turnover (than their non-ethnic counterparts), limited financial resources and access to finance, social exclusion (Old boy network) and racial discrimination (Steele and Sodhi, 2004; SBS, 2006; GLA, 2007). However, the first two challenges are not specific to BACBs as several non-ethnic businesses tend to possess those characteristics, and also have limited financial resources. Therefore this study focuses only on those support policies that influence or are targeted at the challenges that are specific to BACBs. These challenges are access to finance, social exclusion (Old boy network) and racial discrimination (SBS, 2006; GLA, 2007).

**Table 2.3 Taxonomy of challenges encountered by EMBs and BACBs**

Challenges	Author	Date
Poor access to credit facilities Having an impoverished customer base Owning out-dated rundown premises Having to pay high insurance rates for their premises	Barrett et al	2002
Lack of finance Limited business and marketing skills Perception of racism Low awareness and use of mainstream agencies Low take-up of membership organisations	Baldock and Smallbone  Tourist and hotel industries	2003
Over concentration in low entry threshold activities Language barriers Cultural issues Lack of confidence Lack collateral Concentrated in activities with high failure rate	Ram and Smallbone	2003
Bureaucratic procedures in the tendering and bidding for contracts Unwillingness to give constructive feedback for unsuccessful tenders Lack of flexibility in terms of payments Previous experience and insurance levels	Steele and Sodhi  Residential Social Landlords	2004
Training and experience Lack of track record Insufficient resources Lack of specialist capabilities Insufficient turnover		
Behavioural characteristics Unique (Types of) problems that they encounter Lack of professional business and management skills Lack of financial management; cash flow problems Breaking out	Smallbone et al  Creative industry	2005
Obtaining finance from bank/financial institutions Staffing Premises related problems Discrimination in terms of race	Small Business Service	2006
Boundaries and resources	All industries Dassler et al	2007
Lack of track record Insufficient resources Lack of specialist capabilities Insufficient turnover When bidding for contracts, BACBs receive no feedback Lack of training and experience	Greater London Authority  Construction industry	2007



Table 2.3 is a taxonomy of challenges encountered by EMBs and BACBs drawn from key publications between 2002 to 2007. This period was chosen in order to reflect the boom and burst cycles of the construction industry. Significantly, the common factor presented with each author is finance related. This revelation is stark as these financial related issues permeate all sectors and thus reinforces the need to include this factor as a challenge that needs to be fully investigated. Some critics have stated that finance affects all businesses or that a considerable amount of research has been carried out on small businesses. However, it is uncertain what proportion of BACBs fall within these studies. The GLA (2007) focused solely on the construction industry, and so it can be said that some BACBs do suffer from having insufficient resources and indeed, insufficient turnover. It still has to be stressed that BACBs are a group of businesses that have not been fully researched within the context of the construction industry.

Some other well-known studies were not included within the taxonomy of challenges because the researchers have investigated only one challenge. For example, Fraser, (2005); Hussain and Matlay, (2007) (studies on access to finance and financing preferences); or they have been tentative or pilot studies, for example; Nwankwo (2005); Ekwulugo (2006); or, they are not recent findings (pre 2000), such as Boissevain and Grotenberg (1987); Rafiq (1988); Marlow (1992); Curran and Blackburn (1993). However, these studies have been referenced throughout the thesis because of their contribution they make within their specific areas.

## **2.5 Business support**

Aspects of economic theory assert that badly performing businesses that go bankrupt, or do not survive usually make way for fitter and more profitable businesses (Kirzner, 1979). The UK Government advocates that markets, left to themselves will generally produce the right results, being new products, cheaper services, rising living standards and full employment (BERR, 2008). Regrettably, BERR (2008) and the UK Government know that market failures can occur, and sometimes markets themselves cannot achieve social or economic objectives. Moreover, empirical research literature has revealed that support offered to businesses over decades has in fact enhanced and positively impacted on the survival and growth of businesses (SBS, 2006; BERR, 2008). Significantly, BERR (2008) admitted that businesses receiving support and advice are more likely to flourish, gaining competitive advantage and creating high value companies that benefit local economies (BERR 2008). However, critics like Curran (2000) who was aware of the huge development in support structures to assist

in promoting small businesses question the rhetorical claims that policies and support actually help develop a strong enterprise which promoted prosperity. He argued that evaluating the UK Government's achievements were fraught with methodological difficulties, but more so, because of the main constraint of poor take-up of support by businesses. Indeed, BERR (2008) emphasised that assistance from the UK Government has helped address market failures or equity gaps, so allowing businesses realise their full potential. Understandably, because support is generic and comes in various guises, its implementation by the various UK Governments has been difficult. Hence, Law (2007) also agrees that because of the nature of support, research has shown that it has been difficult for small businesses to identify support and a considerable amount of all businesses (SMEs, EMBs and BACBs) are not always aware that it is available.

Business support is one of the many ways in which government interacts with business. In the context of DTI's (2007) consultation, business support means direct (rather than tax-based) support to a business or group of businesses or to people starting or considering starting a business. Examples of business support include: free or subsidised advice, grants, reduced-interest loans, training and help with finding workspace. The UK Government's main aim of support is to help entrepreneurs or businesses, and in doing so achieve economic, social, environmental and cultural objectives (DTI, 2007). In addition, its aim was to ensure publicly-funded business support contributed to sustainable economic growth in all parts of England. DTI's (2007) proposals were that business support should be organised in themes that reflect business' needs and processes.

The UK Government now realises that providing effective targeted business support is one way of addressing these issues, when market failures exist locally, regionally and nationally. Additionally, business support is seen by the UK Government as a significant contribution to local and regional economic development, including helping to meet other public policy goals. Furthermore, businesses are offered support in order to succeed for the benefit of everyone in the UK including individuals by acquiring new skills and reaching their potential through fulfilling employment or by building their own business. This can result in people and businesses responding to changing circumstances, – be they economic, environmental or cultural.

**Table 2.4 Proposed business support framework: Source DT1 (2007)**

Starting up	to Access finance	Management, recruitment and people development	Operations and efficiency	Product development	Sales and marketing
Business creation	Financial awareness and capability	Skills brokerage	Shared support environments	Connection with knowledge institutions	Getting into new overseas markets
Local community business advisors	Debt finance	Skills solutions	Business technology and best practice hubs	Innovation collaboration	Growing Internationally
Preparing for self-employment	Risk capital	Incentives to employ	Incentives to employment	Innovation guidance and advice	Export credit guarantee
Tackling barriers to self-employment	Export credit guarantee	Support networks	Tackling barriers to self-employment	Innovation finance Shared support environments	Preparing to go International
Support networks	Support networks Innovation finance  Capital investment grant		Protecting the natural environment  Resource efficiency and sustainable waste management  Business expertise  Preparing to go International  Support networks  Capital investment Grants	Business Technology and best practice hubs  Business expertise  Growing Internationally  Getting into new overseas markets  Preparing to go International	

Table 2.4 is an illustration of these possible themes and the business support. However, some types of support are found within more than one theme thereby acknowledging that some business needs' overlap with others. These developed themes were based on key business activities that were structured in such a way as to be receptive to businesses. Moreover, the Government's aim was that all publicly-funded business support would fit into this framework in future. It is also questionable whether these themes were implemented across the various business support agencies. Was there any feedback given to the effectiveness of these different themes, or were they confusing the businesses they were meant to assist?

### **2.5.1 The Support Mechanisms**

The UK Government spent £2.5bn per year in directly supporting businesses to abate the challenges they encounter, by providing publicly funded grants, subsidies, advice and other support services (PACEC, 2005). Moreover, the support schemes then were not well known, (and little has changed since), nor were businesses aware of them nor did they understand how they could benefit from such schemes. In 2006 there were approximately 2,600 business grants and support schemes in England, with an average of about 500,000 people a month contacting Business Link (the official UK Government provider and co-ordinator of support services, schemes and products in England) (DTI, 2007). Not surprisingly, Johnson and Reed (2008) argued that these schemes were far too many, and several of them overlapped with each other.

BERR's (2008) extensive survey consisting of 70 SMEs including stakeholders, support group providers such as Business Link had a broad understanding of what business support meant: a variety of services, including information provision, mentoring, networking, seminars and internet searches (BERR 2008). The actual support services frequently used by contract-managers and contract-holders included: general business management capability, including planning issues, skills, - either to fill a skills gap or to recruit new employees, sales and marketing; financial management, access to finance or raising finance, assistance with starting a business or at the start-up stage of a business's development, help with penetrating new markets – including advice on all aspects of importing and exporting, information about employment legislation, networking, market-making, advice on inclusivity; and advice on how to bring technology into the running of their business.

In terms of good quality support being provided, BERR (2008) identified that events such as seminars, courses and networking groups were widely regarded as adding value to businesses as they facilitated personal contact with other business experts and their peers, appreciated the transparency of a service where advisors have no underlying motives to sell products and where they have a genuine concern for a client's business. North et al. (2001) gave a comprehensive figure of the main channels for providing innovative support systems to SMEs in the Lee Valley regional area and Hertfordshire, UK. Figure 2.1 has been adapted to show the main channels of assistance for entrepreneurial support to UKSMEs.

Figure 2.1 depicts a schematic arrangement of the main players in the funding, provision and implementation of public support by the UK Government. Though it looks quite simplistic, it does not capture, nor does it give a true picture with regards the liaisons, co-ordinating, phenomenal support mechanisms, the chaotic and most times, confusing atmosphere that is generated in the name of public support provision.

**Figure 2.1 Main channels of support offered by UK Government and European Union** Source: Adapted from North et al. (2001)

The next four tables, Table 2.5, Table 2.6, Table 2.7 and Table 2.8 present the aims and objectives; provision and targets of delivery of, Business Link, including methods for identifying businesses in order to offer support Business links. Despite that they have been abolished, and this information was in 1997, it gives a very in depth view of their rationale and efforts in co-ordinating the whole support mechanisms for England.

Table 2.5 reveals that the aims and objectives of Business Link and their numerous partners consisted of business growth, promoting economic development and business competitiveness.

**Table 2.5 Principal strategic aims & objectives of Business Link and partner organisations**

<b>Business Link</b>		<b>Partner Organisations</b>	
Aim / Objective	Frequency (%)	Aim / Objective	Frequency (%)
Promote business competitiveness	54	Promote local economic development	45
Deliver excellent / high quality services	41	Strengthen / integrate partnership	21
Increase demand / use	32	Promote business competitiveness	21
Promote business growth / wealth creation	30	Support start-ups / micro businesses	21
Meet market needs	27	Regeneration	18

Source: Final Report, PACEC (1998) on behalf of the DTI (Business Link)

**Table 2.6 Services provided by Business Link**

<b>Core Services</b>	<b>% of Business Link providing service</b>
<b>Signposting</b>	100
<b>Information</b>	96
<b>Personal Business Advisers (PBAs):</b>	
Diagnostics	100
Action Planning	100
On-going Support	100
<b>Specialist Advice &amp; Services</b>	
Design	98
Innovation & Technology	100
International Trade / Exporting	98
Access to Finance / Financial Packaging	98
Management Training / Human Resources	91
Marketing	96
Premises & Planning	79
Regulatory Issues	86
Supply Chain Development	91
<b>Subsidised Consultancy</b>	82
<b>Events Programme</b>	95
<b>Services for Start-ups &amp; Micro-businesses</b>	<b>95</b>
<b>Other BL branded / joint branded</b>	48
of which, most frequently mentioned:	
IT support & programmes	29
Investors in People (IIP)	13
Network broking	9
Marketing/exporting	8
Venture Capital, incl. Business Angels	5
World Class Manufacturing	5

Source: Final Report, PACEC (1998) on behalf of the DTI (Business Link)

Table 2.6 shows a whole variety of services offered to smaller businesses having the greatest need for what might be described as *basic* support (e.g. the areas of diagnostics, business planning, financial management, accessing finance and marketing/sales), whereas both broad size groups of firms appear to have an equal need for the other types of support listed. Most commonly included under other was a need on the part of the smaller firms for low cost workspace. Services provided for start-ups are very high at 95%. However, the provision of service does not equate to the same as take-up of service. In addition, it is true that start-up businesses and high-growth businesses make potential contributions to national economies, and this is well recognised in policy circles. However, SBS (2001) has argued that there is a danger that established small business such as a large proportion of EMBs and presumably BACBs would be and remain widely unrecognised within the same policy circles and policy makers. Moreover, UK Government emphasis was on lifelong learning and providing sustainable measures for alleviating social exclusion in order for businesses to survive and grow. This policy was applicable to all businesses in general, but more so to the very small that are under-represented within the various communities. With these series of support measures it would seem that some large sections of the business community are excluded from benefiting from this support, because some EMBs including BACBs are not start-ups, but established businesses.

Table 2.7 reveals that there is a strategic plan in place in which to target businesses and it is quite detailed as to the different stages of development, the number of employees and consists of all the various sectors. However, the organisations provide and specifically target services according to different types of businesses with regards their stage of development, and so tended to target the following businesses depicted on Table 2.7, the most: start-ups (95%), firms with growth potential (89%) and growing firms. Moreover, within the sectors, manufacturing (89%) and high tech (82%) are the highest sectors targeted, with construction trailing at 57%. SBS (2001) and other researchers have argued for the need to focus support on start-ups presumably because that is a critical stage for the business and any support then would be welcomed by the novice in business. However, Stanworth and Gray (1991) and Storey (1994) have taken the opposite stance to focus support on established businesses that had growth potential, thereby making more effective use of public funding, rather than on start-ups that had abysmal failure rates.

**Table 2.7 Provision and targeting of support services**

Type of firm:	% of Business Links and partner organisations providing services	% of Business Links and partners particularly targeting service
<b>Stage / character:</b>		
Start-ups	95	56
Vulnerable	43	7
Stable	56	17
Growth potential	89	61
Growing	87	49
<b>Employee size bands:</b>		
0-9	78	63
10-49	84	54
50-199	79	29
200+	48	20
<b>Sector:</b>		
Transport	50	12
Retail	51	27
Tourism	60	22
High tech	82	46
Agriculture/Horticulture	42	15
Manufacturing	89	66
Construction	57	15
Business services	72	46
<b>Others:</b>	31	11

Source Final Report Public and Corporate Economic Consultants (PACEC) (1998) on behalf of the DTI (Business Link)

**Table 2.8 Methods used to identify the needs of firms**

Method	% of Business Links & partners using method	% describing method as most effective
PBAs	48	32
Information Service	48	11
Survey Research	48	21
Business Forums	46	11
Business Counsellors	35	18
Seminars / Workshops	29	5
Exhibitions	23	-
Help lines	23	5
Sales Teams	15	5
Others	48	36

Source: Final Report, PACEC (1998) on behalf of the DTI (Business Link)



The second column is more important as it gives feedback to the effectiveness of Business Link and Private Support Agencies (PSAs) methods used in identifying challenges encountered by businesses. Thirty-six per cent is the highest response group which indicates others and this does not instil confidence as they may consist of very important aspects that have considerable implications for such businesses. The second highest response was presumably the use of PBAs that may be more organised and better resourced. Survey research follows behind as another good and effective method, and so this research would prove useful in future as it is indeed an effective way to reach such groups as BACBs.

### **2.5.2 Challenges to support mechanisms: the big issue of low take-up of support**

Factors affecting demand for business support services were outlined as a threshold model of various perceptions, adapted by Law (1996). These were studies of self-employed entrepreneurs encountering various degrees of challenges to take-up. These varied from basic knowledge of support available, particularly amongst informal community networks, and any knowledge of other peoples' experience of provision, to perceptions of need for business support, to general perceptions, bundle of attitudes and feelings about business support, which includes both negative aspects e.g. stigma, expectations of checks, demands for documentation or racial discrimination, or positive aspects e.g. improved business performance. However, because the target group was not established businesses, nor were they within the construction industry, and majority were on social benefits, caution has to be maintained.

An important issue confirmed by SBS (2006) was that the take-up of support by BACBs was still very low, sometimes due to lack of understanding of the type of support available, and the relevance as to what was offered. SBS's (2006) empirical evidence also revealed that support offered to BACBs was similar to those of their non-ethnic counterparts. However, because the former had different challenges, SBS (2006) recommended that BACBs' support needs had to be fully understood in order to provide the targeted support and engagement that would be beneficial and would assist in their growth potential.

Further evidence revealed that in general there is a lower take up of business support services by ethnic minorities than those of non-ethnic counterparts (white business) (SBS, 2002). A very important and interesting finding was made by Fadahunsi et al., (2000) with regards low take-up of support offered by the UK Government to EMBs. It

was not the usual lack of awareness by EMBs that was cited when 82 EMBs were investigated using face-to-face interviews. Indeed their study revealed that there was a higher level of awareness of the existence of the support services offered as compared to the small business population as a whole. Regrettably, they argued that majority of the reasons given by EMBs for their low take-up were that the support agencies gave a range of negative attitudes such as discrimination (some racial), national stereotyping and perceived prejudice that reflected a sense of foreboding by the EMBs. This study was based in five London boroughs that have a high percentage of EMBs, and so may not be representative of the whole of the UK, but at least it raised awareness that Business Link had been overhauled and the support services had been streamlined. Regrettably, Business Link having resolved one obstacle of low awareness, it failed in another aspect of perceived prejudices which was just as important because of the knock-on effect of low take-up by EMBs.

Recommendations had been made to tackle the inappropriate support offered, including low take-up of support by several government organisations and by researchers such as Ram et al. (2002) and Smallbone et al. (2005). Furthermore, Packham et al. (2005) argued that support programmes, and initiatives that disseminate the importance of management practice adoption are crucial to small business (including CSMEs) development and growth. Likewise, WYEP (2006) concluded in their research of 125 EMBs consisting of extensive in-depth interviews with stakeholder consultations and focus groups that those EMBs not operating in mainstream markets required intensive support to enable them to become more fully integrated. Unfortunately, there is no substantial evidence that these several recommendations and objectives or plans have been implemented effectively in assisting EMBs or BACBs to achieve survival and growth. In addition, Johnson and Reed (2008) revealed that these recommendations had not yet produced an overall strategic policy plan to deal with the lack of engagement that has been identified and that this was indeed an important aspect of the low support take-up by EMBs. There have been examples of previous UK Governments action plans not offering the construction industry the same status or priority as it has done with other sectors or industries in terms of resourcing or providing support programmes.

Another important, controversial and unresolved issue raised by Ram and Smallbone (2001), BBA (2002) Deakins et al. (2003), Dassler et al. (2007) concerning challenges to the support mechanisms was low take-up of support by EMBs was the identification and accessing of the various EMBs. This was directly linked to the fact that there are no existing comprehensive databases for EMBs. The UK Government's Office of

National Statistics does not have a database. The importance of this issue is that it is seldom raised by the UK Government or support agencies that initiate the support policies, implement the support mechanisms and supply the support packages. Indeed, if this issue is not debated and action taken by stakeholders and the UK Government and support agencies, then it may be perceived by EMBs and the wider communities that little importance is attached to this issue in accessing EMBs in order to provide appropriate support. Controversial as the issue is, the reasons given by the same three main groups,- UK Government, support agencies and stakeholders is that due to UK legislation concerning Data protection, no details of individuals should be accessed and used by a third party thereby producing a data base from such actions. However and importantly, the Data Protection Act relates only to details of individuals being accessed and disclosed to a third party, and not to details of businesses being accessed and disclosed to a third party. This very important and vital piece of legislation has to be clearly interpreted consistently and fairly by all interested parties in order that a comprehensive database of businesses can be provided without breaching any privacy laws.

A very vital and important in-depth study has been carried out by Dassler et al. (2007) concerning the problems, logistics and methodologies in the compilation of a Scottish database for EMBs. Their study was precisely to address the issue of the low take-up of available ethnic business support in Scotland. The database would hold the following information: "name and gender of the business owner, sector, location, number of employees as an indicator of company size, generation, the year in which the business was established, and the legal status of businesses" (Dassler et al. 2007: 114). They argued that this composition of a database for Scotland would provide baseline data on EMBs, including a sampling frame for future research. Moreover, the database draws from the concept of mixed embeddedness which included the political agenda of the Scottish Executive for the sector. Data sources used were Yellow Pages of Scotland, commercial databases, the local business registers across Scotland. A telephone survey and personal contact/networking with businesses were also used. Based on the literature underpinning research on EMBs, the researchers' justification for the proposed database has been developed, which also provides a sampling frame in the Scottish context and allows for new approaches to research. Dassler et al. (2007) also argued that by proposing a methodology for composing the database, the article tackles a long-standing issue in the area of ethnic business research. Moreover, it is hoped that the database would improve understanding among policy makers and support organisations, in terms of the particular needs of individual businesses. In turn they would be providing a better

understanding for a more tailored and more attractive support, which, in turn, improves the take-up of existing mechanisms. This is precisely the missing link between utilisation of databases and the need to access EMBs in order that they take-up much needed support for their survival and growth. Furthermore, relevance of the databases has been justified through this detailed recent study on EMBs. Hence, there is a need to be thorough in the research of understanding the type of support required by EMBs, in order for the take-up rate to increase.

At this present time there seems to be no urgency by the UK Government in order to provide a national database. BERR (2008) also confirms that data is often not available, or if available, is not accessible because of constraints imposed by data holders. Moreover, at local levels they know it is not always possible to robustly ascertain, the number of EMBs, their respective sectors or their contribution to the local economy. Where data is available, such as with the WYEP Goldmine Database (2006), the view that often such databases do not cover the full range of EMBs prevails. Moreover, it is not a census of all the EMBs and anecdotal evidence always suggests that the numbers may be substantially underestimated. National data is collected on main EM groups but it usually not cost effective to collect national data on small groups. Hence, for groups such as BACBs who contribute to local economies it may be argued that they are not yet seen as worthwhile to the UK Government from which to capture data.

Similarly, WYEP (2006) revealed that access to effective support and advice can often be impaired by: negative perceptions around the relevance and appropriateness of advice offered to the sub-group of Black Minority Ethnic Businesses (BMEBs), who share the same ethnic descent as BACBs; a feeling that BMEBs' ways of doing business were not valued by support agencies and that there is a need to fit the mould; a lack of engagement/dialogue with BME communities, leading to a lack of trust; inappropriate marketing methods, displaying a lack of cultural sensitivity; a failure by advisers to spend time building longer term relationships with BME entrepreneurs.

## **2.6 Policy debate: UK historical context**

Publicly funded initiatives to support EMBs have been a feature of the small firm policy agenda since the Brixton, London disturbances in the early 1980s, especially so after Lord Scarman's (1986) report on the implications of the civil unrest by the then ethnic communities (Ram and Jones, 2007). Promotion of entrepreneurship was

identified as key role within the report as a means of tackling disadvantage and maintaining urban social harmony. Regrettably, commitment to this policy objective gradually faded away. In 1985 an Ethnic Minority Business Initiative was launched by the then UK Government in order to have a greater understanding of EMBs as recommended by Ram and Jones (1998). A great concern by the residing UK Government was the over-reliance that EMBs had on their ethnic minority communities in order to ensure their survival, and the fact that this over reliance stifled their growth. Furthermore, the Government's awareness of EMBs breaking-out into wider markets was useful in formulating policies. Unfortunately, the process did not necessarily result in growth in terms of profits or increase in employees or turnover (Ram and Jones, 1998). Furthermore, the UK Government support was limited as there was no detailed continuous information on trends, sizes, barriers, government schemes (Ram, 1994; Ram and Deakins, 1996). Hence survival and growth challenges persisted amongst such businesses.

Various quangos and independent service providers worked jointly with the previous UK Government in order to achieve their aim in assisting small businesses (in the late nineties). This was to deliver services that would provide maximum benefit to the economy and society (PACEC, 1997). Disappointedly, some of these initiatives have not impacted positively on EMBs in terms of maintaining survival and growth. It was only in 2000 that the Small Business Service (SBS) was formed in order to take on the affairs of SMEs, and so there is a considerable amount of time between 1987 and 2000 that has been lost in attempting to render assistance to these businesses. In addition to the lost time, the SBS' remit was quite wide and vague in terms of implementing this targeted approach championed by Storey and Johnson in 1987 (Smallbone, 1997).

Since 2000 there have been numerous UK Government policies and initiatives that have not all had the same level of success across all industries and sectors as expected. Policies and initiatives are still carried out in a piecemeal fashion, in isolation, without any strategic measures in their implementation (Ram and Smallbone, 2003). Additionally, there is still no national comprehensive policy of carrying out research or reporting ethnic entrepreneurial activities in order to reveal patterns or establish trends of EMBs, let alone trends with regards to BACBs (DTI, 2007). Due to the non-prescriptive nature of these policies, they are not uniform amongst the Local Authorities (Johnson and Reed, 2008).

The Action Plan set up by the UK Government in 2000 to assist SMEs identified the need for greater “sector-consciousness” (SBS 2006: 19) in business support to “reflect both the sectors in which EMBs are currently concentrated (clothing, retail, catering) and those in which they are emerging (IT, cultural industries and arts)” (SBS, 2006: 19). Moreover, the Public Service Agreement which is part of the Action Plan addressed EMBs as “under-represented groups” (SBS, 2006: 19); and its remit was to “help build an enterprise society in which small businesses of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small business, and more enterprise in disadvantaged communities” (SBS, 2006: 19). Regrettably, the construction industry was omitted from the emerging industries, even though increasingly research highlights that Afro-Caribbean are now represented in the construction industry. This omission may be a strategic decision taken by the UK Government not to fund industries that are not expanding or whose output is stagnant. The opposite view may be that the construction industry has had reasonable or even considerable funding in the past, and so any current funding is channelled into other industries that were not originally suitably funded. One of the objectives of the Action Plan for Small businesses was to improve the take up rate of support by EMBs, and was seen as a priority as there was evidence that providing appropriate and effective support fosters prosperity and growth. In terms of awareness training and guidance provided by Business Link, there should be a close interplay with family and social structures. One such aspect of this fostering growth and prosperity was that SBS (2003) had to implement particular objectives, and worked with the support providers, Business Link by engaging with EMBs including BACBs.

These objectives were:-

- Investigate attitudes and experiences of the BME community to starting, running and growing a small business
- Examine the main business issues currently affecting BME entrepreneurs and businesses
- Differentiate the needs and requirements of minority ethnic women entrepreneurs
- Identify the main providers and sources of professional business advice used by these groups and the propensity for these groups to take advice.
- Identify awareness, profile and attitudes towards the national business advice service provided by the SBS (‘Business Link’)
- Explore advice requirements and barriers, particularly when starting or growing a Business
- Classify media consumption amongst these groups

These seven objectives necessitated carrying out research on the various groups identified. However, it is questionable whether these objectives have since been achieved (SBS, 2006: 94).

An advisory body formed in 2000 by the UK Government, - the Minority Business Forum (EMBF), was set up to “advise government on the right help and advice required by EMBs in order to grow and succeed” (SBS 2006: 19). A number of recommendations were made by this Forum in the areas of business support, ICT, e-commerce, procurement, access to finance and regeneration. Once again, sadly construction was omitted. One positive example that the EMBF achieved in liaison with SBS, was considering the unique role EMBs play in regeneration programmes, but it is yet to be confirmed whether EMBs have been assisted in getting involved in these programmes. Some of the reasons for any shortcomings were the considerably large funding from the UK Government that these regeneration programmes command resulting in tendering procedures generally through framework agreements (Steele and Todd, 2005). Moreover, these framework agreements are open for just a short period of time to accept tenders from businesses which usually are larger and have had a track record working with the UK Government or the Local Authorities on such schemes. The frameworks tend to be closed for several years, usually four or more years, thereby excluding ethnic as well as non-ethnic businesses for several years.

### **2.6.1 *Reviewing current UK Policies: how effective are they?***

It can be deduced from the previous sections and from the legislation chronologically outlined in Table 2.9 that during the period of 2003 up till 2010 there were only two main legislation items that directly affected EMBs and BACBs. They are the Equality Act 2010 and the Public Contracts Regulations 2006. Moreover, it was difficult to trace these policies and initiatives back to the original legislation. The Race Relations Act 1976 and the Equality Act 2006 have both been superseded, and replaced with a new Equality Act in 2010 to establish the directives and codes of conduct. This Equality Act 2010 is enforceable by the Equality and Human Rights Commission (EHRC). The Public Contracts Regulation 2006 (PCR) which is the main legislation for public procurement of contracts.

Before proceeding any further, support policy needs to be defined in order to be placed in a better context. One of the more appropriate definitions was by North et al. (2001) that used a definition of innovation support policy: - “a policy that explicitly aims

at promoting the development, spread of products of a business” (North et al., 2001: 21). Due to common factors and concepts being shared by innovation and growth, this definition has been adapted and used here, to describe growth support policy as one which explicitly aims at promoting the development and spread of services, including products.

**Table 2.9 Legislation affecting EMBs and BACBs**

Date	Legislation	Policy	Initiative	Approved by
October 2010	Equality Act	Directives and codes of conduct		UK Central Government
January 2006	The Public Contracts Regulation	Statutory instruments		UK Central Government

### **2.6.2 Equality Act 2010 and Equal Opportunity Policies**

UK Central Government is aware that Local Authorities spend billions of pounds every year on SMEs goods, services and works contracts, and wants to ensure that there are no practices that lead to unlawful racial discrimination, thereby maintaining their social, economic and financial responsibility of their investment and also encouraging equal opportunities and good community relationships (CRE, 2003). This guide (CRE, 2003) was produced for the various Local authorities in order to implement this act in the area of procurement activity. In addition, this guide was supposed to assist potential contractors to understand the race equality duties councils had to implement. Furthermore, it was to assist these contractors regarding what they were required to do at each stage (of the tendering process), in order to meet the local authorities’ requirements and so eventually win contracts. The statutory duty of these local authorities to promote race equality reinforced their commitments of promoting equality and equal opportunities through the procurement process. Some of their benefits were improved competition, value for money, the quality of public services, satisfaction among users, and community relations.

Equal opportunity policies are based on four types of approaches: legal, voluntary, administrative and collective. The categories relevant to this research are the legal and administrative approaches. Legal approach refers to current legislation that aims to protect Ethnic Minority individuals and EMBs from discrimination. The administrative approach is used in conjunction with the Equality Act 2010. This



approach concerns the Local Authorities, numerous other quangos and (now private organisations) in their quest to eliminate discrimination, and promote racial equality through measures such as contract compliance. Contract compliance is when businesses are awarded contracts that comply with anti-discriminatory procedures that follow the relevant legal criteria. All businesses that are invited to tender by clients are thus encouraged to adopt non-discriminatory measures. Non-compliance of the policies usually result in these businesses not being invited to tender by their potential clients, and so ultimately, in the long term, their profits would be reduced. Thus, it becomes a powerful economic incentive for businesses to comply with equal opportunity policies enforced by the UK public organisations.

The other two categories, voluntary and collective approaches are not relevant to this study. There is now a legal requirement for the private sector companies to promote equal opportunities policies. However, quangos, such as the Construction Industry Training Board, (CITB) had set an example in complying with equal opportunity policies and had always had a legal duty to promote equality of opportunity for EM groups.

### ***2.6.3 The Public Contracts Regulations***

SMEs including EMBs and BACBs encounter numerous challenges in the public procurement process (Ram et al. 2002; Steele and Sodhi, 2004; Steele and Todd, 2005; FSB, 2006). The challenges that EMBs encountered in the procurement of public contracts were (i) size-related constraints that include limits placed by many public sector bodies on the proportion of a firm's total sales that an individual contract may represent. (ii) a lack of information about potential EMB suppliers on the part of purchasing organisations, as well as of supply opportunities by potential suppliers. (iii) the procurement practices of many local authorities, which are often conservative, following bureaucratic rules. (iv) tendering practices that are overly formalised (Ram et al., 2002). Though these challenges tend to be similar to other non-ethnic businesses, the construction industry operates within a different context, and challenges encountered by CSMEs including BACBs tend to be different.

Steele and Sodhi's (2004) research on EMB consultants within UK residential social landlords' (RSLs) contracting power identified that the implementation, reviewing and monitoring of the various relevant policies in RSLs terms of engaging BACBs were shown to be fraught with inconsistencies across the housing associations and have already been discussed in the previous section. Similarly, Steele and Todd's (2005)

study focused within the same housing sector. They highlighted the fact that BACBs were registered on various databases in order to have the opportunity to bid for contracts. However, their findings were that a very low percentage of such businesses were invited to tender for work. Specific challenges encountered in procuring public contracts that FSB (2006) revealed about SMEs were: (i) process too complicated/time consuming; (ii) business too small to bid for contracts; (iii) too much paperwork; (iv) difficulty/cost of getting on approved supplier list; (v) no guarantee of winning a contract; (vi) time taken to get paid and accreditation requirements. Members of the FSB (2006) represented a vast number of businesses, across several industries and so would be a good representation of UK SMEs which may have even included EMBs and BACBs.

Smallbone et al.'s (2008) in-depth study commissioned by EHRC was to assess the effect that the Olympic Delivery Authority's (ODA) procurement policies and Supplier Diversity Initiatives (SDIs) had on small businesses gaining contracts in the 2012 Olympics Village. The challenges and constraints on winning public sector contracts were: (i) Business size. (ii) Experience. (iii) Little chance of competing successfully against larger more established businesses. (iv) Very difficult to win contracts even at lower tiers. The results were significant even though the research was limited to businesses in the five host boroughs of the London 2012 Olympic Games: Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest. Particular emphasis was on businesses owned by EM groups, women, and disabled people. In addition it was more policy orientated and focused on the logistics of all businesses using the Procurement Portal, Competefor, which acted as the gateway into accessing contracts and being on the supply chains of the much larger businesses.

Procurement is given a vivid definition by Goodier et al. (2008) as a process and observable phenomenon entwined culturally, politically and practically into the fabric and history of the construction industry. However, these scholars have hastily pointed out that recent changes in procurement systems have reflected the developments within the Industry. Goodier et al. (2008) highlighted that in recent times there has increasingly been a conscious shift by large construction businesses from product delivery to service delivery. This has occurred due to two main reasons that seemed to have resulted in a permanent profile change of the Industry. First, is that the procurement policies within both public and private sectors have changed drastically. It is usual to have increasingly larger and larger contracts. Second, the extensive market segmentation of the industry has forced businesses to team up with other businesses in order to obtain the necessary financial liability in order to compete and

be able to bid or tender for projects. These projects can sometimes be Public-Private Partnership (PPP) or Private Finance Initiative (PFI).

A troubled and critical scenario is presented here by Goodier et al. (2008) who argue that a vicious cycle would result in a downward trend. Integrated procurement systems become strategic alliances that form business relationships within groups of companies within supply chains. Moreover, these strategic alliances become mergers and acquisitions, increasing consolidation of the construction market into a few major conglomerates. In turn, these have become so incredibly large and so were able to finance PPP and PFI projects without the support from banks. Completed schemes are sold to Pension funds, thus providing these large construction businesses with more money to invest in new partnership schemes. These new schemes have long leases (that the contractors are locked into), and which exclude SMEs within those sectors from tendering or bidding for contracts as there are no more contracts. All are absolved within these schemes that have very long leases. Significantly, SMEs find that unless they join in a strategic alliance, they would be without work. In this scenario, eventually the SMEs are bought out or they go insolvent or bankrupt. However, in order to understand why these challenges persist, it is necessary for these statutory regulations that govern England, Wales and Northern Ireland, - the Public Contracts Regulations (2006) that address all matters pertaining to procurement be reviewed. Hence, a much closer and critical review takes place.

Taking a much closer, careful and critical look at the PCR (2006), they seem straight forward and explicit. However, because of the various terminologies, they become arduous to read, and complex to interpret. Hence, descriptions of the basic procedures and processes become a mindful to decipher. Important and relevant areas such as the pre-notification of the tenders; the terminology of the tender advertisement; the period of tender allocated; the types of questions allowed for clarification of tenders; the closing dates; and the cumbersome notification of the award, must surely deter the average small business owner in attempting to comply with these regulations. Furthermore, some areas such as Regulation 23, in its criteria for rejection, state conspiracy; corruption; bribery and fraud are offences that warrant rejection of an economic operator are very prescriptive. In addition, Regulation 24 specifically states the minimum standards of economic and financial standing required in order for selection of the contract. These are appropriate statements from a bank, including relevant professional risk indemnity insurance; statement of accounts; statement of accounts covering three previous financial years; overall turnover of the business and turnover of similar type of work or service carried out previously. It is

unclear how businesses negotiate the fact that they have experience and track record of similar projects within the private sector, but unfortunately do not have those requested for, within the public sector.

Regulation 25 in assessing the technical and professional ability by means of skills, efficiency, experiences and reliability requires a list of works carried over the past 5 years (including certificates of satisfactory completion to be submitted for each work). Three years history is required including specific dates, addresses, consideration received, clients details, technicians; technical services, staff turnover, details of sub-contracting; qualifications of economic operator and environmental measures when carrying out the works. In terms of Regulation 28, a legal entity has to be formed in the event that a consortium is awarded the contract. It is usual for small businesses to complain that their amount of professional indemnity or public liability should cover the whole project, even though that project is being carried out in different phases. Additionally, any contract to be procured should be 25% of the turnover of the business. These prescriptive, pedantic information required apply to many business, may deter them from considering applying for tenders or from bidding for work which should assist in their survival and growth. Another Regulation, 34,- Subsidised public works contracts and public services contracts and Regulation 35,- Subsidised housing scheme works contracts seem to be areas in which the public body has some scope to pay for part of the project, and so greatly assist the small business. However, it is questionable whether small businesses do in fact benefit from these aspects with the PCR (2006) in its current form.

#### **2.6.4 *Supplier Diversity Initiatives***

“Some types of businesses find it difficult to become contractors for large organisations, and tend to be under-represented as suppliers, locally, regionally or nationally. Supplier diversity programmes are intended to change this” (CRE, 2007:4). This policy, explained by CRE (2007), does not mean discriminating positively in favour of certain types of businesses (which, if on the grounds of race, is illegal); but rather, the aim is to level the playing field, so that all suppliers compete for contracts on equal terms. Other scholars and researchers like Ram et al. (2002) have interpreted this Supplier diversity initiative as one that aims to increase the number of EMBs that supply goods and services to both public and private sectors Ram et al.’s (2002) study investigated SDIs in relation to other policies on diversification, and to explore their implications for procurement. Some of these programmes launched in

London were by British Telecom, Haringey Council, Fit-to-Supply, Supply Net for London and Southwark Council (Ram et al., 2005). However, even though Ram et al. (2002) agreed that the ultimate aim of existing and all new policies should be to improve the overall ethnic balance within various industry sectors, implementation of existing policies and initiatives were not always effective in rendering assistance to EMBs. Hence, there were not always successful results with regards facilitating their survival and growth for such businesses.

Ram et al. (2002) have noticed that SDIs are on the increase. However, they and other researchers have not emphasised that the Equality Act 2010 should be further strengthened in areas such that the UK Local authorities would find it easier to comply with the legislation, and so would be able to address the needs of diverse groups in communities when designing and delivering public services. In addition, this Act should be more prescriptive so that larger businesses would comply with the mandatory policies for the need to sub-contract to the much smaller businesses, several of which are CSMEs and BACBS. However, these requirements still need to be targeted at the relevant trades and professional businesses so that these businesses would be positively impacted in the areas of survival and growth.

The other aspect to be addressed is the type of support that is required to be able to bid for work. It has been known that it is at networking events such as meet-the-buyer and similar functions that produce and form of impetus or opportunities to be forged with potential stakeholders and clients for contract to be won (Ram et al., 2002). The groups of SMEs, EMBs and non-ethnic groups encounter very similar challenges in the area of procurement, and so support can be channelled and targeted such that any successes in the non-ethnic group could be used or implemented for BACBs. The growth mechanics of BACBs should be investigated, thereby revealing how targeted support can be used to alleviate challenges to BACBs' survival and growth.

The scenario that results with the ineffectiveness of SDIs is that overqualified or over experienced EMBs not being able to carry out contracts that they are capable of doing is perceived as an ineffective use of resources, human, social and economic capital being the over-valued wasted resource.

### **2.6.5 Targeting of Impoverished Areas**

There were several UK Government area-based policies which may have assisted in EMBs' survival and growth by offering incentives, such as regeneration grants to such

businesses (BERR, 2008). These policies were investigated by Law (2007) who revealed that such policies targeting impoverished areas may not have reached EMBs in order to support and assist their businesses to grow. Other examples such as City Growth Initiative, the Local Enterprise Growth Initiative (LEGI) and business premises renovation have also been cited as ineffective by Johnson and Reed (2008), who emphasised that the support to businesses in Enterprise Zones of the 1980s and recent ward-based enterprise schemes, (where local authorities bid for funding for projects to stimulate economic activity) were through investment in enterprise rather than among particular groups of people. Local economic development and support for the small business; social cohesion; community strategy for promoting or improving well-being (community plan) are drivers of initiatives and strategies devised by UK Central and Local Government to assist businesses in impoverished areas. Ethnic Minority Employment Task Force Initiative (EMETFI) was set up to work closely with Department and Works Pension in promoting entrepreneurship amongst EMBs and EM groups in deprived neighbourhoods. Its main aim was to increase self-employment amongst disadvantaged communities, women and ethnic minorities, through drivers of social policy concerns of equity and social justice with economic policy objectives. These policies were seen to be implemented by the SBS and Business Link and its partners.

Research over the past decade has highlighted the fact that construction firms were decreasing and as such BACBs were also on the decline. CSMEs in the Midlands and North Staffordshire were kept small, cash starved and badly resourced (Weston, 1996) and the numbers who were leaving the construction industry were increasing. Miller (2000) also concluded that CSMEs were leaving the construction industry in South Wales. Moreover, this was resulting in the loss of skills and knowledge, and that furthermore, if the financing and resourcing problems that occur were to decrease, then strategic network that are forged between businesses cannot operate effectively. As an industry, compared with current entrepreneurial activity, construction is far less enticing to future entrepreneurs: (6% vs. 19% for transport, 29% for retail and 23% for distribution (SBS, 2006). However, this does not mean that some CSMEs are not achieving growth. In addition, the qualities and skills required to starting a business, surviving and maintaining sustained growth need to be present for any business to be successful, and these qualities may exist within non entrepreneurial businesses.

### **2.6.6 Business Link's (co-ordinating) role**

Ram and Smallbone (2003) carried out an in-depth study in order to assess three main issues with regards support being provided by the official UK Government Support co-ordinator in England, Business Link. The first was to what extent does Business Link have a policy to support EMBs including Black Minority Ethnic Businesses (BMEBs)? Second, what form are initiatives to support BMEBs and third, how can these experiences inform a policy agenda towards BMEBs? Their findings revealed that Business Link's operations were quite under-developed and uneven approaches were commonplace among the organisations that offered support. Ram and Smallbone (2003) argued that there was the need for an engagement strategy to implement for the various communities; improved access to finance; the promotion of sectorial diversity, and the essential ingredient of having diversity within mainstream support provision. However, from the taxonomy of challenges studies have taken place since Ram and Smallbone (2003), and it was not till 2007 that BERR (2008) proposed to take action with regards policy. These were:

- scrutinising new policy proposals from Departments and Regulators
- speeding up the legislative process to make it easier for Departments to take through deregulatory measures
- working with Departments and Regulators to reduce existing regulatory burdens affecting business and the voluntary sector, and frontline staff in the public sector
- driving forward the better regulation agenda in Europe (BERR, 2008).

It was a policy decision by the UK Government to build Business Link into the primary access channel to publicly-funded business support (DTI, 2007). The impression, or rather misconception was that most businesses thought that Business Link could act as a primary access channel and meet business needs, provided its advisors offered a consistently high-quality service and, that they were aware of the needs of, and challenges encountered by businesses in different sectors and entrepreneurs. BERR (2008) also saw the need for business support to be delivered and marketed to particular groups and sectors (for example social enterprise, the creative industries, women, Black (Afro-Caribbean) and BEMBs and entrepreneurs with disabilities) in a sensitive and appropriate way.

Looking towards the future, the UK Government's aim for publicly-funded business support in 2010 was to set out in the 'simplifying business support' consultation, a reduction of the number of publicly-funded business support schemes in England to

no more than 100 by 2010. Furthermore, to ensure that publicly-funded support is: (i) Simple for business to understand and access; (ii) Good value for money; and (iii) Has a substantial, measurable impact on public policy goals (BERR, 2008). These are criteria for the supply-side in order to evaluate their performance. However, it is difficult to tell at this stage whether the demand side of the businesses will benefit in receiving support.

In 2010, the support landscape was indeed transformed because Business Link was now recognised as the first point of contact for businesses with regards obtaining information, and introduction to relevant expertise from the private, public and third sectors. Its service was comprehensive, on-demand, proactive and personalised - available by phone, online or face-to-face at a variety of outlets. Instead of the previous scattergun approach of confusing government schemes as BERR (2008) admitted, all publicly funded products were part of one Portfolio, marketed, monitored and managed in a co-ordinated, coherent and consistent manner. There were fewer than 100 products and themes that addressed a specific business issue. Several existing schemes that did not fit the new Portfolio and out-of-date products and services have already closed, or were about to close. The UK Government perceived that Business Link was valued for going out to find new customers and helping all of them to access the right kind of support to meet their needs from a range of third party providers. However, had Business Link really changed even in 2010, decades after its inception? Moreover, the UK Government believed that because the system had been streamlined, businesses could be sure that the majority of funding would filter down to these businesses and is not wasted in administration costs (BERR, 2008). Unfortunately, these were grave misconceptions and beliefs that implementation of such resources could be transformed literally overnight and the end-users rapidly reaping the benefits. It is questionable whether Business Link or any future broker(s) can implement an efficient support provision for CSMEs, EMBs or BEMBs.

Since the new coalition UK Government that came into office, has endeavoured to ease the plight of SMEs (which includes EMBs and BACBs) who attempt to bid for public contracts within the public procurement sector by reducing the bureaucratic and administrative hurdles that impact on the survival and growth and operations of all small businesses (BIS, 2011). Additionally, an initiative of theirs is the new £2.5 billion Business Growth Fund (BGF) launched in order to assist UKSMEs (BIS, 2011). Disappointedly, this fund has been set up to assist businesses whose turnover is between £10 million and £100 million, thereby excluding the much smaller businesses, involving a majority of BACBs. Thus, the Government's motives and good



intentions do not necessarily result in enhancing survival and growth of such businesses like BACBs.

## **2.7 Policies targeting Minority Business Enterprises (MBEs): United States of America**

Part of the literature review on support and policy seeks to draw references from abroad,- the USA, as their Government programmes targeting Minority Business Enterprises, (MBEs) have been in operation for over four decades, a considerable length of time as compared to the programmes out here in the UK (Ram et al, 2005). Discriminatory practices have been reduced generally, by expanding market access for historically excluded minority businesses (Ram et al., 2005). In order to maintain some form of consistency, the examples have been limited to within the construction industry, and to small firms.

Several of these minority construction businesses tend to be in special trades rather than heavy and civil as opposed to their non-ethnic counterparts, and are also more likely to be sub-contractors than prime contractors. They also encounter challenges of discrimination, social exclusion and access to finance. The discrimination which is not overt likely results from a combination of actions from bid letting organisations, bidding companies, banks, and bonding companies in which ethnic minority firms are excluded (Blanchflower, 2008).

After the US Supreme Court's decision in 1989 taken at the City of Richmond versus J.A. Croson Co., 488 US 469 case ruled the policies and some programmes unconstitutional, several of the affirmative action programmes were discontinued and it was very difficult to maintain many in their current forms. Many only had race-neutral components remain. Not surprisingly, a number of cases have been taken through the courts and a number of programs have been declared constitutional. Examples include cases relating to the City and County of Denver and the City of Chicago.

Affirmative action programs in construction were implemented in the 1970s and 1980s in many jurisdictions, at the local, state and federal level, to help overcome some of these problems of competitive bidding procedures such as the sealed bid auctions (Blanchflower, 2008). Affirmative action is basically the preferential treatment in the selection of an applicant for a position based on race as opposed to solely on merit (Cheng, 2008). During this ten year period then the proportion of public sector construction contracts going to firms owned by women and minorities increased. The

historically old boy network practiced within the transportation construction which, during the nineteen-nineties, was almost exclusively a white, old boy network relied “heavily on business friendships and relationships established several decades ago before minority-owned firms were even allowed to compete were almost wiped out” (Blanchflower, 2008). In addition, demand-side goals, programs and supply-side technical assistance programs were adopted by many cities and states and the federal government in order to assist minority groups and women. Regrettably, within various sectors of the construction industry, there is an underlying presumption that discrimination against such businesses continues to persist.

Blanchflower (2008) stated that since the 1980s there has been evidence all over the cities in United States that race and gender conscious affirmative action programs in construction and elsewhere have had substantial impact. Moreover, it was found that there were substantial disparities between the share of public contract dollars received by MBEs and the share of all businesses that they represent. The difference in these disparities is especially marked between jurisdictions which have affirmative action programs and those that have never had them or removed them. The disparities are much less where affirmative action programs exist. Many of the largest US cities during the 1980s had an impact on the self-employment rates of blacks and whites. Data from the Current Population Survey for 1979-1988 was used.

There were several court cases that challenged the affirmative action programs stating that they were unconstitutional, as favours were given to one set of ethnic group, (African-American) over another non-ethnic group (White American). The Data from the Current Population Survey for 1979-1988 that was used stopped at 1988 since the 1989 Croson decision led to the dismantling of these affirmative programs in many cities. These led to some difficulty in ascertaining the exact starting dates of several of these programs because there were inconsistencies in the data sources used.

Since the turn of the millennium there have been a number of court cases that have reversed the immediate post-Croson trend finding affirmative action programs to be constitutional. Classic examples of discriminatory practices were MBEs testified that “their bids were rejected even when they were the lowest bidder; that they believed they were paid more slowly than majority-owned firms on both City projects and private sector projects; that they were charged more for supplies and materials; that they were required to do additional work not part of the subcontracting arrangement;

and that they found it difficult to join unions and trade associations” (Blanchflower 2008: 372-373).

Blanchflower (2008) confirmed previous findings of the financing problems experienced by small business owners, 95% of whom had less than 100 employees: 1080 business owners were interviewed and reported that MEBs relied heavily on credit cards to fund their businesses, often do not apply for credit, even though they need it, for fear of being denied and were especially likely to need working capital. Significantly, availability of credit was the top challenge and the greatest disparity between the ethnic groups was availability of credit. The biggest difference in responses between minorities and Caucasian men and women was availability of credit: 19% of Caucasian males report credit as their top problem compared with 54% for minority males, - a 35 percentage point difference. There was a 15 percentage point difference for women. In no other category is there more than a 10 percentage point difference for men or women.

Table 2.10 depicts Blanchflower’s (2008) updated analysis using data from the 2003 Survey of Small Business Finances, once again conducted by the Reserve Board of Governors. The dependent variable here is whether or not a loan was denied. As in earlier sweeps there was considerable variation by race and gender. The weighted means were as follows. Denial rates for firms owned by Black ethnic groups are nearly six times higher than for firms owned by White males. There is consistent evidence that black-owned firms are discriminated in the credit market even after their characteristics, including their creditworthiness which in itself is likely impacted by discrimination are controlled for. The research highlights that the effects for Black businesses were very similar to those identified in the mid-nineties. There has been little improvement since then for Black businesses. However, the coefficient for Hispanics is lower than for Blacks but still substantial and more than double the probability a firm owned by a white male with the same characteristics would have a loan denied. There is now evidence that Asians are discriminated against in the credit market.

**Table 2.10 USA: Survey of Small Business Finances**

<b>Ethnic Group</b>	<b>% denied</b>	<b>N</b>
White males	11.8	1460
White females	14.8	209
Blacks	68.3	47
Asian	18.0	61
Hispanic	15.4	55
Other races	37.5	22
<b>Total</b>	<b>14.8</b>	<b>1854</b>

Source: Blanchflower (2008)

This issue of affirmative action is controversial as those who suffer or encounter discrimination could consider affirmative action as fair. In contrast, those who do not encounter discrimination may see it as unfair, as they may in turn be discriminated against in the event of bidding for contracts. Hence, the action does not always result in what is perceived “as fair” for all businesses. Affirmative action may eventually lead to a more equitable society and it may allow EMBs to have more or even larger contracts. Some may view affirmative action as a form of discrimination in itself.

With regards the implementation or rather the status of USA legislation and policies, in particular the affirmative action policies in the UK, Cheng’s (2008) thesis on discrimination experienced by UK Chinese agrees with previous scholars that these policies are perceived as extreme and that there is no commitment for their use in the UK at present. In addition, Teles (1998) argued that due to the historical, population and ethnic differences, the UK would be unwilling to implement any of legislation that was based on USA policy. First, the UK 2010 Census revealed that only 7.9% (4.6 million) are Ethnic Minorities, indicating that the UK is a predominantly White country, (even though these UK EMBs generated over 58 billion to the UK economy in 2004 (Fraser, 2005). Second, in contrast, the USA population of MEBs is approximately 25%. Additionally, there may probably not be enough combined UK EMs to exert sufficient support. Hence, there may not be any significant voice within the political arena to take on such legislative issues in the UK.

Another pertinent aspect Teles (1998) highlighted was the fact that different ethnic groups within UK have appeared to have varied experiences and encountered different challenges due to their ethnicity. Examples range from Chinese and Indian groups performing comparable to the White host population, whereas Pakistani and Bangladeshi groups remain greatly disadvantaged. Introducing any affirmative action

or preferential treatment for the disadvantaged groups would be deemed inappropriate resulting in debates that would surround such actions. There would be dissatisfied superior groups that would view such actions as the inability of the disadvantaged groups to perform at rates similar to those at the top without a biased selection process.

Unwillingness or lack of commitment to the affirmative action policies in the UK are that majority of the USA Ethnic Minorities, especially African-American went through a history of slavery, and were forced to work for centuries until after the Civil War and related issues of segregation, before being allowed equal treatment (Teles, 1998). In contrast, the UK Ethnic Minorities migrated to the UK on their own initiative and were not physically forced to work in the UK. The implication here is that sections of the UK political echelons may see this as a reason not to be obligated in enforcing affirmative in the UK precisely because of the historical facts and experience of those Ethnic Minorities in the USA.

## **2.8 Summary and implications for policy, support provision and industry practice**

The main aspects that were relevant and from which the UK can learn is first, the fact that proper detailed trends and patterns have been established over decades, so that it is on record and the evidence reveals that in fact discrimination does occur. Second, when support programs are implemented, there is evidence that the MEBs can be assisted in order to survive and grow; and more importantly, it directly impacts their turnover and profits. The findings are for the State Governments, academia, practitioners, stakeholders of the construction industry and the general public to be informed that discrimination especially with regards access to finance is still a major challenge to which no solution has been found.

BBA's (2002) two year UK study to understand the processes within banks and support organisations and their impact on EMBs accessing finance and business support, suggested a need for banks to adopt a more strategic approach to handling relationships with business owners by sharing best practice, cultural awareness training and increased workforce diversity. Their proposals included establishing procedures for monitoring customer ethnicity, pro-active engagement with minority groups to establish trust based relationships, greater transparency in loan evaluation; and the identification of ways in which to increase the awareness of both the supply of and alternative sources of finance for sectors difficult for

banks and mainstream funders to service (BBA, 2002). Another UK research by Deakins et al. (2003) focused on the need for support providers to act as brokers between these financial institutions and so assist in fostering good relationships in order for easier access to finance to be provided in order to assist in the survival and growth of such business. Moreover Fraser (2005)'s extensive research regarding 910 UK EMBs and a control white business group, on financial rejections (denial of finance by financial institutions); feelings of discouragement from applying for finance; finance gaps (excess of amounts demanded over those supplied); and the cost of borrowing (term loan and overdraft margins over Bank of England base rate) revealed significant and important findings.

Fraser's (2005) revealed some unexplained variations of Black African, Pakistani and Bangladeshi businesses, which could be due to ethnic discrimination or non-ethnic factors. The non-ethnic factors are that Black African and Pakistani businesses are in high-growth/high risk businesses, and for which equity finance may be more suitable than debt finance. After removing the effects of differences in risk factors and financial relationships, ethnicity was not a determinant of financial rejections or discouragement. However, Black African businesses have an average finance gap of £7,824, bigger than an Indian business of same level of risk; and Pakistani businesses have an average financial gap of £4,280, bigger than that of an Indian businesses of the same level of risk; Bangladeshi businesses pay a risk premium of 1.5% points on term loans relative to the margins paid by Indian business at same level of risk; Bangladeshi and Black Africans experienced the greatest problems with accessing finance, and they also have the fewest financial assets and tend to be located in the most economically and socially deprived areas. (Fraser 2005: 18-19). Hussain and Matlay (2007) carried out a longitudinal survey (over 5 years) of ethnic and control sample of 24 EMBs and 12 non-ethnic samples, consisting of in-depth face-to-face semi-structured interviews in the West Midlands. Findings were that personal savings used by most EMBs preference for less intrusive and the EMBs preferred a more "user friendly" financing options that allowed them to remain in full control of their businesses.

Evidence of difficulty in obtaining finance and a perception of different treatment for BME small businesses is well documented in the UK (Ram and Smallbone, 2001). Several EMBs felt that there was some under current as to the lack of trust by financial institutions. These difficulties were sometimes perceived as arising from an underlying lack of trust in their way of doing business (Ram and Smallbone, 2001).

Two major studies, Ram et al. (2002) and Fraser (2005) have cast further light on this issue, demonstrating the extent of financial disadvantage faced by particular communities, notably African-Caribbean and Bangladeshis. More focused investigation of EMBs (and a white control group) at the point where loan applications are made, could help refine even further our understanding of the financial experiences of different ethnic groups.

With regards one of the major challenges, access to finance, Ram and Smallbone (2001) concluded that markets had to be redefined for business support and finance around diversity policies. Moreover, diversity between groups had to be recognised and engagement strategy programmes for EMBs had to be provided. Furthermore, Smallbone et al. (2005) also supported the argument that the effectiveness or success of any support programme is the appropriateness to the needs and the effective delivery of programme is important in their research of EMBs.

The UK Equality Act 2010 now includes the private sector that has to comply with the procurement practices of establishing supplier diversity policies. However, this legislation still relies on “having due regard” for various requirements. It is still not prescriptive enough to enforce the procurement practices. This new Act re-asserts that public authorities should have “due regard” to eliminate unlawful discrimination; advance equality of opportunity; foster good relations in exercising their business”. However, this legislation should assist in addressing the challenge of discrimination in terms of awarding contracts fairly. Nevertheless, there may not be any trends or figures to assess in order to establish whether the UK Diversity Programmes are effective. Some of the benefits for the industry are that those businesses that comply with equal opportunity policies may yet be rewarded with more business from both the public and private sectors, and may even receive contracts from EMBs (CRE, 2003). Businesses that have an active policy may well become more productive in optimising all human resources regardless of ethnicity and their market position may strengthen. The design of equal opportunity policies is time consuming and some critics question their value over time. These policies were set up to assist EMBs and BACBs in giving them opportunities to bid for contracts. However, it is questionable whether inroads will be made by BACBs in bidding for larger contracts in order to survive and grow.

PCR (2006) is arduous, complex and extremely prescriptive. As such, the small business needs time, commitment and finance to comply with the relevant regulations. It has flexibility for the contracting organisations, - the Local Authorities and other public bodies in terms of subsidised contracts; subsidised housing contracts

negotiated contracts and contents. However, for the small business there seems to be very little incentive to enter into that public sector in order to grow without undergoing a steep learning curve.

Targeting of Impoverished areas did not seem to assist EMBs or BACBs. The way forward is to conduct studies and research regarding their locations thereby accessing them in order to offer support.

Targeted support is still being offered in a piecemeal manner with financial resources being the dictates of the mode of delivery and frequency of timing of such support. This practice undermines the provision of support delivery and implementation. A better understanding of how this policy and practice impacts on the survival and growth of EMBs including BACBs would be assured if proper engagement is established between the support provider and business. However, this should not prevent the targeting of financial resources in areas that will see short and medium-term growth, thereby ensuring sustained growth (over a three year period) (SBS, 2000).

Comparisons from the USA revealed numerous programmes under the affirmative action programs, which are directed at MEBs through legislation. It would therefore be illegal to breach any of the legislation in the USA, once they have been established, even though some aspects were overturned in some States. However, the UK's recent legislation, the Equality Act 2010, even though it has now included the private sector to comply with the procurement practices of establishing supplier diversity policies, still relies on having due regard for various requirements. There are also no trends or figures to establish whether the UK Diversity programmes are effective.

Competitiveness, volatility and fragmentation of the construction industry have resulted in inherent problems of survival and growth for small businesses that go into bankruptcy each year. The UK economic cycles of boom and burst over several years have impacted adversely on some CSMEs which include BACBs and so these characteristics indeed sometimes act as challenges encountered by both groups. Due to the current economic climate the characteristics may well deteriorate in terms of its volatility. Hostility is still widely practiced in the implementation of some European Directives that result in the exclusion of a significant amount of SMEs and BACBs from bidding for contracts (Steele and Todd, 2005).



Implications for policy, support provision and industrial practice SBS, BERR, Business Support (now BIS) and Enterprise Zone, Local Learning & Skills Councils and Local Enterprise Agencies amongst others have still got a considerable amount of co-ordinating to do in order to ensure that these businesses survive and sustain growth. The implications are that there is the need to carry out a planned strategic approach in the implementation of entrepreneurial support policy targeting EMBs and BACBs. There needs to be a strategic approach to the research agenda on BACBs that would assist in making inroads to bridging the gap between policy and implementation. This would enable the assessment of their needs including identifying critical areas of their concerns, thereby more appropriate support can be offered by the UK Government. Furthermore, this action would expose any underlying long-term trends of moribund or non-growth in the sector and allow for allocating sufficient resources towards this agenda (SBS, 2006). Efforts are required so that a fast track approach is implemented thereby helping to reduce businesses still going bankrupt whilst waiting for support.

## **CHAPTER THREE**

### **BUSINESS GROWTH AND ENTREPRENEURSHIP: TOWARDS A CONCEPTUAL MODEL**

#### **3.1 Introduction**

UK Government legislation, policies and initiatives that offer entrepreneurial support had failed to impact positively on the survival and growth of BACBs. Moreover, the inappropriateness of support offered was discussed and the case for customised support to be offered by the UK Government was argued. This was the main crux of the critical literature review in the previous chapter. Chapter three continues to investigate the specific research problems and to conceptualise support and growth. It also develops an integrated conceptual model which will be used in the fifth and six chapters to help identify growth factors, including the availability of more appropriate support mechanisms to assist the survival and growth of BACBs.

This chapter is divided into six sections. Entrepreneurship is defined. Next, Ethnic entrepreneurship contextualises growth and support. Then, strategic management models are discussed within the entrepreneurial and ethnic entrepreneurial contexts. Business growth models are also discussed. A theoretical framework is developed later. The fourth section assesses and evaluates the suitability and appropriateness of the selected theories and models and produces a detailed typology depicting a visual comparison of the various theoretical concepts that were identified. The last section concludes by defining variables and producing a set of criteria by which the proposed integrated model to assist in the understanding of BACBs' survival and growth is assessed.

#### **3.2 Entrepreneurship**

Entrepreneurial theories or concepts are many primarily because entrepreneurship is addressed within several disciplines. Increasingly, entrepreneurship is discussed within research literature such as the sociology of enterprise, the economics of entrepreneurship, the psychology of entrepreneurship and so on. In addition, these entrepreneurship theories are varied and cover a wide ranging spectrum of types of

entrepreneurs from individuals to a couple, from a small business, to medium businesses to large corporations (Drucker, 1998). Entrepreneurship also embraces businesses at all stages; start-up, established small and medium sized businesses and large mature corporations (Drucker, 1998). Therefore, distinctions have to be made, as these three types have different characteristics, behave in specific ways and their support needs are different. In addition, empirical evidence has revealed that emphasis has been on start-ups and very little resource has been spent on small businesses that have been established (SBS, 2001). Without adequate support, these established businesses are also likely to encounter survival and growth challenges. Hence, this review does not focus on start-ups, but on established businesses. Due to these extensive entrepreneurial theories and the wide parameters of business growth, the emphasis within this literature review is on business growth using entrepreneurial models.

Classical economics is based on the maximisation of profits, and the success of businesses depended on how efficiently the business was organised through division of labour and demand for products (Kirzner, 1979). Neo-classical economics also stresses profits, but introduced concepts which allowed the production functions to be mathematically analysed. Efficiency was through minimising marginal productivity costs, which did not always coincide with maximising size of business. Assuming that the economy will always be in equilibrium and hence the opportunities for making above normal profits will be zero. Hence, Rafiq (1988) concludes in his thesis that in such a paradigm there would be no need for entrepreneurs.

Within the neo-classical theory, the assumptions and hypotheses are based on existing markets and not new markets. Schumpeter (1934) one of the protagonists perceived the economic world in a state of equilibrium and in his theory of entrepreneurship, he perceived the entrepreneur as an innovator bringing about change via innovation taking the form of creation or development of new markets through the introduction of new products or introduction of existing products into new markets or the shifting of the production function via introduction of new production techniques whether they were technical or organisational improvements and the development of new sources of supply. This conceptualisation deliberately upsets the existing equilibrium. When services or products are introduced, a demand is created where none existed. Innovations reduce costs and suggest that the business can appropriate above normal profits even under perfect competition. However, these profits will only exist in the short term and in the long run the above normal profits will be wiped out as other entrepreneurial businesses are attracted into the industry by

such above normal profits. This theory asserts that the risk has already been taken by those that first introduced that innovation, and the successive businesses would not have to go through such risks and the economy will subsequently revert to equilibrium. In the development of new markets there occurs a shift in the demand curve, and it is similar to the S-C-P theory of the structure of markets that affect the conduct of the business and in turn affects the performance of the business.

In Knight's (1985) entrepreneurial theory the entrepreneur is uncertain with regards the exact demand in the market place and so a price must be fixed which will cover the costs and provide a profit. However, it is uncertain whether the entrepreneur does make a profit. Therefore, only those willing and able to bear uncertainty would have an entrepreneurial business. The propensity to risk-taking by the entrepreneur is one of the major topics in research literature on entrepreneurship. Risk is always perceived as consequences of failure; - the stake, and also perceived as probability of failure; - the odds. Additionally, risk is perceived to have returns from venture (the potential reward). Entrepreneurs usually take on financial risks and Liles (1974) suggests that there is some element of social, psychological and family risk which he refers to as personal. In economics theory, there are two opposing views about the propensity to risk-taking. Empirical evidence has shown that risk-taking propensity does not distinguish entrepreneurs from managers or from the general population, nor was there any distinction between successful or unsuccessful entrepreneurs. This researcher argued that these results are not surprising as risk-taking propensity is only one of number of factors associated with business success or failure.

Casson (1982) developed a theory of entrepreneurship by challenging the assumptions of full information and no-transaction costs that underpin neo-classical notions of equilibrium. Furthermore, Casson's theory rests on the assumption that entrepreneurs have differential access to information with similar tastes acting under similar circumstances. He argued that with different information entrepreneurs may well make different decisions. Casson (1982) believed that information available to entrepreneurs that was unique with respect to some decision would lead the entrepreneur to act in one way and the others in a different way. The essence of this theory was being different because the entrepreneur had a different perception of the situation. Hence the emphasis on market making services highlighted the fact that quite often the entrepreneur had to create businesses in order to enable transactions between him and the customer to take place.

Casson (1982) asserted that entrepreneurs and owner-managers being small frequently have limited resources from which to draw and so tend to work hard in order not to risk losing their possessions and investment. However, Casson (1982) argued that a well-defined and well-communicated strategy could help the small business to succeed whatever its principal goals and objectives. Moreover, there were benefits such as the entrepreneur was encouraged to assess and articulate their vision; Initiating a strategy would encourage the entrepreneur to start setting goals and objectives; a strategy tended to act as a guide to the entrepreneur for decision-making; guiding the business in its design and how it related to its operating environment; being strategically minded and setting up a strategy illuminated new possibilities for business development and a strategy acts as a common language for stakeholders.

Drucker (1998) argued that because some business owners do not display the true characteristics of an entrepreneur they are not true entrepreneurs as the entrepreneur always searched for change, responded to it and exploited it as an opportunity, as opposed to managing a business. Some of the qualities (or characteristics) of entrepreneurs identified by Gibb and Davies (1990) were: innovator, catalysing change, seizing opportunity, resourceful opportunity seeking, creative, having an ability for problem solving vision, able to cope with uncertainty, opportunistic and risk-takers.

Some researchers have argued strongly that the Trait schools or approaches are not grounded in any firm theories. Nonetheless, they are popular and are used extensively within entrepreneurial and psychology literature. For example, the psychological characteristics most often discussed within those theories are the traits of need for achievement; risk taking propensity; creativity; locus of control; need for autonomy; and need for power theories. These entrepreneurial approaches focus on characteristics or traits of entrepreneurs and the concept of entrepreneurship is usually defined by academics and researchers according to their area of discipline. Examples of researchers that have identified characteristics of entrepreneurs such as Scase and Goffee (1982); Chell et al., (1991); Nwankwo (2005) using the trait approach contextualised both indicative and functional roles of entrepreneurs from a cross section of industries. They can assist in identifying some common characteristics, but can they assist in the business taking on more support or preventing mistakes being made or incorrect decisions being taken with regards their business? Furthermore, recent research literature has also shifted away from approaches that focus on identifying people or specific groups who want to become

entrepreneurs, or identifying characteristics of certain groups. Focus is now rather on research that wants to understand the interplay of enterprising individuals and the opportunities within the entrepreneurial processes. Hence, the discussion focuses on strategic entrepreneurship with emphasis on strategic management processes in the entrepreneurial growth of small businesses.

Gray's (2002) definition of an entrepreneur is that of an individual who manages a business with the intension of expanding that business and with the leadership and managerial capacity for achieving their goals, generally in the face of strong competition from other firms, large and small. Despite Gray's (2002) detailed definition, it does not cover all of its qualities (or functional role) neither does it cover all of its characteristics. DTI (2004) defined an entrepreneur as anyone who attempts a new business or new venture creation, such as self-employment, a new business organisation or social enterprise and can be described as someone who is enterprising (having ideas and making them happen).

Black and Asian communities are more entrepreneurial than any other community groups in the UK as they express positive attitudes towards entrepreneurship (SBS, 2004). Furthermore, they are three times more likely to be involved with some form of informal investment activity than their white counterparts. Regrettably, many of them who were considering entrepreneurship did not actually follow this through, especially so for BACBs. However, over the last two decades, CSMEs and BACBs have gradually been leaving the construction industry, and this trend is echoed within self-employment, as Clark and Drinkwater (2006) revealed that between 1986 and 2001 there was a decline in the take-up rates of entrepreneurship between Black Asian and other ethnic groups within the construction industry. They also argued that although the current policy in the UK towards ethnic minority self-employment is geared towards increasing their numbers, the aspect of quality of the businesses should take priority over that of their quantity.

The management skills and experience of the entrepreneur have been key determinants of growth (Gibb and Davies, 1990). However, Penrose (1959) and Teece et al. (1997) argued that sustained growth, which is better in the long-run than just growth, is achieved by the introduction and subsequent capabilities of management and that the early stages of development and the consequences of entrepreneurial decision-making have a significant effect upon the subsequent growth of a small business. In a similar vein, Basu and Goswami (1999) argued that there were certain aspects that were crucial in achieving business growth within EMBs.

These were the role higher education plays, the need to invest in improving their employees' skills by being prepared to delegate responsibilities not just to family members but also to non-family employees. Their study whose focus did not include BACBs suggested that policy makers needed to encourage members of EM Groups to acquire a good education in order to improve their communication and managerial skills; to pursue the subsidising of both employee and employer training programmes; and that EMBs owned by South Asian entrepreneurs should be encouraged to rely less heavily on family and co-ethnic labour.

Another aspect in the attempt to conceptualise support and growth regarding BACBs is that entrepreneurship is perceived as a process, the constituents of which are the entrepreneur, their persistent search for opportunities, usually grounded in the marketplace, and their efforts to marshal the resources needed to exploit those opportunities (Foss et al., 2008).

What about Push and pull factors? They have proved very important factors or characteristics and have been extensively documented in entrepreneurial literature. However, are they useful and can they be used in assessing entrepreneurial tendencies of business growth objectives? Scase and Goffee (1989) and Storey (1994) have discussed and researched some push factors which include recession, blocked promotion, unemployment, the need to earn a reasonable living, the need for creative expression, and the frustration from previous employment. Some of the pull factors include being one's own boss, being independent, doing enjoyable work and profit motives. Interestingly, Boissevain and Grotenberg (1987) found out that discrimination and unemployment were relatively unimportant in influencing their choice to set up an ethnic business by Hindustanis, Creoles and Chinese in the Netherlands. Similarly, Nwankwo's (2005) study on African entrepreneurs, also revealed that clear lines of distinction could not be drawn between the pull and push factors as a single set of motivators. Both push and pull factors were evident – albeit in varying degrees within the target group researched. Similarly, SBS's (2006) study of approximately 1500 EMBs revealed that only 22.3% cited the need to be independent and to be one's own boss prior to starting their business. This is a lower percentage than the non-EMBs (30.5%). This finding implied a slight tendency away from opportunity entrepreneurship towards need. These factors would not be used within the integrated conceptual model, as they have not been consistent over time as to be strong determinants with EMBs.

### 3.3 Ethnic entrepreneurial growth

Literature on ethnic entrepreneurship investigating UK South Asian minority groups such as Indian, Bangladeshi and Pakistani are prevalent (Rafiq, 1988; Ram and Jones, 1998; Basu and Goswami, 1999; Chaudhry and Crick, 2003; Fallon and Brown, 2004; Smallbone et al., 2005). Barrett (1997) and Smallbone et al. (2003) investigated groups of both Asians and Afro-Caribbean Blacks. However, there have been very little recent in-depth studies or research specifically on the latter group. Furthermore, there is a high concentration of those groups in retail, clothing, catering, wholesale, distribution and transportation industries. Whereas, examining Black (African and Caribbean) that are not necessarily within those industries brings a different perspective to research literature and a knowledge gap would be closed. Similarly, research literature on entrepreneurship and business growth is considerable. However, such literature has not always tackled businesses within the construction industry as highlighted in chapter two. Moreover, research on the appropriateness of support needs of BACBs and factors such as challenges encountered, characteristics of owner and growth objectives that affect their survival and growth have not been fully investigated within the entrepreneurial context. In addition, the research draws on a wider range of disciplines to include areas such as strategic management and business growth disciplines.

The issue of specific support needs is discussed within the ethnic entrepreneurial context using five ethnic entrepreneurial theories because these theories have been discussed and extensively used for decades and applied in an empirical context (for example, Rafiq (1988); Barrett (1997) and Altany (2005)). These are The Reactive Cultural Theory, Theory of Middleman Minorities, Ethnic Enclave Theory, the Mixed-embeddedness Concepts and the Ethnic Resource Model. However, there is considerable overlap between these theories and as such scholars and researchers such as Light (1985) and Rafiq (1988) have advocated that theories should be combined and discussed together. Additionally, due to economic and social changes over time, some original concepts that manifested such as generational differences within ethnic families and communities have been discarded.

Ethnic Minority (EM) has been difficult to define and has a tendency to change over time. However, *ethnicity* is referred to as a segment or sub-culture that can be distinguished from the dominant culture on the basis of “cultural background, affinity and genetic heritage” (Emslie and Bent, 2007). The most common definition of a UK EMB used was based on the ethnicity of the main owner/manager. However, in terms



of the definition for ethnic entrepreneurship is not as straight forward presumably because of the multi-faceted nature of entrepreneurship and the fact that ethnic minorities are situated within their context of when and how they settled in the host country. Waldinger et al.'s (1990) definition was a set of connections and regular patterns of interaction among people sharing common national background or migration experiences. In order to grasp this complex area of the various theories, which in turn have all been derived from other theories, a brief history of the emigrant journey is described prior to the detailed discussion of the various ethnic entrepreneurial theories.

Research in the area of ethnic entrepreneurship has its roots in the USA. This is presumably because of the USA's long history of immigrants settling down and setting up businesses, which have spanned over centuries. Furthermore, an early and very prominent theory (reactive or situational theory) (Bonacich, 1973). Bonacich (1973) suggested that ethnic businesses are an obvious reaction to stifled and blocked opportunities in the labour market, and that may still be true till present. However, there are several strands to both these theories and they have evolved in different guises over the years. In contrast to the USA's migration map, Europe experienced mass departures around the turn of the century and remained very homogenous until after World War II, when large labour forces were needed by the then fast growing industrial organisations. Immigrants initially came as a temporary workforce to UK, carrying out jobs that required no skills and which could easily be replaced by a succession of sojourners (Waldinger et al. (1990). Over time, the immigrants settled, and the preconditions for EMBs slowly started to evolve. It was the ethnic community that most times created the demand for specific ethnic goods and services. This demand could only be fulfilled by co-ethnics with knowledge of tastes and buying preferences. However, these Ethnic Minority markets occupied by ethnic entrepreneurs had typical characteristics. Indeed Waldinger et al. (1990) emphasised that these characteristics consisted of a source of entrepreneurial resources; low barriers of entry in terms of required capital and educational qualifications, high labour-intensity, small-scale production, and low added value, and very high competition. The results were the emergence of a large number of start-ups and, in turn, a high rate of failures. In order to stay ahead and remain competitive under such conditions, the temptation to apply informal practices with respect to taxes, labour regulations, minimum wages and employing children and immigrant workers without documents is quite large (Kloosterman et al., 1999).

Rafiq (1988) and other scholars have pointed out that the ethnic entrepreneurial theories were eminent in both cultural and situational theories (Bonacich and Modell, 1980) and in orthodox and reactive theories (Light, 1985). In turn, the cultural theories incorporated some cultural (or orthodox) specific characteristics of ethnic minority that would encourage them to enter business. The cultural theory basically asserted that values such as frugality, individualism and hard work, which were those values possessed by protestant ethic would assist in that individual being likely to enter business. Another aspect of this cultural theory is that the ethnic business as a form of pre-modern commerce or Parish Capitalism. This is when ethnic businesses are characterised by their dependence on family or ethnic networks and which make use of the ominous rotating credit associations. Examples are the Japanese minority in the USA (Waldinger, 1989) and Chinese in the UK. Critics have pointed out that even though these values are manifested in some EM entering business, dependence and reliance on families and ethnic resources is not a cultural thing (Aldrich et al., 1984; Scarse and Goffee, 1982). Moreover, the need for reliance on ethnic networks can emanate from the hostility (situational outcome) in the host country and so ethnic businesses are forced to rely on such networks.

### **3.3.1      *The Reactive Cultural Theory***

The reactive cultural (or situational) theory suggests that ethnic entrepreneurship is an adaptation to historic and racialised labour market in which EMBs are forced to adopt marginal niches in the economy. This theory may also be known as the disadvantage theory which suggests that most immigrants have significant disadvantages hampering them upon arrival but which at the same time steer their behaviour to start a business. Initially, they lack human capital such as education, language skills and experience, which prevent them from obtaining salaried jobs, leaving self-employment as the only choice. A lack of mobility due to poverty, the limited knowledge of the local culture and discrimination can lead ethnic minorities to seek self-employment. This disadvantage theory sees entrepreneurship as an alternative to unemployment, and not as a sign of success.

In contrast to the Disadvantage theory, Cultural theory suggests that ethnic and immigrant groups are equipped with culturally determined features such as membership of a strong ethnic community, compliance with social value patterns acceptance of risk, dedication to hard work, solidarity and loyalty, and orientation towards self-employment and economical living (Bonacich, 1973). These features provide an ethnic resource which can facilitate and encourage entrepreneurial

behaviour and support the EMB. However, other concepts have attempted to illustrate that these assumptions within the two theories do not adequately consider such as market conditions and availability of capital immigration policies, employment alternatives and including support offered by the UK Government that is highly subsidised and has empirical evidence that it impacts on survival and growth favourably.

Mechanisms such as ethnic sources of rotating credit, providing a means of upward social mobility tend to be utilised. This ethnic niche strategy, involves selling essentially ethnic products and offering services to the local co-ethnic community and host population. Ram (1994) suggested that it was a combination of recession, general economic decline and racism - not cultural flair – that pushed many Asians into self-employment (Ram, 1994). However, once in business, community networks provided access to markets and suppliers and their knowledge of the needs of their ethnic community puts them in a position of competitive advantage and provides them with a starting niche (Ram, 1994).

This theory was also revealed in Fadahunsi et al., (2000) that interviewed 82 EMBs and found out the importance of EMBs in establishing niche markets that served the wider EMB markets and communities. However, their research's aim was to investigate the role of networking (formal and informal) in raising finance, recruiting labour, identifying customers and accessing business support in the development of EMBs. It is an important and key study as it covers a wide area that is similar to the aim of this review in terms of tackling support offered by the UK Government and the use of social networks to ameliorate some of the challenges of accessing finance, social exclusion and discrimination. However, the aspect of survival and growth as in increasing profits within the growth theories was not tackled.

### **3.3.2 Minorities Ethnic Enclave Theory**

Minorities Ethnic Enclave Theory suggests that the location is important and that the business settles or is established in a particular location having a high proportion of ethnic employees. Light and Bonacich (1991) argued that the *enclave* concept had its conception in theories of labour market segmentation whilst the *ethnic economy* derives from the middleman minority concept. However, Bonacich and Modell (1980) initially coined the phrase *ethnic economy* and attributed it to the presence of ethnic welfare capitalism among Japanese Americans in the pre Second World War period.

### **3.3.3 Theory of Middleman Minorities**

Theory of Middleman Minorities asserts that an EMB engages predominantly in providing goods or services to the host market, as opposed to providing these items to the minority market (Bonacich, 1973). To attain this position, Bonacich (1973) argued that certain characteristics or qualities need to be present in the entrepreneur. First, the theory advocates that the EM has a strong link with the ethnic country of origin (in terms of returning someday), due to hostility (sometimes in the form of discrimination) from the host country (Aldrich et al., 1984). Second, hardworking and fugal qualities are developed which are pre-requisites to success and growth (Bonacich, 1973). Alternately, the EM can expect to providing goods and services to the wider community involving non-ethnic suppliers in order to sell to an ethnic base clientele, whilst still continuing to rely on ethnic labour, ethnic finance and community networks. Later on the business or entrepreneur could opt for economic assimilation by offering goods and services typical of an indigenous business and running the business in the same way as the majority community. Aldrich et al. (1984) argued that there were three main characteristics that had to be exhibited in order for an EMB to be a middleman. These were (i) having superior access to business resources (example, capital, labour, business skills) (ii) access to superior competitive practices such as cheap labour and become more competitive than their counterparts (iii) Specialisation in a line of trade in order to benefit from shared experiences and economies of scale, again to give a competitive edge over similar businesses.

Historically, EMBs rapidly sprung up with the expansion and growth of an ethnic community and include businesses such as travel agencies, garment shops, specialised grocery shops, tearooms and fast-food stands. An important prerequisite for the broad emergence of EMBs within a community is a sufficient number of potential consumers of ethnic products on the one hand, but also their aim of a permanent stay in the host country; that is, the immigrants have to bring their families along. After a while, ethnic businesses can start to grow by engaging in trade with entrepreneurs from other ethnic groups. Once, a critical mass is reached, they gain acceptance within the indigenous population, sometimes becoming a viable and respectable business by expanding into the high-volume trade with the local population (Barrett et al., 1996). This position of the EMB is seen as very lucrative and can act as a status symbol within both host and ethnic communities. Well known examples have been cited regarding the Jews in Europe; the East African Asians in UK and the South Asians in UK and South Asians in Canada (Jones et al 2000). The reservations of this theory were that they did not address the wider context that

tended to impact adversely on a business' operations such as the external economy and political aspects nor did it emphasise any other characteristic of the ethnic business, except its ethnicity which did not always involve socio-cultural aspects. It would prove difficult in contextualising EMBs and BACBs in terms of support provision.

### ***3.3.4 The Mixed-embeddedness Concepts***

These Mixed-embeddedness Concepts focused on the effect that the interaction between socio-economic and ethno-social characteristics of that business (Kloosterman et al. 1999), have on the operational activities of the EMBs. Furthermore, they emphasised socio-economic and cultural issues which could act as enablers or constraining influences to survival and growth of businesses. Concepts were identified that enabled the interpretation of the behaviour and development of EMBs in the context of the wider structures in which they are embedded.

Ram and Smallbone (2001) investigated and assessed five aspects: size, sector, location, ethnicity of the business owner; and external environmental (influences and opportunities). Several of the UK Government policies and initiatives were not targeting EMBs in England. In addition, Barrett et al. (2002) identified four other aspects that affected survival and growth; demographic, the state of the local or regional economy; direct competition to the entrepreneurs and the relationship with financial institutions. They also used these factors in order to situate and help assess challenges of EMBs. These concepts have been tried and tested, so they look promising in terms of using them in support provision for EMBs and BACBs.

Dassler et al. (2007) and many other scholars have agreed that this mixed-embeddedness concept is not unique to understanding EMBs as the relevant factors such as the economy, whether local, national or global impacts on all businesses. In addition, it does not bring anything new to bear on ethnicity or on ethnic enterprise as the problems and challenges these external factors create are similar to any small business, regardless of ethnic origin. Notwithstanding these criticisms, some of the concepts have been used in identifying solutions in assisting the survival and growth of EMBs.

### **3.3.5      *The Ethnic Resource Model***

The ethnic resource model is also known as the interactive model. This is a more recent model and was derived from both the cultural and reactive theories. Light (1984) attempted to account for the different rates of participation in business within ethnic minority groups and postulated the concept of class resources in addition to cultural and reactive factors. He argued that the more resources the immigrants brought with them, the more likely they were to enter into business. In class resources Light (1984) included economic resources and class attributes such as levels of education and attitudes and so forth. Resources such as cheap flexible labour, pooled capital and loyal customers known as privileged assets available to members of the same social network were termed ethnic resources by Light and Bonacich (1991). Additionally, these were only available to the groups of insider EMBs because they shared the same ethnic identity resulted in prosperity for such EMBs and could be used to the advantage of the EMB. An example of a migrant group with class resources conducive to setting up in business are the Korean migrants in the USA who not only brought large sums of money with them but also came from a middle class background in Korea (Light and Bonacich, 1991).

Ethnic resources and opportunity structures are the main concepts of this model. Researchers have suggested that the development of an EMB cannot be traced back to a single characteristic that is responsible for the entrepreneurial success of an ethnic group. Instead, the success of an EMB depends on a complex interaction between opportunity structures (external) and group (ethnic) resources. The second dimension, (group resources) focuses on the resources shared by immigrants and ethnic people of the same origin. Ethnic people normally draw on the resources provided by their cultural traditions and ethnic social networks. The significance of family and ethnic networks as resources is, undisputed. Opportunity structures and ethnic resources constantly interact. In this sense, some aspects of the opportunity structure can be influenced and improved with the help, for example, of a strong ethnic network. Thus, McEvoy and Aldrich (1986) regard the apparent success of South Asian small retail businesses as being less a story of high cultural resources and organising capacity than of changing opportunity structures (McEvoy and Aldrich, 1986).

Ram and Jones (2007) also argued that this resources model can be seen to apply to Asian-owned EMBs, because of the rapid prolific growth of Pakistani-owned EMBs that had underpinning characteristics of insider networks of exchange, including trust

that emanated from shared ethnicity; tradition of family values that expected all members should contribute to the family business; religious values which supported an entrepreneurial ethos of industriousness, self-reliance, thrift and self-sacrifice that were observed by Werbner (1984, 1990). Similarly, specific characteristics were observed regarding Punjabi Sikh and with Gujerati Hindu. South Asians in the 1980s were observed to have an inherent predilection for business, as remarkable high levels of self-employment were recorded by Modood et al. (1997). Similarly, other EMBs such as Chinese were noted by Watson (2000) and Turkish-owned EMBs were noted by Ladbury (1977). This prosperity and profitable growth and expansion did not filter or extend to other ethnic groups particularly to African-Caribbean EMBs as sometimes an enterprise gap has occurred between the African and Afro-Caribbean EMBs (Modood et al., 1998). Some scholars have argued that a history of slavery perpetuated by the western economies had destroyed African-Caribbean cultural heritage and this had ramifications till the present.

Due to the weaknesses of the model, it was named “ethnic exceptionalism” Ram and Jones (2007: 5). Many of the values and behaviour patterns presented as essentially and specifically products of South Asian ethnic cultures are actually better seen as products of a small business class culture shaped by the often onerous material demands of the occupation and having little to do with the ethnic identity of the entrepreneurs. Asian shopkeepers work far longer hours than white retailers but this is better explained with reference to their concentration in long hour trades like food retailing or newsagent stores rather than to some culturally sanctioned love of toil (Jones et al., 2000). Similarly, any small business expecting to grow would spend longer than average hours in order to stay competitive. Another example is that Asian retailers in relatively short hour trades like pharmacy work relatively short hours just like anyone else in their position (Jones et al., 1992). From a narrower technical perspective, all of this also underlines the need to compare EMB alongside mainstream white-owned businesses, a method which demonstrates that class culture often trumps ethnic culture in influencing outcomes.

Ethnic strategies are the solutions to the specific problems ethnic entrepreneurs encounter as a result of the interaction between the opportunity structures of the host society and the characteristics of their group (Waldinger et al., 1990). The problems ethnic entrepreneurs usually contend with include customers and suppliers, competition, political attacks and human resources. External formal support offered by the UK Government is not adequately addressed within this model, nor is it addressed

adequately in any other model. However, there are several examples now discussed that have used various permutations and dimensions of this ethnic resource model.

Altinay's (2005) thesis developed a framework for investigating factors that impacted Turkish businesses in London using six sets of theories and concepts: ethnic resources, personal resources, ethnic enclaves, mixed embeddedness, middleman minority and human resources management strategies, as indicated in Figure 3.1 It is actually a hybrid of some of the theories already described, with emphasis on the Ethnic Resource Model. The ethnic resources focus is on both financial and non-financial resources such as employees, market, and information received from co-ethnic networks on favourable terms, which positively influence immigrant business growth. This explanation is supported in the literature by scholars such as Bonacich (1973). Finance plays a major role in the ethnic business and its impact can be just as considerable as in any small non-ethnic business.

**Figure 3.1            The determinants of Immigrant Business Growth**  
Source: Altinay (2005)

Within this framework it is divided into two categories: internal and external. Co-ethnic information is reliant on both immediate and extended family as well as co-ethnic friends as information support is significant, and reflects the strength of the ties and networks within these communities. The co-ethnic market includes co-ethnic customers, co-ethnic suppliers and co-ethnic products and personal resources are in the form of ethnicity, business entry motives, business family tradition, age at business entry, educational qualifications, English fluency and sojourning orientation.



A large sample of businesses enabled the results to reveal correlations with the four main aspects of Entrepreneur's personal resources. One reservation for about this framework to be used within this study is that it did not include mainstream support offered by UK Government which is considered important for achieving the aim and objectives of this thesis and for the target group of BACBs.

Altinay's (2005) recommendations with regards provision of support were that the UK Government should recognise that not only are there differences between the various ethnic minority groups, but that there are also significant differences among the Muslim communities. Moreover, he argued that Support Agencies and other institutions that provide services for the small business should offer specific tailor-made ethnic minority business training programmes to each community in order to meet their specific needs. Distinctions were revealed amongst the Turkish ethnic groups, and there was the need for policy makers to understand how the different co-ethnic groups managed their businesses and they should be aware of the different requirements and needs in the market place. The findings were that co-ethnic networks and ties were weak among the Turkish businesses which necessitated the urgent need for formal support from the small business support agencies.

Li (2007) produced a schematic framework, Figure 3.2 for researching "behaviours and attitudes" of minority ethnic entrepreneurship in England, Wales and Northern Ireland. This framework deals with the main categories of social capital, human capital and economic capital, all of which were inferences from various mixed-embeddedness concepts and which could act as enablers or constraining factors to survival and growth. However, it did not address business growth as did Altinay (2005) and so it does not have clearly defined variables of support and growth. It was assessed as an example because of four other reasons. It included support offered from the Government which is very essential to this study as it is being argued that because of all the complex factors affecting BACBs, intensified support is required. Li (2007) also revealed patterns and trends obtained from quantitative data from several government departments and other sources during 1972 to 2005. Next, even though the construction industry was merged with Manufacturing, numerous categories were analysed. These were ethnicity, faith groups, gender, education, time of arrival and geographical distribution; generational effects and size of business, hours worked sector of business that impact on behaviours and attitudes. The third reason for using this schematic framework was that it tackled the aspect of discrimination, which is one of the main challenges of BACBs. Racial discrimination and disadvantages termed ethnic penalty usually encountered the most by Blacks (Black African and Black

Caribbean) and Asians (Pakistanis and Bangladeshis). Unfortunately, the results shown under the heading of perceptions of injustice could not be established as the collection of data which only started in 1991 stopped in 2001 instead of carrying over to 2002.

**Figure 3.2 A schematic framework of researching minority ethnic entrepreneurship** Source: Li (2007)

Li (2007) combined three very important approaches which have been previously used within the other models and theories under other terminologies. The first being social capital approach which emphasised the advantages of engaging in formal and informal networking. The concept of social capital represents an advance in thinking on several fronts, this concept recognises that enterprise is not, as postulated in traditional micro-economics, a process that takes place in some hermetically sealed

'economic' sphere but is decisively grounded in social relations. Networks of trusted individuals are the source of an array of resources, from concrete provisions like loans or work contributions to intangible but vital assets like information-sharing, recognition and role-modelling. Because exchanges are face-to-face, informal and based on trust rather than contracts or any other official legalistic arrangement, they are much more flexible and streamlined. This is of particular value in underlining that social capital is a universal rather than a particularistic ethnic institution.

Human capital approach emphasised education, experience and job-related skills and training. A closely linked approach to human capital was the human capital externalities approach which tried to explain the disadvantages of some businesses due to the lack of role models or lack of successful entrepreneurs. The third approach was economic capital which all business required whether it is in starting, developing or carrying out the operations of the business. Li (2007) argued that these approaches are complementary and that the socio-cultural and economic capital aspects could be indistinguishable. Moreover, people with higher levels of human capital (be highly educated) tend to have higher levels of economic capital (are affluent) which tends to give them more social capital (tend to have a wider social network including political affiliations and people in high management positions) and so reap benefits within their respective businesses. This framework and approaches would be discussed further to reveal their appropriateness and suitability in assisting to develop the proposed conceptual model for assisting BACBs to survive and grow.

With regards networking and development concerning EMBs, Fadahunsi et al. (2000) argued that although there were no quick-fix solutions to resolve the appallingly low take-up rate for EMBs and the perceived exclusion experienced by many EMBs, proactive steps had to be taken by the UK Government in promoting its services. Their research also revealed that building capacity of the communities and supporting existing networks were important aspects that had to be implemented in order to assist in increasing the take-up of support by the EMBs. The long standing argument about financial institutions having to increase their commitment to businesses was also emphasised, and indeed access to finance is a main challenge.

Fadahunsi et al. (2000) insisted that another reason for the low take-up was the track record of the Government and Agencies, who in the nineties gave higher priority of support to more established SMEs and those with five or more employees, or those that were actively growing or those with growth potential. Indeed this reason seems plausible as anecdotal evidence from several EMBs who had businesses in the

nineties, and who tried to take-up support, had to fulfil certain criteria in order for support to be given to their business. It is slightly more apparent now that SBS (2006) has provision for a more comprehensive support offered to all SMEs, including the self-employed and those businesses with no employees. However, a considerable amount of time has been lost in the provision of customised support, and coupled with an appalling take-up rate of support (which seems to be on the increase) by BACBs from the UK Government. It is to be argued that with all the other inter-related issues such as the entrepreneurial operations of BACBs within the construction environment and the challenges encountered, there is a need for urgent intensified support. Credibility has to be established in the delivery methods of the Support Agencies in order to access potential businesses, and support groups have to be more accountable to EMBs.

### **3.4 Strategic management and strategic orientations**

Literature review concerning strategic management has invariably focused on large and established businesses and their relationships with their market environments and operating contexts. Mintzberg (1979); Drucker (1998; 2001) and Barney (2011) agree that strategic choices and actions for the larger businesses are invariably driven by managerial motives and ambitions. Furthermore, the stakeholder web of the organisation is driven by economic, political and social considerations. They argue that strategic decisions may also be at variance with preferred shareholder choice(s) and, that political skills and holistic thinking are essential attributes. However, having goals or knowing the direction of the business including opportunities available in order to achieve goals were all just as important for the small business. In addition, Weston (1996) also noted that with the small business, these scholars and several others acknowledge that the role of owner-manager and entrepreneur are intertwined, and he/she is the principal stakeholder and ultimate strategic manager. Usually, there is little separation of ownership and control. Additionally, the type of life-style, personal and family considerations usually dictate strategy. However, despite the importance and promotion of the small business the value and importance of application of strategic management and operations with regards small businesses are comparatively very recent. This is likely due to strategic management being concerned with the future success of a business and may necessitate major changes in its operations to customers/clients; in its organisation capacity and in its competitive posture.

Strategic management and processes have been selected within this review due to their links with the other three previous disciplines, - economics, entrepreneurship and ethnic entrepreneurship. Additionally, strategic management addresses the management domain within which BACBs operate. The strategic impacts of the entrepreneurial process assists in distinguishing a successful business owner and a failing business owner (Chell et al., 1991). Drucker (1998) also used entrepreneurial strategies and innovation to investigate why some businesses fail and others succeed. Definitions of strategy are many and varied. Within the evolutionary approach, the concept of strategy is the articulation of routines in a profit seeking way. Whereas, within the resourced-based approach, strategy is achieved through accumulation and deployment of non-imitable resources. The focus of this research is on small businesses, so strategies dealing with corporate strategies, corporate diversification, vertical integration, mergers and acquisitions, international strategies and large businesses discussed extensively by Barney (2011) are not covered.

Literature on strategy has always been closely linked with competitiveness, which is an elusive and esoteric concept having no universal accepted definition. Hence, there are a considerable amount of theories explaining how complete advantage can be achieved. Additionally, strategic management provides models that offer various strategies concerned with short and long term views of the business as well as providing the environment which impacts on construction businesses. Some of these theories within the strategic management discipline have been derived from other theories, such as Porter's (1999) five forces framework which has been used extensively within the manufacturing and construction industries, and the economic theory known as the structure-conduct-performance (SCP) model.

Only five theories that have been extensively used within industry and academia (though there are several others) would be discussed. This choice has been made because the focus of this research is survival and growth, and only models that address or relate to entrepreneurial growth have been used. These theories/models are:

- 1) Porter's five forces framework
- 2) Structure-conduct-performance model
- 3) Barney's strategic management process
- 4) The Resource-based view
- 5) Dynamic capabilities

### **3.4.1 Porter's five forces framework**

Porter (1999) emphasised that dynamic theory of strategy assists in a firm or business success and argues that the reasons why firms succeed or fail is first, whether they develop and emphasise a set of goals. Second, strategy should align with, and combine with its environment, and third, strategy should be central with creating exploitations for its own capabilities. Porter's (1999) five forces framework can be utilised as an analytical tool for assessing the competitive environment of businesses. It consists of three main components:

(1) The five competitive forces model depicted in Figure 3.3; this allows a business to make informed decisions, given its resources, or enables a business to position itself in an industry in order to mitigate the impact of the *five forces* of (i) threat of new entrants into the Industry; (ii) threat of substitute product and services; (iii) bargaining power of suppliers; (iv) bargaining power of buyers, and (v) competitive rivalry. This model tends to be used extensively within specific sectors and is primarily to assess the attractiveness of an industry or analyse the potential profitability of a business within a particular industry. It is therefore most helpful if an incumbent business is assessing whether that particular industry is suitable or appropriate for it to compete profitably. An overall approach for businesses is to position themselves in industries in relation to the five forces in which their resources and capabilities will allow them to achieve a sustainable competitive advantage.

(2) The three generic competitive strategies of (overall cost leadership, differentiation and focus) deal with internal resources, capabilities, costs and competitive scope and advantage); these strategies allow a business to assess its own competitiveness and thereby achieve competitive advantage over its competitors.

(3) The value chain is usually used in conjunction with the three generic strategies in order to assess the competitiveness of a business. The support within the value chain is internal support from the human resources and other ancillary services such as procurement within the business. These have to be effective and give support to the core services (primary) which for CSMEs including BACBs are contracting or other professional services. However, the complexity within this model is that the construction projects are on-going within the actual business operations, thereby making the two seeming separate activities of support and primary activities into one main process.

An observation is that the value chain having three generic strategies of overall cost leadership, differentiation and focus finds more popular use within service and consultancy businesses than the main five forces model. It has been argued that competitive advantage grows fundamentally out of improvement, innovation, change and performance, and this advantage results in sustaining advantage or sustainable profitability. However, obtaining competitive advantage or even sustained competitive advantage as Barney (2011) argues can occur over a long term and does not necessarily mean growth or sustained growth, as a business can be competitive over other competitors, but still not increase their profits. This situation does not change for businesses even though their resources and capabilities may allow them to position themselves in relation to the five forces to achieve a sustainable competitive advantage.

### **3.4.2      *The Structure-Conduct-Performance model (SCP)***

The structure-conduct-performance model has its roots in economic theory and basically suggests that the structure of an industry affects the conduct of an organisation which in turn affects the performance of the organisation (Barney, 2011). It is depicted in Figure 3.4 and states that the structure of an industry determines an organisation's competitive behaviour (conduct), which in turn determines its profitability (performance). This structure refers to industry structure measured by

such factors as the number of competitors in an industry; the heterogeneity of products/services and the cost of entry and exit.

Firm/business conduct refers to specific business actions within this industry, including price taking, product differentiation, and tacit collusion and exploiting market power. Performance in this model has two aspects: business level performance in which the business can have competitive disadvantage, competitive parity or competitive advantage. On the performance of the economy or society, the aspects considered are productive and allocative efficiency and level of employment; and progress. Barney (2011) agrees that the logic of the SCP model is well known that the attributes of the structure of an industry defines the range of options and constraints and challenges facing a business and consequently impacts on business performance. In the construction industry in which businesses have few options in their conduct and encounter many challenges, these businesses generate at best returns that just cover their cost of capital in the long run, and social welfare is maximised. In this scenario, industry structure completely determines both business conduct and business performance in the long term. Conversely, in other less competitive industries, and business with fewer challenges and a greater range of options, businesses would be able to gain competitive advantage. Depending on the attributes of industry, whether it is large or has numerous competing businesses; homogeneity of products/services, low cost entry and exit or heterogeneity.



**Figure 3.4**      **The Structure-Conduct-Performance Model**  
Source: Barney (2011)



### **3.4.3 Barney's strategic management processes**

Barney's (2011) definition of a firm's strategy is its theory of how to achieve high levels of performance in the markets and industries within which it is operating. He argues that first, evaluating and second, the choice of a strategy both require an understanding of the economic logic from which a strategy is implemented. Furthermore he insists that a failure of the understanding in any of these two areas would make it less likely for the firm's strategy to generate high levels of performance; although in the business world some firms that do not have very good strategies can sometimes compete successfully. The need for a business to compete successfully requires implementation of a strategic management process which is depicted in Figure 3.5 which is a sequential set of analyses, and choices that can increase the likelihood of a business choosing a strategy that would enable it to perform successfully. It has also been observed that particular strategic decisions have been associated with successful small business service firms. Missions which are its long term purpose defining what a business aspires to be, or what it needs to avoid are not always written down, and other scholars have questioned whether having a mission statement actually creates any value for a business. Objectives are supposed to be specific measurable targets a business can use to evaluate the extent to which it can realise its mission.



**Figure 3.5 The strategic management processes**  
Source: Barney (2011)

The next two phases, external and internal analyses normally occur simultaneously: the former focuses on the environmental threats and opportunities facing a business. Whereas the latter helps a business to identify its organisational strengths and weaknesses, thereby understanding which of its resources and capabilities can become sources of advantage. These two combined analyses have traditionally been known as the SWOT analysis or logic that suggests that businesses should choose strategies that exploit opportunities and neutralise threats through the use of strengths, whilst avoiding or addressing weaknesses. However, Barney (2011)

emphasises that without proper analytical conceptual tools these SWOT analyses cannot be used to rigorously identify a business' strengths, weaknesses, opportunities and threats. With regards strategic choice for small businesses there are four actions of this business-led strategy that can be taken to gain advantage in a single market or industry. These are cost leadership; product differentiation; flexibility and tacit collusion and that are specific to such businesses as opposed to a corporate-led strategy for large businesses that operate in multiple markets or industries. This strategic choice can be quite complex and should support the business' mission, consistent with the objectives, exploits opportunities and neutralises threats. Barney (2011) argues that once these aspects have been considered with regards competitive advantage, strategy implementation which is to adopt business organisation policies and practices consistent with its strategy should be carried out. Three such aspects are crucial to a business gaining competitive advantage. These are a business' formal organisation structure; its formal and informal management control systems and its employees' compensation policies.

To conclude, a business strategy is about knowing what the critical economic process in an industry or market is and how it can take advantage of these economic processes to enhance its performance. This is where there is an overlap with the economic and entrepreneurial theories. Competitive advantage which is the ultimate goal is when a business is able to create more economic value than rival businesses. The converse is true, that competitive disadvantage is when a business creates less economic value than its rivals. However, Barney (2011) also defines temporary competitive advantage as competitive advantage that lasts a short time, whereas sustained competitive advantage lasts a long time. Classical Economic theory predicts that such competitive advantage should be short-lived in highly competitive markets such as construction industry. Moreover, the theory suggests that any competitive advantage gained by a particular business will quickly be identified and limited by other businesses, ensuring competitive parity in the long run. However, in practice, this competitive advantage usually lasts longer than classical economic theory predicts. Goodier et al. (2008) strongly points out that clients who instigate their projects and construction markets demand flexibility and innovation. In order for businesses to stay competitive, they have to be leaner, quicker and more proactive. A classic example is that a business taking a holistic view of a supply chain management in which the emphasis is not on operational services, but on the strategic objectives which are linked to the long-term survival and development of the business as a whole. This link of survival and development was echoed by Goodier et al. (2008).

### **3.4.4      *The Resource-based view (RBV)***

From an economical viewpoint, the RBV is equilibrium orientated as opposed to being process orientated. In addition, the level of analysis is by firm or business as opposed to industry. Penrose (1959), one of the main proponents of this view uses resources as units of analysis. The source of competitive advantage and diversification are the focus and primary objectives investigated. Emphasis of the resource-based view is on the internal capabilities of the business or organisation in formulating strategy in order to achieve a sustainable competitive advantage in its markets and industries. Due to its historical link with entrepreneurial research and the fact that its focus is on resources, this view was selected as it uses resources that can be channelled in order to become competitive. Some advocates of this view use the term distinctive capabilities as opposed to internal capabilities, whereas others use the term core competencies within the same context. Thus a core competence or strategic capability can be thought of as a cluster of attributes that an organisation possesses which in turn allows it to achieve competitive advantage. Hence, businesses that are organised or have a structure can organise their resources in such a way that allows it to compete more successfully. This view is discussed again in the next Section 5.0.

Penrose (1959) characterised the firm as a collection of resources as opposed to a set of product-market positions. Penrose's (1959) resources approach, pertaining to entrepreneurial growth process involves forms of heterogeneity in the resources that businesses possess. The heterogeneity of productive services from resources, is concerned with how businesses with similar resource bundles may still significantly differ in their entrepreneurial productivity. Penrose explains that it is the heterogeneity, and not the homogeneity, of the productive services available or potentially available from its resources that give each firm or business its unique character. Foss et al, (2008) pointed out that the dynamic role played by individuals within businesses was seldom addressed. Moreover, markets were assumed to be stable and did not tend to influence or shape the relevant industry and that very little is stated about how the development and change of the resources could happen over time. The resource-based view has another difficulty because of this lack of detail with regards the issue of resources. Hence, this study would use resources, but may limit itself to certain types listed in the typology in Table 3.1.

### **3.4.5 Dynamics Capability Approach**

Several scholars have emphasised only the aspect of competitive advantage, but not the aspect of sustaining this competitiveness. Furthermore, the previous strategic approaches, such as Penrose (1959), Shapiro (1989) and Porter (1999) emphasised external competitiveness, and the way businesses reacted to external forces. Shapiro (1989) whose strategic conflict approach was not discussed, “utilised the tools of game theory to analyse the nature of competitive interaction between firms” (Teece et al., 1997: 511). In contrast, Teece et al. (1997) viewed strategic performance as more of an internal issue. Their focus was on how and why certain businesses achieved this competitive advantage, including how their internal environment and business operations could be utilised and developed in order to achieve this position over their competitors. The competitive advantage was seen as “resting on distinctive processes (ways of co-ordinating and combining), shaped by a firm’s (specific) asset positions (such as the firm’s portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited. The importance of path dependencies was amplified where conditions of increasing returns existed” (Teece et al., 1997: 509). These three aspects of distinctive processes, asset positions and evolution path(s) stem from the way in which firms/businesses use their dynamic capabilities.

Elements of dynamics capabilities could be found in Schumpeter (1934), Penrose (1959) and Prahalad and Hamel (1990). Dynamics capabilities are a firm/business’ “ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments” (Teece et al., 1997: 516). This novel approach was derived from Schumpeter’s (1934) roots on innovation; and increasingly, globalisation; economic cycles of boom and bust; and rapid technological change welcome such an approach from which small businesses could be studied, and so assist them in overall survival and growth. Teece et al. (1997) argued that a business could achieve competitive advantage through first, its managerial and organisational processes; how things were carried out within the business; its routines, patterns of current practice and how the business achieved learning. Second, the position of business referred to specific elements of technology, intellectual property, complementary assets, customer base and external relations with suppliers and complementors. Third, path(s) referred to the strategic alternatives available to the business, including the presence or absence of increasing returns and attendant path dependencies.

## **3.5 Business Growth**

Business growth also provides numerous models; for example Churchill and Lewis (1983) (Five stage model), Penrose (1959), Poutziouris (2003); and Phelps et al. (2007). Some of them have proved beneficial in understanding the challenges to growth in small businesses. Several of such concepts have also been combined together: the Resource-based and Learning growth concepts; the Resource-based theoretical concept and management strategies: growth and entrepreneurship concepts. Small business growth is organic and only organic growth models are discussed within this review. These organic growth models are divided into six broad groups, - descriptive, stochastic, evolutionary, resource-based, learning and deterministic (Dobbs and Hamilton, 2007).

### **3.5.1 *The Stochastic Model***

Stochastic model advocates that there are several variables that impacted on growth, but that each variable makes a very minute contribution towards the growth. The assumptions behind stochastic models of firm growth are that these individual factors of growth which are small, are independent of each other and do not act in unison in a systematic manner. The upshot of these assumptions is that growth within individual firms is treated as a random or stochastic process. The term stochastic refers to a pattern of cumulative random shocks that interrupt the normal progression of the business cycle and operation of the markets over time. These shocks impact on the size of individual firms causing some to contract and others to expand, whilst others may remain unaffected (Kumar, 1984). Hence, stochastic models are not deterministic of what actually results in growth within particular firms, since they accept it as a random process. Hence, stochastic models cannot be used to predict the probability of growth for a particular firm nor indeed what factors may actually precipitate growth within particular firms.

This model deals with realities (characteristics of competitiveness and volatility) of the construction Industry, but since the model could only deal with very minute contributions, it was difficult to determine whether it would be useful or appropriate in assisting in understanding the survival and growth of all businesses including CSMEs and BACBs.

### **3.5.2      *The Descriptive Model***

Descriptive model as the name implies was descriptive in its concerns of how a business achieved growth and adapted internally as opposed to explaining what factors caused a business to grow. This model emphasises that businesses could undergo stages or a series of crises over a life-cycle of a firm, and these stages tend to happen at regular predetermined stages of this business' life cycle. The relevant models that had empirical evidence were Gibb and Davies (1990); Hill and McGowan (1999); Hill et al. (2002), and interestingly, two of them have generic management and organisational characteristics which should fit into the ethos of the strategic management.

### **3.5.3      *The Evolutionary Approach***

Dobbs and Hamilton (2007) Evolutionary Approach reflects some aspects of economics theory which recognises that businesses are different. However, Foss and Knudsen (1997) agreed that the evolutionary theory goes further in that it focuses on the origin of these differences emphasising the diversity amongst firms. They also recognised that from an economic theoretical perspective, growth is process led as opposed to be in an equilibrium. The level of analysis is primary industry and not the firm, with the unit of analysis being routines and the primary objectives of explanation is technology, evolution and competition with resources being intangible. With this contextual knowledge, the focus of this approach is in analysing the firms' capability in order to understand the behaviour thereby recognising a firm's path-dependent, (knowledge) that differentiates it from other firms. Foss and Knudsen (1997) also recognised that the meaning of evolutionary from a biological aspect, and from within a strategic management perspective resulted in the differences between firms being variation, heredity and selection. From a managerial context, Foss and Knudsen (1997) argued that the process of technology would be the most obvious analogy to biological concepts of mutation. In addition, there are other concepts of adaptation, learning and search path dependable. In a similar vein, research has revealed a very interesting aspect on that the growth of a firm over a longer period of time is contingent on the interaction of a number of internal and external forces and so the nature and timing of a firm's growth would be dependent on the firm's unique business position and circumstances and there were no standard modes or sequence of stages to be observed.

### **3.5.4     *The Resource-based Approach***

Resource-based Approach and Evolutionary Approach both use an efficiency approach to business performance. The resource approach tends to see performance differences in businesses as a result of differences in efficiency, rather than differences in market power. The emphasis is on resources and capabilities that were long lived (managerial resources available over time), and difficult to imitate. Foss and Knudsen (1997) emphasised the need for businesses to plan and manage growth in addition to maintaining current operations. In recent years the need for the emphasis has been on the attributes and strategic capabilities for businesses to be able to identify opportunities for growth.

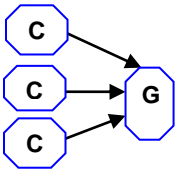
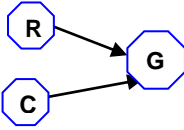
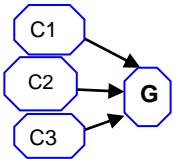
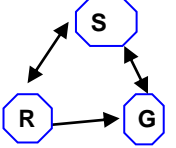
### **3.5.5     *The Learning Model***

Learning Model was geared towards individual owners of businesses of small firms; hence it was geared towards entrepreneurs. The model is based on how and at what stage owners can acquire knowledge, and learn most effectively, that will allow their business to grow. It was known as the knowing or absorptive capacity of the firm (Macpherson, 2005).

### **3.5.6     *The Deterministic Model***

Deterministic Model in contrast to the stochastic model seeks to identify a stable set of explanatory variables such as the owner's characteristics, their motivation, education and experience, clients, the firm and its industry which can impact on a major proportion of the observed growth of the business. This model is the most widely used in empirical research and still seeks to identify the systematic determinants of growth (Dobbs and Hamilton, 2007). Some of these have been addressed in the earlier sections. Table 3.1 presents an abstraction of key concepts and variables within the disciplines of business growth, entrepreneurship, ethnic entrepreneurship and strategic management. Whereas, Table 3.2 depicts an extensive range of factors and growth determinants that were drawn from extant literature within these same disciplines. From these comparisons, a detailed theoretical framework is developed in the next Section 3.5. This theoretical framework is to assist in the understanding of the various factors, dimensions and constructs within business growth of BACBs. Some of these factors/dimensions are multi-faceted and require detailed explanations.

**Table 3.1 Abstraction of key concepts and variables within the disciplines**

Discipline	Business growth	Economics of Entrepreneurship	Ethnic Entrepreneurship	Strategic management
<b>Theory</b>	Descriptive Model Evolutionary Model Learning Model Deterministic Model Stochastic Model Resource-based View	Neoclassical growth theory New growth theory /endogenous growth theory Human capital theory Entrepreneurship capital	Relative Cultural Theory Theory of Minorities Enclave Theory Opportunities structures	Porter's framework SCP Model Resource based view Dynamic capabilities
<b>Theme</b>	Characteristic Experience Challenge	Support Opportunities Resources	Support Opportunities Resources	Resources Training Support
<b>Concept</b>	Business Characteristics  Age Sector Procurement practice	Entrepreneurial characteristics  Judgement Innovation Alertness Boldness and imagination Leadership	BACBs' characteristics  access to finance support needs social networks demographic the state of the local or regional economy direct competition to the entrepreneurs the relationship with financial institutions	Generic management  Strategic objectives
<b>Variable dependent</b>	Growth	Growth	Growth	Growth
<b>Variable independent</b>		Qualifications Number of years Growth strategies Number of people	Education Experience Cultural Background Religious Background Size Location Social circles Support Needs Frequency of training	Development Training Human Resource Duties Public Relations Duties Supervision Administrative Duties Knowledge/ Resource Utilisation Core competencies
<b>Indicator</b>	Sales/Fee Income / Profits; No. of employee			
<b>Framework</b>				
	<i>C - Characteristic</i> <i>G - Growth</i>	<i>R - Resources</i> <i>C - Characteristic</i> <i>G - Growth</i>	<i>C1, C2, C3 - Challenge</i> <i>G - Growth</i>	<i>R - Resources</i> <i>S - Strategy</i> <i>G - Growth</i>

Source: Adapted from Chell et al. (1991); Gray (2002); Foss et al. (2008); (entrepreneurial theories); Basu and Goswami (1999); Li (2007); Ram and Jones (2007) (ethnic entrepreneurship theories); Penrose (1959); Allan (1993); Teece et al. (1997); Barney (2011) (strategic management theories); Dobbs and Hamilton (2007); Foss et al. (2008).



**Table 3.2 Theoretical concepts of growth within four disciplines**

Discipline	Theory	Emphasis	Author	Factor
<b>Economics</b> Maximisation of profit	<b>Entrepreneurial</b> Functional Definition (Function and Role)	focus on heterogeneity in beliefs about the value of resources	(Kirzner, 1979)	
		Entrepreneurship is a function, activity, or process. The entrepreneurial <i>role</i> is to restore equilibrium in a market economy. The <i>function</i> has been characterised in various ways including: <i>Judgment</i> (judgmental decision making under uncertainty)		<i>Judgment</i>
		<i>Innovation</i> deliberate wrecker of equilibrium and a dynamic, proactive force- an endogenous factor		<i>Innovation</i>
		<i>Alertness</i> (to existing opportunities) <i>Boldness and imagination To add back</i> <i>Leadership</i>	(Kirzner, 1979) (Aldrich, 1999)	<i>Alertness</i> <i>Boldness and imagination</i> <i>Leadership</i>
	Indicative Definition (Characteristics or Traits)	<i>opportunists</i> having a higher level of education and had managerial skills, as opposed to a <i>craft</i> entrepreneur who lacked managerial experience and was usually from a predominantly technical craft background. An <i>entrepreneur</i> is defined by the as anyone who attempts a new business or new venture creation changing market opportunities	UK Department of Trade and Industry - (DTI, 2004)	<i>Exploitation of opportunities</i>
		entrepreneurship 'is an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods & services, ways of entrepreneurial intentions and the ability to recognise opportunities	(Chell, et al. 1991)	<i>recognise opportunities</i>
		an entrepreneur is an individual who manages a business with the <i>intension of expanding that business</i>	(Gray, 2002)	<i>intension to expand, leadership and managerial capacity</i>

Discipline	Theory	Emphasis	Author	Factor
Ethnic Entrepreneurship	Reactive Cultural Theory	Ethnic businesses are forced to adopt <i>marginal niches</i> in the economy, involves selling essentially ethnic products and services to the local co-ethnic community and population.	(Light, 1985) (Smallbone, 2002)	N/A
	Theory of Middleman	This concept advocates providing goods and services to the wider community <i>involving non-ethnic suppliers</i> in order to sell to an ethnic base clientele, whilst still continuing to rely on ethnic labour and community networks.	(Basu and Goswami, 1999) (Bonacich, 1973) (Ram and Smallbone, 2002)	N/A
	Minorities Ethnic Enclave Theory	This theory enables businesses to <i>make use of and so rely considerably on their ethnic resources</i> , such as cheap family labour, finance from within the community & cultural values that emphasise thriftiness and hard work.	(Basu and Goswami, 1997) (Aldrich et al., 1989) (Ram and Smallbone, 2002)	N/A
	Mixed-embeddedness Concept (applied to Ethnic-entrepreneurship)	Five aspects that underpinned this mixed-embeddedness concept which were the <i>size, location, access to finance, support needs, social networks</i> and <i>generational differences</i>	Ram and Smallbone, 2001)	<i>access to finance, support needs, social networks</i>
		Four aspects that formed a background to the mixed-embeddedness theory. These were <i>demographic, the state of the local or regional economy; direct competition to the entrepreneurs and the relationship with financial institutions.</i>	(Barrett et al., 2002)	<i>Demographic, the state of the local or regional economy; direct competition to the entrepreneurs and the relationship with financial institutions.</i>

**Ethnic Resource Model**

Certain groups have a cultural propensity to entrepreneurship with ethnic exceptionalism, multiple identities and transitional state.

Ability to control the administration of credit; Access to loyal and cheap labour; Access to a network of contacts; Access to loyal and cheap labour, Expand their businesses; Ethos; Desire for independence and ability to take decisions; A patriarchal family structure; Experience and 'feeling'; Ambition and willingness to take risk

(Ward, 1982)  
(Goffee and Scase, 1982)  
Empirical study in Netherlands

*access to network of contacts; expand business; desire for independence & ability to take decisions; experience & 'feeling'*

(Altany, 2005)

Six sets of explanations are used to investigate the Turkish ethnic group of entrepreneurs: ethnic resources personal resources ethnic enclaves mixed embeddedness middleman minority human resources management strategies.

*Entrepreneur's personal resources, Entrepreneur's internal networks, Entrepreneur's human resource management and Entrepreneur's firm*

**Schematic framework of researching EM entrepreneurship**

Human capital  
Parental/familial work /entrepreneurial history  
Education/qualification  
Work-life; history/experience; Business Knowledge  
Social capital  
Bonding  
Bridging  
Linking  
Economic capital  
Physical  
Financial  
Other assets  
Socio-economic integration  
Wider community/society  
Government laws / policies / EMB initiatives  
Use of services provided by financial institutions / EMB agencies

(Li, 2007)

*Entrepreneurial history  
Education/qualifications  
Experience  
Business  
Knowledge*

*Financial*

*Socio-economic integration*

*Government laws / policies / EMB initiatives*

Support from local community / wider society

Discipline	Theory	Emphasis	Author	Factor
<b>Strategic Management</b>	Porter's Framework	It comprises of : <ul style="list-style-type: none"> <li>The five competitive forces model</li> <li>The three generic competitive strategies</li> <li>The Value Chain</li> </ul> Porter's model was geared towards the manufacturing industry, towards larger companies	(Porter, 1999)	<i>Competitive advantage</i>  <i>sustaining advantage</i>
	Resource-based View	<ul style="list-style-type: none"> <li>Resources and capabilities posed by competing <i>businesses</i> are heterogeneous</li> <li>These differences may be long lasting</li> </ul>	(Barney, 2011)	
	Dynamic capabilities	Processes Positions paths	(Teece et al., 1997)	
<b>Business Growth</b>	Descriptive	This model was descriptive in its concerns of how a business achieved growth and adapted	(Churchill and Lewis, 1983)	
	Stochastic	large number of factors which affect growth		N/A
	Learning	Individual entrepreneurs and their firms acquire knowledge and learn		
	Resource-based	Emphasis on entrepreneurship, resource heterogeneity, and process; heterogeneity based on the services rendered from resources, placing this heterogeneity in a dynamic context in which management-resource interactions.	(Penrose, 1959)	<i>entrepreneurship, resource heterogeneity and process</i>
	Deterministic	a major proportion of the variation in business growth rates can be explained by a stable set of explanatory variables		

Source: Adapted from Chell et al. (1991); Gray (2002); Foss et al. (2008); (entrepreneurial theories); Basu and Goswami (1999); Li (2007); Ram and Jones (2007) (ethnic entrepreneurship theories); Penrose (1959); Allan (1993); Teece et al. (1997); Barney (2011) (strategic management theories); Dobbs and Hamilton (2007); Foss et al. (2008) (business growth).

At this point, it is necessary to remind the reader that only five theories which have been extensively used within industry and academia (though there are several others) have been discussed within the strategic management discipline. This choice was

made because the focus of this research is survival and growth, and only models that address or relate to entrepreneurial growth have been used.

### **3.6 Theoretical Framework to address challenges encountered by BACBs**

One aspect gleaned from the Reactive Cultural Theory, is that BACBs can be seen to relate to this aspect of the concept of carving a niche in the market, because their services and goods tend to be specialised. However, in the event of contracts being won, it needed to be investigated whether BACBs need to obtain them from the wider marketplace or from the ethnic community. Services provided or products supplied by BACBs are not necessarily specific for their ethnic community, so this theory is limited as to its scope in assisting BACBs. On a superficial level, the Middleman theory may not be applicable to BACBs as any use of a middleperson, go-between or agent will affect their profit levels. However, on a more complex arrangement, in terms of sub-contracting within a supply chain there may be a role for such businesses. This model did not address all the other complex issues of targeted support, policies and the socio-economic aspects that the other models such as the mixed-embeddedness addresses.

The Ethnic Enclave which relied substantially on ethnic capital and human resources addressed pertinent aspects of entrepreneurship, but was limited as it was not holistic in taking into account the wider market place and competition which was inherent in the construction industry. It seems that a more comprehensive approach to ethnic entrepreneurship was necessary than either concentrating on cultural, situational or class factors. It was also felt that cultural, situational and class factors impinged in different ways and at different times in the entrepreneurial process. A major problem with Light's (1973) model is that it concentrates too much on resources available to ethnic minorities. It does not pay adequate attention to opportunities available to minority groups and how they arise and interaction between opportunities and availability of resources necessary for entrepreneurship. In a similar fashion the minorities enclave theory does not take into account any attributes of the business or characteristics of the owners and so it is limited at this stage in its use in developing the proposed conceptual model. It would be very limited to use it in terms of providing continuous support to EMBs.

This middleman minorities model in terms of being in close proximity and serving an EM Community may reflect BACBs' positions in various communities. However, it has to be argued whether the various services of say (project management, building

contracting or structural engineering) are ethnic minority services, and (with regards new or refurbished buildings), whether they are products for an ethnic minority client. However, if the wider EM Community perceive BACBs as extensions to their community, and so are willing to use their professional services, or accept a finished product, for example a house or office, then in effect, BACBs do relate to this relative middleman theory. Indeed, when does an EMB typically start to become one within this model? Presumably the criterion is satisfied when an EMB as an entrepreneur begins serving other members of the ethnic community and satisfies their specific ethnic needs. It is argued that this process is facilitated when larger ethnic groups live in geographically concentrated areas. However, despite being widely recognised, this theory is itself insufficient to explain the entire phenomenon of entrepreneurship as the emphasis is on physical and contextual proximity of the entrepreneur and the scope for understanding the characteristics of the EMB is limited. This is not surprising as it was mentioned initially that the theories overlap and so they might be better being used in conjunction with one another.

The influence of ethnic resources will still be an important factor in the success of a middleman strategy, but lessen when the break out approach to business development is chosen (Basu and Goswami, 1999). However, those businesses that successfully manage these changes still appear to have the advantage of better access to capital, labour and business skills than their counterparts in the host population (Rafiq, 1992). Also, the strategies pursued by individual businesses depend more on the socio-economic or class resources of individuals rather than cultural or ethnic resources (Rafiq, 1988) - a proposition confirmed by Altinay (2005).

The concept of Mixed-embeddedness seemed flexible enough and catered for the main aspects that were encountered within an industry such as construction. It took into account the flexibility and avenue of opportunities that were mentioned earlier. The concept also took into account the state of the economies and direct competition which were main features and characteristics of the construction industry. However, the approaches of social capital, economic capital and human capital were extremely important, and needed to be utilised in any proposed model. Access to finance and relationship between financial institutions were also important for assisting ethnic entrepreneurship as well as most business growth.

Altinay (2005) had the human capital and the economic capital but not the social capital (formal and informal networks) which seemed to be crucial in procuring

contracts. The emphasis on attending seminars, workshops and training sessions that Central and Local Government were encouraging would continue, and the tendency was to forge alliances and form social networks in order to survive and grow. The concepts would be useful, but their use was limited because support was excluded from his model. It is very interesting because the findings did allow recommendations to be made stating that UK Government (formal) support was required.

In terms of appropriate concepts, Li's (2007) schematic framework was understandably more detailed than the other models and encapsulated a whole range of aspects. These included the approaches of human capital, social capital and economic capital, which were extremely important as it encapsulated finance as well as access to finance which the literature review revealed as one of the specific challenges encountered by BACBs. The other approach within the schematic framework was human capital which took into account the business owner's characteristics, from which any entrepreneurial characteristics would be extrapolated. The third approach was the social approach which would incorporate the social networks and so it would be able to unravel the social exclusion (old boy network) aspects. This framework also included support offered by the UK Government, so it is very relevant to this thesis.

Many people in the current minority ethnic groups are second or even third generation who are born and educated in Britain and who can thus be expected to have similar human and social capital to that possessed by the White British. In this context, members of second or third-generation minority ethnic groups can be expected to have similar aspirations to the White British, to seek mainstream employment and, if they do seek entrepreneurship, they would do it out of choice, namely, in the knowledge rather than labour-intensive sectors, such as pharmacy, health care, education or finance (Ram and Jones, 2007). Thus, highly educated second or third generation EM groups increasingly undertake entrepreneurship as an effective form of upward social mobility.

Reviewing the Deterministic Model, it would be useful in terms of investigating entrepreneurial characteristics and a host of other determinants but would not be effective in the event of explaining certain irregularities or other inexplicable practices of BACBs.

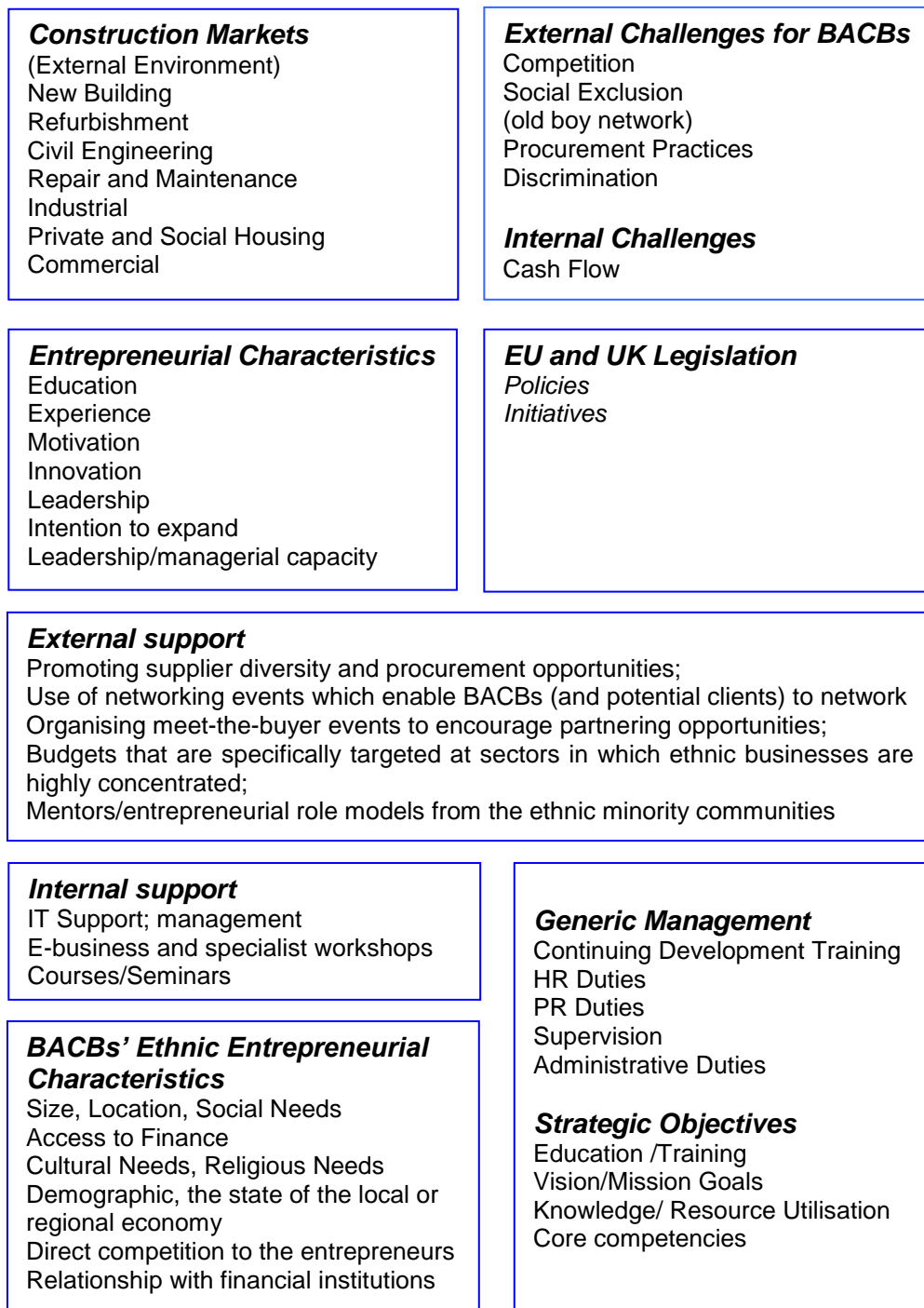
Porter's (1999) framework was somewhat limited, and the impact of UK Government (and policy) had not been adequately addressed in this framework. Furthermore, there

was no mention of the importance of entrepreneurship and the contributory factors of growth which should act as a driving force for competitiveness. The only aspects that were pertinent for this research were the dynamics of the bargaining powers of the suppliers and the bargaining power of the buyers. The UK Government is a large bargaining supplier to the construction industry and so small businesses have to be very creative in differentiating themselves from similar competitors in order to have a competitive edge. The Resourced-based approach might be more effective in terms of investigating the type of resources businesses have and how these businesses can manage and plan their growth whilst maintaining their current operations. Due to its strong focus on management, resources, skills, attributes and capabilities its approach will be useful in the development of the proposal and growth. However, as Foss and Knudsen (1997) and other critics have stressed that there has always been the difficulty to identify which of the resources in a business singly or in combination account for the success or growth of that businesses. Moreover, if these resources were observed in another setting, it is not definite whether the resources would be valued in the same way. Even Porter (1999) argued that resources are valuable only if they allow businesses to perform activities that create advantages in particular markets. The value of an individual resource is likely to be at least partially contingent upon the presence (or absence) of other resources. Hence, it may indeed be a combination of resources that matters and not the individual resources taken separately. Thus, the strategic management operations would be used in the framework.

Whilst the resourced based view emphasised resources and capabilities; the Learning Model focused on entrepreneurship; the Deterministic Model emphasised aspects that strongly impacted on growth, such as characteristics, qualities and so on; and the Evolutionary Model stressed the position of a business in terms of obtaining growth, taking into account the internal and external forces impacting on the business. These were all important in the quest of developing an integrated conceptual model for providing more appropriate support that would assist BACBs' chances of survival and growth potential. However, Li's (2007) conceptual framework emphasised the approaches of social, economic and human capital, and details of those elements produced by Altinay (2005) which empirical research revealed were determinants of growth. There is some measure of overlap especially amongst the Evolutionary, Learning and Resourced-based Models even though they remain distinctive. Each model seems to play a role in this review as they all share some form of quality that can be used in assessing the growth processes. An example of hybrid model is discussed in the next section. At this point, the factors that were identified within the

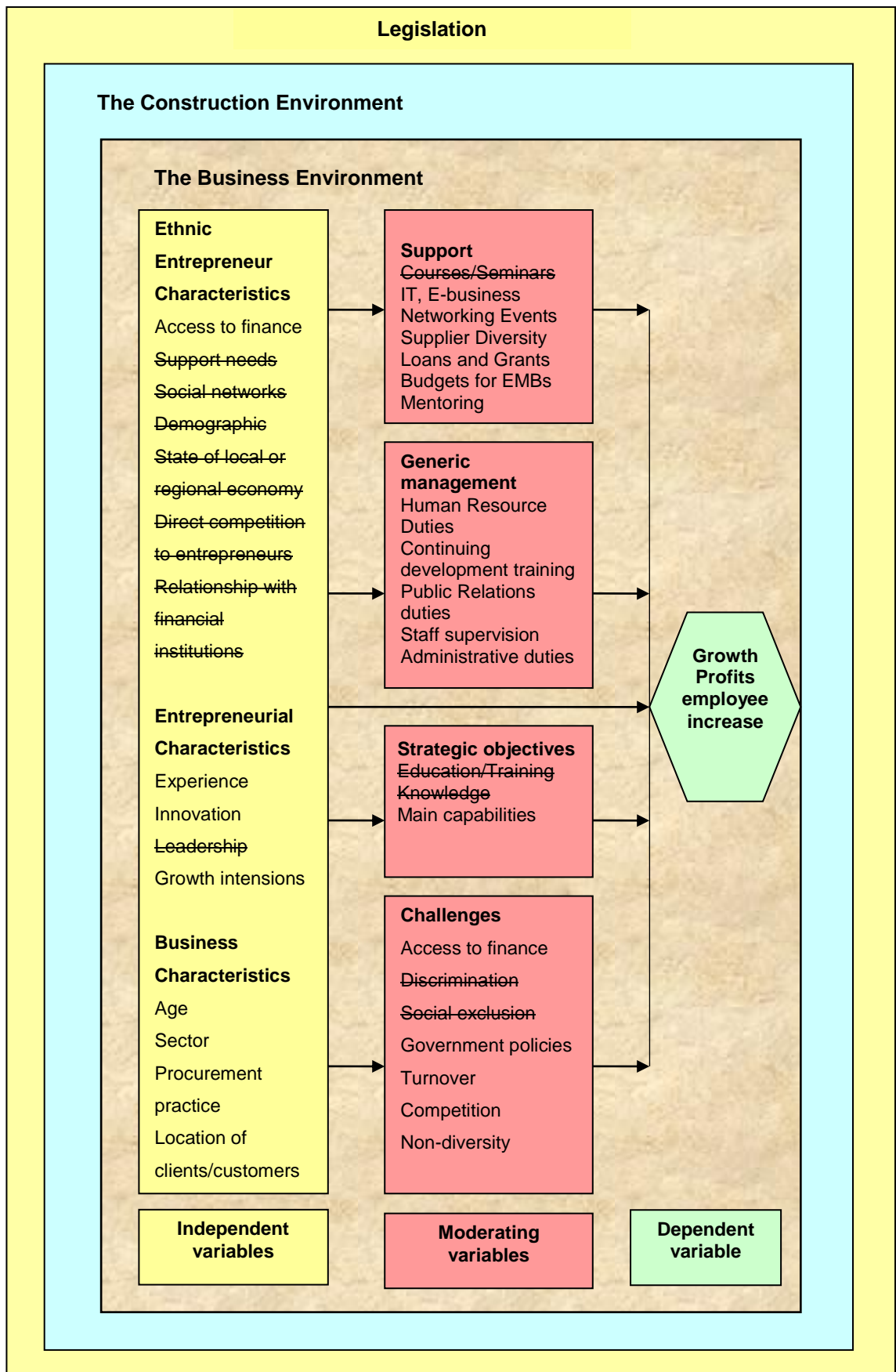


literature review and to be used in the theoretical framework are presented in Figure 3.6. These factors are also included in the theoretical framework shown in Figure 3.7.



**Figure 3.6 Factors used in theoretical framework to address challenges encountered by BACBs**

Source: Adapted from Ram et al. (2001); Barrett et al. (2002); Baldock and Smallbone (2003); Ram and Smallbone (2003); SBS (2003); SBS (2004); Steele and Sodhi (2004); Steele and Todd (2005); SBS (2006); GLA (2007); SIC (2007); Barney (2011).



**Figure 3.7 Theoretical framework that highlights relationships between growth factors and business growth**

### **3.7 Assessing various models and frameworks**

The importance of the conceptual model, is that it assists in clarifying the issues that are pertinent to the survival and growth of BACBs, it operationalises the factors and uses them as indicators in order to understand the impact of, and reveal any relationships between these factors. Hence, this model is for classification, exploration and prediction. It embraces the essence of all the disciplines discussed and assessed in detail.

The model will be used for redefining the various factors and informing the Pilot study, questionnaire and case studies. The case studies would be used to validate the model. Testing and informing the framework for influencing the policy makers and UK Government for effective delivery of support to assist BACBs to grow from say micro to macro and from macro to medium-sized business. The model emphasis is on BACBs challenges and the integrated model argues that BACBs depend on support to achieve growth. It focuses on various factors within the four disciplines in order to understand, improve and assist in the survival and growth of BACBs. The model is analytical and so will be able to identify any associations between the variables (prediction/testing (now, before, after), as well as being prescriptive, and so it can be utilised in classification (to discover meaningful patterns) (Fellows and Liu, 1998; Hossain, 2009).

### **Discussion**

Glancey et al. (1998) investigated the dynamics of small service firms: manufacturing, services, business services, construction and agriculture against a framework that had not been used previously. They argued that several existing growth concepts could not be used or adopted in their research due to the characteristics of entrepreneurs as such groups were always in a state of flux. These groups tended to adapt to their ever changing business environment. Hence, what Glancey et al., (1998) proposed in order to reflect these tendencies was to adopt a holistic paradigm which focused on “the dynamic nature of the entrepreneurship process”. Their study therefore adapted the Cragg (1988) and King model depicted in Figure 3.8 as a conceptual basis for their exploratory study which was to examine the qualitative relationships between variables determining the entrepreneurship process. The model suggested that the personal attributes of the entrepreneur determine motivations and objectives, which in turn determine the firm’s performance. A dynamic element that was introduced into the model takes into account that business performance may impact on the

entrepreneur's motivations and objectives. The authors concluded that feedback on performance and learning from experience was an important form of entrepreneurial human capital and should be incorporated within their revised framework model. Their study of 20 firms was investigated fully in order to define and characterise this diverse group. The findings revealed that the entrepreneurs changed their motivations over time and tended to adopt internal growth strategies, such as taking on new contracts as opposed to relying on external influences, such as developing closer interactions with colleagues from similar disciplines.

Regrettably, the recurrent theme of, and findings of policy support research has been the low level of take-up of existing SME support programmes by businesses which still persisted. In addition, the three main reasons for this low take-up of support were (i) lack of understanding by the support providers, of the specific needs of the individual businesses; (ii) the top-down approach offered by the providers; and (iii) the administrative convenience of offering standardised, rather than customised support.

Glancey et al., (1998) survey of 20 from database of 3000 was part of a larger staff of 100 businesses of CSMEs, manufacturing, services, business services and agriculture. Their findings were: trying to prevent problems with subcontractors over whom entrepreneurs had limited control over quality and payment; business service firms involved low level of personal and business risk and tended to be equipped to perform during periods of recession, low-risk proposition to lenders, as the probability of their survival is high.

The adapted Cragg and King's (1988) Business Model and the Descriptive Model satisfied the fact that it could be tested and had clearly defined variables. However, the latter had several weaknesses in its inflexibility for growth to be linear and the different stages that businesses had to go through. Hence, the Cragg and King Model was the favourable option that would be used as a base upon which the proposed integrated conceptual model will be developed. The other several elements from the other models would be incorporated within this proposed model, in its preliminary state utilised in Figure 3.9.

The proposed model is based on an adapted Cragg and King's (1988) model of small firm performance which addresses the entrepreneurial aspects of a small firm that were identified in the Literature review. From the model depicted in Figure 3.8, the direction of the arrows show that the *entrepreneur's characteristics* determine or influence the *entrepreneur's objectives* which in turn influence the *markets within*

*which firms operate*, and the *managerial practices*. In turn, *managerial practices* and *markets within which firms operate* can also directly influence the *financial performance*. The *entrepreneur's characteristics* arrows, point directly to *managerial practices* and *markets within which firms operate*. In this Figure 3.8, there is no arrow from *entrepreneur's objectives* pointing directly to *financial performance* which suggests that *entrepreneur's objectives* alone cannot influence *financial performance*. Moreover, the arrows from *entrepreneur's objectives* to *managerial practices* and *markets within which firms operate* emphasise that in order to achieve financial performance, managerial practices have to be in place, and that the entrepreneur has to be knowledgeable about the markets in which the firm operates. The arrow from the *financial performance* in Figure 3.8 suggests that there is some impact, or feedback given back to the *entrepreneur's objectives*, which may be revised and so fed back into the *managerial practices* and *the markets within which firms operate*.

The following Figure 3.9 is the researcher's adaptation of Glancey et al.'s (1998) adapted Cragg and King's model (1988). The original arrows have been re-arranged in order to reflect the relationships between the various factors within the model, whilst taking into account the context of the construction industry. The original arrow shown (coming from the *entrepreneur's characteristics* to *the markets*), indicates that the *entrepreneur's characteristics* depend on the construction industry, which it clearly does not. Figure 3.9 gives more detailed information including additional arrows between *entrepreneur's objectives* and *managerial practices* and that of *markets in which firms operate* in order to emphasise the interdependence of the respective factors and the need for feedback between these dimensions. The arrow between *managerial practices* and *business performance* has been redirected in order to show that the former is more likely to impact on the latter, rather than *business performance* impacting on *managerial practices*.

After an extensive and comprehensive reflection on the tenets of the various theoretical concepts, the relevant concepts depicted in Figure 3.6 are now going to be discussed as variables. These variables have been operationalised in Table 3.3.

**Figure 3.8 Adapted Cragg and King's (1988) model of small firm performance**  
Source: Glancey et al. (1998)

**Figure 3.9 Adapted Glancey et al.'s (1998) Cragg and King's model of Small firm performance**  
Source: Dobbs and Hamilton's (2007) other detailed factors in small firm growth

### **3.7.1 The External Environment**

Gruneberg and Ive's (2000) graphic description of the construction industry having hundreds of thousands of construction businesses from large to very small; from specialist business to non-specialist businesses; from those selling direct to industry's clients, to those selling to other construction business; to firms employing highly qualified professionals, to those firms employing unskilled labour enables the reader to appreciate the external environment within which the very small businesses operate and have to survive and achieve growth.

#### **3.7.1.1 Construction environment**

The construction environment is important because of two main reasons. The first is that it consists of core services such as in building contracting; civil engineering specialised construction activities; architectural and engineering activities; other professional, scientific and technical activities (SIC, 2007). There are several industry sectors such as commercial, industrial, roads, motorways and bridges. There are yet also activity sectors which consist of new build (private), new build (public), refurbishment (private), refurbishment (public), repair and maintenance (private), and repair and maintenance (public), and the majority of which go through the typical construction project lifecycle.

The second reason why this environment is important is that the characteristics of the Industry can act as challenges. These have been identified as volatility of the economy; complexity of the different practices within the various sectors; fragmentation of the various sectors; competitiveness of obtaining work; hostility of the construction environment; and non-diversity businesses not using smaller businesses such as EMBs on their supply chain. Hence, within the integrated model, the construction industry has been depicted as an environment which has an influence and impact on the small business which consists of the internal environment. It has been frequently cited that the characteristics of this construction environment impact adversely on the growth and survival of small businesses. The model has been developed to test whether this indeed occurs.

#### **3.7.2 External Challenges:-**

External challenges that were encountered by BACBs were encountered outside the business environment and involve other businesses, organisations, financial institutions, banks and other stakeholders. The external challenges encountered were access to finance, social exclusion (old boy network) and discrimination which were specific to BACBs. Finance is required especially working capital in order for

businesses to survive, and access to finance is obtained from external sources, usually the banks or financial institutions or Government grants/loans. Some cultures have access to family members, and so the source is internal sources personal, family, friends (Hussein and Matlay, 2007). This access to finance has ranked high priority with some EMBs, but which however declines as the business matures, and so that may not necessarily be a challenge for such groups. However, for those other EMBs that rely on external sources (SBS, 2004). Black-led businesses were more likely to have mentioned several obstacles to growth than any other ethnic groups. The most cited obstacle amongst such businesses was *obtaining finance*. This obstacle or barrier is still prevalent even though research has shown that most of the businesses that sought finance approached a bank either for a loan or for an overdraft (SBS, 2004; Hussain and Matlay, 2007). Black-led businesses (16.9%) were the most likely to feel they had suffered from discrimination, although not all discrimination was race related. In the area of growth and expectations, Black and Asian businesses are significantly more likely than other businesses to have increased the number of their employees in the last year and also expect to grow again in the next, however, about a third (32.4%) of such businesses had not grown in the last year compared with 61.2 per cent of all other Ethnic minority businesses. The most common means of securing anticipated growth was to increase turnover or sales.

### **3.7.2.1 Social exclusion**

The social exclusion encountered by BACBs is in the areas of networking which occurs within their social circles and well as outside their social networks.

### **3.7.2.2 Discrimination**

Discrimination (due to skin colour) has been difficult to identify within businesses. This discrimination also occurs as an external encounter. Hence all of the challenges are located within the external loop of the model. The model investigates several more challenges because the research is exploratory, and seeks to discover any other challenges that may not have been revealed in empirical research. These are Competition from other businesses; Procurement practices; Social and cultural background; Lack of collateral (within business); Central Government and Local government policies and initiatives; Taxation and lack of experience and training (whilst bidding for work).



### **3.7.3 External business support**

External Support is support offered by the UK Government to all types of businesses in the UK. It is free and most times highly subsidised. Some researchers such as Altinay (2005) have named it formal support.

### **3.7.4 The Internal environment**

BACBs tend to be small, however, they cannot be categorised as a single, unified entity, but can be a complex system, depending on their overall size. Wetherly and Otter (2008) argued that in order for managers to operate successfully within their external environment, their internal systems and procedures had to be effective; -the internal environment had to be managed and adapted to the demands and opportunities of the external environment.

### **3.7.5 Business characteristics:-**

#### **3.7.5.1 Age of business**

Age of a business has historically been a determinant of business growth. In addition, researchers such as Glancey (1998) and Basu and Goswami (1999) revealed that there were strong negative associations between two variables, - business age and growth; and that younger businesses grow faster. SBS (2003) also revealed that older businesses are less likely to aim to grow. The odds for 4 -10 year olds, and more than 10 years old businesses to achieve growth were 62% and 81% lower than those that are less than 3 years old. Numerous other studies have been conducted such as Glancey et al. (1998) have found that business' growth decreases with the age of a business. Therefore, the current research incorporated this variable in the model in order to examine its impact on business growth.

#### **3.7.5.2 Location of business**

Curran and Blackburn (1993) and Storey (1994) have suggested that this aspect is very important to the growth of small businesses Empirical research has revealed that the southeast has a greater number of successful businesses than other areas in the UK.

#### **3.7.5.3 Nature of business**

Several studies and research have revealed that the nature of business growth in some sectors such as catering and retail showed low growth as opposed to more growth in construction and service industries (SBS, 2003; SBS, 2006; Smallbone et al., 2006).

### **3.7.5.4 Legal status of business**

Legal status has been closely linked to growth of business by Storey (1994), and other researches have revealed that those businesses that are limited companies tend to have access to banks and other resources, and amongst other benefits, such businesses can command higher growth rates. UK Government changes to company laws have made limited company status a more favourable option for entrepreneurs and compulsory external audits have been waived for companies having a turnover of below £1million. Hence more businesses are opting for lower taxes and a limited liability. SBS (2003) revealed that businesses with a legal status of partnership and sole trader are less likely to aim to grow their businesses than those with company status. Partnership and Sole trader business have odds that are respectively 35% and 37% lower than those with company status.

### **3.7.6 Internal challenges:-**

#### **3.7.6.1 Cash flow**

Empirical evidence has revealed that more EMBs suffer from cash flow problems than their non-ethnic business (Fadahunsi et al. 2000; Fraser, 2005). However, cash flow has not always been seen as a problem which may have stifled growth in the past. Cash flow not being under control or regulated properly can adversely affect any business including BACBs' survival and growth.

#### **3.7.6.2 Lack of collateral (within business)**

Minorities tend to lack collateral, with West Indians being more likely to live in council housing and therefore have no real property to pledge. This aspect of lack of collateral needs to be investigated.

### **3.7.7 Entrepreneurial characteristics:-**

Entrepreneurial and Ethnic entrepreneurial characteristics have been merged because of several characteristics that were common to both groups. The following characteristics, - education, experience, motivation, size of founding team, judgment, innovation, alertness, boldness and imagination, intention to expand, leadership and managerial capacity were chosen because they were used extensively in research and majority of them were used in empirical studies. However, judgement, alertness, boldness and imagination, motivation, size of founding team were eliminated because the first four characteristics were difficult to assess and some of them would presumably feature within the leadership and managerial capacity, and the size of the founding team is likely to remain unchanged. The presence of those characteristics

within the Owner of a business affects the profitability of the business' survival and growth.

The literature review confirmed that EMBs were different in terms of behavioural characteristics and the types of problems that they face from the mainstream groups. (Smallbone et al., 2005). Increasingly they discovered that the diversity between some of the ethnic groups manifested more differences amongst themselves than between non-ethnic groups. These facts had been highlighted by Basu and Altinay (2002) that the cultural diversity that exists between six different ethnic minority groups reflected in differences in business entry motives, patterns of finance, in the nature of business activity, women's involvement in business, and the extent of their dependence on co-ethnic labour and co-ethnic customers. The limitations of this research were that it was London-based and the sample size was small and so the findings could not be seen as a reflection generally across the UK.

#### **3.7.7.1 Education**

Glancey and Pettigrew's (1997) research of SME Hoteliers discovered that high levels of educational attainment; previous managerial experience and employing a clear marketing strategy were factors that assisted businesses to grow.

#### **3.7.7.2 Experience**

In a similar vein, Glancey and Pettigrew (1997) study found that experience was a determinant of growth.

#### **3.7.7.3 Innovation**

Innovation is often linked to technology and has been defined by Drucker (2001) as getting ideas or ideas generation. However, a popular one is a change that creates a new dimension or performance. Previous UK Government DTI 1998 cited in (North et al. 2001) had defined innovation as the successful exploitation of ideas. Researchers and policy makers have since debated whether the term should be used for developments and breakthroughs that are new within an industry or economy, or whether the changes that are new to the business itself should be taken into account, irrespective of how they compare with what other businesses in the same industry or market are doing. It has been argued by North et al. (2001) that the definition has increasingly widened to include the transfer or adoption of ideas and methods which are new to the businesses including those that are new to an industry or new to a market. This has resulted in innovative practices being perceived as rather mundane,

ordinary and incremental, depending upon accumulation of small insights rather than radical or major breakthroughs.

#### **3.7.7.4 Size of business**

The most frequently cited reason for businesses not growing was being content with their present size. This was the case for approximately a quarter (26.7%) of EMBs and a third (33.2%) of non-EMBs 36.8%) were the most likely to mention this as a reason for not growing.

#### **3.7.7.5 Growth aspirations**

As a small business reaches a given size, Hill et al. (2002) observed that costs of internal administration and selling activities make the business less viable. The business then has to seek ways of growing through broadening its client/customer base; seeking additional financial help or developing greater skills at corporate presentation or promoting corporate image. In terms of growing intentions, Black businesses were the most likely to say that employment had grown in the last year and that it was expected to grow in the next. Black businesses were also the most confident in terms of any growth, with more than nine in ten saying they intended to grow the business over the next two to three years.

#### **3.7.7.6 Leadership skills**

Mumford et al. (2000) asserted that leadership had traditionally been seen as a distinctly interpersonal phenomenon that was demonstrated in interactions between leaders and subordinates. However, the theory they presented depended upon the leaders' ability to solve complex problems that arose in organisations. Furthermore, leadership could be understood in terms of problem-solving skills; solution construction skills; social judgement needed to solve the business problem, and knowledge (presumably of the business). However, it can be said that in terms of the small businesses that do not have layers of management structures, these skills still apply and can be applied, even to one tier of management structure. In addition, they asserted that development of such skills depended on differential characteristics and career experiences.

#### **3.7.7.7 Social circles**

Aldrich and Kim (2005) revealed three empirical observations about social networks. Their study revealed that these networks gravitated toward homogeneity, rather than diversity. They argued that long term benefits resulted due to developing broad,

diverse networks. However, most entrepreneurs relied on the safety of familiarity, and so remained in homogenous relationships. Network relationships varied in strength and distance. Successful entrepreneurs were those whose portfolio consisted of diverse ties. Moreover, some entrepreneurs were more central in their network than others. Successful entrepreneurs were those who actively sought central network positions that increased their prestige and so moved closer to other prestigious network personalities.

#### **3.7.7.8 Cultural background**

The ethnicity of individuals has been extensively discussed with emphasis on culture and challenges encountered in the workplace environment. Whereas, when it concerns businesses as individual units, the cultural aspect and dimension are treated as complex issues with limited explanation of the challenges encountered by the businesses. A widely used definition of *culture* is that it is a system of values and norms shared among a group of people and, when taken together, constitute a design for living. Cross et al. (1989) have suggested that ....*culture* implies the integrated pattern of human behavior that includes thoughts, communications, actions, customs, beliefs, values, and institutions of a racial, ethnic, religious, or social group. In addition, *culture* is a system that gives a group its identity with respect to Communication and language; Dress and appearance; Mental process and learning; Rewards and recognition; Food and feeding habits; Values and norms; Time and time consciousness; Beliefs and attitudes; Relationships; and Sense of self and space.

#### **3.7.7.9 Religious background**

Ethnic entrepreneurship literature suggests that religion can be a challenge to business growth within some Asians Indians EMBs, because of cultural factors such as the influence of religion which prohibits the payment of interest on (bank) loans. Similarly, critics have argued that Pakistanis who wish to live according to Islamic values are less willing to integrate with western culture and consequently have not performed as well as non-Muslim businesses. This is supported by other studies which emphasise that Asian Muslim businesses have not performed as well as non-Muslims.

#### **3.7.7.10 Obtaining finance from banks or financial institution**

Research within the areas of entrepreneurship has been vibrant, especially within so-called growth areas and growth businesses which have the propensity to survive and grow due to one such aspect as having good access to finance. Hussain and Matlay

(2007) have argued that is very important for sustained growth. Historically, and in recent times, studies have repeatedly shown that EMBs encounter particular problems when raising finance. However, Baldock and Smallbone (2003) have agreed that there is an on-going debate as to whether this is attributable to business-related or race-related processes. Some EMBs have a tradition to join together or form a partnership in order to support people or families with finance in starting or developing a venture, whereas other business are self-funded relying on funding that has been accumulated through working very long hours in family owned businesses.

Financing of the ethnic business can be divided into two groups: internal and external. Co-ethnic information is reliant on both immediate and extended family as well as co-ethnic friends as information support is significant, and reflects the strength of the ties and networks within these communities. This is very important for immigrant business growth (Storey et al., 1987).

### **3.7.8 Growth aspirations, networking and winning contracts:-**

#### **3.7.8.1 Growth objectives**

Bi-annual surveys are carried out by the FSB (2006) which always highlight the barriers to growth for small firms from all sectors of the economy all over the UK. A recent report shows that even though barriers still impact on the growth of these small firms, about forty-eight per cent of construction firms intended to expand (or grow) moderately, whereas six per cent wanted to expand rapidly. Only five per cent wanted to sell or close down completely. There was the tendency for firms in London to have the urge to grow more rapidly than those in the North of the UK. (FSB, 2006). Research had revealed that businesses with growth objectives do enhance their survival or growth potential.

#### **3.7.8.2 Increase in turnover**

The most likely way for businesses with employees to achieve growth was to attempt to increase turnover or sales.

#### **3.7.8.3 Maximise Market share**

Black businesses were more likely to say they would take on more staff and enter new markets. Pakistani businesses were also likely to want to enter new markets, but also to expand their premises.

#### **3.7.8.4 *Improve service quality or product quality***

Twenty-nine per cent of EMBs have not introduced a new or significantly improved any service or product in the last 12 months.

#### **3.7.8.5 *Creating a new product for the market segment***

Indian and other Asian businesses hoped to increase the product range.

#### **3.7.9 *Ethnic Entrepreneurial Characteristics (includes Business characteristics)***

Entrepreneurship covers such a vast area that even though this research focuses on ethnic entrepreneurship, the area is still considerable because of the inter-related small business context and entrepreneurial aspects within small businesses. The business characteristics are Size, Location, Social needs, Support Needs and Access to Finance, The ethnic entrepreneurial characteristics are: Cultural needs, Religious Needs, Generational Differences, Demographic, the state of the local or regional, Economy; direct competition to the entrepreneurs. Generational Differences is not used as a variable as the target group is first generation professionals who have settled in the UK and there is therefore no track record to compare with subsequent generations as when compared with some of the other sectors who show a trend between generations.

##### **3.7.9.1 *Taxation***

Business in deprived areas in England are likely to perceive taxation as an obstacle to their growth that is 71% higher than those business in non-deprived areas (SBS, 2003).

##### **3.7.9.2 *Support needs***

North et al. (2001) defines support needs (in terms of innovation) as the need of a firm's management to draw on resources from outside the firm which might range from basic market information or advice about new equipment purchases, to help with making strategic decisions about production development path. It would be a similar definition in terms of growth, except it would be strategic decisions about core services or about main capabilities. Some of these needs may be provided by private sector organisations, quangos (semi-public) or wholly by the UK Government.

Only 12% of businesses sought public sector advice either through enterprise agency, regional development agency, UK Central Government, Local government, or UK

Government funded business support (FSB, 2006). This is an extremely important aspect in the literature review and is crucial in the impact it can have on survival and growth. Baldock and Smallbone (2003) recommended providing business support strategy; ensuring better communication between businesses and Support Agencies; providing support for networking initiatives; providing cultural awareness training for support staff; and targeting second generation businesses. Fraser (2005) surveyed over 2000 SMEs, including 910 EMBs using questionnaires, and revealed that there were financial rejections and feelings of discouragement from applying for finance; finance gaps (excess of amounts demanded over those supplied); and the cost of borrowing (term loan and overdraft margins over Bank of England base rate). The recommendations were that Government had to provide practical help to promote work, provide support, access to finance and link between large and small businesses. In addition, BERR (2007) focused on building on best practice and proposed strategic management in helping to simplify the support offered, with an incubator period suggested for businesses. Whereas, the support needs identified by WYEP (2006) were accessing finance, recruitment and marketing were commonalities.

### **3.7.10 Generic management**

The management skills and experience of the entrepreneur have been cited by Gibb and Davies (1990); Smallbone et al. (1995) and several other researchers as key determinants of growth. However, Penrose (1959) argued that sustained growth is achieved by the introduction and subsequent capabilities of management and that the early stages of development and the consequences of entrepreneurial decision-making have a significant effect upon the subsequent growth of a small firm (Klofsten, 1998).

#### **3.7.10.1 Human resource duties (including employee recruitment, training and development)**

Boxall and Purcell (2003) consider human resource duties as human resource management, (HRM) and all those other duties associated with the management and employment relationships with businesses. Some of these duties include the selection, recruitment, training, development and remuneration of employees. Boxall and Purcell (2003) have argued that the ability of a business to attract, develop and retain skilled and capable employees affects its profitability. Moreover, the business would be able to effectively implement and maintain a growth-oriented strategy. Employees are seen as critical resources in the achievement and maintenance of rapid growth, so these firms need to manage their HRM practices accordingly.



Empirical evidence of a positive association between employee skill level and business growth, employee skills being of crucial concern to the productivity of its operation. Furthermore, Storey (1994) revealed that the incidence of an organisation undertaking workforce training has been reported to be positively related to business size. Hence, management training is also of particular importance.

Boxall and Purcell (2003) also realised that linking HRM to performance and goal setting in HRM inform the strategies that businesses adopt. Boxall and Purcell's (2003) rationale is that for a business to be viable and have good strategies for taking the business forward, they need capable people and motivated managers. These in turn would approve the business goals and objectives and at the same time have a sense of identity. At the other side of the business are the very relevant non-human resources that also have to be considered. These are funding, property, technology, databases, historically developed operating systems and stocking material. Moreover, if the more complex issues of work relations, employment relations, industrial relations are good, then it would lead to good work organisation, workforce capability and motivation, labour costs and labour cost flexibility; trust and fairness and compliance and reputation which would in turn lead to the desired types and levels of labour productivity; organisational flexibility and social legitimacy (which is employers complying with the rules and regulations of businesses).

### **3.7.10.2 Strategic objectives**

Strategy is an outline of how a business intends to achieve its goals, which can also be the objectives. The strategy sets out the route to that objective. In the strategic planning early stages, business objectives are usually fairly simple: to survive, and to achieve, no matter growth targets. Strategies for a small business can be quite simple with nothing in writing and it may be that everyone in the company understands these objectives. However, Barney (2011) argues as the business grows, so does the need for means of that coordination and a need for a mutually agreed and accepted new plan of strategy through which the business should go. What has been referred to as the strategic management dimension of small business growth focuses on the identification of the owner-manager's policies and strategies for the operation and development of their business. In addition, they argue that these lead to the subsequent translation of such policies into managerial action.

Levinthal (1997) realised that strategy research had two main components. The first was focused on what is termed issues of strategy content with Montgomery 1988 (cited by Levinthal 1997) as a main protagonist. This strategy has economic roots that

emphasised well-defined firm decisions, such as diversified choices and observable performance outcomes. With regards the second type of research, focus was on process research (Levinthal, 1997). Intellectual roots were in the behavioural sciences, but their emphasis was not on well-defined firm decisions, but on a complex stream of decisions that might be interpreted (sometimes incorrectly) as consisting of a firms' strategy

#### **3.7.10.3 Vision / Mission goals**

Vision/mission goals are normally seen as a set of broad commitments made by a firm that define and rationale its objectives, and how it intends to pursue them. Some of it may be written down, some may be spoken, but it is in the management culture of the firm. Taking a slightly different perspective, Foss and Knudsen (1997) defined the role of strategy as finding the match between what a firm can do (organisational strengths and weaknesses) within the universe of what it might do (environmental opportunities and threats).

#### **3.7.10.4 Use of resources**

Insufficient resources and market constraints were the second main reasons for EMBs not looking to grow (SBS, 2003; SBS, 2006).

#### **3.7.10.5 Main Capabilities**

Tangible resources refer to the physical assets that an organisation possesses and can be categorised as physical resources, financial resources, and human resources (Henderson, 1991). In addition, physical resources include such things as the current state of buildings, machinery, materials, and productive capacity intangible resources comprise intellectual/technological resources and reputation. In contrast, technological resources include an organisation's ability to innovate and the speed with which innovation occurs (Henry, 2008). Furthermore, intellectual resources include patents and copyrights which themselves may derive from the organisation's technological resources (Henry, 2008).

#### **3.7.11 Growth**

The growth of small businesses is varied and any assessment or measurement of growth would be complex and time consuming. However, growth within this research and thesis is being assessed as increase in profits and size of employees. Drawing from strategic management literature, external and internal factors need to be assessed initially with the challenges to growth to be analysed (Teece et al., 1997; Barney, 2011). The other aspects of managing the effects of growth by restructuring

the organisation and implementing new practices can assist in the growth of a business.

### **3.8 Summary**

Various theoretical concepts and models have been described, discussed and assessed comprehensively within the four relevant chosen subject areas of economics and entrepreneurship, ethnic entrepreneurship, strategic management and business growth theories. Due to the complexity of growth phenomenon and the various inter-related factors, no single theoretical concept provided all of these factors. Hence, in order to capture a holistic picture of the growth phenomenon, an integrated model was developed. Recognising that the economics and ethnic entrepreneurship theories share commonalities of several of the main characteristics, only the latter was selected to be incorporated within the integrated conceptual model.

The main crux of the argument was that because support offered by the UK Government is so important, has a high profile in UK support policies, support was also a determinant to survival and growth it will be included in the proposed integrated model. Similarly, the specific challenges of BACBs have been included because majority of the models did not include this aspect. Moreover, the construction environment has a major role to play in terms of its various markets. The challenges encountered by BACBs are distinctive, different and sector specific. This necessitates customised support to be provided by the UK Government through the various channels and support agencies.

The initial conceptual model that is proposed draws on theories and concepts that will link together the challenges (encountered by BACBs, available support mechanisms and growth), including helping to uncover various factors that would assist in obtaining a better understanding of the impact such challenges and support offered have on the survival and growth of BACBs. In getting a better and more constructive understanding of these factors, and how they impact on the challenges. Hence, this integrated model using variables and indicators drawn from the various theoretical concepts and has the following characteristics:-

1. Model has clearly defined conceptual variables of support and growth.
2. Model is to be a holistic model that integrated all the relevant disciplines within the context of this research: it addressed ethnic entrepreneurship and challenges policy and support for ethnic minorities; entrepreneurship and growth, and the competitiveness of the external environment.
3. Model is able to identify any enabling or constraining influences on survival and growth (Allan, 1993).
4. Model is able to take into account the diversity of businesses (Allan, 1993). (This research focuses in the Construction Industry and so includes the other disciplines of architecture, project management, quantity surveying, property management, structural engineers and so on).
5. Model is capable of being tested as well as being validated; it would have empirical evidence (Allan, 1993).
6. Model is able to identify any strength of associations or correlations between the factors and support or between survival and growth.
7. Model is to be able to make assumptions as to whether a business has the potential to grow (Allan, 1993) from one business category to another (for example, from micro to macro; from macro to medium-sized) business.

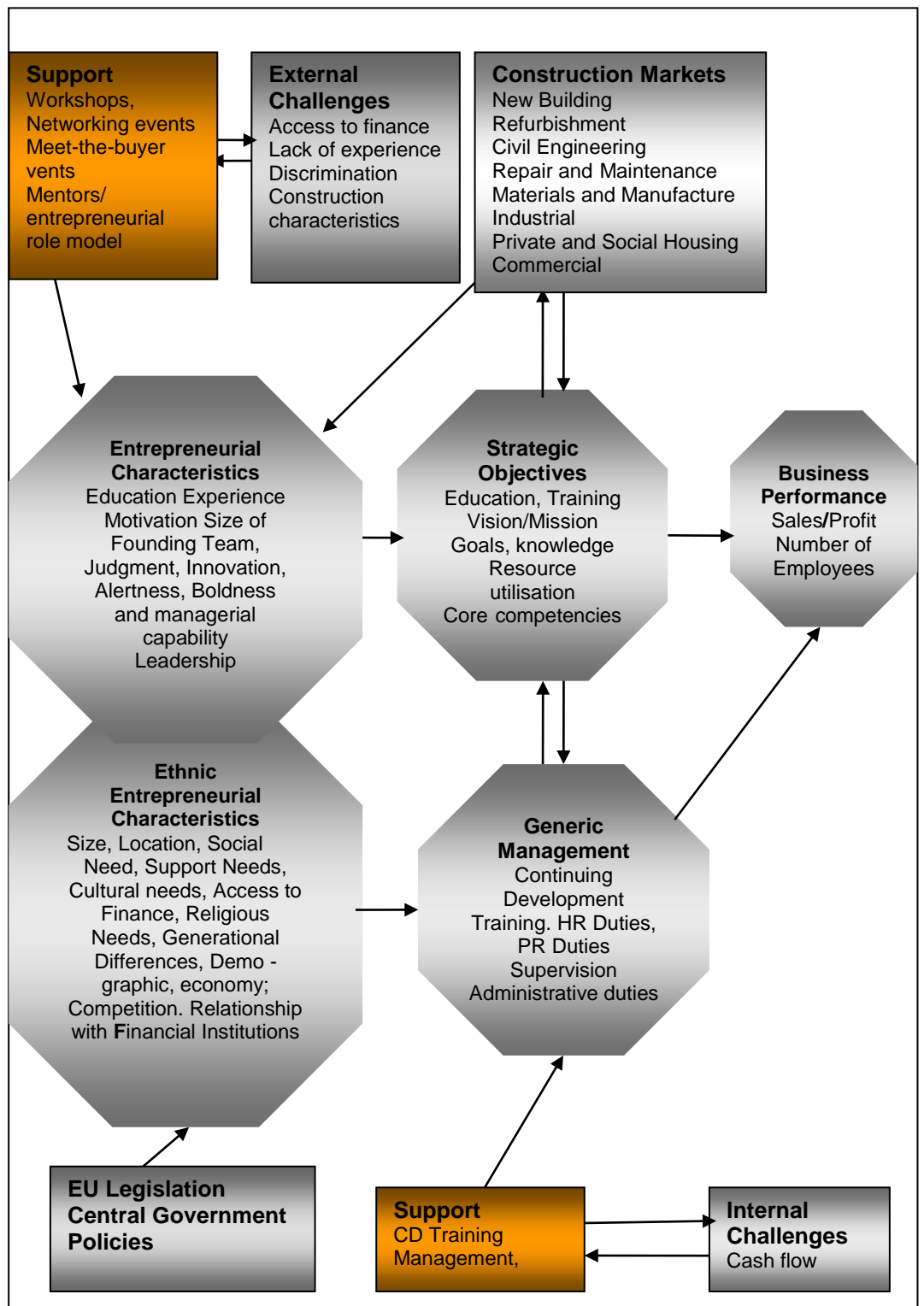
It would inform the recommendations made for providing more appropriate support mechanisms that would facilitate policy making and hopefully inform future policy within the construction industry. The model is to link cause and effect so that the impact of any change will be seen.

At this stage there are still unanswered questions such as how will the model be used to understand the various factors that may inter-relate with one another? Will there be better communication between UK Central government, the local agencies and the CSMEs with regards support take-up rate? The research literature on the obstacles and challenges to growth of SMEs are considerable. Recent empirical evidence shows that the support offered by the UK Government is still inappropriate and there

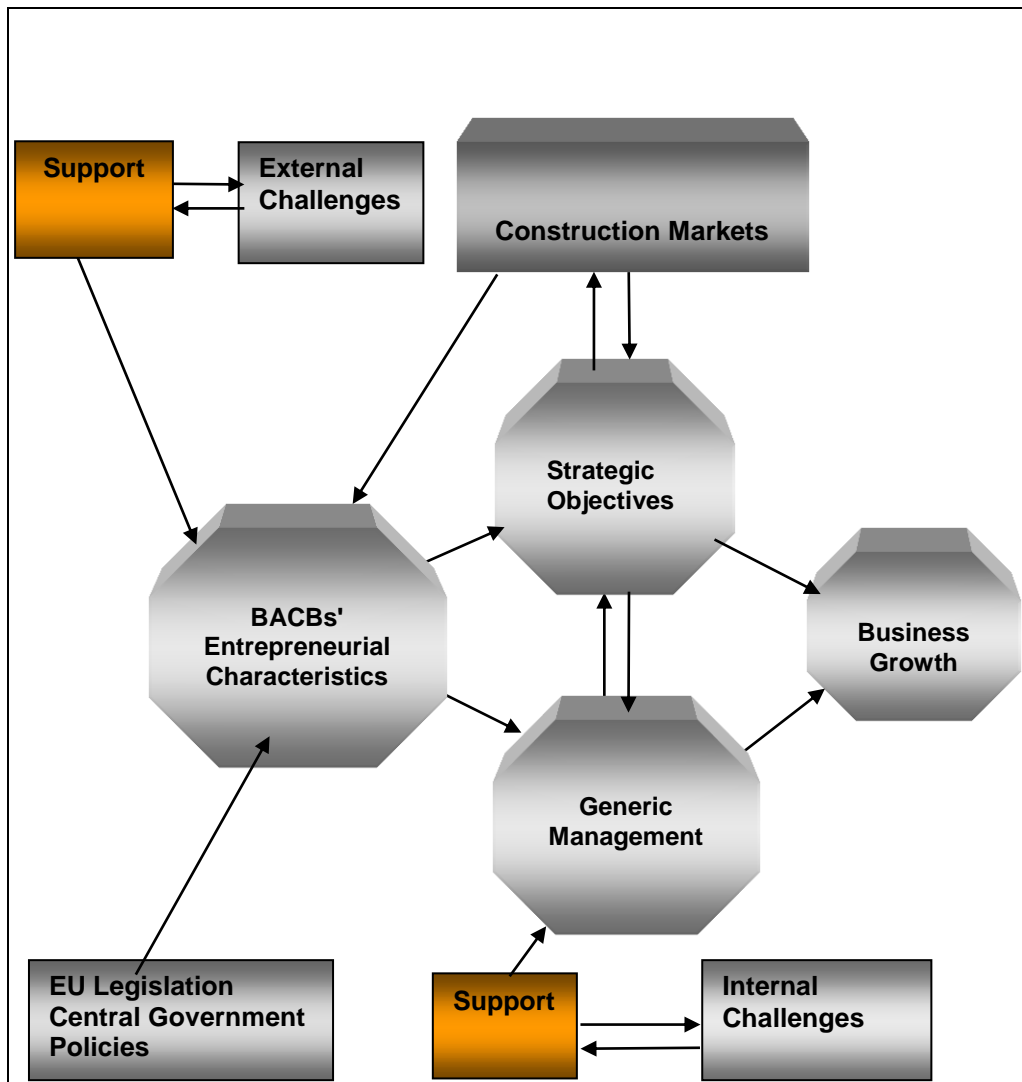
is the urgent need for such support to be customised. Therefore, the need to understand and investigate how this target group survives and achieves growth with the frequency and levels of support to assist is critical. More so, because they tend to be a difficult group to access, even though they are a significant contributor to the construction industry and to the UK economy. The provision of good advice and growth potential calls for the need to recognise that businesses growth can be influenced by several factors and so a standardised package is not always advisable to offer businesses that encounter different challenge.

With regards the future or potential take-up rate of support of BACBs, more specific support has to be offered in areas where they can perceive themselves as being positionally placed to obtain potential contracts. Numerous information and data are circulated with regards various seminars and conferences that are available to network and attend, thereby informing the businesses. These support mechanisms have to be attractive to BACBs and to offer effective use of time management in order to be worthwhile in accepting them. Some recommendations to both policy makers and researchers are that targeting financial resources in areas that will see short and medium-term growth, thereby ensuring sustained growth.

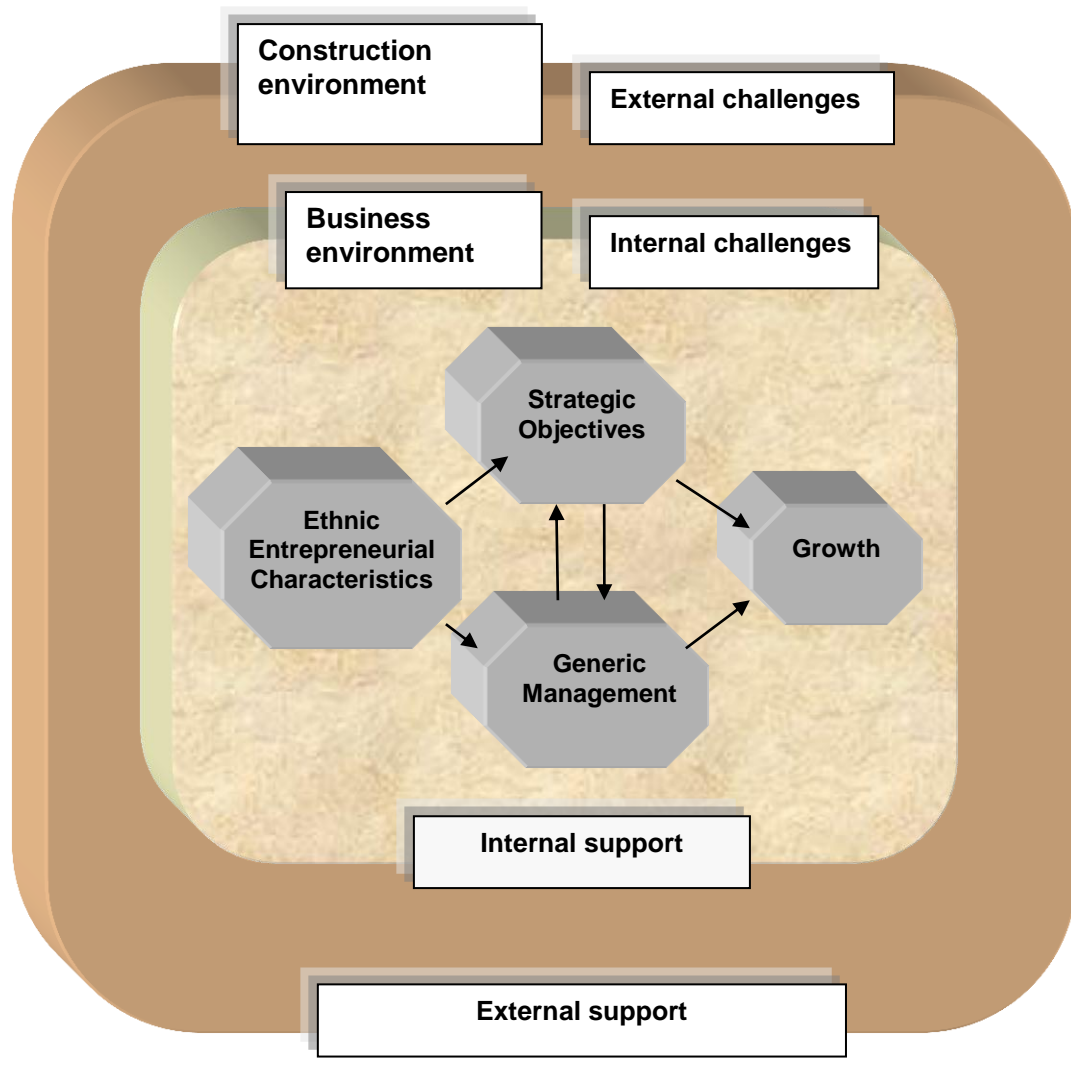
Support take-up rate has to be monitored. That is why support has been included in the model, so that support rate can be monitored, including frequency and levels of support. The questions are that if EMBs are not taking up support offered by the UK Government, what happens to the resources that have been allocated to be offered to these businesses. Some of the financial resources are from the EU, and other private institutions and organisations assisting the overall funding. Is the funding clawed back by the UK Government, or is it relocated to assist other businesses such as the Medium and Large businesses that research has shown can afford to provide their own support in house for even pay of external support?



**Figure 3.10 Detailed model of support and growth for BACBs depicting all factors**



**Figure 3.11** Refined (simpler with some variables omitted) model of support and growth for BACBs



**Figure 3.12 Proposed integrated conceptual model highlighting relationships between growth factors and business growth (that assists in the provision of support for BACBs)**



**Table 3.3 Operationalisation of theoretical concepts entrepreneurial, ethnic entrepreneurial business growth and strategic management concepts**

<b>Strategic factor</b>	<b>Theoretical concept</b>	<b>Indicator</b>
<b>Entrepreneurial characteristic</b>	Cultural Needs	
	Religious Needs	
	Generational Differences	
	Size	
	Location	
	Social Needs	
<b>BACB's entrepreneurial characteristic</b>	Support Needs	
	Access to Finance	
	Education	Qualifications
<b>Generic management</b>	Experience	Number of years
	Motivation	Growth strategies
	Size of Founding Team	Number of people
<b>Strategic objective</b>	Continuing Development	Frequency of training
	Training	
	Human Resource Duties	
	Public Relations Duties	
	Supervision	
	Administrative Duties	
<b>Performance indicator</b>	Education /Training	
	Vision/Mission Goals	
	Knowledge/ Utilisation Core competencies	Resource
<b>Performance indicator</b>	Growth	Sales
		Profits Number of Employees

# CHAPTER FOUR

## RESEARCH METHODOLOGY

### 4.1 Introduction

The critical literature review carried out in the two previous chapters helped with understanding, formulating and adopting key concepts of business growth, ethnic entrepreneurship and strategic management, and thereby influenced subsequent research. How such research was conducted was extremely important as it formed an overall framework for the thesis, shown in Figure 4.1. This portrays a coherent theme established from inception to completion, clarifying the entire research process. Section 4.2 addresses the importance of the philosophical considerations and discusses bridging the gap between theory and research. Section 4.3 discusses the research strategy, research designs, research methods and research tools. Section 4.4 presents the data analysis and summary of the pilot study. Section 4.5 evaluates the methodology.

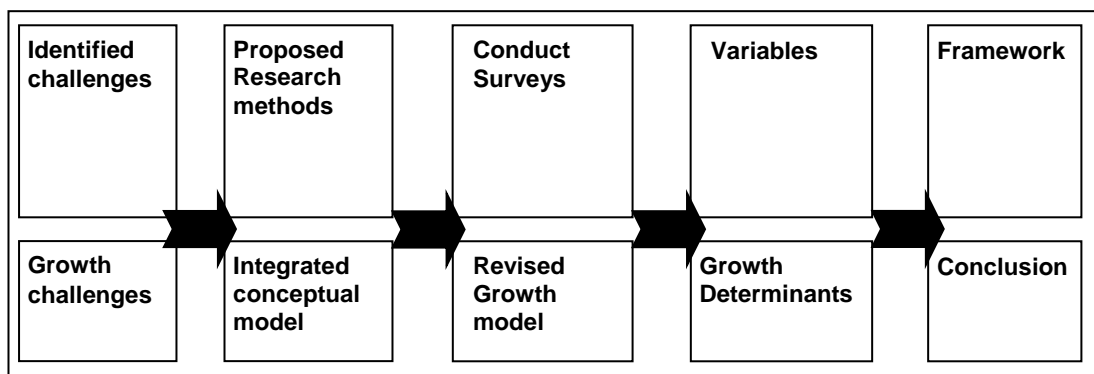


Figure 4.1 Framework of the research process

It is appropriate at the onset to remind the reader what the aims and objectives are. The aim is to develop a framework and to make recommendations for more appropriate support mechanisms that can assist in the survival and growth of BACBs. The objectives are to:

- Identify and evaluate existing support policy offered to BACBs by the UK Government
- identify the various factors that affect the growth of BACBs and support mechanisms offered to BACBs
- develop a framework and to make recommendations for more appropriate support mechanisms that can assist in the survival and growth of BACBs

Easterby-Smith et al.'s (2003) definition of methodology is a combination of techniques used to enquire into a specific situation; and Lincoln and Guba's (2011) definition is the process of how we seek out new knowledge, the principles of our enquiry, and how enquiry should proceed. Gerring (2007) also asserts that well defined questions or specific objectives are needed to produce a focused and coherent piece of work. This thesis already had both and the following sections fully address these aspects of research methodology and coherent theme.

#### **4.1.2 *Philosophical underpinning***

Walliman and Baiche (2000) like several others have argued that debates about research strategies, (how knowledge is generated and acquired) have carried on for centuries with no abatement. Likewise, literature on the philosophy of research which contributes to business growth also reveals that some of these debates continue. Especially so within disciplines such as entrepreneurship, and that no consensus has been reached over the choice of ontological and epistemological approaches to aid research (Bell, 1999; Bryman, 2008; Creswell 2008). The Positivists argue for quantitative measures to test hypotheses and apply them to social realities. In contrast, the Interpretivists seek to apply naturalistic approaches in order to understand the phenomena within their contextual settings (Bryman, 2008). This section seeks to unravel some of the opposing theories.

### **4.1.3 *Ontological and Epistemological considerations***

#### **4.1.3.1 *Ontology***

Ontology, one of the main philosophical approaches is important in understanding and providing a framework for any research study. Denzin and Lincoln (2011) used a definition as the worldview and assumptions in which researchers operate in their search for new knowledge. This search for the nature of reality, how the world operates and how knowledge is perceived and obtained helps researchers in the clarification of their research designs. Indeed, the researcher can be helped in the recognition of the appropriate designs and the identification and creation of designs that may be outside the researcher's past experience. However, the ontological spectrum consists of other approaches whose themes of knowledge (enquiry aims, ideals, designs, procedures and methods) vary and can be very distinct (Lincoln and Guba, 2011). Furthermore, there are various versions of spectra. Figure 4.2 depicts a version that spans from Objectivism to Conflict, having five different approaches.

From Figure 4.2, critical, whose ontological approach helps to change existing oppressive structures; and constructivism or constructionism approach assists in gaining understanding by interpreting or representing the subjects' perceptions. Positivism and postpositivism are not appropriate for this study as the target group are not isolated objects or machines. Critical approach is also not applicable to this research as there are no existing oppressive structures in place. The need to research towards a constructivist perspective is important as the emphasis is to reflect reality with which BACBs will achieve synergy in their professional, social, economic and financial operations.

The relevance of this ontological consideration is that it guides and informs the actual research design and the research tools. This research focuses on the survival and growth of BACBs. Investigating the influence of these small businesses' individual characteristics, their financial status, growth aspirations and other external factors on their survival and growth are the key issues. Within the ontological context, the reality exists in the BACBs' views which are also represented in other indicators which exist externally to these businesses. For example, in order to find out what factors affect or influence the survival and growth of BACBs, there is the need to investigate what factors BACBs perceive that affect them as well as investigate the other factors that exist externally such as the nature of the construction industry, various procurement policies and their management practices. In this research therefore, the need to recognise the individuality, personality and attributes of the individual business that are involved in the research process is the key as Hill and McGowan (1999) argued

whilst investigating the marketing activities of entrepreneurial small firms. As such, the notion of multiple realities is acknowledged and embraced. It is accepted that each individual BACB constructs their own reality as they interpret and perceive their world. Therefore the research must represent or reconstruct the world as seen by BACBs by leaning towards the constructivist ontological approach. An integrated model has been developed, whose concepts were operationalised. Therefore, there is some aspect of quantification which would mean that the overall approach would lean towards the objective and reflective approaches.

#### **4.1.3.2 *Epistemological Approach***

Epistemological Approach, the second main philosophical consideration is the type of relationship that researchers have with participants to their research. This is also important in informing the choice of data collection and analysis. Epistemology being the nature of the relationship between researcher and those that are being researched recognises that researchers need to know what sort of relationship needs to be forged between the would-be knower and what can be known (Guba and Lincoln, 1998).

## **Figure 4.2      Research approaches**

Source: Adapted from Saren and Beech 2003

This epistemological approach also spans a wide spectrum with Positivism, where the world is viewed as consisting of the main method of extracting knowledge at one extreme and social constructivism, in which the reality is determined by people rather than by objective and external factors is at the other extreme (Bryman, 2008). Interestingly, Saunders et al. (2007) cited Interpretivism as the other extreme as opposed to social constructivism. This may be due to the fact that Interpretivism has been a popular approach over the years and has been termed the traditional research paradigm and tends to answer questions of how and why things happen (Collis and Hussey, 2003). A paradigm being the progress of scientific practice which is based on the assumptions and philosophies that people have about the world and about the nature of knowledge) (Collis and Hussey, 2003). In between this epistemological

spectrum is realism. Traditional approach such as the naturalist quantitative perspective that incorporates post positivism and realism maintain that the researcher should take a distance approach in order to achieve objectivity. At the opposite end of the spectrum, within the qualitative realm, the researcher is recognised as being part of the research setting.

This research is investigating the various challenges encountered by BACBs that prevent them from surviving and growing. In order to obtain rich and interesting data, and appreciate meaningful data from these businesses, the type of epistemological approach proposed is the interpretivist. Some of the information required from the businesses is personal, complex and controversial thus allowing deep and rich data to be collected. The epistemological positivists and realists advocated that research should be conducted as experiments in an objective and detached fashion. However, this research does not involve experiments or hypothesis testing, so realism positivist and realism approaches would be unsuitable. In addition, positivists use measurements and indicators to deduce results. Interpretivism is also known as the need to be able to collect rich and deep information from the BACBs is important if they are to be assisted in any meaningful way. Investigating the challenges which they encounter has to be carried out in depth, and statistical data alone cannot be proposed. Moreover, the approach of applying the methods of the natural sciences to those of the social science research would be inappropriate as well as applying a range of different approaches with underlying characteristics, such as logical positivism and standard positivism would not obtain rich and extensive information, nor capture the complexity of the social facets and phenomena that exists concerning BACBs. This Interpretivist perspective involves obtaining a considerable amount of information as opposed to the positivists. However this more naturalistic interpretivist approach is arduous in the designing and conducting of the data analyses. A considerable amount of background knowledge can be obtained with background values. Moreover, there can be scope for misinterpretations due to the considerable amount of information gathered, and so the margin of error could be high. This constructivist emphasis within this interpretivist approach produces richness in obtaining a strategic view and overall view but which can also be demanding.

Various challenges encountered by BACBs that prevent them from surviving and growing are being investigated. The Interpretivist approach has been selected so that rich and interesting data can be obtained. Indeed, this is the most appropriate approach to be used for any meaningful data to be collected from these businesses. Some of the information required from BACBs is personal, complex and controversial

thus allowing deep and rich data to be collected. The epistemological positivists and realists advocated that research should be conducted as experiments in an objective and detached fashion. However, this research does not involve experiments or hypothesis testing, so positivist and realism approaches would be unsuitable. In addition, Positivists use measurements and indicators to deduce results. Interpretivism is also known as the need to be able to collect rich and deep information from the participants. It is therefore important if BACBs are to be assisted in any meaningful way, interpretivism should be used.

Investigating the challenges which the target group, BACBs, encounter has to be carried out in depth, and statistical data alone cannot be proposed. Moreover, the approach of applying the methods of the natural sciences to those of the social science research would be inappropriate as Babbie (1990), Bryman (2008) and Creswell (2008) found out. Furthermore, applying a range of different approaches with underlying characteristics, such as logical positivism and standard positivism would not obtain rich and extensive information. These would not be able to capture the complexity of the social facets and phenomena that exists concerning BACBs. The Interpretivist perspective involves obtaining a considerable amount of information as opposed to the positivists. However the more naturalistic interpretivist approach is arduous in the designing and conducting of the data analyses. A considerable amount of background knowledge can be obtained with background values. Moreover, there can be scope for misinterpretations due to the considerable amount of information gathered, and so the margin of error could be high. Notwithstanding all of these issues, the overarching ambition is to obtain rich information that would in turn assist these businesses to survive and to grow.

#### **4.1.3.3 Axiology**

Axiology is the third philosophical approach that assists in guiding the research process. It is concerned with the judgements about values of the researcher and whether the researcher's own values play a part in the different stages of the research process (Saunders et al., 2007). Axiology has some characteristics of interpretivism with regards the aspect of relationship between the researcher and participants and the distance that the researcher needs to maintain from the participant. In a similar fashion, this approach has a spectrum and has two contrasting views of value-laden and value-free at either end. The desire to understand the challenges encountered by small businesses in the construction industry has brought about this research. Having had some experience of how a very small part of the construction industry operates, the purpose was to use this experience to develop ideas and theories about how the



industry could progress in assisting minority groups. Especially those groups that are not visible or operating within majority of the various sectors in the construction industry. This research aims to take those experiences, coupled with ideas, including theories and attempt to develop them in such a way that improvements, changes and policies can be made or implemented within the various sectors of the construction industry.

An example of the way axiology can influence this research process is the choice of one particular data collection technique instead of another such as an in-depth interview versus observation. In this research study, a high priority is given to the personal interaction that would need to take place, for instance in a case study and through the interpretation of the data collected. The value laden approach focuses on the development of theory that takes into account the researchers views on learning about the research through complex situations and relationships and communication and opportunities. This is exactly what happens in this research. The researcher acts as a facilitator and an orchestrator and as such the extent of information required to answer the research questions would necessitate making decisions about the various characteristics, categories, questioning the data and advancing personal values and experiences. In contrast, the value-free approach emphasises that the researcher has to keep at a reasonable distance and as such not offer any valued judgements. Some of the information to be obtained is sensitive, such as the financial turnover or profit levels of the businesses, and so, in order to obtain these, a more sensitive approach of interpretivism is proposed which is to work closely with the participants.

Interpretivism is not considered value-free by the positivists as the former is based on the researcher's valued judgements. Positivists advocated that the role of the researcher had to be detached and unbiased in order to reveal facts neutrally. Their emphasis on facts and numbers, which had to be valid, repeatable, incorporated statistical and scientific data, and used quantitative methods that could be universally applicable (Babbie, 1990; Bryman, 2008). The strengths of this approach were that precise and accurate measurements could be obtained when conducting research or carrying out empirical surveys and these could be repeated and were considered valid. However, the interpretivist researcher within this research is not usually a completely detached researcher. In fact, this individual is a participant who acknowledges that the interpretivist is not neutral, but has its own dynamics, and that there would be effects on other individuals and businesses precisely because there is someone in their private space asking questions, collecting data, clarifying procedures

and carrying out the research. Therefore, this research is not value-free, but exhibits some degree of value-laden qualities.

#### **4.1.3.4 Bridging the gap between theory and research findings: Deductive versus Inductive**

Babbie's (1990) definition of a theory is simply an a priori explanation of why some educational phenomenon might have occurred the way it did. Likewise, Yin (2003) asserts that the explanation is causal in the sense that it identifies cause-and-effect relationships among a series of events, with each relationship being expressed as a hypothesis. Whereas, Creswell (2008) argues that a theory was a set of interrelated constructs (variables or questions) that presents a systematic view of phenomena by specifying relationships among variables, with the purpose of explaining natural phenomena. In a similar vein, Bryman (2008) has several definitions as he acknowledges the different types of theories because theory can be contextual, depending on the type of research being conducted. Bryman (2008) argues that another important factor that affects the definition of theory is whether the data is collected to test or to build theories. One popular definition was an explanation of observed regularities which are Grand theories that are abstract, such as structural-functionalism, symbolic interactionism, poststructuralism, critical and conflict theories. They offer limited guidance on the collection of empirical data. The next set of theories, Middle range theories tend to bridge the gap between grand theories and the low level theories such as those of juvenile delinquencies, racial prejudice, and bureaucracy in organisation (Bryman, 2008). The third type is the theory that is obtained from the actual background literature. Bryman's (2008) definition of theory therefore states that theory can be depicted as something that precedes research (as in quantitative research) or as something that emerges out of it (as in qualitative research).

The Deductive process (deductive theory) and the Inductive process (inductive theory) are two main research processes used in assisting the researcher in bridging the gap between the theories that are being used, (or that have been identified) and the actual research findings (Creswell, 2008). The deductive theory advocated by Positivists is when a researcher deduces a hypothesis from a grand theory or from a middle-range theory and then skilfully translates the concepts into researchable entities and operational terms in order for them to be subjected into empirical scrutiny (Bryman, 2008). A hypothesis is usually set up and then tested, from which conclusions can be drawn. It is precisely why a hypothesis is defined as a statement made formally for the sole purpose of being tested, and so should be in a form that it can be tested, having two concepts that have a relationship between them (Bryman, 2008).

The induction process (Inductive Theory), which is advocated by the Interpretivists, emphasises establishing theories purely on the basis of observations. It tends to be carried out in the opposite manner from that of the deductive theory (Creswell, 2008). Such emphasis allows the researcher to use the findings and to draw out generalisable inferences from observations. This theory is in effect the outcome of the research, and the stages are Observations/Findings-Theory (Bryman, 2008). Acquiring knowledge by the researcher and then formulating a theory from the analysis of data is found in qualitative research, where the use of theory is less precise than in quantitative research. Creswell (2008) argued that a theory may emerge during the data collection and analysis, or a theory would be used late in the research process in order to compare with other theories. The placement of theory tends to be towards the end of qualitative research. Indeed, some researchers have concluded that sometimes no theory is generated from the research. This inductive process of generating theory from analysis of data was termed the grounded theory approach by Glaser and Strauss (1967) and researched by scholars such as Charmaz (2002, 2006). However several protagonists have argued that majority of other inductive studies do not produce such strong associations in generating theory out of data. What such studies have generated have been useful findings and discerning empirical generalisations, but little or significant theory.

Yin (2003) asserts that conducting case studies can assist researchers in modifying existing theory. The actual data collected is specific to a particular group, such as BACBs, or it may be generalisable in understanding how other such small businesses work. Research studies can be exploratory in nature if there is none or very little information available. The other type of research study is descriptive, which seeks to ascertain or describe the characteristics of the important or relevant variables in a specific situation and the third type is conducted in order to test a hypothesis about a situation (Bryman, 2008). This research has to reflect the everyday life of the target group of BACBs. Therefore research characterised by the assumption that human behaviour can be explained by what may be termed social facts which can be investigated by methodologies that utilise the deductive logic of the natural sciences will not be the main method used. In contrast, this research needs to be able to cope with various sources of information, and possibly conflicting information. Within the inductive process, the Interpretivists' starting point was from a specific problem which is identified, then surveys, or interviews/case studies would occur before the findings or conclusion would be used to form a theory (Bryman, 2008). Majority of research carried out within the social sciences was, and still is normally on soft issues such as

is found in this research study. It is usually difficult to be absolutely precise in obtaining or in finding sufficient measurable variables for soft issues. Moreover, it has proved difficult in fulfilling the criteria of a scientific hypothesis that takes place within research in the Natural Sciences. Hence, some of the Grand Theories and Middle Theories could not always be applied to Interpretivism.

The two main processes of induction and deduction are not as distinct as is sometimes portrayed, and in reality, a linear route is not necessarily followed. Bryman (2008) has argued that the links between the stages are not always smooth or straightforward. In addition, there is a tendency for a considerable amount of overlap in both processes. Several things can also take place during the processes, especially because of the length of time it does take to start and complete a piece of research. A classic example is trying to derive a hypothesis from 'naive theory' from accumulated knowledge. Bryman (2008) identified that this may not always be possible. Another significant aspect may be that the researcher's view of the theory may change, including the variables. This occurrence may be that the relevance of the type of data to be collected becomes apparent after the data has been collected. Not surprisingly, the researcher's perception may also change as a result of the analysis of the data or that new findings may have been published by others before the generation of the researcher's own findings. Sometimes there is no direct link between the research method (e.g. qualitative, quantitative) and the philosophical approach, (e.g. positivism, interpretivism). Due to the exploratory nature of some areas of this research, it seeks to develop theory out of the data collected (theory-building or inductive research) and emphasises the inductive theory.

Several theories were obtained from the critical literature review. Such theories would be used inductively, so that there is no testing of hypothesis. The challenging prospect though is that the theories would be developed and shaped through the research process, and any theory generated would be based on the outcome of the findings carried out using the appropriate research methods, which are discussed in the next section. In addition, this research of investigating BACBs seeks to gather evidence, crystallise the evidence and theorise through a posteriori argument. It is widely known that some researchers concentrate on the quality of their empirical investigations and pay very little attention to the philosophical considerations. However, within this study a balanced weighting is given to both philosophical considerations and empirical findings.

## **4.2 Research strategy**

### **4.2.1 *Methodological approaches and influences***

Easterby-Smith et al (2003) described two types of research and their outcomes within the management discipline. Pure research which leads to theoretical development and it may not have any practical implications. This research is geared towards the scientific and so may lead to discovery (the first outcome) in which a totally new idea or explanation is obtained from empirical research and indeed revolutionises the thinking on a particular topic. An invention is the next outcome where a new technique, idea or method is created to solve a problem. Examples are total quality management, Walton (1989) and Business Process Engineering, Hammer and Champy (1993). The third is reflection, which is when an existing theory, group of ideas or technique is re-examined. Applied research is intended to lead to the solutions of specific problems and sometimes involves working with clients in order to sort out the problems. Action research does not fit into the other two and usually consists of a collaboration between the participants who are the researcher and the researched, contributing both to the practical concerns of the researched who are in an immediate problematic situation and to the goal of an accepted ethical framework.

Yin (2003) asserted that choosing a research strategy is to assist in the provision of an overall direction of the research, the processes by which the research is conducted and research methods. Three conditions were also stipulated by Yin (2003) that tended to inform the choice of an appropriate strategy. These were the type of research questions and objectives; the extent to control the researcher has over actual behavioural events and the degree of focus of contemporary (as opposed to historical) events. Likewise, various definitions have been offered by several researchers and academics within the research literature. Bryman's (2008) use of strategy is that it is a general orientation to the conduct of social research. However, to simplify issues Figure 4.3 has been produced. It depicts the relationship deduced between research strategy, research design, research methods and research tools.

Easterby-Smith et al. (2003) cited that commonly used research methods within the businesses and management disciplines were experiment, survey, case study, action research and ethnography. Similarly, various ontological and epistemological approaches have been revealed in the research literature. However, one that relates closely to this research methodology is shown in context and Figure 4.2. This depicts

the various lines and links within the chain of the research approaches and methodologies. Each research project has its own unique aims and objectives and each aspect of the process has specific qualities and characteristics. Notwithstanding, the discourse on the qualitative and quantitative approaches, there is not necessarily a single or appropriate research strategy or research design or paradigm that acts as a panacea.

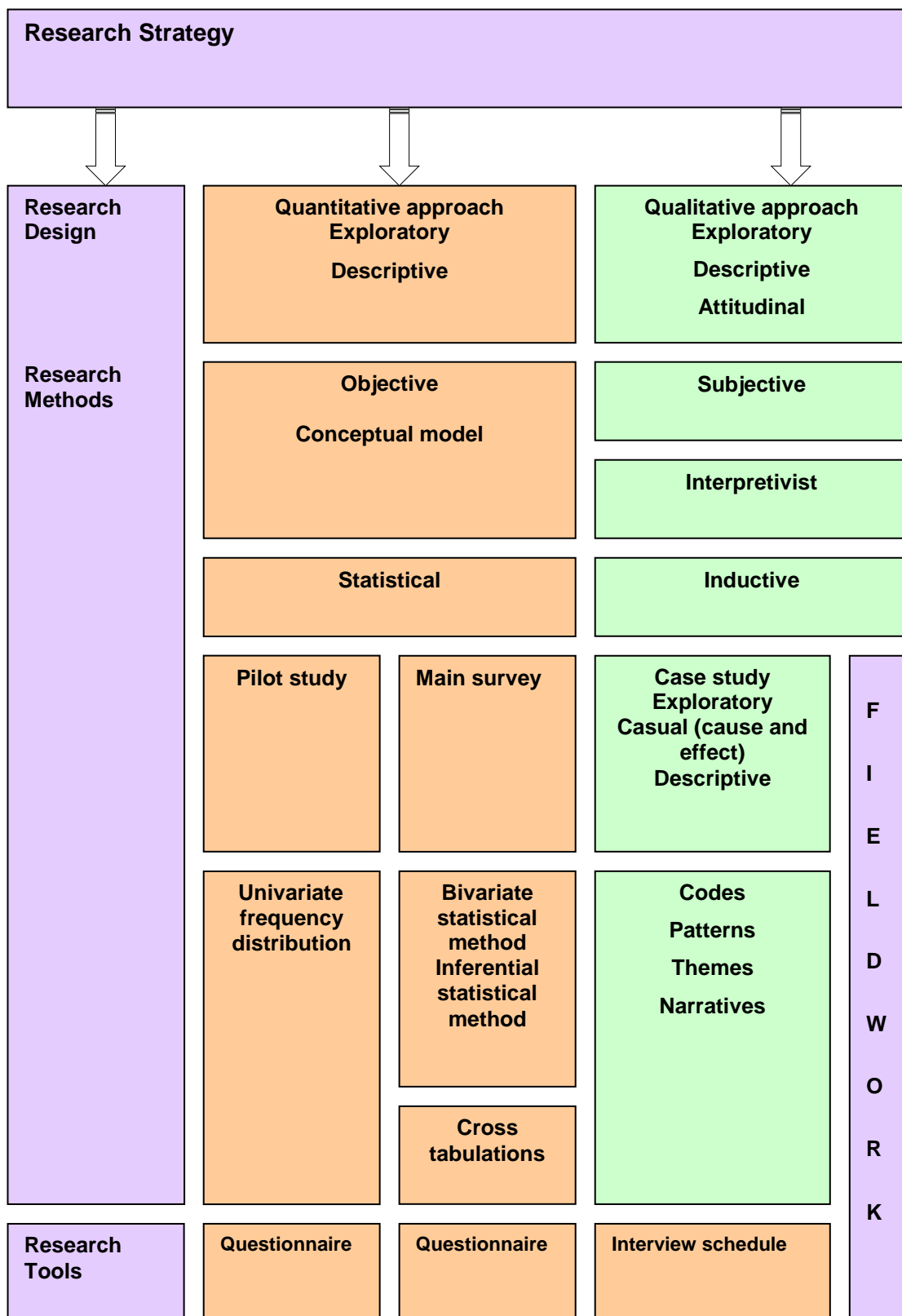
Quantitative research emphasises quantification in the area of collection and analysis of data. It involves the deductive process in which emphasis is on testing a hypothesis or a theory composed of variables, measured with numbers and analysing data with statistical procedures in order to produce findings and to determine whether the hypothesis or the theory holds true. Advocating the view that social reality is an external objective reality, the quantitative process enacts the principles and procedures of the natural scientific model and that of positivism. In contrast, Qualitative research tends to have theoretical epistemology underpinnings within intellectual positions of phenomenology, symbolic interactionism, naturalism and ethogenics (Hammersley, 1996). The qualitative process focuses on the relationship between research and theory by emphasising the generation of theories. Its view of the social reality is that of a constantly changing social world. It embraces the interpretivist tradition which gives preference to how individuals interpret their world, and rejects the natural scientists model, and those of the positivists.

Quantitative approach is normally objective in nature and focuses on the collection of numerical data and on investigating the relationship between theory and research. This approach makes use of quantitative methods, such as experiments and surveys, because they generally have a numerical result and describe samples taken from populations. Mathematical models, statistical tables and graphs are frequently used in this method (Denzin and Lincoln, 2011). Quantitative methods are those which involve counting and measuring: the statistics, which are of two main types, descriptive and inferential. Descriptive statistics are things like averages (usually called means) which describe data in a summary fashion. This approach is closely associated with qualitative data collection methods such as observation, official organisational documents, in-depth interviews and group discussions.

Qualitative approach in contrast is subjective in nature and aims to develop a deeper and better understanding of ambiguous and multi-dimensional concepts. Denzin and Lincoln (2011) highlighted that qualitative approach provides explanations as to how, why and what questions are necessary. Information gathered in qualitative research

can be classified into two main categories of research: exploratory and attitudinal. The first type, exploratory research is used when there is a limited or sparse amount of knowledge about the research topic. This research topic has been extensively researched within the disciplines of business growth and strategic management. Moreover, very little is known about the extent to which various factors affect BACBs' survival and growth. Therefore most of this research is exploratory and its main purpose diagnose a situation, screen alternatives and discover new ideas (Denzin and Lincoln, 2011). Research findings would be exactly what BACBs have said (interviews) or descriptions of what has been observed (case studies).

Attitudinal research is the second category of research and this type of research is used to subjectively evaluate the opinions, views or the perceptions of people with regards a particular object. Object, being a variable, an attribute, a factor or a question. A considerable amount of qualitative data within this research would be quantified to some extent in order to make comparisons. This research also falls within this second category as several issues and topics are being explored, examined and assessed with regards BACBs' survival and growth. Denzin and Lincoln (2011) also emphasised that these qualitative methods used refer to the qualities of entities and to processes and meanings that cannot be experimentally examined or measured in terms of quantity, amount, intensity, or frequency. Gillham (2007) also confirmed that qualitative methods focus primarily on the kind of evidence (what people say, what they do) that will enable the understanding of the meaning of what is going on which is essential to this research. The findings are essentially descriptive and inferential in character and, for this reason, are often seen as soft. But description and inference are also necessary in scientific research. Quantitative statistical results still have to be described and interpreted; and so it is within this area that the quantitative/qualitative distinction starts to be evident.



**Figure 4.3 Research Strategy**

The reliability of the results of this study hangs on decisions made concerning the process of research and the research strategy selected. Moreover, a prevailing qualitative paradigm has attracted critics because of various weaknesses and disadvantages of the use of qualitative methods in the analyses of data. Several



critics such as Hammersley (2005) and Creswell (2008) had two main criticisms of the qualitative research. First, there are no universal criteria for assessing qualitative data, and some of the reasons for this are that qualitative research tends to lack precision, lacks influence and that there can be biases due to subjectivity. Bryman (2008) and several other recent scholars argue about first, this type of research publication is often anecdotal in nature. Second, the type of results obtained tended to be subjective. Responding to the former is that a recognised method which accommodates and appreciates the richness of qualitative data should be adopted. This criticism has been addressed within the appropriate criteria, Section 4.5.

The research approaches taken for this study are indicated in red rectangles in Figure 4.2. Responding to the second criticism is that some form of data cross referencing is introduced by way of *triangulation*, which is the investigation of a phenomenon using more than one research method. Creswell (2008) argues that the two approaches of qualitative and quantitative should be used together in order to obtain better insights into social phenomena. Moreover, they also argue that the individual approaches of qualitative and quantitative individually as opposed to mixed research methods cannot provide sufficient information to understand the social processes. Hence, to tackle these particular criticisms within this research, the following have been carried out:

1. Conducting a relevant critical literature review regarding the survival and growth of BACBs
2. Pilot study and Main questionnaire survey
3. Case studies

The triangulation concept arises from the assumption that inherent biases in a particular set of methods will be neutralised when it is used with a second set of methods. Bryman (2008) equates triangulation to greater validity and that triangulation refers to the traditional view that quantitative and qualitative research might be combined to triangulate findings in order that they may be mutually corroborated. These research methods might be drawn from within a methods package, such as using a structured questionnaire survey and an experiment, or between methods packages such as the survey and participant observation. Triangulation strategy has worked effectively in numerous research projects (Creswell, 2008). He identified five important reasons for combining methods in a single research project:

1. To seek convergence in the results of research.
2. The different methods can dovetail and highlight similar and different facets of the phenomena under observation.
3. The first method used helps to inform on the second method.
4. The capacity to highlight previously unconsidered perspectives.
5. The blend of methods give added scope and depth to the research project.

A qualitative research approach should help to address socially embedded issues of BACBs. A quantitative approach in this study should help target a larger number of proposed respondents, allowing the solicitation of various aspects of survival and growth. Quantitative data also has a special place in case study research in so far as it extends the range of evidence on the topics under investigation, and qualifies what is being learnt from other sources. This kind of cross-referencing emphasised by Gillham (2007), is also part of the internal validity of a case study: it all has to fit together and theorizing (explanation) has to account for all of it. WYEP (2006) also used triangulation and mixed methods in its research to identify current characteristics of EMBs and to understand their needs and aspirations. There was a substantial need to make comparisons of labour market information with the White.

#### **4.2.2      *Justification of Paradigm***

The term paradigm initiated by Kuhn 1962 (cited by Bryman 2008) refers to the progress of scientific practice which is based on the assumptions and philosophies that people have about the world and about the nature of knowledge. The aim of this research is to develop a framework for the provision of more appropriate support mechanisms that can assist in the survival and growth of BACBs. Emphasis of this research is whether small businesses such as BACBs can be assisted in their survival and growth by support mechanisms within the construction industry. The research problem area is that these businesses are not being offered appropriate support in order to assist their survival and growth. In order to help promote more understanding of the research problem it is imperative to satisfy the research aim and objectives. Exploring and assessing the aims and objectives have already been carried out within chapter three within a research theoretical framework depicted in Figure 3.7.

There are several Implications of both ontological and epistemological considerations. The problematic aspect of these implications is that both research strategies (quantitative and qualitative) are used and so there would be a dichotomy of nuances

emerging. One such implication is that the researcher is part of what is being researched as opposed to being fully independent. However, even though the self-completion questionnaire survey maintains an independent stance between researcher and respondent, the in-depth interviews in the case studies necessitates close proximity by the researcher. In a similar vein, the human and social aspects are not irrelevant, and explanations may not always demonstrate causality. However, the central motivating force in explanations of BACBs survival and growth issues is to increase general understanding of the various situations, including the need to gather rich data from which ideas can be induced. What this means in practice with regards sampling, is instead of very large numbers selected randomly, small numbers of cases should be chosen for specific reasons. This would become especially evident in the research findings that the units of analysis would not be reduced to simplest terms, but may include the complexity of whole situations. While the methodological approach insists on the importance of concepts that need to be operationalised so that they can be measured, participants and other stakeholders' perspectives and attitudes would be fully incorporated. Generalisation would have to be by theoretical abstraction as opposed to statistical probability (Yin, 2003).

To reiterate, due to the exploratory nature of some areas of this research process, it seeks to develop theory out of the data collected and so tends to embrace the inductive process. In addition, the research is set within a specific context, investigating specific challenges, support mechanisms, and aspects of ethnicity of BACBs, findings would be contextual and so necessitate the qualitative research paradigm. However, the qualitative paradigm can be a selection of methods and approaches that range from case studies (Yin, 2003; Charmaz, 2006); action research, grounded theory (Charmaz, 2006; Creswell, 2008); ethnography, and phenomenological studies (Lincoln and Guba, 2011). Qualitative research is conducted through an intense and/or prolonged contact with a field or life situations, usually under banal and normal circumstances. This research needs are to be able to cope with such conditions and various sources of information, and possibly conflicting information. Moreover, there are the on-going input, and the scope to deal with flexibility without compromising rigour. The other aspect is the integrated conceptual model and the scope to allow development with regards the modifications and validation of the framework and model. Hence, reality is unclear and difficult to model as well as generally small owners are not always driven or motivated to grow their businesses and improve their profits, thus further complicating the issues of survival and growth.

This research is focused on contemporary events and the research aim deals with numerous and varied factors making behavioural control impossible. As with all social research, the methods adopted in this enquiry were largely dictated by the nature of the research problem (Scase and Goffee's, 1982). However, this is only partly true as the philosophical considerations have assisted in guiding the appropriate selection of paradigm. The complexity of the issues of the various factors of growth objectives, support offered by the Government, ethnic entrepreneurship and strategic management did not favour quantitative investigations. Therefore, a qualitative approach was more appropriate. However, because indicators were used in order to validate a model, using in-depth case studies, the pilot study, main questionnaire and case studies were all undertaken and analysed within an ontology that leaned towards an objective-constructivist perspective, and an interpretivist epistemology. Additionally, due to resources, availability of the business unit, time constraints and surprisingly, the unwillingness of some businesses to disclose information about their business, only three case studies were conducted. Six were originally scheduled.

In order to shed more light on the sometimes diverse and fragmentary nature of the justification for using the combined qualitative/quantitative approach, some definitions are given here. The popularity and wide use of this combined approach has resulted in academia and practitioners referring to it as a mixed methods research (MMR). A very early definition by Greene et al. 1989 (cited by Creswell 2008): mixed methods designs...those that include at least one quantitative method (designed to collect numbers) and one qualitative method (designed to collect words), where neither type of method is linked to any particular inquiry paradigm. Ten years later a more holistic definition was given by Teddlie and Tashkkori (2009): mixed methods as the combination of qualitative and quantitative approaches in the methodology of a study. MMR has continued to gain momentum, importance and recognition as a proper independent methodology and a most up-to-date definition, incorporating diverse activities presented by Creswell (2008) is MMR is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative approaches (e.g. use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the purpose of breadth and depth of understanding and corroboration. Seen from this point of view, the concept of triangulation emerges as it seeks to combine different research strategies and methods in order to counteract certain biases contained in such strategies and methods. Creswell (2008) being an advocate also agrees that since the 1920s ethnographers and other researchers have been collecting data using mixed methods, including anyone using the concept of triangulation has been using mixed methods, so how can this be a new

approach he asks? However, there may be a loophole here, as Bryman (2008) counter argues that some of these qualitative approach can combine structured interviewing, with structured observation or ethnography with semi-structured interviewing and so even though they use mixed methods, it is only one strategy and even though it may achieve the concept of triangulation it is not a MMR as it does not cross over to the quantitative strategy. This is one reason why Bryman (2008) preferred the use of Mixed Strategy Research; it was indeed clear and precise that research was being carried out across the research strategies, as opposed to just using different methods within the same strategy.

The two fundamental criticisms, one epistemological and the other technical about MMR which have been enshrined in debates for the last two decades have been discussed by Bryman (2008). The first is that the critics' argument is that all research methods carry with them fixed ontological implications and so it is not feasible or even desirable because the two main positions hold irreconcilable views about how social reality should be researched. Smith (1983) argued that the two research strategies sponsor different procedures and have different epistemological implications, including the fact that the MMR ignores the assumptions underlying these different epistemological approaches, and transforms qualitative inquiry into a procedural variation of quantitative inquiry. Main critics of this second criticism also note that it is a point of technicality as it is based on the idea that these two strategies are both separate paradigms, each of which has its own epistemological assumptions, values and methods that are inextricably intertwined, and so are incompatible with each other. Both arguments which are inter-related have not been easy to justify and the fact that the idea of research meant to carry with them fixed ontological or fixed epistemological implications have been difficult to sustain, as these methods can be put to a wide variety of tasks. The main critics of MMR from the qualitative camp are Denzin and Lincoln (2011). They have voiced their concerns that MMR does not give the qualitative side the same primary status it gives the quantitative methods. Other minor criticisms are that MMR take longer and can prove expensive to implement, including the quality of the writing up of the research. These criticisms are being addressed by the MMR community, and it has proved an on-going process, especially as the definition has been in a state of flux, with nineteen definitions recently identified that were used by researchers.

Fellows and Liu (1998) also advocated that by employing two or more research techniques, - quantitative and qualitative approaches may be used to reduce or eliminate the disadvantages of each individual approach. Advantages of each could

be gained, and the combination could produce a multi-dimensional view of the research. However, another reason for employing a combination of qualitative and quantitative approaches is to allow a robust analysis of the relationships between the factors that affect the growth of BACBs to be better understood. This is in keeping with the view that the aim of researching social life is best achieved using a hybrid of the two traditions, as Creswell (2008) found out. Justification for adopting the research methods such as the case study strategy lies in the principle purported by some research scholars such as Bryman (2008), Creswell (2008) and Yin (2003). They argue that the nature of the research topic and questions should influence the actual selection of a strategy. To reflect their view point, as well as to conform to the concept of triangulation, the most appropriate research method to satisfy the aims of this research is to embark on both quantitative and qualitative research.

An appropriate blend of quantitative and qualitative tends to lead to accurate, rich, and reliable information on aspects of society. Qualitative and quantitative methods together provide complementary findings. Similarly, qualitative or quantitative data alone cannot provide sufficient information to understand the social processes under research (Denzin, 1970). The choice of research methods and tools would have to be flexible in order to obtain a holistic picture of these small businesses (Yin, 2003). A variety of research tools would be used to enable a more rigorous analysis to be undertaken to improve the credibility of the results (Bryman, 2008). Thus, this research uses a range of research methods, namely, a critical literature review, a pilot study, a postal questionnaire survey (consisting of quantitative and qualitative questions) and case studies (consisting of unstructured in-depth interviews). These will be undertaken and analysed within an ontology that leans towards an objective-constructivist theoretical perspective that is also reflective, and an interpretivist epistemology.

### **4.3 Research design**

Yin's (2003) analogy of a research design is that of a technical plan (as distinct from a management plan, which deals with the resources, logistics, scheduling and assignment of personnel). Other kinds of tasks are involved in administering a research project that attempts to link the beginning and ending of a study, helping the investigator get from here (the beginning) to there (the ending). Yin (2003) argues that a research design's role is to ensure that the evidence to be collected is pertinent to the research questions. However, research design according to Bryman (2008) refers

to a framework for the collection and analysis of data. In addition, the choice of a research design depends on the priority given to various dimensions. These dimensions were causality, generalisations, contextualisation and temporal appreciation of social phenomena and their interconnections. Whether the view is taken of a technical plan or framework, the research design is a complex procedure having several dimensions, factors and aspects, some of which interact or are interrelated. These all have to be structured such that when the fieldwork is conducted, primary data is collected on challenges, support, growth (in terms of profits) procurement profile and other factors about BACBs.

This research intends to investigate how various factors affect the growth of BACBs. In addition, the research seeks to find out how various factors such as growth objectives, characteristics of the business, support take-up rate impact on the profits of these businesses within the construction industry. An in-depth knowledge of the construction industry with an unbiased perspective is required for this study. However, the researcher has no control over the construction environment. Taking into account this quality, an appropriate research design would be the case study design. Hill et al. (2002) also used this research design in studying how obstacles to growth were negotiated and overcome when comparing SMEs from the UK and the USA. However, the rationale for this selection of a research design has to acknowledge the integrated model that was developed in order to assist in the provision of more appropriate support mechanisms for such a group. This model that was discussed extensively in Chapter 3 informed a detailed questionnaire. This questionnaire was successfully used in a pilot study that produced results that would in turn be used in highlighting those variables which would be assessed and analysed during the rest of the fieldwork and so inform the framework. The research employs a combination of qualitative and quantitative approaches as mentioned in Section 4.2 thus allowing for a robust analysis of inter-relationships between factors that affect the growth of BACBs. Data collected would facilitate the determination of the strength of associations between the key factors that affect BACBs. Case studies were used to further refine, test and validate the conceptual model.

Walliman and Baiche (2000) highlighted the fact that research design informed the type of data that needs to be collected, the data collection method and the type of data analysis that should be carried out. They argued that the choice of data collection and a research method depends on specific sources of data; the nature of what the researcher wants to find out and the particular characteristics of the research problem. In addition to that, when a researcher considers what data is likely to be used, the

availability of the data and the possible methods of collecting the data should also be considered. Finally, when considering data analysis, the resources required and the techniques and tools for collecting data should also be considered. They have made an extremely important practical point, because the availability of data and collection of data for such a target group as BACBs impacts on the research results and conclusion. Figure 4.4 portrays the Research Design for the thesis.

#### **4.3.1 Background, choice of Data collection and analyses**

Babbie (1990) asserted that there were two main type of sampling methods: probability and non-probability. In addition, Fellows and Liu (1998) emphasised that the objective or purpose of sampling was to provide a practical means of enabling the data collection and processing components of the research to be carried out whilst ensuring that the sample provides a good representation the population: that is the sample is representative. Without a known population, the representativeness of any sample is uncertain. The initial task for this methodology was to define the target group's population clearly and accurately.

This research was to target all BACBs within the UK. The geographical context of the study was considered to be very important in order to obtain a representativeness of the target population - BACBs, and to ensure that the limitation of accessing samples of BACBs could be overcome. Furthermore, variables were to be investigated in order to explore geographical patterns. This study therefore focused especially in areas where there were known to be high concentrations of EMBs; "over half (53%) of all EMBs in 2001 lived in London and the South East. Smaller, although significant proportions lived in the West Midlands (13.6%), Yorkshire and Humberside (7.6%) and the North West (6.8%) (WYEP, 2006: 8).

During the initial stages of this study there were two major constraints of the research. The first was the size of the population was unknown. The implications were that health warnings would be stated due to the unknown numbers that would consist of the sample. Throughout the mid-stages of the research, in order to obtain a sampling frame, several national construction databases, such as FAME, Dun and Bradstreet, One Source and MINT were compared in order to identify an appropriate one that would satisfy both the characteristics and criteria of the target population of BACBs. These characteristics were ethnicity, number of employees, annual turnover and industry sector. Since none of the databases provided such variety and flexibility for identifying the target population, a combination of databases was used. These are



Safebuild.com, Competefor and MINT databases. The former two provided the ethnicity, although they were mainly based in London, whereas MINT provided a larger base, though it only covered companies and not sole traders or partnerships. Hence, BACBs were targeted via a combination of databases of construction businesses. Snowballing Sampling technique would still be used to target BACBs for the case studies.

Unfortunately, as the research progressed, the main constraints were that there were still no national databases of EMBs, including BACBs, and no directories that were current. Hence, these areas of the research were still exploratory and there was difficulty in identifying participants mainly because they were not registered with any of the databases that fitted the criteria of Small and medium-sized ethnic businesses. The decision was then taken to use purposive or judgemental sampling at this stage which involved samples being selected on the basis of their own knowledge of the population. Hence, snowballing sampling was used to access BACBs through various Metropolitan Councils and Local Authorities, procurement departments, Registered Social Landlords, large construction companies, networking events of SMEs and national and local enterprises. Several of these avenues were unsuccessful due to time constraints of the business or due to the Data Protection Act being given as a reason not to refer businesses to have the opportunity to become participants in the research. Therefore the likelihood of the sample being representative was low. Safebuild's database allowed the target group to be identified by their ethnic background and so the database was used after obtaining permission from Safebuild Limited. The proposed target population was identified as approximately 60. Thirty-six respondents were obtained from the sample of BACBs that participated in the main survey questionnaire with a response rate of 60%.

A central motivating force was to obtain this sample of BACBs. Their attitudes, perceptions and attributes eliciting the appropriateness of available support including the revealing of any trends or patterns was obtained. This was achieved by selecting a *survey* research design method. A postal questionnaire was used to collect the data. A *survey* being a cross sectional design in relation to which data are collected predominantly by questionnaire or by structured interview at a single point in time in order to collect a body of *quantitative or quantifiable data* in connection with two or more variables, which are then examined to detect patterns of association. The most important reason for the selection of the survey research was the possibility to list propositions involving several variables in simultaneous interactions (Bouma and Atkinson, 1995). It also permitted the rigorous step-by-step development and testing

of logical explanation, including its generalisability and testing of the findings (Simmons, 2001). Another primary objective of utilising a questionnaire as a research tool was that the potential population of the target group was surveyed cheaply; the questionnaire being completed at participants' own convenience; pre-coding and computerisation makes the data analysis fast. However, in order to ensure that a cross section of the population sample was targeted a *pilot study* was carried out as a precursory measure to ensure that there was indeed a group of BACBs. In order to increase the knowledge and understanding of BACBs, it is envisaged that rich and extensive data will be obtained, and this can only be achieved by using case studies that will be analysed.

There are two main ways of analysing qualitative data explains Easterby-Smith (2003). Content analysis which is objective, more deductive, although fragmented, it aims for clarity and unity. Sometimes prior to hypotheses, it searches for content. Whereas, grounded analysis is subjective and faithful to the views of the respondents. It is holistic as well as more inductive. Grounded analysis has an understanding of context and time including preserving ambiguity and contradiction. With the two contrasting analysis, the big problem is how can the quantity be condensed into a simple format which can tell convincing stories about the highly complex content-bound information obtained about BACBs. Naoum (2006) stipulated three types of quantitative research analyses which are widely used in all disciplines. These were the exploratory method, the descriptive method and the inferential statistical method (or bivariate statistical method). To address the contextual nature of the research questions, the analysis of this research data fell mainly within the categories of the descriptive analytical method, necessitating a qualitative approach. However, some amount of data was also analysed using the inferential analytical method, requiring some quantitative analysis. Significantly, several researchers have used this combined approach. However, in order to make comparisons of such research, it was considered more appropriate to examine various theses. These would offer relevant, if not direct comparisons as opposed to using studies or reports. Importantly, the theses would primarily need to have used the combined strategies of quantitative and qualitative approaches. They would also need to be within relevant disciplines of construction or ethnic entrepreneurship.

No UK theses on BACBs were found. All the other research on other ethnic groups used hypotheses that were tested. Within the construction discipline, Naoum (1989) used a combination of a pilot study consisting of interviews and case study approach. Sixty-nine construction companies (cases) were used and a series of hypotheses and

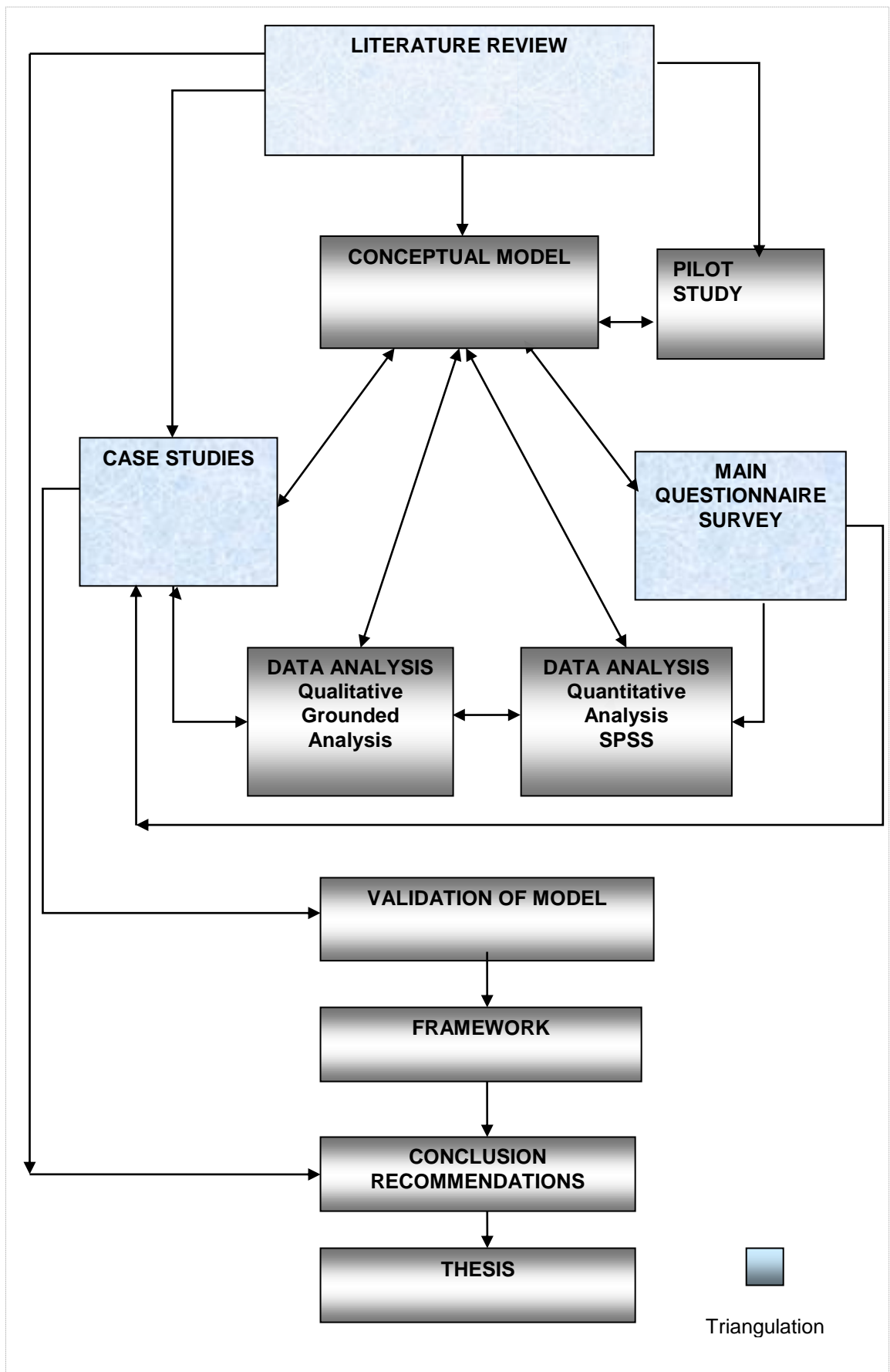
statistical analyses carried out in order to make comparisons between the traditional contracting and management contracting methods. All cases were subject to statistical correlation tests that expressed the strength of relationships and associations.

Within the ethnic entrepreneurial thesis, Cheng (2008) had a sample of 36 respondents from the Newcastle upon Tyne Chinese community in his researching attitudes and perceptions of businesses to occupational discrimination. His research was mainly qualitative, using questionnaires, semi-structured interviews and focus groups.

The analyses conducted within the research do not aim to operationalise all the variables and use them as comparative studies to previous literature, but instead, the analyses would investigate interpretations, inter-relationships and possible impact of challenges and support on survival and growth. The software package SPSS used by Altinay (2005) allowed for complex analysis, mainly multi-variate analysis between business growth and the entrepreneur's personal resources, social informal networks, human resources management strategies, and the fact that his or her business' characteristics rather than univariate that is normally carried out.

#### **4.3.2 *Concepts and levels of measurement***

There are three levels of analysis. Univariate analysis uses mainly frequency distribution. Bivariate analysis uses cross tabulations, scatter grams, regression, rank-order correlation and comparisons. Multivariate analysis uses conditional tables, partial rank-order correlation, multiple and partial correlation; multiple and partial regression and path analysis (De Vaus, 2002). This significant data obtained in this research permits the use of the first two levels of analyses. Such concepts as growth, support, entrepreneurial characteristics, that were identified within the critical literature review would become variables within the framework and indicators within the integrated conceptual model. According to Babbie (1990) concepts are difficult to define, and so is complex phenomenon, but have a richness of meaning. In order for these concepts to be measured and become specific empirical indicators, they have to be operationalised. However, Bryman's (2008) notion of concepts is that they are the building blocks of theory and represent the points around which social research is conducted.



**Figure 4.4 Research Design**

Babbie's (1990) definition of operationalisation is the process whereby researchers specify empirical observations that can be taken as indicators of the attributes contained within a given concept. Matrix-rating has been used extensively within the questionnaire in order for operationalisation to occur and to be able to specify empirical measurements. For example, significantly assisted, moderately assisted, neither assisted nor hindered, moderately hindered and significantly hindered have been used several times to convey and to assist in the assessment and measurement of some variables.

The levels of measurements used within this research are depicted in Table 4.1 which gives the rationale of the main survey questionnaire. Furthermore, it presents the relationships between the research questions, the variables, their level of measurements and the type of analyses used under each of these categories. The measurements used were nominal measurements which were mutually exclusive, for example, locations of business, nature of business, alternative ways to grow the business, were quite common within the research. Ordinal measurements reflected a rank order amongst the categories and matrix-rating have been used in several areas to reflect such variables. The numbers that were used to represent the measurements on a scale or index had no meaning as they were not used for comparisons (Babbie, 1990). The interval level has not been used within this research, as examples of such measurements are when there are a set of observations in which the distances between each observation is constant, such as kilograms and minutes. The Ratio measurement that has the same interval measurement but has a zero position, such as number of years of experience, age of business and turnover/income are all utilised within the research. In addition, in order to make comparisons between factors and test inter-related variables, correlation statistical analysis was required in the form of cross-tabulation. The inferential analysis was informed by the variables and their respective levels of measurements used within this research.

The purpose of cross-tabulation was to show the relationship (or lack of it) between two variables) as they had been used within the main study in order to obtain a quick and easy way to identify any associations between the dependent variable growth and profits and the independent variables such as challenges (of the construction industry), characteristics of business and growth objectives. Cross-tabulations did not reveal everything that was required about the relations between variables. The extent to which these variables related to each other were assessed better by using a statistical formula known as chi-square. This chi-square had significant values and these were the foundations for comparing variables using the bivariate analyses.

Since the data presented in this research were categorical, it could not be assumed that the BACB population under statistical investigation was normally distributed. Many statistical techniques assumed that the population distribution was normal, so potential problems could arise. Nevertheless, it was still possible to use non-parametric tests in order to test for significant differences between categorical data. This was one main advantage, that non-parametric statistical tests did not rely on the assumption that the population was normally distributed, and such tests were normally used when the exact nature of the population was unknown. Looking at the main disadvantages of non-parametric statistical tests in general, because detailed information is sometimes lost when data tends to be categorised, it becomes difficult to detect differences between categories. This happens as actual figures are not used. Therefore, non-parametric tests require such differences to be much greater if significant results are to be obtained. However, using chi-square has its own disadvantages. In the event that the expected frequencies in a chi-square test are small, then the value of the chi-square statistic will be overestimated and could lead to misinterpretation of the results. The chi-square result and significance level are only given with tables in this thesis when the result is significant; that is, when there is a less than 5 per cent possibility ( $< 0.05$ ) that the result obtained is due to chance.

Some of the questions that were answered in the course of the research were:

1. How can support be used to assist Macro (having 10 – 49 employees) who suffer from social exclusion and have been in the construction Industry for over 5 years?
2. Are there any differences between BACBs who encountered challenges of competitiveness and others that do not?
3. Is there any evidence to suggest that the more important the growth objectives to BACBs, the more profitable their business?
4. Is there any evidence to suggest that social housing as a main activity impacted on the growth of BACBs?
5. Is there any evidence that support given to BACBs have an impact on the growth?

6. Is there any evidence that challenges encountered by BACBs have an impact on the growth?

**Table 4.1 Rationale of main survey questionnaire**

Research question	Variable	Measurement	Type of analysis
How appropriate is the kind of support offered to BACBs in order to assist their growth?	Support Growth	Ordinal Matrix rating Ratio	Graph Bar chart Cross tabulation
'What levels of support offered to BACBs would impact their profits?'	Level of support Frequency of support Growth	Ratio	Graph Cross tabulation
'How would the factors such as entrepreneurial characteristics, growth objectives, strategic objectives and support affect the growth of BACBs?'	Characteristic	Nominal	Graph Pie chart (Location of clients Legal status) Cross tabulation
	Growth objective	Ordinal Matrix rating Ratio	
	Strategic objective	Ordinal Matrix rating	
	Support Growth	Ordinal Matrix rating Ratio	
'What are the support mechanisms that would assist the survival and growth of BACBs?'		Nominal Ordinal Ratio	Graph Pie chart Bar chart Cross tabulation

### **4.3.3 Questionnaire survey Design**

This questionnaire survey for this research was carried out separately and prior to the case studies so that any outstanding information not obtained via the postal survey, could be obtained from the case studies. The postal survey consisted of a self-completed questionnaire so that a considerable number of BACBs could be accessed in a quick and fairly inexpensive manner.

#### **4.3.4 Questionnaire survey rationale**

The questionnaire was designed to allow for the identification and confirmation of any relationships between model elements and factors. A 5 point matrix-rating for measuring some responses in order to capture the varying degrees to which individual factors affect growth was used. As such, the majority of questions were closed questions to facilitate quantitative analysis. Due to the rigidity of the closed questions, some responses were artificially constrained. In order to counteract this aspect, a response opportunity for other, please specify was provided wherever possible. Additionally, wherever possible there were a minimum of two rows at the end of a section having a matrix layout for any other factors to be included by the respondents.

Advantages of using the matrix type of questions within a questionnaire were that they used space efficiently; respondents tend to complete them faster, and they increased the comparability of responses given to the different questions for the participant, including being able to quickly review earlier answers to questions (Babbie, 1990). A potential problem was that there was no personal communication between the researcher and the respondent. Therefore, there would be no explanation by the researcher if there was indeed a request made by a respondent to do so. Additionally, some respondents may have misread some of the questions, assuming that they have the same answers, and so give incorrect answers (Babbie, 1990). Moreover, some questionnaires were returned quite late. Research with this type of self-completion questionnaire usually has a low response rate, especially as this questionnaire consisted of six sections which may prove quite lengthy for some respondents.

#### **4.3.5 Questionnaire: key components**

##### ***Section A - Characteristics***

This first section consisted of two sets of nominative data of the business. The first set were general characteristics of the business such as age of business; number of current and past employees (these aspects represented business size); business location; location of clients/customers; nature (or core services) of the business; the main activities of the business (whether residential, commercial, industrial; roads motorways and bridges or other); the sectors of the business (such as new build, refurbishment, repair and maintenance; or whether public or private); legal status of the business (whether sole trader, partnership, limited company, limited liability partnership, franchised operation or other); professional organisations to which owner or business belongs (for example, CIOB, RICS, RIBA, NICEC; ISE or other);



completed courses that had been undertaken by owner (such as Trade Certificates, National Certificates, Higher National Certificates/Diplomas; Bachelor Degrees, Masters Degrees/Postgraduate; PhD); years of experience (of owner within construction industry).

The second set of nominative data were personal characteristics of the owner such as education, experience; innovation; size of business; intention to expand or grow; location of business; leadership skills managerial capability; social circles; cultural background; religious background; obtaining finance from banks or financial institutions; and competition from other businesses. These were important factors obtained from the literature review that affected ethnic businesses and so they were placed within this questionnaire to obtain responses from the target group. Some of these factors eventually became independent variables and were used within the conceptual model and so addressed the second research question. In addition, this information obtained within this section helped to produce a framework that would assist in the survival and growth of BACBs.

### ***Section B – Growth objectives and procurement practice***

Dealing with growth aspirations, networking and winning contracts, including entrepreneurial characteristics, turnover/fee income and alternative ways of achieving growth, were important thus enabling the second research question to be addressed. This section was extremely important as it tackled five main aspects of the business. Initially, detailed growth intentions were required such as wanting to grow significantly, moderately or no growth or that the BACB did not know whether to grow or not. The same requirements about detailed profits and growth in employees were included. Next, detailed entrepreneurial characteristics were requested such as how important those characteristics were, in terms of assisting their business growth. These characteristics were: increase in number of employees; increase in turnover; maximise market share; improve service quality or product quality; maintain certain lifestyle of Owner; promote corporate image; create a new product or service for the market segment; good working conditions for employees; and good rapport between Owner and employees.

The third aspect which was also very pertinent to this research was how BACBs actually procured work and how effective these methods were in terms of assisting them to survive and grow. The main procurement portals mentioned were Safebuild, Constructionline, Competefor, Businesslink, Federation of Small Businesses, Supply2gov, Chamber of Commerce, PublicTenders.net, Official Journal of European

Union (OJEU) and Yell.com. Other media which were important from research literature were owner's website, advertising and brochures and recommendations. Logistics of achieving growth were the fourth aspect considered. The various examples that were offered to BACBs were: entering into one or several framework agreements within the social housing sector; entering into one or several framework agreements within other public sectors such as NHS, Ministry of Defence or Education; partnership with similar practice in same field of work; partnership with practice in another field of work; partnership with a larger practice in any field of work; consortium with other businesses; being on the supply chain of a main contractor or main supplier; being on the supply chain of a larger business in similar field of work; having access to finance; regular structured social and business networking; not considered growth for their business, none of the above or specify any other(s). The last aspect was the requirement for the turnover/fee income of the business which was an important factor and was crucial for this information to be revealed.

### ***Section C - Challenges***

Investigating both external and internal factors that affected BACBs' business growth was linked to the first research question. These factors were: competition from other businesses; social exclusion; procurement practices; discrimination from other businesses/stakeholders in terms of racial background; lack of collateral; UK Central Government and Local Government policies and initiatives; cash flow; taxation; and lack of experience and training (whilst bidding for work).

### ***Section D - Public and Private Support***

Assessing the types of support, frequency and levels of support, and how they affected business growth, also addressed the first research question. The support mechanisms were varied and they were courses and seminars; IT; e-business and specialist workshops; networking events; meet-the-buyer events; procurement opportunities; budgets that are specifically targeted for EMBs; mentors and entrepreneurial role models; promoting supplier diversity; and loans and grants.

### ***Section E - Management***

Tackling areas in which management could assist the business' survival and growth, thus addressed the third research question. The requirements were that BACBs should state the extent to which these factors enhanced their performance and growth. These factors were: human resources (including staff management and complying with laws); public relations duties, (including advertising and marketing); continuing professional development; supervision of staff; administrative duties; education training; vision/mission goals; use of resources; and main capabilities.

### ***Section F – Construction Industry***

This was the last section that focused on the characteristics of the construction industry. Research literature revealed that some of these factors which were volatility (of the economy); complexity of the different practices within the various sectors); fragmentation within the various sectors; competitiveness (of obtaining work); hostility (of the construction environment); and non-diversity of some businesses not employing EM Staff were considered in this last section could act as challenges or enablers and they addressed the first research question.

#### ***4.3.6 Pilot study Design Rationale***

A pilot study offered an opportunity to test out the research questions, objectives and to explore methods (Yin, 2003). This study enabled changes and amendments to be made before the main study was conducted. A small sample of BACBs was used in a pilot study. Their details were obtained from the same database that was used in the main postal questionnaire survey. Access to their personal details was from Safebuild and this would be explained to the participants. Safebuild database allowed the target group to be identified by their ethnic background and had granted permission to use their database. The proposed population in the main questionnaire was 60, and a high response rate is expected because as many of these businesses as possible were contacted prior to the survey being carried out, and explained the full benefits of their participation in the research.

The main purpose of this pilot study analysis was to seek to answer the research questions including testing of the questionnaire that has been fully discussed. This pilot study was exploratory and was also a precursor to inform both the questionnaire survey and the case study (Yin, 2003). It acted as a trial run for the questionnaire and Bell (1999) emphasised that this pilot study should identify areas of weaknesses that can be corrected and so that respondents within the main study will experience no difficulties when completing it. Furthermore, preliminary analysis was carried out in order to see whether the wording and format of questions would present any difficulties when the data are analysed. Fellows and Liu (1998) also argued that pilot testing is important to implement and to test whether the questions are intelligible, unambiguous, easy to answer and so on. They further stressed that obtaining feedback from the respondents would give first, the opportunity for improving the questionnaire; second, to fill in the gaps; and third, to determine the time required for, and the ease of completing the exercise. This opportunity to pilot test informs the approaches to the analysis of the responses.

#### **4.3.7 Pilot study administration and feedback from respondents**

Due to the small number of six participants in the pilot study, it was not the intention for the results from this analysis to be fed back into the integrated conceptual model (analysed and discussed in chapter three). However, all the comments that were received via the printed questionnaire booklet that was sent out to the participants were incorporated within a revised questionnaire. This revised main questionnaire in Appendix A reflected these changes. The first part of this section discusses the design, administration and logistics of the pilot study stating the reasons for carrying out the pilot study; discussing what was discovered; and stating how it informed the main questionnaire survey and the case studies. A detailed analysis of the data is presented including a summary of the findings in the next two sections.

There were three main objectives to the pilot study. First, to specifically find out whether the variables that were proposed such as challenges, level of support and growth proposed within the integrated conceptual model were experienced by the target group of BACBs. These aspects would be identified within their responses in the questionnaire. Moreover, the study was supposed to reveal other concepts that might have been present which could then be added to the existing ones within the integrated model. Second, this study was also to test the ambiguity of questions asked, including any complex or sensitive issues tackled including acting on all comments given by the respondents. Finally, to fill in any of the gaps created between the information in the literature review and those obtained after the pilot study analysis.

The covering letter for the pilot study was kept as short and brief as possible. It described the nature of the project, the requirements from the respondents and explained the benefits to them from completing the questionnaire. The purpose of the explanation was to encourage a high response. Furthermore, in order to boost the response rate, all participants were contacted by telephone and asked whether they would be willing to take part in the study. In the event that they expressed their willingness to take part in the study, the questionnaire was sent out to their business address in the post. The aim of the research was explained to each of the participants during the telephone conversation, that it was to explore small businesses' opinions and views about the challenges encountered or factors that affected BACBs' survival and growth. Moreover, the pilot study would like to identify the challenges that their business encounters in the areas of winning contracts; the support that their business receive, and any attitudes that they may have had in the area of survival and growth.

In addition, the information which they gave at this stage would assist towards the provision of more appropriate support mechanisms being made that would assist BACBs' chances of survival and growth. The participants were also informed that their answers would be kept strictly confidential, private and anonymous, and the data will be kept secured, according to the University's policy of Academic Integrity. In the event of them being unhappy or uncomfortable with answering any of the questions, they should not complete that particular question.

At the rear of the pilot study questionnaire booklet, respondents were asked how long they took to complete the pilot questionnaire. In addition, they were asked whether there were any questions that were unclear or ambiguous or irrelevant, and if so, to indicate which ones, and why they felt that way. Respondents were also asked whether they objected to answering any questions, and if so they should state why. They were also asked whether there were any major topics that were omitted and whether the layout of the questionnaire was clear, well presented or difficult to complete.

Feedback from the pilot study showed that answering the questionnaire took between 20-35 minutes. However, majority of the respondents stated that none of the questions were irrelevant or unclear. No one objected answering any of the questions, however, one respondent expressed disappointment as to the overall theme of the study. That particular view was that the aspects tackled had been studied previously, which was the *them and us* scenario with regards BACBs bidding for contracts and obtaining work from the public sector. *Them* presumably being public sector clients or stakeholders, and *us* being BACBs, and that the aspects of joint working and collaboration with stakeholders were not tackled within the questionnaire. Another popular sentiment was to have the questionnaire in electronic form so that it could be completed more conveniently by some. Based on the feedback given by the respondents, there were two main issues raised. The first, being the length of time taken to complete seemed excessive, with one respondent going beyond half an hour. This led to an overview of the questionnaire and several of the questions were shortened without losing their essence. A number of the categories within the questionnaire were also combined without omitting essential information.

Another example where consideration was given to the sensitivity towards the response was that of the respondents' Income/Turnover. Respondents were not asked to write down any specific figures, or even state a range of figures, which would aid in obtaining a higher response rate in that area of financial profile. Instead they

were just asked to indicate by putting a tick against a range of figures. However, there was no need for any major overhaul of the structure of the questionnaire; no questions had to be deleted, neither was there need to redefine or rephrase in order to resolve any ambiguities. The second aspect of not tackling the joint collaboration had been addressed in the various support mechanisms which dealt with networking on various levels. Finally, the questionnaire was put into electronic form for those who wished to complete it electronically.

Due to the very small number of BACBs that participated within the pilot study, only frequencies were investigated, using SPSS, but no other statistical analyses were used. The main survey questionnaire was analysed using the Descriptive analysis which was implemented by SPSS and consisted of two main areas: (1) the frequency distribution of the BACBs with regards to all the various aspects being investigated was represented in percentages and presented as tabulation or as bar charts or pie charts; (2) the measures of central tendencies was used to reveal how BACBs function as a typical group with regards to aspects of levels of profit, type of support taken up and so on, making use of the mean, The software package chosen was because of its advanced techniques in data reduction and in the interpretation of numerous factors (Brace et al., 2003).

## 4.4 Data analysis of pilot study

### 4.4.1 *Business and characteristics of owner*

#### 4.4.1.1 *Age profile of respondents' business*

The minimum age was 3 years with maximum 19, a good even spread, with average being 9 years, so the group was well established and did not consist of start-up businesses which usually exhibit different challenges.

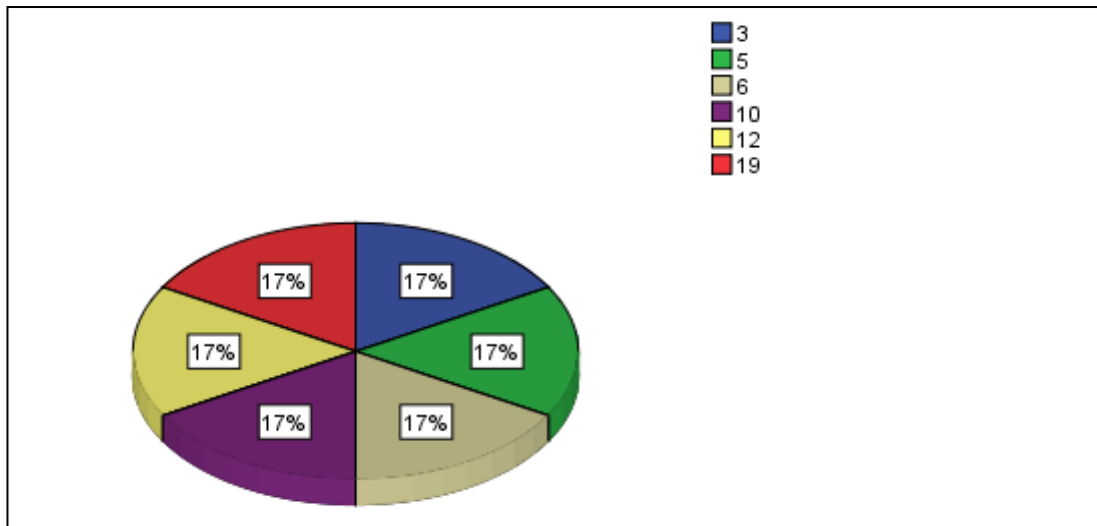


Figure 4.5 Age profile of respondents' business

#### 4.4.1.2 Number of employees (Size of respondents' business)

All of the businesses had less than nine employees. Number of employees had reduced to a third within three years, so it is suggested that some businesses were in fact retrenching or downsizing. Half of respondents did not have any current employees, whereas a third of them had just one current employee which reflected the research literature about such businesses having none or very few employees.

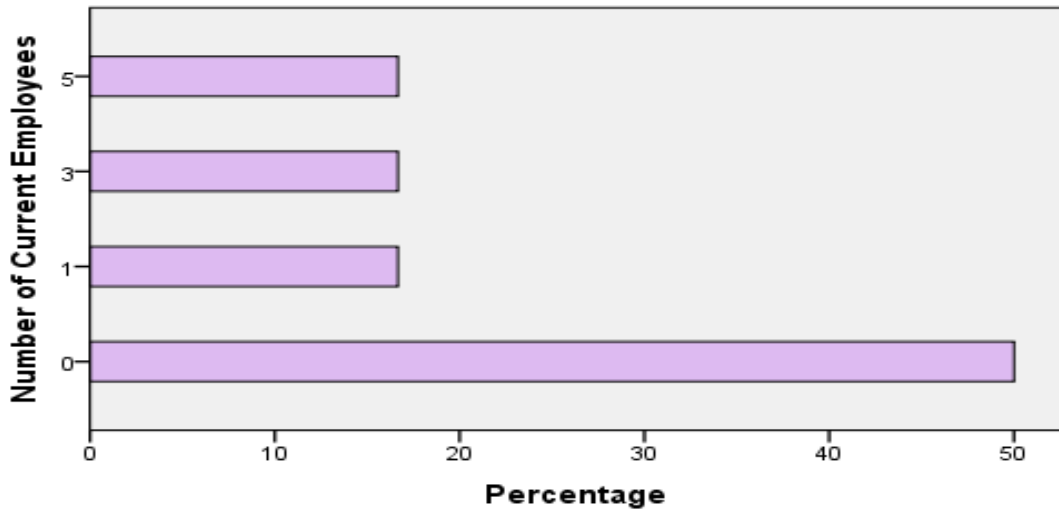


Figure 4.6 Number of current employees

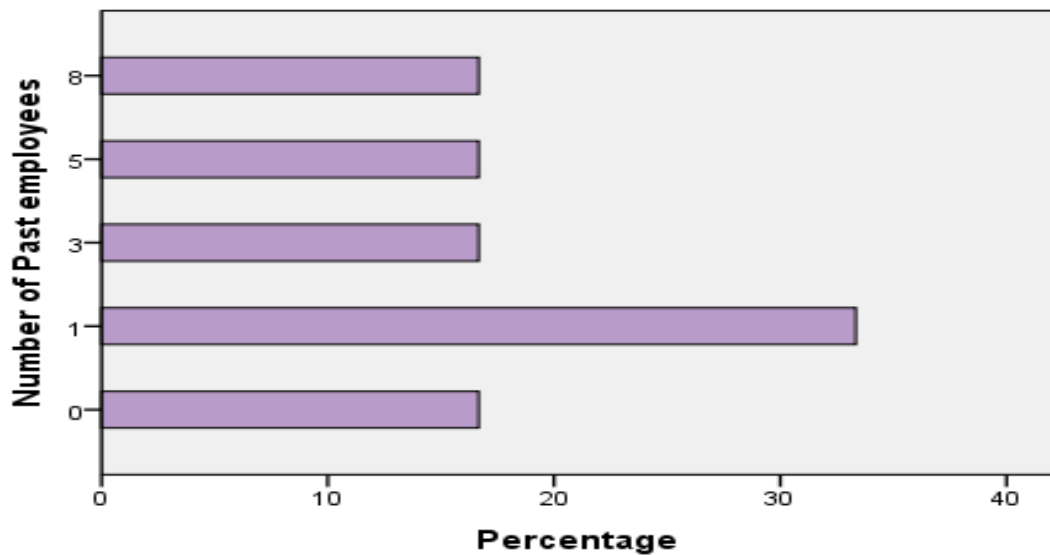


Figure 4.7 Number of past employees



#### 4.4.1.3 Location of respondents' business

All respondents shown in Figure 4.8 were based in the Southeast of England or in London. South of London, Southeast and Southwest had 50%, whereas 33% were located in North London and 17% were in West London.

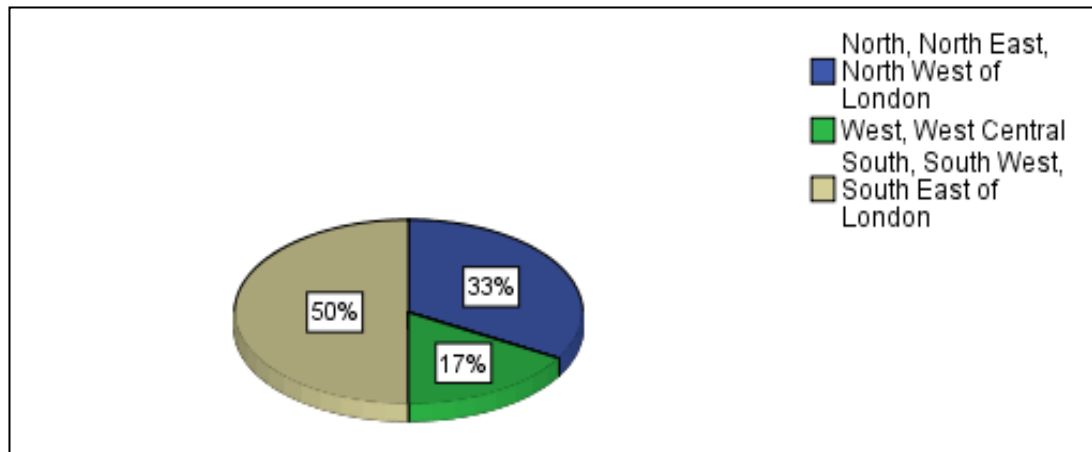


Figure 4.8 Location of respondents' business

#### 4.4.1.4 Location of clients/customers of respondents

All of respondents' clients/customers were based in London and about 11% were also based outside London which is understandable due to the location of their businesses. These results were similar to the location of BACBs, because they were likely to be in close proximity to their clients/customers due to the nature of the various core services provided in Figure 4.9.

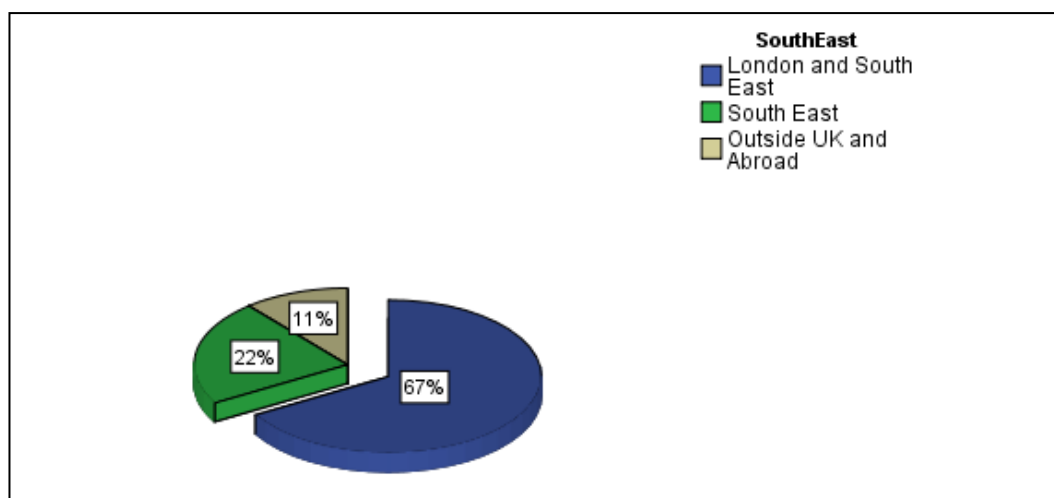


Figure 4.9 Location of clients/customers of respondents

#### 4.4.1.5 Core services of respondents

Architectural and engineering and other professions such as quantity surveying show an even split of 33% in all three core services depicted in Figure 4.10.

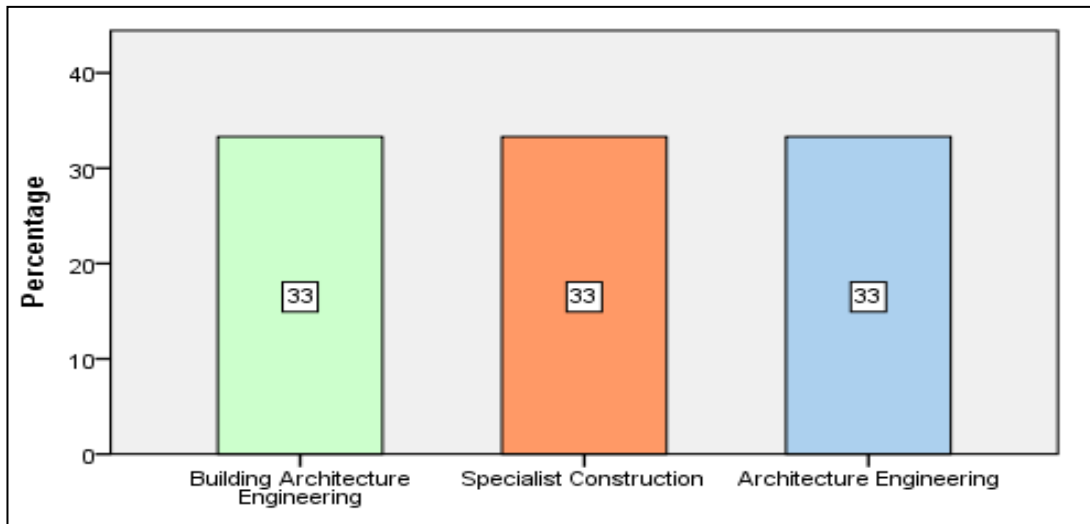


Figure 4.10 Core services of respondents

#### 4.4.1.6 Activity sector of respondents

Figure 4.11 presents the residential sector as the most popular in which 83% of respondents carried out work. Commercial was the next popular sector, followed by others. This concentration of activity within the residential sector may be due to the higher number of clients within this particular sector, as opposed to those in the Commercial or other sectors such as industrial and office sectors.

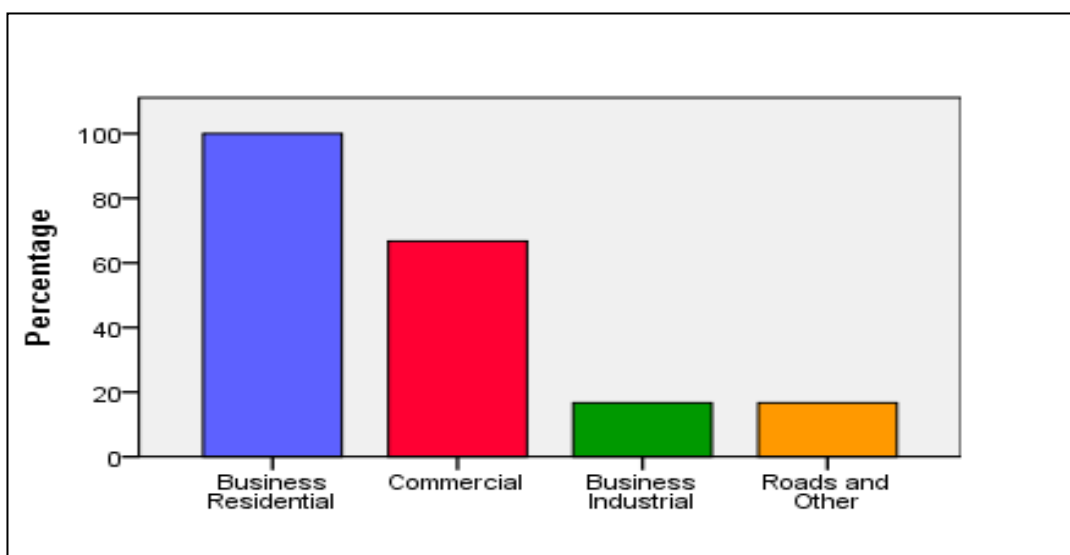


Figure 4.11 Sectors of activities of respondents

#### 4.4.1.7 Sector of activities of respondents

Results in Figure 4.12 show that 80% responded that they carried out new build work within the private sector whereas that figure dropped drastically to 50% of work that was carried out within the public sector.

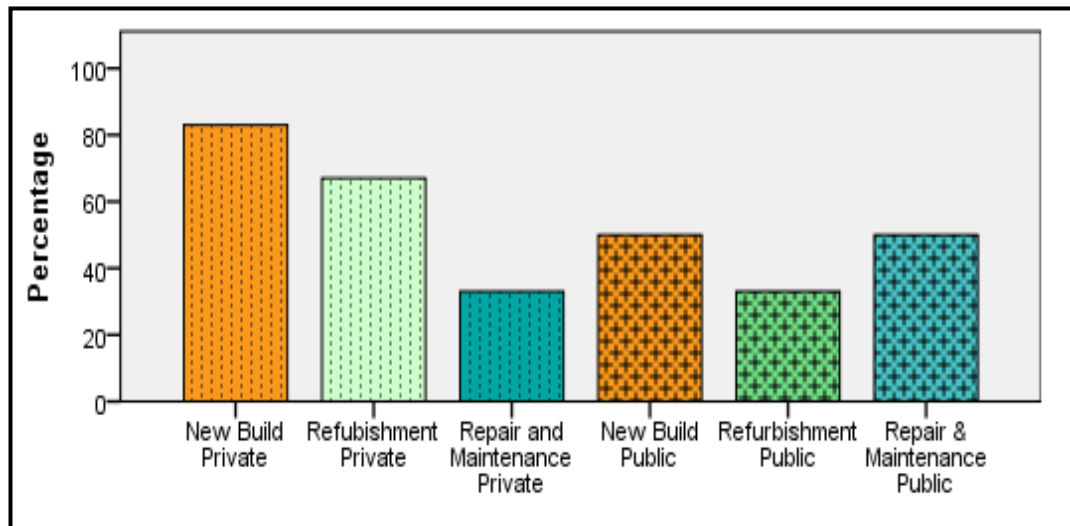
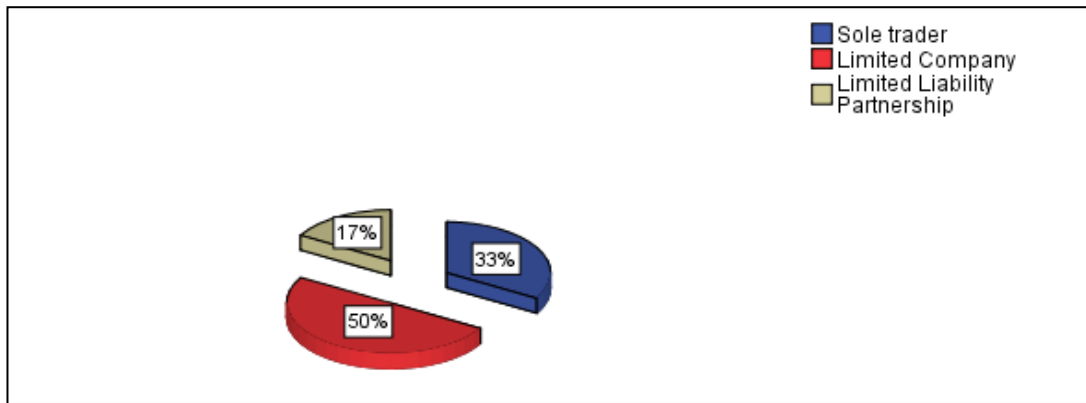


Figure 4.12 Sector of activities of respondents

The amount of refurbishment carried out was also half at 33% the amount of work carried within the public sector, as opposed to 70% in the private sector. Work carried out within repair and maintenance sector was 33% in private and 50% in public. This low activity may suggest that it was not as lucrative as the others and so businesses did not take on contracts within that field. It also suggested that those businesses may not have had the necessary skills or experience in repair and maintenance work. The same reasons could be given for the refurbishment work though contracts and consultants fees seemed high in refurbishment work, obtaining the work may be proving difficult.

#### 4.4.1.8 Legal status of respondents

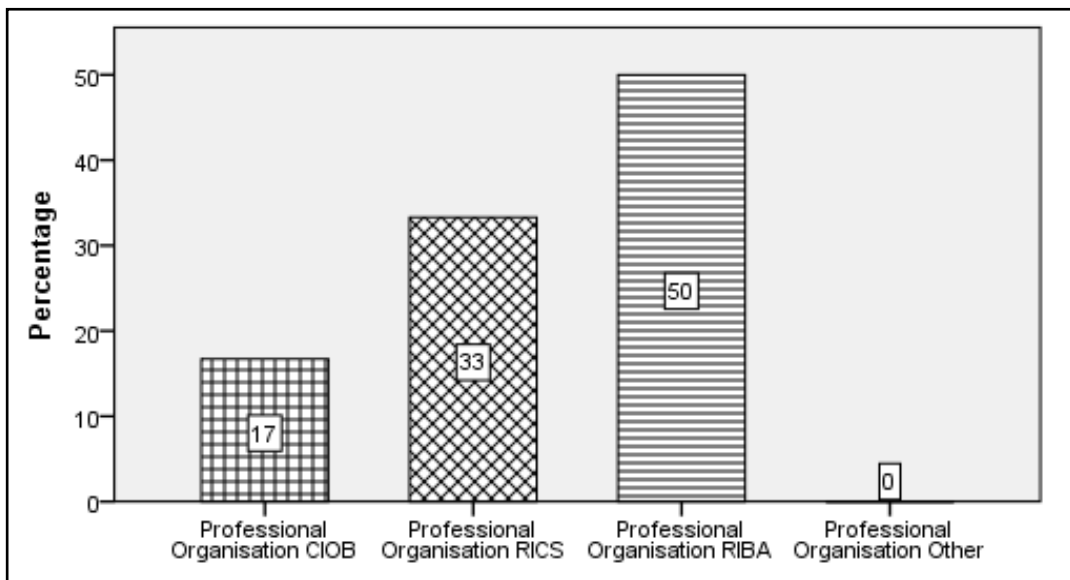
Fifty per cent of the respondents were limited companies, whereas sole traders being 33% with the rest of 17% being limited partnerships. Figure 4.13 shows that limited companies were the most popular status for businesses, as opposed to that of sole traders or limited partnership. Legal status can be very crucial in terms of growth when raising finance is required.



**Figure 4.13** Legal status of respondents

#### 4.4.1.9 Organisations to which respondents were registered

Thirty-three per cent were registered with RIBA, with a higher percentage of 50% not registered at all and just fewer than 20% were registered with the RICS. Figure 4.14 presents a low result for those registered with professional/trade organisations. It was significant to know that this high number were not registered considering that in order to bid for contracts it was critical that businesses did register in order to gain more credibility when competing against any other businesses. At this stage it seemed that architects and quantity surveyors were in the majority of owning their own businesses as opposed to contractors or builders.



**Figure 4.14** Organisations to which respondents were registered

#### 4.4.1.10 Education of respondents

All of respondents depicted in Figure 4.15 felt the need to have some form of education, and sixty-six per cent of the respondents had acquired a HNC Certificate and above. Education had usually been an asset in carrying out business operations, so this might suggest that it played a key role in growth. Those who had gained a Bachelors and or Master's degree were 67%.

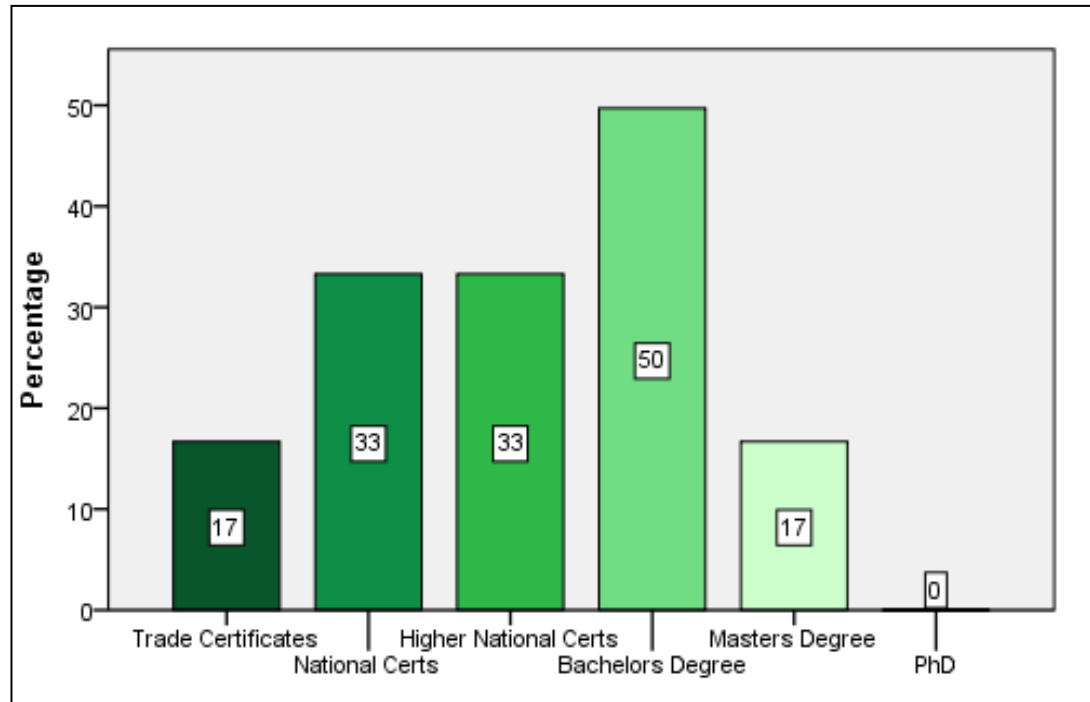


Figure 4.15 Education of respondents

#### 4.4.1.11 Experience of respondents

There was also a wide range of 29 years of experience between respondents with a fifty per cent split between less than twenty years of experience and over twenty four years of experience. This was depicted in Figure 4.16 with an indication that the construction industry was versatile to accommodate such a range and the information obtained would prove very interesting to have such a wide range of experience. This was a good representation.

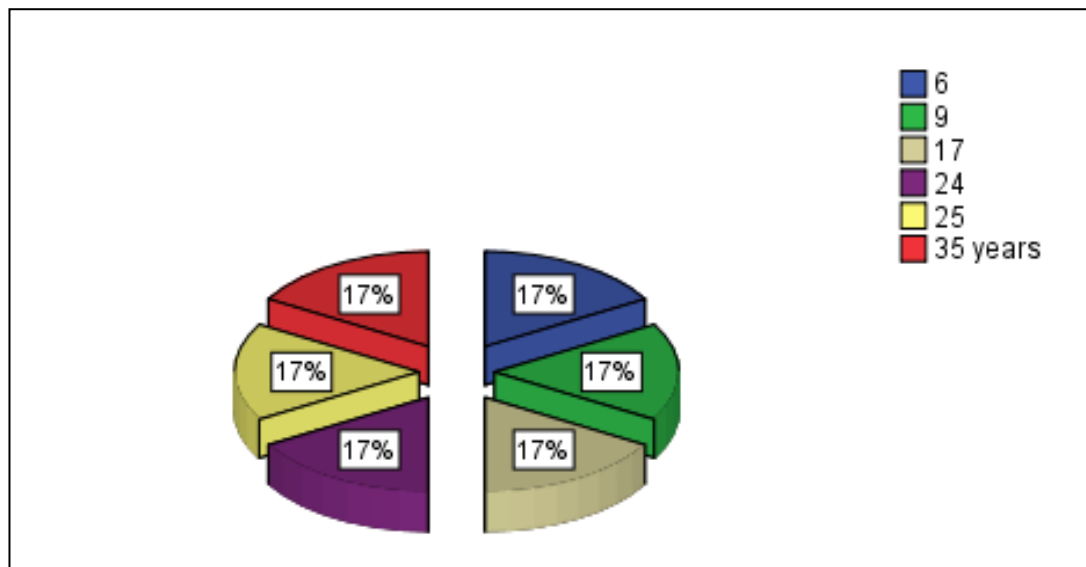


Figure 4.16 Experience of respondents

#### 4.4.2 Business and personal characteristics of respondents

##### 4.4.2.1 Education business experience, innovation, leadership skills

The following characteristics of education, business experience, innovation, growth intentions, business location, leadership skills, social circles, religious background, cultural background and access to finance and competition from other businesses were examined and because of their responses they could be categorised into four main groups.

The first category of education, business experience, innovation, leadership skills had identical favourably responses of significantly assisting their growth, with approximately half of respondents stating that leadership skills assisted their growth, except that for 15% all actually hindered their business growth. This negative response was unexplained at this stage.

##### 4.4.2.2 Growth intentions, size, business location

These had similar responses of negative impact. Business location moderately hindered 66% of respondents. Presumably, business location did not seem to be a crucial aspect because the businesses had the choice of relocating to other areas in order that more work could be obtained, thereby enhancing growth. In addition, the manner in which their work was obtained suggested that their work could be independent to their business location. A similar number of 60% also hindered their growth intentions. Over 66% were moderately hindered by business size.

#### **4.4.2.3 Social circles, cultural and religious background**

These responses were mixed. Approximately 17% responded within each of these characteristics that they significantly assisted their growth. However, their social circles moderately hindered 40% respondents. Cultural background hindered 66% of respondents, and there could also be various unrelated reasons pertaining to such responses. With regards religious background, majority responded to favourable results in enhancing their businesses.

#### **4.4.2.4 Access to finance, competition from other businesses**

Three-quarters of businesses responded that the above could act as hindrances to business growth. Twenty-five per cent responded that access to finance had no effect on growth.

#### **4.4.2.5 Competition from other similar businesses**

This factor had a cross section of significantly hindered and moderately hindered by other businesses in obtaining work.

### **4.4.3 Growth aspirations, networking and winning contracts**

Approximately 16% expressed the desire not to grow, whereas the rest admitted that they would like to grow moderately. It was split between the other groups as stating that their profits will grow up to 5% or they will grow between 6-15%. This high percentage of 66% was identical to the respondents who did not know the extent to which their employees would increase. A third stated that they thought that their employees would increase would be up to 25%.

#### **4.4.3.1 Maximising market share, Service quality, Owner's lifestyle, Corporate image New product/service, Working conditions for employees and Good rapport with employees**

The above were all fairly important to their growth of their business. Eighty per cent believed that increase in profits were considerably much more important than 40% who stated that increase in employees was not important, presumably, much of their work can be carried out with less amount of employees. Two thirds mentioned that maximising market share was important. Service equality was evenly spread between respondents. Two thirds responded that lifestyle was important, whereas the remaining thought that it was not important. In contrast, corporate image was seen as extremely and significantly important reflecting a percentage of 83%. A new product or service delivery was spread thinly across being extremely important to not being important. The aspect of service quality may not have been applicable to some

BACBs. Responses to providing good working conditions for their employees and having a good rapport with them were identical, as these aspects shared some synergy between the two.

#### **4.4.3.2 *Winning contracts by registering with organisations***

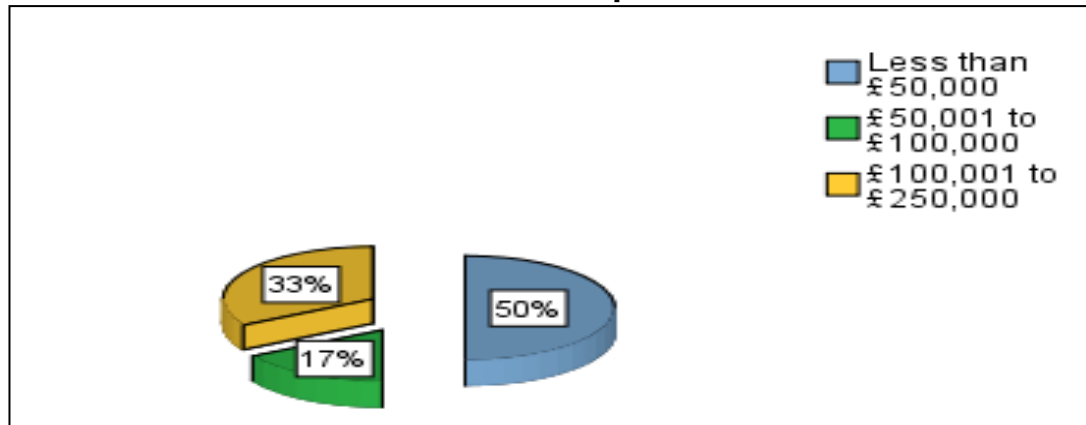
Eleven organisations were listed within this question in order to identify in which areas respondents were trying to find work and to win contracts. The organisations were not set up specifically for EMBs, so all businesses whatever the size were welcome to pay and register, whilst some of them provided a free service. A third was not registered with the organisations listed, and the same proportions were registered with both Constructionline and OJEU, whereas, the remaining subscribed to Yell.com. The success rate of winning contracts whilst registered with some of these organisations was very low and thus significant. For instance, the response with regards Constructionline was significantly or extremely unsuccessful by a small minority of 16% that had registered with the organisation. The other media which were included were Yell.com, own website, advertising and brochures and recommendations (by word of mouth) were more successful avenues in order to create opportunities for obtaining work and contracts. The personal aspects such as the business's website or to recommendations and advertising brochures gave more positive responses.

#### **4.4.3.3 *Alternative ways for achieving growth had no response***

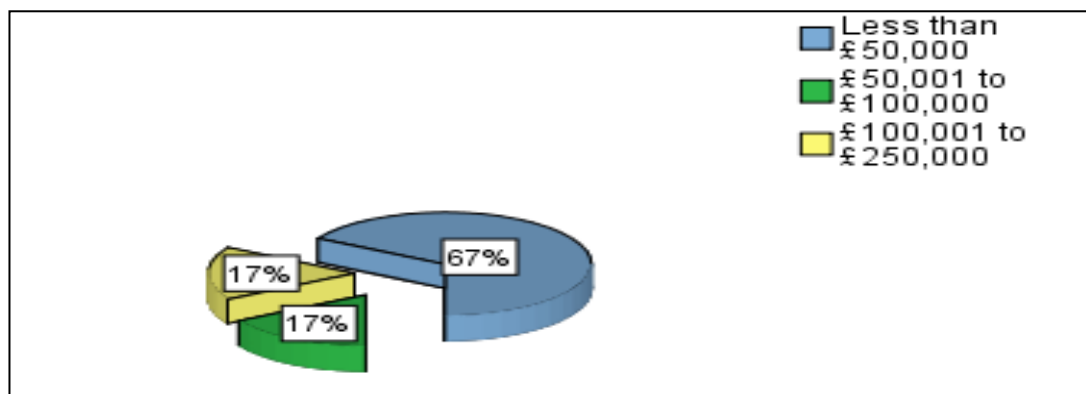
This showed that even though all of them indicated that they would like to grow, the details or logistics of how to achieve this may not have been fully worked out. The most popular response was to partner with a similar business. The next popular response was to enter into a framework with a social housing client.



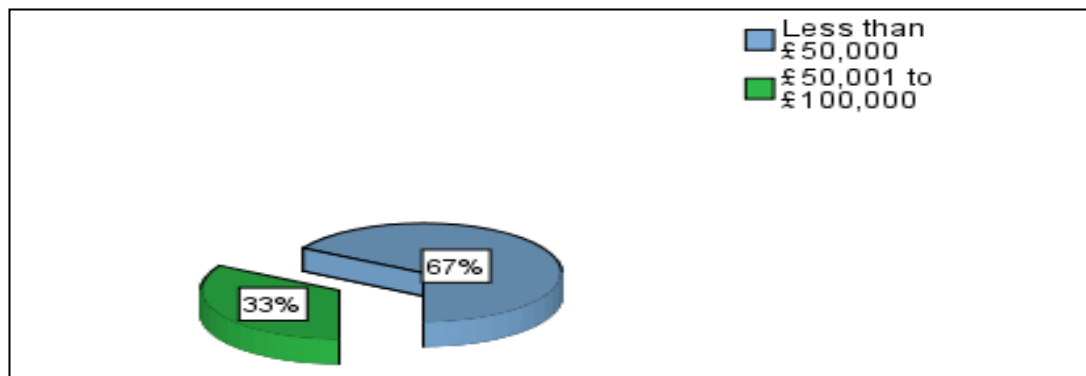
#### 4.4.3. Turnover/Fee income of respondents



Turnover/Fee income 2007



Turnover/Fee income 2008



Turnover/Fee income 2009

**Figure 4.17 Turnover/Fee income of respondents**

The percentage of businesses whose Income were below £50,000.00 gradually increased from 2007 to 2009. The gap between the businesses had also reduced by over 150% from 2007 to 2009.

#### **4.4.4 Factors that impacted on growth**

Response to those factors of competition, procurement practices, social exclusion, discrimination, social and cultural background, lack of collateral, UK Central and Local Government Initiatives, cash flow, taxation, lack of experience were interesting as all of them hindered or assisted in some form or the other.

##### **4.4.4.1 Competition**

More than a third indicated that their business growth were neither assisted nor hindered by competition. This was in contrast to research literature, as this factor was one of the main challenges to growth for SMEs and so a higher figure was expected here.

##### **4.4.4.2 Procurement practices**

This factor neither assisted nor hindered this group of businesses.

##### **4.4.4.3 Social exclusion**

Social exclusion hindered more than assisted the respondents.

##### **4.4.4.4 Discrimination**

Discrimination (due to skin colour) assisted in a positive way for some of the businesses. However, discrimination significantly hindered, but also significantly assisted other respondents.

##### **4.4.4.5 Social and Cultural background**

Responses were mixed.

##### **4.4.4.6 Lack of collateral**

This factor was evenly spread out and did not tell whether this factor did actually manifest itself as a challenge in the businesses' survival and growth.

##### **4.4.4.7 Central and Local Government Initiatives**

Mixed responses were obtained reflecting the different perception of this group.

##### **4.4.4.8 Cash flow**

Sixty-six per cent of respondents were moderately hindered.

##### **4.4.4.9 Taxation**

Taxation neither assisted nor hindered the **respondents**.

#### **4.4.5 Public support**

From the research, taking up some form of support should assist the development or growth of a business. However, majority of the respondents had not taken up any type of support during the last three years. This was very important and significant that the take-up rate of public support was extremely low.

#### **4.4.6 Private support**

This information was very significant as it was assumed several of these support mechanisms were paid for by half of the respondents whose success rate of obtaining work was low after participating in a number of support mechanisms such as networking events, meet-the-buyer events, procurement opportunities, special budgets to assist EMBs, supplier diversity, loans/grants and mentorship. However, not surprising, the results were similar to those of public support.

#### **4.4.7 Management practice**

Research literature asserts that businesses which have strategic objective or some form of management structure enhances their performance. The management practice of this group suggested that some of the structures were not in place and so could not categorically state whether their business were benefiting from such a structure. Continued professional development was considered important as it was the only aspect that all respondents agreed did not hinder their business in any form. Only the administrative duties moderately hindered a tenth of the businesses. The main capabilities and resources assisted over half of the respondents and vision and goals were important too. From the results obtained could it be that because they are small businesses, they struggle with keeping their administrative work up-to-date, as compared to larger businesses?

#### **4.4.8 Characteristics of the UK Construction Industry**

This was a mixed response. The only consistency was that for each characteristic, (volatility, fragmentation, competitiveness, complexity, hostility and non-diversity) some of the businesses stated that it assisted whilst others stated that it hindered their growth. This inconsistency and varied response revealed that each business owner perceives their business in a different or specific manner.

#### **4.4.9 Summary of findings that informed main questionnaire and case study**

Both research literature and empirical evidence have revealed that *support* is a very important factor with regards SME's growth, including BACBs. Support was also incorporated within the integrated conceptual model developed in chapter three, and it is one of several factors that would be analysed in the Data analysis chapter. However, majority of the respondents had not taken up any type of support during the last three years. The questions to be asked about why this has not happened: Was the business not aware of such support? Did the business not need any support to assist in its growth? Was the business aware of the support, but had no time to take-up any? These questions could only be answered by carrying out a cross section of case studies in order to determine why such businesses did not take-up support offered by the UK Government. With regards private support offered, it was assumed that several of these support mechanisms were paid for by half of the respondents whose success rate of obtaining work was low after participating in a number of support mechanisms. However, as with public support, the results reflected empirical evidence that cited low take-up by EMBs and BACBs.

Another significant result that would inform both the main survey analysis and the case study was that concerning procuring contracts in order to get work and so to survive and grow. Eleven organisations were listed within this question in order to identify in which areas respondents were trying to find work and win contracts. The organisations were not set up specifically for EMBs, so all businesses whatever the size were welcome to pay and register, whilst some of them provided a free service. However, the success rate of winning contracts whilst registered with some of these organisations was very low and thus very important and significant. Interestingly, the other media which were used by respondents in order to create opportunities for obtaining work and contracts that included Yell.com, own website, advertising and brochures and recommendations by word of mouth were more successful avenues and positive responses were given in winning contracts.

## **4.5 Research Methods**

### **4.5.1 Main questionnaire survey and justification**

An in-depth discussion concerning the research design, including the levels of measurement and the questionnaire design was carried out in Section 4.3. This section now gives the justification of using a main questionnaire survey and how it

informed the case study design. The main questionnaire survey was utilised first, to obtain attitudes, perceptions and opinions from a large number of BACB respondents. These dimensions were relevant as they were obtained from the critical literature review that revealed numerous factors and concepts that affected survival and growth of BACBs. Second, this information on attitudes, perceptions and opinions were statistically analysed, in Chapter 5, and extraction of data produced correlations and associations (Section 5.2 – Section 5.12) between key factors that affected survival and growth of the respondents. This operationalisation of factors into indicators assisted in the testing of the model that would attempt to assist in the provision of more appropriate support mechanisms for BACBs. Third, a summary of the findings in Section 5.13 was grounded in the underpinning theories that were discussed in Chapter 2 and Chapter 3, thereby identifying challenges, the growth factors and several other aspects that impacted the survival and growth of BACBs. Fourth, the results obtained from the quantitative summary (Section 5.13) concerning the variables that had associations with growth were tested within the framework, using the case studies (qualitative approach) that were discussed in Chapter 6. These case studies were evaluated (Sections 6.2 - 6.8) and the results were summarised in Section 6.9. This summary in Section 6.9 was an in-depth discussion that revealed several concepts that were determinants of growth, thereby validating the framework. After the validation of the framework, and determinants were identified, results from both the main questionnaire survey and the case studies were compared and analysed in Chapter 7. Emerging themes were revealed (Section 7.2 and Section 7.3) and implications for theory, entrepreneurial policy, support provision and industry practice were discussed in Chapter 8. Furthermore, a framework was developed and recommendations for the provision of more appropriate support mechanisms to assist in the survival and growth of BACBs were also discussed.

Data collected facilitated the determination of the strength of associations and correlations between the key factors that affected the survival and growth of respondents. This data was extracted from six main categories: characteristics of business and owner; growth aspirations; networking and winning contracts; factors (challenges) that impact on business growth; UK Government support; management practice; and characteristics of construction industry. Majority of the levels of measurement of this data was nominal, so the data was assessed as non-parametric. Chi-square test, the non-parametric was used to test the levels of association between two factors (variables) such as level of support and growth; types of challenges (such as social exclusion, finance, discrimination) and growth; characteristics of respondents (such as experience, location, size) and profits, and

level of support take-up rate and profits (Bryman, 2008). The respondents' sample was quite small, so focus and emphases of the various analyses was primarily on relationships as opposed to numbers or sizes of groups. Hence, for example, the level of support envisaged would be highlighted as opposed the quantified amount of support offered in order to affect growth

#### **4.5.2 Case study Design, justification and selection**

Case studies are an appropriate research method when causal relationships are trying to be identified; and not just wanting to explore or describe a situation (Yin, 2003). Yin (2003) argues that the main rationale for using this method is when a particular phenomenon has to be investigated and the context within which the phenomenon is occurring, either because (i) the boundaries between phenomenon and context are not clearly evident or (ii) the context is hypothesised to contain important explanatory variables about the phenomenon.

Proponents of the case study state that the relevance of the case study as a research design within the research strategy is important. However, the case study has various definitions, but they have similar underlying trends (Babbie, 1990; Yin, 2003; Gerring, 2007). Similarities are that a group or unit are to be investigated or studied in some depth, and this study should be structured in such a manner that the evidence obtained should be traceable in some form or the other and that the study has to answer the research questions.

Babbie's (1990) definition of a case study is a comprehensive description and explanation of the main components of a given social situation having logical interrelations of its various components. Yin's (2003) use of multiple sources of evidence, the establishment of a chain of evidence, and the reliance on pattern-matching and explanation-building Yin (2003), argues that case study research can be qualitative or quantitative, these attributes of types of data are essential in obtaining an overall picture of the problem and in obtaining answers.

Gerring's (2007) definition of a case study approach is that of an intensive study of a single unit or a small number of units (the cases), for the purpose of understanding a larger class of similar units (a population of cases). He argues that a main flexibility of case studies is that they may employ both quantitative and qualitative for the gathering and analysis of evidence. However, the problem arises when the focus is on

a small number of cases that are expected to provide insight into a causal relationship across a much larger population of cases, such as is presented here in this research. This is one of the main criticisms of non-representativeness and a lack of generalisability, and it does present challenges in the selection of appropriate cases in order to carry out the case study. Gerring (2007) offered a strategy of case selection: typical, diverse, extreme, deviant, influential, crucial, pathway, most similar or most-different research designs. However Yin (2003) argues that case studies are generalisable to theoretical propositions but not necessarily to populations.

Key characteristics of the cases in this research were identified which highlighted differences. The cases would be carefully selected because they exemplified a number of contrasting features such as Gerring (2007) suggested. However, some of these features were initially based on characteristics that were obtained from the economics of entrepreneurship, ethnic entrepreneurial and business growth disciplines. Additionally, these characteristics were factors used to develop the integrated conceptual model, some of which had been operationalised. The justification and strategy of selection of cases were originally in terms of (i) *similarity*, with regards core services or growth objectives (ii) *diversity*, with regards procurement profile or innovation, or age or size of business (number of current fulltime and part-time employees); (iii) *crucial*, with regards management practice; in terms of typical aspects, would be sector of activity or procurement practice; (iv) *most different*, with regards location or relationships with employees.

Due to the sensitive and confidential nature of the case study research into the private operations of the businesses, there were certain challenges encountered, that necessitated certain aspects of the research had to be carefully considered. One such area was developing relationships with the business owners and establishing trust between the researcher and the interviewee. There were varying degrees of unwillingness expressed in order to accommodate the need for conducting the research interviews. This unwillingness was mainly because of time constraints on their businesses including not being fully convinced of the benefits (already explained to them) to the BACB community. It was with the perseverance and tenacity over twelve months in building a relationship of trust and with good intentions that these case studies were finally carried out.

Justification for adopting the research methods such as the case study strategy lies in the principle purported by some research scholars such as Yin (2003); Bryman (2008); Creswell (2008). They argued that the nature of the research topic and

questions should influence the actual selection of a strategy. To reflect their view point, as well as to conform to the concept of triangulation, the most appropriate research method to satisfy the aims of this research is to embark on both quantitative and qualitative research. This is in keeping with the view that the aim of researching social life is best achieved using a hybrid of the two traditions.

A case *study* investigates an *individual, a group, an institution, or a community* to answer specific research questions and consists of a variety of different kinds of evidence that are to be obtained in different ways (Gerring, 2007); However, Gerring (2007) argues that skill is required in weaving the evidence into a coherent narrative and maintaining direction that is determined by the overall aims and the specific research questions, including the need to plot successive revisions of the explanations or theories Gerring (2007) described evidence that is required in a case study are:

*Documents.* (letters, policy statements, regulations, guidelines)

*Records.* (things that go back in time but may provide a useful longitudinal fix on the present situation)

*Interviews.* (an inadequate term for the range of ways in which people can give you information)

*Detached observation.* This is the fly on the wall approach and very different from participant observation: Its main use is where you need to be more systematic in how you observe.

The main research method for this case study was by interviewing. This method was particularly well suited and gathered a broad range of detailed information from a several participants, and was semi-structured. The semi-structured interview was used for this research as it combined the advantages of not deviating from the main purpose of the interview and allows several gaps within the research literature to be closed. According to Gerring (2007) the semi-structured interview is the most important form of interviewing because of its simplicity and flexibility. It offers a natural pace, fluency and responsiveness when the Interview schedule is used. Conducting a face-to-face interview had advantages of (i) the interviewer was able to clarify any misunderstanding with the questions; (ii) the participants were observed as well as being asked questions, and (iii) this type of interview decreases the responses of no answer or don't know (Babbie, 1990). Moreover, there were other various aspects that were important to the success of interviewing which were: (i) the appearance and dress code of the interviewer should reflect the participants own culture or social background; (ii) there was a familiarity with the questions by the participant as the



participant had already completed the questionnaire; (iii) responses were accurately recorded and not changing or paraphrasing responses; (iv) very little probing was necessary as the questions were very precise (Babbie, 1990).

The main reason why participation observation was discounted was because there was no substantially different information that would be obtained from such a research design that would not be obtained from a face-to-face interview conducted within a case study, and other reasons were: that (i) the criteria used in selecting and reporting observation is usually difficult especially in methods of gaining rapport, maintaining neutrality and making accurate observations (which are all important) are difficult to report. (ii) the results in the findings are usually difficult to evaluate by others in terms of generalisation and appropriateness in the conclusions. (iii) the observer would have difficulty in maintaining research procedures; (iv) unconscious biases may result due to different experiences, values and socio-economic background of observer (Babbie, 1990).

### **4.5.3      *Research tools***

The questionnaire and the interview schedule were the main research tools. Each question in both these tools was analysed using underpinning theories within the disciplines of business growth, ethnic entrepreneurship, entrepreneurship and strategic management. The UK Standard Industrial Classification of Economic Activities 2007 (SIC, 2007) was used in the main questionnaire for majority of the questions with regards the various industries and sectors. However, in the event that some questions needed clarifications, other classifications that were more common to the target groups were used. An example of this was in question 8, (with regards making comparisons of new build, refurbishment and repair and maintenance work), in order to include every aspect of work being likely to be carried out.

Whilst using the interview schedule, questions were adjusted according to the way the interviewee was responding, and the interviewee was fully engaged in a flowing conversation. Yin (2003) also argues that using a semi-structured interview with a low degree of standardisation helps the interviewer to adapt to the situation, opening up new aspects as a means of achieving a broader and more comprehensive understanding of the phenomenon.

## 4.6 Evaluation

Along with several academics and researchers this thesis adopted a hybrid of the two traditions: MMR. This viewpoint was taken as the best way to research the complexities of social life by Hammersley (1996). The choice and appropriate blend of the various research methods would capture the rich data of the group - BACB. Most importantly, accurate and reliable findings would inform aspects of the wider community and society, including allowing this current research to analyse and explain links and discrepancies between the data and theory successfully. Likewise, the fact remains that the research is set within a very specific context, so findings from the research would be contextual. Moreover, the researcher's past experiences do not form part of the systematically collected data. However, the experiences of the construction industry assisted in being able to understand the view points and experiences of others. This research paradigm adopted also enabled a holistic picture to be extracted from the analysis, as well as capturing BACBs' position within the overall context of the construction industry. This thesis also recognised the debates that underpinned the quantitative/qualitative discourse and the dichotomies of the various MMR. A combination of quantitative research methods of a pilot study and a main questionnaire survey and qualitative research method of case study using semi-structured in-depth interviews was therefore adopted.

It is appropriate at this point to step back and to ask whether the combination of research strategies and methods did in fact get rid of the inherent biases. Just as mono-methods have issues of internal validity (trustworthiness), external validity (transferability), reliability (dependability) and objectivity (conformability), so MMR has its own share of criticisms. Very few researchers actually tackle the validity in a similar fashion to the other quantitative and qualitative approaches. Part of Teddlie and Tashkkorie's (2008) design typology had design quality which was defined as the degree to which the investigator has utilised the most appropriate procedures for answering the research question(s) and implemented them effectively. The design quality consists of design suitability, fidelity, within design consistency and analytical adequacy.

Hammersley's (1996) classification of three approaches to MMR may assist at this point in trying to evaluate the robustness of this research. These were triangulation which refers to the use of quantitative research to corroborate qualitative findings or vice versa. This has already been discussed earlier. However, what happens when there are inconsistencies between the different research methods that are being used

in this concept of triangulation? What approach should be adopted in deciding which research method should take prominence over the other? Facilitation is the next approach which arises when one research strategy is employed in order to aid research using the other research strategy, and Hammersley (2005) highlights that these issues need to be addressed. This approach has also been used quantitatively in the main survey which was used to illicit information about BACBs in order to prepare research methods to be used in the qualitative case study. Complementarily is the last approach which occurs when two research strategies are employed in order that different aspects of an investigation can be dovetailed. This occurred when the integrated conceptual model was developed having variables and the case studies had to be conducted in order to validate the conceptual model.

## CHAPTER FIVE

### DATA ANALYSIS: MAIN QUESTIONNAIRE SURVEY

#### 5.1 Introduction

The research methodology chapter gave a detailed comprehensive discussion of the various statistical tests that would be used within this fifth chapter. The main objective of this chapter which is divided into eight parts is to explain the factors responsible for growth, and the structure follows the same outline as the main questionnaire. The first 7 sections consist of analysing the main postal questionnaire under the headings of (i) characteristics of owner and business (ii) growth aspirations (iii) networking and winning contracts (iv) factors (challenges) that impact on business growth (v) UK Government support offered (vi) management practice and (vii) characteristics of construction industry. The final section is the interpretation of the survey results within the context of the integrated conceptual model.

#### 5.1.2 *Rationale of analyses*

The decisions taken with regards the analyses rationale when collecting data were informed by two major constraints outlined in the previous chapter. To reiterate, the first was that the size of the population was unknown. Hence, BACBs samples was on the basis of knowledge of the population, and a matrix formed with characteristics of the target population in this case, BACBs' age of business, cultural background and so on was used in the survey to obtain a profile. The second major constraint was that there was no official national database for EMBs. However, Safebuild's database allowed the target group to be identified by their ethnic background and so the database was used after obtaining permission from Safebuild Limited. The proposed target population was identified as approximately 60 with a response rate of 60% expected. Thirty-six respondents were obtained from the sample of BACBs that participated in the main survey questionnaire.

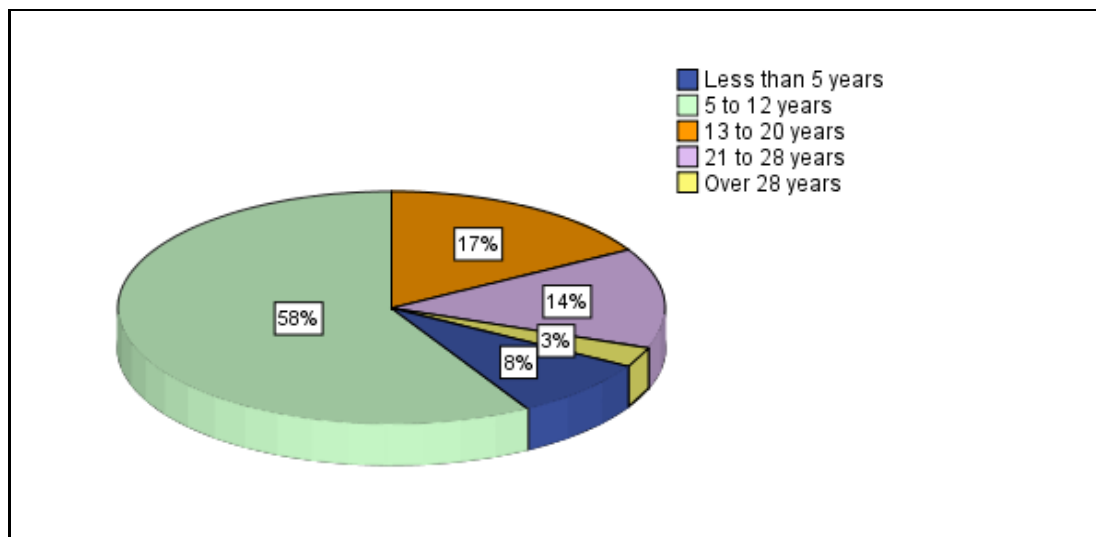
Due to the present respondent sample of BACBs, focus and emphasis of these analyses are primarily on relationships as opposed to numbers or sizes of groups. Hence, the level of support envisaged would be highlighted as opposed to the quantified amount of support offered in order to affect growth. There were 171 data entries taken from the questionnaire which were used during the various analyses. The opening section of the questionnaire survey obtained the age of business;

number of employees (size of business); location of business; location of clients/customers; core services; main activities of business; sector of activities of business; legal status; registration with professional or trade organisations; level of education; and years of experience. This demographic information requested from the sample was to give the context within which the various analyses would be carried out, and so results and findings would be used to make inferences latter.

## 5.2 Characteristics of owner and business

### 5.2.1 Age profile of business

The age range of respondents was considerably wide; ranging from a minimum of 1 year to a maximum of 30 years, with an average of 12 years. The largest group that formed 58% of respondents were between the ages of 5-12 years. The next largest group that consisted of 17% of respondents were between 13-20 years. Following close behind was the group between 21-28 years which formed 14% of respondents. The last two smaller groups formed 8% of respondents less than 5 years old, and those over 28 years consisted of 3% respectively. There were no businesses above 30 years of age. The largest single age group that was 6 years, formed 20% of respondents.



**Figure 5.1** Age profile of business

## 5.2.2 Business size

**Table 5.1** Number of employees

	Current Employees Full-time	Current Employees Part-time	Past Employees Full-time	Past Employees Part-time
Number	36	36	36	36
Missing	0	0	0	0
Mean	5.0	2.0	5.0	2.0
Minimum	0	0	0	0
Maximum	40	25	40	15

Table 5.1 portrayed the range of current full-time employees starting from zero to 40; and with regards current part-time employees, the numbers ranged from zero to 25. The mean for current full-time employees, 5 is more than double that for the part-time employees of 2. Similarly, three years ago, the number of past full-time employees were the same as the current full-time employees, ranging from zero to 40. Whereas, the range of past part-time employees ranged from zero to 15, much less than the past full-time employees. The mean remained the same for the current and part-time employees, at 5 and 2, respectively, regardless of the increase in numbers of current part-time employees.

### 5.2.3 Location of businesses

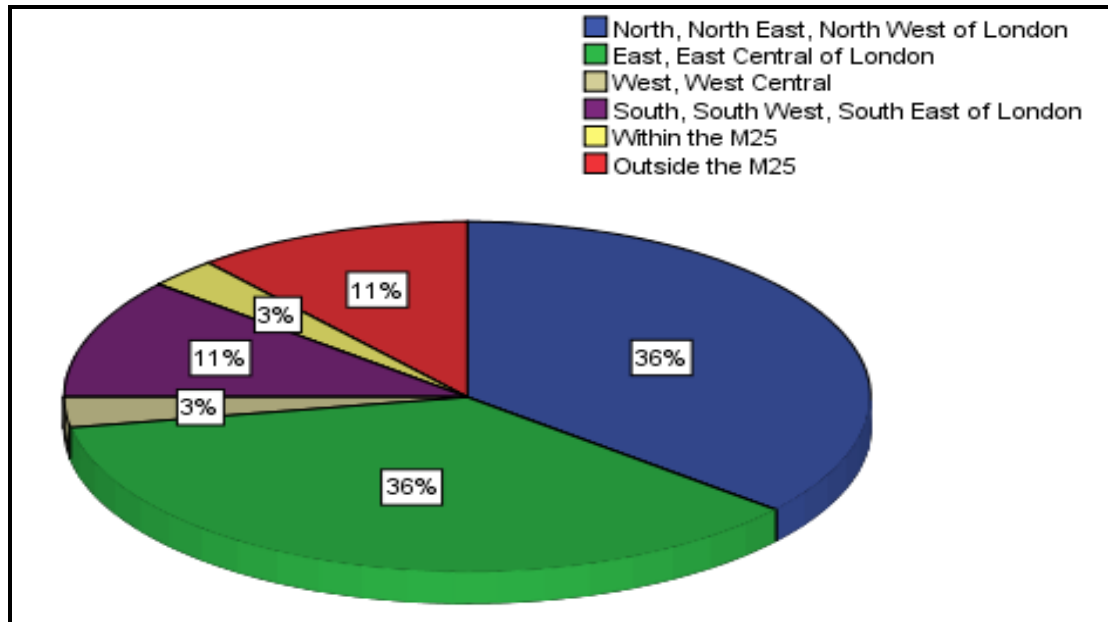


Figure 5.2 Location of businesses

Respondents had their businesses around the UK, with 14% of respondents spread out in the East of England, South West of England, South East of England and Northern Ireland. Seventy-five per cent of the respondents' businesses were located in the North, West, and East of London, which is in keeping with the research literature about EMBs (SBS, 2006) and BACBs located in the South East of England and in London (Clarke, 2007) which were not termed or designated as impoverished areas. Only 11% of such businesses were located in the south of London. This finding was in contrast to the pilot study in which majority were in the South East of London.

#### 5.2.4 Location of clients/customers of businesses

The results revealed here, in the main questionnaire survey is that three times the number of respondents 21% having clients/customers in the East, Midlands, and North of UK; and in Wales, Scotland, Northern Ireland or Abroad. Some clients/customers had multiple locations, It was understandable that the majority of respondents located in the zones depicted in Figure 5.2 were similar to the locations shown in Figure 5.3. In contrast to the pilot study, seven per cent of clients/customers were located outside the zones with high economic activity, and were equally split between the East of England, Midlands and North, and Wales, Scotland, Northern Ireland and abroad, and 93% of respondents' clients/customers were located in areas of high economic activity which are in London, the South East and South West of England. This reflects research literature as majority of EMBs are located in large cities such as London (SBS, 2006) and BACBs tend to be located in the South East of England and in London (SBS, 2006; Clarke, 2007).

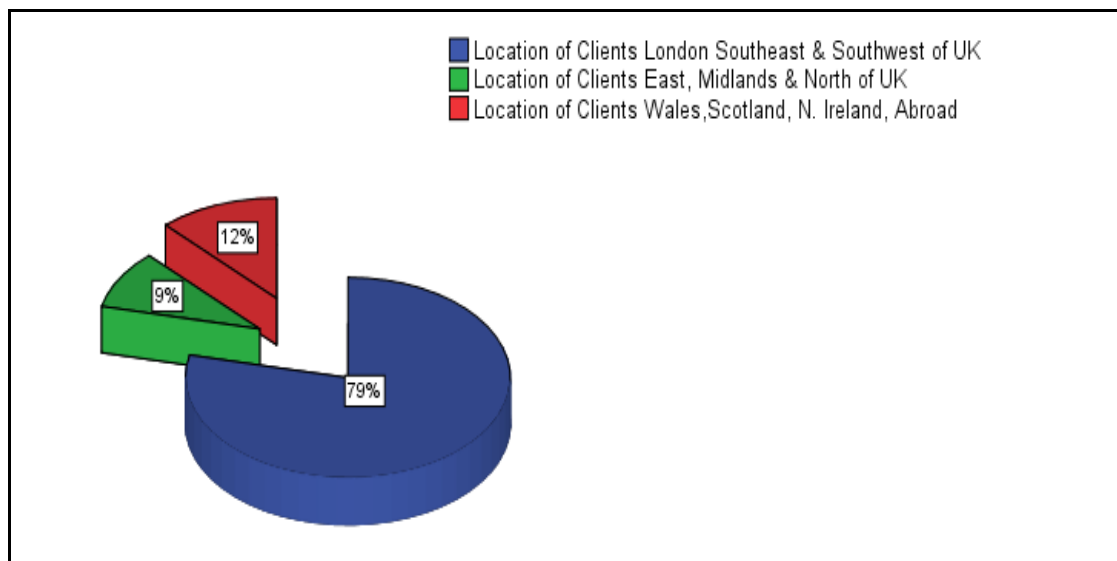
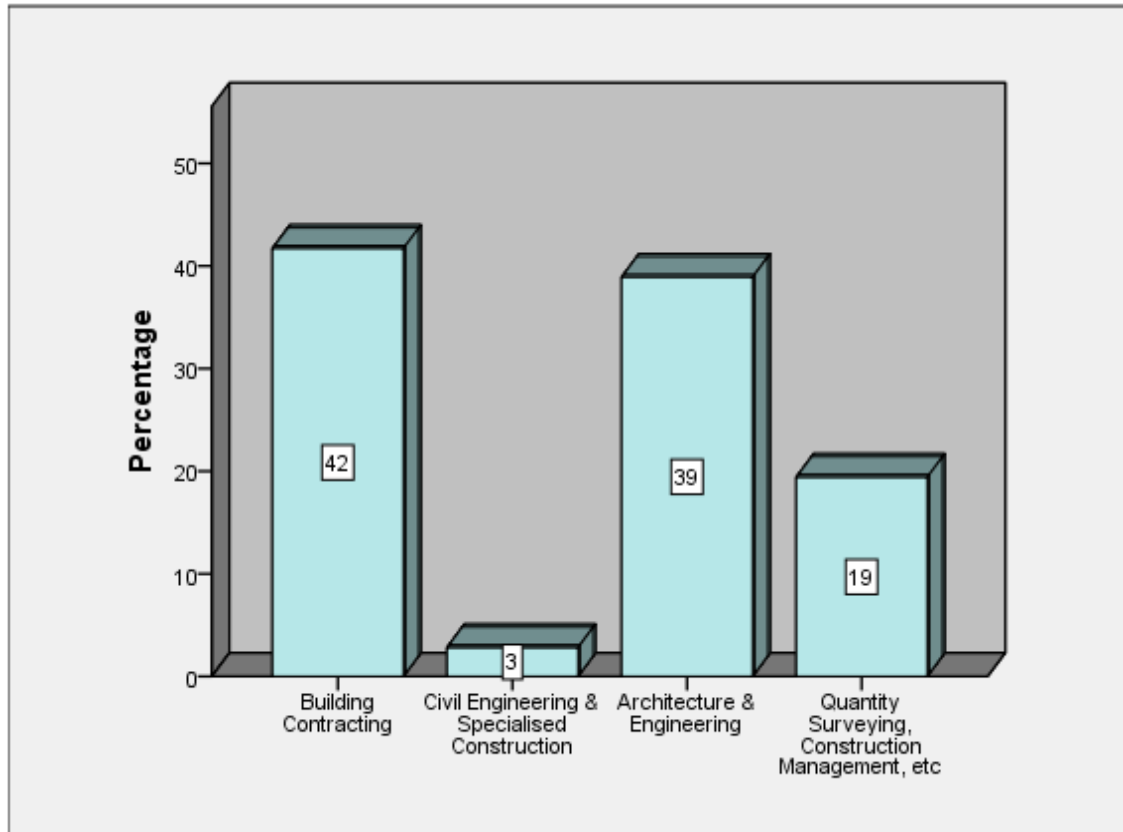


Figure 5.3 Location of clients/customers of businesses



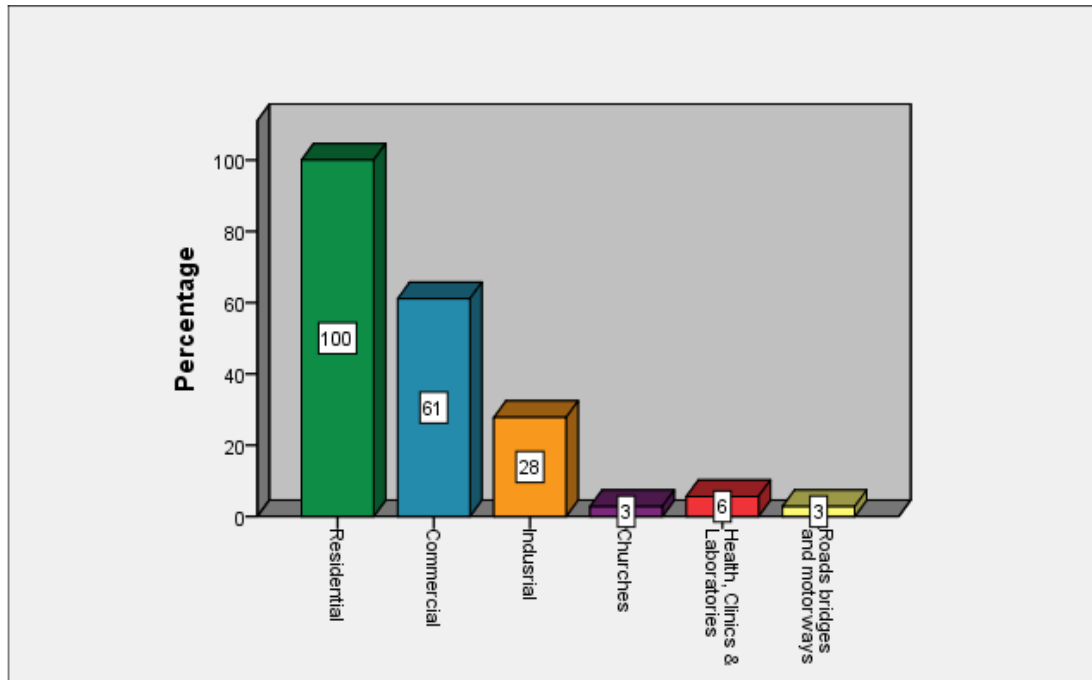
### 5.2.5 Core services of businesses



**Figure 5.4 Core services of businesses**

Respondents were more evenly spread out within the different industry sectors as shown in Figure 5.4 as opposed to the more heavily concentrated in the architectural and engineering business obtained within the pilot study. This new finding indicated that the building contracting at 42%, had the highest concentration of respondents. The results revealed that building contracting was being carried out as a single core service, as well as being carried out in conjunction with other core services. The second highest service core was architecture and engineering at 39%, with quantity surveying, construction management and other consultancies at 19% and, civil engineering and specialist construction being the least popular at 3%.

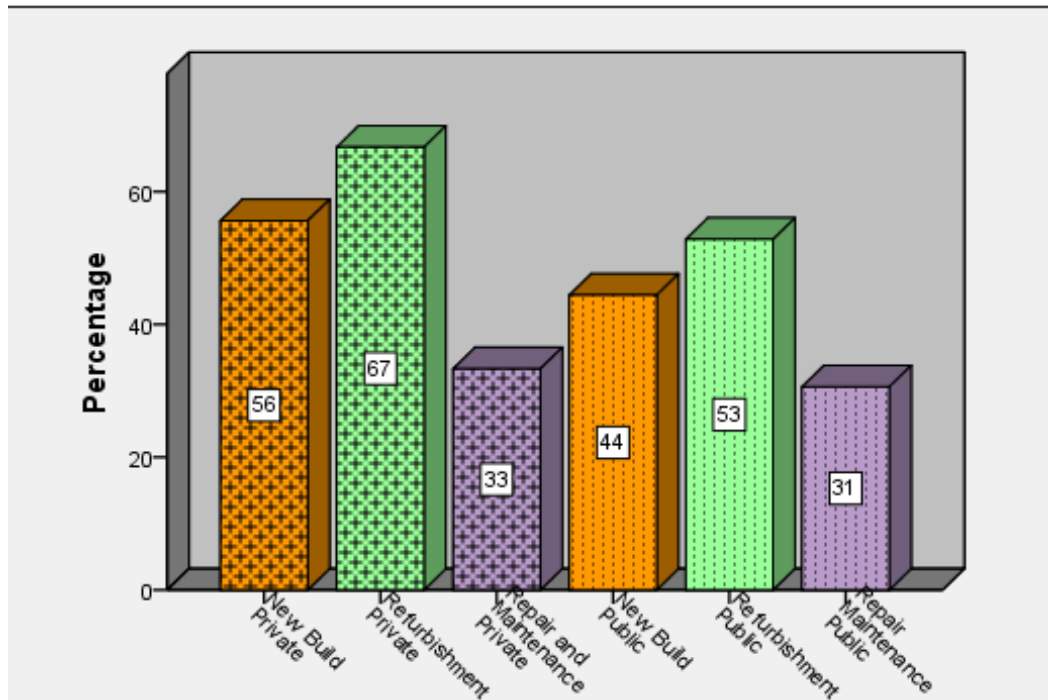
### 5.2.6 Main activities of businesses



**Figure 5.5 Main activities of businesses**

In terms of activity sectors portrayed in Figure 5.5, 100% of respondents were involved in the residential sector, and was similar to the results of the pilot study. In this survey, some businesses were involved in several activities, hence the total percentage is more than 100%. The commercial sector involved offices and shops and was also popular at 61%, second highest sector for respondents, with 28% of businesses that carried out work in the industrial sector. Health, Clinics and Laboratories involved only 6% of respondents; with the two least popular sectors of Churches and Roads/bridges/Motorways having 3% of businesses that work in those sectors respectively.

### 5.2.7 Sector of activities



**Figure 5.6** Sector of activities

Findings within the pilot study revealed that new build work carried out by 60% of respondents and 33% respondents carried out refurbishment within the private sector. In addition, even though new build work was extremely low at 33%, it was still marginally higher than refurbishment work at 30% within the public sector. Figure 5.6 showed that 56% of respondents carried out new build work having dropped only 4% from the pilot study. Furthermore, the respondents that carried out work in the new build within both private (56%) and public (44%) sectors were less than refurbishment work in private (67%) and public (53%) sectors. Another contrasting aspect was that the repair and maintenance work to which only 15% responded in the pilot study, whereas, this figure had doubled within the public sector to 31%.

### 5.2.8 Legal status of businesses

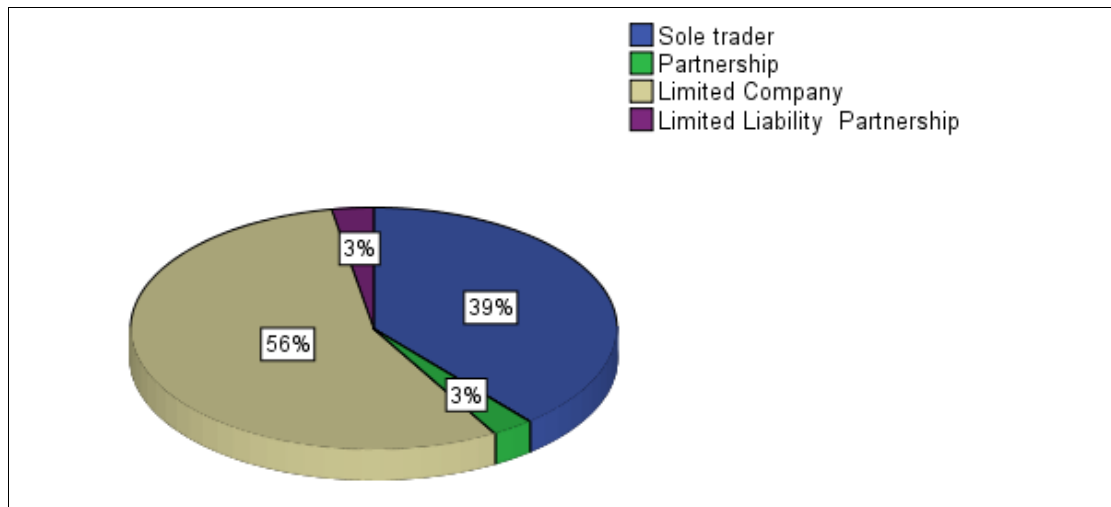


Figure 5.7 Legal status of businesses

Respondents registered as limited companies 56% was the largest group with those practising as sole traders, following closely behind at 39%. Similarly, the pilot study had almost identical figures of limited companies 50% and sole traders 33%.

### 5.2.9 Registration with professional organisation

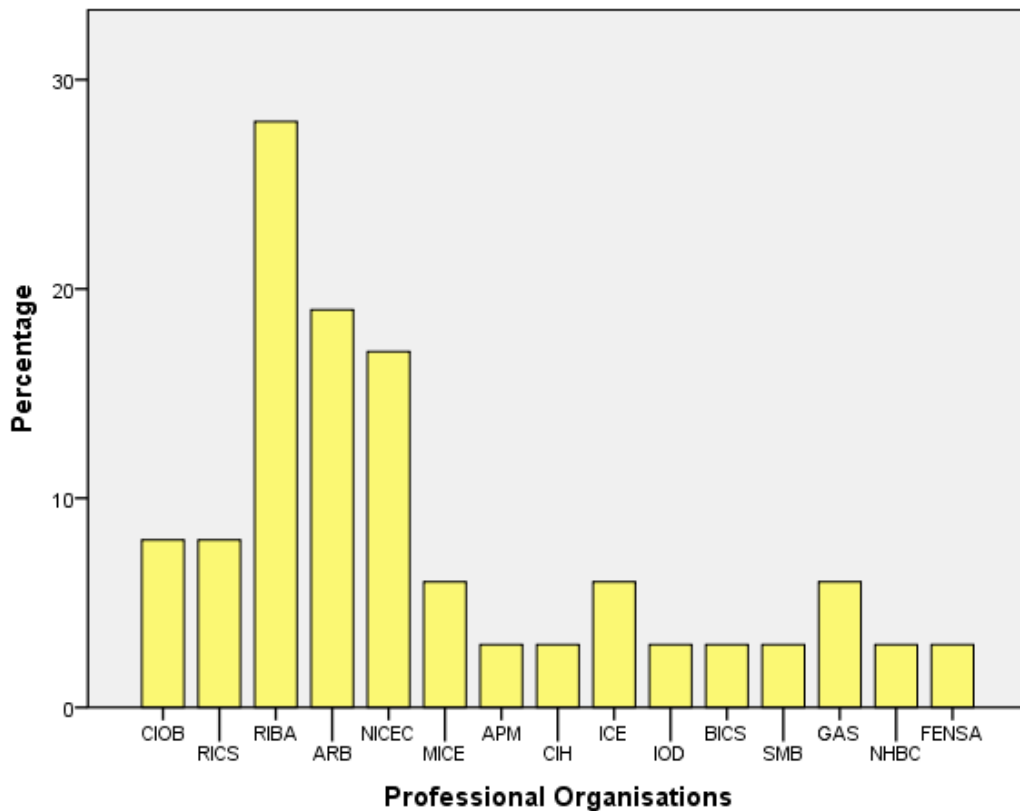


Figure 5.8 Professional organisations

The RIBA had the highest number of respondents, with 33% registered with it, following closely by the 23% respondents registered with ARB. The ARB being a legal organisation, without such registration architects were not allowed to practice. The figure of 23% was much lower and did not reflect the amount that responded in question 6 with regards their core services (of architectural and engineering) being about 40%. CIOB, RICS and NICEIC were the next organisations to which presumably, the building contractors, building surveyors, quantity surveyors and engineers are registered. Some respondents were registered with more than one organisation depending on the core services that were provided.

### 5.2.10 Level of education

**Table 5.2 Level of education**

Course	Trade Certificates National Certificates	Higher National Certificates Higher National Diplomas	Undergraduate Degree	Post graduate Degree	Doctorate
%	20	23	63	37	3

From Table 5.2, 63% respondents had undergraduate degrees. It was most surprising that even the post-graduate degree group had a higher figure of 37% than the Trade Certificates and National Diplomas (20%) and the Higher National Certificates and Diplomas (23%). These high numbers of respondents tend to reflect empirical evidence as EMBs with Black African origins tend to have a higher level of education than other EMBs from different origins as well as their non-ethnic counterparts (Fraser, 2005; SBS, 2006; WYEP, 2006).

### 5.2.11 Years of experience

**Table 5.3 Years of experience**

Years of experience	=<9 years	10-19 years	20 years and above	Average
%	17	27	37	27

The minimum number of years of experience within the construction industry for the respondents was 6 years, a maximum of 35 years, and an average of 27 years. From Table 5.4 the largest group, 20 years and above represented 37% of respondents,

with the next largest group of 10-19 years of experience and the youngest group of less than 9 years only represented 17% of respondents.

### **5.3 Associations of characteristics of business and owner**

#### **5.3.1 Parametric test**

Scatter grams are a type of statistical analysis used to reveal relationships between two ratio variables. These ratio variables were individual age of business; number of employees (size); years of experience and growth (individual turnover) the dependent variable. Positive slope and strong curvilinear relationships were revealed between age of business and growth for years 2007, 2008 and 2009 as shown in Appendix C. In contrast, number of employees (size) and individual turnover had a positive slope but weak relationship for all four categories of employees in 2007. However, for turnover in 2008 and 2009, the relationship was strong with a positive slope for full-time employees only, whereas, the relationship was strong, but with negative slopes for part-time employees. For years of experience and turnover, strong relationships were revealed with positive slopes more so in 2009 than in 2007 and 2008.

Correlation statistical analysis was used to confirm whether there were indeed relationships between those characteristics and growth, including revealing the strength of their relationships and whether the correlation coefficient was statistically significant. In order to carry out these analyses, the levels of significance were set at acceptable levels. The significant level depends on the sample size and on the size of the computed compound coefficient. Pearson's coefficient, (of R) that is used in this analysis ranges from -1.0 to +1.0. The strength of r depends on how close R is to +1.0 or -1.0; the closer R is to -1.0 to +1.0, the more closely the variables are related. No relationship or correlation exists between two variables if R is very close to, or is equal to zero.

In terms of categorical measurements, the chi-square results and significance levels are given with tables throughout this chapter, and these are in bold font when the result is significant; that is, when there is a less than 5 per cent possibility ( $P < 0.05$ ) and also ( $p < 0.01$ ) that the result obtained is due to chance. These variables will be presented on Table 5.19 at the end of the chapter prior to the Summary of the results.

**Table 5.4 Correlation between characteristics and growth (age of business; number of employees and years of experience) of respondents and turnover (growth)**

Characteristic	Turnover/Income (Individual) £			Pearson's Coefficient ®			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Age (Individual)	£0- £5million)			0.497	0.565	0.558	0.011*	0.003**	0.003**
Number of Past Fulltime Employees	£0- £5million)			n/a	0.473	0.478	n/a	0.017*	0.013*

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01level (2-tailed)

Table 5.4 depicts Pearson's coefficients which give an indication of the strength of correlation between the variables that were tested. There is evidence of correlation at 1% and 5% levels between the two sets of variables. The characteristics with the highest numbers that revealed the strongest correlation with turnover (growth) was age of business at 0.497 in 2007; 0.565 in 2008 and 0.003 in 2009. Number of past full-time employees are the second set of highest coefficients, and so they have a significant level in 2008 and 2009.

### **5.3.2 Associations of characteristics of business and owner and growth**

#### **5.3.2.1 Non-Parametric test**

For non-parametric tests, when p, the probability is <0.05, the probability of this result happening due to chance is 5% which is 1 in 20. However, if p<0.01, this probability of the occurrence happening by chance is less than 1%, or 1 in 100. Hence, the lower the probability figure, the more confident it is to conclude that there is a significant applicable to the data. With regards categorical measurements cross tabulations were used to assess any relationships between the independent variables and the dependent variable growth. Chi-square tests were also carried out to confirm the strengths and confidence or significant levels. Appendix D shows more detailed information. The subsequent tables have shown the Turnover Bands" equivalent to "up to £50,000; £50,001 to £100,000; £100,001 to £250,000; £250,001 to £500,000; £500,001 to £1million; £1.000, 001 to £5million; Over £5million". In the event of a relationship between factors and growth, they will be presented on Table 5.19 at the end of the chapter prior to the Summary of the results.

Table 5.5 revealed that the levels of significance in 2008 and 2009 for age of business and turnover were such that the relationships did not occur by chance. In a similar vein, the relationship between the number of current full-time employees and turnover in the same years of 2008 and 2009 could not have occurred by chance. The two different statistical tests from Table 5.5 and Table 5.6 revealed commonalities of age and number of past full-time employees. Other relationships that did not happen by chance from Table 5.5 were those of the number of past full-time employees and number of past part-time employees with growth. This time, both levels of significance occurred only in 2009 as opposed to business age and current full-time employees that occurred over the two years of 2008 and 2009.

**Table 5.5 Association between characteristics of business and turnover (growth) 1: (age of business; number of employees; years of experience and turnover**

Characteristic	Turnover/Fee Income (Individual)			Spearman's Rho			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Age (Bands) Turnover (Individual)	Turnover/Fee Income Bands			0.256	0.536	0.480	0.217	<b>0.006**</b>	<b>0.013*</b>
Number of Current Full- time Employees (Turnover Bands)	Turnover/Fee Income Bands			n/a	0.450	0.512	n/a	<b>0.016*</b>	<b>0.005**</b>
Number of Past Fulltime Employees (Turnover Bands)	Turnover/Fee Income Bands			n/a	0.341	0.409	n/a	0.076	<b>0.028*</b>
Number of Past Part time Employees (Turnover Bands)	Turnover/Fee Income Bands			n/a	0.236	0.448	n/a	0.227	<b>0.015*</b>

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)



### **5.3.3 Associations of characteristics of business and growth**

Location of respondents and turnover (Bands) revealed that 50% of respondents in the East, East Central of London earned up to £50,000 in 2007. Similarly, 67% of respondents located in the North, North East and North West of London earned between £50,001-£100,000 in 2008. In 2009, the change in turnover was minimal, as 50% from the East and 44% from the North now earned up to £50,000.

Concerning location of clients/customers based in the South East and South West of UK and turnover, 40% respondents earned up to £50,000 in 2007. Forty-two per cent of respondents earned £50,001-£100,000 in 2008 that had clients/customers based in the South East and South West of the UK.

In terms of core services of business and turnover, 77% of respondents within building contracting earned up to £100,000, with 31% earning up to £50,000 and 46% earned between £500,001-£1,000,000 in 2007. Eighty-six per cent of respondents that had architectural and engineering services earned up to £250,000 in 2008.

Activity of respondents and turnover had similar responses across the activities of residential, commercial, industrial, churches, health clinics and laboratories; and roads, bridges and motorways. A hundred per cent that responded carrying out residential earned up to £1million, with a similar split in core services of 36% in bands up to £50,000 and £50,001-£100, 000; 14% within £100,001-£250,000; 4% earned £250,001-£500,000 in 2007.

Table 5.6 is very detailed and revealed only the dimensions and factors that have associations with growth. The probability for any relationship not to occur by chance was between location of clients/ customers based in South East and/or South West of the UK and turnover in 2007, 2008 and 2009. Similarly, in 2007, there was a significant occurrence between location of clients/customers based in Wales, Scotland, Northern Ireland, Abroad and turnover.

**Table 5.6 Association between business characteristics' and turnover (growth): 2**

Characteristic	Turnover/Income (Individual)			Pearson's chi-square x2 Phi			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Location of Clients/ Customers Southeast/ Southwest UK	Turnover/Fee Income			0.590	0.632	0.630	<b>0.011</b>	<b>0.002</b>	<b>0.004</b>
Wales, Scotland Northern Ireland, Abroad	Turnover/Fee Income			0.611	0.583	0.500	<b>0.005</b>	<b>0.013</b>	0.139
Health Clinics Laboratories	Turnover/Fee Income			6.222	6.222	15.373	0.285	0.285	<b>0.018</b>
				0.471	0.471	0.728			
Roads, Bridges, Motorways	Turnover/Fee Income			28.00	28.000	29.000	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
				1.0	1.0	1.000			
				0.446	0.352	0.420			
				0.515	0.421	0.370			
Professional & Trade organisations CIH	Turnover/Fee Income			13.481	n/a	n/a	<b>0.019</b>	n/a	
				0.694	n/a	n/a			
IOD				13.481	n/a	n/a	<b>0.019</b>	n/a	n/a
				0.694					
GAS/corgi				14.431	n/a	n/a	<b>0.013</b>	n/a	n/a
				0.718					
NHBC				13.481	13.481	n/a	<b>0.019</b>	<b>0.019</b>	n/a
				0.694	0.694				
				0.258	0.471	0.472			

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

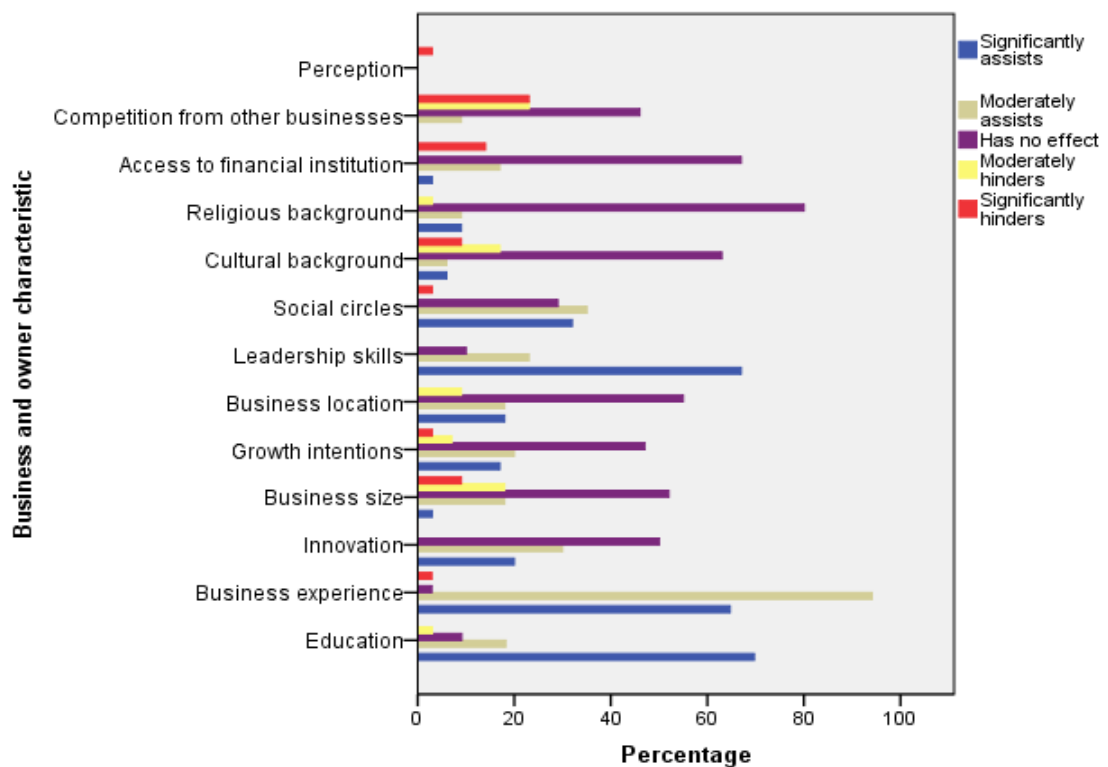
The significant level of 0.05 has also been used to in Table 5.6. Similarly, there were organisations and turnover that had significant associations; Chartered Institute of Housing, CIH; Institute of Directors, IOD; GAS/ Corgi and National Housing Building Council, NHBC all occurred in 2007. In 2008, only NHBC had any associations with turnover. These factors were included in Table 5.19.

## 5.4 Business characteristics and growth (turnover)

### 5.4.1 Characteristics of business and owner

The characteristics considered were discussed extensively in the literature review and their use in this research had been justified. They are education; business experience; innovation; business size; growth intentions; location of business; leadership skills; social circles; cultural background; religious background; obtaining finance from financial institutions and competition from other businesses. A new characteristic – *perception* was stated by a respondent.

Figure 5.11 revealed the impact of the following characteristics (in bold) of growth of the businesses. The red coloured bars were the danger signals because they showed which characteristics significantly hindered business growth: experience, access to financial institutions, competition from similar businesses and perception. Notably, the highest number at 22% responded that competition from similar businesses significantly hindered growth. In contrast, the blue coloured bars were good promising signals of characteristics that significantly assisted business: education, experience, leadership skills and social circles.



**Figure 5.9 Impact of characteristics of business and owner on growth of business**

From the coloured graph, 88% of respondents noted that **education** assisted their businesses, whereas 9% moderately hindered them in terms of growth and 18% had no effect whatsoever. Similarly, a high percentage of respondents, 95% considered that **experience** assisted their business' growth, with 65% being significantly assisted. Only 3% had no effect at all and 3% also considered that their businesses were significantly hindered by experience. Response to **innovation** was interesting as it was split evenly at 50% each between assisting businesses and having no effect on businesses. No respondent felt that innovation hindered their business in terms of growth.

Concerning **size of business**, the responses were split less evenly at 21% of respondents considered that business size assisted them, whereas 27% believed that their business in terms of growth was hindered. Fifty-two per cent believed that the size of their business had no effect on their growth whatsoever. A sizeable number of 9% significantly hindered their business growth. Only 37% of respondents believed that **growth intensions** assisted their business growth. The 10% that believed that their businesses were hindered, 3% of those were significantly hindered, and at this stage, no reasons were given for this. However, a fairly high figure of 47% considered that there was no effect whatsoever of growth intensions to their business growth. The other aspects which had similar high figures of no effect on their businesses were business size at 52%, innovation at 50%. **Location of business** had 36% of respondents feeling that their growth was enhanced, whereas only 9% felt that this aspect actually hindered their business in terms of growth. Similar to business size and innovation, a high proportion respondents, 55% stated that location had no effect on their growth.

Ninety per cent of respondents considered **leadership skills** assisted their businesses, with none stating that leadership skills hindered their business growth. However, 10% thought that there was no effect whatsoever on their business growth. The response to this aspect of leadership skills is similar to those of very high figures of education at 88% and experience at 95%. This also highlights the importance that only 10% respondents felt that it had no effect on their business growth.

Sixty-seven per cent of respondents indicated that **social circles** assisted their growth, however, 3% stated that this aspect significantly hindered their businesses in terms of growth. Twenty-nine per cent considered that social circles neither assisted nor hindered their business growth. In contrast to social circles, **cultural background** had only 12% stating that this aspect assisted their business growth whereas.

However, double that number, 26% indicated that cultural background hindered their growth. Nine per cent of respondents were significantly hindered by this aspect. Sixty-three per cent, a moderately high figure considered that this aspect neither hindered nor assisted their business growth. The aspect of **religious background** was also very different from the former two of social circles and cultural background as only 18% of businesses felt that religious background assisted their growth, whereas, 3% significantly hindered them. A considerably high number, 80% responded that this aspect neither assisted nor hindered their business.

**Obtaining finance from banks and financial institutions** made 20% of respondents stated that it assisted their business growth, whereas, 14% stated that it significantly hindered their business growth. A moderately high percentage of 67% considered that obtaining finance from banks and other institutions neither assisted nor hindered their business in terms of growth. This high percentage of response is similar to that of the cultural background, 63%, and religious background, 80% in terms of having neither assisted nor hindered the respondents' growth. Regarding **competition from other businesses**, respondents revealed that it assisted 9% of them and hindered 46% in terms of business growth. However, 48% of respondents were neither assisted nor hindered by this aspect.

To summarise the findings in Figure 5.9, education, experience, leadership skills and social circles significantly assisted the respondents. In contrast, the opposite effect which negatively impacted the businesses was competition from other businesses; obtaining finance from financial institutions; cultural background and business size. However, the non-parametric tests carried out and depicted in Table 5.7 revealed a more detailed statistical analysis.

Table 5.7 revealed that there were associations between the dependent variable, growth and experience in all three years; innovation only in 2009, intension to grow only in 2009; and obtaining finance from financial institutions in all three years; perception and turnover (growth), and the occurrences were not by chance. The correlation is significant at the 0.01 level, and these characteristics are below that level of confidence. The commonalities with Figure 5.9 are experience and obtaining finance from financial institution.

**Table 5.7 Association between business characteristics and growth 3**

Characteristic	Turnover/Income (Bands)			Pearson's chi-square (x2) Phi			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Experience	Turnover/Fee income Bands			28.287	31.970	34.605	0.002	0.000	0.001
				1.043	1.109	1.132			
Innovation	Turnover/Fee income Bands			20.634	20.291	26.644	0.024	0.027	0.009
				0.927	0.919	1.032			
Size of business	Turnover/Fee income Bands			21.374	22.704	41.913	0.375	0.304	0.013
				0.907	0.934	1.246			
Growth Intentions	Turnover/Fee income Bands			31.066	30.338	41.273	0.013	0.016	0.003
				1.162	1.148	1.311			
				0.760	0.710	0.816			
Obtaining Finance from Financial Institutions	Turnover/Fee income Bands			32.269	35.398	36.049	0.006	0.002	0.007
				1.074	1.124	1.115			
				0.673	0.721	0.650			
Perception	Turnover/Fee income Bands			13.481	28.000	29.000	0.019	0.000	0.000
				0.600	1.000	1.000			

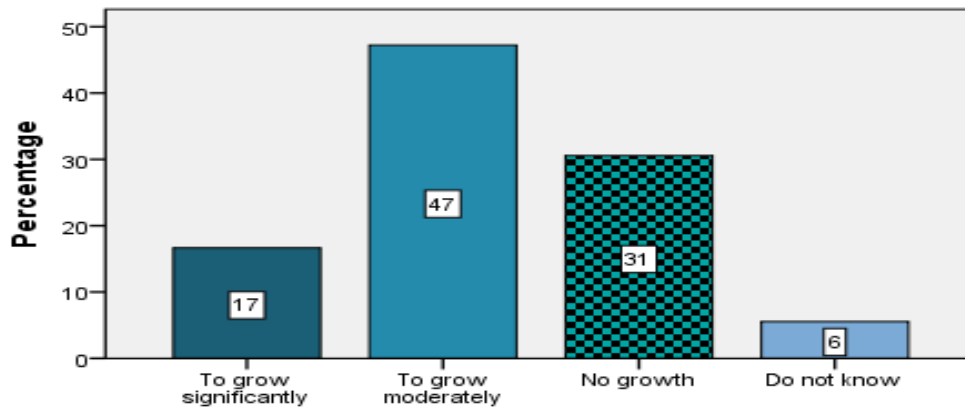
\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

## 5.5 Entrepreneurship, business organisation, procurement and profitability

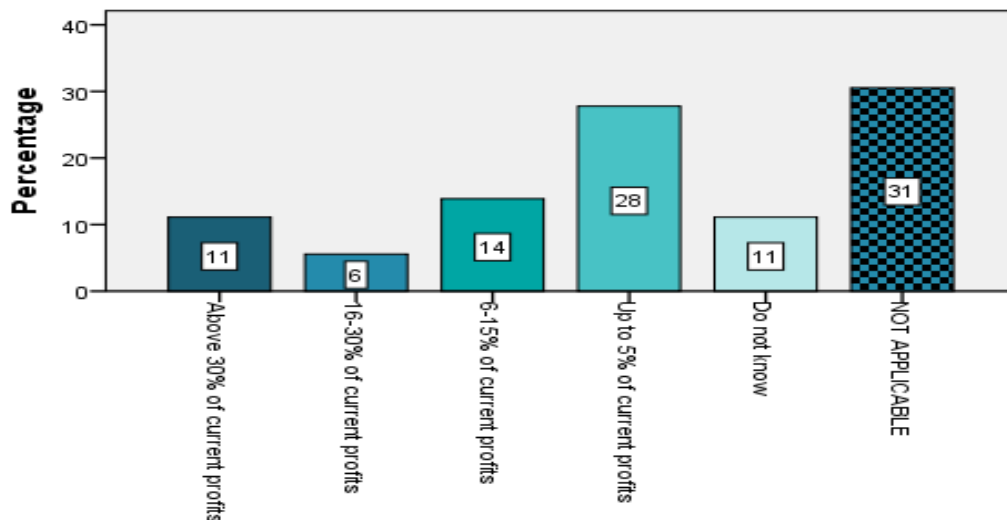
### 5.5.1 Growth aspirations

Figure 5.10 showed the relatively low response to moderate growth for 47% of respondents was in stark contrast to those from the pilot study in which an extremely high percentage (84%) expressed the desire to grow moderately. Within the pilot study, no respondent desired to grow significantly, whereas in this main study 17% desired to grow significantly. In a similar vein, the contrast was stark between the pilot and main study with regards respondents that desired not to grow at all. Sixteen per cent expressed this notion in the pilot study, whereas figure almost doubled at 31% that expressed the desire not to grow.

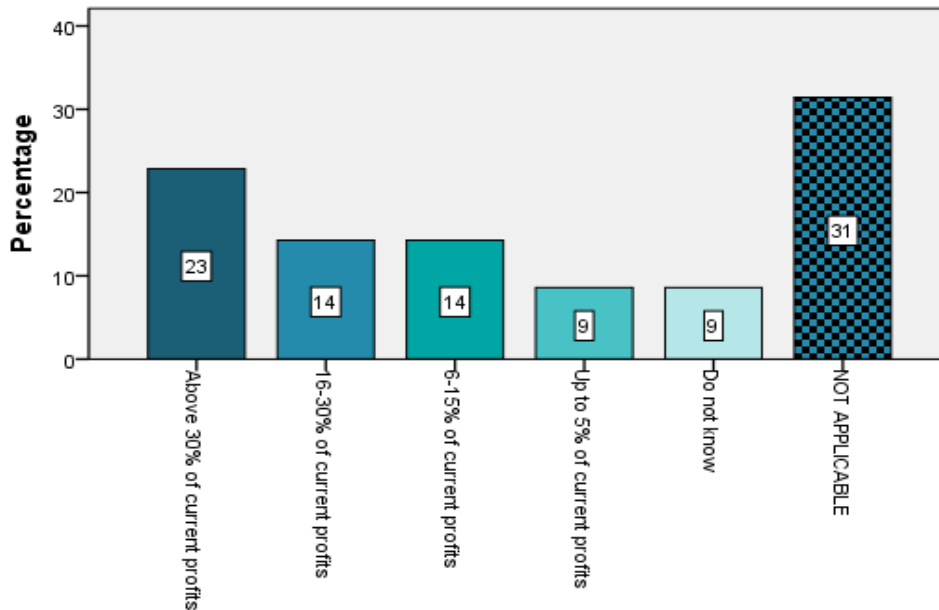


**Figure 5.10 Overall growth intentions of respondents**

Figure 5.11 showed a greater number of respondents, 11% that did not know the extent to which their profits would increase, which was almost double, those that had originally indicated that they did not know whether they wanted to grow their business (6%). This higher number of respondents may have suggested that there was some certainty and confidence when it came to being more precise about details such as increase in profits. In a similar fashion, 47% respondents stated that they intended to grow their business moderately, however, 42% actually knew the extent of growth in profits for moderate growth, - between 5% and 15% increase in profits. These similar figures of 47% and 42% suggested that the businesses were more precise about their forecast and prediction of growth. Seventeen per cent of respondents indicated that they would like to grow their businesses significantly; however, exactly 17% responded that they thought their profits would increase by 16- 30% including others by over 30%, which implied that the respondents had an accurate picture or knowledge as to their rate of growth and a reasonable good forecast of their profits.



**Figure 5.11 Growth intentions: increase in profits**



**Figure 5.12 Growth intentions: increase in employees**

The set of results shown in Figure 5.12 reflected the no growth figure of 31% that was indicated in Figure 10 and Figure 11, with regards to no overall growth. However, with increase in employees, a lower figure of 9% of respondents did not know by how much their employees would increase; as opposed to 11% (with regards increase in profits). This implied that the businesses had a better idea and knowledge of their increases in employees than they did concerning their increase in profits. With regards those respondents that wanted to grow their businesses significantly, (that is 15%-30% and above 30% of employee increase), Figure 5.12 indicated 37% of respondents. This figure was approximately double those that expressed the notion of achieving significant growth with regards increase in profits at 17%, including those who indicated an overall significant growth, also at 17%. This again may have suggested more confidence and accuracy in terms of significant growth with regards increase in employees.

In contrast, only 23% indicated that their businesses would grow (increase in employees) moderately (up to 15%) as opposed to 42% with regards moderate growth of profits and 47% of those that indicated overall moderate growth of business. This result indicated first, that 23% (moderate growth in increase in employees) was considerably lower, being approximately half of the respondents (42%) that indicated moderate growth in increase in profits. Similarly, this figure was more than half of those businesses that originally had indicated an overall business growth of 47%. The implication was that with moderate growth (concerning increase in employees) there



seemed to be considerable more caution by businesses, as opposed to overall growth or increase in profits. Second, this result implied that even though the significant growth response (37%) was higher than the moderate growth (23%), the moderate growth was still low in comparison to the overall sample. This implied that respondents were still cautious in terms of obtaining a greater number of employees with regards this moderate growth in increase in employees.

### **5.5.2 Growth factors**

The coloured charts of Figure 5.13 and Figure 5.14 revealed the percentages and highlighted the importance and the effect of growth factors on BACBs' survival and growth. The bright red and purple bars were the most significant as they showed that they were extremely important to their businesses. In contrast, not important bars were coloured beige with the striped as not being applicable. Whereas, the pink bars revealed moderately important. As with the previous section on characteristics of owner and business, frequency tables were produced for this section in order to analyse with greater accuracy the importance of these aspects on the businesses' growth.

**Turnover/increase in profits** were important to an extremely high proportion, 83% respondents. Only 33% stated that these aspects were extremely important, and 20% responded that they were significantly important whereas, 10% believed that these aspects were not important. It was not applicable to 7% of respondents that did not have any intention to grow their businesses. With regards affecting growth of business **increase in employees** had all the varying degrees of importance with 83% respondents stating that this aspect was important. Similarly, as turnover increase, 33% believed it was extremely important. Whereas, significantly and moderately followed close behind at 20% and 16% respectively. Fairly and moderately were also close, at 13% and 17% respectively. Ten per cent felt it was not important and the question was not applicable to 8% of respondents.

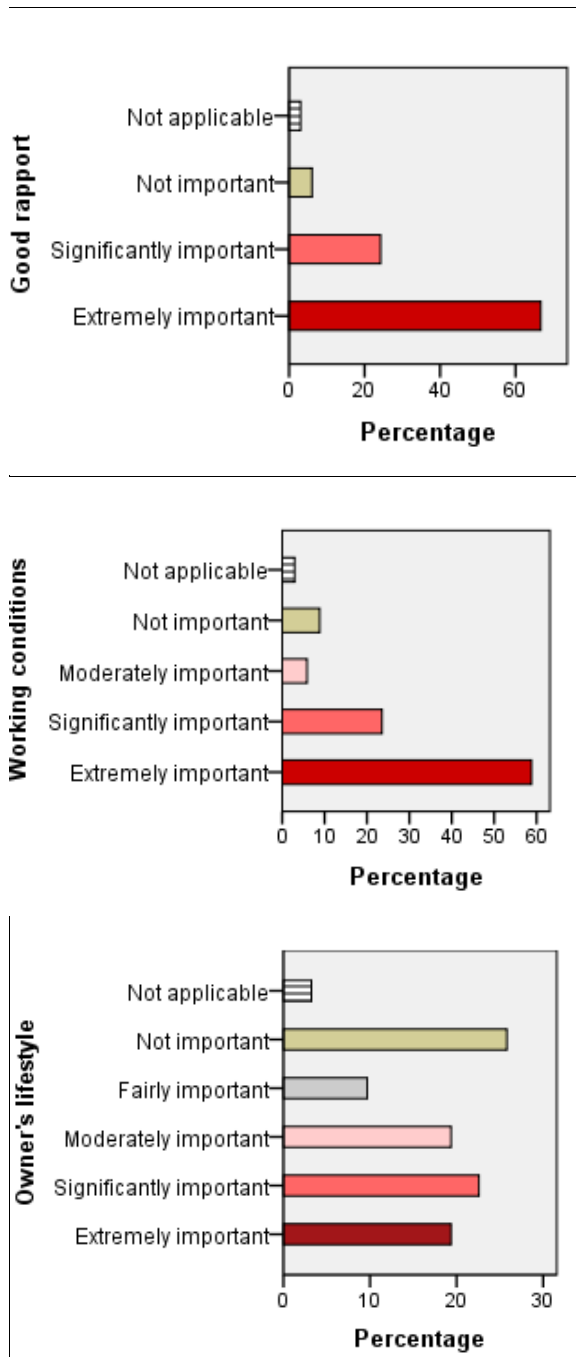
With **maximise market share** there were similarities to increase in employees on two accounts. First, it was similar, as 60% believed this aspect was important, and the response covered the whole spectrum of importance, from extremely important to fairly important. In contrast, was the fact that a higher amount at 37% respondents believed that maximising market share was not important. However, only 10% thought that maximising market share was extremely important, 13% believed it was significantly important, and 30% thought it was moderately important, and 7% felt that

it was fairly important. **Improving Quality of service or product quality** had 89% responding that it was important for business growth, which is even higher than the first two of increase in turnover and increase in employees at joint position of 83%. In contrast, 59% felt that quality of service was extremely important, even considerably greater than the increase in profits which was extremely important only at 20%. Nonetheless, 7% indicated that improving quality of service or product was not important.

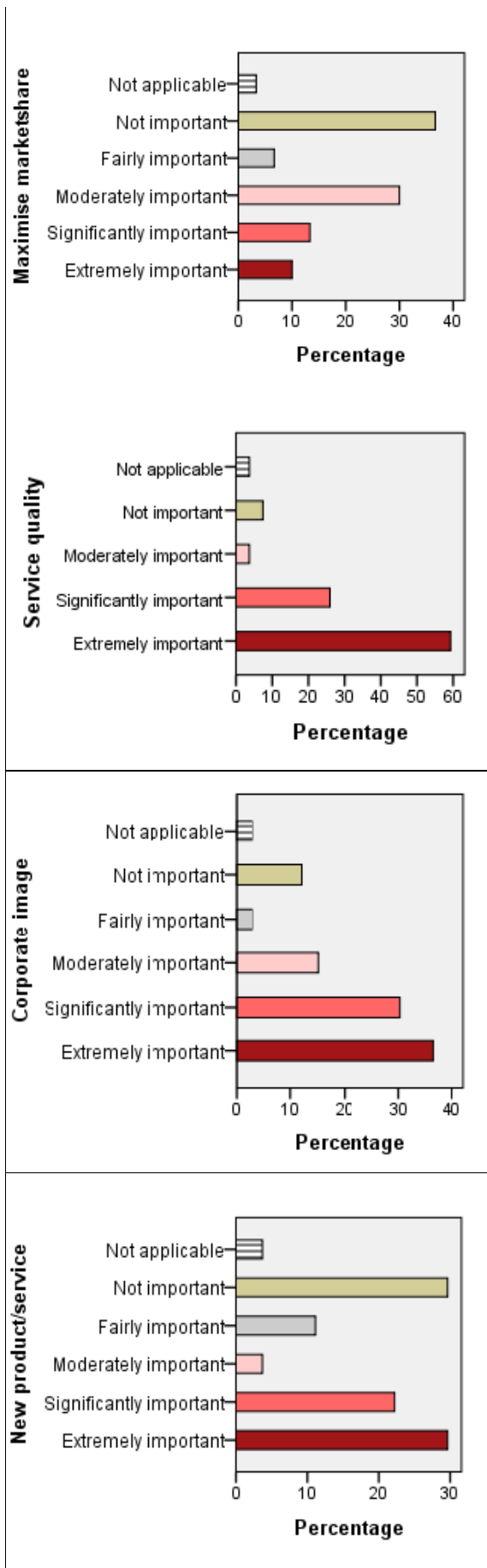
Sixty-seven per cent responded that **maintaining certain lifestyle of owner(s)** was important. However, 30% believed it was not important with regards growth of their business. Five per cent responded that it was not applicable to their business, and the response was evenly spread, as significantly and extremely important were the second most popular responses at 21% each, with moderately close behind at 15%, and fairly important was stated by 10% respondents. **Promoting corporate image** was considered important to 83% of businesses. The response to this aspect is similar to those of turnover and increase in profits (83%) and quality of service (87%). In contrast was that only 38% stated that corporate image was extremely important as opposed to the response of 62% that felt that quality of service was extremely important and 50% of those who responded to turnover and profits. Twelve per cent of respondents believed that corporate image was not important. It did not apply to 3% of businesses.

This was a mixed response as 68% respondents considered **creating a new product or service for the market segment** important with 30% it was extremely important in assisting their business. However, 30% also indicated that it was not important to their business in terms of business growth. **Good working conditions for employees** were considered important by 69%; the second highest response in joint position with improving quality of service/product. Fifty-nine per cent responded that it was extremely important and 24% thought it was significantly important, and 6% moderately important. Ten per cent did not consider good working conditions important, and it was not applicable to 3% of respondents. **Good rapport between owner and employees** were similar to the previous good working conditions as 90% responded that this aspect was important including the extremely important response of 64% being close to the good working conditions at 59%. Only 8% did not consider it important, with 4% not being applicable to their business. Furthermore, the significant importance for good conditions and good rapport were both at 28%.

To summarise the above findings, the respondents considered that increase in employees; increase in turnover; Improving quality of service or product quality; Good working conditions for employees; and Good rapport between owner and employees were important factors of growth that indeed assisted growth. However, as in the previous section, these factors were statistically tested to reveal the levels of confidence which they have in order to make conclusions at this stage about the respondents.



**Figure 5.13 Importance of factors to business growth (1 of 2 sets)**



**Figure 5.14 Importance of factors to business growth (2 of 2 sets)**

There were no significant occurrences whatsoever between factors important to growth of business and turnover, with the significant levels stipulated at 0.05 and 0.01. Hence, even though Figure 5.13 and Figure 5.14 showed the results, and the summary stated that over half of these factors had various degrees of importance to the respondents' business growth, none of these factors revealed any level of significance with growth (turnover). Hence, there was no table included within this section. Table D6 within Appendix D depicted these interesting findings that revealed that there were no significant associations with growth of businesses. Hence, no variables from this section would be added to Table 5.19.

## 5.6 Networking and winning contracts

**Table 5.8 Networking and winning contracts**

Organisation										
	<b>Safebuild</b>	<b>Constructionline</b>	<b>Competefor</b>	<b>Business Link</b>	<b>Federation of Small businesses (FSB)</b>	<b>Supply2gov</b>	<b>Chamber of Commerce</b>	<b>Public Tendres.net</b>	<b>Official Journal of European Union (OJEU)</b>	<b>Yell.com</b>
%	21	33	23	31	3	13	7	7	13	50

The procurement (obtaining contracts) aspect was one of two areas which required information about the procurement portal used by each respondent. Answering this category seemed contentious as the response rate was below 100%. Table 5.8 showed a mixture of organisations used in various ways in order to assist respondents in procuring contracts and obtaining work. They were divided into 5 categories.

### 5.6.1 *Safebuild, Constructionline and FSB*

The first category was a group of databases to which the respondents were registered, and from which potential clients selected businesses to tender for contracts. This first group consisted of Safebuild, Constructionline and FSB. The most popular organisation of the three to which respondents were registered that used the

format of tendering for contracts or bidding for work was Constructionline (33%). This was actually the largest database of businesses within the construction industry that was used by the public sector. Safebuild was the second largest group to which 21% respondents were registered. However, it was still relatively very small in number. This was a database of businesses whose potential clients were Registered Social Landlords, (former Housing Associations). The smallest group at 3% was the Federation of Small Businesses although its database was larger than the Constructionline database.

### **5.6.2 Competefor, Supply2gov, Public enders.net and OJEU**

The second category of organisations, Competefor, Supply2gov, Public Tenders and OJEU to which respondents were registered were electronic portals to which businesses could have the opportunity to tender for public sector contracts from all industry sectors. These projects were from UK Central Government, Local Authority and the European Union, EU (with regards the OJEU). Businesses having registered with these three organisations would in turn receive regular email alerts of projects being advertised by the Government. Competefor which had a very low registration of 23% was set up primarily for small businesses to be given the opportunity to tender for projects being carried out at the Olympic Centre in London (Smallbone et al. 2008). The OJEU had even less registrations at 13%. Supp2gov was set up to handle the much smaller contracts and so would give opportunities for the smaller such as these respondents to tender for contracts (Smallbone et al. 2008). However, those registered with it were only 13%. Only 7% respondents were registered with Public Tenders.net.

### **5.6.3 Business Link**

The third group to which respondents could register was Business Link, which had the second highest overall registration at 31%. Business Link sent out electronic emails, newsletters and information on events for assisting business growth and other aspects of business operations such as workshops, IT support, and seminars were offered free or at a very highly subsidised rate to businesses. Therefore, Business Link was not a database or a procurement portal, but a very large organisation that offered events in which business could participate and so acquired skills for procuring contracts or attended certain events such as meet-the-buyer events to which businesses could have the opportunity of meeting potential clients, thereby forging

links for opportunities to obtain or bid for work. However, it was abolished in November 2011.

#### **5.6.4 Chamber of commerce**

The fourth category was a single organisation, a Chamber of commerce whose membership of businesses was usually based within a catchment area such as a local borough or metropolitan area. Membership was paid for and members benefited from various facilities or opportunities. It had a low registration rate of 7%, which was identical to PublicTenders.net, but still less respondents were registered with FSB.

#### **5.6.5 Yell.com**

The last category was an electronic advertising website, Yell.com to which businesses could pay to advertise their services, attach their websites to it and upload information such as photographs of projects and brochures. This was the only category to which a large percentage, 50% of respondents had subscribed.

#### **5.6.6 Success rate of obtaining contracts for respondents**

Figure 5.15, Figure 5.16, Figure 5.17, Figure 5.18 and Figure 5.19 depicted the success rate of respondents obtaining contracts by registering with various organisations set up specifically by the UK Government to assist SMEs, and other private organisations and media that give opportunities for businesses to obtain work have been included.

#### **5.6.7 Safebuild, Constructionline and FSB**

These revealed very disappointing results as only 6% respondents were moderately successful with Safebuild; 11 % success rate with Constructionline, and no success whatsoever with FSB. Importantly, even though there had been some success with Safebuild 11% respondents found it extremely unsuccessful, with 17% a higher number being extremely unsuccessful with Constructionline. The degree of success rate with membership of FSB was extremely unsuccessful.

#### **5.6.8 Competefor, Supply2gov, Publictenders.net and OJEU**

Membership of the second category, the electronic portals of Competefor, Supply2gov, PublicTenders.net and OJEU to which respondents were registered had varied rates of success. However, Competefor and Supply2gov had rates of being extremely unsuccessful of 19% and 11% by respondents respectively. Interestingly, OJEU was unique as it is the only organisation with the success rate having a narrow

span of significantly successful to significantly unsuccessful. However, only 14% of respondents were registered with it and so this success rate importantly was not experienced by others who may have complied with the criteria for registration. Public Tenders success rate was 3%.

### **5.6.9 Business Link**

Business Link in the third category offering support services paid by the UK Government had varying degrees of success. These of moderately successful to extremely unsuccessful as portrayed in the figures. Among the 26% that were registered with Business Link, only 3% were successful in obtaining work or procuring contracts. In contrast, 3% were significantly unsuccessful with 20% being extremely unsuccessful. However, Business Link was abolished in November 2011.

### **5.6.10 Chamber of commerce**

The fourth category, the Chamber of commerce, of which respondents' success rate was extremely unsuccessful was similar to those organisations in other categories, such as Competefor, in which all 6% of businesses experienced the same extremely unsuccessful rate of obtaining contracts. Similarly, FSB mentioned previously, Suply2gov and PublicTenders.net all shared the same extremely unsuccessful rate.

### **5.6.11 Yell.com**

Yell.com was the only category within this group of organisations which had the highest number at 50% respondents subscribed, and whose degree of success spanned the whole spectrum of extremely successful to extremely unsuccessful. The success rate had been 44% and 6% unsuccessful.

### **5.6.12 Own website**

Own website had very similar results, as Yell.com, because 50% owned their website and shared the same varying degrees of success that spanned from extremely successful to extremely unsuccessful. However, success rate was slightly higher at 47% were successful and the unsuccessful rate lightly lower at 3% with regards obtaining work or contracts form their websites. This aspect was significant.



### **5.6.13 Advertising with brochures or business cards**

Advertising with brochures or business cards had a lower success rate of 22% and an unsuccessful rate of 6% which was good. However, only 28% respondents utilised this form of advertising in order to secure work.

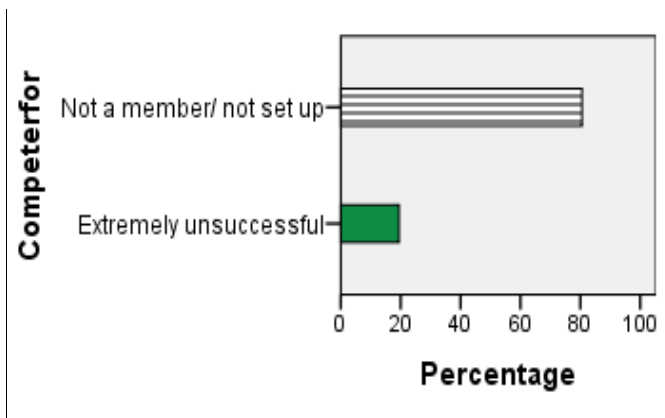
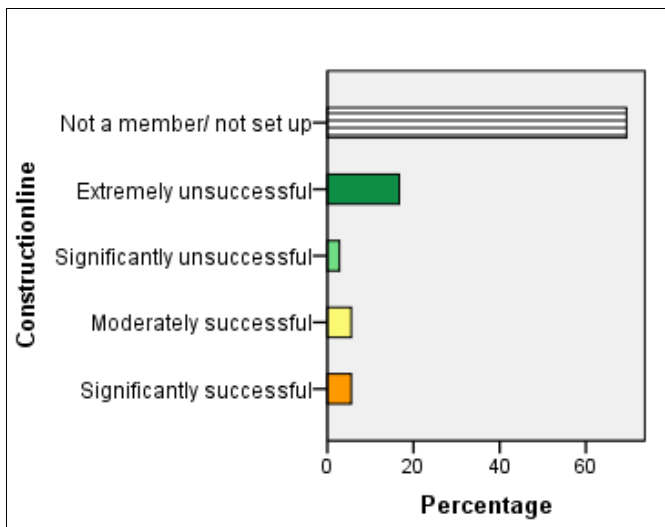
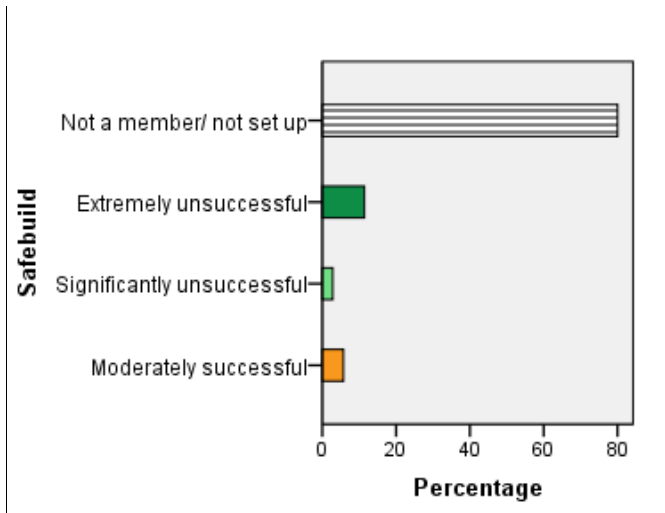
### **5.6.14 Recommendations or word of mouth**

This was extremely popular with the group, as 83% had secured work through this medium. It was also a unique aspect, as it was the only aspect without any unsuccessful rate. Its success rate was 83%, with degrees of success ranging from extremely to moderately successful.

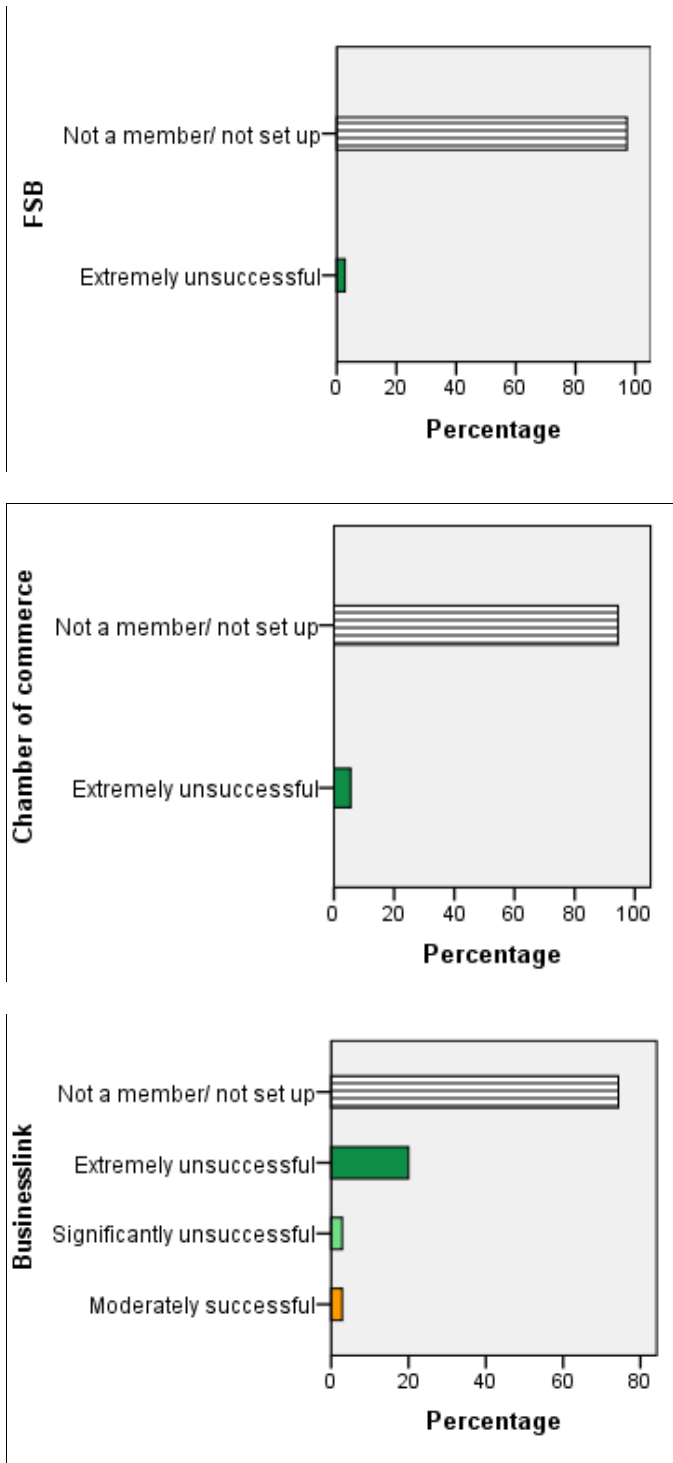
### **5.6.15 Upmystreet, Google, RIBA and ISE**

There were three other avenues given by respondents which were extremely successful. These were Upmystreet, Google, (electronic search engine); the RIBA, the electronic website for the UK architects and the ISE, the electronic website for the UK Structural Engineers. Ninety-seven per cent of respondents were not registered with any of those four websites. However, with regards those that had registered, 3% were extremely successful.

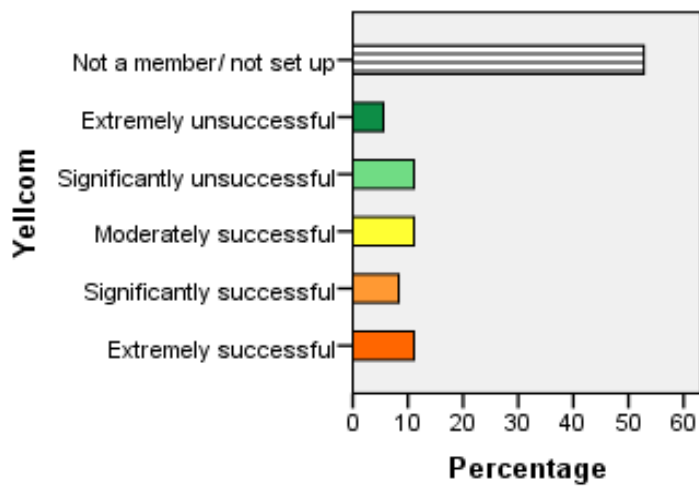
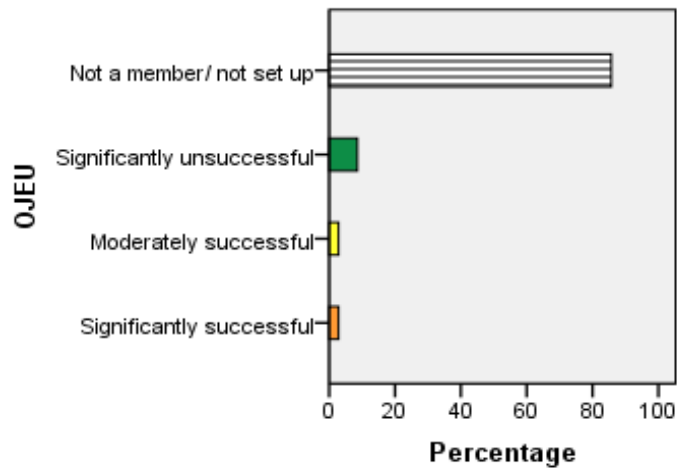
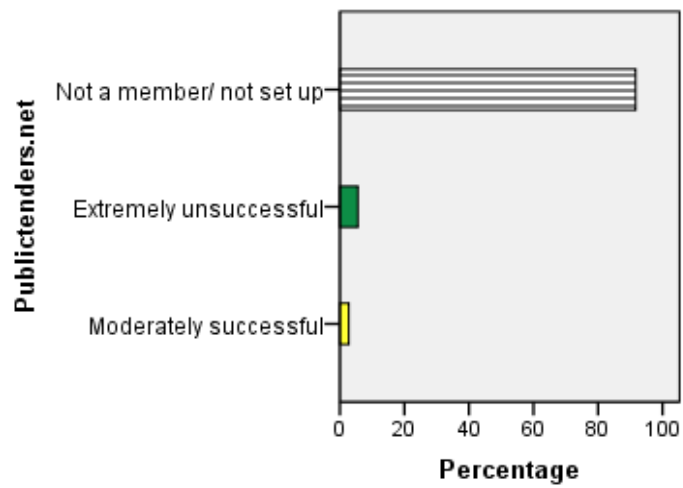
To summarise, these results revealed that Yell.com owner's website, Google, RIBA and ISE websites were the success stories so far. However, as usual at this stage statistical tests were carried out in order to reveal further information about the confidence level of the results. Table 5.9 revealed that in 2008 and 2009 recommendations (word of mouth) and Business Link had a significant occurrence with turnover. These media would be placed in Table 5.19. Figures 5.15 to Figure 5.19 portrayed the various degrees of success for each organisation.



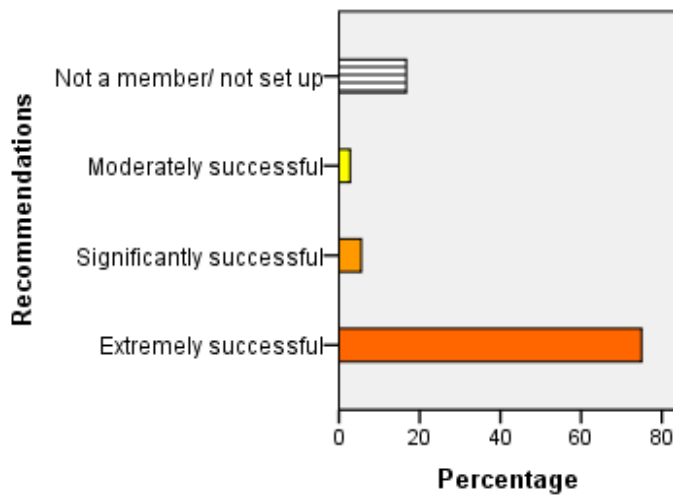
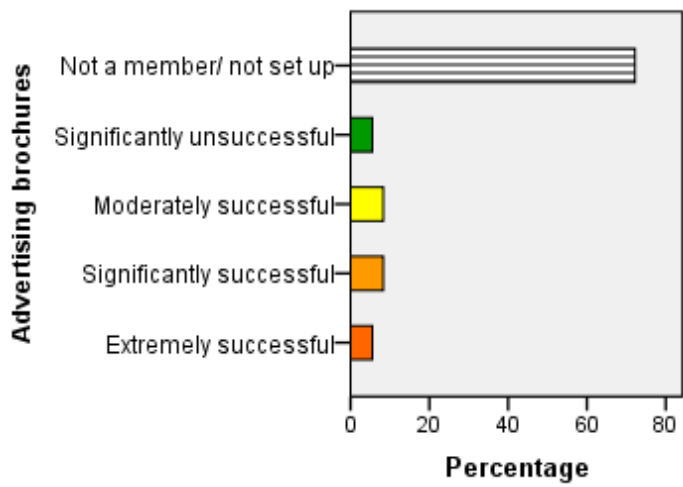
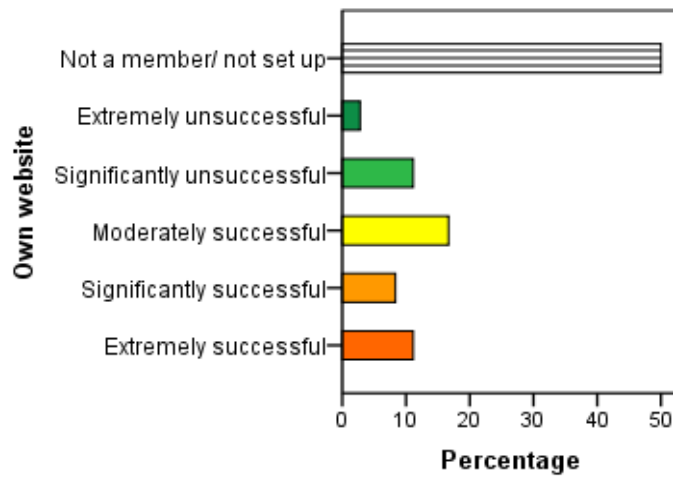
**Figure 5.15 Success rate of procuring contracts from organisations (1 of 5 sets)**



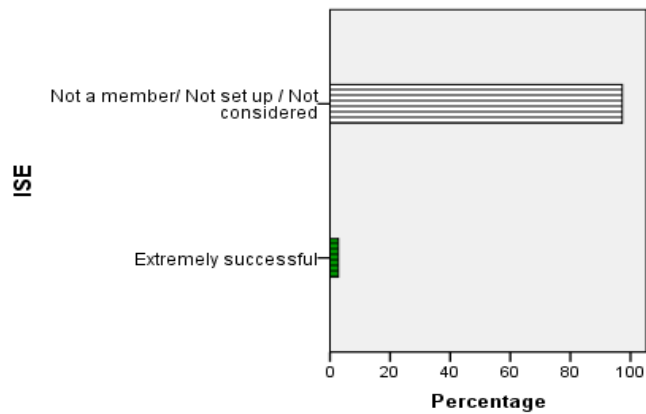
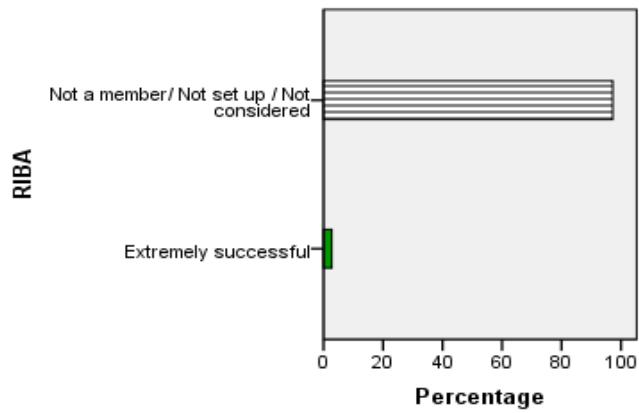
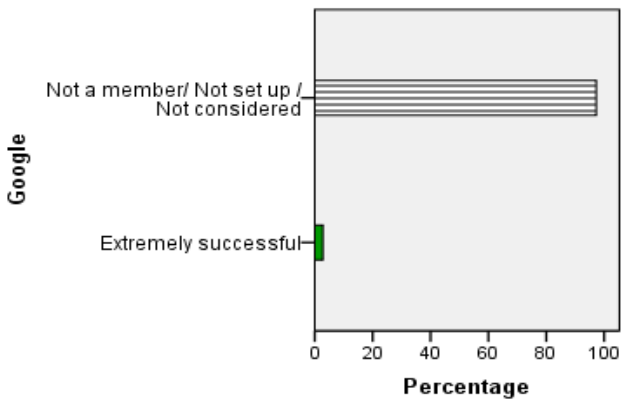
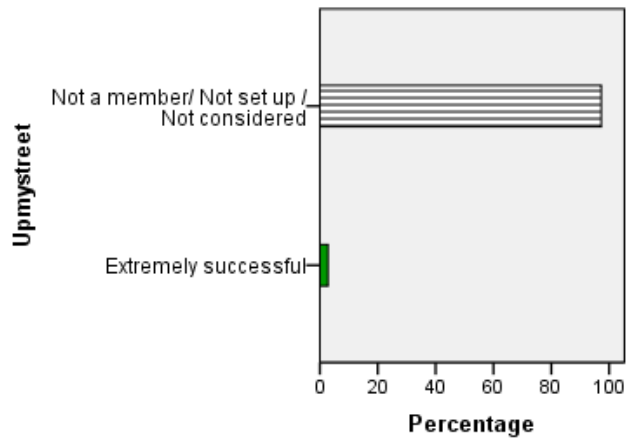
**Figure 5.16 Success rate of procuring contracts from organisations (2 of 5 sets)**



**Figure 5.17 Success rate of procuring contracts from organisations (3 of 5 sets)**



**Figure 5.18 Success rate of procuring contracts from organisations (4 of 5 sets)**



**Figure 5.19 Success rate of procuring contracts from organisations (5 of 5 sets)**

**Table 5.9 Association between success rate of procuring contracts with organisations and Turnover (growth)**

Procurement organisation	Turnover £			Pearson's Chi-square x2			Significant (two-tailed)		
	07	08	09	Phi 2007	2008	2009	2007	2008	2009
Chamber of Commerce Business Link	Turnover/Fee			6.222	6.222	29.000	0.285	0.285	0.000
	Income Bands			0.426	0.426	0.707			
OJEU	Turnover/Fee			16.875	35.411	41.238	0.326	0.002	0.001
	Income Bands			0.620	0.753	0.773			
Recommendations (word of mouth)	Turnover/Fee			29.495	26.120	48.222	0.014	0.037	0.000
	Income Bands			0.723	0.701	0.795			
	Turnover/Fee			0.541	0.547	0.566	0.044	0.001	0.002
	Income Bands			25.480	36.820	40.370			
	Income Bands			0.690	0.754	0.763			
	Income Bands			0.250	0.250	0.219			

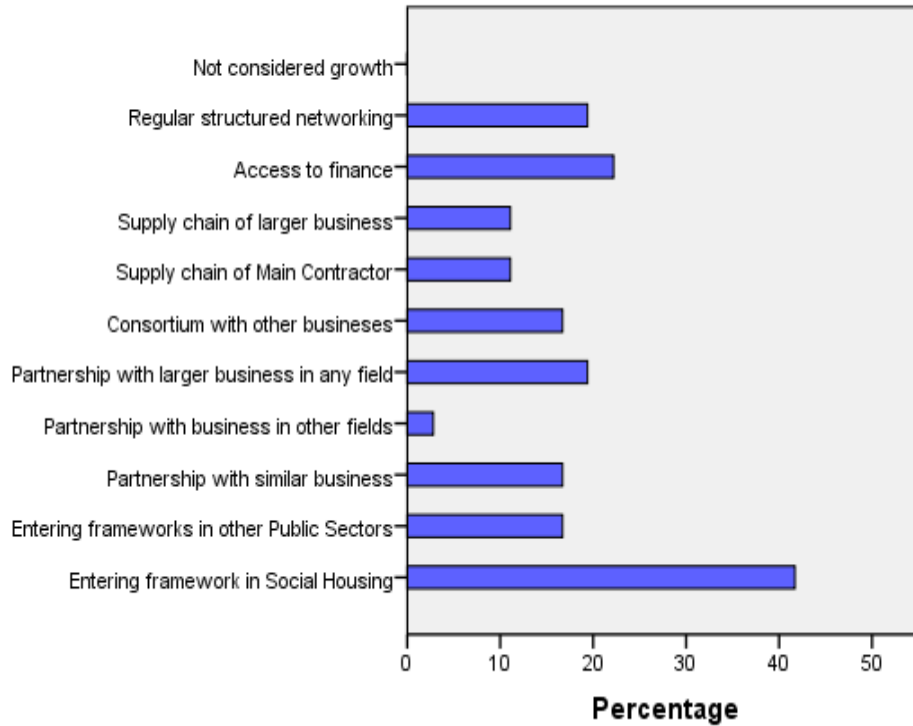
\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

There was evidence of association at 1% and 5% levels between the two sets of variables, success rate of procuring contracts with organisations and growth. These organisations were chamber of commerce, Business Link, OJEU and recommendations (by word of mouth), and they were included in Table 5.19.

## 5.7 Alternate ways of growing businesses

This section revealed a whole variety of responses in Figure 5.20. Every business had considered growth. However, the highest number 43% had considered entering a framework within the public sector of social housing. The second two highest were access to finance which was desired by 23% respondents and 20% of respondents that carried out regular structured networking. These two aspects revealed their importance of the need to network and the need to obtain finance. Consortium with other businesses and partnership with larger business in any field were the third most popular responses at 20% each. The next highest responses at 18% were partnership with similar business and entering into frameworks in other public sectors. With regards entering other frameworks within the public sectors did not seem to be popular. Being on the supply chain of a main contractor was next highest with 15% respondents considering it. The two lowest alternate ways to achieve business growth were (i) being on the supply chain of larger business at 8%; and (ii) being in partnership with businesses in other fields at 5%.



**Figure 5.20 Alternate ways of businesses growing**

**Table 5.10 Association between alternate ways of growing business and growth**

Alternate method of growth	Turnover £			Pearson's Chi-square (x2)			Significant (two-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Partnership with similar business	Turnover			0.354	0.374	0.425			
	Turnover/Fee			14.525	10.442	12.939			
	Income			0.720	0.611	0.668	<b>0.013</b>	0.064	0.044

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

Table 5.10 has revealed just one significant occurrence with alternate ways to grow business and with turnover, - partnership with similar business. Hence, partnership with similar business was included in Table 5.19.



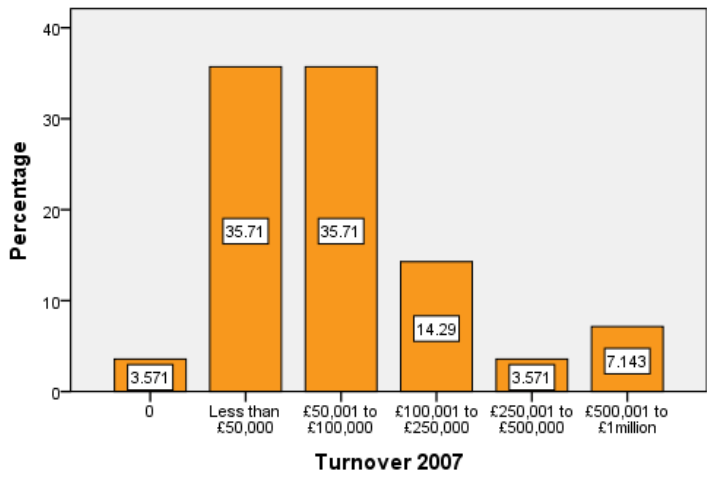
## **5.8 Turnover/Fee income**

### **5.8.1 *Turnover/Fee income***

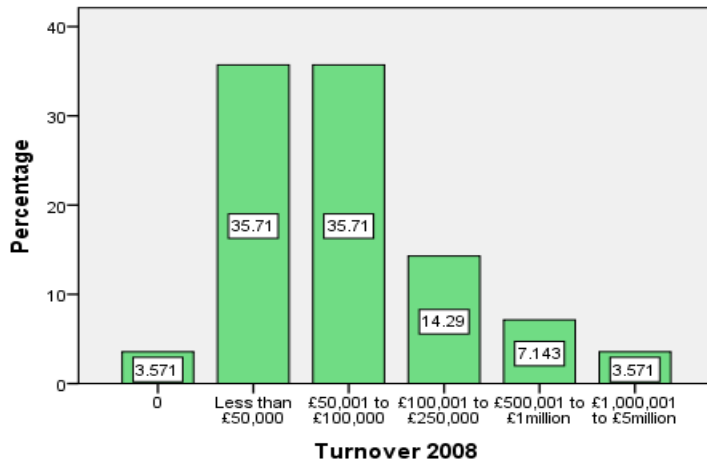
The turnover/fee income has been represented in Figure 5.21, Figure 5.22 and Figure 5.23 depicting years 2007, 2008 and 2009. The figures show some consistency and the charts have similar profiles. This research excluded figures for the year 2010, as it was decided due to the exceptional circumstances of the economy, a better and more accurate picture would evolve by using the years 2007, 2008 and 2009. It is difficult to justify the exact point at which the economy was at a critical level globally, in the UK or even in local economies within the UK. However, even though the financial crisis started prior to 2010, it was deemed justifiable not to include any years that would not represent normal circumstances. Hence, 2010 was excluded from the survey. The turnover were categorised into bands as follows:

Less than £50,000;  
£50,001 to £100,000;  
£100,001 to £250,000;  
£250,001 to £500,000;  
£500,001 to £1million;  
£1,000,001 to £5million and over £5million.

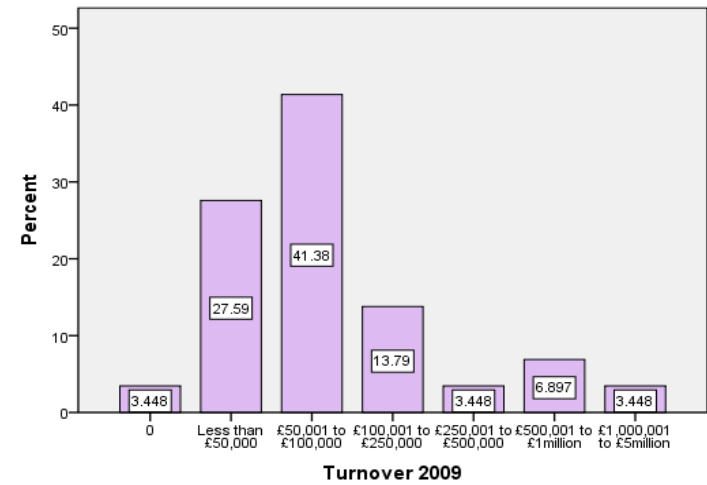
Even though feedback from the pilot study was quite favourable, there was some reservation as to the willingness to respond in a few areas within the main questionnaire. One such area was the financial aspect which was the most difficult one in terms of retrieving correct and reliable data. In addition, the low response of about 45% reflected this unwillingness to reveal details of their finances.



**Figure 5.21 Turnover/Fee income 2007**



**Figure 5.22 Turnover/Fee income 2008**



**Figure 5.23 Turnover /fee income 2009**

## 5.9 Factors affecting survival and growth of business

In analysing the impact that various factors had on the respondents' businesses, only factors that significantly hindered or significantly assisted survival and growth were highlighted and discussed. This section was discussed using horizontal graphs: Figure 5.24, Figure 5.25, Figure 5.26 and Figure 5.27. These graphs depicted the results that portrayed comparisons between the factors, including the varying degrees of impact on the businesses. The red colours were the danger signs. However, the cross-tabulation tables also revealed associations of these factors with turnover/feeincome.

This aspect of **competition from similar businesses** affected 40% of respondents, and over half of those were significantly hindered at 27%. Even though 57% were neither assisted nor hindered by the competition from other businesses, those that were hindered were twenty times more than those that were moderately assisted. However, those that were significantly hindered were eight times more than those that were moderately assisted.

**Social exclusion**, not being privileged to certain information in the area of networking and procurement, was considered by 54% respondents to neither assist nor hinder their growth. However, as with competition, a similar number at 42% of businesses were hindered; but this time, only a third of those were significantly hindered as opposed to half with regards competition. However, as in a similar way, those respondents that were significantly hindered were five times more than those that were moderately assisted at 3%. **Procurement practices** did not affect 50% of respondents' growth. However, 47% of businesses were hindered and ninety-four percent of those were significantly hindered. In a similar fashion, those respondents that were significantly hindered were fifteen times more than those that were moderately assisted at 3%.

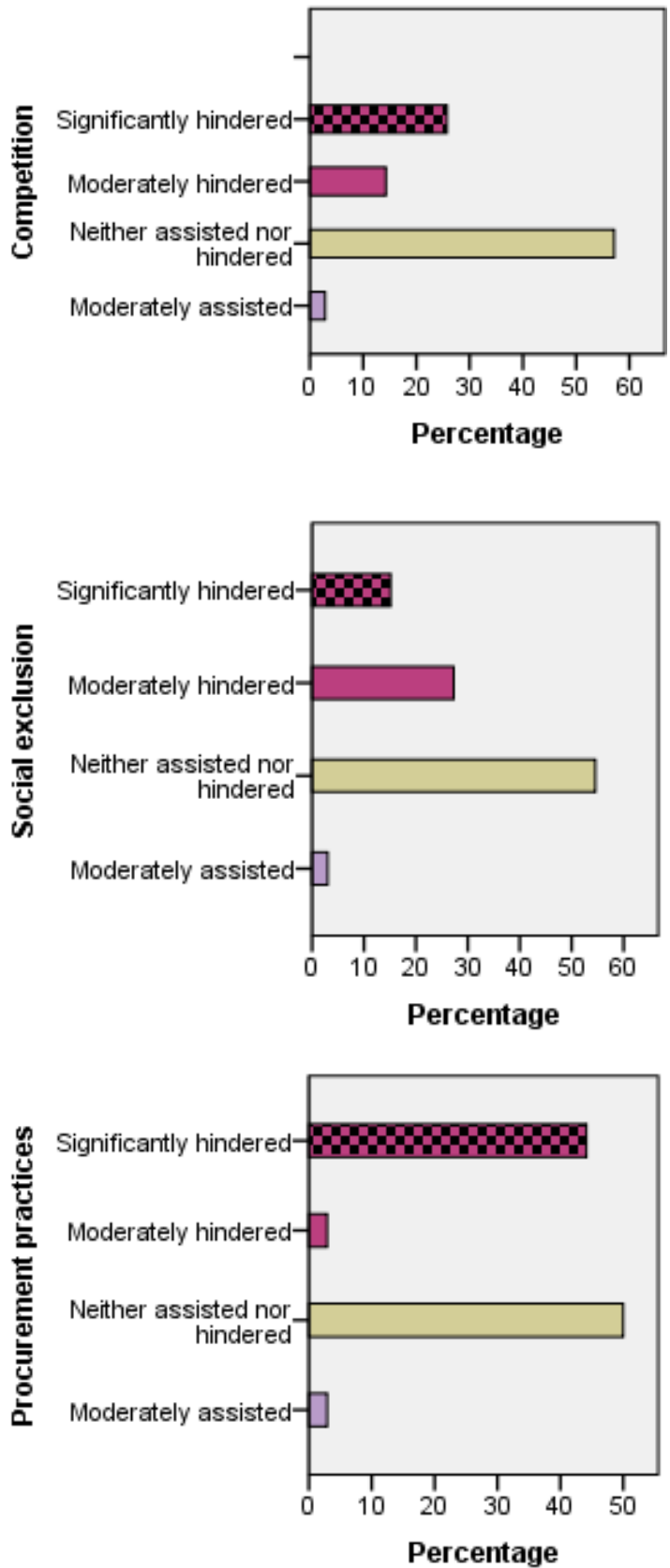
**Discrimination (due to colour of skin)** had a higher percentage of 71% respondents indicating that this aspect neither assisted nor hindered their survival and growth. However, in a similar vein, even though the number was low, at 23% that hindered their businesses, half of those were significantly hindered. This time in contrast, those that were significantly hindered were only double the number of respondents that were moderately assisted at 6%. **Social and cultural background** also has a high percentage of 67% that responded stating that their businesses were neither assisted

nor hindered by these two factors. However, those businesses that were hindered were 21%, about 1.5 times those that were assisted at 12%.

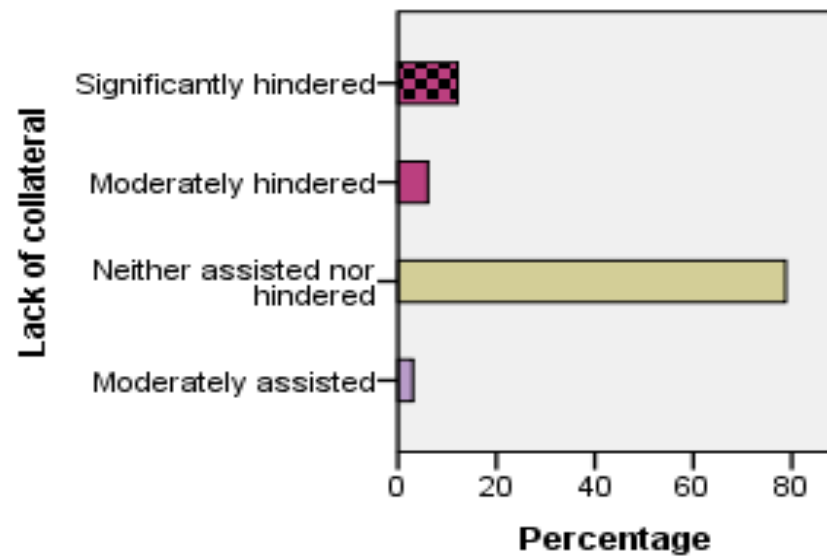
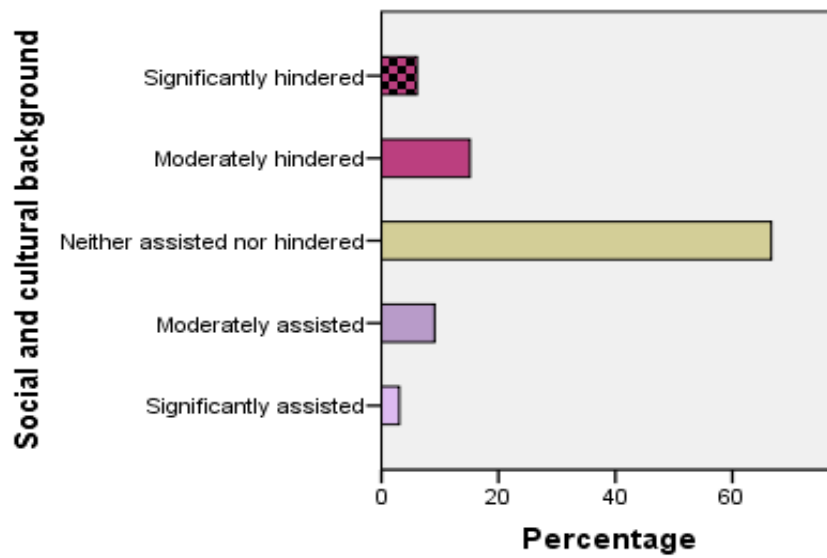
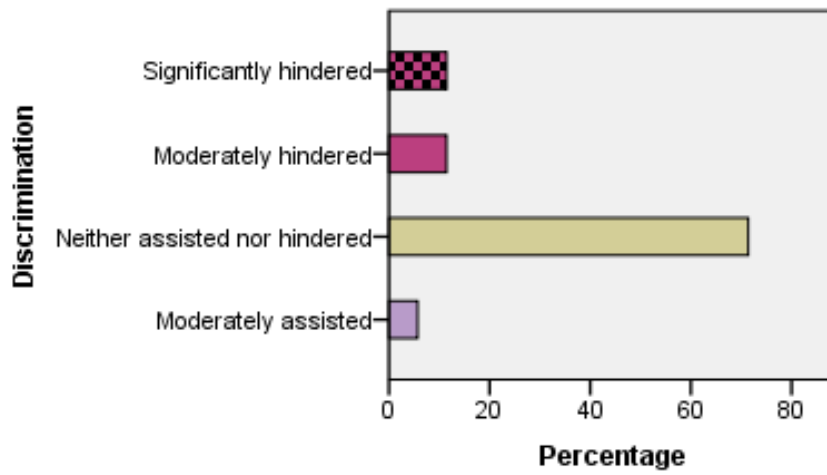
Seventy-nine per cent of businesses were neither assisted nor hindered by **lack of collateral**. 79%. However, it moderately assisted 3%, but hindered 16%, seventy-five percent of those significantly hindered. Here, again, those businesses that were significantly hindered were four times those that were moderately assisted. **UK Central and local government initiatives** assisted only 6% respondents. In contrast, 43% were hindered, with 80% of those significantly hindered. Those that were unaffected by these initiatives were 51%. Likewise, as the former aspects, the margin is very wide between the significantly assists to the significantly hindered. This time, it is twelve times the number who were significantly hindered as to those that have been significantly assisted at 3%.

**Cash flow** moderately assisted a very low number of respondents, at 3%, whereas, they hindered 51% the businesses. Forty per cent of those were significantly hindered. Nonetheless, 46% of respondents were neither hindered nor assisted by these initiatives. For **taxation**, 57% respondents were neither assisted nor hindered, but importantly, it never assisted any of those businesses. Moreover, it only hindered the rest at 43% with 14% being significantly hindered. **Lack of experience** neither assisted nor hindered 77% respondents. Importantly, as did taxation, it never assisted any business. However, it hindered only 23% as opposed to 43% with regards taxation.

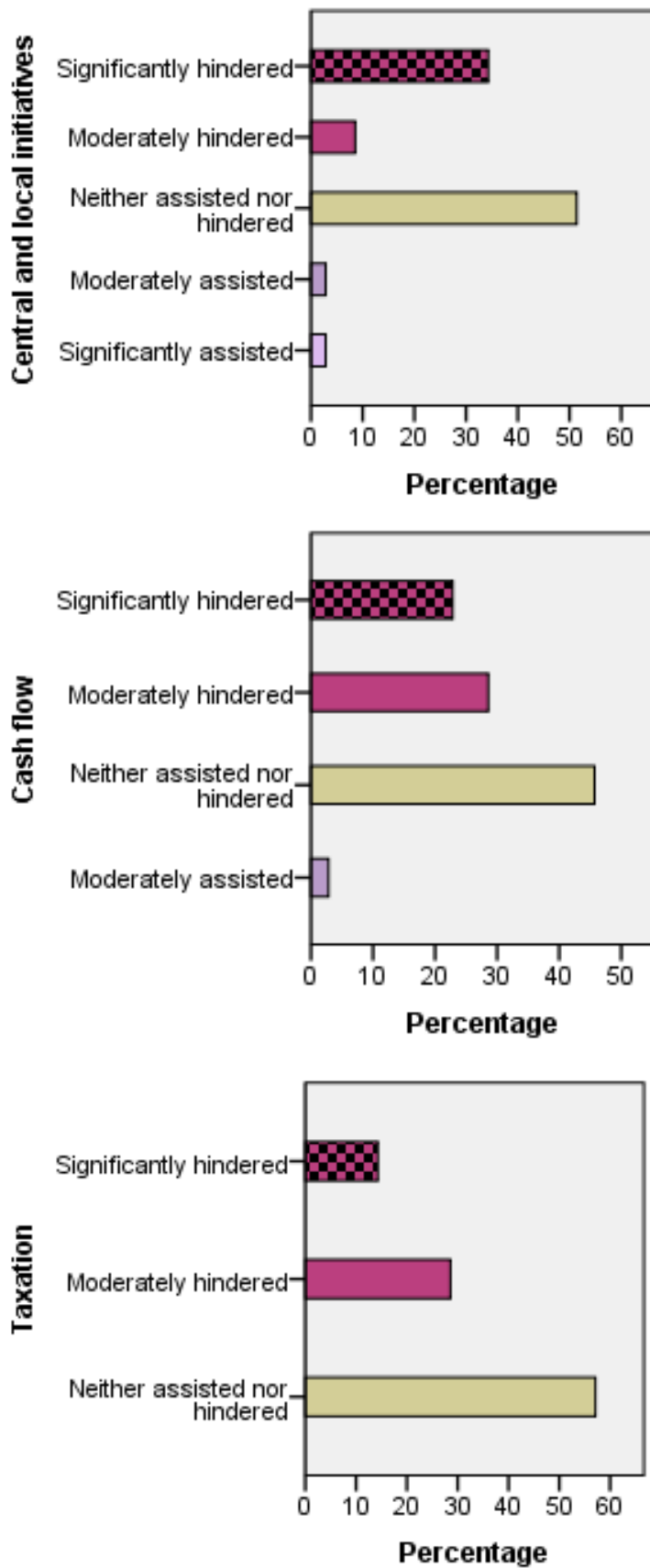
Responses to other factors concerning **turnover** were that 3% of businesses were significantly hindered; **economy** also significantly hindered 3% respondents; **industry contacts** moderately assisted 5% respondents; **professional indemnity** moderately hindered 3% of businesses; **crime** significantly hindered 3% businesses; **sabotage** significantly hindered 3% businesses; and **perception** significantly hindered 3% of respondents.



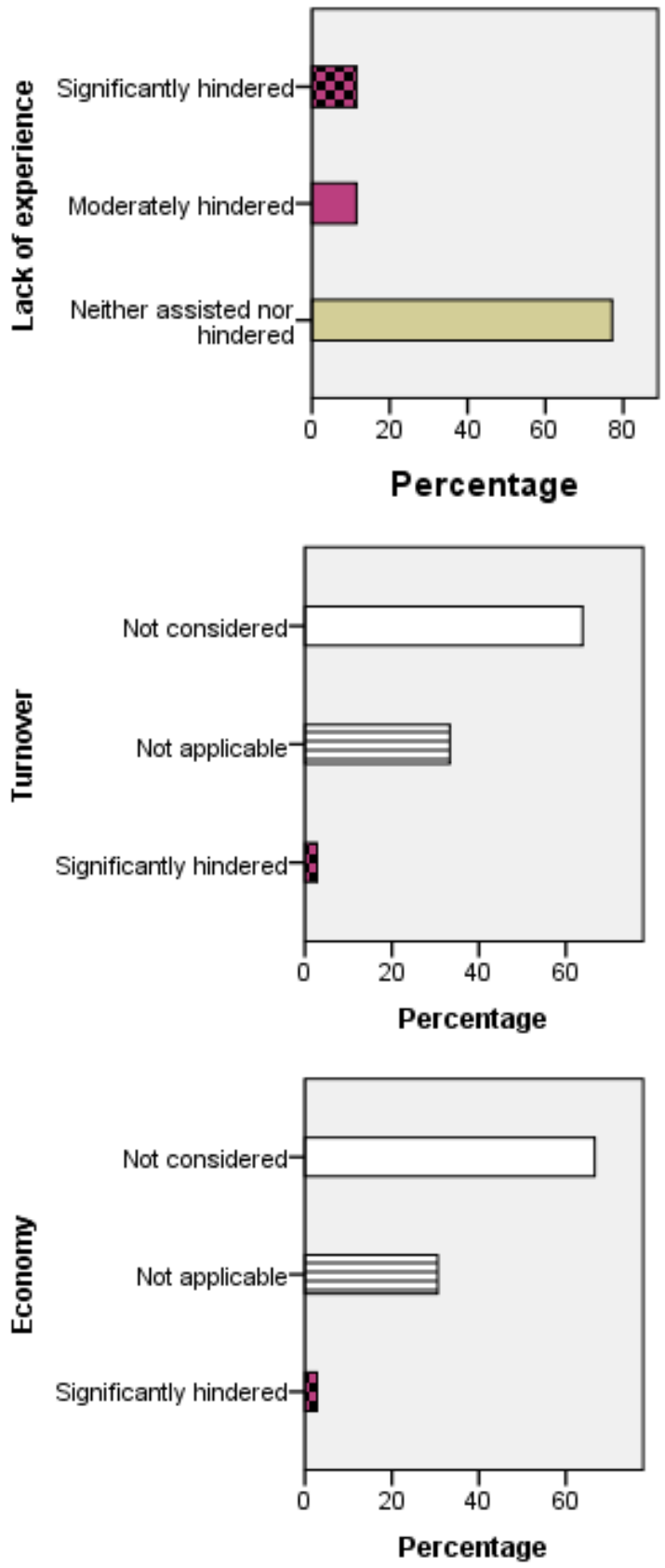
**Figure 5.24 Factors affecting respondents' survival and growth (1 of 6 sets)**



**Figure 5.25 Factors affecting respondents' survival and growth (2 of 6 sets)**

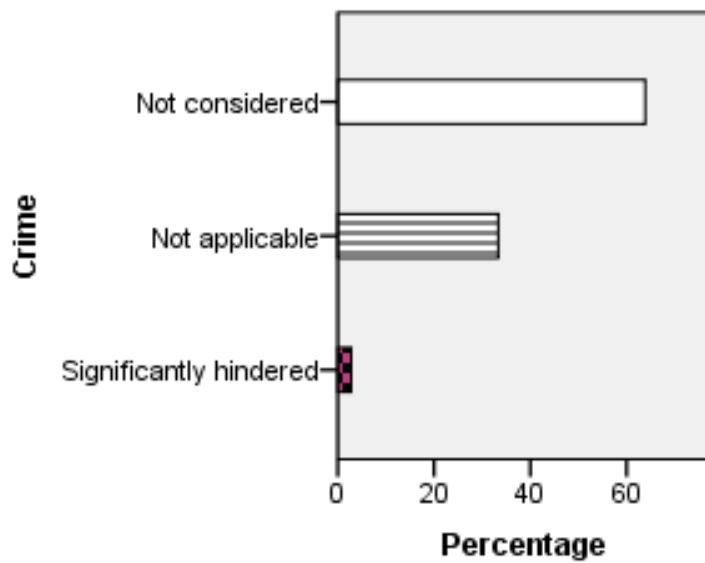
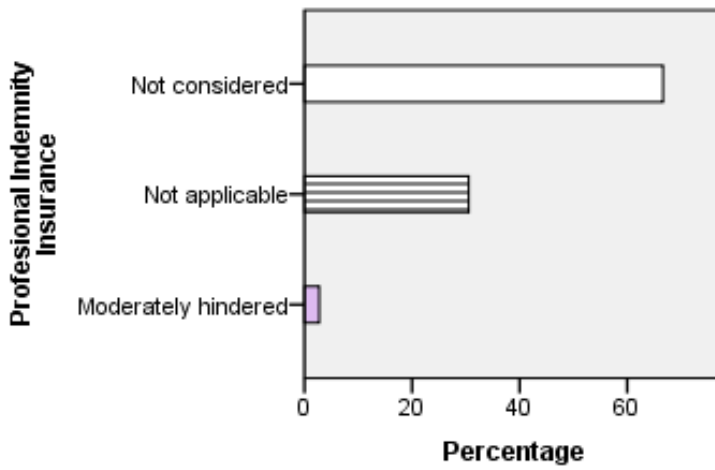
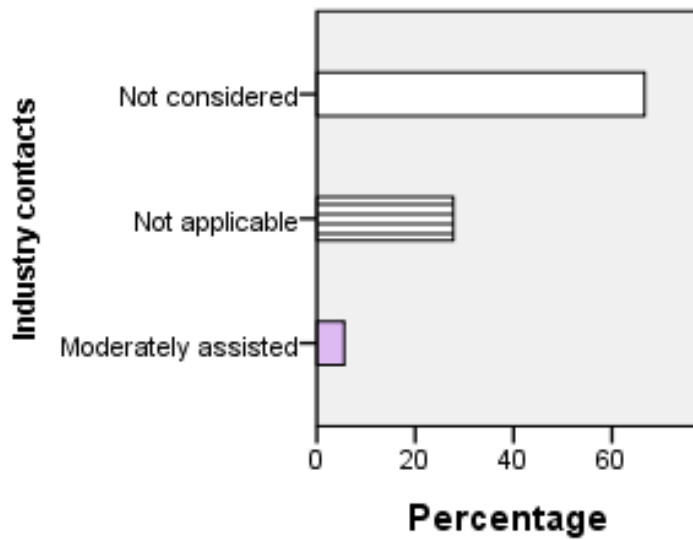


**Figure 5.26 Factors affecting respondents' survival and growth (3 of 6 sets)**



**Figure 5.27 Factors affecting respondents' survival and growth (4 of 6 sets)**





**Figure 5.28 Factors affecting respondents' survival and growth (5 of 6 sets)**

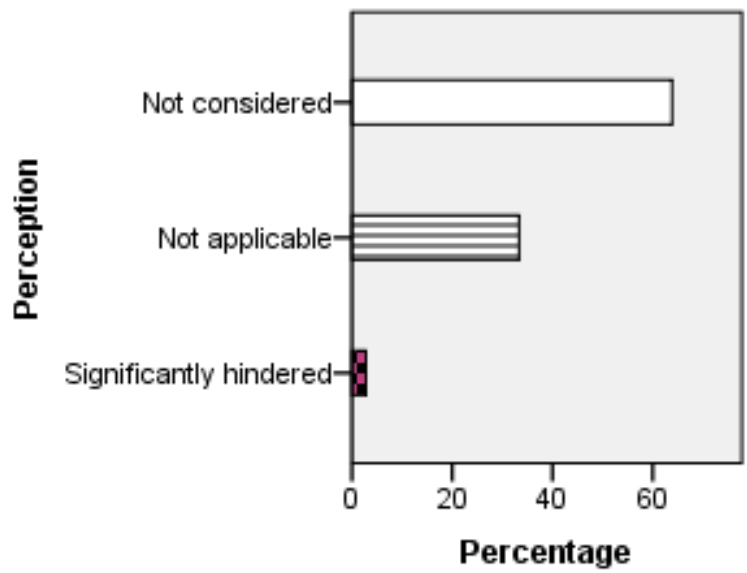
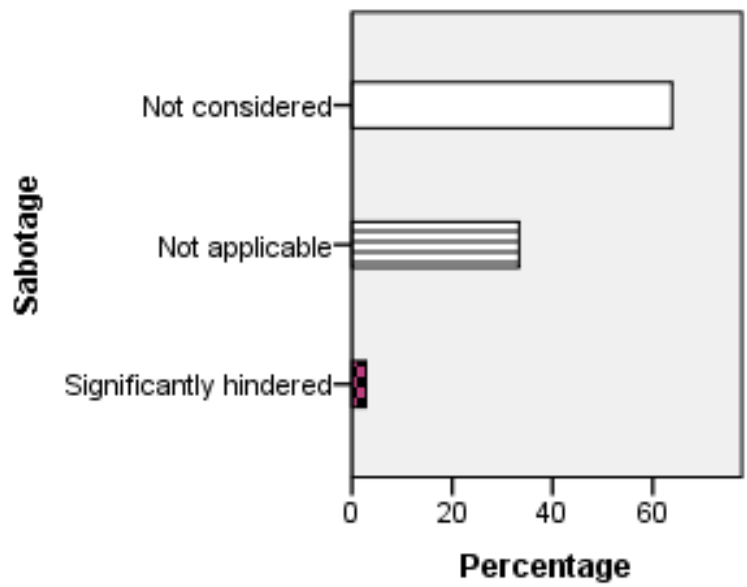


Figure 5.29 Factors affecting respondents' survival and growth (6 of 6 sets)

To summarise the results from Figure 5.24, Figure 5.25, Figure 5.26 and Figure 5.27, competition from other businesses, social exclusion, procurement practices and cash flow were areas of concern especially as they were portrayed so vividly on the charts. However, Table 5.11 revealed that only one, - UK Central and Local Government policies and initiatives amongst several other original factors had a significant occurrence with growth over the three years. There were two other new factors that were stated by respondents that had associations with growth. These were turnover and perception in 2008 and 2009. These were included in Table 5.19.

**Table 5.11 Association between challenges encountered by respondents and growth**

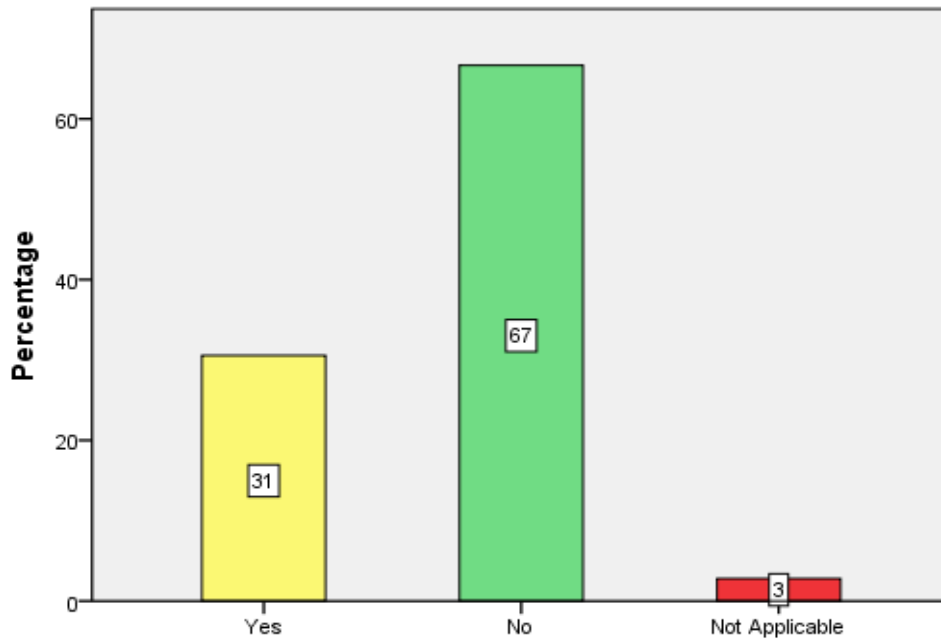
Factor	Turnover £			Pearson's Chi-square (x2)			Significant		
	07	08	09	2007	2008	2009	2007	2008	2009
				0.612	0.781	0.729			
<b>Central and Local Government initiatives</b>	<b>Turnover</b>	<b>/Fee</b>		48.718	49.018	50.919			
	<b>Income</b>			1.343	1.347	1.349	<b>0.000</b>	<b>0.000</b>	<b>0.001</b>
<b>Perception</b>	<b>Turnover</b>	<b>/Fee</b>		17.141	30.137	34.653	0.071	<b>0.001</b>	<b>0.001</b>
	<b>Income</b>			0.782	1.037	1.093			

\*Correlation is significant at the 0.05 level (2-tailed)

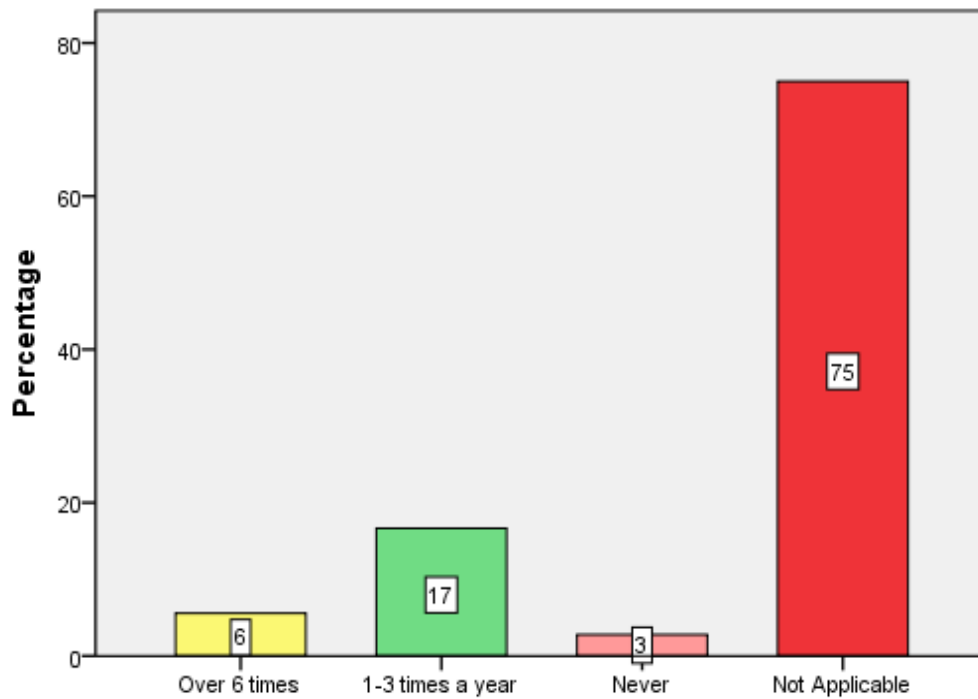
\*\*Correlation is significant at the 0.01 level (2-tailed)

## 5.10 UK Public business support

Take up of public support by 31% respondents in the main survey study was considerably higher than the nil take-up rate in the pilot study. It was still important and significant that such a high figure of 67% of respondents indicated not having used any PSAs during the last 3 years. The frequency of the support taken up was also quite significant as very few actively used these agencies, only 7% over 6 times a year, about every 2 months on average. No business had used this support facility between 4-6 times, and 3 times, approximately every 4 months 20% of respondents took up some form of support. Ten per cent never took-up any public support, even though their business had sought advice from them.



**Figure 5.30 Support take-up by respondents**



**Figure 5.31 Frequency of support take-up by respondents**

**Table 5.12 Public Support offered (UK Government) taken-up by respondents**

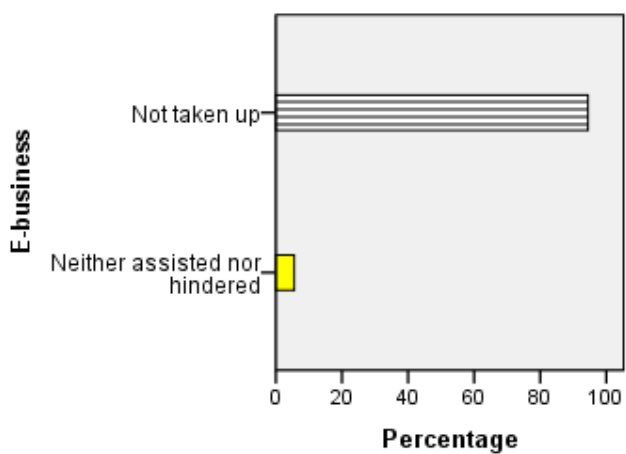
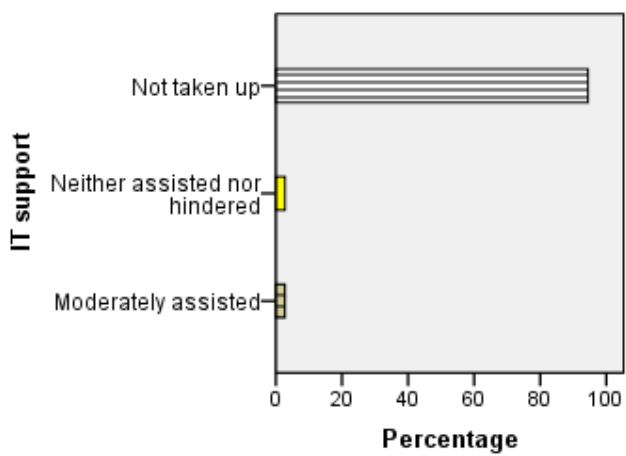
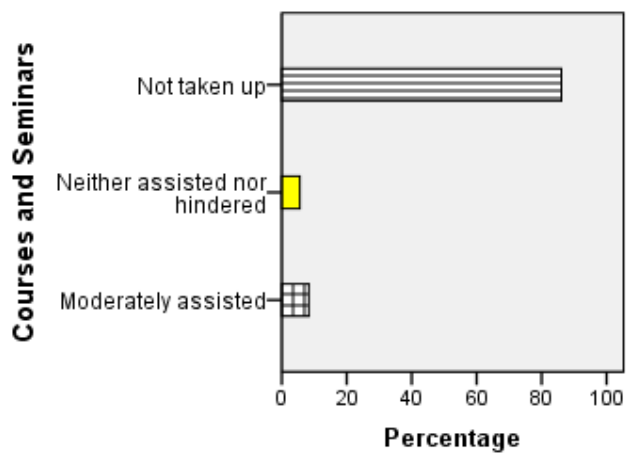
Public support	Courses /Seminars	IT Support	E-business and specialist workshops	Networking events	Meet-the-Buyer events	Procurement opportunities	Budgets targeting EMBs	Mentorships with entrepreneurs	Supplier Diversity Workshops	Loans and grants
%	13	7	13	17	17	17	3	3	3	7

The most popular support mechanisms taken up by respondents were networking, meet-the-buyer events and procurement opportunities, making a total of just over half of all of the support, at 51%. Courses/seminars including e-business and specialist workshops were the next most popular support, (and they usually covered a wide range of subjects) making a combined total of 26%. IT Support and loans and grants were the next most popular support having a total each of 7%. The last three were not so popular and their total were 9% at 3% each. These were budgets targeting EMBs; mentorships with entrepreneurs, and Supplier Diversity Workshops.

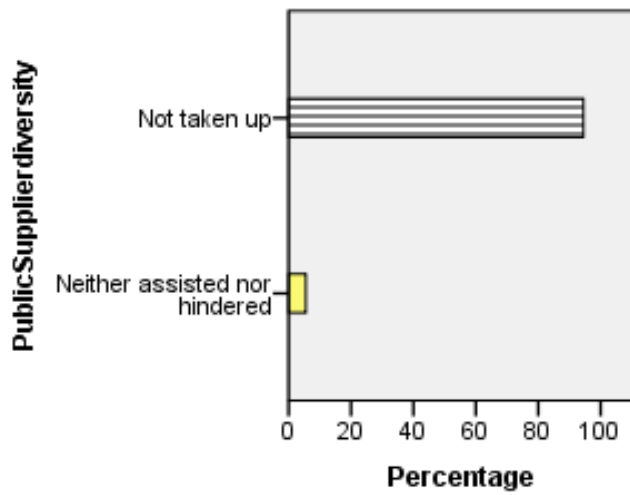
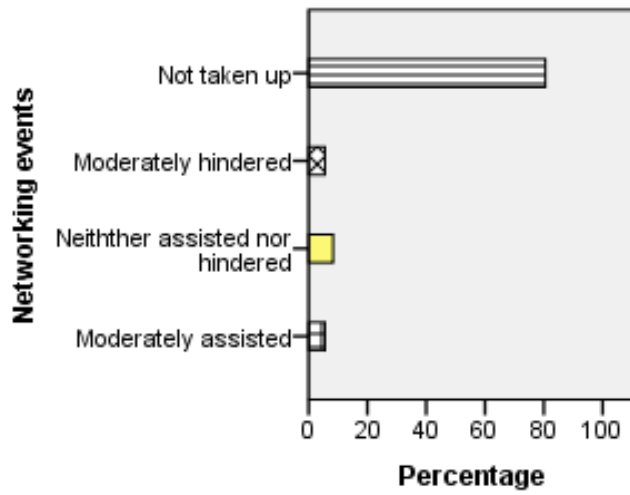
Figure 5.30, Figure 5.31 and Figure 5.32 depicted the varying success rate of respondents.

### **5.10.1 Public support offered by UK Government to respondents**

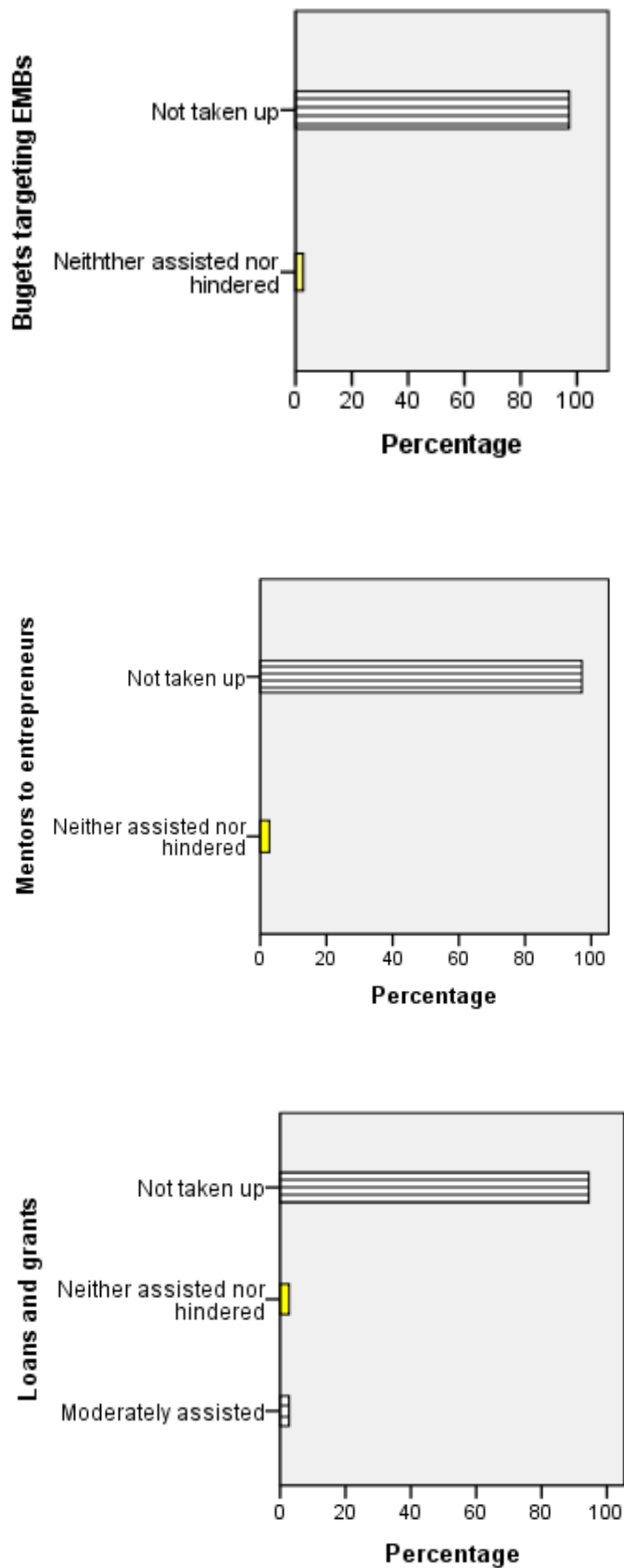
The associations of the type of support and success of public support taken up by respondents and growth were revealed in Table 5.13, with just over half of the support having some form of association with growth. The two most significant variables were IT support and loans and grants that had associations with growth over three years. The two other types of support mechanisms, courses and seminars had associations in 2007 and 2008, whereas networking events and e-business and specialist workshops had low level of significance only in 2009. These five variables were included in Table 5.19.



**Figure 5.32 Success rate of UK Public support offered to respondents (1 of 3 sets)**



**Figure 5.33 Success rate of UK Public support offered to respondents (2 of 3 sets)**



**Figure 5.34 Success rate of UK Public support offered to respondents (3 of 3 sets)**



**Table 5.13 Association between success rate of UK Public support (taken up) and growth**

	Turnover £			Pearson's Chi-square (x2)			Significant		
	0 7	0 8	0 9	Phi			2007	2008	2009
<b>Courses</b>	Turnover/Fee			16.492	28.784	16.530			
<b>Seminars</b>	Income			0.609	0.712	0.603	0.086	<b>0.001</b>	0.168
	<b>Bands</b>								
<b>IT Support</b>	Turnover/Fee			15.292	34.192	35.444			
	Income						0.122	<b>0.000</b>	<b>0.000</b>
	<b>Bands</b>			0.594	0.741	0.742			
<b>E-Business</b>	Turnover/Fee			13.481	28.000	15.373			
	Income			0.570	0.707	0.589	<b>0.019</b>	<b>0.000</b>	<b>0.018</b>
	<b>Bands</b>								
<b>Networking events</b>	Turnover/Fee			37.830	28.548	32.301			
	Income						<b>0.001</b>	<b>0.018</b>	<b>0.020</b>
	<b>Bands</b>			0.758	0.711	0.726			
				0.415	0.558	0.558			
<b>Public</b>	Turnover/Fee			34.077	23.577	22.211			
<b>Procurement opportunities</b>	Income			0.741	0.676	0.659	<b>0.003</b>	0.073	0.223
	<b>Bands</b>								
<b>Budgets targeted at EMBs</b>	Turnover/Fee			13.481	28.000	29.000			
	Income			0.570	0.707	0.707	<b>0.019</b>	<b>0.000</b>	<b>0.000</b>
	<b>Bands</b>								
<b>Mentorship for entrepreneurs</b>	Turnover/Fee			13.481	28.000	29.000			
	Income			0.570	0.707	0.707	<b>0.019</b>	<b>0.000</b>	<b>0.000</b>
	<b>Bands</b>								
<b>Supplier Diversity</b>	Turnover/Fee			9.154	14.431	14.724			
	Income			0.496	0.583	0.580	0.103	<b>0.013</b>	<b>0.023</b>
	<b>Bands</b>								
<b>Loans and grants</b>	Turnover/Fee			15.292	29.831	31.685			
	Income			0.594	0.718	0.723	0.122	<b>0.001</b>	<b>0.002</b>
	<b>Bands</b>								

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

There are several items of support taken up by respondents that had a significant occurrence with their business growth, the significant level stipulated at 0.01. These were courses and seminars only in 2008; networking events only in 2007; public procurement opportunities only in 2007 and loans and grants in 2008 and 2009. These would be included in Table 5.19, and also would be used in the conceptual model. However, at the 0.05 level, there were four other support mechanisms that

would be used: e-Business; budgets targeted at EMBs; mentorship for entrepreneurs; and Supplier Diversity.

### 5.10.2 UK Private business support

**Table 5.14 Private business support offered and taken up by respondents**

<b>Private support</b>	<b>Courses /Seminars</b>	<b>IT Support</b>	<b>E-busines and Specialist workshops</b>	<b>Networking events</b>	<b>Meet-the-Buyer events</b>	<b>Procurement opportunities</b>	<b>Budgets targeting EMBs</b>	<b>Mentorships with entrepreneurs</b>	<b>Supplier Diversity Workshops</b>	<b>Loans and grants</b>
<b>%</b>	<b>23</b>	<b>3</b>	<b>7</b>	<b>17</b>	<b>27</b>	<b>13</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>3</b>

There were similarities between the public and private support as revealed in Table 5.12 and Table 5.14. For example, meet-the-buyer events were still by far the most popular. In addition, a greater number of respondents, 27% used private support than those respondents (17%) that used public support. The public support take-up was considerably lower, even though public support is usually free or highly subsidised. Interestingly, e-business take-up (7%) was approximately half that of public support at 13%. The other two popular private support mechanisms taken up by respondents were networking events (17%) and procurement opportunities (13%) that fell into third and fourth place respectively. The less popular group of private support mechanisms were e-business and specialist workshops; budgets targeting EMBs; mentorship with entrepreneurs, and Supplier Diversity Workshops that had only 7% of respondents using each one. IT and Loans and grants were now the least popular mechanisms used by respondents at 3% respectively.

**Table 5.15 Association between success rate of UK Private support (taken up by respondents) and growth**

	Turnover £			Pearson's Chi-square (x2)			Significant		
	07	08	09	Phi (0)			2007	2008	2009
<b>Courses/ Seminars</b>	<b>Turnover/Fee</b>			32.503	43.937	39.976			
	<b>Income Bands</b>						0.038	<b>0.002</b>	<b>0.022</b>
<b>IT Support</b>	<b>Turnover/Fee</b>			0.733	0.782	0.761			
	<b>Income Bands</b>			41.462	41.462	42.963	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>E-Business</b>	<b>Turnover/Fee</b>			0.773	0.773	0.773			
	<b>Income Bands</b>			34.832	27.832	26.680	<b>0.000</b>	<b>0.002</b>	<b>0.009</b>
<b>Meet-the- Buyer Events</b>	<b>Turnover/Fee</b>			0.745	0.706	0.692			
	<b>Income Bands</b>			0.380	0.452	0.613			
<b>Budgets targeted at EMBs</b>	<b>Turnover/Fee</b>			21.392	35.952	61.553			
	<b>Income Bands</b>			0.658	0.750	0.824	0.125	<b>0.002</b>	<b>0.000</b>
<b>Mentorship for entrepreneurs</b>	<b>Turnover/Fee</b>			0.464	0.631	0.643			
	<b>Income Bands</b>			17.530	13.472	24.167			
<b>Supplier Diversity</b>	<b>Turnover/Fee</b>			0.621	0.570	0.674	0.063	0.198	<b>0.019</b>
	<b>Income Bands</b>			15.292	29.831	35.444			
<b>Loans and grants</b>	<b>Turnover/Fee</b>			0.594	0.718	0.742	0.122	<b>0.001</b>	<b>0.000</b>
	<b>Income Bands</b>			6.892	14.431	17.319			
	<b>Turnover/Fee</b>			0.444	0.583	0.611			
	<b>Income Bands</b>			13.481	28.000	29.000			
				0.570	0.707	0.707	<b>0.019</b>	<b>0.000</b>	<b>0.000</b>

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

There are also similar levels of significance revealed for UK private support. These were courses/seminars in 2008; e-Business in 2008 and 2009; meet-the-buyer events in 2008; mentorship for entrepreneurs in 2008; and Supplier Diversity support in 2009. However, these were not included in Table 5.19 as private support was not being investigated, only public support.

## 5.11 Management practice of respondents

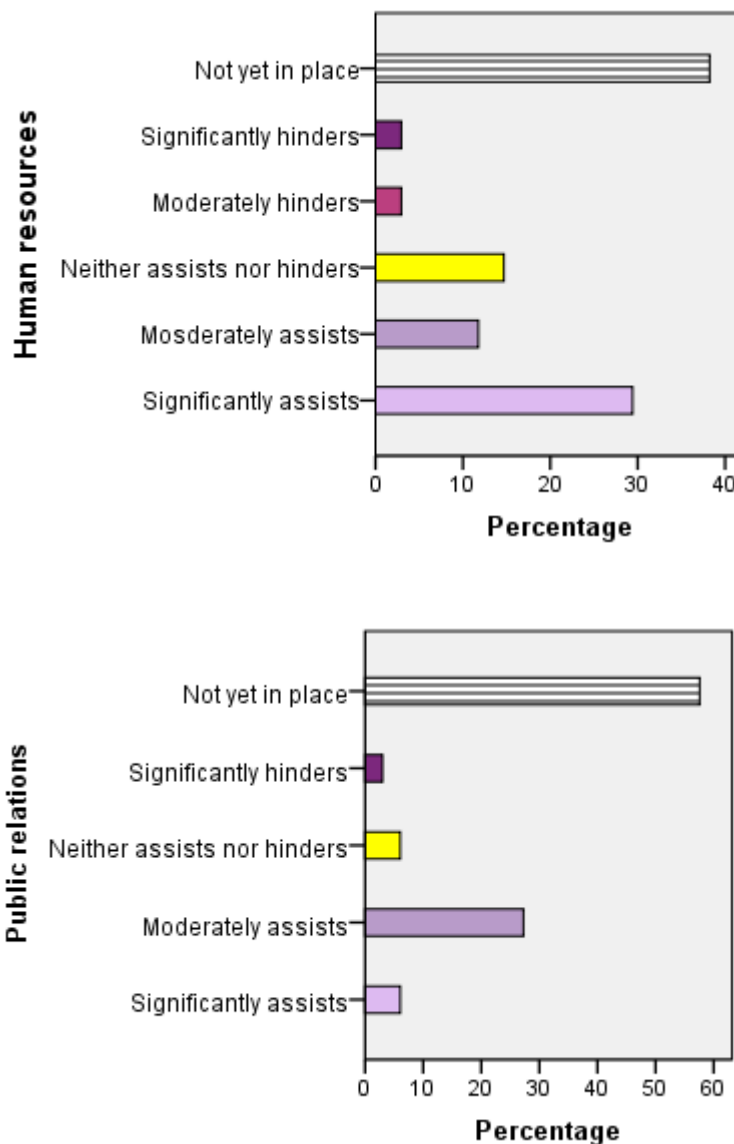
Table 5.16 Generic management and strategic objectives

Management Practice	Human resources (recruiting, staff management) complying with laws	Public relations duties, advertising and marketing	Continuing professional practice	Supervision of staff	Administrative duties	Strategic objectives Education training	Vision/mission goals	Use of resources	Main capabilities
%	67	43	83	93	93	96	54	90	96

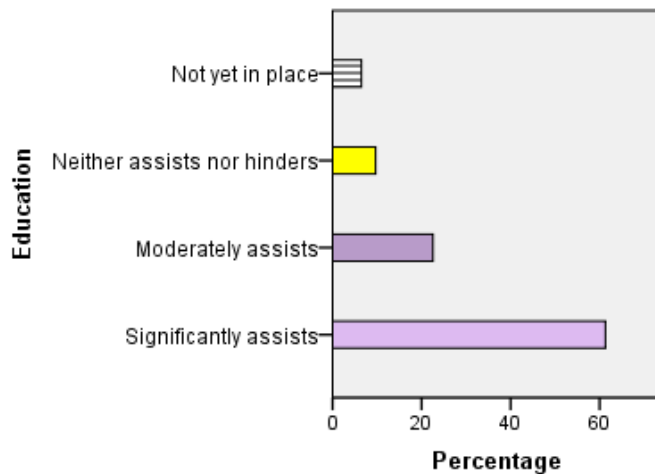
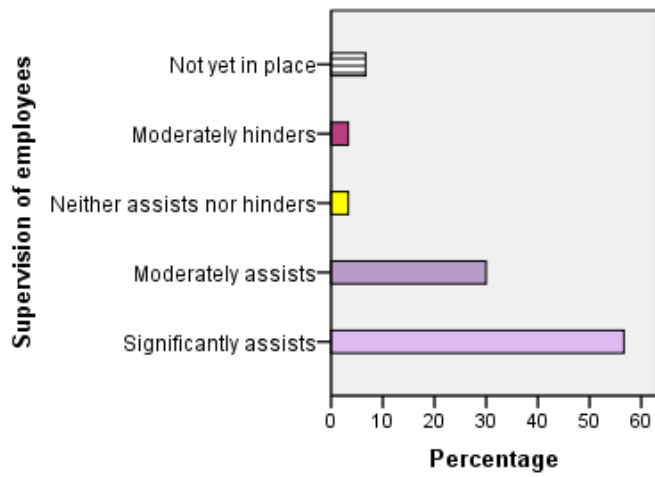
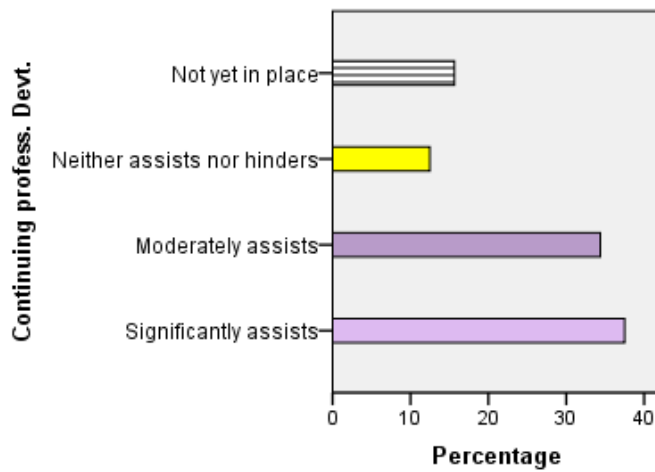
### 5.11.1 Generic management and strategic objectives

**Human resources** which consisted of recruiting staff, staff management and complying with laws had been taken up by 67% of respondents, and 10% hindered whereas, 42% assisted respondents and 18% neither assisted nor hindered their business growth. **Public relations duties** which include advertising and marketing had a lower figure of 43% respondents that had such a structure within their business. Despite this low figure, 95% of those that had a structure set up felt that it did not assist nor did it hinder their business. Only 5% felt that there was no impact whatsoever. **Continuing Professional Development** which is a form of training was keeping up with current legislation, regulations and general practice within their professional or trade sector, usually by attending seminars, and, or courses periodically. This area had 83% respondents that had it set up within their businesses and 72%, a considerable number stated that it did affect their business in a positive way. This aspect did not hinder any business whatsoever. **Supervision** assisted 85% respondents and moderately hindered 5%, with 5% indicating that it neither assisted nor hindered them. **Administrative duties** neither assisted nor hindered 15% of respondents. However, 75% were assisted and 5% moderately hindered their businesses.

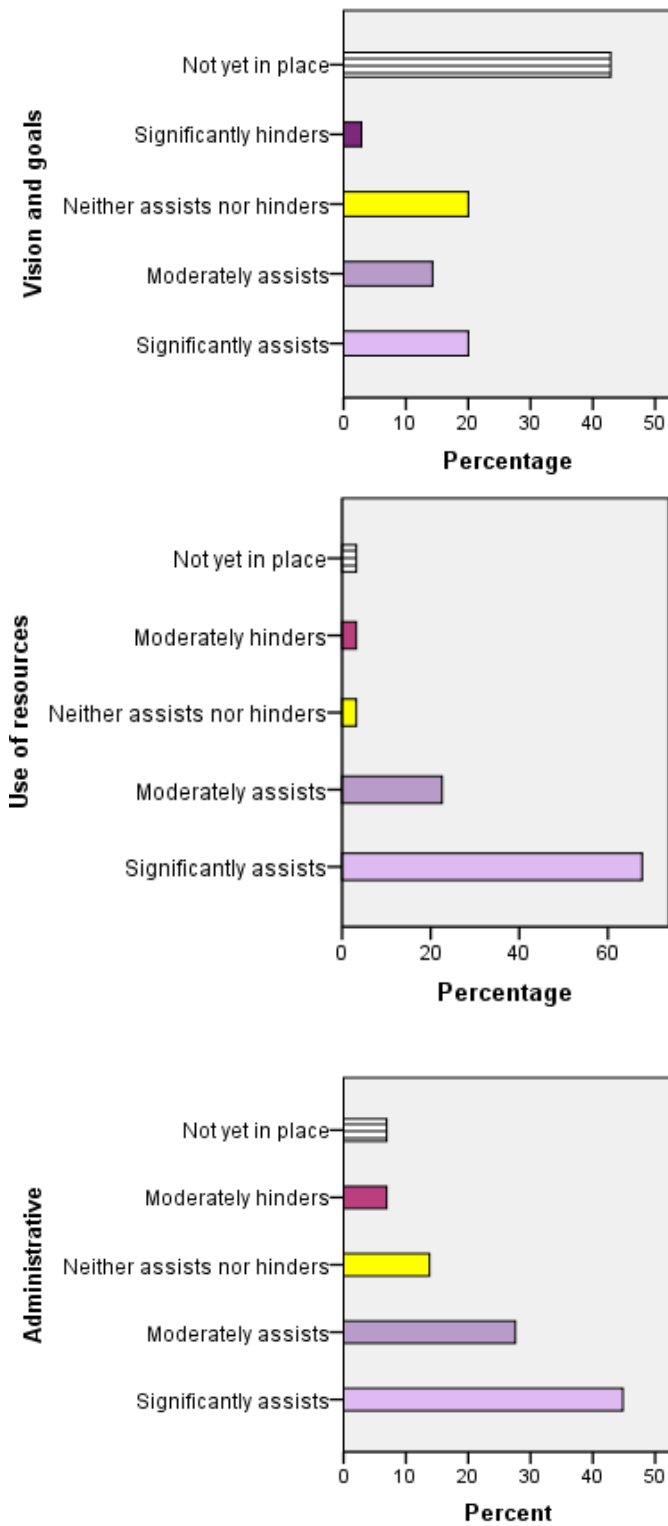
**Strategic objectives**, which involves **education training** assisted 90% of respondents, with none being hindered by education training. However, 10% stated that it neither assisted nor hindered their growth. Having a **vision** neither assisted nor hindered 20% of respondents. However, 35% were assisted, but no business was hindered by this aspect. **Use of resources** assisted 90% of respondents whereas, it moderately hindered 5%. However, it neither assisted nor hindered 5% of respondents. **Main capabilities** assisted 95% of respondents, whereas 3% were moderately hindered. There were no respondents that were not affected by this aspect. Figure 5.33, Figure 5.34 and Figure 5.35 depicted the varying impacts of the above dimensions.



**Figure 5.35 Effect of management practice on respondents (1 of 3 sets)**



**Figure 5.36 Effect of management practice on respondents (2 of 3 sets)**



**Figure 5.37 Effect of management practice on respondents (3 of 3 sets)**

**Table 5.17 Association between Strategic management practices and growth**

	Turnover £			Pearson's Chi-square x2 Phi			Significant		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
<b>Management</b>	<b>Turnover/Fee</b>			43.076	40.216	43.641			
<b>Human Resources</b>	<b>Income Bands</b>			0,790	0.779	0.786	<b>0.000</b>	<b>0.001</b>	<b>0.002</b>
				0.670	0.697	0.655			
				0.678	0.741	0.752			
<b>Main capabilities</b>	<b>Turnover/Fee</b>			27.464	25.556	27.780			
	<b>Income Bands</b>			0.738	0.725	0.732	<b>0.025</b>	0.043	0.065

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01level (2-tailed)

Human resources and main capabilities were the only management aspects that had a significant bearing on turnover. They were included in Table 5.19.

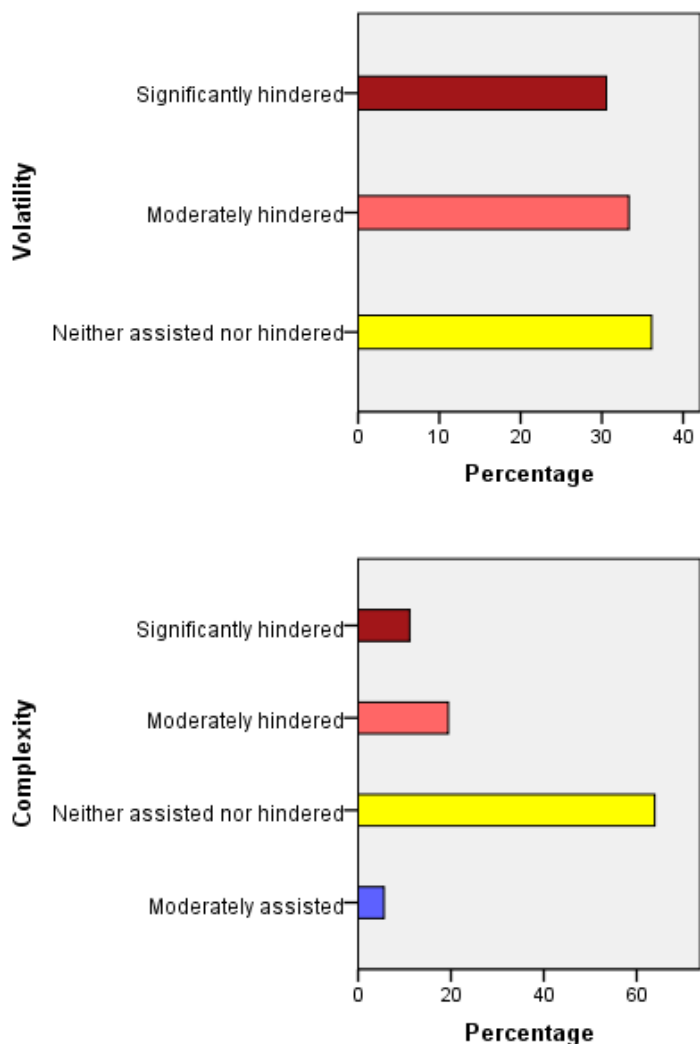
## 5.12 Construction industry's characteristics

**Volatility of the economy** hindered 64% of respondents, however, the remaining 36% had neither been assisted nor hindered by this volatility. It had to be emphasised though that 31% of the 64% had been significantly hindered. No respondent was assisted by this factor. Sixty-four per cent were neither assisted nor hindered by **complexity of the different practices within various sectors**. However, 6% had been assisted in growing, it is in stark contrast to those that were 31% that were hindered by this dimension. **Fragmentation of the various sectors** neither assisted nor hindered 60% of respondents. However, this factor was split in assisting 20% and in hindering 20% of businesses in their business growth. Half of the 20% were significantly hindered. Hence, this characteristic did not adversely affect respondents. Fifty-seven per cent responded that **competitiveness of obtaining work** neither assisted nor hindered 57% of respondents, however, it must be noted that this factor did not assist any business. Rather it hindered 40% of their businesses with 23% being significantly hindered. This characteristic has adversely affected the respondents. **Hostility of the construction environment** neither assisted nor hindered 70% of respondents. However, it did not assist any business, and so did not act as an enabler. This hostility rather hindered about 38% of respondents with 20% of those being significantly hindered. Non-diversity of some businesses not employing

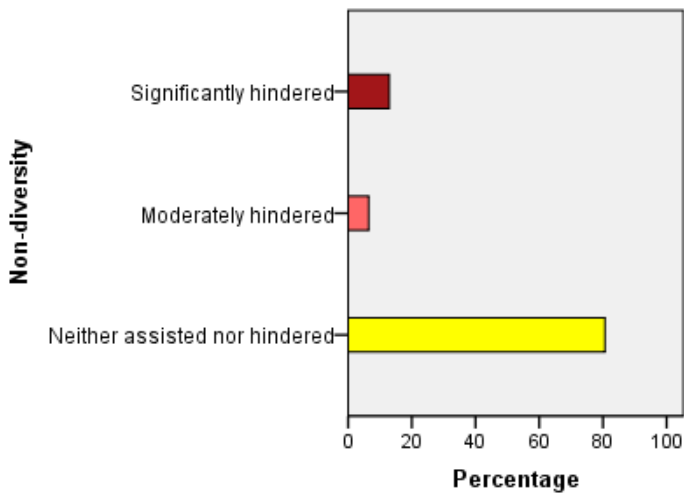
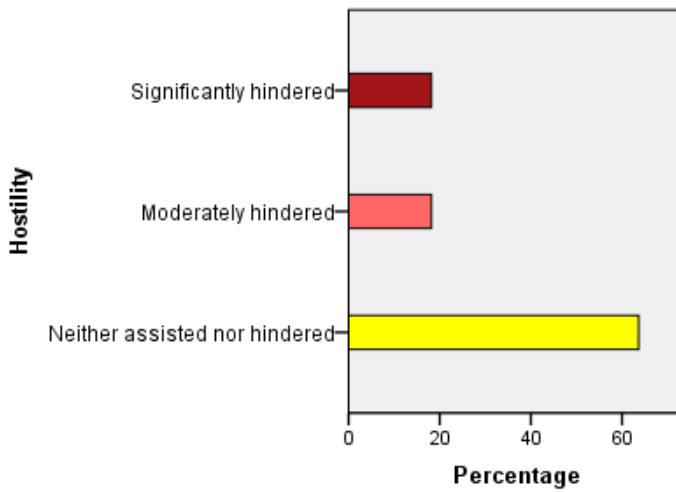
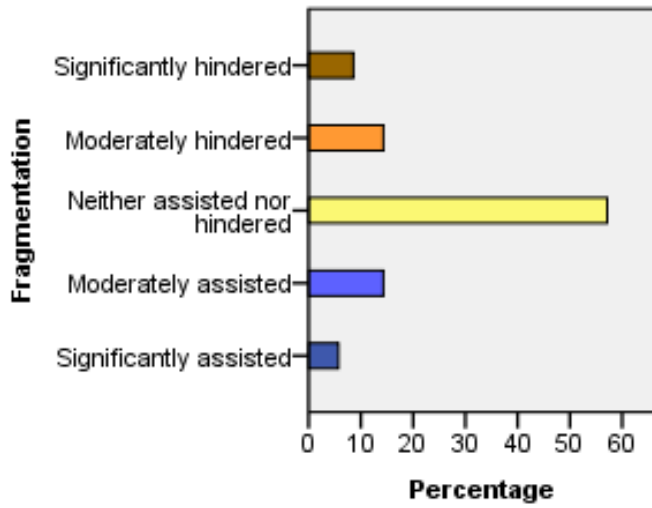


ethnic minority staff neither assisted nor hindered 80% respondents with 13% hindered, out of which 10% were significantly hindered. It must be noted that no respondent was assisted by this factor.

From the assessment of the effect of the various characteristics of the construction industry, it must be emphasised that an average of 59% responded that all of those factors neither assisted nor hindered their business growth. Despite this fact, all of these factors significantly hindered the respondents' growth by varying degrees. However, the severity of this hinderance cannot be assessed. Fragmentation and complexity acted as enablers instead of being detrimental to their businesses because they actually assisted the respondents' growth.



**Figure 5.38 Effect of the characteristics of the construction Industry (1 of 2)**



**Figure 5.39** Effect of the characteristics of the Construction Industry (2 of 2 sets)

Non-diversity of some businesses by not employing Ethnic Minority staff was one of two factors that had any association with growth in 2008 and 2009. The other factor that had an association with turnover as depicted in Table 5.19 was competitiveness in 2007 and 2008. These variables were included in Table 5.19.

**Table 5.18 Association between characteristics of the Construction Industry and growth**

Construction characteristic	Turnover £			Pearson's Chi-square x2 Phi			Significant		
	07	08	09	2007	2008	2009	2007	2008	2009
				0.704	0.884	1.103			
<b>Competitiveness</b>	<b>Turnover/Fee</b>			20.524	37.071	34.079	0.058	<b>0.001</b>	<b>0.012</b>
	<b>Income Bands</b>			0.906	1.218	1.145			
<b>Non-diversity</b>	<b>Turnover/Fee</b>			29.105	23.674	29.967	<b>0.000</b>	<b>0.009</b>	<b>0.003</b>
	<b>Income Bands</b>			1.125	1.015	1.117			

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

**Table 5.19 Growth determinants**

Independent variable	Dependent Variable					Implication
	Turnover/Fee Income (growth)					
	Characteristic	2007	2008	2009		
Age of business (individual age & turnover)	<b>Business</b>	X	X	X		Theoretical Practical
Age of business (Bands) (individual turnover)	<b>Business</b>		X	X		Theoretical Industry
Number of current full-time employees (bands)	<b>Business</b>		X	X		Theoretical Industry
Number of past full-time employees (individual employees) & turnover	<b>Business</b>		X	X		Theoretical Industry
Number of past full-time employees & turnover bands	<b>Business</b>			X		Theoretical Industry
Number of past	<b>Business</b>			X		Theoretical

part-time individual employees/ bands					Industry
Location of Business clients/customers					Theoretical Industry
Southeast	X	X	X		
Southwest, UK					
Location of client/customers					Theoretical Industry
Wales, Scotland, Northern Ireland, Abroad	X	X			
Health clinics, laboratories				X	Theoretical Industry
Roads and bridges	X	X	X		Industry
Professional organisation					
CIH	X				Industry Practice
IOD	X				Industry Practice
GAS/Corgi	X				Industry Practice
NHBC	X	X			Industry Practice
Growth characteristics					
Experience	<b>Personal</b>	X	X	X	
Innovation	<b>Personal/ Business</b>	X	X	X	Theoretical Industry Policy Practice
Size of business	<b>Personal/ Business</b>			X	Theoretical Industry Policy Practice
Growth intensions	<b>Personal/ Business</b>	X	X	X	Theoretical Industry Policy Practice
Obtaining finance form financial institutions	<b>Personal/ Business</b>	X	X	X	Political Theoretical Industry Policy

Perception	<b>Personal/ Business</b>	X	X	X	Practice Practice
Procurement practice Chamber of Commerce Business Link	<b>Procurement practice</b>		X	X	Industry Until 2011
OJEU	<b>Procurement practice</b>	X		X	Theoretical Industry Policy Practice
Recommendations (word of mouth) Partnership with similar business	<b>Procurement practice</b> <b>Growth logistics</b>	X	X	X	Industry Practice Industry Practice
Challenges UK Central and Local Government Policies and initiatives	<b>Challenges</b>	X	X	X	Theoretical Industry Policy Practice
Turnover	<b>Challenges</b>		X	X	NEW Theory Industry Policy Practice
Perception	<b>Challenges</b>		X	X	NEW Theory Industry Policy Practice
Public Support Courses/Seminars	<b>Support</b>		X		NEW THEORY Industry Policy Practice
E-Business	<b>Support</b>	X	X	X	NEW THEORY Industry Policy Practice
IT Networking Events	<b>Support</b> <b>Support</b>	X	X	X	NEW THEORY

					Industry
					Policy
					Practice
<b>Public procurement opportunities</b>	<b>Support</b>	<b>X</b>			NEW THEORY
					Industry
					Policy
					Practice
<b>Budgets for EMBs</b>	<b>Support</b>				NEW THEORY
		<b>X</b>	<b>X</b>	<b>X</b>	Industry
					Policy
					Practice
<b>Mentoring entrepreneurs</b>	<b>Support</b>				NEW THEORY
		<b>X</b>	<b>X</b>	<b>X</b>	Industry
					Policy
					Practice
<b>Supplier Diversity</b>	<b>Support</b>				NEW THEORY
					Industry
			<b>X</b>	<b>X</b>	Policy
					Practice
<b>Loans and Grants</b>	<b>Support</b>				NEW THEORY
					Industry
			<b>X</b>	<b>X</b>	Policy
					Practice
<b>Management and Strategic Practice</b>					
<b>Human Resources</b>					
	<b>Management</b>	<b>X</b>	<b>X</b>	<b>X</b>	THEORY
					Industry
					Policy
					Practice
<b>Main Capabilities</b>	<b>Strategic</b>				THEORY
		<b>X</b>			Industry
					Policy
					Practice
<b>Construction Industry</b>					
<b>Competitiveness</b>	<b>Construction</b>				Industry
					Policy
			<b>X</b>	<b>X</b>	Practice
<b>Non-Diversity</b>	<b>Construction</b>				Industry
		<b>X</b>	<b>X</b>	<b>X</b>	Policy
					Practice

X = Correlation is significant at the 0.05 level (2-tailed)

**X** = Correlation is significant at the 0.01 level (2-tailed)

## **5.13 Summary**

The characteristics, depicted in Table 5.19 were originally obtained from the economics of entrepreneurship, ethnic entrepreneurship, strategic management and business growth disciplines. These factors were used to develop the integrated conceptual model, some of which had been operationalised by the researcher, and are now indicators. The theoretical framework has been revised to accommodate these important concepts/indicators shown in Figure 6.1 and Figure 6.2. More significantly, these indicators are discussed within the context of the model.

The profile of employment within the questionnaire survey regarding micro BACBs (having less than ten employees), reflected research literature. This was so because 80% of the respondents were micros. However, the number of micros were less than the macros, (BACBs having between 10 and 49 employees), which is in contrast to research literature.

### **5.13.1 Age of business and growth**

From the literature review age of a business has been a popular and historically a determinant of business growth. In addition, younger businesses grow faster and the older business is less likely to aim to grow (SBS, 2003). Glancey (1998); Basu and Goswami (1999) had revealed strong negative associations between these two variables that business' growth decreased with the age of a business.

Age of business had significant relationship over 3 years, more so in 2008 and 2009 than in 2007. The implications here were that the older the business the more unlikely for them to achieve growth. Therefore, in making comparisons, there would be a certain age threshold beyond which businesses are unlikely to achieve growth. Business should then be targeted before they reach that age so that they can achieve growth and be assisted in maintaining growth. Businesses between 4 -10 year old and those of more than 10 years old had odds stacked against in comparison to those of less than 3 years old where growth was concerned. They were 62% and 81% lower than those of 3 years old. Notwithstanding this information, some sceptics maintain that because of the extensive varied pool of literature on growth businesses can achieve growth at any age. Importantly, the implications here are that if support is to be targeted using this variable, caution and discretion should be maintained as to the stage at which support should be given. Take-up rate for such businesses has to be considerably improved if the results are to be successful.

### **5.13.2 Business size and growth**

The data revealed that the number of employees within respondents' businesses were greater than the normal non-ethnic business as reflected in SBS (2006) and WYEP (2006). However, the figures showed a lower level of current full-time and current part-time Macro BACBs. The micros were earning considerably more than the macros.

The average current number of employees being 5 was more than double that of the current average part-time employees of 2. The mean remained the same for the current and part-time employees, at 5 and 2, respectively, regardless of the increase in numbers of current part-time employees. Size had a significant level only over two years as opposed to age that had associations over the 3 years. In addition, the numbers of past full-time and part-time employees were only significant at the 0.05 level as opposed to the numbers of current full-time employees that were significant at the 0.01 level in 2009. Hence, the current full-time employees are more crucial to growth than the past current or part-time employees. The implication here is that respondents should endeavour to retain their current employees and try to provide incentives for them so that they in turn will remain at the business so that growth can occur, and in the long term, growth can be maintained.

### **5.13.3 Location of clients/customers and growth**

Location of clients/customers achieved significance levels over the three years, with stronger relationships in 2008 and 2009. This aspect was not one of the independent variables. The implications however, were that respondents chose their business location because of the opportunities that existed in those locations. However, the opposite may have occurred, in the event that the respondents happened to be in those locations in which clients/customers gave them contracts.

### **5.13.4 Core services, activity sectors and growth**

Research reveals that businesses within the retail and catering industries achieve faster and more growth and are more entrepreneurial than those in the construction industry (Johnson and Reed, 2008). However, CSMEs which include BACBs produce approximately 2.5 billion pounds as an industry (SBS, 2006). From Table 5.19, the only core services that were strongly associated with growth over all the three years were roads and bridges. It was interesting to note that no other core service had significant levels of associations with growth. This implied that certain core services were not crucial to growth, and that businesses could provide any service. However,



the respondents showed that in providing particular core services of (roads, bridges and motorways), and those of health clinics, growth would be achieved.

With regards the literature review, emphasis is usually on BACBs who are within the actual sectors of new build versus refurbishment. There has not been much focus on the activity sectors of residential versus commercial, or industry or offices that BACBs may find successful. The findings from the main questionnaire survey are that the activity sector of health, clinics and laboratories had a lower level of significance with growth over in just one year, 2009. In the event that this occurrence may imply that it was a new activity sector entered in 2009, it has revealed that growth can be achieved by being in this sector of activity. Other findings from the questionnaire were that 100% of respondents were within the residential activity sector. This may imply that it is one which was easier to enter, and due to the nature and flexibility of domestic projects, this was a popular activity sector from which the respondents and a much wider community of BACBs could obtain work. The commercial sector involved offices and shops and was also popular at 61%, second highest sector for respondents. The industrial sector has a considerably low number (28%) and it is questionable why this is so. Nonetheless, as mentioned earlier, there were no activity sector that had any significant association except health, clinics and laboratories. The implication here is two-fold. First, because BACBs are concentrated within the residential sector, they could be assisted to take on larger contracts in this sector. Second, if the residential sector has been exhausted, then the respondents should be encouraged to break-out of this sector, and move into other profitable ones, such as commercial or industrial sectors.

Empirical evidence had shown that BACBs were more inclined to carry out new build work than refurbishment and the findings within the pilot study reflected it, with new build work carried out by BACBs at 60% and refurbishment at 33% within the Private sector. In addition, even though new build work was extremely low at 33%, it was still marginally higher than refurbishment work. The respondents from the main questionnaire had carried out more refurbishment than new build in both private and public sectors. This suggested that there may indeed be more refurbishment work to be carried out than new build. It also suggested that the respondents' skills and expertise had improved in those areas, or, that there was more work within the refurbishment area. Hence, it is implied that sectors in which these respondents are not represented, should be investigated to reveal whether those sectors are viable, and if so, assisted to enter those more profitable sectors. Nonetheless, it must be

noted here at this stage that there was no association between growth and the other sectors, whether, new build, refurbishment or planned maintenance and growth.

#### **5.13.5 Registration with professional organisations and growth Chartered Institute of Housing; Institute of Directors; GAS/Corgi and National Housing of Building Council**

With regards registration with professional organisations, empirical evidence has shown that businesses that were registered with professional organisations presented themselves better in the event of bidding for work, and for some client organisations, registration is mandatory. Only the above four had associations with growth, and they were only weak associations that occurred only in 2007, with NHBC having the same weak association over two years, 2007 and 2008. The implications here were that even though it was important for businesses to be registered, this process may not always be attributed to growth all the time.

#### **5.13.6 Years of experience and growth**

Experience of a business owner within entrepreneurship tends to be associated with running a business before their present one, possibly a profitable one (Fadahunsi et al., 2000). Whereas, emphasis of experience is usually on leadership skills that involve experience of managing and organising staff (Ram and Jones, 2007). This research has taken into account the years of experience in the industry, which covers technical knowledge, including the age of the business in terms of experience in running a business, having leadership skills as the owner and presumably having entrepreneurial skills as the controller of the business.

The findings from Table 5.19 were that experience in the industry was strongly associated with growth over the three years. The implications were that they needed to have had experience of the industry, as it was vital if they wanted to succeed and to grow.

#### **5.13.7 Innovation and growth**

Researchers and policy makers have debated whether the term, innovation should be used for developments and breakthroughs that are new within an industry or economy, or, whether the changes that are new to the business itself should be taken into account, irrespective of how they compare with what other businesses in the same industry or market are doing (North et al., 2001; WYEP, 2006; Johnson and Reed, 2008). Regardless as to its impact, the findings were that it was significant over

the three years, with a strong association in 2009. The implications here were that respondents needed to be actively involved with innovative, creative ideas such that they could have competitive advantage over their competitors.

#### **5.13.8 Growth intentions and growth**

Research has always cited that in order for a business to grow, it has to have intentions of growing (FSB, 2006; SBS, 2006; Johnson and Reed, 2008). Hence growth intentions achieved three years of associations with growth, with only a strong level of occurrence in 2009. The implications here were that businesses need to desire to grow, in order to be able to grow.

#### **5.13.9 Obtaining finance from financial institutions and growth**

Access to finance has ranked as a high priority with some EMBs, but research reveals that it declines as the business matures, and so that may not necessarily be a challenge for such groups. However, Black-led businesses were more likely to have mentioned several obstacles to growth than any other ethnic groups (SBS, 2004; Fraser, 2005; Hussain and Matlay, 2007). In this research the most cited obstacle amongst such businesses was obtaining finance. These results revealed that there was significant association with growth over the 3 years, shown on Table 5.4. The implications here were that even though access to finance did not have any association with growth (under factors/challenges), it had strong associations under characteristics of BACBs with regards obtaining finance from banks and financial institutions. This implied that some respondents did not see this aspect, as a challenge, however, they may have experienced that obtaining finance from banks/financial institutions was indeed a challenge with banks.

#### **5.13.10 Perception**

This was a new characteristic that was stated that had strong associations with growth over the three years. The implications at this stage were unknown.

#### **5.13.11 Procurement practice**

The success stories were chamber of commerce, Business Link, OJEU and recommendations (word of mouth). All of the above had associations with growth over two years, except chamber of commerce that had association only in one year. It was interesting that chamber of commerce has any association, because its take-up rate was extremely low, at 3% for the respondents. The implications were that respondents

should register with organisations that were likely to be successful in the event of procuring contracts.

#### **5.13.12 *Alternative ways of growing business and growth***

Entering into partnership with similar business had a weak association with growth only once, even though entering into a framework for social housing was the most popular response the latter did not have any association with growth. The implication is that partnerships should be formed with similar businesses, which may be a good thing as the businesses can exchange and share ideas about various aspects of their businesses.

#### **5.13.13 *Challenges***

UK Government policies and initiatives were challenges that had very strong associations with growth over all three years. Although the policies were not specified in the questionnaire, the fact remained that the respondents perceived that the UK Government had policies that affected their business survival and growth.

Lack of collateral had been closely linked with assets and Fraser (2005) discovered that the difference in average business assets of EMBs in construction (£37,751) compared with the corresponding figure amongst non-ethnic (white businesses) was (£146,652) and which indeed seems disproportionate.

#### **5.13.14 *Turnover***

This is also a new characteristic, rather a challenge as it was within a different place in the questionnaire. Like perception, it had not been clearly explained at this stage.

#### **5.13.15 *Public support***

The literature had been inundated with the need for support to be effective, or at least appropriate when offered to small businesses, especially BACBs (Baldock and Smallbone, 2003; FSB, 2006). Few businesses seek public sector advice either through enterprise agency, regional development agency, Central government, Local government, Government funded business support, and so this adversely affects their survival and growth (Fadahunsi et al., 2000; Deakins et al., 2003; SBS, 2006; WYEP, 2006).

The use of public support by respondents in the main survey study had a higher percentage of 30%, as opposed to nil take-up rate in the pilot study. It was still

disappointing as the figure of 67% for businesses that have not used any SPAs during the past three years is quite high. However, these findings reflected the empirical findings as the support take-up was very low with regards EMBs and BCABs. This may be due to the fact that courses and seminars tend to cover a wide variety of subjects and so proved useful in assisting the businesses.

There were several items of support taken up by respondents that had significant occurrences with varying strengths of associations with growth. Four support packages had associations over the three years. These were e-business, networking events, budgets for EMBs and mentoring entrepreneurs. Supply diversity support and loans and grants had association with growth over two years, with course /seminars and public procurement opportunities having an association with growth just in one year. The findings showed that when these support packages were taken-up they affected business growth. The type of support it seemed needed to be specific and tailored to suit the different kinds of businesses that required them.

#### **5.13.16 *Management and strategic practice***

Only two out of the nine variables had associations with growth. Human resources had a strong relationship over all three years. However, the strategic practice concerning main capabilities had a weaker association only in 2007. The implications were that to have a good management structure that worked, having main capabilities and having a good relationship with their employees would assist growth.

#### **5.13.17 *Characteristics of the construction industry and growth***

The two characteristics of competitiveness and non-diversity were the only two out of six that had been suggested as affecting BACBs. Competitiveness had a strong association only in 2008 and a weaker one in 2009. However, non-diversity which was businesses not getting contracts due to their ethnic background had strong levels of significance in all three years. The implications here were that both variables were affected by growth. Because they could act as both challenges and enablers, they should be investigated further in order to know what effect they have on business growth.

This chapter identified 33 growth factors and so the second objective of the research which was to identify the various factors that affect the growth (turnover) of BACBs had been achieved. The results have been discussed with implications for the respondents and the wider community of BACBs. However, case studies need to be

conducted in order to validate the conceptual model. These case studies are now evaluated in chapter six.

# CHAPTER SIX

## CASE STUDIES: VALIDATION OF MODEL

### 6.1 Introduction

The previous chapter gave detailed analyses of the main questionnaire survey and presented some quantitative statistical findings. Thirty-three growth factors were revealed. In order to address the limitations of the main questionnaire survey, which was inclined towards a quantitative methodology, the qualitative approach is being used within case studies. Additionally, the concept of triangulation is also achieved by using both quantitative and qualitative methods within this research. Furthermore, because of the associations that were revealed between these growth factors, they are now being used within the case studies in order to validate the integrated conceptual model by revealing that several of these concepts are determinants of growth. These three case studies consist of very detailed in-depth investigations that evaluate the businesses' growth and growth factors within the research's theoretical framework.

### 6.2 Case study typology

Some questions to be answered within the case studies are why some BACBs do not grow; why some support mechanisms may have assisted some BACBs and others did not. Additionally, it raises questions which focus on arguments that would hopefully support the literature review that the support take-up rate was low for the respondents; and that the existing support offered was inappropriate for assisting growth in terms of increasing their profits. These findings would assist in the testing, refining and validating of the integrated conceptual model. The most important aspect is that the case studies would close some gaps within the research literature. One such knowledge gap is that ethnic entrepreneurship was contextualised using various ethnic entrepreneurial theories, but carried out within limited disciplines. Ethnic entrepreneurship would be located within the BACB context by drawing on other disciplines such as strategic management and business growth. This would help in the provision of more appropriate support mechanisms in order to assist in their survival and growth of the wider BACB community. "Health warnings" (Fraser 2005:17) were used in his research in order to inform and also to warn the reader whether or not some of the results were statistically significant. In a similar vein, at this

point it is necessary for the reader to be informed and warned that due to the small number of cases, the results cannot be generalised within a population.

In order to simplify the case study analysis process, the 33 factors in Table 5.19 have been categorised and a typology of profiles has been produced within which the narratives and discussions take place. Table 6.1 gives a classification of the profile of the cases investigated.

**1. Business size and owners' characteristics:**

Number of employees including profile of the business and personal attributes such as education, years of experience within industry and so on.

**2. Business profitability, growth objectives and procurement practice:**

Turnover/income of business including a statement of growth objectives and type of procurement practice.

**3. Benign factors affecting business growth: challenges**

Factors encountered by business that adversely impact on survival and growth.

**4. Business public support:**

Business support is one of the many ways in which government interacts with businesses, and it is a means of giving direct (rather than tax-based) support to a business or group of businesses or to people starting or considering starting a business. Examples of business support include: free or subsidised advice, grants, reduced-interest loans, training and help with finding workspace (DTI, 2007).

**5. Business strategic management practice:**

The business' short and long-term responses to the challenges and opportunities posed by the business environment.

Through these typologies, the evaluation and assessment of the case studies would vividly highlight the key aspects that led to the businesses success.



**Table 6.1 Classification of cases**

<b>BACB</b>	<b>A</b>	<b>B</b>	<b>C</b>
Location	West Midlands	London	London
Number of current fulltime and part-time employees (Size of business)	26	18	20
Age	9	8	8
Experience	8	21	15
Growth objective	Moderately	Significantly	Significantly
Core services	Building Contracting	Building Contracting and Construction Management	Facilities Management
Activity	Residential	Residential	Residential Commercial Health clinics
Sector	Public	Public	Public and private
Turnover 2007	£500,001-£1m	Up to £50,000	£100,001-£250,000
2008	£1,000,001m - £5m	£50,001-£100,000	£100,001-£250,000
2009	£1,000,001m - £5m	£100,001- £250,000	£250,001- £500,000
Number of procurement organisations to which BACB was registered	8	8	5
Quality of staff			
Managerial	Good	Bad	Good
Non-managerial	Average	Very bad	Good
Ethnic mix of employees			
Ethnic:non-ethnic	60:40	50:50	50:50

## **6.3 Business profile**

From the main questionnaire survey, it was important to obtain demographic and business information specifically, in order to provide a context within which to place these respondents. In addition, they would assist in making comparisons between each case study, including highlighting, patterns, themes and commonalities. This information was predominantly for seeking out relationships as opposed to comparisons of size and numbers. The growth determinants obtained from the main questionnaire survey within business profile were age; size; experience, registration with professional and trade organisations; location of clients/customers in South East/South West; location of clients/customers in Wales, Northern Ireland, Scotland and Abroad. However, even though location of business did not have any significant relationship with growth, due to the emphasis of the cases, this aspect has been discussed.

### **6.3.1 BACB A**

Established eight years ago as a limited building contracting company in Birmingham, West Midlands, BACB A's main activity of work was in the residential public sector, within refurbishment, planned repair and maintenance sectors. Two Directors were in charge of the Operations and Commercial Departments. The business had achieved growth over 3 years; from 21 to 26 full-time employees; and achieved an increase in turnover from £500,001-£1million in 2007 to £1,000,001- £5million, in both 2008 and 2009. The business owner had 8 years of experience within the construction industry. However, because one of the owners had several years of experience in the housing sector, the business had been able to procure contracts within the social housing public sector. The business was registered with several organisations in order to perform its necessary operations and duties.

*BACB A emphasised that "A range of experiences, size of the business, turnover and capability act together to significantly hinder a business. All these factors taken together have to be in place in order for a business to be successful"*

### **6.3.2 BACB B**

The core services of BACB B were building contracting and construction management. Started eight years ago in Nottingham, Yorkshire, the business relocated to London, and now carried out work solely within the residential public sector. Operating as a limited company, BACB B was registered with several professional and trade organisations. The owner had 21 years of experience in the

construction industry and had a degree in quantity surveying and construction management. Within three years employment growth had been achieved from 10 to 18 full-time employees, and the turnover had increased from bands up to £50,000 in 2007 to £50,001-£100,000 in 2008 and to £100,001-£250,000 in 2009.

### **6.3.3 BACB C**

BACB C's core services were confined to cleaning (existing and new buildings), landscape and garden maintenance within the residential, commercial, industrial and health sectors. Majority of the business' clients were RSLs who operated within the social housing public sector and were based within the Greater London area and Essex Counties. However, the business also procured contracts within the private sector. With 15 years of experience in the facilities management industry, the owner had a degree in political science and history including a Post graduate housing studies degree and the business was registered with several professional and trade organisations. Being a limited company, it was formed 8 years ago and had more than doubled its growth in employment size over the last three years from 9 to 20 full-time employees. Turnover had increased from bands £100,001-£250,000 in years 2007 and 2008 to £250,000-£500,000 in 2009.

## **6.4 Business size and Owners' characteristics**

### **6.4.1 Business age**

Younger businesses grow faster and the older business is less likely to aim to grow (SBS, 2003). Businesses between 4-10 year old and those of more than 10 years old had odds stacked against those of less than 3 years old where growth was concerned. They were 62% and 81% lower than those of 3 years old. Interestingly, all the businesses cases that volunteered to participate had similar ages. At the time of interview, BACB A was 9 years old, whereas BACB B and BACB C were 8 years old. Due to this similarity, it was difficult to make comparisons with regards propensity to growth, as the literature asserts that the younger business is likely to grow faster. In a similar vein, because they are within the 4 to 10 year old bracket, they are still less likely to grow than businesses that are 3 years old. However, from the table of classification of cases, it clearly showed growth over the three years. Indeed, they all obtained "sustained growth" according to SBS (2006: 67), confirming that they did have some propensity for growth in the last three years of 2007, 2008 and 2009. BACB A achieved growth between 5 and 7 years old, whereas BACB B and BACB C achieved growth between 4 to 6 years of age.

In terms of age affecting their businesses to achieve growth, there were no obstacles with regards propensity for growth. However, with regards the link between age and track record or experience, considerable problems occurred. This aspect was revealed in the literature review that EMBs, including BACBs tend to have been trading for less time than their non-ethnic counterparts and so the former businesses tended to be younger in age (SBS, 2006). All cases experienced that age became a challenge, as most times experience came with age, and so a track record was established over time, thus allowing businesses to operate competitively with others that were older and had track records.

#### **6.4.2 Size**

There were three aspects that were addressed here. First, the effect overall business size had on survival and growth. Second, the effect that employment profile had on survival and growth; and third, the effect other inter-related factors had with size to affect survival and growth.

With regards, employment profile, findings from the main questionnaire survey were that the current full-time employees were more crucial to growth than the past current or part-time employees. The implication here was that respondents should endeavour to retain their current employees and try to provide incentives for them so that they in turn will remain at the business, so that growth can occur, and in the long term growth can be maintained. BACB A and BACB B shared similar problems in attracting good quality employees that would assist in maintaining growth. This was therefore a difficult situation if the current employees were crucial to the businesses, and recruiting current employees was indeed a problem, then it was very likely that growth may be adversely affected in the future. A different scenario occurred with BACB C. It had a strict training programme which was vigorously enforced in order to ensure that newly recruited employees were taken on probation and trained to a high standard before they became fully employed. Those that did not achieve this standard would not become members of staff.

The third aspect addressed in the literature review stressed that business size and experience (which are acquired over a period of time and so are usually closely linked to the track record of the business) were perceived as important challenges encountered in attempting to win public sector contracts. "Fledging businesses lacking three years trading history are unlikely to win contracts, because a track record of successful delivery is a key factor influencing purchaser' choice of suppliers" (Smallbone et al., 2008:43). However, all of the cases had over three years

experience, and in fact BACB B had 21 years of experience. To overcome the size constraint, Smallbone et al. (2008) revealed that some EMBs had considered forming partnerships with larger, more established businesses. BACB A had considerable challenges due to size with regards procuring contracts. It saw itself losing out to larger businesses over several years, due to the fact that its size was also closely linked to its turnover. Over time, with size growth, the situation had improved, albeit marginally, as its non-ethnic competitors with regards size, still won larger contracts. In contrast, business size of BACB B had no effect in assisting or hindering growth in 2010. However, during the latter part of 2010, size was a challenge because there were not many contracts that the business could take on and the larger contracts could not be taken on due to the small size. In contrast to this year 2011, BACB B stated that:-

*“The opportunities are there but it is serving those opportunities that is a problem because we are small and are struggling to find good employees”*

### **6.4.3 Location of business**

Seventy-two per cent of the respondents' businesses were located in the North, West, and East of London, which were not termed or designated as impoverished areas. Only 11% of such businesses were located in the south of London. Fourteen per cent were located out of London. It was understandable that the majority of respondents were located in similar locations to those of their clients/customers. This was so because of the nature of respondents' project activities which were likely to be carried out at close proximity to their clients/customers. The main survey, capturing more respondents may suggest that the north of London had a better transportation infrastructure and was easier to navigate than in the south of London. Less than five per cent were in the west and west central, presumably they were more expensive areas in which to practice. From the data, no respondents had a second office. The fourteen per cent of businesses were located out of London, 11% of them were outside the M25 Motorway.

The profile of location was in contrast to the research literature which cited that EMBs including Construction EMBs were located in inner cities, impoverished areas or had a high concentration of immigrants (SBS, 2006; WYEP, 2006). This was clearly not so for this target group, as 75% of their businesses were located in the North, West, West Central and East of London, which were not termed or designated as impoverished areas. Only 14% of such businesses were located in the South, South East and South West of London.

Location may not be an issue for the main questionnaire respondents in terms of procuring work as technology has advanced considerably such that contact with clients/customers was no longer a necessity. However, in terms of clients/customers choosing services offered by the respondents, postcodes may be a factor taken into consideration. Business location of BACB A based in the West Midlands, had no effect on the business growth; whereas BACB B preferred North London, (near the city of London), and enjoyed its present location as seeing it central to its activities and clients. In a similar way, BACB C's office in Hackney, East London, was in close proximity for its employees and clients that were located within the surrounding areas.

#### **6.4.4 Location of clients/customers**

The close proximity of related businesses such as electrical suppliers, plumbing manufacturers and the motorway assisted BACB A in conducting its business operations in terms of convenience and time, thereby enhancing its business performance. The business accommodation was on two levels and was very spacious, neat and tidy for such a size and it chose the option to rent the premises which was a flexible arrangement in the event of the need to expand later.

#### **6.4.5 Experience of owner within construction industry**

The relatively few years of experience at nine years was in comparison to the average age of 19 years in the rest of the main survey questionnaire. Experience was one of just two variables that had very low levels of significance for all three years - 2007, 2008 and 2009 - depicted in Table 5.19. This variable was being discussed here as a characteristic. It was discussed as a challenge later on in the evaluation. The eight years of the business existence for BACB A was not seen as lack of experience, rather it was more a lack of track record which resulted in problems initially. BACB A had a Bachelor's Degree in housing which had assisted the business in procuring contracts. However, what hindered the survival and growth of BACB A in its formative years was a combination of things. It lacked a range of experiences in that there was no track record of having built or contract managed certain sized projects, it was a small business with finite employees; its turnover was quite low and there was no capability to manage projects. BACB A stated that:-

*"Intention to grow the business is significantly hindered reflecting the fact that expansion relied on winning tenders and the pre-qualification criteria such as OJEU makes it difficult to meet as it favours larger and much more established firms."*

In order to break the cycle of no experience, - no contracts; no contracts, - no experience, (*noe-noc/noc-noe*) the business was able to conduct some pilot schemes under various initiatives, thereby meeting the needs of the community as well as being able to win contracts later on. This business has shown that it is not impossible to move from a small business with little or no turnover, and little or no experience and grow into a sizable profitable business.

BACB B's experience and qualifications obtained over the years included a Bachelor's Degree in quantity surveying and construction management which had significantly assisted BACB B's growth and had contributed to its business' success and being profitable.

BACB C had a Bachelor's degree in political science and history, including post graduate studies in housing studies and immigration and asylum law. The housing studies degree has been tremendously useful including the 15 years of industry experience contributed to the success of its business.

#### **6.4.6 Registration with professional or trade organisations**

BACB A was registered with organisations such as Constructionline, CHAS and CSCS. Their registration with these organisations BACB A mentioned, offered eligibility for opportunities to tender for certain contracts especially within the public sector. BACB A explained that:

*“Being a member of these professional bodies act as added value and it is the only reason that gives potential clients and others in the industry that credence to hire us”*

BACB B stated that registration with professional and trade organisations gave credence to its business. Royal Institute of Chartered Surveyors (RICS); Chartered Institute of Building (CIOB); Chartered Institute of Housing (CIH); Nigerian Institute of Quantity Surveyors (NIQS); Association of Cost Engineers (ACE); Association of South African Quantity Surveyors (ASAQS); Federation of Master Builders (FMB) and Contractors Health and Safety Scheme (CHAS) were other organisations to which BACB B belonged.

BACB C subscribed to BICS, SAFE and ISO 9000. Later, the business would obtain registration with BIFM, British Institute of Facilities Management and Investors in People.

## **6.5 Business Profitability, Growth Objectives and Procurement Practice**

The most sensitive area was likely to be declaration of the turnover, fees, income and profits of any business, and so 100% response rate for those particular questions was not achieved (Basu and Goswami, 1999; Fadahunsi et al., 2000; Altinay, 2005). The growth factors discussed here were included in the main questionnaire, and they all had some form of association with growth (turnover) of the respondents' businesses. They were innovation; growth intentions; obtaining finance from financial institutions; perception; Business Link (abolished November 2011); OJEU; recommendations (word of mouth) and partners with similar businesses.

### **6.5.1 Business profitability**

BACB A's turnover/income was in the higher bands and rose from £500,001 - £1.0 million in 2007 to £1,000,001 - £5.0 million in both 2008 and 2009. These figures were considerably higher in comparison to 72% of respondents in the main questionnaire survey whose turnover/income were between up to £50,000 and £100,000; The seventy-two per cent was equally split at 36% of respondents whose income/turnover was up to £50,000 and those earning £500,001 - £100,000. BACB A had secured long term contracts in the form of planned maintenance, some of which were four to five years and even longer.

There had been a steady increase in BACB B's turnover from the lowest category of up to £50,000 in 2007 to £50,001 - £100,000 in 2008 and to £100,001 - £250,000 in 2009 and £1.5million in 2011. This was due to having new contracts within the last nine months. A significant realisation during the last few years was that the contracting sector was very profitable when compared to the other consulting sectors, and BACB B believed that other SMEs including BACBs should be making a worthwhile change to this sector.

BACB C's turnover/fee income was steady for two years, in 2007 and 2008 being between £100,001 and £250,000, and rose to the higher band of £250,001 to £500,000 in 2009. Since 2009, this success of approximately doubling the turnover and earning £500,000 has been attributed to the recruitment and rigorous training given to individuals at the beginning of their employment thus maintaining a very low churn.



### **6.5.2 Growth intentions**

Research literature on growth revealed that businesses with growth objectives do enhance their survival or growth potential, with businesses in London having a greater urge to grow more rapidly than those in the North of the UK (FSB, 2006). In terms of business growth, BACB A has reconfigured and now had a different growth concept by which it assessed its growth. Turnover and profitability of the business were being used as opposed to increase in employees. This *“new business model”* as it was termed by BACB A worked better as it gave a more accurate assessment of its business growth, than the growth of the number of employees. The increase in sub-contracting and being responsible for paying sub-contracted employees impacted positively on the business, enhancing growth. In terms of accurate predictions of growth of 6-15 % of profits fell into the moderate growth category, and so the business has responded with some caution. Similarly, the 26-59% growth in employment also fell into the moderate growth category so there is also some form of caution here.

Maximising market share was considered significantly important as BACB A intended to move into the new build social housing sector. However, because of the uncertainty of this new build sector, the business decided to stay out of this sector until confidence in the economy was restored, and, until the banks and financial institutions started to fund mortgages for individuals. It was better in the short to medium term to restrict its workload within the refurbishment and planned maintenance sectors. BACB A's contracts were between 4 to 5 years, not 2 to 3 months which it complained were *“too painful and procurement intensive”*. This planned maintenance sector had assisted in BACB A's stability to prosper in this austere climate. A conscious decision was taken to *“cherry pick”* and disregard new build which would have been disastrous as several businesses had gone bankrupt because of resources being withdrawn from numerous social housing projects. BACB A has *“segmented the market”* and had also discarded responsive maintenance as it was not cost effective. The business had stubbornly stuck with carrying out refurbishment including on-going (planned) maintenance projects.

Intention to grow moderately assisted BACB B in terms of *“seeing a niche in market to have a Black-led Business”*.

However, increase in profits was considered more important than increase in employees when considering the business growth, because BACB B could achieve higher profits without increasing the number of employees. However, *“the nature of*

*construction is very volatile.*” Maximising market share was the only factor with regards growth that had been considered unimportant by this business, because majority of the workload it explained was with main contractors, and so BACB B was at present limited to which areas they would like to target in future. In spite of this arrangement, BACB B would not rule out competing in the new build sector, if it was: *“based on direct engagement with client to make it profitable and worthwhile..... In terms of the volume of work, there is plenty in planned maintenance, and about three contracts have been secured having seven year terms”.*

The Religious and Faith Groups were another up-coming and profitable area in which BACB B believed may provide future workload.

Growth objectives of BACB C were to grow significantly; one of the 17% of respondents in the main questionnaire survey, which was a considerably small number of respondents. More importantly, the more detailed predictions of above 30% of profits reflected this significant growth. However, the 26-59% growth in employment also fell into the moderate growth category so there was also some form of caution here, and this was reflected in increase in employees being only moderately important. The business exceeded its expectations in profitable terms. Employment growth remained the same; however, turnover exceeded £500,000. Increase in profits was also considered more important than increase in employees when considering the business growth, similar to the other two cases. This was primarily due to specific growth objectives that focused on training and retaining a good quality core of employees that could be supervised and managed, as opposed to having a considerable number of employees, all of whom may reduce profit margins, and thus, did not assist growth. The business would *“rather have fewer employees who can deliver the full range of services”.*

Maximising market share was significantly important to growth, even though there was no tangible movement or inroads into any new areas. BACB C has *“covered all the Local Authorities in the Essex Region; and Sussex Region is next”.* In addition, there were no contracts within the NHS and School sectors because there was *“no track record”.* This reflected Smallbone et al. (2008) emphasising that businesses with a short track record below three years would struggle to get contracts within that particular sector. However, BACB C would become *“gamekeeper turn poacher”* in order to break into these two large and important sectors. The strategic plan of the business was to buy into both sectors by hiring or employing someone who had worked within those particular sectors that knew the criteria and their policies in order

to be able to properly bid for new contracts within those sectors. Hence, BACB C did not require any support as such, but knew exactly how to break into those sectors, thereby maximising its market share. Another area within which the market share would be expanded was the *“planned maintenance area to get into as the after new build cleaning has taken a knock”*.

### **6.5.2.1 Innovation**

Innovation has been discussed extensively within the literature review chapters and its definition can be contextual because to the numerous types of businesses and the structure and management practices, especially of small businesses. With regards these cases, it was the practice, procedures and business management that were being evaluated as being innovative, as those were the areas that gave value to the business over its competitors.

Innovation was one of two independent variables that showed a strong trend over the three years, - 2007, 2008 and 2009. Growth intentions were the other variables, and both were sometimes linked to each other because they had similar qualities, and they both could possess intangible results. Innovation had played a major role in all of the cases. BACB A's innovation was extremely important in terms of being its unique selling point. It was established after a few projects had been carried out for a large local client, with whom they were now in partnership. This model had moderately assisted the business' survival and growth. Additionally, this model was based on some form of relationship with the client providing the work and BACB A using personnel from the client to carry out the work, thereby having more control over its work and keeping the profit levels reasonably high. BACB A explained the process as:

*“basically engaging and integrating the local communities and delivering projects within clients' community initiatives”*.

A main area of innovation for BACB B was in setting up community engagements in order to implement the apprenticeship schemes by maintaining a close relationship with Construction Skills that delivered the scheme on behalf of the UK Central Government. BACB B explained that because the present UK Government had launched a £250million apprentice fund to help support businesses in training and apprenticeship schemes by subsidising the payments to these apprentices, BACB B did not have to pay the full wages of the apprentices (BIS, 2011). The innovative service was to form a social enterprise which would attract funding to carry out more broad-based community projects including a Construction Academy. The last aspect

was a passionate idea of the owner, who was also an RICS assessor and perceived this as its contribution in making more undergraduates qualified.

BACB C's area of innovation that assisted in its survival and growth was in the area of contract specification, which *"goes beyond contract specifications"* including extra works that were carried out free-of-charge. This extra work carried out by the business was considered *"added value to the professional work carried out" ... "anti-social behaviour;...dealing with issues that are normally not tackled by other similar businesses"*. One such service was *"to do full reports on real time by taking photographs of damaged or vandalised areas such as broken windows or fly tipping, and sending these reports back electronically"*. Another area being carried out free-of-charge was in the recycling of metal and other household goods including rubbish collection by BACB C's employees. BACB C explained that:

*"Such services provide at little cost to the business, and adds great value to the business because it keeps the clients happy to know that there is a business out there that is assisting to do some of their work free-of-charge in a professional and friendly manner, including keeping the neighbourhood clean and tidy, and subsequently keeping the tenants happy"*.

With this sort of extra added value, BACB C concluded that its clients considered its business as other professionals working in partnership within the Local Authority.

### **6.5.2.2 Relationships with Bank and obtaining finance from financial institutions**

Relationships with bank and obtaining finance from financial institutions had been mixed. Some were amicable, whereas others had hostile relationships. BACB A *"has been self-financing to date"*.

Being a limited company, BACB A was likely to enhance the growth as there were likely not to be any limitations with regards obtaining finance. However, it was pointed out that this was not the present scenario, as the banks and financial institutions were not lending any money. More indirectly, because the financial institutions were not lending funds to individuals within the UK residential domestic market, these individuals were not able to afford mortgages in order to buy properties within these markets within which BACB A procured contracts.

BACB B stated that the attitude and actions of the banks and financial institutions when trying to obtain finance had significantly hindered the business. These actions it

perceived occurred because of its cultural background. However, BACB B pointed out that because the construction industry was sometimes perceived by these financial institutions as a risk sector, they were unwilling to lend any money to construction businesses. Research literature had highlighted the aspects of risk sectors, and the implications of some financial institutions refusing to give finance or funding to businesses within those sectors (Fraser, 2005). Their actions and refusal of these banks and financial institutions to offer financial assistance had forced BACB B to respond by having *“a prudent cash-flow management”...“no overdraft and no loans. Financial institutions do not lend. Banks are useless in providing finance when required and because there are no loans, we rely on cash in cash out”*.

In stark contrast, this variable has neither assisted nor hindered BACB C. Very interestingly, the relationship between BACB C and its bank had been very cordial and BACB C stated that *“have had no problem; ..extremely good relationship with Bank Manager..... always offering money and a variety of financial products”*. The bank surprisingly sent BACB C on a seminar which was paid for by the bank. *“However, the business was originally with another bank that was “rubbish”. It was over a year and could not meet with the Business Manger “so BACB C left and joined its present one, and has had an overdraft which was not being used.*

This is a variable that can be a determinant as well as a moderating one. In this research, because it was placed within the characteristics of the business, it acts as an independent variable. In the literature review, it was revealed that in the event of accessing finance, EMBs encountered particular problems. The long standing argument about financial institutions having to increase their commitment to businesses was also emphasised by Fadahunsi et al. (2000), Deakins et al. (2003) and Fraser (2005), and indeed access to finance is a main challenge. There is an on-going debate as to whether this is attributable to business-related, or sector-related or race-related or ethnicity-related. The original variable was relationship of business to financial institutions. However, this was changed to obtaining finance from the institution, as even though businesses may have cordial and amicable relationships with their financial institutions, it did not necessarily result in finance or funds being released as and when requested by businesses. Ram and Smallbone (2003) researching EMBs argued that the financial rejections and feelings of discouragement from applying for finance, finance gaps (excess of amounts demanded over those supplied), and the cost of borrowing (term loan and overdraft margins over Bank of England base rate) all had to be addressed. Adding to this debate are Ram and Jones (2007) stating the deplorable situation that the lack of financial capital – whether for

start-up, working or expansion - is clearly one of EMBs' most consistent and crucial handicaps, far outweighing any alleged advantages derived from ethnic social capital.

### **6.5.3 Procurement**

Research has revealed that the lives of SMEs have been difficult especially in trying to sell to the public sector which includes Local Authorities and RSLs (SBS, 2001). Due to the bureaucratic hurdles, the large contracts and the high turnover required, a considerable amount of SMEs including BACBs are excluded from bidding or tendering for contracts (Steele and Todd, 2005; Smallbone et al., 2008). Business Link, OJEU, recommendations (word of mouth) and partnership with a similar practice are all facets of procurement practice that achieved a low significance level, and they are now determinants of growth. It was an open secret in the literature review that EMBs have little chance of competing successfully against larger more established businesses. Indeed the success rate of respondents procuring contracts is appallingly low with regards to all of the various procurement portals. Moreover, empirical evidence has revealed that it was very difficult for EMBs to win contracts even at lower tiers (Steele and Todd, 2005; GLA, 2007; Smallbone et al., 2008). The reasons given were that the supply chain of most main contractors do not include local suppliers, and already have their own captive supply chains. Popular support mechanisms mentioned were those of networking at meet the buyer or other events as a means of becoming visible to large organisations and meeting potential small business partners.

Data analysis revealed for activity sector variable that 100% of respondents were involved in residential, and was similar to the results of the pilot study. The same reasons were valid here as in the pilot study, because the residential sector has been portrayed as a sector that was easier to enter, and due to the nature and flexibility of domestic projects, this was a popular sector from which contracts could be obtained. How surprising and significantly, the statistical tests revealed that the only sector that achieved a significant level over three years was roads and bridges, and health clinics and laboratories association with growth was just over one year in 2009.

With regards procurement orientation, success rate varied amongst the businesses with one of the main reasons being that the criteria for applying was stringent and experience was required. BACB A was registered with eight out of eleven organisations in order to procure work and contracts. BACB A explained that:

...*"barriers of entry that exclude businesses from tendering .. gets you through the PPQ - pre-qualification questionnaire. Tendering for contracts offered on OJEU can be extremely costly, up to fifty thousand pounds on just preparing and submitting tenders. Large companies pay consultants for preparing the paperwork ". "major barriers for small micros, and ..."*no confidence in them".

*"they should stratify the tenders and exclude the larger players. The government should realise that SMEs are the backbone of the economy, as they supply the Large businesses that are often driven by shareholder values, which they feed, whereas SMEs are not driven by that."*

This is echoed in empirical research with several businesses not being able to apply for contracts and bid successfully (Steel and Todd, 2005; GLA, 2007; Smallbone et al., 2008). Interestingly, the only extremely successful way of obtaining work was by recommendations (word of mouth) stated by the respondents from the main questionnaire survey.

Maximising market share was considered significantly important as the BACB A intended to move into the new build social housing sector. Yell.com was even much worse, as BACB A was extremely unsuccessful in getting work from the *"individual domestic market "* and it was not a market in which the business was interested, as it was not cost effective and proved unprofitable in the past. It was surprising that BACB A had not set up its own website or had printed brochures for advertising, considering it's larger than average size for an EMBs or for BACBs. However, designing and having one in future had been considered. Recommendations and word of mouth were only moderately successful because the market sectors and activities within which BACB A stated that recommendations for repeat business were insufficient reasons for contracts being offered to BACBs, or for opportunities to tender for contracts. Yell.com was a domestic market that proved unprofitable because the contracts it obtained would be *"one-off, non-repeatable and small"*, which involved more administrative work and so were not cost effective for the business.

In terms of logistics of growth methods, responses were mixed. The most popular ones were entering into one or more several framework agreements within the social housing sector which some have already been achieved. Several of them have been attempted and were in different stages of development. Partnership with similar practices in same field of work, and being on the supply chain of a main contractor of main supplier had not been actively considered due to present workload. Regular

structured social and business networking was also considered. However, because of workload again, this particular aspect may be taken up in the medium term because, networking still occurs via the IODs and seem to be effective. Another way of surviving or growing considered by BACB A that was not within the main questionnaire was:

*“to buy existing business for a pound and take on its debt and continue trading. Roc bought house Martain who had a track record in housing. And so getting their foot through the door proved effective for them in competing for contracts”.*

However, that was never implemented by BACB A, because of the capital involved and the risks in taking on salaries and debts of another business, and presumably with the implications of TUPE.

BACB B was also registered with eight out of eleven organisations in order to procure work and contracts (Same number to which BACB A was registered). However, BACB B had a different story to tell. All works or contracts obtained within its business had been through contacts, even though it was currently registered with organisations in order to procure contracts.

*“Ninety-five per cent of work is got through connections....and to get work, you have to develop relationships.. and this is got by networking, networking and networking”*

Being on the supply chain of a main contractor or a main supplier was implemented and according to BACB B was:

*“a major source of work”.*

Having access to finance was the fifth alternative as BACB B would ideally have wanted an overdraft. The response from these institutions was that:

*“no funding for Construction is considered as a risk sector. The only way forward to be able to get onto any framework was to network and use contacts made within the Industry”, was by entering into one or more several framework agreements within the Social Housing Sector”. Partnership with similar business in same field of work were options considered by BACB B.*



There has been an increase in sub-contracting by all three businesses. There was evident of economics theory in which costs needed to be controlled and reduced and saw manual workers as a cost. Drucker (2007) echoed this aspect as all three cases were actively carrying out this business practice in which all were sub-contracting more, and had less full-time employees. Drucker (2007) argued that to be productive, knowledge-workers must be considered as assets and assets needed to be made to grow.

BACB C was registered with just over half, (five) of the eleven organisations in order to procure work and contracts. These were Competefor, Business Link, Supply2gov, Chamber of Commerce and the Official Journal of European Union, OJEU. An extremely low success rate was experienced with all of them, except OJEU which was significantly successful in obtaining work. *“Competefor was a waste of time”* as no contracts were won, mainly to work with main contractors. Business Link’s meet-the-buyers event *“were a pure waste of time, as buyers were trying to sell and not buy”* as they should have been buying. BACB C attended several of these events in order to try and find out the criteria that most buyers require from sellers, but without any success (this happened over several months), and afterwards gave up attending any more of such events. BACB C came to the conclusion that *“these events were for those who made money from (UK) Government patronage”*. In stark contrast, *“OJEU is a life line ..and the business has lots of work from them with information on the iphone to keep abreast of latest news and tenders. The Chamber of Commerce did not get any dividends from it”*. Yell.com was a domestic market that proved unprofitable because the contracts obtained would be one-off, non-repeatable and a small one which involved more administrative work and so not cost effective. It was no longer being used for advertising to obtain work. BACB C’s own website and brochures were significantly unsuccessful because those channels were not used by the majority of their potential clients who are the stakeholders within the social public sector. It was through recommendations and word of mouth that contracts were obtained, and so that particular medium had been extremely successful earning the business a considerable amount of money and so being able to survive and grow.

Alternative options for growing were under consideration. However, only two were chosen: entering into one or more several framework agreements within the social housing sector and partnership with similar business in same field of work. BACB C intended to grow organically and so has been conservative in its choice of logistics to achieve this growth. Successful planning had resulted in the business being in about four framework agreements and it was currently applying to enter another seven

framework agreements. Entering into other framework agreements would result after the business has made inroads into the education and schools and health sectors. BACB C had actually considered buying an existing business outright. This business would have to be reputable; however, this would likely be within a few years.

## **6.6 Benign factors affecting growth of case studies: challenges**

The six variables here are access to finance, UK Government policies, turnover, perception, competitiveness and Non-diversity. The critical literature review revealed that there were various complexities with regards the various groups encountering different challenges. However, some encountered the same challenges but did not benefit from the same support mechanisms offered by the UK Government. To reiterate, EMBs main challenges to their growth were competition, recruiting staff, the economy, regulations and obtaining finance. The economy, regulations and competition were common factors that other SMEs encountered. However, the distinct differences were that cash-flow and taxation impacted more on SMEs and recruiting staff and obtaining finance impacted more on EMBs. This research's findings were reflected in the empirical literature review with regards obtaining finance from financial institutions; UK Government policies and initiatives. However, there were challenges encountered by both groups in the area of procurement which included training and experience, lack of track record, insufficient resources, lack of specialist capabilities and insufficient turnover and were known as barriers. Challenges of survival and growth that are distinctive and specific to BACBs are access to finance, social exclusion (old boy network) and discrimination (skin colour). Lack of track record; Insufficient resources; Lack of specialist capabilities; Insufficient turnover; Lack of training and experience; when bidding for contracts, BACBs received no feedback.

From the analysis carried out in the previous chapter the challenges encountered by the respondents that were significant were: obtaining finance from the financial institutions; UK Government policies and initiatives; turnover; perception; competitiveness and non-diversity. Most significantly, just over a third of the challenges were sector based as they were characteristics of the construction industry.

### **6.6.1 UK Government policies**

Chapter two discussed the effectiveness of UK Government legislation, policies and initiatives on the survival and growth of EMBs and BACBs. They were found to be ineffective in assisting such businesses. The data analysis also revealed that in 2009 there was a very strong relationship between these policies and turnover. Li (2007) clearly showed it in his schematic framework as impacting on ethnic entrepreneurship. Moreover, he showed government policies interlinked with two main areas; financial institutions and support from the wider community.

In terms of procurement policies, BACB A stated that:

*“the barriers are too high” for BAMEs SMEs to enter and tender for a considerable amount of work. “Turnover, size and insurance have to be tailored, for instance if the contract is for £5million the insurance should be in proportion to the contract value, otherwise it excludes businesses that have £1million insurance. They should stratify the tenders and exclude the larger players.”*

Fragmentation, established networks and cost of submitting, (transaction costs) affected BACB B by significantly hindering the growth of the business. However, BACB B saw this aspect as BACBs were part of the fragmentation and that the group was very small and so not within the UK Government’s radar to which appropriate assistance can be rendered.

In contrast, UK Government initiatives and policies had not affected the BACB C’s growth. Social exclusion was a problem as *“it is a cut-throat industry with lots of trade secrets. It has also been difficult to break into some sectors effectively due to not being privileged to certain information”*.

CSR, Corporate Social Responsibility is *“horse manure, as it needs monitoring; in reality they do not give a toss”*

### **6.6.2 Turnover of cases**

Turnover is one of two new challenges encountered by the respondents of the main questionnaire survey, and has been included in the conceptual model. Financial turnovers tend to be lower for EMBs, which may reflect the younger age of the business. In addition, EMBs including BACBs tend to have been trading for less time than their non-ethnic counterparts and so the former businesses also tend to be younger in age (SBS, 2006), which also reflects low turnovers. This lower financial turnovers for such businesses results in them not being able to tender or bid for very

large contracts (Steele and Todd, 2005; GLA, 2007; Smalbone et al., 2008). Turnovers are the total amount of products sold or fees charged for services in a business, usually over a period of 12 months, and so it is termed annual turnovers. This research is investigating turnovers in terms of growth, and it is ominous that turnover occurs as a challenge, thereby over emphasising the point that even though businesses were very profitable and growing if they have to meet certain criteria, or were below a threshold above which they cannot bid for work, then turnover does become a challenge. A trend had been established as all four challenges - turnover, perception, competitiveness and Non-diversity - except UK Government policies were significant over 2008 and 2009.

### **6.6.3 Perception**

Perception was a new variable that was revealed in the main survey questionnaire. This challenge of perception was the way in which stakeholders, other businesses and clients and customers perceived EMBs in general, including BACBs. This perception was an opinion that EMBs including BACBs were usually perceived as small, inexperienced, sometimes with no track record and low turnover. This perception was discussed within the context of social and cultural background by the cases, and the effects that this bias or misguided view of perception caused. It had actually appeared within the business characteristics of BACB A and within the challenge to business growth. It had revealed significance in both cases. Only in years 2008 and 2009 were there strong associations of perception (as a challenge to business) with growth. In the same years there were also strong associations of perception (as a business characteristic), including a weak association in 2007.

Cultural background moderately hindered BACB A in obtaining work, as at present there were still no large BAMEs (who shared similar cultural backgrounds) that could serve as examples to clients and other non-ethnic communities that such businesses did exist, which would give the assurance that there may be more BMEs in future. This was where the aspect of perception by others outside the BAME communities was highlighted. BACB A explained that:

*“Based on the perception and notion that BAME SMEs in the building trade are relatively young and therefore will not have the organisational skills, experience and capability to perform”*

In a similar fashion, BACB B stated that cultural background and religious background significantly hindered the business. Some of these hindrances occurred due to the

fact that there were no role models such that BACBs could emulate, nor Black-led institutions or organisations through which businesses could network. Several affiliated organisations that had been started had demised, such as Association of Black Contractors (ABC), Society of Black Architects (SOBA), and, Federation of Black Housing (FBHL) to name a few. In addition, the chambers of commerce and similar organisations were redundant vestiges according to BACB B.

Cultural background had significantly hindered BACB C as per explanation:

*“the name, accent, makes a lot of difference to a lot of people”. This aspect became significant at Breakfast Networking Institute (BNI) meetings and other events in which networking had to occur. The body language and aloofness by other businesses and individuals were always prevalent. An example occurred after a large advertisement was placed in a prominent journal and calls were received at the office. One such asked to speak to the director about Public Contract, after which the conversation was terminated by the caller saying they would contact the business again. It has been three years and the prospective Public Client never called back with any details to pursue any contracts. During the wait several telephone calls were made to the client, but with no success. After this incident, all the business’ calls were made through a call centre, so that any potential clients that have a problem dealing with a foreign accent and a foreign name would not encounter that problem”.*

#### **6.6.4 Competition from other similar businesses**

Competitiveness in obtaining work over other similar businesses was one of two variables that revealed significant associations with growth over years 2008 and 2009. Henderson (1991) noted that in terms of strategy, competition existed before strategy. This aspect significantly hindered the respondents, and reflected the other aspects that have been discussed earlier. From the literature review, characteristics such as inadequate business experience, small size of business and young age of business, are perceived as typical characteristics of “*BAME particularly in the Building Trade*” as BACB A had already stated. Some businesses that BACB A have had to compete against have had “*larger turnover and had a track record of the last two centuries*”. These characteristics were also consistent with some of the overlapping areas of competitiveness. BACB A mentioned that volatility moderately hindered, because some planned maintenance work was stopped with just one month’s notice given. This resulted in 95% of the workforce being laid off in that area. Complexity, fragmentation, established networks and cost of submitting (transaction costs) affected the business by significantly hindering the growth of the business. However,

complexity was the “*filling out of tender forms*” as discussed earlier. Hostility and non-diversity of businesses only moderately hindered the business, but this hostility is from non-ethnic SMEs and it is noticeable in their body language sometimes when networking.

BACB B’s business was created because there was no other ethnic business in construction that provided services to the general public that had been established or that had a proven track record. Competition from other businesses (that BACB B considered its competitors) did not exist. He argued that there were several in consultancy and within other professional backgrounds, but none in the contracting sector such as BACB B; none that had similar financial risk profiles, track records and so on with which to compare; at least there was no evidence of any in London that had the same ethnic or cultural backgrounds.

In a similar vein, there were usually no other SME BAMEs, and there have been very few since the inception of BACB C. Competitors of BACB C bid for similar types of work and were usually present at Bidders Conference where they met each other. These other businesses were usually much larger in size and had higher turnovers. Significantly and importantly these competitors did not have similar track records or similar financial risk profiles, nor did they have the same ethnic or cultural backgrounds. There were usually no other SME BAMEs, and there have been very few since the inception of BACB C. Due to this lack of other BAMEs, BACB C had tried mentoring another BAME so that they in turn would be able to survive and grow. Regrettably, such businesses, BACB C reflected:

*“seem to place mental limitations against themselves; they do not feel comfortable to do the big contracts. When contracts are offered to BAMEs they do not take up the offers seriously, and they have a different attitude (sometimes of mistrust) when offered such contracts”*

It is difficult to comment on this aspect as it was not observed or experienced by the other cases.

### **6.6.5 Non-diversity**

The aspect of non-diversity in this research was taken to be the fact that some large businesses do not take on EMBs as sub-contractors (CRE, 2007; Smallbone et al., 2008). The reasons behind the actions of these large contractors has not been fully

researched within the context of ethnicity, therefore this aspect was included in the case studies.

Discrimination from other businesses, stakeholders in terms of racial background, had always been a challenge due to the fact that some of these sectors *“had no idea of the problems that ethnic businesses encountered”*. BACB B was set up specifically because of *“the previous experience of the lack of professionalism, the barriers to entry of various organisations or tendering opportunities... the discrimination .... The racism .....*”

For BACB C, discrimination from other businesses, stakeholders in terms of racial background would occur as *“the first thing that was seen at events or presentations was first, a Black or African Person with an accent and an African Name. The second thing that would be apparent was a cleaner, and then any conversation would usually be patronising or condescending. The physical reaction changed after the credentials were posted on a projection at some event was that the person was not an idiot. People’s attitudes changed after they were aware that professional qualifications were held by employees in the business”*.

#### **6.6.6 Recruitment of staff; quality of staff and ethnic mix of staff**

This was a set of challenges that was hardly mentioned in the main survey, but was highlighted and emphasised by all cases. BACB A briefly explains:

*“It has been difficult to obtain good quality staff, and so there has been high churn which is not good for morale. However, with more qualified and experienced people laid off, in future these would filter into the business. At present, the business cannot afford to pay exorbitant rates to staff.”*

BACB B was also complaining about the recruitment market:

*“A struggle to recruit the right employees and so the business was lacking in competence for non-supervisory staff as well as in site managerial capability”*.

BACB B felt that overall the quality of staff being recruited was very poor. The ethnic-mix across the business was 50:50 with BAME and non-BAME. However, the non-

supervisory employees from both BAME and non-BAME that were recruited turned out to have:

*“bad time-keeping, bad attitude” (to work ethics) and produced “bad quality of work”.* *“This made the migrant Eastern European the default.”* Recruitment proved such a considerable challenge for BACB B that during the last 6 months no staff has been retained after their probationary period which lasted for three months.

BACB C explained that:

*“Training is key; Staff retention is very high, however, they are not allowed to make a mistake twice, after which they are asked to leave. This process of recruiting staff, especially quality staff may yet become one of the challenges to the business”.*

## **6.7 Business Public Support**

The considerable low take-up of support by EMBs and the perceived exclusion experienced by many EMBs was cited by Fadahunsi et al. (2000) in the literature review. They argued that proactive steps had to be taken by the UK Government in promoting its services in order to assist in increasing the take-up of support by the EMBs. Building capacity of the communities and supporting existing networks were important aspects that had to be implemented in order to achieve this. Fadahunsi et al. (2000) insisted that another reason for the low take-up was the track record of the Government and Agencies who in the nineties gave higher priority of support to more established SMEs and those with five or more employees, or those that were actively growing, or to those with growth potential. Indeed this reason seems plausible as anecdotal evidence from several EMBs that had businesses in the nineties, and had tried to take-up support, had to fulfil certain criteria (such as number of employees had to be above a certain number), in order for support to be given to their business. The variables here are courses/seminars, e-business and specialist workshops Networking events; procurement opportunities; budgets that are specifically targeted for EMBs; mentors and entrepreneurial role models; promoting supplier diversity; and loans and grants.

### **6.7.1 Business Support: Public Support (Support needs)**

BACB A had benefited from public support services on average 1-3 times a year. However, majority of the support in terms of courses, IT, and so on had neither assisted nor hindered its business. However, the networking events had moderately



assisted in obtaining work. Advice on disputes proved useful. However, BACB A explained that:

*“advice was wishy-washy and not geared to the private sector. ...”advice too target driven with numbers and volumes rather than any real value that is got out of it” “No tangible results for businesses”. “Approach from Government is not as savvy as the advice given by the privates support.*

BACB B had not taken-up any public support offered by the UK Government within the last three years. The business was not aware that there was a difference between public and private support; in fact,

*“it would not have added any value,... except meet-the-buyer event. ...also.. no faith or confidence in such organisations because there was no depth or content to several of these support mechanisms, however, their methods may now have been refined”.*

BACB B argued that public support did have a place, but possibly for start-ups and for new businesses.

BACB C had not realised that it had taken-up support in the form of attending the meet-the-buyers events organised by Business Link. However, its experience of Business Link’s meet-the-buyers event was that:

*“a pure waste of time, as buyers were trying to sell and not buy” as they should have been buying. Business Link had “very good advice on website, however content of seminars and other events were debateable”*

BACB C described its experience of receiving some support:

*“There were business initiatives which were also offered by private support. There were lots of forms to complete each time. The only constructive thing was the Business Plan which was to be prepared. However, there was still a lot of paper work to be sorted out.”*

### **6.7.2 Private Support**

Private support had also been paid for and taken up by BACB A, and although two-thirds of the private support had no effect of hindering or assisting, the networking

events, meet-the-buyer events and procurement opportunities moderately assisted BACB A.

Private support had also been paid for and taken-up by BACB B and did not mind paying for any support which would assist its business as long as it had value for money and as long as it resulted in contracts. Courses/seminars networking events and mentors and entrepreneurial role models moderately assisted the business. Meet-the-buyer events; procurement opportunities; budgets that are specifically targeted at EMBs and promoting supplier diversity neither assisted nor hindered BACB B's growth. Loans and grants, IT support and e-business and specialist workshops were not taken-up by the business. There was no support in any sector of business that would assist BACB B obtaining contracts. The only way forward to be able to get onto any framework was to network and use contacts made within the Industry.

BACB C had always taken up the private support of BNI and still benefited as contracts still materialised from such networking events.

## **6.8 Business management practice**

### **6.8.1 Human Resource duties (HR)**

These management duties include the selection, recruitment, training, development and remuneration of employees. These activities act as ancillary services or as support services to the core service or primary activity of a business.

BACB A gave a vivid description about its management structure:

*“Some of the management structures had not been set up. Majority of those that had been set up significantly assisted the business. Human Resources is extremely important to this business and without a good recruitment department the core services would not be able “to deliver the best” as is the business’ policy. Recruitment is carried out by word of mouth, through Job centre (plus); via the business’ website; advertising on site and recruitment is carried out within those sector areas. CPD; supervision of staff; education and training; are all interconnected, and these areas have been discussed elsewhere. Use of resources and main capabilities”.*

All the management structures were in place, however, the HR, including the administrative and currently, supervision of staff moderately hindered the business.

The business structure was not fully in place. However, there were plans for separating the supervision of staff and the operations role so that the structure would function better. At present, there was a lot of multi-tasking. The public relations moderately assisted; CPD did not have any effect, whereas the vision and goals moderately assisted BACB A. The lack of resources and main capability moderately hindered the business.

The management structures for BACB B were in place, however, the HR, public relations and administrative duties neither assisted nor hindered the business operations. There was the urgent need for BACB B to receive support in learning employment law and how the new Equality Act 2010 affected its:

*“ability to employ and manage HR, and whether these are different from large businesses”.*

CPD and vision and goals significantly assisted the business as it has to stay abreast at every level in order to survive and grow. Supervision of staff; education and training; use of resources and main capabilities moderately assisted BACB B without any problems. Good working conditions for employees and good rapport between owner and employees were only moderately and significantly important respectively, as opposed to being extremely important, stated by 90% of respondents. This aspect was very sensitive and important as research literature had highlighted the fact that EMBs had challenges with recruiting good employees. This aspect has been raised in this case study, and has been termed by BACB B that:

*“it is an aspiration to get good employees”.*

BACB C operated a matrix structure. Administrative duties moderately assisted the business, however, public relations, vision and goals, and a business plan had not yet been implemented. BACB C explained that:

*“all employees are taught how to multi-task. They are expected to step into any role and actively take on various responsibilities, thereby gaps are easily filled in the event of any absenteeism. Employees are screened and initially recruited according to their attitude and not because of their experience in terms of giving incentives to employees.”*

BACB C offered its employees a very generous salaried package which consisted of being paid above the UK Government's minimum wage; bonuses for good attitude and conduct; relocation allowances; opportunity to take up driving lessons that were paid for by the business; and employees that encountered financial difficulties were offered interest-free financial assistance. This package was considered a very good incentive, and was important and significant to BACB C because it believed that very few of its competitors were offering such a good salary package.

### **6.8.2 Strategic objectives**

Main capabilities when used in the context of strategy analysis and formulation, a business has to be able to evaluate how well it is positioned in order to exploit the opportunities in its external environment (Barney, 2011). Majority of all the projects carried out by BACB A were local and community-based. In order to break the cycle of no experience-no contracts/no contracts-no experience (noe-noc/noc-noe), the business was able to conduct some pilot schemes under various initiatives, thereby meeting the needs of the community including being able to win contracts later on. This business has shown that it is not impossible to move from a small business with little or no turnover, and little or no experience and grow into a sizable profitable business. BACB A is more customer focused and customer friendly, supporting tenants and providing a good high quality service. The lack of resources and main capability moderately hindered BACB A.

BACB B was actively involved with community engagement and carrying out projects for clients such as RSLs, Arm's Length Maintenance Organisations (ALMOs), and their appointed frameworks by providing core business skills and other strategic operations within their local communities: carrying out projects and targeting hard-to-reach groups in order to survive and remain profitable. Some of these groups were women, the unemployed, individuals from BAME communities and youths.

The activities carried out by the cases in terms of community engagement were actually exploiting opportunities outside their normal environment to obtain contracts. This they did within the diversity or equal opportunities initiatives in order to be able to keep ahead of their competitors, thereby proving that theory of strategy operations and procedures within strategic management can be used to assist survival and growth and enhance profitability.

Adopting a business-like approach, BACB B handed over a 4 page brochure outlining a brief profile of the company; its mission statement; its vision; benefits of its services; a schedule of services offered; barriers to supplier diversity; and 10 themes that underpin its refurbishment and community work. Knowing that such a document is in place and its contents are for practical use for staff is reassuring and clients would be impressed. It was the only case that had a marketing tool of this kind. Having its vision and goals in printed format were important factors in the growth of any business. The two other cases only had business cards. Another unique and significant aspect of strategic objectives is that barriers to supplier diversity were vividly depicted in its brochure. Supplier diversity was often used, but not frequently explained, especially so succinctly. Allowing for the owner's role as Chairperson of Construction Leadership Diversity Forum (EHRC) in which active involvement is needed for all the things it has heard about, seen and experienced within the communities and within the construction industry.

*BACB C had exhausted all of the Local Authorities in the Essex Region, and was seeking to target the Local Authorities located in the Sussex Region.* In addition, NHS and School sectors were possible areas that had opportunities for procuring contracts, which BACB C would attempt to infiltrate,. This would be done by BACB C becoming a *“gamekeeper turn poacher”* in order to break into these two large and important sectors. Moreover, the business would buy into both sectors by hiring or employing someone who had worked within those particular sectors that knew the criteria and inside policies in order to be able to properly bid for new contracts within those sectors. Another area within which the market share would be expanded was the *“planned maintenance area to get into as the after new build cleaning has taken a knock”*.

## **6.9 Summary and validation of model**

### **6.9.1 Business size and owners' characteristics**

SBS (2001) indicated that the age of a business is important as, over time, experience is gained and a track record is developed. This phenomenon occurred with BACB A that had use of unlimited resources and support from the Institute of Directors at no cost whatsoever over a six month period at the start of the business which was a critical time. Over a period of time, contracts were obtained, some relationships were forged with other businesses and as the business got older, the turnover increased. Similarly, BACB B's main operations during the first five years of its life, was spent advertising, marketing and networking in order to obtain contracts and maintain

workload. Over time, it got older and its turnover increased. BACB C had similar experiences as it attended Breakfast meetings early in its life, and made a considerable amount of contacts whilst networking, and still maintains some of those contacts with about 75% of its contracts still emanating from those alliances that were formed early in its life. There seemed to be an underlying characteristic of persistence in the way each business operated. However, in this instance age, was a determinant of growth.

In terms of business size, SBS (2001) asserts that larger businesses (with employees) have a propensity to grow. Furthermore, businesses with more employees have a propensity to grow than those with that with fewer numbers of employees. In this research, these businesses were all different sizes and they achieved growth on average over three years, from 2007 to 2009. BACB A achieved growth from 21 to 26; BACB B growth was 10 to 18; and BACB C's growth was from 9 to 20. However, BACB C, which was the second largest business had more than doubled in terms of employment and also in terms of turnover. The growth theory was challenged here, as all businesses indicated that they will reduce their workforce in order to reduce costs, but more so BACB B and BACB C to have control over both quality of work carried out and control over personnel. These actions would enhance their profits and so are likely to maintain growth over a longer period of time. Hence size was not a determinant of growth.

Location of clients/customers had proved a matter of convenience for all businesses and, even though it may not have been a priority at the start of their business to assess the implications of this aspect, it has worked out well as close proximity to their clients and customers played a major role and assisted in enhancing their turnover. Hence, location of clients/customers is a determinant of growth.

Health, clinics and laboratories was a sector in which only BACB C procured work. This was a very important finding as no recent research literature had revealed that it was profitable to procure work in such a sector. However, roads and bridges had significant relationship with growth over the three years, whereas, none of the cases were in that particular sector, nor did any of them express the desire to enter into it. Hence, these particular sectors of health, clinics and laboratories; and roads and bridges were not determinants of growth.

All cases indicated their willingness and importance to register with several professional and trade organisations, and all admitted that it was imperative that this

occurred in order to continue to operate as credible businesses to maintain their registrations. However, only a few actually displayed a significant association with growth, and these were CIH, IOD, GAS/Corgi and NHBC. Importantly, these were organisations to which BACB A and BACB B were registered. Hence, registration with professional organisations is a determinant of growth.

The detailed narratives portrayed the extent to which each business attempted to secure and maintain this aspect in order to be competitive and maintain a catchment niche market whilst doing so. Hence, innovation was a determinant of growth.

Experience, as with age played a very important and significant part in all cases. They all shared the need that without experience the business would not have survived, and in the case of BACB A that had the least experience it was indeed a struggle at the beginning to obtain contracts and maintain a sustainable workload. Hence experience is a determinant of growth.

### **6.9.2 Business profitability, growth objectives and procurement practice**

Innovation was one of two variables that had significance in all three years, and so makes it an important variable. There were new cutting edge areas in innovation and the BACBs use of strategic measures and procedures to position themselves in order to get continuous, secure, long-term work. These processes were in terms of management selection, recruitment, training and development including incentives for staff retention as with BACB C. The detailed narratives portrayed the extent to which each business attempted to secure and maintain this aspect in order to be competitive and maintain a catchment niche market whilst doing so. Hence, innovation is determinant of growth.

Growth intentions pertaining to all the businesses confirmed their commitment and practical operations which they had to undertake in order to achieve actual growth. Their actual growth figures surpassed their expectations. Concerning relationship with banks and financial institutions, all cases' operations no longer relies on outside financial assistance. Growth intentions, relationship with banks and financial institutions are determinants of growth.

Perception is the second new challenge and it has been defined as the misguided perception that potential clients/customers other businesses and stakeholders have of

EMBs including BACBs. However, this variant was not identified nor was it active in all cases. Hence, perception is not a determinant of growth.

Within the context of procurement, there are strong similarities between the cases. These are having contracts with the residential public sector, in the activity sectors of refurbishment and planned repair and maintenance. Their clients were RSLs who operate within the growth social housing public sector. Another similarity includes secured long term planned maintenance with average length of four years. Another significant unanimous aspect was the sub-contracting of a considerable amount of their contracts; as much as over 75% of their workforce in some cases. The main difference was that the facilities management business had a foothold in different sectors of commercial, industrial and health. In addition, majority of the BACB C's clients were based within the Greater London area and Essex Counties, and it was on four framework agreements and applying to be on another seven.

Business Link was finally abolished and so would not be considered as a determinant of growth. However, this was with some misgivings as they now had well established toolkits online and had increasingly become an asset to BACB C. In contrast the other cases were not impressed by their performance over the years. Similarly, the success rate of OJEU was mixed as some that it a liability when not being successful, and some found procurement practices a hindrance to the business survival and growth, but would be an asset in the event of successful contracts being won from them. In their recommendations SBS (2001) suggested that levelling the playing field which would help to ensure that SMEs do not suffer unnecessary disadvantages over their larger competitors. They argued that this levelling meant access to information that was vital and those organisations should be encouraged to use web sites, advertise outside OJEU, and hold supplier open days. Additionally, the idea of a register of supplier information so that suppliers do not have the expense of providing the same material many times over was worth considering. Moreover, they advocated that either a feasibility study or a watching brief over the Welsh National Assembly trials of a Pre-Qualification Register (and similar initiatives in the local authority sector) would be worthwhile next steps. The use of the contract limit as a tool for financial evaluation of suppliers needed to be superseded by better advice. That guidance needs to be communicated to the finance community, not just procurement staff. Some of these recommendations have not been implemented and so the playing field has still not been levelled. Recommendations (by word of mouth) was also mixed, as some cases felt that due to the type of procurement into which they had entered, that was not an appropriate method of winning work, especially so within the social housing sector.



The final variable under procurement is entering into partnership with a similar business. This was not very popular, however, it was not ruled out, and they all expressed the desire to forge alliances with other businesses as long as it was worth the while and the conditions were right in order to grow and still be profitable. Hence, using OJEU as a procurement portal, recommendation by word of mouth, and entering into partnership with similar businesses were all determinants of growth.

### **6.9.3 *Benign Factors affecting business growth: challenges***

With regards access to banks and financial institutions, the consensus was self-financing or no overdraft; no loans are the stark statements and realities. The business operations no longer relied on outside financial assistance. Government policies and initiatives have been challenges for BACB A and BACB B, but not for BACB C. BACB C is within the facilities management sector and so some policies do not affect it in the same vein as the other cases. Turnover is closely linked to business size and procurement practice and the fact that all three cases were excluded from being able to tender for large contracts due to having a low turnover. The cases also stressed the unfairness of having to compete on an uneven playing field. This aspect is echoed by Smallbone et al. (2008) when researching the success of Competefor, a procurement portal permitting SMEs including BACBs to tender for contracts. Perception had been discussed earlier as a reality for the cases. Competition from other businesses was significant over two years. Non-diversity had featured in the social and cultural aspect, similar to the perception challenge. EMBs are not being given the opportunity to tender as they are not usually on the supply chain of main contractors. The literature review discussed the increasing alliances that have to be formed in order to bid for contracts. Once these partnerships or alliances are formed they last for several years, thereby workload can disappear in certain areas when such actions are carried out thereby excluding EMBs and BACBs. The challenge encountered by the cases that did not have any significant association, only revealed during the in-depth interviews was recruitment of employees, which is affecting operations of business and so its impact on business growth is ominous. These underlying incidences concerning various challenges support empirical findings and ethnic theories on embeddedness. In addition, the need for self-financing is adding to the literature that these cases make use of their own resources and so support the ethnic resources model. However, some cases exhibited some parts of certain theories more than others with regards to ethnicity and embeddedness. Due to these aspects, hence UK Government policies and initiatives; turnover; competition from other similar businesses; non-diversity and recruitment of employees are all determinants of growth.

#### **6.9.4 Business Public Support**

There were several support mechanisms that had associations with growth. These were e-business and specialist workshops; networking events; procurement opportunities; budgets that are specifically targeted for EMBs; mentors and entrepreneurial role models; promoting supplier diversity; and loans and grants. However, from the main questionnaire survey, networking events had significance occurrence over three years, whilst e-business, supplier diversity programmes and loans and grants had occurrence over two years and the rest had only one significant occurrence. The feedback about the type of support available is in keeping with the literature review, which revealed that UK Government Support is inappropriate, ineffective and can be difficult to identify or to differentiate between public and private support. Hence, the cases were unanimous about the ineffectiveness and inappropriateness of the support provided by the UK Government. Now that Business Link had been very well established in their brokerage role and were being sufficiently funded, they have been abolished. Any schism that was present between offer and implementation will only worsen.

From the detailed interviews they all needed support very early on in their life. They still do require support in spite of their growth. BACB A still relies on the IOD's facilities and resources after so many years of being established. Networking for BACB B is a lifeline and it is a form of support after its inception. Social circles significantly assisted, as networking and industry contacts were the only avenues that BACB B obtained work. BACB C still relies on the breakfast seminars for contracts and networking. Obtaining loans or grants are a form of support which each business has learnt how to overcome, by being self-financing or not having any overdrafts.

This need to have continuous support throughout the life of an ethnic business was proffered in the literature review, Chapter 3, and here it has been reflected in the findings of the cases, thereby confirming the theory that these cases need support to be integrated into the conceptual model. Some critics argue that all businesses have support needs, and these are inherent in any business. However, this research is not about support needs alone, but support needs contextualised within the other theories such as the cultural theory and how these support needs interact with various other determinants. Moreover, support needs were not necessarily met, nor was the support provided appropriate for those needs precisely as this research has shown. Hence, networking events, e-business, supplier diversity programmes, and loans and grants were all determinants of growth.

### **6.9.5 Business strategic management practice**

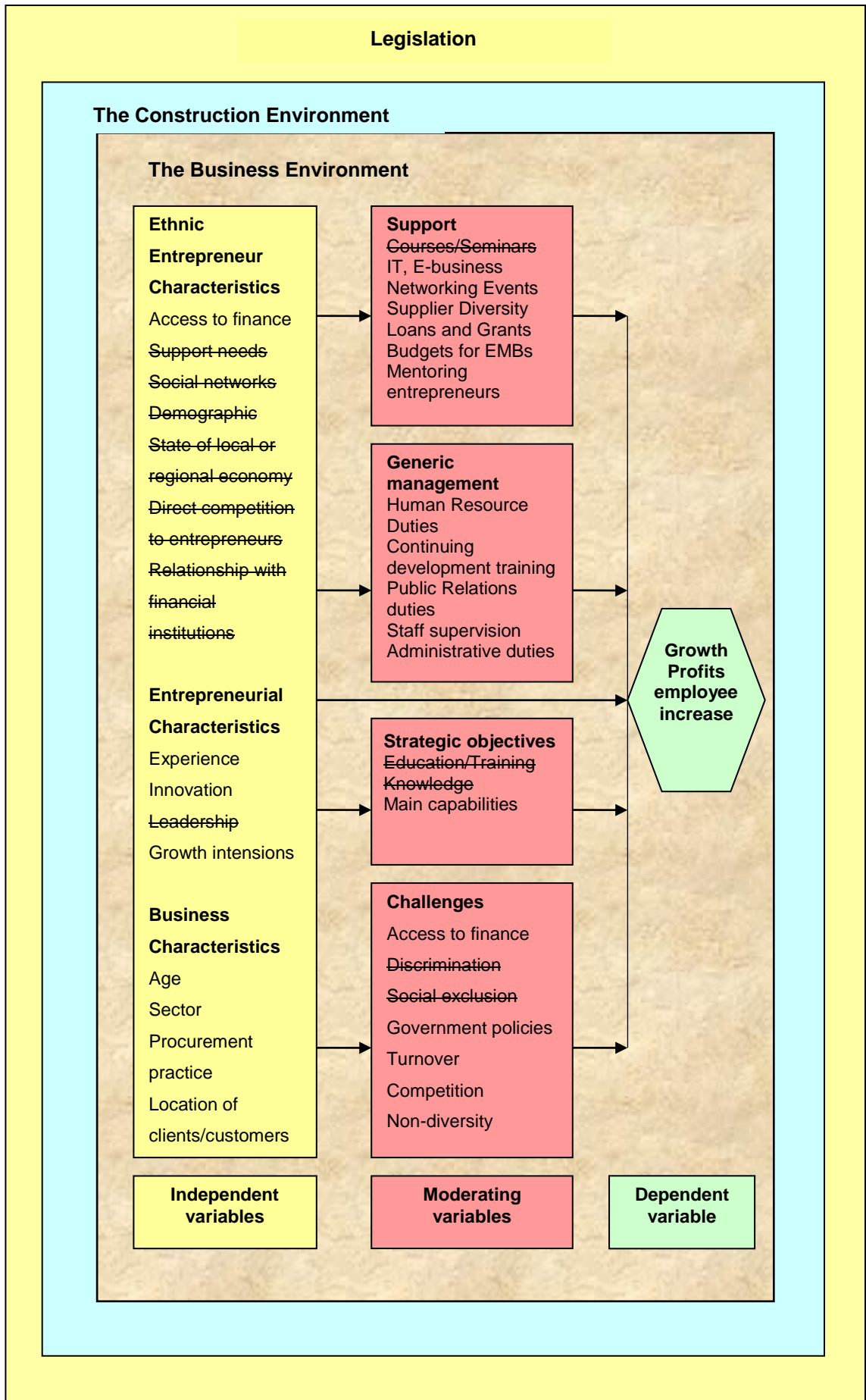
A strategy tends to act as a guide to the entrepreneur for decision-making; guiding the business in its design and how it relates to its operating environment; being strategically minded and setting up a strategy illuminates new possibilities for business development and a strategy acts as a common language for stakeholders. Initiating a strategy would encourage the entrepreneur to start setting goals and objectives; strategy being an outline of how a business intends to achieve its goals and its objectives. It reflects the business' short and long-term responses to the challenges and opportunities posed by the business environment. Strategic management utilised within the entrepreneurial context tends to assist in distinguishing a successful business owner and a failing business owner (Chell et al., 1991).

Human resources and main capabilities have been used and grounded in strategic management as enhancing growth and being competitive over other businesses. It has been shown that with all the cases their main capabilities in having their innovative practices and recruitment and management structure is organised such that growth is enhanced and at least maintained.

A detached and objective evaluation of the three case studies has been carried out in conjunction with the findings of the main questionnaire. The case studies contextualised the sample of respondents, including developing their characteristics. In addition, the discussion of the findings of the main questionnaire in conjunction with the evaluation of the case studies demonstrated that growth (turnover) can indeed occur for a variety of reasons. Furthermore, the cases and respondents encountered challenges; some were sector specific, others were due to small business characteristics and others were due to their ethnicity. In addition, a business need not have a growth objectives or a business plan for growth to occur. In spite of all these aspects, several important prominent themes emerge, and in isolating key issues which are important and indeed crucial to growth.

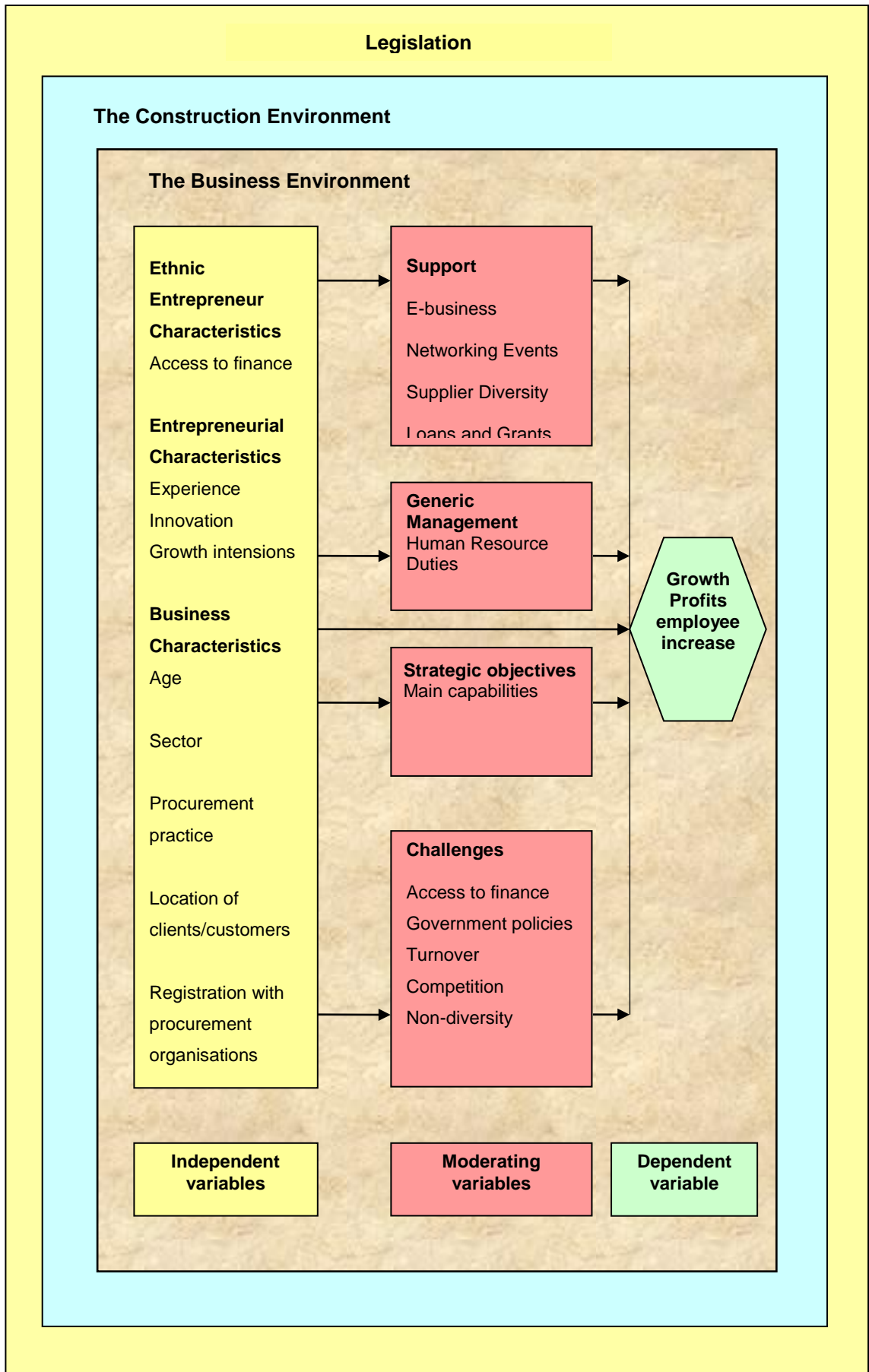
The growth determinants had been confirmed via the in-depth evaluation of the case studies, hence the conceptual model has been validated. Modifications to the original theoretical framework are depicted in Figure 6.1, and Figure 6.2 now shows the growth determinants identified that affected the respondents. The external blocks of the model depicted in Figure 6.3 remain the same as the original shown in Chapter three, Figure 3.12; however, the detailed contents of each of the variables (such as

strategic objectives, ethnic entrepreneurial characteristics and internal challenges) have been revised as shown in Figure 6.2.



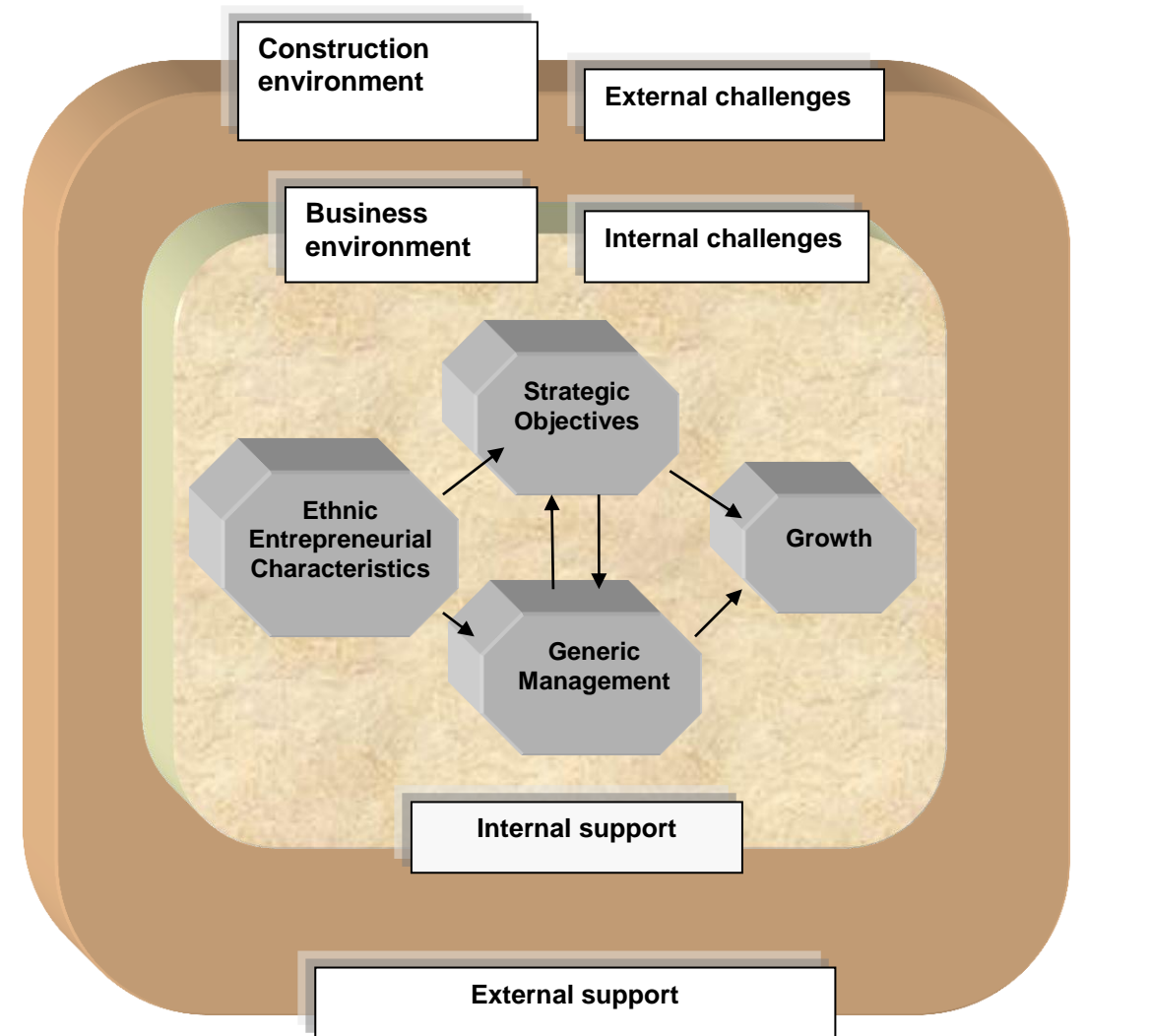
**Figure 6.1**

**Original Theoretical Framework with modifications**



**Figure 6.2**

**Revised Theoretical Framework**



**Figure 6.3** Revised integrated model for assisting in the provision of more appropriate support for respondents and for BACBs

## CHAPTER SEVEN

### EMERGING THEMES AND DEVELOPMENT OF A FRAMEWORK

#### 7.1 Introduction

Evaluation of the case studies, including a summary of the main questionnaire findings in chapter six have helped tremendously to contextualise the sample of respondents. This includes developing their characteristics. More importantly, several important prominent themes emerge that are discussed in this chapter. These themes are now used to develop a framework for assisting in the provision of more appropriate support mechanisms for the respondents of this research and the wider BACB community. To maintain consistency, the emerging themes are discussed under the same categories used in the case study chapter in relation to the determinants that were revealed.

#### 7.2 Emerging themes from case studies and main questionnaire survey

##### **7.2.1 *Business size and owners' characteristics***

The following determinants of age, location of clients/customers, registration with organisations (such as CIH, IOD, GAS, NHBC) reveal the importance of each to affect survival and growth. Little or no experience and no track record were challenges encountered; therefore, businesses have to ensure that having a good track record was essential in order to survive and grow.

##### **7.2.2 *Business profitability, growth objectives and procurement practice***

Having foresight in selecting a specific sector of activities and actively seeking new areas were also important to growth. Moreover, keeping abreast of stakeholder activities (majority of the workload of all the cases were in the public sector and planned maintenance, even though BACB C was in facilities management). Creative and innovative ideas assisted businesses in having a competitive edge over other businesses within various markets of the construction industry. Barney (2011) argued that it is possible to maintain this competitive edge over a period of time, and it does not have to be a short time as some of the traditional economic theories assert. The



need to have a vision (which may not be in written down) or the need for the business to achieve certain milestones or goals were important. Hence, even though growth objectives may not always be in print form, these businesses had a sense of clarity and focus in order to survive and be profitable.

Relationships with banks and financial institutions including access to finance were extremely important due to previous research on this aspect carried out by several researchers, including Ram and Smallbone (2002); Deakins et al. (2003); Fraser (2005) and Matlay (2007). These are global challenges encountered by small businesses and vital for such businesses to be able to access and obtain finance when required. Creative ways were found by these businesses within this thesis in order to overcome these challenges.

The procurement profile of a business is important for all businesses; especially so in the case of small businesses as they need to make the right decisions in order to procure contracts so that they can survive and grow. Both the main questionnaire survey and the case studies revealed that using OJEU, recommendation by word of mouth; and partnership with similar business in the procuring of contracts were all found to assist the respondents' survival and growth. Flexibility in working relations and forging alliances (such as being on the supply chain of a main contractor, or being in partnerships with other businesses) had been undertaken, and were successful as these helped to maintain continuous workload for the businesses.

Obtaining contracts within the residential sector was extremely popular with both main questionnaire respondents and the cases. This emerging trend also included having majority of their work within planned maintenance in the public sectors. The next most popular sector within which contracts were obtained was the commercial sector. The implications here are that obtaining contracts within the commercial sector may be more profitable as buildings tend to be larger and command more fees as compared to those projects within residential sector. Hence, it is suggested that this was an area within which these businesses could infiltrate, thereby boosting their profit margins. Another implication is that the businesses need to create a niche for themselves by specialising in a particular sector such as education, health or in conservation, so that they are not limited to the residential sector alone, which seemed to suggest that it had been exhausted by all businesses.

### **7.2.3 Benign factors affecting business growth: challenges**

UK Government policies have been extensively discussed within the second chapter of this thesis. Moreover, legislation for implementing support policies such as equal opportunities, SDIs, Non-Diversity policies and the PCR (2006) were found to be ineffective or were not very relevant. This was so, because some respondents' survival and growth were indeed hindered by some of these policies. This area is complex, and the UK Government and policy makers would still have to be informed continuously about the relevance of such policies and the need for them to be implemented to assist and not to impede growth of small businesses.

Businesses having turnovers below a certain threshold was a recurring theme. However, because having low turnovers, (below which is required when procuring contracts), affects all businesses within that turnover threshold regardless of ethnicity. This challenge, even though it is an emerging theme is not specific to the respondents and cases. With regards competition from other businesses, some have argued that this dimension will always exist and it is a way of business life, so the importance given to this dimension is not justifiable. However, it is still prevalent and tends to affect majority of SMEs as empirical evidence shows (SBS 2003; SBS 2006). Recruitment of staff; quality of staff and ethnic mix of staff were crucial for survival and growth as they are the support network or team within the small business operations.

### **7.2.4 Business public support**

Continuous or periodical support via networking; having professional development taking up support to ensure sustained growth; and networking events; e-business workshops, supplier diversity programmes and loans and grants were the support mechanisms that were important to the survival and growth of the main questionnaire respondents and the cases.

### **7.2.5 Business strategic management practice**

The need to have a good human resource management was essential for survival and growth. This practice was important for the growth of the businesses and ensuring relationship with employees is good and maintained. Vigorously maintaining a financial plan and a set of objectives were also important for growth. Maintaining a close relationship with clients and customers. Community based activities are also essential.

### **7.3 Framework for providing more appropriate support**

The emerging themes that have been revealed are crucial to the development of this framework. Moreover, the emerging challenges encountered and support required by the respondents would be utilised to inform the aspects and dimensions that contribute to this framework. The provision of appropriate and effective support are explained under the *lucid (legislation; utilisation of resources; co-ordination; implementation of support strategic plan; and diagnostic test and research) framework.*

#### **7.3.1 Legislation**

##### **7.3.1.1 Supplier Diversity Initiatives**

The literature review revealed that promoting the appreciation of diversity, emphasising the acceptability of different cultures, and recognising various social attributes all assist in making equal opportunity policies more effective (CRE, 2007). To reiterate, this thesis tackled discrimination (due to colour of skin) which is encountered sometimes due to ethnicity, or cultural stereo-typing or “result in addition dimension” (Ram and Smallbone, 2002: 247), and not discrimination of business size, turnover or procurement criteria, all of which affect all SMEs and not just BACBs. This literature also revealed that discrimination (due to skin colour) manifested in several areas and took on many facets. Moreover, its nature is elusive and difficult to identify. Although it was not one of the determinants of business growth for this group of respondents, the discrimination (due to skin colour) was revealed within the cultural and social background challenges. Still of greater significance was that the challenges with regards social and cultural were also not revealed as determinants of growth. However, perception (which was defined as the way BACBs were perceived by various stakeholders including clients, was a determinant of growth for the group. However, it will not be included within the framework.

#### **7.3.2 Utilisation of resources**

Millions of financial resources have been provided and these are still being targeted at SMEs, including EMBs and BACBs (SBS 2001, 2002, 2003, 2004 and 2006). Regrettably, the empirical evidence of denial of funds for EMBs including BACBs has been considerable and far reaching (Ram et al., 2002; Deakins et al., 2003; Fraser, 2005; Hussain and Matlay, 2007). Deakins et al. (2003) focused on the need for support providers to act as brokers between these financial institutions and so assist in fostering good relationships in order for easier access to finance to be provided in order to assist in the survival and growth of such businesses. Findings from this research and emerging trends indicated that due to very little support taken-up by

these businesses, the resources allocated to assist them are in fact being wasted, and have proved ineffective in achieving the UK Government's aims in assisting such businesses to prosper and grow. The reasons for the low take-up were varied and ranged from not being aware that there was UK public support which was free or highly subsidised; past experience was that the providers were not well organised, the workshops were not constructive and that the content of some support had no depth. In contrast, when compared to private support that was paid for, the private support proved more cost effective and worthwhile. The public support organised as networking events had similar feedback, as sometimes the buyers are seen to act as suppliers. This can prove confusing for the businesses if the latter are attempting to get contracts from businesses that are themselves looking out for contracts. The only alliances formed by the businesses were from privately paid support, some of which have lasted for several years.

### **7.3.3 Co-ordination**

#### **7.3.3.1 Role**

Co-ordination and implementation of small business policies are usually fraught with problems due to the nature of such businesses and how they operate (Ram and Smallbone, 2002; Ram et al., 2002; Deakins et al., 2003; SBS, 2006; Cheng 2008). These problems are exacerbated in fast growing economies and due to globalisation, policies tend to be superseded quite frequently. Business Link, the co-ordinator has recently been abolished, so there is a void that needs to be closed. Due to some considerable failings by Business Link, the organisation that takes on the new role of co-ordinator needs to learn important lessons, so that mistakes are not repeated. Successful policies and procedures and best practice of Business Link's legacy should be retained. A good example of such legacy was that the contents of Business Links' website which the respondents acknowledged was very valuable in assisting their business operations.

#### **7.3.3.2 Databases**

In terms of accessing BACBs and EMBs in general, the need for providing databases is very important, (Ram et al., 2002; Deakins et al., 2003; WYEP, 2006; Dassler et al., 2007) and the implications of not having a recognised database were discussed extensively in chapter two. Mascarenhas-Keyes (2007) highlighted that there are numerous databases held within each London Borough, and several others within the UK Metropolitan Councils. Furthermore, these provide rich, varied, comprehensive, and much needed information that could be used for commerce, research and

international trade, including economic advantages for the UK Government and its trade partners. Private organisations are left to produce their own databases that would only be representative of their own market sectors, localities and possibly restricted to their own ethnicities Mascarenhas-Keyes (2007). However, the implications here are that millions of financial resources are allocated each year, and priority now has to be given in the production of a national database, so that EMBs can be identified, and accessed in order to provide appropriate support (including financial). The repercussions of not having a national database in place are, that accessing smaller groups for research, and to provide support for such groups, (such as BACBs) would likely prevent them from reaching their full potential and some may well go into obscurity. Funding had been forthcoming, to produce a national database, unfortunately it has still not been implemented.

#### **7.3.4 Implementation of support strategic plan**

Presentation, design, provision, implementation of support and support mechanisms are still being strongly, consistently and emphatically criticised over the last 20 years up to the present (Marlow, 1992; Smallbone, 1997; Ram et al., 2002; Ram et al., 2006; Welsh, 2009). Moreover, research on small groups of businesses, such as EMBs, have been contextual, and so it has proved somewhat difficult to generalise important findings. However, the emerging theme is that there has to be an effective strategic plan, which has also been echoed by others researchers (Ram et al., 2002; Ram and Smallbone, 2002; Deakins et al., 2003; Ram et al., 2006; Law, 2007; Ram and Jones, 2007).

##### **7.3.4.1 Design**

Design of support is closely linked to the presentation, and it has also been a contentious issue, as supporters tend to use standardised material, which has proved inappropriate (Deakins et al., 2003; WYEP, 2006).

##### **7.3.4.2 Presentation**

This aspect is extremely important, as it is the gateway for businesses in deciding whether or not to accept support. The emerging theme of the overall findings was that the businesses that took-up support did not find the content or mechanisms useful. Moreover, the support did not enhance their survival or growth. Presentation does not have to be material in print or advertisements. Rather, the email or other forms of media can be used to attract businesses in order to take-up support.

### **7.3.5 Diagnostic test and research**

Detailed diagnostic tests need to be carried out as is usual, but with emphasis on the challenges identified. Several of the challenges manifested within this research were indeed high profile ones such as poor access to finance, and competition from other businesses and little or no experience and no track record. Good access to finance that is very important for sustained growth (Fraser, 2005; Hussain and Matlay, 2007). Even though, creative ways were found in order to overcome this particular challenge, it is very likely other BACBs may not be so enlightened and creative to overcome such a challenge. Some of the ones revealed in this research were stakeholders having misconceived ideas of EMBs including BACBs *perception* and recruitment of employees.

Detailed discussions have taken place concerning the growth determinants and the implications for business growth, the construction industry and the wider community of BACBs. A framework to address the challenges and support offered by the UK Government has now been produced as depicted in Figure 7.1. This framework has taken into account the results of the validation of the conceptual model carried out in chapter six. At this point it is necessary for the reader to again be informed and warned that due to the small number of cases. "Health warnings" (Fraser 2005:17) were used in his research in order to inform and also to warn the reader whether or not some of the results were statistically significant. Similarly, the results from the cases cannot be generalised within a population.

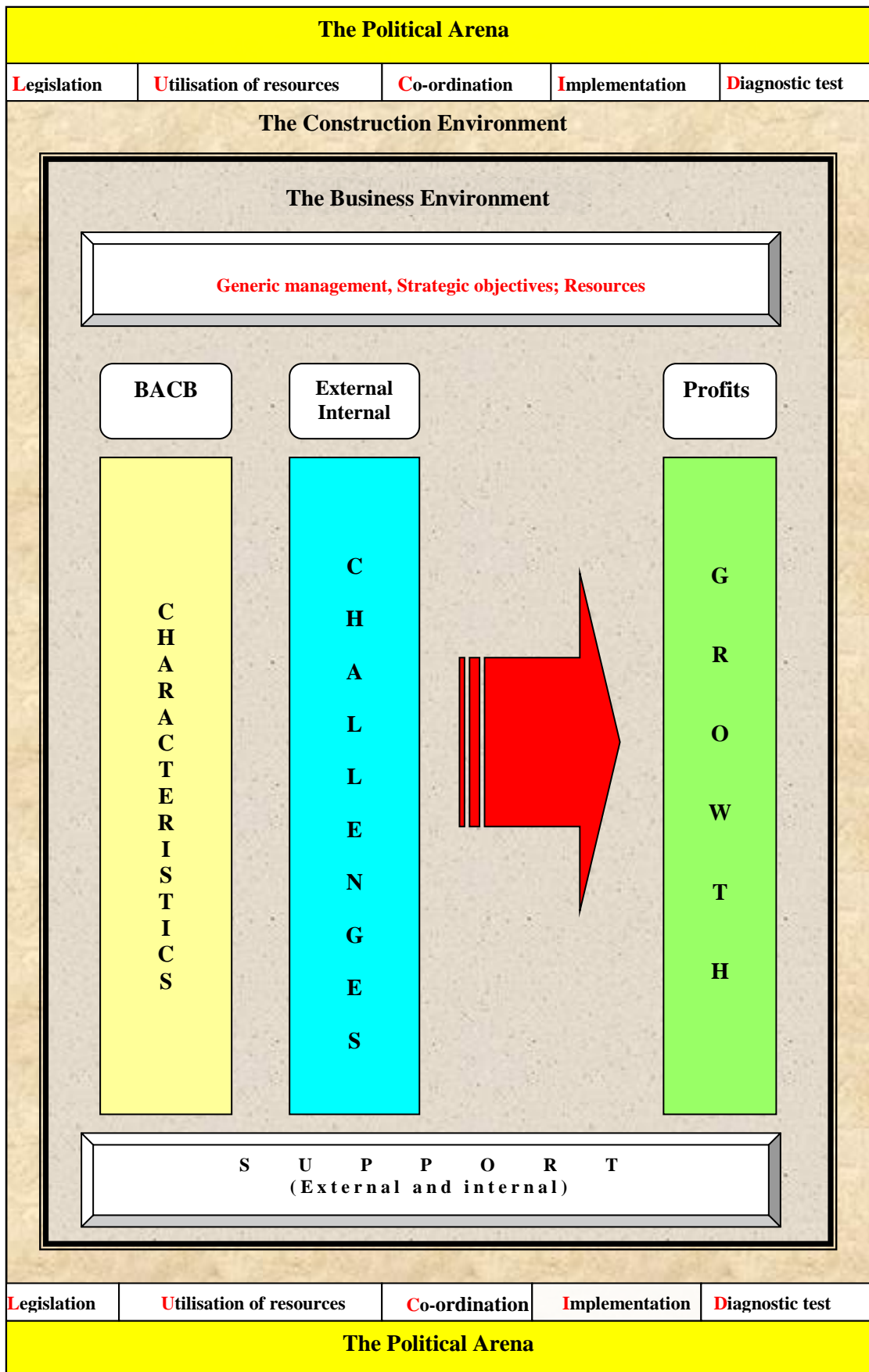


Figure 7.1 Framework for providing more appropriate support mechanisms for BACBs

## CHAPTER EIGHT

### CONCLUSIONS AND RECOMMENDATIONS

#### 8.1 Introduction

The previous seven chapters have discussed the rationale; influences of support policies on BACBs; developed an integrated model; assessed the methodology; evaluated the empirical findings; and validated the conceptual model using grounded analysis. This concluding chapter attempts to place these findings and results into perspective. Implications for policy practice, the construction industry and UK Government support providers are discussed. Recommendations based on the framework are also presented. Contributions in terms of theory development, industry practice, business procedures and policy implementation are also discussed. Some potentially interesting areas for further research are presented as a result of the findings. This would help in widening the scope of the findings thereby increasing the understanding of the issues that may affect other ethnic minority groups in other sectors of economic activity.

#### 8.2 Overview of rationale, aim and objectives

The research focused on 3% of the UK construction industry which consisted of a small sub-group of EMBs, - BACBs. There were suggestions that BACBs encountered specific challenges such as access to finance; discrimination (due to skin colour) and social exclusion (old boy network that affected their survival and growth. In addition, the support available, and that was offered by the UK Government had not been sufficiently researched in order to assist BACBs. Furthermore, research literature on the group was sparse and there was very little empirical evidence as to the understanding of how their challenges, low take-up of support and other growth factors impacted on their survival and growth, thereby opening up gaps in the research literature. This research therefore set out to investigate in greater depth the effect that the challenges had on BACBs, including how appropriate the support offered by the UK Government, and the effectiveness of the entrepreneurial support policies.

It is usual for ethnic research literature on UK Government support policies to conceptualise EMBs including BACBs using various ethnic entrepreneurial theories (Ram et al. 2003; Ram and Jones, 2007). Two recent theses by Altinay (2005) researching London Turkish entrepreneurs and Welsh (2009) researching barriers



that retailers encounter and recommending support for Edinburgh Asians have both used only ethnic entrepreneurship in the conceptualisation of their businesses. Few have used strategic management for innovative businesses, but empirical evidence is limited (North et al., 2001). Furthermore, very few have combined such theories in order to understand business growth. In contrast, one of the few being Rafiq (1988) which used a combination of ethnic entrepreneurial, economics and cultural and environmental theories to examine and explain the extent and nature of Bradford Asians for informing UK Government policy and was funded by Economic Development Unit, City of Bradford. Another thesis by Cheng (2008) investigating Newcastle upon Tyne Chinese used racial discrimination and immigrant entrepreneurship to conceptualise entrepreneurs encountering challenges of discrimination. This study therefore set out to explore the extent to which various factors interacted with support take-up, challenges encountered and growth, and how it impacted their survival and growth whilst conceptualising BACBs in economics, ethnic entrepreneurial, business growth and strategic management. Thereby closing the knowledge gaps in the literature. The questions presented assisted in guiding the research process and in achieving the objectives.

The main research questions that were derived from identifying gaps in the literature review were:

- How appropriate is the kind of support offered to BACBs in order to assist their growth?
- What levels of entrepreneurial support offered to BACBs would impact their profits?
- What are the factors that affect growth (turnover) of BACBs?
- What support mechanisms can assist the survival and growth of BACBs?

The aim is to develop a framework and to make recommendations for more appropriate support mechanisms that can assist in the survival and growth of BACBs. The objectives are to:

- Identify and evaluate existing support policy offered to BACBs by the UK Government
- identify the various factors that affect the growth of BACBs and support mechanisms offered to BACBs

- develop a framework and to make recommendations for more appropriate support mechanisms that can assist in the survival and growth of BACBs

This thesis sought to close the first research gap by conducting a critical literature review on the appropriateness of support offered by the UK Government.

The second gap in research was closed by critically reviewing policies and empirical literature in order to identify the relevant support mechanisms that influenced BACB's survival and growth.

The third gap in knowledge was closed by investigating the various growth factors (such as growth objectives, strategic objectives and generic management) within the strategic management context by carrying out a questionnaire survey and conducting case studies.

The fourth gap in knowledge was closed by developing a conceptual model that would attempt to assist in the provision of more appropriate support mechanisms that would assist in the survival and growth of BACBs.

## **8.3 Have the questions been answered?**

### ***8.3.1 Question one: How appropriate is the kind of support offered to BACBs in order to assist their growth?***

This question was asked in order to establish two aspects. To evaluate the type of support offered by the UK Government, and whether support was in fact appropriate such that survival and growth would be enhanced. Once these aspects were established, it would assist in enlightening the type of support required. The critical literature review revealed that support offered was inappropriate across all sectors of EMBs, including limited findings which included BACBs (Baldock and Smallbone, 2003; Ram and Jones, 2007). Empirical findings within the pilot study revealed that no respondents took up support, whereas in the main questionnaire survey only 31% of respondents did take-up support. In-depth case studies revealed that support was taken-up almost on a regular basis, but private support, and not public support. All these similar findings from four different sources were indeed significant. This demonstrates that a gap still exists between proposed policy and implementation of appropriate measures to assist such businesses. With this information, there is the

ever pressing need for the gap to be closed by putting forward a constructive and robust framework that would assist UK support providers.

### **8.3.2 Question two: What levels of support offered to BACBs would impact their profits?**

Asking this second question helped to explore specific phenomena of survival and growth. Precisely because of the inconsistent nature and types of support, assumptions could too easily be made about the frequency and degree of support required for a business. Therefore, it was important that the level of support was not to be quantified, but would give an indication as to the frequency of take-up which was assessed within the questionnaire. Within the critical literature review, recommendations for intensified support for EMBs gave an indication as to the degree and level of support required for such businesses (WYEP, 2002). However, the findings of the main questionnaire survey were that the frequency of the level of support was also very low. Seventy-five per cent of respondents did not require support and so was not applicable to them. Moreover, those that did seek advice or support, 7% of respondents used the support agencies every two months on average and only 6% used these agencies once every 4 months on average. The in-depth case studies revealed that the social and trade networking provided a lifeline in procuring contracts. Significantly, the networking and industry support was private and not public support offered by the UK Government. Findings to this second question were inconsistent, and so in contrast to those of the first question. The frequency of support for the group of businesses was in stark contrast to the in-depth cases that had continuous and periodical support mechanisms, albeit private support. The implications here were that when constructive, well organised public support was offered, there was a high probability that it would be taken-up, especially if it was one of the frequently used packages such as that were found in the questionnaire survey to have strong associations over the years; e-business, budgets targeted at EMBs, grants and loans, and Supplier Diversity.

### **8.3.3 Question three: What are the factors that affect growth (turnover) of BACBs?**

Question three was extremely important as it inter-linked very important concepts and dimensions that were likely to affect survival and growth. This information obtained would help the formation of theory in this concluding chapter. There were a total of

thirty-three growth determinants identified in the data analyses carried out in chapter five. Entrepreneurial characteristics obtained from the literature review were many and varied. Due to the contextual nature of investigating entrepreneurship and growth, empirical evidence was not always consistent, and because due to preference within some methodologies, not all of these characteristics were always examined. The decision was taken to include as many as possible within this research, as mentioned earlier, only limited research has been carried out on BACBs, so it was necessary to include as many of these characteristics as possible. There were two categories to these characteristics within the empirical findings of this research. These were the personal business characteristics and the growth characteristics. Personal characteristics included age of business; size of business; location of clients/customers; health clinics and laboratories and roads and bridges sectors; and registration with professional and trade organisations. With regards growth characteristics, experience; innovation; growth intentions; obtaining finance from bank/financial institutions; all had significant relationships over all three years. Whereas, business size and perception had a significant association only over one year. In-depth case studies revealed that all of the above were determinants of growth, and yes to some extent those that were relevant to the particular case did in fact affect their turnover and profits.

From the literature review, assessment of the various models businesses that practice strategic management processes have been found to be more successful and have a competitive advantage over their competitors that do not practice or have such management policies and procedures in place. Empirical findings from this research revealed that over two years, there was indeed a strong relationship between human resources and growth (turnover) and also relationships over two years, one very strong, and the other a weaker relationship between main capabilities and growth (turnover). So, indeed strategic objectives did impact on the wider population, and also within the case studies, as was discussed under the human resources, employment of employees, training and development. These findings within these areas have enabled this thesis to close both research and knowledge gaps. Within the case studies support also impacted profits.

#### **8.3.4 Question four: What support mechanisms can assist the survival and growth of BACBs?**

The last question has been answered and discussed in a considerable amount of detail within chapter five, - the data analysis chapter and chapter six, the case studies

chapter. However, the combined support mechanisms that had strong associations with growth within the main questionnaire respondents and those that affected the cases were continuous or periodical support via networking; having professional development; taking up support to ensure sustained growth; and networking events; e-business workshops, supplier diversity programmes and loans and grants.

## **8.4 The importance of the research**

### **8.4.1 *Implications for UK Government entrepreneurial policy***

The critical literature review revealed that the policies were implemented in a piecemeal unstructured manner. Moreover, assessment of the empirical evidence revealed that the four main legislation and policies relevant to EMBs including BACBs were not effective in assisting their survival or enhancing their growth potential. These legislation and policies were (1) the Equality Act 2010; (2) the procurement contracts regulations, PCR (2006); (3) the Supplier Diversity Initiatives and Programmes; and (4) Targeted polices at impoverished areas.

The most important and significant finding within this research was that UK Government policies and initiatives were in fact significant in terms of associations with growth (turnover/fee income) over all three years (2007, 2008 and 2009). It was impossible to list all of these initiatives in the main questionnaire survey; however, there were significant policies and initiatives that could be identified within the responses given under the challenges that were encountered, and also within the characteristics. In effect, inferences could be made that these policies covered a range of aspects such as competitiveness, non-diversity, perception and finance. Moreover, the success rate of the support taken-up also revealed the extent to which these policies adversely affected their survival and growth. Due to so much overlapping of policy related areas, there should be a cross-governmental strategy that would take into account these issues. Li (2007) emphasised this in his race and ethnicity policy review. This should involve liaising with all the departments including various sub-committees and workforce that still exist and that were specifically set up to assist such a group. One such forum, the EMBF, was set up in 2000 to “advise government on the right help and advice required by EMBs in order to grow and succeed” (SBS 2006: 19).

The Equality Act 2010 needs to be strengthened with minor changes to the relevant terms (such as *due regards* for organisations to comply with the Act) that affect

procurement issues. This change should filter down to the various Non-Diversity procurement policies that are used within the various local Authorities and Metropolitan Councils within the UK. These policies should be based on best practices and procedures that have been used in some of these Local Authorities and Metropolitan Councils. An example of good practice by London Borough of Islington, UK at present includes an extra criteria in their procurement package with which to assess consultants and contractors that have other qualities that they can offer in terms of being meaningful, efficient, added-value and tangible (MEAT). Another example practiced by the London Borough of Tower Hamlets, UK is that the main contractors that submit their tender packages should ensure that a proportion of their sub-contractors are from EMBs, thereby complying with Tower Hamlets Equal Opportunities Policy that was based on the Equality Act 2010.

There are several hundred Authorities and Councils in the UK, so implementing similar SDIs across the various landscapes would be almost impossible. Moreover, some of these organisations may argue that there are no EMBs or BACBs within their councils, and so do not require such policies to be created or enforced. However, the Non-diversity policies are not only for EMBs and BACBs, but include local SMEs that comply with the UK Government policies on maintaining sustainable communities.

UK 's Supplier Diversity Policies may be reviewed in the light of how Affirmative Action policies and programmes in the USA have been implemented. Good practice of programmes can be investigated, and pilot schemes such as South Development East Midlands, Ram et al. (2006) can be investigated in order to ensure that it is appropriate for UK EMBs.

With regards the PCR (2006), the UK Central Government, Local Authorities and Metropolitan Councils seem to have a lack of awareness regarding empirical evidence that SMEs, EMBs and BACBs which include almost all small businesses (having zero to 249 employees) struggle through the procurement processes in order to win public contracts. The reason for this lack of awareness may be because it is only the FSB (which does not represent all businesses) that provide annual reports which include success rate of procuring public contracts by all SMEs. In contrast, Smallbone et al., (2008) and several other researchers cited throughout the thesis tend to include challenges encountered by EMBs when procuring public contracts. Hence, it may be that the UK Government, Local Authorities and Metropolitan Councils have the impression that it is only EMBs and their sub-groups such as BACBs encounter such challenges. Moreover, due to their small numbers (7% of EMBs) (SBS, 2006) in

comparison with the rest of the business population, there is no incentive to offer, revise or investigate these issues of public procurement. The main areas of these challenges were that the turnover threshold was quite high compared to the average turnover of some SMEs, EMBS and BACBs. In addition, the insurance required is also quite high, compared to the contract sum.

Challenges with accessing finance confirmed that there were still unresolved and unanswered questions as to the refusal of lending to the respondents even though it was discussed extensively within the critical literature review. The only way forward, is for the UK Government and other independent organisations including those within the third sector to continue to exert pressure on the banks and financial institutions such that they offer affordable packages to EMBs, BACBs and small businesses in general.

Contrary to the findings of the literature review, discrimination and social exclusions, (two of the main challenges encountered) did not have any significant associations and so presumably, the respondents did not regard them as dimensions that adversely affected survival and growth. Nonetheless, results from the in-depth case studies identified and confirmed overt and underlying aspects of discrimination and social exclusion, which included stereotyping race and ethnicity. This difference in the findings may not be significant, because not all of the respondents took part in the case studies.

#### **8.4.2      *Implications for UK Government (public) support provision***

The implications here were that even though access to finance did not have any association with growth (under factors/challenges), it had strong associations under characteristics of BACBs with regards obtaining finance from banks and financial institutions. This implied that some respondents did not see this aspect, as a challenge, however, they may have experienced that obtaining finance from banks/financial institutions was indeed a challenge with banks. The same recommendations as those in the previous section are given here, which are to exert pressure on these financial institutions including banks to assist these businesses.

The launching of the *growth review* initiative is the present UK Coalition Government's flagship. Within this initiative the Government stated that *key areas of the economy* would be addressed which included access to finance; competition; regulation,

construction; professional and business services. This time around, construction has been included, as opposed to their exclusion in the previous Government's support plan in 2000. In terms of providing support mechanisms, there are thirteen main areas of support mechanisms with regards growth for SMEs (BIS, 2011). However, only few are likely to be beneficial to BACBs as they do not fit into their criteria because the Government's emphasis is still on high-growth businesses which is similar to that of the previous Government's focus. Some of the areas receiving support for BACBs are *Finance for business; Grant for research and development; Improving your resource efficiency; Knowledge transfer partnership; Networking for innovation; Understanding finance for business and Workplace training, including apprenticeship*. All of these support mechanisms require time in administrative duties and sometimes having to give up precious time to chase some form of support whose benefit may not be immediate.

There were several determinants of growth that were revealed within the main questionnaire and the case studies. Current full-time employees were more crucial to growth than the past current or part-time employees. The implication here is that BACBs should endeavour to retain their current employees and try to provide incentives for them so that they in turn will remain at the business so that growth can occur, and in the long term, growth can be maintained. Another determinant, core services were not crucial to growth, and that businesses could provide any core service. However, the respondents showed that it was the provision of core services in roads, bridges and motorways that assisted and enhanced survival and growth. Hence, services in infrastructure may prove more viable to BACBs, but the entry learning curve may prove quite steep.

The implications with regards the age determinant, are that if support is to be targeted using this determinant, caution and discretion should be maintained as to what stage support should be offered. This is so, because businesses within the case studies all achieved growth between years five to eight. Take-up rate for such businesses has to be considerably improved if the results are to be successful. The implications here concerning this determinant, - businesses that register with organisations to procure contracts, were that even though it is important for businesses to be registered, they may not always be attributed to growth all the time. The last determinant, - innovation, implies that businesses need to be actively involved with innovative, creative ideas such that they can have competitive advantage over their competitors. The implication here concerning the determinant – desire to grow, was that businesses need to desire to grow, in order to achieve growth, and so support providers need to establish



categorically whether this is the case, as it would definitely impact on their other business operations.

These complex findings of business growth for BACBs can also be used for EMBs and other SMEs. The implications therefore are that support has to be more structured, less fragmented with one point of contact, minimal overlapping. Furthermore, specialist providers that are experienced need to be part of the supply team. Finally, attractive, cost effective, and constructive packages should be offered in order for such groups to be interested, and so take up UK Government support.

### ***8.4.3 Implications for the construction industry***

The critical review discussed all current and potential challenges and issues encountered by BACBs. It emphasised that the characteristics of the construction industry are unlikely to change for the better. Empirical findings of this research revealed that the image of the construction industry, including construction (as a core service), its environments and markets do not seem to have improved over the last two decades. In fact, the perception portrayed by the respondents seemed to be deteriorating. Therefore, the only alternative way forward is to prepare, set-up and develop entrepreneurial and strategic management policies and practice that would enable a competitive advantage to be gained that would also be sustainable, thereby achieving sustained growth. This controversial image has been documented extensively by Langford and Male (2001), McCabe (2006) and Barrett (2008) and the CIOB has produced articles in order to reassure stakeholders that a softer, better and non-prejudicial stance needs to be adopted. However, it is questionable whether it was just another public relations exercise and its focus was to appease young professionals staying on or trying to encourage young apprentices from leaving the industry.

Procurement of contracts would never be resolved as long as the Local Government policies work in opposition to those of the EU policies. The EU require fairness and transparency in the procurement and awarding of contracts, whereas the local Government require best value for money which on those terms main contractors use their tried and tested sub-contractors thereby excluding local businesses. Some Local Government policies do allow for main contractors to provide a quota of businesses from minority groups within their supply chain. However, most of these policies are not mandatory, and so main contractors may not be willing to comply with these policies. Turnover was a major challenge, even though it was significant in only one year. The

three in-depth cases complained and explained in detail the adverse effects and frustration that results from being excluded from tendering because of a low turnover in business.

Concerning the growth determinant, - experience, the implication is that having experience of the industry is vital as it will always be essential to succeed and to grow. Another determinant, entering into partnerships with similar businesses, may be a good thing as the businesses can exchange and share ideas about various aspects of their businesses. This should be encouraged after careful investigations have been carried out, and support should be made available for that. The success stories were chamber of commerce, Business Link, OJEU and recommendations (word of mouth). The implications were that respondents should register with organisations that were likely to be successful in the event of procuring contracts. Again, caution is recommended here, as an audit needs to be carried out and continuous monitoring so that effort and resources are not wasted with registration fees with organisations that are not assisting survival and growth.

The construction industry should work closely with UK Government policy departments, SPAs, private businesses and the larger contractors, in order to monitor, administer, orchestrate and facilitate programmes, discussions and initiatives such that challenges encountered by the smaller marginalised groups can survive and grow.

## **8.5 Contribution to knowledge**

The first contribution to knowledge was by introducing substantial new evidence (with regards UK entrepreneurial support policies, the support mechanisms and factors that affect growth of BACBs) to an existing issue of challenges encountered by small ethnic businesses in general; thereby informing the construction industry, practitioners, academia and policy makers such that BACBs need to have more appropriate support mechanisms in order to assist in their survival and growth.

The second contribution to knowledge was to develop an *integrated* conceptual model which took into account a wide range of possible growth determinants. This holistic approach has become the hallmark of BACBs' model conferring on it these significant and useful explanatory powers, including using variables within four main disciplines;- economics of entrepreneurship, ethnic entrepreneurial, strategic management and

business growth. This stark contrast was revealed in chapter three in which several of the other theories, models and approaches assessed tended to confine themselves to only a few aspects of a business' attributes, and those which had a range of attributes did not include *challenges* and *support*, two very important factors. However, an existing adapted model by Glancey et al (1998) that utilised Cragg and King's (1988) business model was adapted and used in order to create the holistic nature of this integrated model, that contained many interacting variables. This second contribution was adapting existing knowledge in order to provide original contribution.

The third contribution to knowledge was the development of the *lucid* framework (that was discussed in Section 7.3, and was also used for making recommendations in Section 8.7). This framework was based on the conceptual model, which was informed by a combination of economics of entrepreneurship, ethnic entrepreneurial, strategic management and business growth theories. Furthermore, the framework is a process that can be followed in order to assist in obtaining a much more in-depth and better understanding of the inter-play of challenges, support mechanisms, public support offered, ethnicity and strategic orientations that would inform policy making in assisting the survival and growth of BACBs. Whereas, the conceptual model was validated, and can be used and tested within other business communities.

## **8.6 Research methodology and limitations of research**

In terms of the methodology, sample size and data collection, a small sample size was obtained. Therefore, the likelihood of the sample being representative would be low. To reiterate, what was discussed in chapter four, the research methodology chapter, Safebuild's database allowed the target group to be identified by their ethnic background, and so the database was used after obtaining permission from Safebuild Limited. The proposed target population was identified as approximately 60. Thirty-six respondents were obtained from the sample of BACBs that participated in the main survey questionnaire which was a response rate of 60%. However, a recognised feature of voluntary participation is the actual sample size obtained. The participants that completed the questionnaires were given the option to participate in the case study. Moreover, the anonymity of the researcher during the main questionnaire survey provided a degree of distance from the researched subjects, and therefore no obligation to participate seemed apparent.

## **8.7 Recommendations**

The recommendations relate to, and are based on the *lucid (legislation; utilisation of resources; co-ordination; implementation of support strategic plan; and diagnostic test and research)* framework that was discussed in Section 7.3.

### **8.7.1 Legislation**

Policy makers, clients and the construction industry all have to be educated and be made aware of diversity policies. Any new initiatives should be launched via seminars, course and workshops for local authority, RSLs and other relevant organisations including procurement departments.

### **8.7.2 Utilisation of resources**

Again, this is an area that has to be completely overhauled. Resources should be targeted at the areas in which businesses encounter challenges such as the recruitment of employees or access to finance which were main challenges identified.

### **8.7.3 Co-ordination (role of support co-ordinator)**

#### **8.7.3.1 Role**

The organisation that is more appropriate to take over this role of co-ordinating all aspects of business support, including public and private is BIS, the UK Central Government Department for SMEs. However, with hindsight, due to the political parties having different agendas, and they tend to re-organise departments periodically, BIS may in fact not be a very good example to take over this important role. In the event that a department or organisation takes over this role, the structure including the other support providers should be such that there are few departments, possible a hybrid between a hierarchical and matrix structure that can foster transparency, accountability and one that is accommodating to business, and to which businesses can be accessible. Its remit should be very precise, with having provision of support closely linked to the goals and objectives. This is because SBS (2006) admitted that their remit was extremely wide in assisting businesses. Business Link did have one of the higher usage of 33% by respondents, which in fact compared to the other organisations was quite good. However, because of such previous bad publicity, their role is now untenable.

#### **8.7.3.2 Databases**

Funding has to be allocated in order to compile comprehensive lists of various businesses across all sectors in order to assist and provide support for such businesses.

#### **8.7.4 Implementation of support strategic plan**

The removal of unnecessary bureaucracy including focus on target setting is paramount. This would allow better communication, and a more effective relationship between support providers and such businesses. A good example of this would foster a more stable and trustworthy relationship. Strategic orientations and decisions making within the business should be identified, recognised and enhanced as part of the diagnostic assistance offered. BACBs need to be targeted to restructure their businesses in order to obtain enough collateral to raise finance, and so may achieve growth or be able to access grants or accept low interest loans for survival and growth. The networking support mechanisms need to be overhauled and organised such that more concrete and genuine partnerships are forged between the stakeholders and BACBs, thereby assisting in abolishing social exclusion (old boy network) that has been created by reliance on relationships and communication of privileged information in order to obtain contracts. This aspect has been difficult to tackle using legislation.

##### **8.7.4.1 Design and implementation of support**

Examples through successful case studies and other means should be used within both public and private support providers, so that more appropriate, useful and constructive material can be provided that would directly assist survival and growth of businesses. Challenges encountered by respondents were identified; however, the specific support needs of such businesses have to be investigated prior to any provision of support. The main aspect and concern were that in the event of EMBs including BACBs encountering challenges that threaten survival and growth, there is a safety net within the customised support programmes that can be used as a continuous lifeline or as a buffer zone in times of adversities. Hence, specific customised sector support should be provided that ensures continuity, as opposed to standardised support for general use by all other businesses. The future or potential take-up rate of support of respondents has to be addressed by more specific support being offered in areas where they can perceive themselves as being positionally placed to obtain potential contracts. Numerous information and data are circulated of the various seminars and conferences that are available to attend and network, thereby informing the businesses. These support mechanisms have to be attractive to BACB respondents and to offer effective use of time management in order to be worthwhile in accepting them.

### **8.7.5 Diagnostic test and research**

Research should continue to explore the most appropriate means of delivering business to a diverse customer base. Furthermore a brokerage scheme that refers small businesses to enable them to work with larger businesses for a fixed period of time so that a track record could be established. One reference to BACBs' economic worth was made by the London Development Agency (LDA) which stated that "if London's Black, Asian, Minority and Ethnic (BAMEs) businesses in all sectors can achieve a turnover by employment and /or enterprise seen across all UK enterprises, total revenues would increase by almost £10bn and at least 50,000 jobs created" (SBS, 2006). These figures would have to be treated with some caution as the report has allowed for double counting, as some ethnic businesses tend to fall under more than one category of ethnicity. In the event of any major threat to the existence of BACBs, both the construction industry and the UK economy would encounter loss of revenue, skills and diversity that such a group contributes.

## **8.8 Further research**

Due to the limitations of size of the sample, empirical research is required using a larger sample that would enable other statistical analyses to be performed such as regression analysis. In addition, the integrated conceptual model can be used for testing and evaluating other groups within minority communities and sectors of different economic activities.

This research makes an important contribution to theoretical knowledge, methodologically and empirically including an addition and advancement to the currently stark and limited literature on the Black (Afro-Caribbean) and Asian construction communities. In terms of further research, the focus and emphasis can be on why some BACBs grow and other BACBs do not? Do macro BACBs achieve faster growth than micro BACBs? How can a good practice of growth by a BACB be used to assist others to achieve growth?

Important comparisons of entrepreneurial support policies can be made in three continents of Europe (UK or the Netherlands), the USA and Africa (South Africa), such that best practices could be developed and used appropriately within various contexts. Further research should be conducted independently, and not funded by the UK Government, including quangos, such that different perspectives of the issues concerning challenges, survival and growth can be captured.

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**A. Business and Characteristics of Owner continued:**

13. As the Owner of the business, please indicate using the table below to what extent the following business and personal characteristics affect your business in obtaining work. Please add any other characteristics that you believe are important to your business in obtaining work.

Characteristic	Significantly assists 1	Moderately assists 2	Has no effect 3	Moderately hinders 4	Significantly hinders 5
Education					
Experience					
Innovation					
Size of business					
Intention to expand or grow					
Location of business					
Leadership skills Managerial capability					
Social circles					
Cultural background					
Religious background					
Obtaining finance from Banks or Financial Institutions					
Competition from other similar businesses					
Use rows below to list any other business or Owner characteristic					
1					
2					

**B. Growth aspirations, networking and winning contracts**

14. What are your 3 to 5 years objectives for your business (Please tick one box only)

- To grow significantly
- To grow moderately
- No growth
- Do not know

(If you ticked 'No growth' or 'Do not know' please go to question 17. If you have ticked any other box, please continue to question 15).

15. How much do you think your profits will increase within the next 3 years?

- Above 30% of current profits
- 16-30% of current profits
- 6-15% of current profits
- Up to 5% of current profits
- Do not know

16. How much do you think your employees will increase within the next 3 years?

- Above 100% increase in current employee numbers
- 51-100% increase in current employee numbers
- 26-50% increase in current employee numbers
- Up to 25% increase in current employee
- Do not know

**B. Growth aspirations, networking and winning contracts *continued*:**

17. How important do you think the following aspects are to the growth of your business? Please use the table below to indicate

Objective		Extremely important	Significantly important	Moderately important	Fairly important	Not important
		1	2	3	4	5
High Profit-ability	Increase in Number of employees					
	Increase in income/ turnover					
Maximise Market share						
Improve Service quality or Product quality						
Maintaining certain Lifestyle of Owner(s)						
Promoting Corporate Image						
Create a new product or service for the Market segment						
High job Satis-faction	Good working conditions for employees					
	Good rapport between Owner and employees					

18. To which of the following organisations is your business registered with the aim of procuring work?

Please indicate several if required.

- Safebuild     Constructionline     Competefor     Businesslink  
 Federation of Small Businesses     Supply2gov     Chamber of Commerce  
 PublicTenders.net     Official Journal of European Union (OJEU)  
 Yell.com     None of the above

19. How successful has your business been in winning contracts over the last 3 years as a result of utilising the above services or opportunities provided by these organisations or media? Please indicate using the table below.

Organisation	Extremely successful 1	Signifi-cantly successful 2	Moderately successful 3	Signifi-cantly unsuccess-ful 4	Extremely unsuccess-ful 5	Non member 6
Safebuild						
Construction-line						
Competefor						
Federation of Small Businesses						
Chamber of Commerce						
Businesslink						
Supply2.gov						
PublicTenders .net						
Official Journal of European Union						
Yell.com						
Own Website						
Advertising/ Brochure						
Recommend-ations (Word of mouth)						
Use rows below to list any other organisation or media						
1						
2						

**B. Growth aspirations, networking and winning contracts continued:**

**20. Are there any ways that you have considered in which growth can be achieved for your business?**

Please tick more than one if required.

- Entering into one or several framework agreements within the Social Housing Sector
- Entering into one or several framework agreements within other Public Sectors such as NHS, Ministry of Defence or Education.
- Partnership with similar practice in same field of work
- Partnership with practice in another field of work
- Partnership with a larger practice in any field of work
- Consortium with other businesses
- Being on the Supply Chain of a Main Contractor or Main Supplier
- Being on the Supply Chain of a larger business in similar field of work
- Having access to finance
- Regular structured social and business networking
- I have not considered growth for my business
- None of the above
- Other (please specify)

**21. Please indicate approximately the turnover/fee income of your business for the last 3 previous years?**

Please tick only one box for each year.

	2007	2008	2009
Less than £50,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
£50,001 to £100,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
£100,001 to £250,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
£250,001 to £500,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
£500,001 to £1million	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
£1,000,001 to £5million	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Over 5million	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**C. Factors that affect business growth**

**22. In your experience, to what extent have the following factors acted as challenges and hindered your business growth, or acted as enablers, and assisted your business growth over the last 3 years? Please add any other factors. Please use the table below to answer the question.**

Factor	Significantly assisted 1	Moderately assisted 2	Neither assisted nor hindered 3	Moderately hindered 4	Significantly hindered 5
Competition from other businesses					
Social exclusion					
Procurement practices					
Discrimination from other businesses, stakeholders in terms of racial background					
Social and cultural background					
Lack of collateral					
Central Government and Local government policies and initiatives					
Cash flow					
Taxation					
Lack of experience and training (whilst bidding for work)					
<b>Use rows below to specify other factors</b>					
1					
2					

**If you have any queries  
about this questionnaire,  
please contact**

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Real Estate and Construction  
Tel: 07957 406643  
email:07099161 [@brookes.ac.uk](mailto:07099161@brookes.ac.uk)**

**or**

**Prof JHM Tah email: [jtah@brookes.ac.uk](mailto:jtah@brookes.ac.uk)**

**or**

**Dr E Kurul email: [ekurul@brookes.ac.u](mailto:ekurul@brookes.ac.u)**

## APPENDIX B

### THE SURVIVAL AND GROWTH OF BLACK AND ASIAN CONSTRUCTION BUSINESSES IN THE UK

#### CASE STUDY Interview schedule for semi-structured interview

##### Section 1 Profile and characteristics of BACB receiving support and growth

1. Name .....
2. Business address.....
3. Ethnicity .....
4. Gender .....
5. Age of business .....
6. Size of business .....
7. Industry sector .....
8. Business Characteristics .....
- .....
9. Growth objectives .....
10. Profit levels .....

##### Section 2 Key Issues of support factors that affect BACBs

11. What is the existing type of support being offered?
12. Type.....
13. Frequency.....
14. Quality.....
15. Reasons for take-up of support.....
- .....
- .....
16. When types of support are being offered, does your business become unproductive?
- .....
- .....
17. Identify type of support that assists in winning contracts
- .....
18. Does it assist survival and growth?
- .....
- .....
19. Is venue where support is offered convenient?

.....

**Section 3                      Growth aspirations, issues of networking and winning contracts**

20. What were the reasons for starting your business?

- a. Motivation  
.....  
.....
- b. Financially  
.....  
.....
- c. Personally .....
- d. Professionally.....
- e. Career direction  
.....  
.....
- f. Winning contracts  
.....  
.....
- g. Isolation  
.....  
.....
- h. Perceptions  
.....  
.....
- i. Attitudes  
.....  
.....
- j. Philosophies.....
- k. Other(s).....  
.....  
.....

21. Are there certain qualities that you or your business need to possess in order to win contracts or to grow?  
.....  
.....

22. Are there certain qualities that you or your business need to possess in order to be in a Framework Agreement, FA?





.....  
.....  
.....

**Section 5 Key Messages for the Government on support mechanisms policies;  
Type, Quality and frequency of support received**

30. If you have experience of using publicly-funded business support, what were the costs to your business of finding out what was available to you to meet your needs.....

.....  
.....

31. What publicly-funded business support do you regard as being of the highest priority to your business growth?

.....  
.....  
.....  
.....

32. Do the existing business support themes and products for example, *Train to gain and business solutions* make it easier for you to know what publicly-funded support is available to meet the needs of your business?

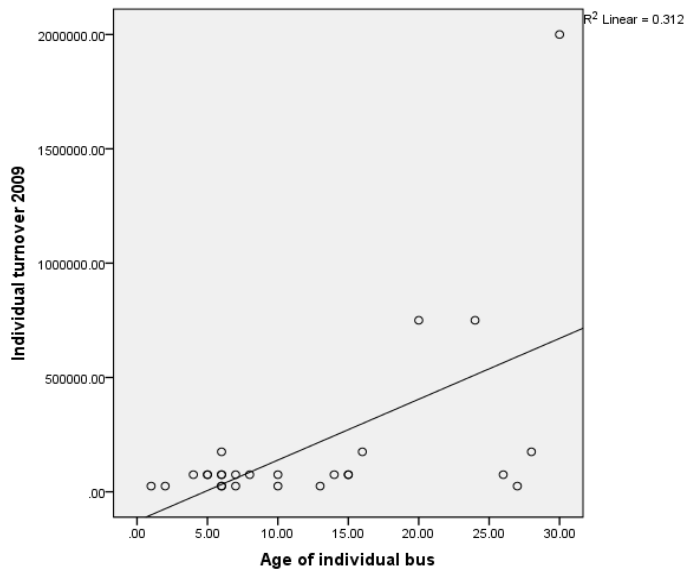
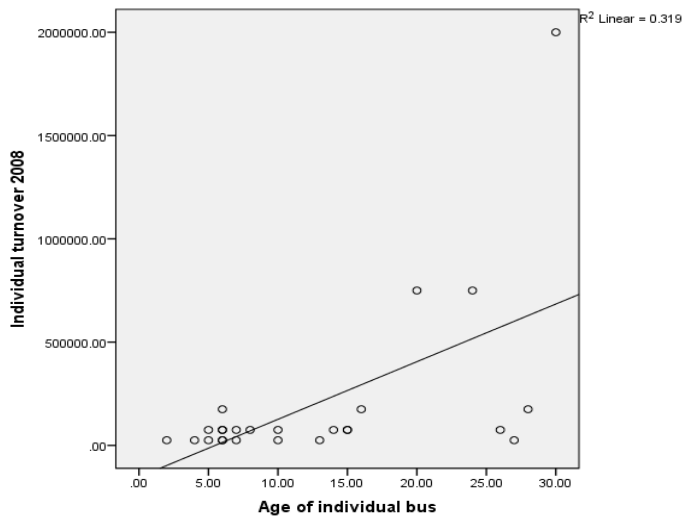
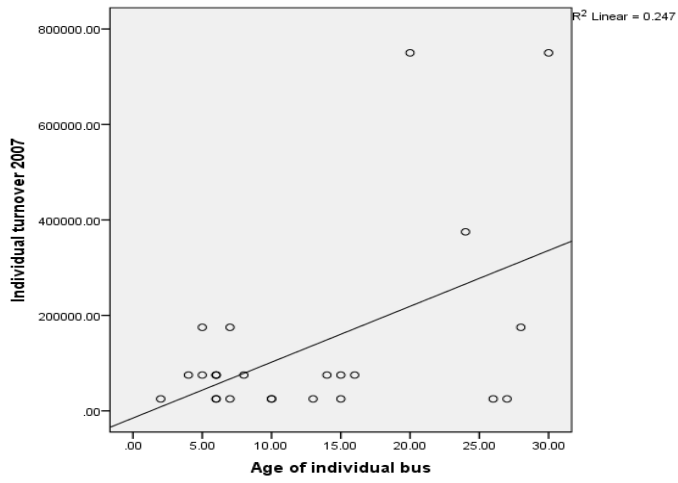
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identify short medium and long term objectives for the survival and growth of bacbs with regards to challenges, support and policy, by:

- identifying the challenges that affect BACBs
- assessing the impact of these challenges
- recommending solutions to removing, obliterating or ameliorating these challenges
- identifying areas where support is needed urgently.

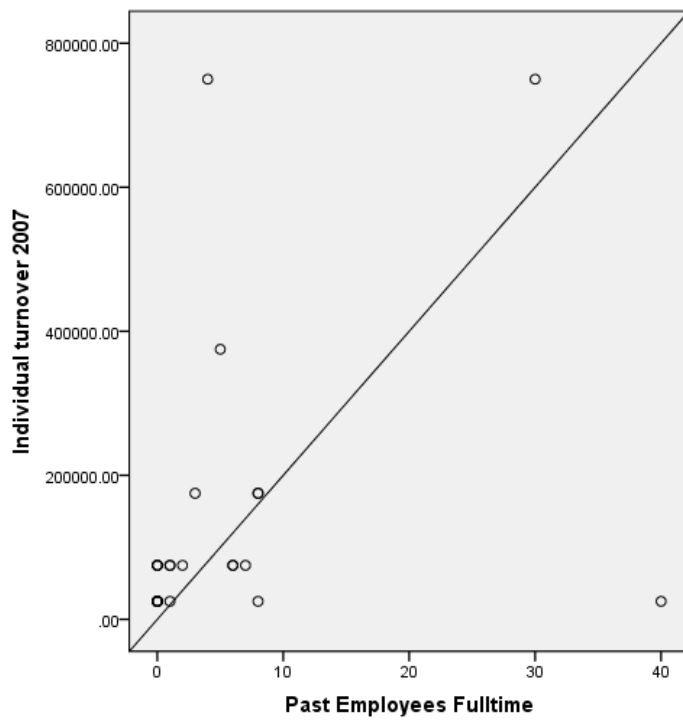
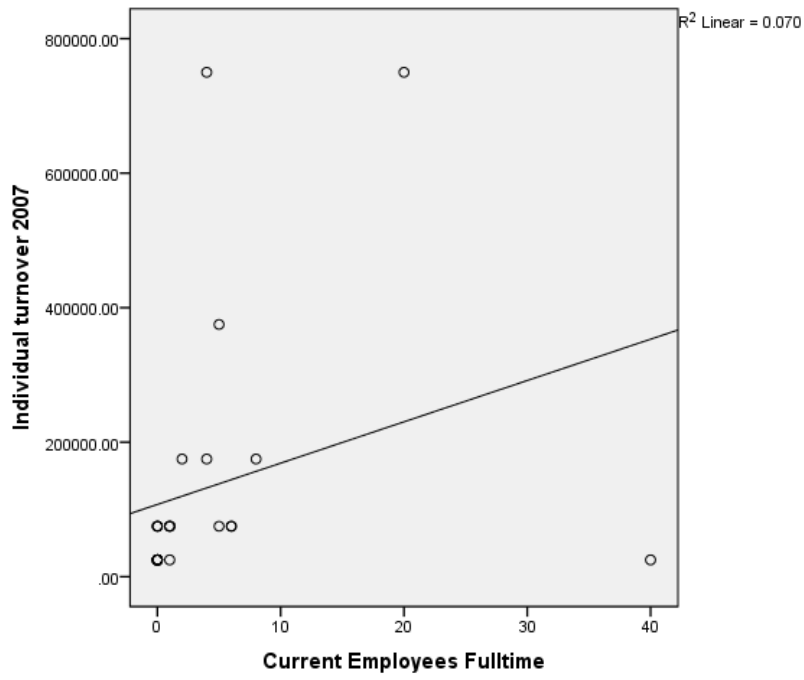
# APPENDIX C

## AGE OF BUSINESS 2007, 2008 AND 2009

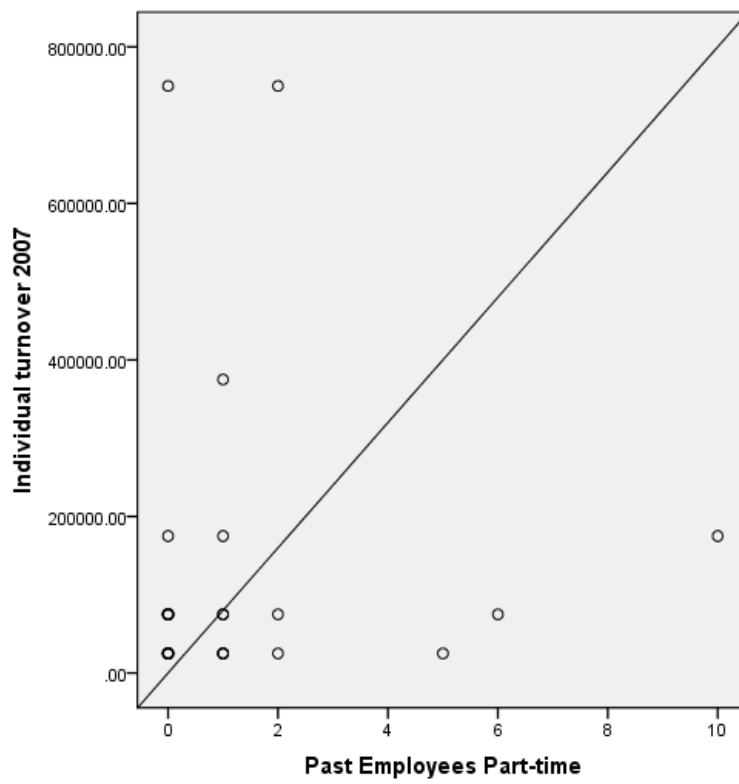
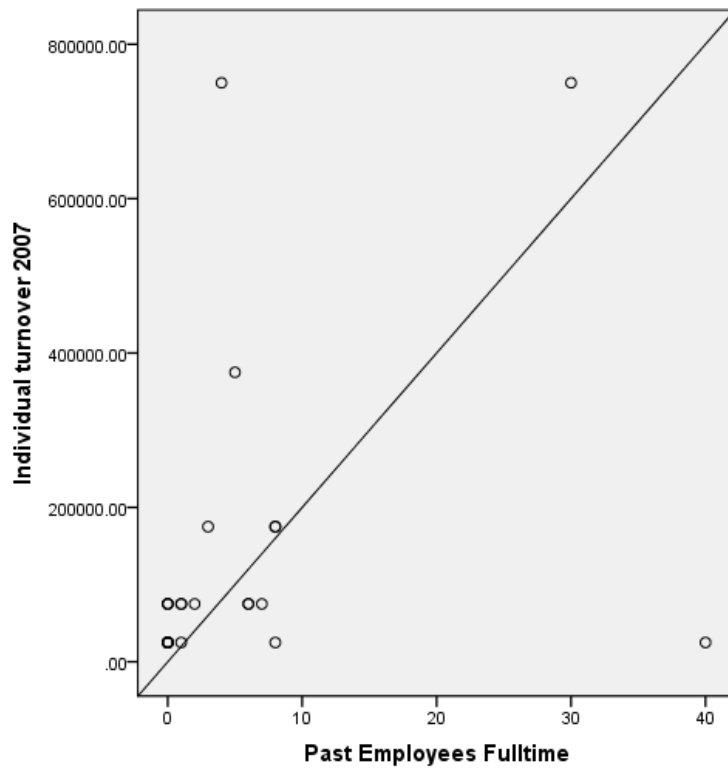


# BUSINESS SIZE (NUMBER OF EMPLOYEES)

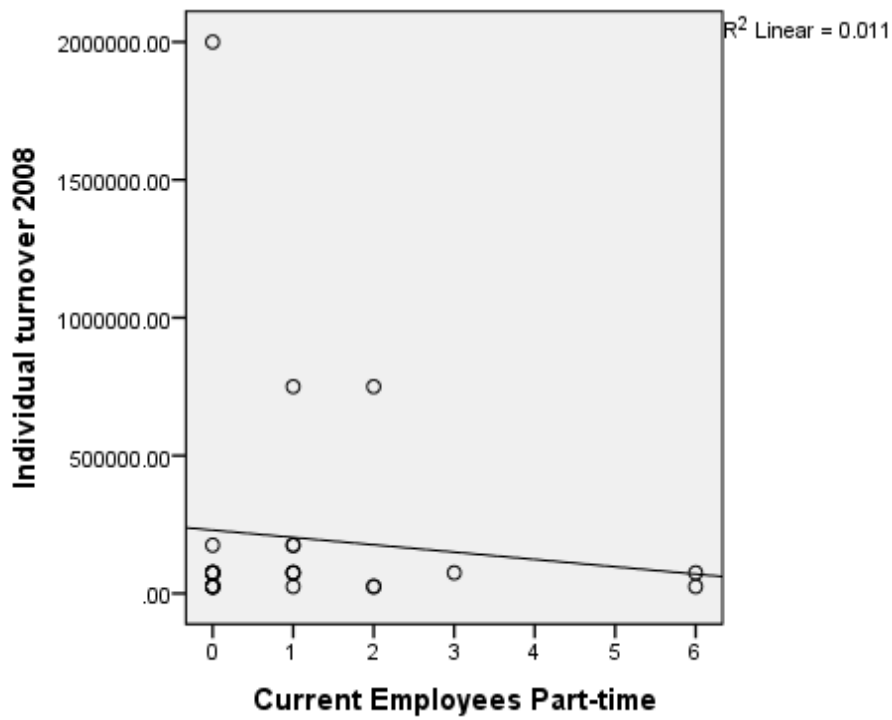
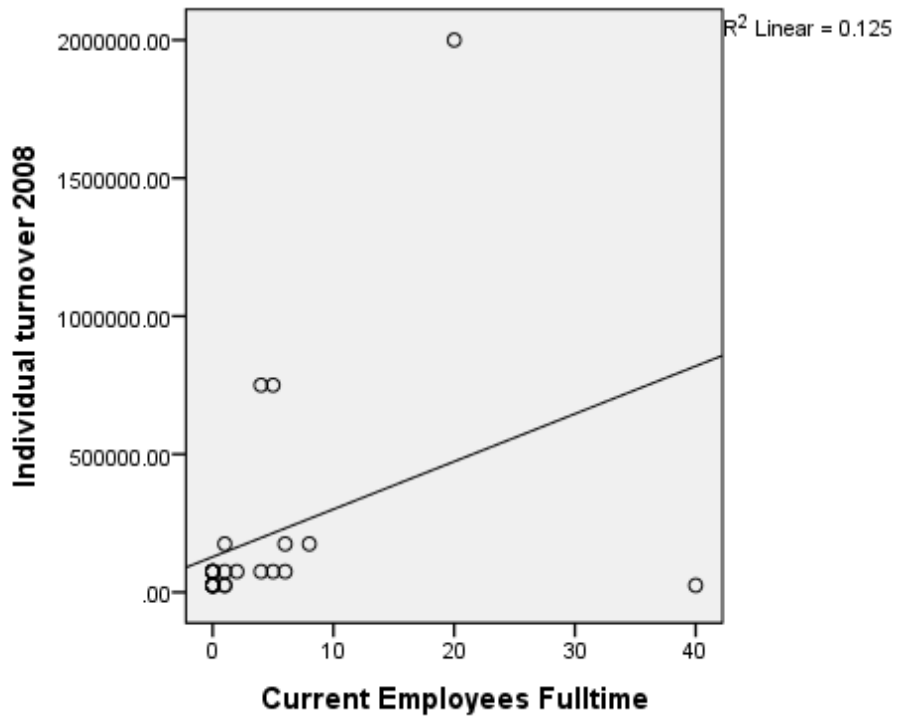
## CURRENT EMPLOYEES 2007



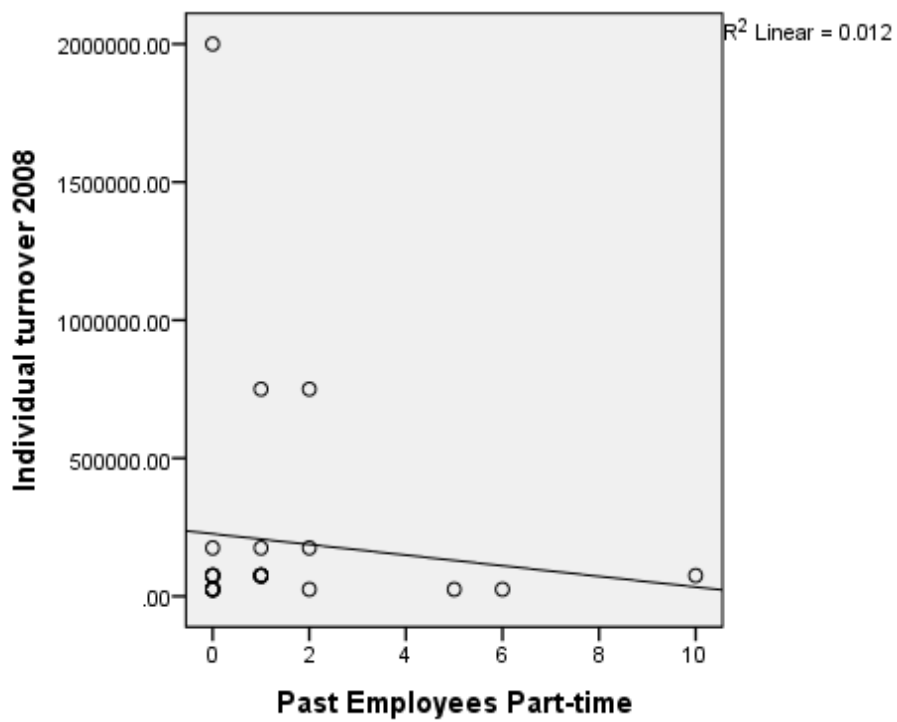
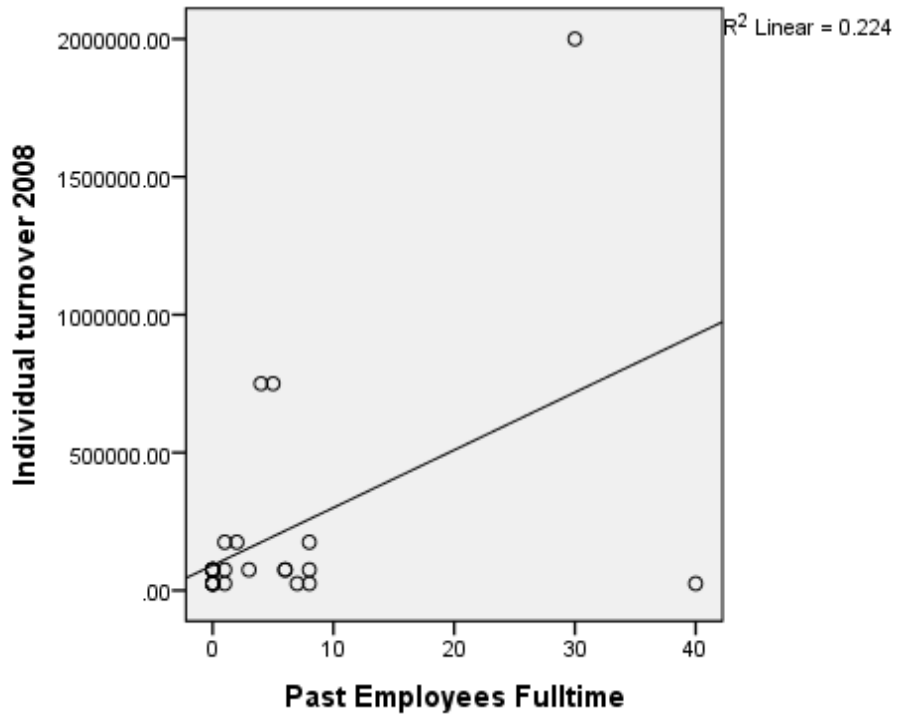
# PAST EMPLOYEES 2007



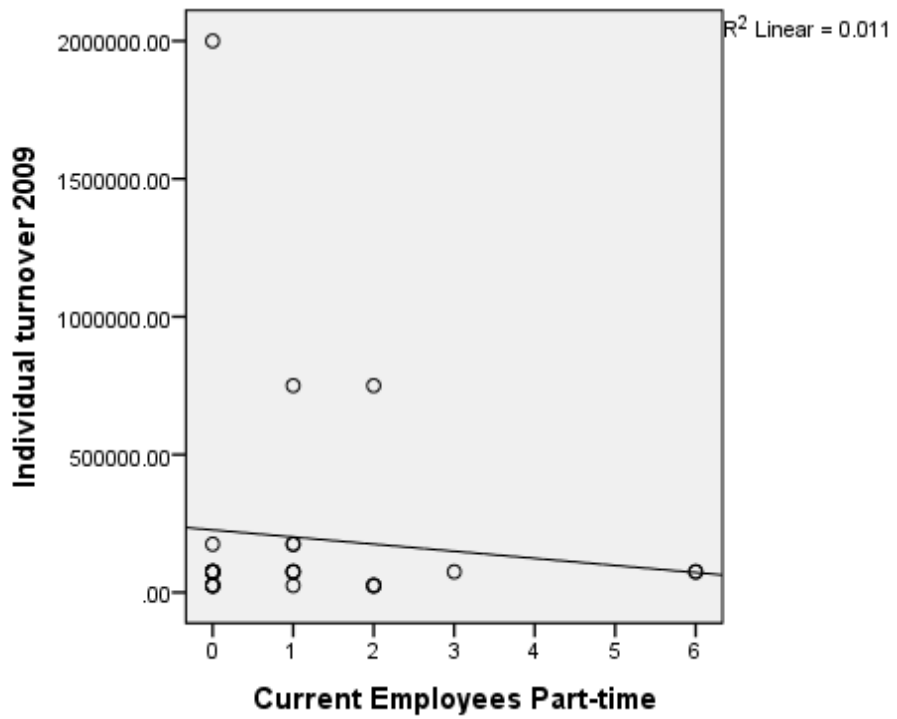
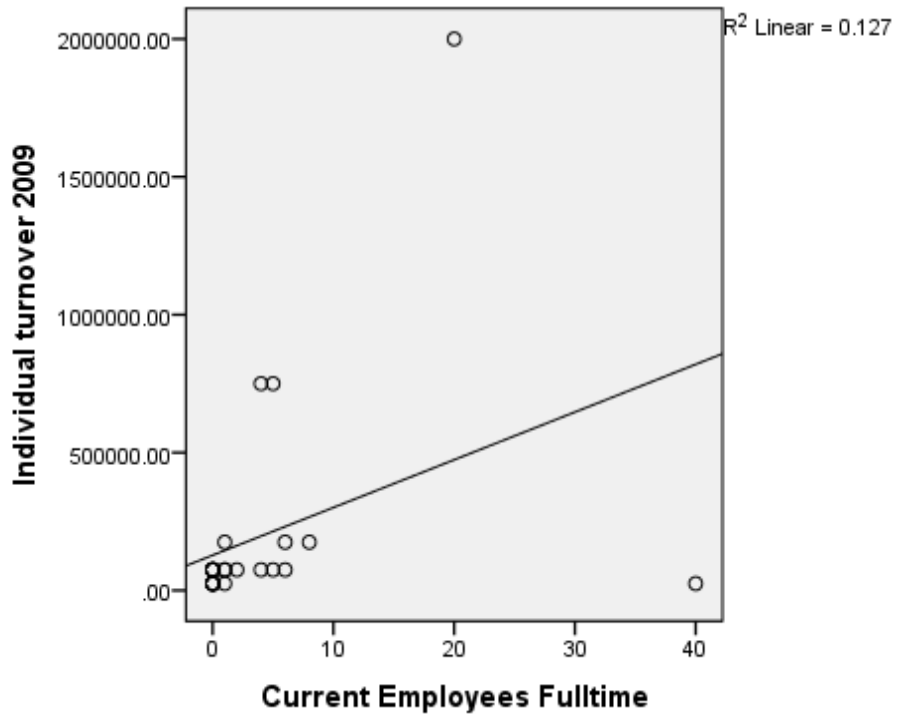
**CURRENT EMPLOYEES 2008**



**PAST EMPLOYEES 2008**

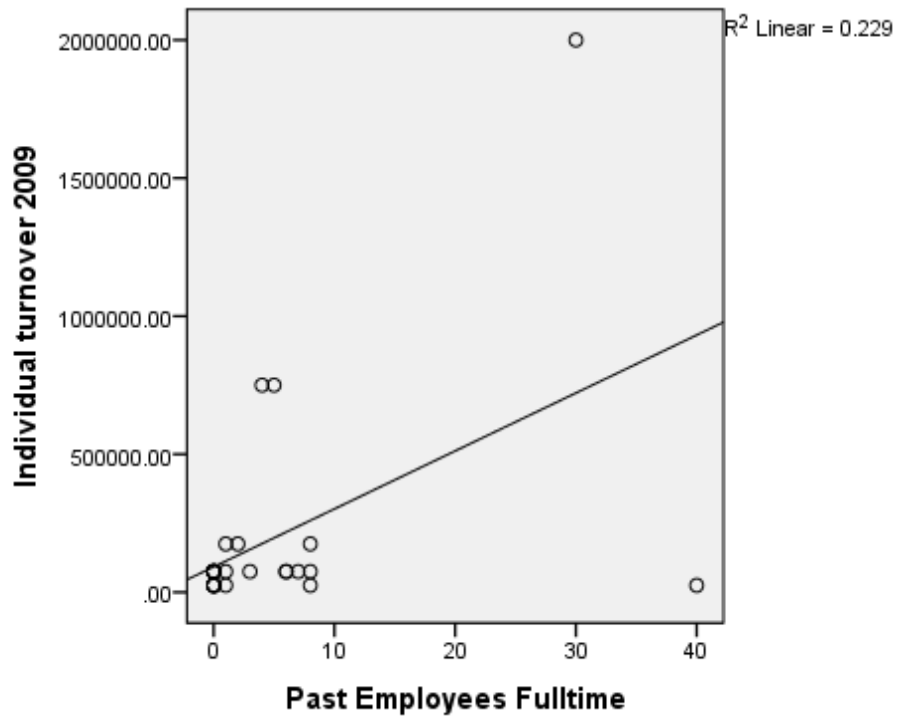


**CURRENT EMPLOYEES 2009**





**PAST EMPLOYEES 2009**



## EXPERIENCE AND TURNOVER 2007, 2008 AND 2009



### 2008



### 2009



## APPENDIX D

**Table D1 Correlation between characteristics (age of business; number of employees and years of experience) of respondents and turnover (growth)**

Characteristic	Turnover/Income (Individual) £			Pearson's Coefficient ®			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
<b>Age (Individual)</b>	£0- £5million)			0.497	0.565	0.558	<b>0.011*</b>	<b>0.003**</b>	<b>0.003**</b>
Number of Current Fulltime Employees	£0- £5million)			n/a	0.354	0.356	n/a	0.083	0.074
Number of Current Part time Employees	£0- £5million)			n/a	- 0.106	-0.104	n/a	0.612	0.614
	£0- £5million)			n/a	0.473	0.478	n/a	<b>0.017*</b>	<b>0.013*</b>
Number of Past Part time Employees	£0- £5million)			n/a	- 0.108	-0.090	n/a	0.609	0.661
Years of experience	£0- £5million)			0.277	0.315	-0.025	0.181	0.125	0.898

**Table D2 Association between characteristics of business (age of business; number of employees; and years of experience and turnover (growth) 1**

Characteristic	Turnover/Fee			Spearman's Rho			Significant		
	(Individual)						(2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
<b>Age (Bands)</b>	<b>Turnover/Fee</b>	<b>Income</b>							
<b>Turnover (Individual)</b>	<b>Bands</b>			0.256	0.536	0.480	0.217	<b>0.006**</b>	<b>0.013*</b>
Age (Bands)	Turnover/Fee	Income							
(Turnover Bands)	Bands			0.060	0.354	0.252	0.763	0.065	0.186
<b>Number of Current Full-time Employees (Turnover Bands)</b>	<b>Turnover/Fee</b>	<b>Income</b>							
	<b>Bands</b>			n/a	0.450	0.512	n/a	<b>0.016*</b>	<b>0.005**</b>
Number of Current Part time Employees (Turnover Bands)	Turnover/Fee	Income							
	Bands			n/a	0.191	0.326	n/a	0.330	0.084
<b>Number of Past Fulltime Employees (Turnover Bands)</b>	<b>Turnover/Fee</b>	<b>Income</b>							
	<b>Bands</b>			n/a	0.341	0.409	n/a	0.076	<b>0.028*</b>
<b>Number of Past Part time Employees (Turnover Bands)</b>	<b>Turnover/Fee</b>	<b>Income</b>							
	<b>Bands</b>			n/a	0.236	0.448	n/a	0.227	<b>0.015*</b>
Years of experience (Turnover Bands)	Turnover/Fee	Income							
	Bands			0.107	-0.014	0.036	0.588	0.945	0.853

**Table D3 Association between characteristics and turnover (growth) 2**

Characteristic	Turnover/Income (Individual)			Pearson's chi-square x2 Phi			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Location of Business	Turnover/Fee Income			15.672	23.839	26.483	0.737	0.250	0.329
<b>Location of Clients/ Customers Southeast/ Southwest UK</b>	<b>Turnover/Fee Income</b>			0.590	0.632	0.630	<b>0.011</b>	<b>0.002</b>	<b>0.004</b>
East Midlands and North UK	Turnover/Fee Income			0.352	0.497	0.500	0.556	0.102	0.139
<b>Wales, Scotland Northern Ireland, Abroad</b>	<b>Turnover/Fee Income</b>			0.611	0.583	0.500	<b>0.005</b>	<b>0.013</b>	0.139
Core Services of Business Building contracting	Turnover/Fee Income			7.546	6.269	6.147	0.673	0.792	0.908
Civil engineering & specialised	Turnover/Fee Income			n/a	n/a	n/a	n/a	n/a	n/a
Architectural and Engineering	Turnover/Fee Income			2.738	3.609	4.046	0.740	0.607	0.670
Other professions; QS, Const. Mange. etc.	Turnover/Fee Income			10.957	7.548	7.683	0.052	0.183	0.262
Activity of Business Residential	Turnover/Fee Income			n/a	n/a	n/a	n/a	n/a	n/a
Commercial	Turnover/Fee Income			3.474	4.522	9.246	0.627	0.477	0.160
Industrial	Turnover/Fee Income			5.727	5.727	10.463	0.334	0.334	0.106
Churches	Turnover/Fee Income			1.867	1.867	1.467	0.867	0.867	0.962
<b>Health Clinics</b>	<b>Turnover/Fee</b>			6.222	6.222	15.373	0.285	0.285	<b>0.018</b>

<b>Laboratories</b>	<b>Income</b>	0.471	0.471	0.728			
<b>Roads,</b>	Turnover/Fee	28.00	28.000	29.000			
<b>Bridges,</b>	Income				<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Motorways</b>							
		1.0	1.0	1.000			
Sector of	Turnover/Fee	3.274	5.284	4.740			
Business	Income						
New build		0.342	0.434	0.404	0.658	0.382	0.578
Private							
Refurbish-	Turnover/Fee	5.351	5.351	9.450			
ment	Income	0.437	0.437	0.571	0.357	0.375	0.150
Private							
Repair &	Turnover/Fee	1.640	4.480	5.024			
Maintenance	Income				0.895	0.483	0.541
Private		0.243	0.400	0.416			
New build	Turnover/Fee	9.506	9.908	8.110			
Public	Income				0.091	0.078	0.230
		0.583	0.595	0.529			
Refurbish-	Turnover/Fee	5.570	3.474	5.124			
ment Public	Income				0.350	0.627	0.528
		0.446	0.352	0.420			
Repair and	Turnover/Fee	7.420	4.970	3.970			
Maintenance	Income	0.515	0.421	0.370	0.191	0.420	0.681
Public							
<b>Professional</b>	<b>Turnover/Fee</b>	13.481	n/a	n/a	<b>0.019</b>	n/a	
<b>&amp; Trade</b>	<b>Income</b>	0.694	n/a	n/a			
<b>organisa-</b>							
<b>tions</b>							
<b>CIH</b>							
<b>IOD</b>		13.481	n/a	n/a	<b>0.019</b>	n/a	n/a
		0.694					
<b>GAS/corgi</b>		14.431	n/a	n/a	<b>0.013</b>	n/a	n/a
		0.718					
<b>NHBC</b>		13.481	13.481	n/a	<b>0.019</b>	<b>0.019</b>	n/a
		0.694	0.694				
Education of	Turnover/Fee	4.000	11.200	7.611	0.549	0.048	0.268
Owner	Income						
Trade		0.378	0.632	0.512			
Certificates/ National Certs.							

Higher Nationals/ Diplomas	Turnover/Fee Income	5.867 0.458	3.433 0.350	8.092 0.528	0.826	0.969	0.778
Bachelor Degrees	Turnover/Fee Income	5.950 0.461	5.746 0.453	4.093 0.376	0.311	0.332	0.664
Masters/ Postgraduate	Turnover/Fee Income	4.044 0.380	3.827 0.370	4.400 0.390	0.554	0.575	0.623
PhD	Turnover/Fee Income	1.867 0.258	6.222 0.471	6.473 0.472	0.867	0.285	0.372

**Table D4 Association between business characteristics and growth 3**

Characteristic	Turnover/Income (Bands)			Pearson's chi-square (x2) Phi			Significant (2-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Education	Turnover/Fee			0.266	5.263	9.532			
	income Bands			n/a	0.459	0.605	0.198	0.385	0.657
<b>Experience</b>	<b>Turnover/Fee</b>			28.287	31.970	34.605			
	<b>income Bands</b>			1.043	1.109	1.132	<b>0.002</b>	<b>0.000</b>	<b>0.001</b>
<b>Innovation</b>	<b>Turnover/Fee</b>			20.634	20.291	26.644			
	<b>income Bands</b>			0.927	0.919	1.032	<b>0.024</b>	<b>0.027</b>	<b>0.009</b>
<b>Size of business</b>	<b>Turnover/Fee</b>			21.374	22.704	41.913			
	<b>income Bands</b>			0.907	0.934	1.246	0.375	0.304	<b>0.013</b>
<b>Growth Intentions</b>	<b>Turnover/Fee</b>			31.066	30.338	41.273			
	<b>income Bands</b>			1.162	1.148	1.311	<b>0.013</b>	<b>0.016</b>	<b>0.003</b>
Location of business	Turnover/Fee			19.070	11.685	15.234			
	income Bands			0.856	0.670	0.751	0.211	0.703	0.646
Leadership skills	Turnover/Fee			6.900	5.906	5.207			
	income Bands			0.548	0.507	0.466	0.547	0.658	0.877
Social circles	Turnover/Fee			11.480	11.600	11.806			
	income Bands						0.718	0.709	0.857
Cultural background	Turnover/Fee			22.229	26.598	36.914			
	income Bands			0.907	0.993	1.148	0.328	0.147	0.045
Religious background	Turnover/Fee			15.582	13.604	18.652			
	income Bands			0.760	0.710	0.816	0.410	0.556	0.414
<b>Obtaining Finance from Financial Institutions</b>	<b>Turnover/Fee</b>			32.269	35.398	36.049			
	<b>income Bands</b>			1.074	1.124	1.115	<b>0.006</b>	<b>0.002</b>	<b>0.007</b>



**Table D5 Association between growth objectives and growth 4**

Growth objective	Turnover/Income (Bands)			Pearson's chi-square (x2) Phi			Significant (2-tailed)		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Employee increase	Turnover/Fee income			19.964	28.827	34.304	0.460	0.271	0.269
Turnover increase	Turnover/Fee income			13.615	9.573	12.421	0.326	0.846	0.825
Maximise market Share	Turnover/Fee income			30.089	25.976	35.593	0.221	0.409	0.222
Service quality	Turnover/Fee income			7.573	14.942	12.558	0.961	0.529	0.896
Owner's lifestyle	Turnover/Fee income			18.507	19.702	21.548	0.820	0.762	0.870
Corporate image	Turnover/Fee income			14.162	14.858	17.872	0.822	0.784	0.809
New product or service	Turnover/Fee income			23.024	20.983	27.387	0.288	0.398	0.337
Working conditions for employees	Turnover/Fee income			9.380	9.192	10.424	0.978	0.981	0.993
Good rapport with employees	Turnover/Fee income			7.707	9.913	13.170	0.935	0.825	0.781

\*Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01level (2-tailed)

**Table D6 Association between success for procuring contracts and growth**

Procurement Organisation/ Practice	Turnover £			Pearson's Chi-square x2			Significant (two-tailed)		
	07	08	09	Phi 2007	2008	2009	2007	2008	2009
Safebuild	Turnover/Fee			4.761	4.761	4.523	0.907	0.907	0.972
	Income Bands			0.387	0.387	0.373			
Constructionline	Turnover/Fee			20.564	31.500	36.330	0.423	0.049	0.032
	Income Bands			0.651	0.728	0.755			
Competefor	Turnover/Fee			3.055	4.242	8.178	0.692	0.515	0.225
	Income Bands			0.314	0.363	0.469			
FSB	Turnover/Fee			1.867	1.867	6.473	0.867	0.867	0.372
	Income Bands			0.250	0.250	0.427			
<b>Chamber of Commerce Business link</b>	<b>Turnover/Fee</b>			6.222	6.222	29.000	0.285	0.285	<b>0.000</b>
	<b>Income Bands</b>			0.426	0.426	0.707			
Supply2gov	Turnover/Fee			16.875	35.411	41.238	0.326	<b>0.002</b>	<b>0.001</b>
	Income Bands			0.620	0.753	0,773			
Public Tenders.net	Turnover/Fee			1.458	6.767	13.231	0.918	0.239	0.040
	Income Bands			0.222	0.441	0.560			
<b>OJEU</b>	Turnover/Fee			6.944	5.600	5.019	0.731	0.848	0.957
	Income Bands			0.446	0.408	0.384			
Yell.com	Turnover/Fee			29.495	26.120	48.222	<b>0.014</b>	0.037	<b>0.000</b>
	Income Bands			0.723	0.701	0.795			
Owner's website	Turnover/Fee			26.857	22.470	32.826	0.363	0.608	0.330
	Income Bands			0.700	0.667	0.729			
Advertising & brochures	Turnover/Fee			29.784	14.734	21.001	0.073	0.791	0.639
	Income Bands			0.718	0.587	0.648			
<b>Recommendations</b>	Turnover/Fee			11.597	11.947	13.694	0.929	0.918	0.953
	Income Bands			0.541	0.547	0.566			
Upmystreet	Turnover/Fee			25.480	36.820	40.370	0.044	<b>0.001</b>	<b>0.002</b>
	Income Bands			0.690	0.754	0.763			
Google	Turnover/Fee			1.867	1.867	2.719	0.867	0.867	0.843
	Income Bands			0.250	0.250	0.293			
RIBA	Turnover/Fee			1.867	1.867	1.467	0.867	0.867	0.962
	Income Bands			0.250	0.250	0.219			
ISE	Turnover/Fee			1.867	1.867	1.467	0.867	0.867	0.962
	Income Bands			0.250	0.250	0.219			

**Table D7 Association between alternate ways of business growth and growth**

Alternate method of growth	Turnover £			Pearson's Chi-square (x2)			Significant (two-tailed)		
	07	08	09	2007	2008	2009	2007	2008	2009
Entering framework in Social Housing	Turnover/Fee Income			3.500	3.908	5.246	0.623	0.563	0.513
Entering framework in other Public Sectors	Turnover/Fee Income			2.435	2.493	3.607	0.786	0.786	0.730
<b>Partnership with similar business</b>	<b>Turnover/Fee Income</b>			14.525	10.442	12.939	<b>0.013</b>	0.064	0.044
Partnership with business in other fields	Turnover/Fee Income			1.867	1.867	1.467	0.867	0.867	0.962
Partnership with larger business in any field	Turnover/Fee Income			8.808	7.175	9.435	0.117	0.208	0.151
Consortium with other business	Turnover/Fee Income			7.583	7.583	10.078	0.181	0.181	0.121
Supply Chain of Main Contractor	Turnover/Fee Income			3.500	8.808	13.231	0.623	0.117	0.040
Supply chain of larger business	Turnover/Fee Income			1.458	1.458	2.368	0.918	0.918	0.883
Access to finance	Turnover/Fee Income			5.600	5.333	7.611	0.347	0.377	0.268
Regular structured networking	Turnover/Fee Income			6.024	11.370	10.341	0.304	0.045	0.111
Not considered growth	Turnover/Fee Income			n/a	n/a	n/a	n/a	n/a	n/a

**Table D8 Association between challenges encountered by respondents and growth**

Challenge	Turnover £			Pearson's Chi-square (x2)			Significant		
	07	08	09	2007	2008	2009	2007	2008	2009
Competition form other businesses	Turnover	/Fee		10.540	14.455	13.033			
	Income			0.625	0.732	0.682	0.569	0.491	0.790
Social exclusion (old boy network)	Turnover	/Fee		11.372	10.365	13.208			
	Income			0.674	0.644	0.713	0.497	0.796	0.779
Procurement practices	Turnover	/Fee		11.241	5.708	6.190			
	Income			0.658	0.469	0.479	0.339	0.839	0.906
Discrimination (of skin colour)	Turnover	/Fee		7.562	4.754	10.225			
	Income			0.529	0.420	0.604	0.940	0.994	0.924
Social/Cultural background	Turnover	/Fee		19.583	22.894	36.698			
	Income			0.885	0.957	1.188	0.240	0.294	0.047
Lack of collateral	Turnover	/Fee		9.754	15.858	14.344			
	Income			0.612	0.781	0.729	0.835	0.392	0.706
<b>Central and Local UK Government initiatives</b>	<b>Turnover</b>	<b>/Fee</b>		<b>48.718</b>	<b>49.018</b>	<b>50.919</b>			
	<b>Income</b>			<b>1.343</b>	<b>1.347</b>	<b>1.349</b>	<b>0.000</b>	<b>0.000</b>	<b>0.001</b>
Cash flow	Turnover	/Fee		14.860	13.854	14.314			
	Income			0.742	0.716	0.715	0.462	0.537	0.708
Taxation	Turnover	/Fee		13.078	12.987	7.580			
	Income			0.696	0.694	0.520	0.219	0.224	0.817
Lack of experience	Turnover	/Fee		11.229	12.115	16.639			
	Income			0.645	0.670	0.771	0.340	0.277	0.164
Industry contacts	Turnover	/Fee		7.443	4.853	16.002			
	Income			0.516	0.416	0.743	0.683	0.901	0.191
Professional indemnity insurance	Turnover	/Fee		5.010	4.720	7.975			
	Income			0.423	0.411	0.524	0.891	0.909	0.787
Economy	Turnover	/Fee		4.235	2.520	9.939			
	Income			0.389	0.300	0.585	0.516	0.773	0.621
<b>Turnover</b>	<b>Turnover</b>	<b>/Fee</b>		<b>17.141</b>	<b>30.137</b>	<b>34.653</b>			
	<b>Income</b>			<b>0.782</b>	<b>1.037</b>	<b>1.093</b>	<b>0.071</b>	<b>0.001</b>	<b>0.001</b>
Crime	Turnover	/Fee		5.941	4.495	8.706			
	Income			0.461	0.401	0.548	0.820	0.922	0.728
Sabotage	Turnover	/Fee		5.941	4.495	8.706			
	Income			0.461	0.401	0.548	0.820	0.922	0.728
<b>Perception</b>	<b>Turnover</b>	<b>/Fee</b>		<b>17.141</b>	<b>30.137</b>	<b>34.653</b>			
	<b>Income</b>			<b>0.782</b>	<b>1.037</b>	<b>1.093</b>	<b>0.071</b>	<b>0.001</b>	<b>0.001</b>

**Table D9 Association between success rate of UK Public support (taken up) and growth**

	Turnover £			Pearson's Chi-square (x2)			Significant		
	0 7	0 8	0 9	Phi			2007	2008	2009
<b>Courses</b>	Turnover/Fee			16.492	28.784	16.530			
<b>Seminars</b>	Income			0.609	0.712	0.603	0.086	<b>0.001</b>	0.168
	<b>Bands</b>								
<b>IT Support</b>	Turnover/Fee			15.292	34.192	35.444			
	Income						0.122	<b>0.000</b>	<b>0.000</b>
	<b>Bands</b>			0.594	0.741	0.742			
<b>E-Business</b>	Turnover/Fee			13.481	28.000	15.373			
	Income			0.570	0.707	0.589	<b>0.019</b>	<b>0.000</b>	<b>0.018</b>
	<b>Bands</b>								
<b>Networking events</b>	Turnover/Fee			37.830	28.548	32.301			
	Income						<b>0.001</b>	<b>0.018</b>	<b>0.020</b>
	<b>Bands</b>			0.758	0.711	0.726			
Meet-the-Buyer Events	Turnover/Fee			5.833	12.658	13.141			
	Income			0.415	0.558	0.558	0.829	0.243	0.359
	<b>Bands</b>								
<b>Public Procurement opportunities</b>	Turnover/Fee			34.077	23.577	22.211			
	Income			0.741	0.676	0.659	<b>0.003</b>	0.073	0.223
	<b>Bands</b>								
<b>Budgets targeted at EMBs</b>	Turnover/Fee			13.481	28.000	29.000			
	Income			0.570	0.707	0.707	<b>0.019</b>	<b>0.000</b>	<b>0.000</b>
	<b>Bands</b>								
<b>Mentorship for entrepreneurs</b>	Turnover/Fee			13.481	28.000	29.000			
	Income			0.570	0.707	0.707	<b>0.019</b>	<b>0.000</b>	<b>0.000</b>
	<b>Bands</b>								
<b>Supplier Diversity</b>	Turnover/Fee			9.154	14.431	14.724			
	Income			0.496	0.583	0.580	0.103	<b>0.013</b>	<b>0.023</b>
	<b>Bands</b>								
<b>Loans and grants</b>	Turnover/Fee			15.292	29.831	31.685			
	Income			0.594	0.718	0.723	0.122	<b>0.001</b>	<b>0.002</b>
	<b>Bands</b>								

**Table D10 Association between strategic management practices and growth**

	Turnover			Pearson's Chi-square x2			Significant		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
<b>Management</b>	<b>Turnover/Fee</b>			43.076	40.216	43.641	<b>0.000</b>	<b>0.001</b>	<b>0.002</b>
<b>Human Resources</b>	<b>Income Bands</b>			0.790	0.779	0.786			
Public relations	Turnover/Fee			7.607	11.765	15.120	0.815	0.465	0.443
	Income Bands			0.483	0.566	0.606			
Continuing	Turnover/Fee			15.398	19.050	19.033	0.220	0.087	0.212
development practice	Income Bands			0.625	0.665	0.657			
Supervision of staff	Turnover/Fee			17.130	29.385	31.667	0.377	0.080	0.135
	Income Bands			0.653	0.749	0.754			
Administrative	Turnover/Fee			17.940	20.808	17.309	0.327	0.186	0.633
	Income Bands			0.670	0.697	0.655			
<b>Strategic</b>	Turnover/Fee			19.630	20.188	20.527	0.074	0.165	0.304
Objectives: education	Income Bands			0.663	0.668	0.664			
Vision/mission/goals	Turnover/Fee			30.475	25.915	29.044	0.063	0.169	0.218
	Income Bands			0.726	0.700	0.714			
Resources	Turnover/Fee			20.400	29.216	32.569	0.433	0.084	0.113
	Income Bands			0.678	0.741	0.752			
<b>Main capabilities</b>	<b>Turnover/Fee</b>			27.464	25.556	27.780	<b>0.025</b>	0.043	0.065
	<b>Income Bands</b>			0.738	0.725	0.732			

**Table D11 Association between characteristics of the Construction Industry and growth**

Construction characteristic	Turnover £			Pearson's Chi-square x2 Phi			Significant		
	07	08	09	2007	2008	2009	2007	2008	2009
Volatility	Turnover/Fee			6.463	11.790	12.427			
	Income Bands						0.775	0.299	0.412
Complexity	Turnover/Fee			0.460	0.649	0.655			
	Income Bands			22.244	21.544	21.591	0.102	0.120	0.251
Fragmentation	Turnover/Fee			0.891	0.877	0.863			
	Income Bands			13.388	21.083	34.076	0.644.	0.392	0.083
<b>Competitiveness</b>	Turnover/Fee			0.704	0.884	1.103			
	Income Bands			20.524	37.071	34.079	0.058	<b>0.001</b>	<b>0.012</b>
Hostility	Turnover/Fee			0.906	1.218	1.145			
	Income Bands			8.854	11.273	16.424	0.355	0.337	0.173
<b>Non-diversity</b>	Turnover/Fee			0.595	0.672	0.795			
	Income Bands			29.105	23.674	29.967	<b>0.000</b>	<b>0.009</b>	<b>0.003</b>