

This article was downloaded by: [Mundy, Gillian][informa internal users]

On: 14 February 2011

Access details: Access Details: [subscription number 755239602]

Publisher Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



Journal of Ethnic and Migration Studies

Publication details, including instructions for authors and subscription information: <http://www-intra.informaworld.com/smpp/title-content=t713433350>

Black-controlled businesses in Britain: Particular problems and suggested solutions

Ade Sawyerr

Online publication date: 30 June 2010

To cite this Article Sawyerr, Ade(1983) 'Black-controlled businesses in Britain: Particular problems and suggested solutions', Journal of Ethnic and Migration Studies, 11: 1, 55 — 62

To link to this Article: DOI: 10.1080/1369183X.1983.9975816

URL: <http://dx.doi.org/10.1080/1369183X.1983.9975816>

PLEASE SCROLL DOWN FOR ARTICLE

Full terms and conditions of use: <http://www-intra.informaworld.com/terms-and-conditions-of-access.pdf>

This article may be used for research, teaching and private study purposes. Any substantial or systematic reproduction, re-distribution, re-selling, loan or sub-licensing, systematic supply or distribution in any form to anyone is expressly forbidden.

The publisher does not give any warranty express or implied or make any representation that the contents will be complete or accurate or up to date. The accuracy of any instructions, formulae and drug doses should be independently verified with primary sources. The publisher shall not be liable for any loss, actions, claims, proceedings, demand or costs or damages whatsoever or howsoever caused arising directly or indirectly in connection with or arising out of the use of this material.

Black-controlled businesses in Britain: particular problems and suggested solutions

Following the summer riots of 1981 in some inner-city areas in Britain populated by a relatively high proportion of black people (of Afro-Caribbean descent), an investigation was undertaken of problems faced by black-controlled businesses in Moss Side, Manchester, with the objective of suggesting some proposals for their solution. What was readily available of the American literature on the subject of minority businesses provided an insight into the types of businesses, the particular problems faced and what methods had been adopted in the United States to assist ethnic minority entrepreneurs. An open-ended questionnaire was designed to focus on the entrepreneur his background, his business operation, his attitudes and the problems faced in running a business (the small size of the businesses involved meant that operations could be seen as an extension of the entrepreneur himself).

Findings

Thirty interviews were carried out in Moss Side, Manchester and the adjacent areas of Old Trafford (for details of sampling and interviewing, see Appendix I). The findings of the survey corroborate studies by Reeves and Ward (1981) and Kazuka (1981) in Britain and by Hund (1970) and Bowser (1978) in the United States, relate to background information, personal characteristics and business experience, business data, attitudes and measures of success of the entrepreneurs.

1. Background information

Apart from the few entrepreneurs (mostly from West Africa) who had originally come to study, the majority (70 per cent) were from the West Indies. They had migrated to Britain during the 1950s and 1960s to improve their economic position at a time of massive unemployment and harsh economic conditions at home. As they realised that they would have to work longer than expected to achieve their financial goals, they sent for their wives and children, and their original intention of returning to establish businesses in their countries of origin changed to a decision to remain in Britain. Some reasons given for the decision to remain in Britain permanently included:

- (i) they enjoyed a relatively higher standard of living here after living in Britain for so long, and no longer had any real roots in their countries of origin;
- (ii) there would be problems associated with uprooting their families into an uncertain and unfamiliar environment at a time when they were doing relatively well financially;
- (iii) they had contributed to the British economy as workers and would rather stay to enjoy the benefits of the welfare state if their businesses failed;
- (iv) they were too old to consider setting up new businesses in their countries of origin.

Nevertheless, some said that they would go home if they were very successful. This recalls some of the examples given by Phillips (1978) of minority entrepreneurs who made breakthroughs into the mainstream of business activity in Britain and established branches of their businesses in their country of origin.

2. Personal characteristics and business experience

The entrepreneurs interviewed had an average age of 48 years. This relatively high age may be attributed to the longer years they had to work for low salaries

to accumulate sufficient start-up capital (in Bowser (1978) the average age was 46 years). Two of the respondents were women – one of them in hairdressing, which both Reeves and Ward (1981) and Kazuka (1981) see as an area in which minority women have opportunities in the mainstream.

Most of the entrepreneurs were married with an average of four children and used their families in the business. But there were some complaints about the unwillingness of some of the children to assist in the business.

No graduate businessmen were identified, as in Kazuka (1981). But 45 per cent had reached an educational standard of secondary school or higher; only two entrepreneurs had no formal education of any sort. In their previous jobs most had to work under less qualified and skilled white employees who were better paid. They were not, and did not expect to be promoted even when they were better qualified, and 26 per cent had left their previous jobs because of frustration.

For half (50 per cent) of the entrepreneurs, this was not the first attempt at running a business. Previous businesses had failed or become less profitable due to such reasons as the following:

- (i) demolition of premises by Council without prompt and adequate compensation and a refusal to resettle;
- (ii) problems in having licences renewed;
- (iii) inadequate market;
- (iv) organised and fierce competition from white firms.

A variety of reasons were given for going into business. For some this had always been an ambition. Some had initially set up on a part-time basis to test the market. Others saw a business opportunity which could not be passed over. Others only considered entrepreneurship after they had been declared redundant by their employers and had a lot of time and money on their hands. Some had special skills which could be deployed in self-employment.

3. Business data

A majority of the sample were engaged in the retail sector. One attraction of this is the living accommodation it provides, and therefore the convenience of being able to use members of the family and stay open for longer hours to attract more custom; in addition, no special skills are required and the initial set-up costs are lower. Other businesses identified included: a café, a mobile café, two bakeries, two minicab businesses, a haulage contractor, a night club, a pub, a social club, three groceries, a record shop, five off-licenses, a tobacconist and newsagent, three autocare businesses, one electronics repairs firm, a Kung Fu school, a tailor, and three hairdressers. This represented a much narrower range than was reported for other parts of the country (for instance, Reeves and Ward (1981) and Kazuka (1981), who also found evidence of manufacturing activity, including businesses with turnover over £100,000). Sole proprietorship was the preferred legal structure for the businesses. Solicitors and accountants had advised that there were no tax advantages to be derived from formal incorporation and only two of the businesses had limited liability. An average of four workers (full-time or part-time) were employed in each business. These were mostly blacks, except in cases where the spouse was white. Those entrepreneurs who could not secure the assistance of their children blamed the dole for giving them support and therefore an alternative.

The decision to locate in the inner city was not always taken because of the presence there of a captive ethnic minority market. Most had problems in finding adequate premises and felt that they would do much better in white-populated areas where there is effective demand backed by higher purchasing power. Others, who do not believe that whites would buy from them, preferred to cater for their captive ethnic market despite problems associated with inner

city businesses. Levitan and Taggart (1969) have listed some of these problems: (i) higher operating costs; (ii) higher training costs; (iii) greater vandalism and crime resulting in (iv) higher insurance rates. Shah and Trombetta (1979) added the following: (v) evaporating markets and (vi) dwindling purchasing power.

4. Attitudes

The businesses surveyed were small in size, most of them having been set up with personal savings of less than £5,000. In only a few cases had money been borrowed from friends and only one entrepreneur had been assisted by his banker, having presented a good case with the required security. In the opinion of most of those interviewed, the banks would much prefer to lend to white employees who earned less money than to black businessmen, and without an injection of external finance they would not be able to demonstrate the track record demanded by the banks in their slow growth businesses. It is interesting to note that, because of the frequent allegations of discrimination against blacks by banks, 37 per cent of the entrepreneurs interviewed had not approached the bank. Many felt it was a waste of their time. Other reasons given for not approaching the bank were:

- (i) no chance of success was anticipated because of discrimination, an expectation based on the past experience of friends;
- (ii) high interest rates, especially when they were not certain of their profits;
- (iii) too many questions were asked, and one would still eventually be turned down;
- (iv) they did not like borrowing and they preferred to use their own finance for their businesses;
- (v) fear of foreclosure, in which case both the business and the security would be lost.

There was very little knowledge of agencies of assistance and, apart from the entrepreneurs who needed backers and therefore sought counsel from their friends, the majority relied on their accountants and solicitors to handle their returns, apply for licences and deal with conveyancing, etc. Although some saw no prospect of assistance from any source, they would welcome help from the government. Suggestions included the following:

- (i) providing training programmes to train more skilled labour to satisfy their personal needs;
- (ii) stopping unemployment pay to encourage more people to go into business;
- (iii) setting up advisory bureaux to help them set up and operate their businesses more efficiently;
- (iv) the creation of more jobs to increase purchasing power in the inner cities;
- (v) the provision of financial grants to assist with start-up capital;
- (vi) legislation and education against discrimination;
- (vii) support the setting up of a black association to assist black business people.

In the opinion of respondents, discrimination against black people had affected their drive, and resulted in a lack of ambition and will to succeed. This had also bred mistrust and jealousy amongst ambitious blacks and only a government-assisted organisation could help unite them by showing that the authorities are now on their side.

5. Measures of success

Bowser (1978) recommends the addition of behavioural factors to economic measures of profit and growth when assessing the success of small businesses controlled by blacks. Thus, some consideration should be given to those objectives of the entrepreneur which may be unrelated to economic gain – the profit motive could be secondary to other social values such as community service and esteem.

In this survey accurate and verifiable financial information about respondents' businesses was impossible to obtain, due to a reluctance to discuss financial

issues, either because they were suspicious or because they had no clear idea what their businesses were worth. The entrepreneurs' perception of success was taken into consideration in this study. Most considered themselves to be successful for reasons such as the following:

- (i) they had raised their standard of living;
- (ii) they were relatively better off than their working colleagues;
- (iii) they were held in some esteem in the community because of the services they provided;
- (iv) they had survived in business;
- (v) they were independent and did not have to rely on an employer.

Problems

The findings of the survey suggest that many ethnic minority businesses are small in size, under-capitalised, ill-located and informally operated, with a heavy reliance on a captive ethnic market, and with no scope for expansion. But this bleak profile does not necessarily exclude them from Schumpeter's (1934) assertion that the entrepreneur who has the intuitional capacity to see things in a way which afterwards proves correct, the energy of will and mind to overcome fixed habits and a capacity to withstand social opposition occurs in any ethnically homogeneous population and is not confined to any particular ethnic or racial group. Kazuka (1981) claims that the problems which beset small businesses in general have a much greater impact on minority businesses because of the minority group's disadvantaged socio-economic position. The bleak profile can therefore be attributed to the special problems which ethnic minorities face in business. These were identified in this study as follows: (1) finance capital and credit requirements; (2) management and personnel needs; and (3) economic opportunity – or rather the lack of it.

1. Finance

The entrepreneurs had started with very little savings of their own and without any assistance from any financial institutions, which, it has been frequently alleged, do not like lending to blacks. They were limited to slow growth businesses which require lower start-up capital and they remained small because, being under-capitalised, they could not generate enough funds for reinvestment and therefore could not meet the funding criteria of most financial institutions. Many of them were prone to failure because of unfavourable credit terms from suppliers.

2. Management and personnel

The entrepreneurs lacked management skills, not having had any real supervisory or management experience in their previous jobs or any exposure to business or management education; they were therefore operating on an *ad hoc* basis with inadequate records and little planning. Skilled reliable labour was not available at the low wage rates they could afford and, where they could not use members of their family, they made do with untrained and unreliable personnel.

3. Economic opportunity

The minority group entrepreneurs complained of discriminatory and unfavourable treatment from public officials. This included obstruction in their dealings with officialdom in relation to grants, aids and incentives, by such means as rigorous questioning and demands for more information than was required; denial of access to prime locations; harassment by tax, health and safety and planning officials and threats by the police. Advisory agencies had not been found of assistance to the few who knew of their existence.

The Asian experience

These problems are particular to Afro-Caribbean ethnic minority entrepreneurs, and may not apply to Asians, who are perceived as being more

successful in small business. Reasons that may be considered for their different experience include the following:

- (i) they tend to be less discriminated against in housing, jobs and education;
- (ii) in the case of the East African Asians, they had received preferential treatment over the native Africans under the colonial governments and therefore they had previous business experience; in the event many of this group came to Britain to continue their business operations;
- (iii) the special circumstances of the Asians' expulsion from Uganda led to British government help and assistance in their resettlement; financial institutions were encouraged to assist them;
- (iv) the general willingness by business institutions to assist the displaced Asians encouraged other Asians to take advantage of the favourable treatment accorded to Asians at that time;
- (v) closer links and co-operation exist within the Asian community, associated with migration assistance given to members of family and kin;
- (vi) there is a store of professionals in business and related fields who either qualified before their migration or stayed on in this country after their studies. Many Asian businessmen encouraged their children to study professional subjects which have relevance to their businesses;
- (vii) the existence of Asian finance organisations more sympathetic to the needs of Asian entrepreneurs, in contrast to the African and Caribbean banks, which engage mainly in trade financing activities.

Solutions

In proposing solutions to the particular problems that face black minority entrepreneurs in Britain, one has to rely heavily on the American experience of assisting black entrepreneurs. Browser and Little (1970) have argued that the promotion of corporate involvement in developing minority businesses cannot be left solely to the conscience and moral views of corporate executives; nor can it be left in the hands of black militants. Whitney Young (1969), a black leader, has written of the need to redefine the goals of society about the quality of life: this can be achieved, he argues, only on the basis of a rational review of history, and not just as a reaction to crisis and tragedy. He states that only then can a more meaningful public programme be designed to aid minority entrepreneurs, and this can only be effected through pressure and leadership from government. Moreover, he continues, it is dangerous to leave the issues of racism and discrimination to extremists; decent people will have to be involved in the solution of the problem and in working to equalise life in society.

A total resources approach is proposed in this paper similar to that adopted in the United States, which includes:

- (i) **government institutions**, such as the Office of Minority Business Enterprise and the Office of Small Business Administration, providing incentives, funds and economic opportunity, in some cases by legislation;
- (ii) **business schools** assisting in research, consultancy and management training programmes;
- (iii) **facilitating organisations**, both black and white, acting as intermediaries in channelling assistance and controlling its quality and effectiveness;
- (iv) **private financial institutions** providing funds for investment in black banks, commercial and industrial companies providing finance, management and technical assistance, employment, training and economic opportunity.

(i) Government

The British government should direct its attention to the establishment of an institution which would be responsible for drawing up policies based on research and proper planning in relation to the needs of the ethnic minority entrepreneur. This institution should be charged with, amongst other functions:

- (a) providing loans and grants to small minority enterprises and minority credit institutions;
- (b) providing bank guarantees for loans to minority entrepreneurs;
- (c) providing incentives to private companies to encourage them to invest in and assist minority businesses;
- (d) providing assistance to facilitating organisations;
- (e) providing funds to business schools;

- (f) helping in the acquisition of premises;
- (g) screening of applicants in need of assistance;
- (h) monitoring and evaluating the effectiveness of various programmes to assist minorities.

(ii) Business schools

Business schools could assist by soliciting funds from government and the private sector for:

- (a) further research into the field of minority business development;
- (b) the provision of consultancy services to minority entrepreneurs by both students and staff;
- (c) assistance in designing and organising training programmes which would suit the needs of minority entrepreneurs.

(iii) Facilitating organisations

Assistance from facilitating organisations should be encouraged, especially in their roles as intermediaries in:

- (a) the provision of consultancy and counselling services;
- (b) matching the needs of minority entrepreneurs with available assistance from the private sector;
- (c) screening applicants for help;
- (d) organising training programmes for minority entrepreneurs.

(iv) Private institutions

There are several ways in which white companies can help in the development of minority businesses: they can:

- (a) consider the increased hiring, training and promotion of black employees because, as Brower and Little (1970) have pointed out for the US, there are no black managers on the top floor of most companies, because too many barriers have been put in their way;
- (b) financial institutions could be more sympathetic to the needs of minority entrepreneurs and could include less objective but effective factors when considering loan applications;
- (c) adopt minority entrepreneurs in the same or a similar line of business and help them with finance, management and technical assistance, and favourable terms;
- (d) help with funding business schools and facilitating organisations which are involved in research, consultancy and training programmes for ethnic minority entrepreneurs;
- (e) invest in black credit unions, financial institutions and banks set up to assist ethnic minorities;
- (f) make executives available for consultation through a facilitating organisation by granting them time off work;
- (g) provide assistance by subletting unused premises at favourable rates;
- (h) provide assistance with marketing and purchasing by granting minority entrepreneurs favourable terms.

Benefits likely to accrue to large white companies which assist ethnic minority businesses includes the following:

- (a) a perceived sense of social concern and involvement in inner-city problems, which is good for the image of the company;
- (b) a peaceful social environment, with less racial tension and strife, which augurs well for big companies because of the economic stability it enhances;
- (c) the government could offer incentives that would make it attractive enough for big companies to invest in inner city areas and assist minority businesses;
- (d) the inner cities could become good markets for the products of white firms if economic activity in these areas could be regenerated.

Apart from the benefits which would accrue to the minority entrepreneur, the inner city areas and the economy as a whole will benefit in that:

- (a) an increase in the size and numbers of minority businesses would promote economic activity in inner city areas and contribute positively to the national income;
- (b) these businesses would provide jobs for more black people, profits would be ploughed back into the areas and the multiplier effect would lead to increased wealth in these areas;
- (c) new markets would be created in areas of depressed demand;
- (d) the wealth generated would help reduce the burden of government spending on social services in these areas;
- (e) more jobs and increased wealth could lead to a reduction in the crime rate and the avoidance of future race-related riots;
- (f) successful black entrepreneurs would serve as symbols for other blacks to emulate, and the economic power created, instead of polarising race relations, would help to create a truly integrated multiracial society in which both blacks and whites could have equal opportunity.

Conclusions

A central government agency charged with financing, underwriting, advising and co-ordinating black businesses is advocated, because it will act to influence society and big business to respond to the challenge, the government being the greatest single provider of contracts, employment, incentives and benefits; the programmes adopted would therefore be better co-ordinated and have a better chance of success.

The emphasis should be on helping private enterprise, the benefits of which, as has been indicated, will accrue not only to the entrepreneurs but to these communities as well. Although community development programmes can be adopted, they might still not benefit blacks if they are to be administered by existing agencies, which are perceived as discriminatory. As Kazuka (1981) points out, the Inner Urban Areas Act 1978 and the Small Firms Assistance legislation have not helped many blacks.

The particular problems that face ethnic minority businesses were identified in the survey as: (a) finance – credit and capital; (b) management and personnel needs; and (c) economic opportunity needs. These can be solved if a total resources approach based on the American experience can be adopted, one which involves government, the private sector, business schools and facilitating organisations. But we should recall the warnings of Rosenbloom and Shank (1970) about unco-ordinated programmes arising out of liberal motives, government exhortation, an air of crisis and mass media coverage. These are likely to fail and damage credibility, and to result in weakened resolve for the future. On the other hand, successful efforts will depend on proper planning in the design of programmes which take into account the requirements of the entrepreneurs themselves and on an unflinching commitment to assisting minority businessmen.

Appendix I

Several problems were experienced in identifying and interviewing the entrepreneurs. First, was the absence of formally collated records on ethnic minorities in business: agencies like the Commission for Racial Equality, the Manchester Council for Community Relations, the Small Business Unit and the Greater Manchester Economic Development Corporation did not appear to have any formal or informal contact with ethnic minority entrepreneurs locally. This made identification of a representative sample impossible and ruled out the possibility of using a postal questionnaire. Thus, those who agreed to be interviewed were not selected on the basis of any statistical sampling method; they were identified with the assistance of the West Indian Sports and Social Club, which supplied names of the few of its members who were engaged in business activity; of people who spent their time on the Moss Side 'frontline'; of people stopped on the streets; leads from interviewees; and two black accountants, who would not be interviewed but who supplied the names of some of their black clients, a most productive source because of the credibility it gave to the interviewer.

Secondly, there were some difficulties in securing interviews. Of the 45 entrepreneurs approached in Moss Side and Old Trafford, 15 declined to be interviewed, either because they were too busy, or could not perceive the usefulness of the study, or were suspicious of the business school's credentials.

Appointments for interviews proved easier to set up by telephone, because the benefits of the project could be better presented through a less personal medium than through personal calls on the entrepreneurs when they were engaged in their businesses. Some of the interviews had to be

postponed, in some cases more than once, either because the entrepreneur had completely forgotten about the appointment, or was very busy. These were rescheduled to lunch breaks and to the late evening after work. Some of the more informative interviews were held in the relaxed atmosphere of the entrepreneur's home, where they tended to be more sociable and co-operative.

The third problem consisted of gaining rapport with the entrepreneur. Some time was devoted to this, to assure him of confidentiality and allay suspicions that his activities were under investigation. The open-ended questions mainly served as prompts during the discussion of issues. It was not easy to get direct answers for some of the questions, and most were reluctant to discuss issues relating to personal wealth, the worth of their businesses, profits, personal earnings and turnover.

The benefits of the study put to entrepreneurs who agreed to be interviewed after some persuasion included the following considerations:

(i) if efforts were to be made to help with their problems, it was important to find out the best way in which they thought their problems could be solved;

(ii) the business school was interested in providing them with assistance and wanted to be certain that the proposed assistance would be adequate;

(iii) an association of black entrepreneurs could be formed, if all were identified, which would provide them with some support in their dealings with the banks, the authorities, suppliers and other institutions which had obstructed them in the past.

References

G. W. Bowser, 'The Minority Entrepreneur and Business Success', PhD Thesis, University of Wisconsin, 1978.

M. Brower and D. Little, 'White Help for Black Business', *Harvard Business Review*, May/June 1970.

J. M. Hund, *Black Entrepreneurship*, Wandsworth Publishing, 1970.

W. M. Kazuka, 'Why so Few Black Businessmen?', *Report for Hackney Business Promotion Centre*, 1981.

S. A. Levitan and R. Taggart, 'Developing Business in the Ghetto', *Conference Board Record*, Vol. 7 (7), July 1969.

Mike Phillips, 'West Indian Businessmen', *New Society*, 1978.

R. S. Rosenbloom and J. K. Shank, 'Let's Write Off MESBICS', *Harvard Business Review*, Vol. 48/5, September/October 1970.

R. P. Shah and W. L. Trombetta, 'Relocating the Black Merchant in Suburbia: A Total Resources Approach', *JSBM*, Vol. 17, No. 4, October 1979.

Robin Ward and Frank Reeves, 'Memorandum: West Indians in Business in Britain: Research Commissioned from SSRC Research Unit on Ethnic Relations', *Home Affairs Committee Report on Racial Disadvantage*, Session 1980/1981, 15-iv, 1981.

Whitney M. Young, 'A Black Leader Assesses Businessmen's Efforts', *Management Review*, December 1969.