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**ETHNIC MINORITY BUSINESSES
IN LAMBETH AND SOUTHWARK**

MAIN REPORT

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Equinox Consulting

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Ethnic Minority Businesses in Lambeth and
Southwark
FOCUS Central London Research

Executive Summary

Introduction

Ethnic minority businesses now contribute significantly to employment and wealth creation in the UK and in London. They are thought to account for around one in ten of all business units in the UK and this share is expected to increase. With this in mind support providers have a responsibility to provide advice and support to ethnic enterprise such that they can grow and develop further. However, previous research has shown that ethnic minority businesses' experiences of support provision have not been particularly positive. Other research, however, has shown that if support can be delivered in a manner which is compatible with ethnic minority business owners' needs then there is a willing market. The issue, therefore, for policy makers and support providers is to develop support which is grounded in up-to-date information about ethnic minority businesses, particularly their characteristics, experiences and support needs. This research project has considered these issues and the results have been presented in the main report. The executive summary seeks to bring together some of the main themes and policy suggestions to come out of the research.

The Business Owners

One of the first issues considered by the research was the business owners themselves. More specifically, it was clear that very little was known about their numbers, ethnicity, gender, age, qualifications, previous experiences and motivations for becoming business owners. By using data from the 1991 Census of Population and the ethnic businesses survey a clearer picture was developed. First, it was noted that self employment and business ownership were still relatively uncommon forms of activity in Lambeth and Southwark for all ethnic groups, including Whites, though those who had started businesses were responsible for creating employment opportunities for others. Indeed only six per cent of the population aged 16 years or over in Lambeth and Southwark were involved in self employment, though this did vary

according to ethnic group. For example, Whites and Asians, particularly, Indians and Pakistanis, appeared more likely to enter into self employment than Black Caribbeans. Men were also more likely to be self employed than women though there was evidence that women were increasingly turning to self employment and business ownership. Moreover, men accounted for around three quarters of all the businesses in the survey compared to a quarter for females.

The research also considered the ethnicity and nationality of birth of the entrepreneurs. The results suggested that most of the Black British were born in the UK, most of the Black Caribbeans were born in Jamaica, most of the Black Africans were born in West Africa (mainly Nigeria and Ghana) and most of the Asians were born in the Indian Sub-Continent (mainly India and Pakistan). One of the more interesting themes to emerge at this stage of the fieldwork was related to those individuals born in the UK. Only four out of ten considered themselves to be Black British with the remainder identifying more closely with their parents or original ethnic grouping. This would appear to suggest that many second and third generation ethnic minorities in Lambeth and Southwark do not identify strongly with mainstream British culture. This may have implications for support provision.

The research suggested that ethnic minority business owners were much younger than on average. Most entrepreneurial activity is thought to commence in the mid 30s to mid 40s age range. However, the average age at which the respondents entered business ownership is thought to be 28 or even younger. One consequence of this is that because of their relatively young age the respondents may not yet have had the opportunity to develop the skills, experiences, contacts and capital base which is often characterised as important to success in mainstream businesses. The Black British were the youngest business owners and a majority of them were second and third generation. The Asians were the oldest and a majority were first generation.

The business owners were also much better qualified than the population in Lambeth and Southwark, though again this varied between ethnic groups. Black business owners (British, Caribbean and African) were all much better qualified than their respective groups in the general population, however, Asian business owners were relatively lower qualified. Levels of education were thought to have influenced business owners' choice of

economic activity and their take up of support services. For example, business owners with high levels of qualifications were more likely to have started knowledge based activities such as business and professional services and creative industries businesses. They also ran the largest businesses and were the most likely to have used established support services in the past 12 months.

Business owners' previous experiences before entering self employment are thought to influence their chances of survival and growth. Two thirds of the business owners were employed before entering self employment, and a third were employed in a similar area such that they could utilise the sector specific skills they had already developed. This is thought to be highly beneficial to business growth and development. Indeed, many of these individuals appeared to be running larger growth orientated businesses. However, a third were self employed in areas which were different from their previous areas of employment. This may reflect an attempt to escape from low skilled/low paid employment conditions. Many of these individuals entered consumer services which are known to have relatively low entry/exit costs. Other routes into business ownership were less popular. Just less than one in five had been business owners before. This may suggest that some individuals were developing business related skills but it may also indicate serial and unsuccessful business ownership and a reluctance to return to employment. Unemployment was not an important route into business ownership, despite a range of policies to support it.

Business owners' motivations for entering self employment were also important. The main motivations for entering self employment were positive, for example, to explore a 'market opportunity' or to 'make money' and this was similar to findings produced by other research. However, other more negative motivations such as those related to racial discrimination in employment, perceived or otherwise, came out strongly. Though this was not a feature of the main telephone survey, results from the face-to-face interviews and particularly the focus groups highlighted the extent to which this problem exists for the ethnic minority respondents. The young age at which the ethnic minorities entered self employment and their generally high levels of qualifications also points to a problem of discrimination in employment. This problem appears particularly acute for Black groups, rather than Asians. As noted previously, the Asians business owners

were slightly older and had lower than average qualifications.

The Businesses

The research suggests that the ethnic minority businesses were significantly younger than businesses in the mainstream population. For example, whereas 60 per cent of ethnic minority businesses had been operating for longer than 3 years, 98 per cent of mainstream businesses in central London had been operating for the same period. Black Africans and women owned particularly new businesses as did owners in the creative industries, hospitality and entertainment, and in Southwark. Asians and retailers owned the oldest businesses. The emergence of creative industries may mean that the ethnic minorities are starting to enter activities which are expected to perform well in the future.

The businesses were very small as measured by employee numbers. For example, average employment for the ethnic minority businesses was 3.77 employees per firm compared to 5.68 or 15.38 employees per firm in the UK depending upon the definition used (see the main report). Furthermore, around half the firms had between 1 and 4 employees, and less than 1 in 10 had 10 or more employees, such that they could meet Business Link criteria for assistance. The Black British and women owned the largest firms, which also tended to be located in hospitality and entertainment, business and professional services and in Lambeth. Asians and retail employers had the smallest firms on average.

The small average size of the businesses undermines to some extent the claim that they are significant providers of employment opportunities. There was also some concern over the kinds of jobs they created. For example, the businesses were less likely to use full-time workers and more likely to use part-time workers than the mainstream. This was thought to indicate that the businesses were either not developed enough to be able to take on a larger proportion of full-time workers or were having problems recruiting the appropriate full-time staff. Furthermore, about half of the businesses' employees were from the same ethnic group as the business owners and about one in five were family workers. The use of a high proportion of workers from different ethnic groups was not seen as discouraging since the business owners appeared, partially at least, to recruit skills from the wider labour market.

The businesses were also very small as measured by turnover. Whereas the average turnover of the businesses was £69,000, the equivalent figure for UK firms was just under £500,000, though the latter figure is distorted by the inclusion of the UK's top firms. However, compared to findings from research on other small firms, the businesses' turnover was still comparatively small. For example, in a 1994 survey of businesses in another London borough, just over a quarter had a turnover below £100,000. In the current survey, just over a half had a turnover of below £100,000. Asians and business and professional service business owners had the highest levels of turnover. The formers' success was attributed to their owning the oldest businesses. Black African and hospitality and entertainment businesses had the lowest turnover.

The research also sought to look at the activities undertaken by ethnic minority business owners in Lambeth and Southwark. Retail was by far the most popular activity. It accounted for two fifths of all businesses and was particularly important to Asians, with nearly two thirds of this group involved in this area. Consumer services was the next most popular activity accounting for nearly a quarter of businesses. This was particularly popular with Black Caribbean and Black African business owners. The frequency of both these activities was attributed to the satisfaction of demand for goods and services from the local resident ethnic community. Concerns were also raised about the ability of business owners in these sectors to move out of local lower value markets.

The business owners also undertook a number of other activities which are expected to perform well over the next ten years. For example, the business owners appeared to becoming increasingly involved in business and professional services (15 per cent of total businesses), hospitality and entertainment (8 per cent) and the creative industries (5 per cent). As noted above, these were the newest activities in the sample and were also an important source of employment and/or turnover compared to the sample as a whole. Particular ethnic groups were more likely to become involved in these activities. For example, Black Caribbeans were most likely to own business and professional service firms; Asians, hospitality and entertainment businesses; and Black Africans, creative industry businesses. This may reflect specialisms within these ethnic groups, such as cooking in Asian groups and music in African and Caribbean groups, which now appeal to mainstream tastes.

The high number of Black Caribbeans in business and professional services may also reflect their high levels of qualifications.

Customers and Markets

The research suggests that over two thirds of the businesses' customers were local (i.e. from within the borough) and that this is much higher than other research on London businesses. A quarter of the businesses' customer were located in the rest of Greater London, though much less were in the UK and overseas (about 6 per cent in total). The geographical location of customers varied with sector. Firms in hospitality and consumer services were highly reliant on local customers, and firms in business and professional services and the creative industries were less reliant. This fits with what is known about these kinds of activities. That is, knowledge based industries tend to be less connected to their local economies. Also, as expected, smaller firms were more likely to have local customers and larger firms were more likely to have customers outside the local area.

The businesses were also more reliant on customers from their own ethnic background compared with ethnic minority businesses in other surveys. The results suggest that around 50 per cent of the customers were from the same ethnic background as the owner manager. Firms in customer services, retail and manufacturing were particularly reliant on ethnic customers probably because these businesses were originally established to serve ethnic markets. However, there was evidence that the dependence on these customers was declining as products began to appeal to mainstream tastes. For example, one business owner noted that Caribbean baked foods were becoming more popular in the mainstream. However, he also noted that expansion was constrained by a lack of interest from the supermarkets who appeared more interested in Indian foods.

Businesses in the creative industries and business and professional services sectors were less reliant on ethnic minority customers and evidence from the face-to-face interviews suggested that many owners were keen to move into mainstream markets. However, a major problem for these businesses was convincing mainstream customers that they were capable of doing the work to the standards required. Moreover, research suggests that large firms are often reluctant to use smaller suppliers and many of the firms, as frequently mentioned, were very small.

Beyond this, though, many of the business owners felt that they faced extra problems as a result of their ethnicity. This is clearly an issue of perception which needs to be addressed, not only by the businesses, but also by policy makers and regulatory authorities.

The businesses also appeared highly reliant on individual customers, rather than other businesses or the public sector. As expected, smaller firms were the most reliant on individuals as were businesses in the creative industries, hospitality and entertainment and retail. Asians also had a high reliance on individuals. These findings are not encouraging since individuals do not tend to provide the kind of high value, long term work that is important to business growth. However, larger firms and firms in business and professional services were much more likely to have other business and public sector customers.

Overall, the businesses tended to serve local markets, have a high dependence on individuals, and on ethnic markets. The high dependence on local and individual markets does not bode well for growth, though anecdotal evidence shows that an increase in tourism in the area may provide higher value customers for some activities. There was widespread agreement with the notion that 'money knows no colour', that the businesses owners would accept customers from any ethnic background. However, it appeared as if some activities were more able to appeal to the mainstream tastes than others. Despite this there still appeared to be problems getting work from the mainstream.

Growth

A significant majority of the business owners had made plans to grow and, indeed, expected to do so in the next 12 months. Black African and Black British business owners appeared particularly keen to grow, as indicated by their use of growth planning, perhaps because they had the youngest businesses and planning is more important at this stage. Owners in the newer activities, such as the creative industries, which are expected to perform well over the next 10 years, also planned for growth. The findings also suggested that once businesses reached a certain size, 10 or more employees, they were apparently slightly more reluctant to plan for growth, though they still expected growth to occur. This may relate to difficulties business owners experience in converting a smaller personally run business into a larger professional organisation utilising delegation,

structured management and external finance. This may mean that these firms need greater access to support from Business Links if they are to grow successfully.

Perhaps one of the most interesting and important findings to come out of the research was that the business owners felt their growth potential was being constrained by access to finance and problems managing cash flow. In most research on small firms the main problem identified is usually related to a lack of demand for the businesses' goods and services. In the current research this was the second most mentioned problem, highlighting the extent to which finance is a problem for the businesses. The business owners also mentioned other issues. For example, many felt that growth was not an option because they had only recently started up. Others felt that the local authorities were doing nothing to help businesses. For example, they charged high rates, yet parking restrictions meant that customers could not get to their businesses. Finally, some business owners mentioned problems recruiting, using and retaining staff. It was felt that the quality of the candidates they were receiving were inappropriate to achieving business growth.

Finance

The business owners suggested that access to finance was the main constraint on business growth. More specifically, the results indicated that, similar to other research on ethnic minority businesses, the business owners had an over reliance on personal sources of finance, limited access to commercial finance, and that this was acting as a significant constraint. At the start-up stage, for example, four out of five business owners used their own savings and one in five used a bank loan, compared to three out of five using their own savings and nearly a third using bank loans in previous research on ethnic businesses. At the further finance stage, a third of businesses relied on personal and informal sources and only just over a quarter had a bank loan. Unfortunately non-commercial bank financial support providers were not filling the gap. For example, the Princes Youth Business Trust, Business Angels and Venture Capitalists were used by a very small minority of the sample.

Nearly two fifths of the businesses had problems raising start-up finance, and just under three fifths experienced problems raising further finance indicating that it is harder to access growth and expansion finance. The

problems appeared more common in particular ethnic groups. Black Africans and Black Caribbeans appeared to experience particular problems raising finance, though Asians had fewer problems. The differences may relate to their perception and/or experiences of the commercial banks. Black Caribbeans appeared particularly vocal in their criticism of the banks and this may relate to the opportunity structures they face. The banks have set up special facilities for Asian customers that were not available to other ethnic groups and this may have led to problems. Though Black Caribbeans were most likely to use personal savings for start-up finance, they had less access to funds from friends and family. This may have meant that they were more reliant on, and thus more likely to have been in dispute with, the commercial banks. The problems accessing bank finance also appeared to be related to business age. The newer business (post 1990) appeared to have more problems raising finance compared to the older business (pre 1990). This probably relates to the greater levels of security that the latter can offer the banks. It is interesting to note that Asians had the oldest and highest turnover businesses. This may explain, partially at least, why they experience the fewest problems obtaining finance compared with other ethnic groups.

The reasons why the businesses have problems accessing formal finance are difficult to unpack. Most of the respondents concentrated their attention on the commercial banks. The main problem raising funds at both the start-up and expansion stage was the perception, based on experience or otherwise, that they had 'no access to finance'. This was thought to mean that they have been refused bank lending or that they thought they would be refused. The respondents offered a number of specific reasons for why they thought this was the case. Interestingly, the main reason was not related to discrimination on the basis of ethnicity, but rather discrimination based on the characteristics of their firms. That is, they thought that the banks were unlikely to lend to them because they were too small, were in the wrong activity or location, or were unable to offer the security required.

Others, however, thought the ethnicity was an issue. Just over one in ten business owners explicitly stated that they were discriminated against by the banks because of their ethnicity. A further 5 per cent suggested that the banks had no understanding of the markets in which they operated. Another reason why the business owners had problems raising finance, especially, at the start-up

stage, was because they had no or little knowledge of the processes involved. More specifically, they were unaware of the channels and processes they had to go through to obtain bank or other finance. Other owners appeared to have problems presenting their business ideas in a manner which was appropriate to raising finance from the banks. This relates to both verbal and written communications and is an issue for the banks, the support providers, and the business owners.

Overall, the results provide insight into why many of the businesses have experienced problems with growth. Accessing start-up and especially further finance appears to be a particular problem for the firms. The number of businesses attempting to raise further finance also appeared particularly low. The results suggests that because the business owners have problems raising finance through the commercial banks, they are restricted to setting up businesses with low start-up capital requirements. As a result these businesses may only achieve low levels of growth because they are under capitalised and find it difficult to generate funds for reinvestment. It is clear that if ethnic minority businesses in Lambeth and Southwark are to be encouraged to grow they must have greater access to finance at all stages. This is not only a challenge for funding providers and support agencies, but for the businesses themselves.

Support

One of the main aims of the research was to consider the business owners' awareness, use and experience of support providers. The results suggest that the business owners were much more likely to use accountants, solicitors and bank managers for advice than Business Links and TECs etc. This, it was argued, was because business owners often use the formers' services to comply, for example, with government regulation and for other services necessary for the efficient running of the businesses. Through relations of this kind the business owners often developed personal links which were then used to elicit other forms of more general business help and support. The business owners were also more inclined to use personal and informal contacts: business colleagues, family and friends, for advice and support than established support bodies demonstrating the extent which they rely on informal sources and word of mouth for business information. This information may not be highly specialist, but it is seen as credible and trustworthy.

The business owners awareness of the established support agencies was low. Less than a third of the owners were aware of Business Link, less than one in five were aware of the enterprise agency, Lambeth and Southwark Business Services; around 13 per cent were aware of the TEC, FOCUS; and less than one in ten were aware of the business support charities Elephant Enterprise, Threshold and Instant Muscle. However, two out of five owners were aware of their council, though it was unclear whether this awareness related to their business services or regulatory function, and three out of ten were aware of the Princes Youth Business Trust.

The business owners' use of established support providers was even lower. Only 15 per cent of the business owners had used any established support in the last 12 months, indicating that a large majority of the sample had received no advice and support in the same period. Business Link was the most frequently used support provider though only 6 per cent of the business owners had used its services (interestingly 11 per cent of businesses in Lambeth had used its services compared to less than 1 per cent in Southwark). The local councils, Princes Youth Business Trust, the chambers of commerce, Lambeth and Southwark Business Services were used by about 3 per cent of the business owners and the other support charities, Elephant Enterprise, Threshold and Instant Muscle were used by about 1 per cent of the businesses or not at all.

The research suggested that the low usage of established support services was related to low levels of awareness. It is clear that if business owners are not aware of the services on offer they are unlikely to take them up. There also appeared to be a high degree of confusion about what the support providers did. In many cases, for example, the business owners suggested that the support agencies were simply there to provide funding when this is clearly only a small part of their activities.

The research also suggested that the business owners had a general distrust of the support agencies. This, it was argued, manifested itself at a number of different levels. Business owners are often characterised as having a basic distrust of government organisations. For example, government agencies are seen as being overly bureaucratic, the very opposite of attitudes embodied by small business owners. Ethnic minority business owners may also have reservations based on past episodes of discrimination, for example, concerning treatment by the police etc. In other words, their reluctance to use

support agencies may reflect a lack of trust in any government agency. The business owners also suggested that it was very difficult to trust organisations which had no long term presence in the local community. As far as these respondents were concerned the support agencies were there to help 'other businesses', were faceless, and had uncertain objectives.

The business owners were also reluctant to use support providers for other reasons. More specifically, the business owners were often more concerned with ensuring that their businesses survived rather than accepting external help. Though intervention may prove highly beneficial to businesses at this stage, the owners clearly believed that their time was much more wisely spent running the business. In other cases the business owners' reluctance to take up business support reflected a general lack of willingness to accept outside help. Moreover, many respondents felt very personal about their businesses and accepting advice was interpreted as an unacceptable admission of failure. The business owners, for example, would often refuse advice and support because it was not seen as 'specialised' enough for the requirements of the business.

Policy Suggestions

The policy suggestions to emerge from this report are derived from two important questions. These are (1) What interventions should support and finance providers undertake? This refers to the content of the support delivered. In Part Eight a detailed description was made of the support provision on offer in Lambeth and Southwark. Using the findings from the research the report suggests what support providers should be doing to help ethnic minority businesses. (2) How should support be delivered? This refers to the methods for increasing the awareness of, trust in, and use of, the support providers.

What Interventions Should Support and Finance Providers Undertake?

A number of suggestions were made about the content of support provision:

- (1) Ethnic minority business owners need help accessing and raising finance. The research suggests that accessing finance was the main constraint on business growth. The business owners appeared to need help in three main areas: (a) knowing what financial support is

available (b) developing a clearer understanding of how the financial system works (c) presenting their business ideas to finance providers in both a verbal and written format. Proposed interventions should bear in mind that the businesses are very small (and therefore funding arrangements for larger small firms are probably not suitable) and the businesses owners have an aversion to use of financial jargon (the intervention should be expressed in the simplest and most relevant terms). This support could be targeted at all sectors and especially start-up and growing smaller firms.

- (2) Ethnic minority business owners need help marketing their products and services to larger businesses and the public sector. The research suggests that business owners in particular activities, for example, business and professional services, were keen to move beyond local, individual and ethnic based markets to serve mainstream individuals, other businesses and the public sector. The business owners appeared to need help accessing, and convincing, these markets that they are capable of doing the work necessary. Moreover, support providers may wish to think of ways of improving the perception of ethnic minority businesses in mainstream markets. This support will be most effective if targeted at particular sectors.
- (3) Ethnic businesses need help recruiting and retaining staff of the desired quality. Many of the business owners suggested that problems recruiting and retaining quality staff were a significant constraint on growth. In many respects this problem may be related to their small size and inability to offer competitive wages. However, it is clear that these businesses would benefit from greater knowledge about recruitment and retention issues.
- (4) Ethnic minority businesses need help at particular stages of their life-cycles. The research suggests that a large proportion of the businesses were recent start-ups. This is a particularly difficult stage in business development, yet currently, support provision to these businesses is limited (see Part Eight). These businesses need help with all the above issues: finance, developing markets, for example, but in a manner which is geared to the needs of start-up businesses. The research also suggested that firms with 10 or more employees needed help. These firms appeared reluctant to plan for growth and make the transition from personal to professionally run

businesses. This may mean the increased provision of support offered by Business Link Personal Business Advisors to ethnic minority businesses.

How Should Support Be Delivered?

The research also offered a number of practical suggestions about how to raise the awareness of, build trust in, and increase the use of, the support agencies and their services.

- (1) Awareness of, and trust in, the research agencies may be improved by using more informal methods of communication and by developing a presence in the local community. For example, support providers may benefit from (a) using media more commonly used by the ethnic minorities. For example, some respondents mentioned Choice FM and even the churches (b) advertising support services through agencies where the businesses would go normally for help and support, for example, accountants, solicitors and local consultants (c) establishing a local long term and credible presence in the main community centres, perhaps using an 'advice and support shop front' (d) make more use of outreach work especially for first generation, start-up and micro business owners, and/or (e) make more use of ethnic minority personnel for support provision.
- (2) Support providers should ensure that their interventions are of the highest possible quality. Support providers may only increase the awareness and use of their services by ensuring that all (or most interventions) are positive. As noted, word of mouth plays a highly important part of the owners' business information. Negative experiences are equally, if not more, likely to permeate through informal networks than positive experiences. Positive referrals are more likely to be generated by providing appropriate support, guided by what the business owners perceive they need; using language appropriate to the target groups, and by using experienced and competent personnel.
- (3) Support providers should target support at particular groups. There are both resource and efficacy implications here. For example, the research suggests that unemployment is not an important route into self employment. Policy makers may wish to consider whether this group should be encouraged to become business owners. Support providers should target their support at tightly defined groups and

steer away from providing programmes which are too general or broad-brush. For example, they should develop schemes based on one of the above topics for firms in particular sectors and/or at particular stages in their life cycle, such that the relevance of the intervention is immediately apparent to the business owner concerned. Furthermore, the intervention should be delivered in flexible format which is consistent with smaller business owners time constraints.

- (4) Support providers should track start-up businesses. Business owners which establish enterprise with assistance from the support providers, for example, the enterprise agency and the Princes Youth Business Trust, should be tracked as they develop. For example, if the businesses grow beyond their initial start-up stage their details should be passed on to Business Link. Support providers will have a full case history of the businesses and the business owners will be accustomed to receiving outside help and support as their businesses develop.

Part One: The Research

1.1 Introduction

The contribution of ethnic minority businesses to employment and wealth creation in the UK and in London is, not only, highly important but increasing, yet it is still a relatively under researched area. It is now estimated that ethnic minorities own one in ten businesses in the UK¹ and that their share of business ownership will gradually increase over the coming decade.² Unfortunately, information about these businesses, especially at the local level, is very poor and has often led to a mis-representation of their problems and support needs.

This report considers the issue of ethnic minority enterprise in the London boroughs of Lambeth and Southwark. The work was stimulated by concerns that ethnic minority businesses were having problems growing into medium sized businesses in the two boroughs. There was also concern that they were not accessing established support services to the same extent as mainstream businesses. A research project was developed to look at these broad issues. It used a mixture of qualitative and quantitative techniques and was undertaken in the period March to November 1998.

1.2 Research Aims

In practice the research project had a number of clearly defined aims. These were to:

- ? To develop a profile of ethnic minority business owners in Lambeth and Southwark. This included looking at their ethnicity, gender, age, qualifications, previous experiences of employment/unemployment etc., and their motivations for entering business ownership.
- ? To develop a profile of ethnic minority businesses in Lambeth and Southwark. This included looking at their age, employment and turnover size, activities,

¹ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

² Ward, R (1991) 'Economic Development and Ethnic Business' in Curran, J and Blackburn R A (Eds.) Paths of Enterprise, Routledge, London.

premises, customers, labour markets, finance and use of advice and support.

- ? To explore the business owners' use of financial and non-financial advice and support provision. This included looking at why ethnic minority business owners were apparently reluctant to use established support provision and to consider how to improve the efficacy of this support.

1.3 Research Methodology

The research aims suggested the use of four stage research design utilising both qualitative and quantitative techniques:

Stage One: 30 face-to-face interviews with business owners from a range of ethnic backgrounds, business sizes and economic activities to get a feel for issues as they were perceived on the ground.

Stage Two: Mapping exercise of business advice and support provision in Lambeth and Southwark.

Stage Three: Issues from the more qualitative first stage of the research were fed into a quantitative second stage. Stage Two involved 200 telephone interviews with ethnic minority business owners to give the research a more representative feel and test the findings from the earlier research stage.

Stage Four: involved two focus group, one in Lambeth and one in Southwark, with business owners identified in the second stage of the research. The focus groups enabled the detailed discussion of a number of the main themes to emerge from the earlier parts of the research.

1.4 The Report

The report is organised as follows:

Part Two considers the background characteristics of ethnic minority entrepreneurs in Lambeth and Southwark. In particular it looks at their numbers, age, education and reasons for going into business.

Part Three considers the characteristics of the businesses run by ethnic minority entrepreneurs in Lambeth and Southwark. In particular it considers the age of the businesses; their size as measured by employment and turnover; their activities; and their premises.

Part Four considers the markets served by the businesses. In particular it consider their geographical location (local, national, export etc), ethnicity, and type (individuals, businesses etc). This data provides an insight into the extent ethnic minority businesses in Lambeth and Southwark have managed to achieve 'breakout'.

Part Five considers the plans the business owners have made for growth, their expectations about growth over the next year, and the main constraints on growth they have experienced. The section also takes a brief look at the role and use of business planning in the businesses.

Part Six considers how the businesses financed the start-up and growth of their businesses and looks at some of the major problems involved.

Part Seven considers the business owners' awareness, experience and opinions of support provision in Lambeth and Southwark.

Part Eight looks at the business support provision in Lambeth and Southwark from the perspective of the support providers themselves.

Part Nine considers the business owners' use of labour. It looks at the split between full-time and part-time working, and the use of ethnic minority and family employees.

Part Ten offers some policy suggestions from the research.

Part Two: Ethnic Minority Entrepreneurs

2.1 Introduction

This chapter considers the background characteristics of ethnic minority entrepreneurs in Lambeth and Southwark. It uses the 1991 Census of Population to provide background data on population, economic activity and self employment for each of the ethnic groups in the boroughs. It then begins to present findings from the ethnic businesses survey in Lambeth and Southwark including data on business owners' ethnicity, gender, age, qualifications, previous experiences and motivations for becoming self employed.

2.2 The 1991 Census of Population

The 1991 Census of Population provides the latest reliable estimates of population, economic activity and employment (including self employment) at the borough level for each of the ethnic groups. Other surveys, such as the Labour Force Survey, provide more recent analysis at the borough level but categorise ethnic groups as being either 'white' or 'non-white' which is insufficient for current purposes. The following sections provide the background for the survey results on ethnic minority entrepreneurship in Lambeth and Southwark.

2.2.1 Population Figures

Both Lambeth and Southwark have relatively high ethnic minority populations. In 1991, around 30 per cent of the Lambeth population and 24 per cent of the Southwark population were non-white (Table 2.1). This compares to an average of 23 per cent for the FOCUS boroughs³ and 20 per cent in Greater London. Of the FOCUS boroughs only Hackney had a higher percentage of non-white minorities (34 per cent). Lambeth's ethnic minority population was dominated by Black Caribbeans (13 per cent), Black Africans (7 per cent)⁴ and Asians (5 per cent). Southwark's ethnic minority population was also dominated by Black Caribbeans (8 per cent), Black Africans (7 per cent) and Asians (3 per cent).

³ The FOCUS boroughs are Camden, City of London, Hackney, Hammersmith & Fulham, Islington, Kensington & Chelsea, Lambeth, Southwark, and Westminster.

⁴ Lambeth is the preferred borough of residence for Ghanaians and Southwark is the preferred borough for Nigerians.

2.2.2 Economic Activity

In 1991, around 65 per cent of Lambeth's population (aged 16 or over) and 62 per cent of Southwark's population were economically active (that is, employed, self employed, on government training or unemployed). However, economic activity rates varied according to ethnic group (Table 2.1). Black Other groups had the highest levels of economic activity and Asians had the lowest. For example, in Southwark, 73 per cent of Black Others were economically active compared to 58 per cent of Asians. Some ethnic groups were also more likely to be employed or unemployed. White and Black Caribbean groups were most likely to be in employed positions. For example, in Lambeth, 48 per cent of Whites and 46 per cent of Black Caribbeans were in work. In Southwark exactly half of Black Caribbeans were in employed positions. Asians in Lambeth (39 per cent) and Black Africans in Southwark (41 per cent) were the least likely to be employed. Some groups are also more likely to be unemployed. Black Other (21 per cent in both Lambeth and Southwark) and Black African groups (20 per cent in Southwark) were most likely to be unemployed. Indeed, all the ethnic minority groups were more likely to be unemployed than white groups (9 per cent for White groups compared with 12 per cent for non Whites).

	Total Pop.	Pop 16+	Employed	Self Employed	Gov't Scheme	Un-employed	Economic Inactive
Lambeth							
All % of ethnic pop % of borough pop	244834 - 100%	19720 7 - 100%	92232 47% -	12780 7% -	1855 1% -	22065 11% -	68275 35% -
White % of ethnic pop % of borough pop	170755 - 70%	14572 0 - 74%	70194 48% 76%	10424 7% 82%	897 1% 48%	13435 9% 61%	50770 35% 74%
Black Caribbean % of ethnic pop % of borough pop	30789 - 13%	22940 - 12%	10510 46% 11%	669 3% 5%	374 2% 20%	3935 17% 18%	7452 33% 11%
Black African % of ethnic pop % of borough pop	16021 - 7%	10898 - 6%	4486 41% 5%	386 4% 3%	278 3% 15%	2073 19% 9%	3675 34% 5%

Black	6622	3240	1362	109	101	665	1003
Other	-	-	42%	3%	3%	21%	31%
% of ethnic pop	3%	2%	1%	1%	5%	3%	1%
% of borough pop							
Asian	11949	10965	4237	995	150	1372	4211
% of ethnic pop	-	-	39%	9%	1%	13%	38%
% of borough pop	5%	6%	5%	8%	8%	6%	6%
Other	8698	3444	1143	197	55	585	1164
% of ethnic pop	-	-	36%	6%	2%	19%	37%
% of borough pop	4%	2%	1%	2%	3%	3%	2%
Sout hwark							
All	218541	17401	77201	9617	1662	19653	65931
% of ethnic pop	-	4	44%	6%	1%	11%	38%
% of borough pop	100%	-	-	-	-	-	-
		100%					
White	165155	13752	61253	8070	850	13282	54065
% of ethnic pop	-	0	45%	6%	1%	10%	39%
% of borough pop	76%	-	79%	84%	51%	68%	82%
		79%					
Black Caribbean	18218	13725	6818	406	278	2304	3919
% of ethnic pop	-	-	50%	3%	2%	17%	29%
% of borough pop	8%	8%	9%	4%	17%	12%	6%
Black African	15713	10740	4444	326	308	2161	3501
% of ethnic pop	-	-	41%	3%	3%	20%	33%
% of borough pop	7%	6%	6%	3%	19%	11%	5%
Black Other	4870	2419	1092	106	70	510	641
% of ethnic pop	-	-	45%	4%	3%	21%	27%
% of borough pop	2%	1%	1%	1%	4%	3%	1%
Asian	8357	7628	2679	620	111	1056	3162
% of ethnic pop	-	-	45%	8%	2%	14%	42%
% of borough pop	3%	4%	3%	6%	7%	5%	5%
Other	6228	2032	915	89	45	340	643
% of ethnic pop	-	-	45%	4%	2%	17%	32%
% of borough pop	3%	1%	1%	1%	3%	2%	1%

Source: 1991 Census of Population

2.2.3 Self Employment

In 1991, around 6 per cent of the Lambeth and Southwark population (aged 16 or over) were self employed. However, this figure varied significantly between the different ethnic groups (Table 2.1). Asians (9 per cent in Lambeth and 8 per cent in Southwark) and White groups (7 per cent in Lambeth and 6 per cent in Southwark) were most likely to enter self employment and Black Caribbeans (3 per cent in both Lambeth and Southwark), were least likely.⁵

	Lambeth			Southwark		
	Male	Female	All	Male	Female	All
Without Employees						
All	10	5	8	8	3	6
White	11	6	9	9	3	7
Black Caribbean	6	1	3	4	1	2
Black African	6	3	4	5	2	4
Black Other	5	2	4	6	2	4
Asian	11	6	9	6	4	5
Other	9	4	7	4	2	3
With Employees						
All	3	1	2	2	1	2
White	3	1	2	3	1	2
Black Caribbean	1	0	1	1	0	0
Black African	2	1	1	1	1	1
Black Other	2	0	1	1	0	1
Asian	8	3	6	5	2	4
Other	3	1	2	1	0	1

Source: 1991 Census of Population

The high level of self employment amongst Asians has frequently been noted.⁶ However, the figures shown in Table 2.1 disguise the extent to which self employment is more frequent in some Asian groups compared with others. For example, according to the Jun-Aug 1998 Labour Force Survey, Pakistanis (14.6 per cent) and Indians (12.6 per cent) were more likely to enter into self employment than Bangladeshis (6.8 per cent) in the UK as a whole.⁷

⁵ It is very likely that these figures have changed since 1991. A significant majority of the respondents in the study had entered self employment since 1990.

⁶ Metcalf, H, Modood, T and Virdee, S (1997) *Asian Self-Employment*, Policy Studies Institute, London.

⁷ These figures are based on the economically active population. They are used to illustrate the extent of the differences between Asian groups. The equivalent figures for all individuals over 16 years are Pakistanis (7 per cent), Indians (8 per cent) Bangladeshis (3 per cent). The inclusion or lack of inclusion of the economically

The 1991 Census of Population also provides insight into the gender distribution of self employment amongst ethnic groups in Lambeth and Southwark. Males were more likely than females to enter self employment as a proportion of the economically active, in all the ethnic groups, and in both Lambeth and Southwark (Table 2.2). However, the differences were less pronounced for some ethnic groups. For example, White and Asian females appeared more likely to be self employed (both with or without employees) than Black Caribbeans. The results also indicated that self employment is slightly more or less as common in Lambeth as in Southwark. For example, 7 per cent of the economically active in Lambeth were self employed compared with 6 per cent in Southwark (Table 2.1). Whereas Whites and Asians were more or less equally likely to enter self employment without employees, Asians were more likely to have employees working for them (Table 2.2).

2.3 Ethnicity

This section begins the presentation of results from the ethnic minority businesses in Lambeth and Southwark survey. The section considers the ethnicity of the entrepreneurs, where they were born and their 'generation'. The business owners were categorised as belonging to one of five ethnic groups: 'Black British', 'Black Caribbeans', 'Black Africans', 'Asian' and 'Other'. However, it must be noted that these are general categories which contain individuals from a number of different countries, cultures and groups, for example, Black Caribbeans could be born or attach themselves to one of a number of different islands (for more discussion see the methodological appendix).

Figure 2.1 The National Origins of the Ethnic Groups

Black British: 28 were surveyed, 23 gave a response.

UK (19) Nigeria (2) Ghana (1) Jamaica (1)

Black British Parents: 21 gave a response.

Jamaica (9) Nigeria (4) UK (3) Caribbean (1) Ghana (1) India (1) Nigeria/Trinidad (1)
UK/Caribbean (1)

Black Caribbean: 50 were surveyed, 37 gave a response.

Jamaica (19) UK (13) Guyana (1) St Lucia (1) West Indies/Caribbean (3)

Black African: 72 were surveyed, 51 gave a response.

Nigerian (18) Ghana (12) West Africa (7) UK (7) Sierra Leone (3) Benin Republic (1) Egypt (1) Eritrea (1) Kenya (1)

Asian: 62 were surveyed, 38 gave a response.

India (9) Pakistan (8) Kenya (5) Sri-Lanka (3) Uganda (3) UK (3) Bangladesh (2)
Tanzania (1) Hong Kong (1) Ireland (1) Vietnam (1) Zambia (1)

inactive is therefore important especially given that it is relatively high in some Asian groups. For example, 51 per cent of Pakistanis are 'inactive' compared to an average of 37 per cent.

Other: 16 were surveyed, 12 gave a response.
 UK (7) Cyprus (3) Columbia (1) South America (1)

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The respondents were asked to define which ethnic group they belonged and where they were born. As expected most of the Black British were born in the UK, however, some (4) were born in African or the Caribbean (Figure 2.1). Most Black Caribbeans were born in Jamaica, though others were born in Guyana and St Lucia. Most Black Africans were born in Western Africa (especially Nigeria and Ghana), though a few were born in East and North Africa (Figure 2.1). Half of the Asians were born in the Indian subcontinent (India, Pakistan and Bangladesh), though a number were born in East Africa and in South East Asia.

Over two thirds of the respondents (68.6 per cent) were recent migrants or first generation entrants to the UK (Table 2.3).⁸ This is more or less the same as figures for all the ethnic minorities (aged 16 and over) in Inner London (69 per cent) and in the UK (70 per cent) from the June-August 1998 Labour Force Survey. The proportion of first generation migrants varied between ethnic group. Asians had the highest proportion of first generation migrants (87.2 per cent), closely followed by Black Africans (83.7 per cent). Asians also had no third generation respondents. The Black British had the highest level of second and third generation respondents (82.6 per cent compared with 31.4 per cent on average), though this is perhaps as expected. The results also suggest that there were higher levels of first generation migrants owning businesses in Southwark than in Lambeth (Table 2.3).

	Firs t	Secon d	Third	N=
Black British	17.4	65.2	17.4	23
Black Caribbean	63.2	28.9	7.9	38
Black African	83.6	14.5	1.8	55
Asian	87.2	12.8	-	39
Other	57.1	7.1	35.7	14
Lambeth	61.3	26.7	12.0	75
Southwark	74.5	21.3	4.3	94
Total	68.6	23.7	7.7	100
N=	116	40	13	169

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Of particular interest are those individuals born in the UK. Just under four out of ten (39 per cent) considered themselves to be Black British, whereas the remainder (61 per cent) identified more closely with other ethnic groupings. This would appear to suggest that many

⁸ 'First generation', in this context, relates to migrants to the UK, who were born outside the UK. 'Second generation' and 'third generation' relate to the children and grandchildren of first generation migrants who were born in the UK.

second and third generation individuals in Lambeth and Southwark do not identify strongly with mainstream British culture. This may have implications for the way in which these individuals are treated by support providers.

2.4 Gender

The under representation of women in self employment and business ownership is well documented. A national survey of small business owners in the service sector indicated that around 20 per cent of business owners were women, though the authors point to other evidence suggesting that the figure may be closer to a quarter and that the rate at which women are entering self employment is increasing compared to men.⁹ In the FOCUS area, recent evidence suggests that 20 per cent of sole proprietorships have a female owner.¹⁰

	Male	Female	N=
Black British	74.1	25.9	27
Black Caribbean	71.4	28.6	49
Black African	64.8	35.2	71
Asian	88.7	11.3	62
Other	68.8	31.2	16
Total	74.2	25.8	-
Lambeth	77.0	23.0	113
Southwark	71.7	28.3	113
Total	74.3	25.7	100
N=	168	58	226

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Research looking specifically at the gender ownership of ethnic minority businesses suggests that around a quarter of businesses are owned by women.¹¹ These findings are backed up by results from the current survey (25.7 per cent of the respondents were women (Table 2.4)). The results also show how the gender ownership of businesses varied between the ethnic groups. Black African women were the most likely (35.2 per cent) to own a business, which is much higher than the 25 per cent recorded by research looking at Nigerian business owners in North London.¹² The high incidence of Black African female entrepreneurship reported in the study, may be a result of cultural factors. For example, it is common for Nigerian women from the Ibo ethnic group to be traders in Nigeria, and this characteristic may be apparent in the UK.

⁹ Curran, J, Blackburn, R A and Woods, A (1991) Profiles of the Small Enterprise in the Service Sector, Small Business Research Centre, Kingston University, Kingston Upon Thames, May.

¹⁰ DTZ Piedad (1998) Employer Survey 1998, FOCUS Central London, London.

¹¹ Jones, T, and McEvoy, D (1992) 'Small Business Initiative: Ethnic Minority Business Component', end of award report to Economic and Social Research Council.

¹² Smallbone, D and Fadahunsi, A (1998) The Diversity of Ethnic Minority Enterprises: A Preliminary Analysis of Small Nigerian Firms in North London, Paper presented to the Ethnic Minority Entrepreneurship Seminar, University of Central London, Birmingham, September.

Ownership of businesses by Black British and Black Caribbean women were about average for the sample (25.9 per cent and 28.6 per cent respectively). However, Asian women were by far the least likely to own businesses. Only just over 1 in 10 (11.3 per cent) Asian businesses were owned by women according to the results (Table 2.4). This is lower than results on Asian businesses reported elsewhere which suggest that 25 per cent of Indian businesses were owned by women, 14 per cent of African Asian businesses, but only 9 per cent of Pakistanis¹³. Other research suggests that figures on the level of Asian female entrepreneurship may be misleadingly low as there is a tendency for Asian women entrepreneurs to be 'invisible', with many stating that their husband, father or brother run the business even though the women plays the pivotal role.¹⁴

According to the results, women were more likely to own businesses in Southwark than in Lambeth (Table 2.4). Interestingly women owners were much less likely to own businesses with no employees (16.3 per cent) than on average (25.8 per cent), but more likely to own businesses with employees (28.2 per cent), and especially businesses with over 10 employees (33.3 per cent). Women were also more likely to own businesses in hospitality and entertainment (42.1 per cent) and the creative industries (40 per cent). Perhaps surprisingly, they were less likely to own businesses in consumer services (24.0 per cent) than on average for the sample, given that occupations such as hairdressing and personal services have traditionally been associated more with women.

2.5 Age

Research indicates that there is link between age and self employment. Some argue that there is an 'age launch window'¹⁵ effect which refers to the assumed period in an individual's life cycle when the combination of ambition, occupational experience, energy, stable domestic environment and access to capital (usually through home ownership) are at their most favourable to enterprise formation. Most commentators argue that the typical 'age window' is from the early 30s to mid 40s.¹⁶

Results from the research suggest that the mean average age of the business owners at the time of the fieldwork was 35 years (Table 2.5), and that the mean average length of the ownership of their current businesses was 7 years. This indicates that the sample were on average 28 years old when they started their businesses. This finding appears to suggest that the respondents were entering self employment or business ownership at a much younger age than normally would be expected for the mainstream business population. This perhaps

¹³ Metcalf, H, Modood, T and Virdee, S (1997) Asian Self-Employment, Policy Studies Institute, London.

¹⁴ Dhaliwal, S (1997) 'Silent Contributors - Asian Female Entrepreneurs', Paper presented to the 20th ISBA National Conference, Belfast, November.

¹⁵ Bechhofer, F, Elliot, B and McCrone, D (1978) 'Structure, Consciousness and Action: A Sociological Profile of the British Middle Class', British Journal of Sociology, Vol. 29, No. 4, pp 410-436.

¹⁶ Curran, J and Burrows, R (1988) Enterprise in Britain: A National Profile of Small Business and the Self Employed, Small Business Research Trust, London; Stanworth, J and Gray, C (1991) (Eds) Bolton 20 Years On: The Small Firm in the 1990s, Paul Chapman, London.

indicates that the ethnic minority business owners have experienced a distinct set of start-up conditions when compared to the mainstream. This may relate, for example, to feelings of frustration in the labour market which force them to consider self employment earlier than normal (see section 2.9). However, it may also mean that the individuals concerned may not yet have had time to accrue the capital, experience and contacts associated with successful business development and survival often characterised as being a part of successful mainstream small businesses ownership.

	16- 19	20- 24	25- 34	35- 49	50 +	DK/NA	Mean	N=
Black British	-	13.6	31.8	45.5	4. 5	4.5	31	22
Black Caribbean	-	-	25.0	57.1	14 .3	3.6	36	28
Black African	2.0	-	21.1	68.6	7. 8	-	33	51
Asian	-	-	18.8	47.9	31 .3	2.1	38	48
Other	-	-	7.7	69.2	15 .4	7.7	43	12
Lambeth	-	2.0	19.4	56.1	20 .4	2.0	36	98
Southwark	1.5	1.5	24.6	58.5	10 .8	3.1	34	65
Total	0.6	1.9	21.3	57.4	16 .1	2.6	35	-
N=	1	3	35	93	26	4	-	16 2

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The age of the business owners also varied with ethnicity and location. The Black British were by far the youngest group of business owners on average (31 years) and the Asians (38 years) and the Other group (43 years) were the oldest (Table 2.5). These results fit in with the findings on generation. The Black British were much more likely to be second or third generation (indicating that they are younger since most Black group migration has occurred since the 1950s)¹⁷ and the Asians were most likely to be first generation (Table 2.3). Business owners in Southwark (34 years) were also slightly younger on average than business owners in Lambeth (36 years). There were also more first generation migrants in Southwark suggesting perhaps that many young recent migrants in Southwark may be turning to business ownership as a solution to their economic problems.

2.6 Qualifications

¹⁷ Midland Bank (undated) Ethnic Minorities in the UK, Midland Bank Equal Opportunities, London.

The relationship between education and small business ownership is the subject of debate. The Bolton Report argued that running a small business is essentially a practical activity where formal education is less important. The Report presented data showing that small business owners had lower levels of qualifications compared to the general population.¹⁸ Indeed, it argued that entry into self employment may be a reaction to a lack of formal qualifications. Alternatively, other studies have pointed to a positive link between education and entrepreneurship. American research, for example, suggests that *ceteris paribus*, educational achievement is positively associated with self employment and small business ownership.¹⁹ Other research shows how education and entrepreneurship are positively connected amongst employed and unemployed, and white and non-white entrepreneurs.²⁰

	No Qualification	Lower	Intermediate	Higher	N=
Black British	21.4	17.9	14.3	46.4	28
Black Caribbean	30.0	16.0	20.0	34.0	50
Black African	20.8	6.9	16.7	55.6	72
Asian	54.8	12.9	16.1	16.1	62
Other	50.0	12.5	18.8	18.8	16
Male	35.7	11.3	17.3	35.7	168
Female	31.0	15.5	17.2	36.2	58
Lambeth	35.3	13.8	13.8	37.1	116
Southwark	32.7	10.6	20.4	36.3	113
Retail	33.7	15.8	23.2	27.4	95
Consumer Services	34.0	18.0	18.0	30.0	50
Bus. & Prof.	20.6	-	5.9	73.5	34

¹⁸ Bolton Report (The) (1971) Small Firms: Report of the Committee of Inquiry on Small Firms, HMSO, cmdnd 4811, London.

¹⁹ Storey, D (1994) Understanding the Small Business Sector, Routledge, London.

²⁰ Evans, D S and Leighton, L S (1990) 'Small Business Formation by Unemployed and Employed Workers', Small Business Economics, Vol. 2, No. 4, pp. 319-330; Bates, T (1991) 'Commercial Bank Financing of White and Black Owned Small Business Start-ups', Quarterly Review of Economics and Business, Vol. 31, No. 1, Spring, pp. 64-80.

Serv.					
Hosp. & Ents.	47.4	10.5	5.3	36.8	19
Creative	27.3	9.1	9.1	54.5	11
Manufacture	57.1	7.1	14.3	21.4	14
Other	25.0	-	25.0	50.0	4
No employees	35.3	19.6	17.6	27.5	51
1-4 employees	35.0	11.7	15.8	37.5	120
5-9 employees	37.8	5.4	18.9	37.8	37
10+ employees	19.0	9.5	19.0	52.5	21
Total	34.1	12.2	17.0	36.7	100
N=	78	28	39	84	229

Sources: Normal type face - Ethnic Minority Businesses in Lambeth and Southwark Survey

Italics - People and Skills in Lambeth and Southwark, January 1997.

Respondents' qualifications were categorised as being either 'lower', 'intermediate' or 'higher' according to a typology developed by Warwick University and used in previous London borough skills audits, including Lambeth and Southwark.²¹ The 'higher' category refers to degree level or above. The 'intermediate' category refers to qualifications that range from GCE A-level to sub degree courses such as diplomas. The 'lower' category includes all the other qualifications (GCSE and lower).

Compared to the population in Lambeth and Southwark, the business owners were generally well qualified, though there was a split between Black groups and Asians (Table 2.6). Whereas only 19 per cent of all the Black population in Lambeth and Southwark were estimated to have a 'higher' level qualification, the results for the business owners suggest that over a half of Black Africans (55.6 per cent), nearly a half of Black British (46.4 per cent) and just over a third of Black Caribbeans (34.0 per cent) had a higher qualification. The proportion of Blacks having 'no qualification' in the population and the business owners were about similar (c 25 per cent). The Asian business owners, on the other hand, appeared to be remarkably under-qualified compared to the Asian population in Lambeth and Southwark. Over half the Asian business owners had 'no qualification' (54.8 per cent) compared to 6 per cent in the Asian population generally, whereas 16 per cent of Asian business owners had a higher qualification compared to 35 per cent in the wider Asian population.

The finding that Black business owners were better qualified than their ethnic groups generally and that Asian business owners were lesser qualified than their group raises some interesting issues. The evidence may support the assertion that well qualified Black groups enter self employment because they experience discrimination in the labour market, face promotional barriers and the 'glass ceiling' effect. Moreover, these individuals may enter self employment rather than employment to receive the rewards that they

²¹ Hasluck, C, Shackleton, R and Green, A (1997) People and Skills in Lambeth and Southwark, FOCUS Central London and Warwick University, January.

believe their education merits. For Asians an opposite effect may be at work. Self employment may be one way of generating employment and earning income in the face of low levels of qualifications.

The relationship between the qualifications of the business owners and their choice of economic activity (sector) and the size of their businesses also provided some interesting results. Perhaps unsurprisingly, nearly three quarters (73.5 per cent) of business owners in business and professional services had 'higher' qualifications, the highest in the survey (Table 2.6). This is because many business and professional service activities are directly related to the achievement of formal educational qualifications, for example, accountants or lawyers. However, beyond this, success in the provision of 'knowledge' based services generally may be highly related to the demonstration of intellectual competence which may in turn be related to the achievement of formal qualifications. Just over a half (54.5 per cent) of business owners in the creative industries had 'higher' level qualifications. Again, this may reflect the 'knowledge' based elements of their activities. Business owners in manufacturing had the lowest proportion of 'higher' level qualifications (21.4 per cent) and the highest proportion of 'no qualifications' (57.1 per cent).

The results appear to show a strong relationship between educational achievement and firm size (as measured by employee numbers) (Table 2.6). For example, just over a quarter (27.5 per cent) of the business owners with no employees had a 'higher' level qualification compared to over a half (52.5 per cent) of business owners with 10 or more employees. Moreover, there appeared to be a positive relationship between the educational achievement of business owners and firm size. The results appear to suggest that educational achievement is an important determinant of growth orientation in ethnic businesses. Education, therefore, may be used as one criteria for determining the targeting of help and support at the start-up stage. The relationship between educational achievement in Lambeth and Southwark was fairly similar (Table 2.6).

2.7 Previous Experiences

The previous experiences that business owners have before starting their businesses is thought to have an important influence on the types of activities they undertake, their survival rates and growth potential. Research suggests, for example, that individuals who have been employed in high skill or technical areas, and who have developed a set of work related contacts which could be subsequently utilised in a self employment context, have a good chance of success.²² Individuals entering self employment from a position of unemployment, on the other hand, may not have had the opportunity to develop these important assets and therefore would appear to have less chance of making their businesses work.

²² Goffee, R and Scase, R (1995) Corporate Realities, Routledge, London.

Table 2.7 Activity Before Starting Business Percent							
	Business Owner in Similar	Business Owner in Different Activity	Employed in Similar Area	Employed in Different	Unemployed	Other	N=
Black British	13.0	4.3	21.7	39.1	4.3	17.4	23
Black Caribbean	2.4	7.3	41.5	31.7	2.4	14.6	41
Black African	14.1	4.7	26.6	40.6	6.3	7.8	64
Asian	7.7	9.6	26.9	34.6	1.9	17.3	52
Other	-	-	50.0	25.0	16.7	8.3	12
Male	10.4	7.6	31.9	31.3	4.9	13.9	144
Female	4.3	-	30.4	47.8	4.3	10.9	46
Retail	12.8	9.3	18.6	41.9	7.0	10.5	86
Consumer Service	2.3	4.7	27.9	51.2	-	14.0	43
Bus. and Prof. Servs	11.1	-	51.9	14.8	7.4	14.8	27
Hosp. and Enters.	-	7.1	42.9	21.4	-	21.4	14
Creative Ind.	11.1	11.1	55.6	11.1	-	11.1	9
Manufacturing	11.1	-	44.4	11.1	11.1	22.2	9
Other	-	-	66.7	33.3	-	-	3
No employees	10.2	6.1	20.4	32.7	8.2	22.4	49
1-4 employees	9.7	4.9	29.1	40.8	4.9	10.7	103
5-9 employees	-	10.7	46.4	35.7	-	7.1	28
10+ employees	15.4	7.7	53.8	7.7	-	7.7	13
Total	8.8	6.2	31.1	35.8	4.7	13.0	100
N=	17	12	60	69	9	25	192

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Employment was the main route in self employment, with over two thirds of the respondents (66.9 per cent) taking this option. Roughly a half of those who entered self employment from employment (31.1 per cent of the total) worked in a similar area previously and therefore were likely to use the sector specific skills they developed in a self employment context. This, it could be argued, may have implications for the success of the business. For example, there was a positive relationship between the respondents having employment experience in a similar area and their current business' size (Table 2.7) Over a half of the respondents with firms with 10 or more employees had previous employment experience in a similar area compared to one in five with no employees. None of the other previous activities exhibited this relationship

with firm size (Table 2.7). Moving from a position of employment to a similar area of self employment was particularly popular for Black Caribbeans (41.5 per cent) and in the creative (55.6 per cent) and business and professional services sectors (51.9 per cent).

A third of the respondents entered self employment from a position of employment (35.8 per cent of the total) but were working in an area which was completely different. This was particularly common for Black Africans (40.6 per cent), women (47.8 per cent) and in consumer services (51.2 per cent). These groups may have developed a sense of frustration in their existing employment position, perhaps because it was low skilled and/or low paid and, therefore, they decided to make an attempt to improve their lifestyle through self employment. It is interesting that many of individuals in this category had undertaken consumer services activities, a sector which is known to have relatively low entry/exit costs compared to other activities.

A number of the respondents (15 per cent) owned and ran another business before starting their current venture. This backs up findings from other research that suggests that once an individual has experienced self employment, the option of moving back to employment becomes significantly less attractive.²³ The finding also suggests that a number of the business owners had already experienced business failure of some kind which may have implications for their future success. In the US it is well recognised that business failure is an important part of the learning process on the road to becoming a legitimate 'business person'. Another interesting finding is that a proportion (6.2 per cent) of the respondents had previous businesses in other areas of activity to their current firm. This evidence points to the existence of 'business people' undertaking a range of business activities depending on the opportunities they encounter rather than concentrating on one particular activity where they have developed a specialism. Previous business ownership was particularly popular with Black Africans (18.8 per cent), for males (18.0 per cent) and in Retail (22.1 per cent).

During the 1980s in the hey day of the 'enterprise culture', self employment and business activity were seen as solutions to the high levels of unemployment, particularly as a result of large corporate downsizing.

²³ BMRB International Limited(1997) Youth Enterprise Initiative, Department for Education and Employment, London.

Since then there have been enumerate schemes attempting to encourage the unemployed to become self employed, with varying degrees of success. Researchers have also presented evidence that shows both successful and unsuccessful attempts made by the unemployment to enter small business ownership. Results from the research suggest that unemployment is not a particularly important route into self employment and small business ownership for the ethnic minorities (Table 2.7). Less than one in twenty (4.7 per cent) of the business owners were unemployed prior to setting up their current venture. This result casts doubt on the efficacy of support provision to the unemployed in relation to start-up and business ownership.

2.8 Motivations

This section considers the respondents' original motivations for entering self employment and business ownership and builds on Section 2.7. However, before this, it is important to note that asking and analysing individuals' reasons for entering small business ownership is a highly complex affair. For example, individuals may not find it easy to remember the opinions and events which influenced their decision because it took place a number of years earlier. Other ex post facto influences may have come into play. There is also the problem that business owners often cite more than one motivation or influence.

Previous research on why the ethnic minorities enter self employment has led to a certain amount of debate. There is little doubt that ethnic minority business owners share many of the same motivations as white business owners. For example, one research project suggested that ethnic business owners valued 'independence' and 'autonomy', a common response in mainstream business research.²⁴ However, others have argued that the ethnic minorities may have developed distinct motivational patterns based on racial discrimination. In particular, it is argued that ethnic minorities opt for self employment because they face problems accessing job opportunities, especially better paid and higher status jobs.²⁵ Other groups, particularly Asians, are thought to enter self employment because they have a cultural predilection for this kind of activity reinforced by strong family relationships.²⁶

Results from the research suggest that the main reason why the business owners started their businesses was to take advantage of a 'market opportunity', with just over a third (34.8 per cent) offering this as the main response (Table 2.8). However, what such opportunities constitute may have important implications for the businesses growth and success. For example, when this motivation was mentioned in the face-to-face interviews it tended to be related to serving ethnic markets or delivering a specialised ethnic product:

"at the time there weren't as many ethnic foods in Brixton. The majority were West Indian, not many African foods, that gave me the inclination to provide

²⁴ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Kingston Business School, Kingston Upon Thames, March.

²⁵ Ward, R and Jenkins, R (eds) (1984) Ethnic Communities in Business, Cambridge, London.

²⁶ Metcalf, H, Modood, T and Virdee, S (1997) Asian Self-Employment, Policy Studies Institute, London.

[food] for Africans as well as the West Indian community" (Black African, retail, 2 employees).

"we recognised that there was a niche (serving the ethnic minority business customer) which wasn't really being serviced" (Black Caribbean, business and professional service, 24 employees).

Other research on African-Caribbean and Asian businesses has also tended to emphasise positive motivations.²⁷ For example, the African-Caribbean research suggested that 'ambition' was the most important motivation, whereas the Asian research suggested 'increasing income' was the most important factor. Exploring a 'market opportunity' was particularly important for Black Caribbeans (45 per cent), Black Africans (43.1 per cent) and for males (37 per cent).

	Market Opportunity	Earn Living/Make Money	Independence	No employment Opportunity	History of Family Business	Make Business out of	Other	N=
Ethnicity								
Black British	15.4	19.2	38.5	3.8	11.5	-	11.5	26
Black Caribbean	45.0	20.0	15.0	2.5	2.5	2.5	12.5	40
Black African	43.1	16.9	16.9	10.8	4.6	1.5	6.2	65
Asian	31.4	29.4	15.7	3.9	7.8	5.9	5.9	51
Other	20.0	53.3	20.0	6.7	-	-	-	15
Male	37.0	24.0	19.2	6.8	5.5	1.4	6.2	146
Female	29.4	21.6	21.6	3.9	5.9	5.9	11.8	51
Total	34.8	23.7	19.7	6.1	5.6	2.5	7.6	100
N=	69	47	39	12	11	5	15	198

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The second most popular reason why the respondents started their businesses was related to the need to 'earn a living' or 'make money'. This motivation is difficult to interpret and may involve both positive and negative elements. For example, it is unclear whether this motivation offers ethnic minorities the opportunity to take greater control over their earning potential or, alternatively, because of the difficulties of obtaining

²⁷ Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurship in Britain, University of Central England Business School, Birmingham, June; Metcalf, H, Modood, T and Virdee, S (1997) Asian Self-Employment, Policy Studies Institute, London.

the desired level of income through employment and the labour market. Other research has also noted the importance of 'making money' to ethnic minority business owners - particularly Bangladeshis - beyond that normally reported in studies of white business owners.²⁸ Indeed, in the current research this reason was most popular amongst Asians (29.4 per cent). However, the findings have to be put into context. Expectations regarding the financial gains from self employment must be seen relative to low paid employment and unemployment. Moreover, making money may constitute earning a modest income rather than being, for example, a millionaire.

Any possible negative interpretations of the above motivation are reinforced, to some degree, by other findings from the research. Just over one in twenty of respondents (6.1 per cent) suggested that they entered self employment because there were 'no opportunities for the ethnic minorities' in the work place. This motivation was particularly common amongst the Black African group (10.8 per cent) and for males (6.8 per cent). It also emerged as particularly important in the focus groups. All of the respondents at the Lambeth focus group argued that they had encountered racial discrimination in their previous employment and that this had prompted them to take up self employment. As two of the respondents commented:

"I worked in the insurance industry as a market executive for 14 and half years. Because of my colour I reached my limit. I knew that if I started my own business I would be working for me" (Black African, business services, 10 employees).

"I was there (working for a record company) for seven years and I was moving sideways even though I was deputising for people above me when they were away. When the jobs came up I never got them. I found the only way to 'up' was to 'out'. Plus I saw there was a gap in the market" (Black Caribbean, business services, 7 employees).

Though this may be a relatively minor finding in the main survey, the focus groups highlighted that it may be an important motivation which has in some way become latent. For example, there may be a general reluctance to talk about negative motivations, particular those associated with racial discrimination, because the respondents feel

²⁸ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Kingston Business School, Kingston Upon Thames, March.

positive, or want to feel positive, about their current business ventures.

The third most popular response stated by business owners for entering self employment was 'independence'. Just over one in five respondents suggested that this was the main reason for starting a business. Interestingly, this motivation was most important for the Black British (38.5 per cent), perhaps indicating a greater identity with white mainstream business ownership. Other research on ethnic businesses cite this as an important response.²⁹ Other motivations, particularly, the influence of family, appear less important than expected. For example, Asian business owners are often characterised as being part of extended family networks which may have implications for siblings entry into self employment. However, the influence of family appeared more important to the Black British (11.5 per cent) than Asians (7.8 per cent) in the current study. An African respondent suggested that this motivation was important to him. His comments also provide an insight into the cultural factors underpinning business ownership in some ethnic groups:

"My father [was in business for himself]. But that's typical. If I say my father was a Nigerian businessman everybody seems to know what it means. The importing, the exporting, and travelling to Hong Kong to get the cement mixers and generators out to Nigeria and the usual goods" (Black African, business and professional services, 8 employees).

2.9 Summary

Part Two has presented data and findings on the background characteristics of ethnic minority entrepreneurs in Lambeth and Southwark using the 1991 Census of Population and results from the ethnic businesses survey. The results suggest that self employment is a relatively minor activity for the ethnic minority populations in Lambeth and Southwark, as it is with the White population, though it does vary according to ethnic group. Asians were the most likely to enter self employment and Black Caribbeans were the least likely. Ethnic minority entrepreneurship was also much more popular amongst men than women, with men accounting for about three quarters of all businesses, a finding

²⁹ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Kinston Business School, Kingston Upon Thames, March; Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurship in Britain, University of Central England Business School, Birmingham, June.

which was very similar to that produced by other research. However, in the Black African group over a third of the businesses were owned by women. Surprisingly women entrepreneurs were more likely to be involved in hospitality and entertainment and creative activities than in consumer services.

The research also suggested that ethnic minority business owners were much younger than on average. Most entrepreneurial activity is thought to commence in the mid 30s to mid 40s age range. However, the average age at which the respondents entered business ownership is thought to be 28 or even younger. One consequence of this is that because of their relatively young age the respondents may not yet have had the opportunity to develop the skills, experiences, contacts and capital base which is often characterised as important to success in mainstream businesses. The Black British were the youngest business owners and a majority of them were second and third generation. The Asians were the oldest and a majority were first generation.

High levels of qualifications are also thought to have a beneficial impact on business survival and growth. In general, the business owners were much better qualified than the population in Lambeth and Southwark, though again this varied between ethnic groups. Black business owners (British, Caribbean and African) were all much better qualified than their respective groups in the general population, however, Asian business owners were relatively lower qualified.

The previous experiences of the business owners before entering self employment is also thought to influence their chances of survival and growth. Two thirds of the business owners were employed before entering self employment, and a third were employed in a similar area such that they could utilise the sector specific skills they had already developed. This is thought to be highly beneficial to business growth and development. Indeed, many of these individuals appeared to running larger growth orientated businesses. However, a third were self employed in areas which were different from their previous areas of employment. This may reflect an attempt to escape from low skilled/low paid employment conditions. Many of these individuals entered consumer services which are known to have relatively low entry/exit costs.

Other routes into business ownership were less popular. Just less than one in five had been business owners

before. This may suggest that some individuals are developing business related skills, but it may also indicate serial and unsuccessful business ownership and a reluctance to return to employment. Unemployment was not an important route into business ownership, despite a range of policies to support it.

Business owners' motivations for entering self employment were also important. The main motivations for entering self employment were positive, for example, to explore a 'market opportunity' or to 'make money' and this was similar to findings produced by other research. However, other more negative motivations such as those related to racial discrimination in employment, perceived or otherwise, came out strongly. Though this was not a feature of the main telephone survey, results from the face-to-face interviews and particularly the focus groups show the extent to which this problem exists for the ethnic minority respondents. The young age at which the ethnic minorities entered self employment and their generally high levels of qualifications also point to a problem of discrimination in employment. This problem seems particularly acute for Black groups, rather than Asians. As noted previously, the Asians business owners were slightly older and had lower than average qualifications.

Part Three: Ethnic Minority Businesses

3.1 Introduction

This chapter considers the characteristics of the businesses run by ethnic minority entrepreneurs in Lambeth and Southwark. In particular it considers the age of the businesses; their size as measured by employment and turnover; their activities; and their premises. Where possible these characteristics are compared with what is known about the mainstream business population in Lambeth and Southwark, London and the UK.

3.2 Business Age

Recent research on the mainstream business population in central London suggests that over 70 per cent of businesses have been operating for 11 years or more, whereas only 2 per cent have been operating for 3 years or less.³⁰ The same research suggests similar proportions in Lambeth and Southwark, though in Southwark slightly more businesses (77 per cent) have been operating for 11 years or over. The current research points to a much younger ethnic minority business population in Lambeth and Southwark (Table 3.1). Only 3 out of 10 firms (30.7 per cent) had been operating for over 9 years, and two

³⁰ DTZ Piedad (1998) Employer Survey 1998, FOCUS Central London, London.

fifths (40.1 per cent) had been operating for three years or less. Over three quarters of the firms had started since 1990. These findings would appear to suggest that the ethnic minority business population is significantly less developed than the mainstream. Of course, this may be perfectly understandable. Many of the respondents may have only recently migrated to the UK and have had less time to start and develop their businesses.

Business age varied according to ethnic group (Table 3.1). Asians (average start-up 1986) and Black Caribbeans (1988) had the oldest businesses on average, and Black Africans had the youngest (1992). The reasons for these differences may relate to the age, migration, skill and qualification profiles of the different ethnic groups. For example, many of the Asians in the sample were older first generation migrants and were relatively less qualified (see Chapter Two). This may have meant that where employment opportunities were not available,³¹ self employment was the most feasible way of making a living at the early stages after migration. The Black Africans, on the other hand, tended to be relatively younger more recent migrants, many of whom, it is suggested, may have come to the UK for a university education (Black Africans had the greatest proportion of higher level qualifications - see Section 2). The more recent entry of Black Africans into self employment, therefore, may be related to their migration patterns and entry into formal education, before business ownership became a possibility.

Business age also varied according to gender (Table 3.1). Male owned businesses (average start-up 1989) were much older on average compared to female owned businesses (1992). Indeed, just under half (47.3 per cent) of the female owned businesses were established since 1995. This reinforces the notion that women are becoming increasingly more likely to enter self employment when compared with males.³² Businesses in Lambeth (average start-up 1989) were older than in Southwark (1991).

³¹ The lack of formal qualifications and older age are well established barriers to employment regardless of racial and cultural elements.

³² See also Curran, J, Blackburn, R A and Woods, A (1991) Profiles of the Small Enterprise in the Service Sector, Small Business Research Centre, Kingston University, Kingston Upon Thames, May.

	-1979	1980-1989	1990-1994	1995-1998	N=	Mean
Black British	3.7	22.2	14.8	59.3	27	1991
Black Caribbean	6.0	30.0	38.0	26.0	50	1988
Black African	-	6.1	40.9	53.0	66	1992
Asian	16.1	35.5	19.4	29.0	62	1986
Other	6.3	31.3	18.8	43.8	16	1990
Male	8.5	25.6	28.7	37.2	164	1989
Female	1.8	20.0	30.9	47.3	55	1992
Lambeth	12.6	19.8	30.6	36.9	111	1989
Southwark	0.9	27.9	27.9	43.2	111	1991
Retail	10.5	27.4	28.4	33.7	95	1988
Consumer Service	6.3	25.0	29.2	39.6	48	1990
Bus. and Prof. Servs	3.2	29.0	32.3	35.5	31	1990
Hosp. and Ents.	-	5.6	33.3	61.1	18	1992
Creative Ind.	-	10.0	30.0	60.0	10	1992
Manufacturing	7.1	14.3	28.6	50.0	14	1991
Total	6.8	23.9	29.3	40.1	100	1990
N=	15	53	65	89	222	-

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Business age also varied according to business activity (Table 3.1). Retail firms were the oldest businesses on average (average start-up 1988) and creative industries and hospitality and entertainment were the youngest (both 1992). This fits neatly with what is known about these business activities generally and recent trends in Central London. Retail is a long established business activity, which is expected to decline in employment terms over the next ten years.³³ In contrast, creative and leisure (hospitality and entertainment) activities are expected to become considerably more important in both London and the UK. These findings appear to suggest that the ethnic minorities are increasingly choosing to undertake activities which have a better chance of success in the future.

³³ FOCUS Central London (1998) Central London Economic Assessment , FOCUS Central London, November.

3.3 Business Size

Business size can be measured in a number of different ways. In this study employment and turnover were used as the main indicators.

3.3.1 Employment Size

Analysis of the number of workers employed by ethnic minority businesses in Lambeth and Southwark provides an insight into the extent to which these businesses have become an important source of jobs. Employment size also provides an indicator of the general health of the sectors and local economies in which they do business. The strong concentration of middle size businesses or 'Mittelstand' in the Barden Wurtenburg district in Germany, for example, is often cited as an example of the good health of the economy there. Information on employment size is also useful to support agencies. The current provision of mainstream services by Enterprise Agencies/Business Link is determined, for example, by whether the firm has below or above ten employees (see Appendix Two).

Ethnic minority businesses in Lambeth and Southwark were considerably smaller than on average. The average size of the sample was 3.77 employees per firm compared to a UK average of 5.68 for all firms, including the self employed, and 15.38 for businesses with at least one employee (Table 3.2).³⁴ Though the current research undoubtedly underrepresented the number of one person self employed businesses (they account for 22 per cent in the sample compared to 68 per cent of all activities in the UK), the sample still had a significantly lower average number of employees per firm. Analysis of the employee size bands indicated that only just under 1 in 10 (9.2 per cent) firms had 10 employees or more, thus meeting Business Link criteria for assistance.³⁵ A majority (52.4 per cent) of the firms had between 1-4 employees, though again, the figures under-represent the frequency of the self employed/businesses with no employees.

Employment size varied between the different ethnic groups. The Black British had the largest firms on average (4.61 employees per firm) and Asians had the

³⁴ Department of Trade and Industry (1998) Small and Medium Enterprise Statistics for the United Kingdom, 1997, SME Statistics Unit, Department of Trade and Industry, July.

³⁵ Business Link also has a criteria for turnover. See appendix 2.

smallest (3.83 employees per firm) (Table 3.2). The Black British also had the highest proportion of businesses with 10 or more employees (14.3 per cent), though the Black Africans had the lowest (5.6 per cent). The small average size of the Asian businesses can be attributed to their higher proportion of businesses with no employees. Employment size also varied according to gender. Interestingly, female entrepreneurs owned much larger businesses (5.81 employees per firm) than males (3.19 employees per firms). Women also owned a higher proportion of businesses with 10 or more employees (12.1 per cent) compared with men (8.3 per cent).

Table 3.2
Employment Size by Ethnicity, Gender, Sector and
Borough
Percent

	No Employ ees	1-4 Empley ees	5-9 Employee s	10+ Empley ees	N=	Average Empleyme nt
Black British	17.9	57.1	10.7	14.3	28	4.61
Black Caribbean	18.0	40.0	28.0	14.0	50	3.80
Black African	19.4	56.9	18.1	5.6	72	4.15
Asian	27.4	54.8	9.7	8.1	62	3.83
Other	37.5	50.0	6.3	6.3	16	2.43
Male	24.4	49.4	17.9	8.3	168	3.19
Female	13.8	62.1	12.1	12.1	58	5.81
Retail	26.3	64.2	7.4	2.1	95	1.88
Consumer Service	22.0	46.0	30.0	2.0	50	4.63
Bus. and Prof. Servs	8.8	44.1	26.5	20.6	34	6.32
Hosp. and Ents.	21.1	36.8	15.8	26.3	19	8.56
Creative Ind.	27.3	36.4	9.1	27.3	11	3.89
Manufacturing	28.6	50.0	7.1	14.3	14	1.38
Lambeth	23.3	48.3	17.2	11.2	116	4.38
Southwark	21.2	56.6	15.0	7.1	113	3.15
Total	22.3	52.4	16.2	9.2	100	3.77
N=	51	120	37	21	229	198

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey
Note: The information on average employment in based on those responses where complete details about the breakdown between full & part-time and male & female employment in the firm was gathered (N=198).

Employment size also varied according to business activity. The hospitality and entertainment (8.56 employees per firm) and business and professional services (6.32 employees per firm) sectors had the highest levels of average employment, whereas retail (1.88 employees per firm) and manufacturing (1.38 employees per firm) had the lowest (Table 3.2). Interestingly, the three sectors which had the highest proportion of businesses with 10 or more employees - creative industries (27.3 per cent), hospitality and entertainment (26.3 per cent), and business and professional services (20.6 per cent) - are the ones which are expected to grow by the greatest amount (in employment terms) in Central London over the next 10

years.³⁶ Knowledge based and leisure activities are expected to become much more important to the future UK economy.³⁷ If the ethnic minorities can be encouraged to establish businesses in these areas then they may have a greater chance of success.

The employment size of the businesses also varied according to borough. Businesses in Lambeth were slightly larger (4.38 employees per firm) than those in Southwark (3.15 employees per firm). Businesses in Lambeth were also more likely to have 10 or more employees (11.2 per cent), than in Southwark (7.1 per cent). The two boroughs were more or less equally likely to have businesses with no employees.

3.3.2 Turnover Size

Annual turnover provides another method of examining business size. This is a commonly used measure by policy makers and trade bodies, whereas employment size tends to be used more in research. The reason for this is that business owners are often very sensitive about giving out information about their turnover (especially to researchers). In the current research, 142 of the 200 respondents who were asked for information on turnover provided a usable answer. It is unclear how the non response may affect the results, though it may be assumed that it will under-represent turnovers at the lower end. Moreover, respondents may be less keen to report a lower level of turnover. Respondents with higher levels of turnover may be more familiar with reporting this information through company reports etc.

	Up to £50,000	£50,001- £100,000	£100,001- £200,000	£200,001 & Over	Don't Know	N=	Average £'000s
Black British	23.8	28.6	4.8	19.0	23.8	21	81.5
Black Caribbean	28.9	13.2	18.4	18.4	21.1	38	78.5
Black	37.9	19.0	8.6	8.6	25.9	58	52.5

³⁶ FOCUS Central London (1998) Central London Economic Assessment , FOCUS Central London, November.

³⁷ Keeble, D, Bryson, J and Wood, P (1992) 'The Rise of Small Service Firms in the United Kingdom', International Small Business Journal, Vol. 11, No. 1, pp. 11-22.

African							
Asian	22.9	20.8	10.4	27.1	18.8	48	96.0
Other	71.4	21.4	-	-	7.1	14	<50
Male	30.1	18.4	12.5	18.4	20.6	136	78.0
Female	45.2	21.4	2.4	7.2	23.8	42	<50
Retail	32.9	16.5	9.4	15.3	25.9	85	67.5
Consumer Service	35.7	23.8	11.9	14.3	14.3	42	68.0
Bus. and Prof. Servs	21.7	13.0	13.0	30.4	21.7	23	106.0
Hosp. and Ents.	40.0	40.0	10.0	-	10.0	10	<50
Creative Ind.	42.9	-	14.3	14.3	28.6	7	70.0
Manufacturing	44.4	33.3	-	11.1	11.1	9	<50
Lambeth	34.9	24.4	12.8	21.0	7.0	86	75.5
Southwark	31.9	14.9	7.4	11.7	34.0	94	60.5
Total	33.3	19.4	10.0	16.0	21.1	100	69.0
N=	60	35	18	29	38	180	142

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

In 1997 the (mean) average turnover for all businesses in the UK including businesses with no employees/self employed was £484,000,³⁸ though the median average would undoubtedly be lower as it would remove the distorting affect associated with the inclusion of many of the UK's top companies. Results from the current research suggest that the average turnover of ethnic minority businesses in Lambeth and Southwark was £69,000.

Other research specifically looking at small businesses in the service sector,³⁹ and in the London borough of Sutton,⁴⁰ may provide more appropriate comparative information. The research on the service sector indicated that 34.4 per cent of businesses had less than £100,000 turnover (at c 1990 prices). The research in Sutton suggested that 27.5 per cent of businesses had less than £100,000 turnover (at 1994 prices). The current research suggests that 52.7 per cent of the ethnic minority businesses had an annual turnover of less than £100,000 (at 1998 prices). Again, this shows that ethnic minority businesses in Lambeth and Southwark were

³⁸ Department of Trade and Industry (1998) Small and Medium Enterprise Statistics for the United Kingdom, 1997, SME Statistics Unit, Department of Trade and Industry, July.

³⁹ Curran, J, Blackburn, R A and Woods, A (1991) Profiles of the Small Enterprise in the Service Sector, Small Business Research Centre, Kingston University, Kingston Upon Thames, May.

⁴⁰ Small Business Research Centre (1994) Enterprise Support in Sutton, Kingston Business School, Kingston Upon Thames, November.

particularly small, as measured by turnover, regardless of the effects of price inflation between 1990, 1994 and 1998.

Annual turnover varied according to ethnic group (Table 3.3). Asian businesses had the highest levels of turnover (£96,000) and Black Africans had the lowest (£52,500). This finding is perhaps surprising given the areas of activity in which the Asians and Black Africans operated. Asians were more likely to own retail and hospitality and entertainment businesses, activities which had average or below average turnover. Black Africans were more likely to be involved in business and professional services, an area of activity with higher value added. The difference may lie in the age of the businesses. Asians had the oldest businesses and Black Africans and the youngest (Table 3.1). This may have enabled Asian business owners to develop the sales potential of their enterprises to a greater extent than the Africans.

Annual turnover also varied according to business activity (Table 3.3). The business and professional services sector had by far the largest average annual turnover (£106,000) and the hospitality and manufacturing sectors had the lowest (less than £50,000 on average in each). Retail (£67,500) and consumer services (£68,000) had about average turnover for the sample. Annual turnover also varied by gender and location (Table 3.3). Male owned business had much higher annual turnovers (£75,000) than females (<£50,000), perhaps because - as with the Asian businesses - they had been established for a longer time. Businesses in Lambeth (£75,500) also had a higher level of turnover than the businesses in Southwark (£60,500).

3.4 Business Activity

The Central London mainstream business population is dominated by business and financial service activities. These are thought to account for nearly a half of business units in the capital.⁴¹ Creative industry and retail businesses each account for about 10 per cent of total businesses. Hospitality and entertainment account for about 8 per cent, consumer services about 5 per cent and manufacturing about 4 per cent. In Lambeth and Southwark, business services (including financial services) play a less important role.⁴² At the most they account for a quarter (25 per cent) of all activities, whereas retail (19 per cent) and hospitality (11 per cent) are more important. Manufacturing accounts for slightly more businesses in Lambeth and Southwark (8 per cent), than in Central London as a whole (4 per cent).

Figure 3.1
The Business Activities Undertaken by Ethnic Businesses
in Lambeth and Southwark

Retail: clothes, delicatessen, groceries, health products, jewellery, music, newsagents, off license, pharmacy, supermarkets, video.

Consumer Service: hairdressing, plumbing, security, telephone services, travel agents, vehicle repair.

Business and Professional Services: accountants, estate agents, financial services, management consultants, marketing, public relations, publishing, recruitment agencies, solicitors, training.

Hospitality and Entertainment: catering, restaurant, wine bar.

Creative: cultural, design, fashion, music, print (with design).

Manufacturing: bakers, clothes, framing, metal polishing.

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Research suggests that ethnic minorities tend to concentrate their activities in particular economic sectors.⁴³ For example, Afro-Caribbean business owners are thought to concentrate their activities in construction, bakeries, clothing, hairdressing, retail

⁴¹ Office for National Statistics (1998) 1996 Annual Employment Survey, Office for National Statistics, London.

⁴² DTZ Pleda (1998) Employer Survey 1998, FOCUS Central London, London.

⁴³ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames, p 7.

and vehicle repair. Asian businesses owners are thought to concentrate their activities in hotel and catering, clothing, knitwear and retailing. Research on ethnic minority businesses in Lambeth conducted in the early 1980s suggested that retail was the dominant form of activity.⁴⁴ Around 63 per cent of business owners chose to operate in this area. Nearly 1 in 5 businesses (17 per cent) were in 'other services' and 1 in 10 businesses (11 per cent) were in business and professional services (including financial services). Only 1 per cent of the businesses were thought to be in manufacturing.

3.4.1 Retail

Results from the survey suggest that retail activities dominated ethnic minority business ownership in Lambeth and Southwark (for list of the retail activities undertaken see Figure 3.1). The findings suggest that over four out of ten businesses were involved in some form of retail (Table 3.1). This figure is lower than that recorded in the 1980 Lambeth research (63 per cent), but higher than the 1998 figure for all businesses in Lambeth and Southwark (19 per cent).⁴⁵ This suggests that, though retail activity is still important to ethnic businesses, it may be becoming less so.

	Retail	Consumer Serv.	Bus. & Prof. Serv.	Hosp. & Ents.	Creative	Manufacture	Other	N=
Black British	32.1	21.4	10.7	7.1	7.1	14.3	7.1	28
Black Caribbean	26.0	28.0	22.0	6.0	6.0	12.0	-	50
Black African	38.9	29.2	18.1	4.2	6.9	2.8	-	72
Asian	62.9	11.3	8.1	16.1	1.6	-	-	62
Other	42.9	14.3	7.1	7.1	-	14.3	14.3	14
Male	44.6	22.9	14.5	6.6	3.6	6.0	1.8	166
Female	34.5	20.7	17.2	13.8	6.9	6.9	-	58

⁴⁴ Brooks, A (1983) 'Black Businesses in Lambeth: Obstacles to Expansion', *New Community*, vol. xi., nos. ½, Autumn-Winter, pp. 42-54.

⁴⁵ DTZ Piedad (1998) *Employer Survey 1998*, FOCUS Central London, London.

Lambeth	43.0	25.4	14.0	7.9	3.5	3.5	2.6	114
Southwark	40.7	18.6	15.9	8.8	6.2	8.8	0.9	113
Total	41.9	22.0	15.0	8.4	4.8	6.2	1.8	100
N=	95	50	34	19	11	14	4	227

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Retail activities were most common in Asian groups with just under two thirds (62.9 per cent) of Asian businesses involved in this area. This is similar to other research on Asian businesses⁴⁶ and highlights the importance of retail to this group. Just over a quarter (26 per cent) of Black Caribbean business owners were involved in retail (Table 3.1), compared to just under quarter (21 per cent) in a national study.⁴⁷ Nearly four of ten (38.9 per cent) Black African and just under of third (32.1 per cent) of Black British business were also in retail.

One explanation for the high number of retail ethnic minority businesses in Lambeth and Southwark relates to the opportunity of satisfying demand from their own ethnic communities. Individual ethnic groups have particular tastes, for example, in relation to foods and clothing. If the existing mainstream market does not provide these products then it makes sense for the ethnic minorities to fill the gap themselves. This process may be particularly appropriate because of the skills and experiences particular ethnic groups have developed in producing these products. This may give ethnic minority individuals an opportunity to develop an income based on a specialism they already have, especially when other opportunities in the labour market are not so accessible. Indeed, this motivation for starting the business appeared common in many of the sectors studied (see Section 2.8).

However, the problem for businesses which mainly serve ethnic markets is that they are constrained by the size and affluence of the market. Lambeth and Southwark are both characterised as relatively deprived boroughs with high levels of unemployment. However, the ethnic minority population and the affluence of these

⁴⁶ Metcalf, H, Modood, T and Virdee, S (1997) Asian Self-Employment, Policy Studies Institute, London.

⁴⁷ Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurship in Britain, University of Central England, Birmingham, June.

communities appears to be growing.⁴⁸ The extent to which these activities can 'break-out' into regional/national mainstream markets is less clear. Much will depend, for example, on the marketing approaches adopted by these firms and the tastes and fashions of mainstream consumers (see, for example, the experiences in the hospitality and entertainment section).

Retail was slightly more popular for males than females. Nearly a half of male businesses (44.6 per cent) were in retail compared to just over a third of females (34.5 per cent). Retail was also more popular in Lambeth (44.6 per cent) than Southwark (34.5 per cent). Retail had a slightly lower mean turnover (£67,500) than the average (£69,000) and had the second lowest mean number of employees (1.88 employees per firm), compared to the average (3.77 per firm).

3.4.2 Consumer Services

Consumer services were the second most popular activity undertaken by ethnic minority businesses in Lambeth and Southwark (for a list of consumer service activities see Figure 3.1). These accounted for just under a quarter (22.0 per cent) of all businesses in the sample. Consumer service activities were most popular in Black African (29.2 per cent) and Black Caribbean groups (28.0 per cent) and least popular in Asian groups (11.3 per cent). Other research also notes the popularity of hairdressing, beauty and vehicle repair in African-Caribbean groups.⁴⁹

Similar to retail, the popularity of consumer service activities may reflect a strong localised ethnically specific demand. For example, there is a large Caribbean community in Lambeth which may provide a market for hair care and beauty services which are most appropriately provided by individuals from the same ethnic group. However, the same issues of accessing higher value non-localised mainstream markets applies to consumer services as to retail. Consumer service activities were slightly more popular for males (22.9 per cent) than females (20.7 per cent). They were also more popular in Lambeth (25.4 per cent) than in Southwark (18.6 per cent). The average turnover in consumer services (£68,000) is slightly lower

⁴⁸ Berthoud, R (1998) Incomes of Ethnic Minorities, Institute for Social and Economic Research, University of Essex, Colchester.

⁴⁹ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

than on average (£69,000) and average employment (4.63 employees per firm) is slightly higher (3.77 employees per firm).

3.4.3 Business and Professional Services

The business and professional services sector (including financial services) dominates economic activity in central London. It is also one of the sectors expected to show the highest levels of employment growth over the next ten years.⁵⁰ It is, therefore, an area which ethnic minority businesses should be encouraged to enter if they are to grow and create local employment opportunities. The research suggested that business and professional services (including one financial service activity) was the third most popular activity amongst ethnic minority business owners (Table 3.1), accounting for 15 per cent of total sample businesses. This is lower than the mainstream borough average (c25 per cent), but higher than the 1980s estimate for Lambeth ethnic businesses (c9 per cent). This would suggest that business and professional services are becoming more popular for the ethnic minorities, but they still have some way to go to be representative of the mainstream.

The popularity of business service activities varied according to ethnic group. Business and professional service activities were most popular amongst Black Caribbeans (22 per cent) and Black Africans (18.1 per cent), though they were less popular amongst Asians (8.1 per cent) and the Black British (10.7 per cent) (Table 3.1). The popularity of business and professional service activities in Black Caribbean and Black African business groups may be explained by the latter groups' high levels of qualifications (see section 2.6 for a discussion of the relationship between qualifications and business and professional services). However, the Black British were also very well qualified but were less inclined to enter business and professional services. This may relate to their younger than average age. That is, they may not have had the opportunity to gain the relevant experience, and age may be seen as a sign of credibility in this area.

Business and professional service activities were slightly more popular amongst women (17.2 per cent) than men (14.5 per cent). The incidence of business services was roughly equal in the two boroughs (c 15 per cent). Business and professional services had an above average

⁵⁰ FOCUS Central London (1998) Central London Economic Assessment , FOCUS Central London, November.

mean turnover (£106,000) and employment per firm (6.32 employees per firm).

3.4.4 Hospitality and Entertainment

The ethnic minority hospitality and entertainment sector has received a good deal of media interest recently. This is mainly based on the popularity of ethnic food, particularly Indian cuisine, which is at an all time high in the U.K currently. According to research there are about 7,500 Indian restaurants nation-wide employing 60,000 workers and £2 billion turnover, making the industry bigger than steel.⁵¹ The implications of this activity to ethnic minority businesses in Lambeth and Southwark is highlighted by other research. This suggests that there is a difference in the take up of hospitality and entertainment activities between the mainstream business population and ethnic businesses. Hospitality and entertainment businesses are thought to account for about 11 per cent of all mainstream businesses,⁵² whereas they are thought to account for about a quarter of Black and Asian businesses.⁵³

However, the results from the survey suggest that the importance of hospitality and entertainment businesses to the ethnic minorities in Lambeth and Southwark may have been overstated.⁵⁴ Hospitality and Entertainment (restaurants, wine bars & catering) accounted for about 1 in 12 (8.4 per cent) ethnic minority businesses in Lambeth and Southwark. Hospitality and Entertainment businesses were most popular in Asian groups (16.1 per cent), though much less so in Black British (7.1 per cent), Caribbean (6.0 per cent) and African groups (4.2 per cent). The popularity of these activities to Asian groups is perhaps as expected. Hospitality and entertainment businesses appeared to be much more popular amongst women (13.8 per cent), compared with men (6.6 per cent). The sector had the highest mean employment (an average of 8.56 employees per firm), but a much lower than average turnover (less than £50,000 compared to an average of £69,000).

⁵¹ Gwyther, M (1998) 'Too Few Cooks Spoil the Balti', Electronic Telegraph, 30 May.

⁵² DTZ Pineda (1998) Employer Survey 1998, FOCUS Central London, London.

⁵³ Brooks, A (1983) 'Black Businesses in Lambeth: Obstacles to Expansion', New Community, vol. xi., nos. ½, Autumn-Winter, pp. 42-54.

⁵⁴ Indeed, the frequency of these activities as recorded in the survey may also be expected to increase given some of the methodological problems encountered in the second stage of the fieldwork - see the methodological appendix.

3.4.5 Creative Industries

The creative industries sector also formed a small but increasingly important part of ethnic minority entrepreneurship in Lambeth and Southwark, with around 5 per cent undertaking this activity. This is less than the proportion of mainstream businesses involved in creative industries in central London (10 per cent). However, the relative newness of these activities in the sample suggest that it is becoming increasingly more popular. This may have been facilitated by a number of support agencies in Lambeth and Southwark which provide help and support specifically for creative industry entrepreneurs. The move toward creative industries, it could be argued, is important since the sector has emerged as one of the main growth areas in the London economy over the last 10 years and is set to have above average employment growth over the next ten.⁵⁵

The incidence of creative industry businesses varied slightly according to ethnic group (Table 3.4). Around 6-7 per cent of Black groups (British, Caribbean & African) were involved in these activities compared to less than 2 per cent of Asians. The apparent polarity of take-up between Black groups and Asians may reflect cultural factors. However, it also may reflect age and qualification characteristics. That is, the Black groups were generally younger and better qualified than Asians, characteristics which appear more suitable for a newly developing knowledge intensive industry. Creative industry activities were more likely to be undertaken by women (6.9 per cent) and in Southwark (6.2 per cent). These activities had a slightly above average mean turnover (£70,000) and about average employment per firm (3.89 employees per firm).

⁵⁵ FOCUS Central London (1998) Central London Economic Assessment , FOCUS Central London, November.

3.4.6 Manufacturing

As section 3.4 demonstrated, manufacturing in Lambeth and Southwark (8 per cent) is slightly more important than in central London as a whole (4 per cent). The results for ethnic minority businesses in Lambeth and Southwark indicate that manufacturing is slightly less important (6 per cent). Manufacturing was most popular amongst the Black British (14.3 per cent) and least popular amongst Black Africans (2.8 per cent). It was also more popular in Southwark (8.8 per cent), though there was little difference between gender (c6 per cent). Manufacturing activities had a below average mean turnover (< £50,000) and the lowest average employment per firm (1.38 employees per firm).

3.5 Premises

3.5.1 Number of Sites

Analysis of the use of business premises by ethnic minority businesses in Lambeth and Southwark is of interest because it provides further information on the development of the businesses. Previous research looking at small business ownership in the London borough of Sutton suggested that 87.5 per cent of business operated from one site.⁵⁶ Similar results were produced by the current survey. A vast majority of businesses (86.5 per cent) operated from one site. However, this proportion is likely to be much higher than for central London as whole, since the latter contains a greater proportion of larger businesses with multiple sites. Multiple sites were much more common for Asians (17.6 per cent), in the retail sector (14.8 per cent) and in Southwark (17.9 per cent).

3.5.2 Reasons For Locating In Lambeth and Southwark

The reasons why business owners locate their businesses in particular geographical areas is of interest to policy makers and academics alike.⁵⁷ In Lambeth and Southwark, for example, the choice of location could be due to a number of factors. Business owners may wish to develop their businesses in an area where they feel comfortable and familiar. Others may wish to tap into the large

⁵⁶ Small Business Research Centre (1994) Enterprise Support in Sutton, Kingston Business School, Kingston Upon Thames, November.

⁵⁷ see, for example, Curran, J and Blackburn, R A (1994) Small Firms and Local Economic Networks, Paul Chapman, London.

local demand for ethnic goods and services. For others, both of these factors may come into play.

Evidence from the research suggested that the main reason why business owners chose to locate in Lambeth and Southwark was because it was close to home or 'convenient' (37.2 per cent).⁵⁸ This response was most popular for Black Caribbeans (53.1 per cent), creative (75 per cent) and business and professional service businesses (50 per cent). At first, this reason appears complacent, but other motivations may come into play. Some business owners may wish to work in an area close to their communities:

"I wanted to set (locate) my business where there are a lot of ethnic minorities like me and I was [also] looking for cheap premises" (consumer services, 6 employees).

Some activities, especially those which are knowledge based are more likely to be detached from their local markets,⁵⁹ therefore, locating near to home may be more important. This may explain the importance of this motivation in creative industries and business and professional services.

	1	2	3	N=
Black British	83.3	16.7	-	24
Black Caribbean	82.9	14.6	2.4	41
Black African	91.8	6.6	1.6	61
Asian	82.4	13.7	3.9	51
Other	92.9	7.1	-	14
Retail	85.2	12.0	2.4	83
Consumer Service	88.9	8.9	2.2	45
Bus. and Prof. Servs	85.2	11.1	3.7	27
Hosp. and Ents.	86.7	13.3	-	15
Creative Ind.	88.9	11.1	-	9
Manufacturing	88.9	11.1	-	9

⁵⁸ The findings presented in the table were coded from open answers provided in the main telephone interview research stage. A common response for why the business owner had located the business in Lambeth and Southwark was 'convenience'. This was taken to mean nearness to the respondents home rather than nearness to the market place. It is possible, though perhaps unlikely, that this response has been miscoded in a couple of incidences.

⁵⁹ Keeble, D, Bryson, J and Wood, P (1992) 'The Rise of Small Service Firms in the United Kingdom', International Small Business Journal, Vol. 11, No. 1, pp. 11-22.

Lambeth	90.7	8.2	1.0	97
Southwark	82.1	14.7	3.2	95
Total	86.5	11.5	2.1	100.0
N=	166	22	4	192

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

However, nearly a third of businesses (37.5 per cent) located in Lambeth and Southwark to be near the market (Table 3.6). This reason, as would be expected, was most popular in retail (37.5 per cent) and consumer services (30.6 per cent). These are business activities which are thought to have a relatively high reliance on local ethnic demand.⁶⁰ For other business owners the reasons for locating in Lambeth and Southwark were more complex:

"...we thought it was important for the [business] to be in the centre to build awareness where a large number of [our customers] were, so that's why we picked Brixton. We could have gone [for other areas] but because of the sort of [business] we are, the [customers] are very visual in Brixton, so [we thought] it would be good for us to be equally visual, to gain awareness ... [and] ... to become part of the community" (creative industry, 50 employees).

This relatively large and successful business wanted to locate in Brixton to develop a high visible profile, but also to be situated at the heart of the ethnic community. However, since the research was conducted the business decided to move to premises outside the area because, it was argued, suitably large properties were not available. Indeed, this response was mentioned by the respondent in the interview before they initialised the move:

"there aren't any good premises, particularly in Lambeth, of the size we are interested in" (creative industries, 50 employees).

Business owners offered other reasons for locating in Lambeth and Southwark. For example, 1 in 12 business (8.3 per cent) had located in Lambeth and Southwark because it was a 'good place'. A further 15 per cent offered reasons such as the 'first place found' or 'no reason'. For these businesses specifically locating in Lambeth and Southwark did not appear to be an issue.

⁶⁰ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

Table 3.6
Reason For Locating Business in Current Position
Percent

	Proximity to Home	Proximity to Markets	'Good' Location	First Place Found	No Reason	Other	N=
Black British	31.8	31.8	13.6	9.1	9.1	4.5	22
Black Caribbean	53.1	18.8	6.3	6.3	6.3	9.4	32
Black African	41.5	41.5	-	3.8	3.8	9.5	53
Asian	20.9	27.9	14.0	7.0	16.3	13.9	43
Other	38.5	23.1	7.7	7.7	15.4	7.7	13
Retail	34.7	37.5	6.9	4.2	9.7	7.0	72
Consumer Service	27.8	30.6	13.9	5.6	11.1	11.2	36
Bus. and Prof. Servs	50.0	27.3	4.5	9.1	-	9.0	22
Hosp. and Ents.	23.1	23.1	7.7	7.7	15.4	23.1	13
Creative Ind.	75.0	12.5	-	12.5	-	-	8
Manufacturing	50.0	12.5	-	12.5	12.5	12.5	8
Borough							
Lambeth	33.7	24.2	9.5	9.5	12.6	10.5	95
Southwark	42.0	39.1	4.3	1.4	4.3	8.9	69
Total	37.2	30.5	7.3	6.1	9.1	9.8	100
N=	61	50	12	10	15	16	164

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

3.5.3. Plans To Move

One concern for business owners and support agencies operating in the local area is the availability, suitability and cost of local premises. For example, the lack of suitable premises may constrain local business growth potential, either because premises are located in the wrong area for customers or because they are not of the right size. With this in mind the business owners were asked whether they had any current plans to move premises (Table 3.7). Just over one in ten firms (11.8 per cent) suggested they had plans to move. This is a similar proportion to that reported in a recent survey of business owners across London.⁶¹

Table 3.7								
Plans To Move Premises								
Plans To Move To Another Borough								
Percent								
	Plans To Move?				To Another Borough?			
	No	Yes	DK	N=	No	Yes	DK	N=
Black British	83.3	8.3	8.3	24	50.0	0	50.0	2
Black Caribbean	80.0	12.5	7.5	40	40.0	40.0	20.0	5
Black African	82.3	12.9	4.8	62	87.5	-	12.5	8
Asian	84.9	11.3	3.8	53	66.7	16.7	16.7	6
Other	93.3	6.7	-	15	-	-	100.0	1
Retail	85.9	8.2	5.9	85	57.1	28.6	14.3	7
Consumer Service	88.9	11.1	-	45	60.0	-	40.0	5
Bus. and Prof. Servs	74.1	18.5	7.4	27	80.0	-	20.0	5
Hosp. and Ents.	66.7	26.7	6.7	15	75.0	25.0	-	4
Creative Ind.	77.8	11.1	11.1	9	-	100.0	-	1
Manufacturing	88.9	-	11.1	9	-	-	100.0	1
Lambeth	81.6	13.3	5.1	98	61.5	7.7	30.8	13
Southwark	84.5	10.3	5.2	97	70.0	20.0	10.0	10
No employees	79.2	16.7	4.2	48	50.0	25.0	25.0	8

⁶¹ DTZ Pidea (1998) Employer Survey 1998, FOCUS Central London, London.

1-4 employees	85.0	10.3	4.7	107	72.7	9.1	18.2	11
5-9 employees	85.2	7.4	7.4	27	100.0	-	-	2
10+ employees	76.9	15.4	7.7	13	50.0	-	50.0	2
Total	83.1	11.8	5.1	100	65.2	13.0	21.7	100
N=	162	23	10	195	15	3	5	23

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Plans to move were most popular amongst firms in the hospitality and entertainment sector (26.7 per cent) and business and professional services (18.5 per cent), for businesses with no employees (16.7 per cent) and businesses with 10 or more employees (15.4 per cent). Plans to move premises were slightly more frequent in Lambeth (13.3 per cent) than Southwark (10.3 per cent). The business owners offered a number of reasons for moving premises. The most popular response (6 respondents) was to 'expand', 'to get bigger offices' or 'to get more suitable offices'. Some respondents (5) thought that rents and rates were too high locally. Others argued that there were problems attracting customers either because of parking, strong local competition or restricted working hours.

Business owners who planned to move premises were also asked if they would move out of their current borough. Nearly two thirds (65.2 per cent) suggested that they would stay in their current borough and only 13 per cent (3 firms) said they would move, with the balance undecided. Interestingly of those business who said they would move, most were small with either none or 1-4 employees. Other evidence, from the focus groups, suggested that businesses were generally unhappy about the regulatory conditions in their own boroughs - parking, remote local authority decision making and high rates, for example - and often cited the other as much more desirable to own a business in. In other words, business owners in Southwark would often cite Lambeth as the perfect place to own a business and vice versa. This highlights the problem local authorities have in developing relationships with local businesses.

3.6 Summary

Part three has considered the age, size and sector characteristics of ethnic minority businesses in Lambeth and Southwark, as well as their use and attitudes towards business premises.

The research suggests that ethnic minority businesses are significantly younger than businesses in the mainstream population. For example, whereas 60 per cent of ethnic minority businesses had been operating for longer than 3

years, 98 per cent of mainstream businesses in central London had been operating for the same period. Black Africans and women owned particularly new businesses as did owners in the creative industries, hospitality and entertainment, and in Southwark. Asians and retailers owned the oldest businesses. The emergence of creative industries may mean that the ethnic minorities are starting to enter activities which are expected to perform well in the future.

The businesses were very small as measured by employee numbers. For example, the average employment for the ethnic minority businesses was 3.77 employees per firm compared to 5.68 or 15.38 employees per firm in the UK depending upon the definition used. Furthermore, around half the firms had between 1 and 4 employees, and less than 1 in 10 had 10 or more employees, such that they could meet Business Link criteria for assistance. The Black British and women owned the largest firms, which also tended to be located in hospitality and entertainment, business and professional services and in Lambeth. Asians and retail employers had the smallest firms on average.

The businesses were also very small as measured by turnover. Whereas the average turnover of the ethnic minority businesses was £69,000, the equivalent figure for UK firms was just under £500,000, though the latter figure is probably distorted by the inclusion of the UK's top firms. However, compared to findings from research on other small firms, the businesses' turnover was still comparatively small. For example, in a 1994 survey of businesses in another London borough, just over a quarter had a turnover below £100,000. In the current survey, just over a half had a turnover of below £100,000. Asians and business and professional service business owners had the highest levels of turnover. The formers' success was attributed to their owning the oldest businesses. Black African and hospitality and entertainment business owners had the lowest turnover. There was little difference between genders or boroughs.

Another measure of size is the use of business premises. The research suggested that ethnic minority businesses were much more likely to operate from a single site than mainstream businesses in London, but that the proportion was similar to a study on small firms in another London borough, around 85 per cent. Multiple sites were more common in Retail and for Asian business owners.

The research also sought to look at the activities undertaken by ethnic minority business owners in Lambeth and Southwark. Retail was by far the most popular activity. It accounted for two fifths of all businesses and was particularly important to Asians, with nearly two thirds of this group involved in the area. Consumer services was the next most popular activity accounting for nearly a quarter of businesses. This was particularly popular with Black Caribbean and Black African business owners. The frequency of both these activities was attributed to the satisfaction of demand for goods and services from the local resident ethnic community (also see Part 5). Concerns were also raised about the ability of business owners in these sectors to move out of these markets.

The research also noted the presence of a number of other activities which are expected to grow over the next ten years. The ethnic minority business owners appeared to becoming increasingly involved in business and professional services (15 per cent of total businesses), hospitality and entertainment (8 per cent) and the creative industries (5 per cent). As noted above, these were the newest activities in the sample and were also an important source of employment and/or turnover compared to the sample as whole. Particular ethnic groups were more likely to become involved in these activities. For example, Black Caribbeans were most likely to own business and professional service firms; Asians, hospitality and entertainment businesses; and Black Africans, creative businesses. This may reflect specialisms within these ethnic groups, such as cooking in Asian groups and music in African and Caribbean groups, which now appeal to mainstream tastes. The high number of Black Caribbeans in business and professional services may also reflect their high levels of qualifications.

Part Four: Customers and Markets

4.1 Introduction

Understanding ethnic minority businesses' customers and markets provides another important method of looking at their growth potential. Ethnic businesses are often characterised as depending on localised ethnically based markets, which in turn are characterised as limited in their size and affluence. To a large extent policy makers and the literature have concentrated on the extent to which ethnic minority businesses can 'break-out' of these markets into larger non-localised mainstream markets. For some commentators this has simply meant increasing the amount of sales, for example, that go to mainstream customers. However, notions of 'break-out', it has been argued, should also be accompanied by concrete growth plans (see Part 5).⁶² The businesses' markets were analysed according to the geographical location of the customer (local, national, export etc), the ethnicity of the customer, and type of customer (individuals, businesses etc).

4.2 The Geographical Location of Customers

Recent research on central London businesses suggested that around 40 per cent of their customers were 'local' (within 3 miles of the establishment), 26 per cent in the rest of London, 20 per cent in the rest of the UK and 10 per cent export.⁶³ Research on businesses in the London borough of Sutton suggested that 55 per cent were local (within the borough), 12.5 per cent within Greater London and 12.5 per cent in the UK.⁶⁴ Results from the current research suggest that ethnic minority businesses in Lambeth and Southwark have a much higher dependence on local markets and less emphasis on UK and export markets (Table 4.1). Moreover, the research suggests that over two thirds (69 per cent) of customers were local (within the borough), with a quarter coming from Greater London, 4 per cent from the UK and 2 per cent export.

⁶² Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

⁶³ DTZ Pleda (1998) Employer Survey 1998, FOCUS Central London, London.

⁶⁴ Small Business Research Centre (1994) Enterprise Support in Sutton, Kingston Business School, Kingston Upon Thames, November.

The geographical location of customers varied with business activity (Table 4.1). As expected, particular sectors - hospitality and entertainment (81 per cent), retail (79 per cent) and consumer services (68 per cent) - were much more reliant on local customers. Also as expected the knowledge based activities - business and professional services (49 per cent) and creative industries (62 per cent) - were less reliant on local customers. Indeed, these sectors were much more likely to have customers in Greater London (business and professional services - 40 per cent) and in the UK (creative industries - 14 per cent).

The geographical location of customers also varied with firm size (Table 4.1). Again, as would be expected, smaller firms (with 1-9 employees) (71 per cent) were slightly more reliant on local customers, than the larger firms (10 or more employees) (63 per cent). Correspondingly the larger firms were more likely to have customers in Greater London (29 per cent) and the UK (6 per cent). However, interestingly there was little difference between exporting and firms size. Businesses in Southwark were slightly more likely to rely on local customers (71 per cent), than in Lambeth (68 per cent). Asians were the most reliant on local markets (81 per cent) and Black African the least likely (64 per cent). Black Caribbeans were most likely to have UK and export customers.

Table 4.1					
Geographical Location of Customers					
Percent					
	Borough	Greater London	UK	Export	N=
Retail	79	16	3	2	63
Consumer Service	68	29	2	1	36
Bus. and Prof. Servs	49	40	9	2	26
Hosp. and Ents.	81	18	1	-	14
Creative Ind.	62	24	14	-	8
Manufacturing	63	31	4	2	8
No employees	72	21	5	2	32
1-9 employees	71	24	4	2	84
10+ employees	63	29	6	2	30
Lambeth	68	27	3	2	71
Southwark	71	22	5	2	88

Black British	69	28	2	1	21
Black Caribbean	66	24	7	3	35
Black African	64	29	5	2	55
Asian	81	16	2	1	37
Other	76	23	1	0	10
Total	69	25	4	2	159

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Data from the focus groups offers some interesting insight into the geographical location of customers within a relatively small local area. One of the respondents, an owner of a retail/hospitality business, suggested that particular streets in the Brixton area were much more conducive to gaining customers than others. This was related, not to the frequency with which customers passed the premises, but rather to the characteristics of the customers who passed or resided close by. Moreover, at his first business premises potential customers were described as "99 per cent Black, period, local, hardcore". The business was then relocated to another street where the customer base was described as "80 per cent Black women". The business then moved to another street, slightly more central in Brixton, and the customer base was described as "80 per cent European".

The respondent was clearly much happier about the business's latest location in that it was perceived that there was now greater access to higher value markets. Yet it was also noted that in the last relocation the business had only moved two streets. Another respondent agreed, pointing out that some of the more accessible parts of Brixton were thought to be turning in to the 'new West End', as the place became more popular as a tourist attraction. This example shows that it is far too simple to characterise local markets in a uniform manner. Even within the confines of a relatively small geographical area the value of the potential market place could vary enormously for particular types of activities.

4.3 The Ethnic Composition of Customers

Previous research on ethnic minority businesses has considered the ethnic composition of customers. One survey suggested that for two thirds (62.1 per cent) of ethnic businesses, less than half their customers were

from their own ethnic group.⁶⁵ Results from the current research suggest that ethnic minority businesses in Lambeth and Southwark were more reliant on ethnic minority customers. About half of the businesses (52.2 per cent) had less than half of their customers from their own ethnic group (Table 4.2). Perhaps more telling is the use of mean scores. This suggests that in total, a half of the businesses' customers were from the same ethnic background as the respondents (Table 4.2).

Table 4.2						
The Ethnic Composition of Customers						
Percent						
	1-25	26-50	51-75	76-100	Mean	N=
Retail	26.9	25.4	22.4	25.4	51	67
Consumer Service	13.2	31.6	23.7	31.6	57	38
Bus. and Prof. Servs	41.7	16.7	16.7	25.0	47	24
Hosp. and Ents.	41.7	16.7	25.0	16.7	39	12
Creative Ind.	37.5	25.0	12.5	25.0	46	8
Manufacturing	30.0	10.0	40.0	20.0	48	10
No employees	27.6	31.0	17.2	24.1	49	29
1-4 employees	26.1	25.0	23.9	25.0	51	92
5-9 employees	22.2	22.2	22.2	33.3	55	27
10+ employees	40.0	20.0	26.7	13.3	55	15
Lambeth	33.3	30.7	21.3	14.7	44	75
Southwark	21.6	20.5	23.9	34.1	56	88
Black British	13.0	30.4	30.4	26.1	58	23
Black Caribbean	25.6	17.9	23.1	33.3	56	39
Black African	8.3	26.7	31.7	33.3	62	60
Asian	67.6	26.5	-	5.9	22	34
Other	33.3	33.3	33.3	-	39	6
Total	27.0	25.2	22.7	25.2	50	100
N=	44	41	37	41	163	163

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The ethnic composition of business customers varied according to business activity (Table 4.2). The sectors which were most reliant on customers from their same ethnic group were customer services (mean 57 per cent), retail (mean 51 per cent) and manufacturing (mean 48 per cent). These findings relate back to comments made in Section 3.4. The rationale for establishing retail, consumer service and

⁶⁵ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

manufacturing activities in the first place may have been strongly driven by a desire to meet demands from the ethnic minorities in the local area. Though this undoubtedly applies to almost all the activities studied, it becomes particularly apparent in these sectors. The following comments highlight the importance of ethnic minority customers in consumer services:

"...the ethnic minority market is very huge" (Black African, consumer service, 6 employees).

However, there was evidence that this was changing for some businesses. For example, the following comments were provided by an owner in manufacturing:

"At the beginning 100 per cent [of our products] were sold to ethnic minorities. It [the amount of trade coming from outside the business owners ethnic group] has gradually been increasing" (Black British, manufacturing, 13 employees).

The respondent owned a Caribbean food bakery and noted how mainstream tastes now favoured ethnic foods. However, he also noted that growth was constrained by a reluctance on the part of supermarkets to take on Caribbean foods to the same extent they have adopted, for example, Indian food.

Other sectors - hospitality and entertainment (mean 39 per cent), creative industries (mean 46 per cent) and business and professional services (mean 47 per cent) - appeared slightly less reliant on customers from their own ethnic background. For example, businesses in hospitality and entertainment did not appear to have problems attracting mainstream customers, and in a number of instances the ethnicity of the business was the selling point:

"Everybody needs to eat whether you are black or blue, Caribbean or orange. If you like food, then you come. If you have the money then we sell you. [However], we have more Caribbean, more black people, they like their spicy foods, hot chillies!" (Asian, hospitality and entertainment, 5 employees).

"[There is a] growing demand in Brixton. There was a beauty, there was a lot of people who appreciate good quality music, art, a lot of artists, good food, people want to express themselves, that's what Brixton is all about" (Asian, hospitality and entertainment, 26 employees).

A number of business owners in creative industries and business and professional services expressed the opinion that serving ethnic markets alone was insufficient to expand their businesses. Moreover, there was a general desire to enter mainstream markets but also an awareness of the many problems involved:

"I don't care where they (customers) come from as long as they can pay. [They] could be black, white, pink, green or yellow. You couldn't just target your own ethnic group because it's too small a proportion of

people, you wouldn't survive ... We haven't got any black businesses commissioning work from us because we're not delivering products that are really relevant to their needs. They haven't got [the] money to spend on training. Our training is mainly for large organisations. [They] buy our services, [they have] got training budgets, for example" (Black Caribbean, professional services, 7 employees).

"With this business a lot of people think "Oh you're a black man, you're in business", so a lot of people actually think that the only business that I want do is with black businesses ... I just try and get clients. I mean clients are clients, I am not really bothered. I would be quite happy if all my clients were Asian or all my clients were Chinese or Nigerians. As long as I was making a good living, and they pay their bills, I am not bothered" (Black African, professional services, 8 employees).

"I think what we did was we built up our credibility in terms of being able to produce quality work. We've proven ourselves, it's been much easier for mainstream advertisers to accept us based on the quality of our work because it speaks for itself" (Black Caribbean, professional services, 13 employees).

A major theme to emerge from these transcripts was the issue of perception. The second business owner commented that because he owned a black business then customers may assume that it was there mainly to serve other black customers. The third business owner suggested that gaining credibility was an essential way of accessing mainstream markets and that this was a difficult process for ethnic minority businesses. One of the support providers picked up on a similar point (see section 4.3.2). That is, there was a general (perhaps racist) perception that ethnic minority businesses are incapable of performing work to the same standard as mainstream businesses. The above appears to suggest that there is a good deal of work to be done improving the perception of ethnic minority businesses through improved marketing etc, however, there may also need to be a radical shift in the buying strategies of mainstream businesses if ethnic minority businesses are to gain work.

4.4 Customer 'Types'

Further insight is provided by looking at the different types of customers served by ethnic minority businesses in Lambeth and Southwark. The results suggest that around four fifths (80.5 per cent) of the businesses' customers were private individuals, 6.5 per cent other businesses, 1 per cent public sector and 11.6 per cent a mixture between the three. The heavy reliance on private individual customers is not an encouraging sign for those wishing to see the businesses grow. Private individuals by their nature are lower value and lower quantity buyers when compared with businesses and the public sector. However, it is likely that the businesses, if only because of their smaller than average size, will experience problems moving beyond private individual customers. Research suggests that large businesses are often reluctant to work with smaller firms

because they believe that the latter often do not have the capability to do the work.⁶⁶

Indeed, the research provides further evidence of the importance of size when doing work for other businesses and the private sector (Table 4.3). Firms with 1-4 employees were more likely to rely on private individuals solely (85.4 per cent), than those with 10 or more employees (61.9 per cent). Furthermore, only 2 per cent of firms with 1-4 employees had business or public sector customers solely, compared to 19 per cent of firms with 10 or more employees. Sector also appears to be important (Table 3.7). Firms in creative industries (90 per cent), hospitality and entertainment (87.5 per cent) and retail (87.2 per cent) were much more reliant on private individuals, than firms in business and professional services (48.3 per cent). Asians had the highest reliance on private individuals (87.4 per cent) and Black Caribbeans had the lowest (69.2 per cent). There was little difference between the boroughs.

	Percent				
	Private	Businesses	Public	Mix	N=
Retail	87.2	2.4	1.2	8.2	86
Consumer Service	82.9	2.4	-	14.6	41
Bus. and Prof. Servs	48.3	27.6	3.4	20.7	29
Hosp. and Ents.	87.5	-	-	12.5	16
Creative Ind.	90.0	-	-	10.0	10
Manufacturing	75.0	16.6	-	8.3	10
No employees	85.4	2.0	-	12.5	48
1-4 employees	86.0	5.0	-	9.0	100
5-9 employees	67.7	12.9	3.2	16.1	31
10+ employees	61.9	14.1	4.8	14.3	21
Lambeth	80.2	5.2	1.7	12.9	116
Southwark	81.0	8.4	-	9.5	84
Black British	84.6	7.6	-	7.7	26
Black Caribbean	69.2	12.9	2.6	15.4	39
Black African	75.4	7.7	-	15.4	64
Asian	87.4	1.9	-	9.3	54

⁶⁶ Curran, J and Blackburn, R A (1994) Small Firms and Local Economic Networks, Paul Chapman, London.

Other	100.0	-	-	-	15
Total	80.5	6.5	1.0	11.6	100
N=	161	13	2	23	200

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

4.5 Summary

Part four has considered the ethnic minority businesses' customers and markets. In particular it has looked at the geographical location of the customers, their ethnicity and 'type' i.e. whether they are individuals, businesses or the public sector.

The research suggests that over two thirds of the businesses' customers were local (from within the borough) and that this is much higher than other research on London businesses. However, a quarter of the businesses' customer were located in Greater London, though much less were in the UK and overseas (about 6 per cent in total). The geographical location of customers varied with sector. Firms in hospitality and consumer services were highly reliant on local customers and firms in business and professional services and the creative industries were less reliant. This fits with what is known about these kinds of activities. That is, knowledge based industries tend to be less connected to their local economies. Also, as expected, smaller firms were more likely to have local customers and larger firms were more likely to have customers outside the local area.

The businesses were also more reliant on customers from their own ethnic background compared with ethnic minority businesses in other surveys. The results suggest that around 50 per cent of the customers were from the same ethnic background as the owner manager. Firms in customer services, retail and manufacturing were particularly reliant on ethnic customers probably because they were established to serve ethnic markets. However, there was evidence that the dependence on these customers was declining as the products began to appeal to mainstream tastes. For example, one business owner noted that Caribbean baked foods were becoming more popular in the mainstream. However, he also noted that expansion was constrained by a lack on interests from the supermarkets who appeared more interested in Indian foods.

Businesses in the creative industries and business and professional services were less reliant on ethnic minority customers and evidence from the face-to-face interviews suggested that they were keen to move into mainstream markets. However, a major problem for these businesses was convincing mainstream customers that they were capable of doing the work to the standards required. This is an issue of perception which needs to be addressed, not only by the businesses, but also policy makers.

The businesses also appeared highly reliant on individual customers, rather than other businesses or the public sector. As expected smaller firms were the most reliant on individuals as were businesses in the creative industries, hospitality and entertainment and retail. Asians also had a high reliance on individuals. These findings are not encouraging since individuals do not tend to provide the kind of high value, long term work that is important to business growth. However, larger firms and business in business and professional

services were much more likely to have other business and public sector customers.

In summary, the businesses tended to serve local markets, had a high dependence on individuals, and on their own ethnic backgrounds. The high dependence on local and individual markets does not bode well for growth, though anecdotal evidence shows that an increase in tourism in the area may provide higher value customers. There was widespread agreement with the notion that 'money knows no colour', that the businesses owners would accept customers from any ethnic background. However, it appeared as if some activities were more able to appeal to the mainstream tastes than others. Despite this there still appeared to be problems getting work from the mainstream.

Part Five: Growth

5.1 Introduction

Business growth is regarded as a highly important facet of economic development in the UK. Small firms, in particular, are seen as central to employment and wealth creation.⁶⁷ Since ethnic minority businesses account for an increasing proportion of the business population, and especially the small firm population, it is of interest to government and policy makers that these firms grow and succeed. Part Five considers the plans the business owners have made for growth, their expectations about growth over the next year, and the main constraints on growth they have experienced. The section also takes a brief look at the role and use of business planning in the businesses.

5.2 Growth Plans and Expectations

5.2.1 Growth Plans

Previous research on ethnic minority businesses suggests that notions of 'breakout' should, not only, consider the geographic, ethnic and customer 'type' distribution of the businesses' markets (see Part Four), but also their plans for growth.⁶⁸ Moreover, it is argued that opportunities for 'breakout' become more realistic if they are accompanied by a strong motivation towards growth on the part of the business owner. The use of a growth plan (which may or may not be incorporated into a formal business plan) may be seen as a proxy for this motivation.

The business owners were asked if they had developed any plans for growth (Table 5.1).⁶⁹ The findings suggested that just under two thirds of the businesses (62.2 per cent) had developed plans, compared to under one fifth

⁶⁷ DTI (1998) Our Competitive Future: Building the Knowledge Driven Economy, DTI, London.

⁶⁸ Curran, J and Blackburn, R (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

⁶⁹ Unfortunately, the research did not ask whether the respondents had developed any written plan for growth. However, those business owners who 'had plans to grow' were more likely (67 per cent) to have a written business plan than those who had 'no plans to grow' (43 per cent). It might, therefore, be assumed that the growth plans were included in the business plan giving the latter a more formal and concrete dimension.

who had no plans (19.7 per cent), with the balance undecided. This figure appears higher than that reported in other research on small businesses. Indeed, contrary to the often depicted image of dynamic growth orientated small business owners/entrepreneurs, it is argued that many business owners do not want to grow because they want to retain control of their businesses. That is, they are reluctant to delegate responsibility for important decisions to others or access external sources of finance because they will lose sole ownership of the business.⁷⁰ One explanation for the apparently high level of growth plans amongst business owners in the current research is that they are starting from such a low base, for example, in terms of employment, that 'growth' may not imply any of the problems noted above for the foreseeable future, at least.

	Plans For Further Development?				Do You Expect Growth Over The Next Year?			
	No	Yes	DK	N=	No	Yes	DK	N=
Black British	13.0	73.9	13.0	23	11.1	70.4	18.5	27
Black Caribbean	12.2	68.3	19.5	41	2.2	71.1	26.7	47
Black African	6.9	79.3	13.8	58	-	75.0	25.0	64
Asian	32.0	42.0	26.0	50	17.0	31.9	51.1	47
Other	60.0	26.7	13.3	15	28.6	25.7	35.7	14
Retail	21.4	58.3	20.2	84	11.4	46.8	41.8	79
Consumer Service	14.6	65.9	19.5	41	4.5	65.9	29.5	44
Bus. and Prof. Servs	14.8	66.7	18.5	27	6.5	83.9	9.7	31
Hosp. and Ents.	23.1	61.5	15.4	13	-	66.7	33.3	15
Creative Ind.	-	88.9	11.1	9	-	72.7	27.3	11
Manufacturing	44.4	44.4	11.1	8	16.7	58.3	25.0	12
No employees	25.5	51.1	23.4	47	9.5	33.3	57.1	42
1-4 employees	19.0	66.0	15.0	10	6.8	65.0	28.2	103
5-9 employees	14.8	70.0	14	27	8.8	70.6	20.6	34

⁷⁰ Stanworth, J and Gray, C (1991) Bolton 20 Years On: The Small Firm in the 1990s, Paul Chapman, London.

			.8					
10+ employees	14.3	57.1	28 .6	14	10.5	78.9	10.5	19
Lambeth	16.8	63.2	20 .0	95	10.4	51.9	37.7	106
Southwark	22.6	61.3	16 .1	93	5.4	70.7	23.9	92
Total	19.7	62.2	18 .1	10 0	8.1	60.6	31.3	100
N=	37	117	34	18 8	16	120	62	198

Source: Ethnic Minority Business in Lambeth and Southwark Survey.

The business owners' plans for growth varied according to ethnic group (Table 5.1). Plans for growth were most popular amongst Black Africans (79.3 per cent) and least popular amongst Asian (42.0 per cent). One possible explanation for this relates to the relative age of their businesses (see Part Two). Black Africans had the newest businesses and planning was possibly an important control mechanism in the early stages of their development. Asians, on the other hand, had the oldest businesses and planning may be seen as less important as the business owners use their experience. Evidence from previous research suggests that many Asians use their businesses as a means of generating income to support their children's education.⁷¹ Once the children have gone through education it is expected that the business will be sold or folded. In other words, the business is a means to an end and growth may provide an unnecessary problem in achieving this end. This factor may have come into play in the current research though it was never explicitly stated.

The business owners' plans for growth also varied according to economic sector (Table 5.1). Businesses in the creative industries were most likely to have developed growth plans (88.9 per cent) and businesses in retail (58.3 per cent) and manufacturing (44.4 per cent) least likely. These findings may reflect current or future economic conditions in the markets in which they operate. As was suggested in Part Four, the creative industries are expected to grow significantly over the next ten years, whereas retail and manufacturing are expected to decline.⁷² In other words, business owners in creative industries may be more likely to make plans for growth in anticipation of growth in the markets they serve. The age effect noted in the previous paragraph may also be at work. The creative industries were much younger, on average, than retail and manufacturing businesses. Again, planning may be more important in younger firms to guide the development of the business.

⁷¹ Metcalf, H, Modood, T and Virdee, S (1997) Asian Self Employment, Policy Studies Institute, London.

⁷² FOCUS Central London (1998) Central London Economic Assessment, FOCUS Central London, November.

Plans for further growth also varied according to the size of the businesses (Table 5.1). Around a half of businesses with no employees (51.1 per cent), had plans for growth, compared with seven out of ten business with 5-9 employees (70 per cent). Indeed, plans for growth were positively related to firm size up to firms with 10 or more employees. However, the relatively low level (57.1 per cent) of growth planning in firms with 10 or more employees may be understandable. Businesses of this size, it could be argued, may be entering a period where the business owner is forced to delegate more and more responsibility.⁷³ It is also a time when external finance becomes a greater driver in the development of the business. This is one of the basic rationales of Business Link intervention in businesses with 10 or more employees. These businesses, therefore, may be uncertain whether they want to grow further. This is reflected in the high level of 'don't knows' in this size category. Access to further finance may also be an issue for these businesses, as Section 5.3 and Part 6 illustrate.

5.2.2 Growth Expectations

The discussion of growth expectations must always be seen against the prevailing economic conditions both locally and nationally. Southwark (11.1 per cent) and Lambeth (8.9 per cent) have the third and fourth highest rates of unemployment in the FOCUS area.⁷⁴ The Department of Environment, Transport and Regions (DETR) 1998 Index of Local Deprivation suggests that Southwark and Lambeth are the eighth and twelfth most deprived boroughs in England (second and fourth in the FOCUS area).⁷⁵ It can be seen therefore that local economic conditions are not particularly conducive to business growth when compared to other boroughs in London and in the UK, especially since the businesses have been shown to concentrate on local markets to such a high degree (see Part Four). Nationally, there has also been a slow down in economic conditions. Though London is still thought to be growing slightly,⁷⁶ most economic forecasters predict around 1 per cent growth in 1999, and perhaps even recession.⁷⁷ Again, these conditions are not favourable to growth amongst the businesses. However, when the questions were asked (May to July 1998), the London economy was still thought to be relatively buoyant compared to current conditions.

⁷³ North, J, Blackburn, R A and Curran, J (1998) The Quality Business, Routledge, London.

⁷⁴ ONS (1998) Claimant Count Rate, September.

⁷⁵ See FOCUS Central London (1998) Central London Economic Assessment, FOCUS Central London, November.

⁷⁶ FOCUS Central London (1999) Central London Employment Survey, FOCUS Central London, February.

⁷⁷ See FOCUS Central London (1998) Central London Economic Assessment, FOCUS Central London, November.

Around three out five respondents (60.6 per cent), thought their businesses would grow in the next twelve months, one in twelve (8.1 per cent) thought their businesses would not grow, with the balance undecided (Table 5.1). In other words, a large majority of the businesses owners thought that their business would grow in the next twelve months. However, this proportion may be expected to have fallen with the recent downturn. Indeed, evidence from the focus groups (conducted in late November 1998) suggested that the respondents were becoming more conscious of the impact of the downturn on their growth plans. Despite this the research still provides some interesting information on growth expectations against a range of characteristics. For example, firms in the business and professional services (83.9 per cent) and creative industries sectors (72.7) appeared particularly confident of growth, whereas retail businesses appeared less confident (46.8 per cent). Furthermore, there appeared to be a positive relationship between firm size and expectations about business growth. Around a third of firms (33.3 per cent) with no employees expected growth in the next year compared to nearly four out of five firms with 10 or more employees (78.9 per cent). Interestingly, businesses in Southwark (70.7 per cent) had much higher growth expectations than in Lambeth (51.9 per cent), but why this is the case is unclear.

5.3 Constraints on Business Growth

One of the most important subject areas in the research was the constraints on business growth. By understanding business problems support agencies will be in a better position to offer the advice and support the businesses require. Previous research on business problems has tended to highlight the same problems. Often the most frequently mentioned problem is 'constraints in demand'. This has arisen from numerous research studies applying different methodologies and sophistication of analysis.⁷⁸ Constraints on demand may be related to many different factors, for example, products, location and, in particular, the stage of the economic cycle. However, it is clear that its impact of business growth and survival is crucial.⁷⁹ Other problems which also often arise are

⁷⁸ See, for example, Barkham, R, Hart, M and Hanvey, E (1996) 'Growth in Small Manufacturing Firms: An Empirical Analysis' in Blackburn, R and Jennings, P (eds.) Small Firms: Contributions to Economic Regeneration, Paul Chapman, London. This study makes as detailed quantitative analysis of the factors inhibiting growth in small firms.

⁷⁹ Storey, D J (1994) Understanding the Small Business Sector, Routledge, London.

connected with, for example, staff and recruitment, red tape, business rates, late payment.

Findings from the research suggest that 'finance' was the most significant problem detected, with over two out of five firms (40.3 per cent) indicating that this was the main problem (Table 5.2). This is a potential interesting result which was also raised in the face-to-face interviews and the focus groups:

"...Raising finance is the main thing. Without finance we cannot actually grow or expand" (Black African, consumer services, 6 employees).

"Not being able to raise funds for external presentation of the shop [is the main constraint on growth]. I don't see myself as a high flyer, [I] want to feed my family, pay my bills. Nothing comes easy. I am very cautious" (Black Caribbean, manufacturing, 5 employees).

"Cash flow and the lengthening time between the enquiry from the client and where you've got a contact" (Black Caribbean, professional services, 7 employees).

It appears, therefore, that raising finance is a particular problem for businesses in the survey. Though the problems associated with accessing finance are discussed in more detail in Part Six it is clear that many of the business have problems accessing start-up and especially further finance from commercial organisations and often rely on personal or informal sources of finance. Since these business owners are starting from a relatively low capital base their businesses are generally undercapitalised and they find it difficult to find funds for further investment.⁸⁰ The implications of this are that many of the businesses are unlikely to enjoy the growth opportunities that may exist otherwise.

	Lambeth	Southwar k	Total	N=
No Constraints	22.0	10.0	15.3	19
Finance	38.9	41.4	40.3	50
Demand	7.4	8.6	8.1	10
Early Stages of Business	7.4	7.1	7.3	9
Regulation	1.9	8.6	5.6	7

⁸⁰ Sawyerr, A (1983) 'Black Controlled Businesses in Britain: Particular Problems and Suggested Solutions, New Community, vol. xi., nos., 1 - 2, Autumn-Winter, pp. 55 - 62.

Staff	5.6	5.7	5.6	7
Competition	5.6	4.3	4.8	6
Location	1.9	5.7	4.0	5
High Rents and Rates	3.7	1.4	2.4	3
Other	5.6	7.1	6.5	8
N=	54	70	124	124

Source: Ethnic Minority Business in Lambeth and Southwark Survey.

As might be expected, constraints on 'demand' was the second most popular problem mentioned by the business owners (8.1 per cent) (Table 5.2). The relatively low frequency of this response may relate to the time at which the survey was undertaken, that is, the economic cycle was at its peak. However, this finding must also be considered in the context of where the businesses were located. As noted in Section 5.2.2, Lambeth and Southwark are areas of relatively low wealth and prosperity and this may be thought to impact on demand considerations. Overall, it is likely that though demand considerations were still very important for all the business surveyed, other problems, particularly access to finance, were thought to be more important to the business owners in relation to growth.

Another constraint on growth mentioned by the business owners was related to their 'early stages of development' (Table 5.2). This was mentioned by just under one in twelve respondents (7.3 per cent). As noted in Section 3.2 many of the businesses were very young compared to the mainstream business population and over three quarters had been operating since 1990. Early start-up is widely recognised as a highly precarious stage in business development with most business deaths occurring early on in the businesses' life.⁸¹ It is likely that those respondents who cited this response were more concerned with ensuring that their business survived in the short term rather than with business growth.

The regulation of the business environment, for example, parking, refuse collection etc., and the collection of business rates to fund the provision of local services were also issues for the business owners. Just over one in twenty firms (5.6 per cent) suggested that regulation was the main constraint on business growth and 2.4 per cent suggested it was high rates or rents (Table 5.2). Business owners in the focus groups were particularly vocal in their criticisms of the local authorities (see

⁸¹ Storey, D J (1994) Understanding the Small Business Sector, Routledge, London.

also Section 3.5.3). The main issues were the restriction of parking outside business premises (thus reducing potential custom) and the high levels of business rates in relation to the services they received for them. For example, the business owners complained that they had to pay for their own refuse collection.

The final major constraint to growth emerging from the research were problems associated with the recruitment, use and retention of suitable staff. This was mentioned by just over one in twenty business owners (5.6 per cent). This is a frequently cited problem by small firms who often cannot compete with larger organisations for high quality staff. Findings from the focus groups provided further evidence on the problems of using staff:

"If somebody is asking me "what is the most important thing about business", I say look my friend "just give me the staff"" (Black African, professional services, 3 employees).

Interestingly, there was no mention of high insurance premiums as a business problem or constraint on business growth. This issue has been raised as a serious problem for business owners in Lambeth and Southwark previously, but the evidence suggests it is no longer a major problem.

5.4 Business Planning

Business planning is seen as an essential tool in the control and planning of start-up and existing businesses and is widely promoted by the support agencies. Results from the support provider interviews, for example, highlight that help with business planning was available from a wide range of support providers and that plans were seen as an essential way of obtaining finance from the banks (see Section Eight). Findings from the research suggest that just under three in five firms (56.9 per cent) had developed a formal business plan (Table 5.3). This is similar to results from a recent survey of all London business which suggests that 59 per cent had a business plan.⁸²

The use of business planning varied according to ethnic group, with Black Africans being most likely to use them (71.4 per cent) and Asians the least (41.5 per cent). There was very little difference in the use of business plans between the sectors, though they were most popular in the creative industries (66.7 per cent). However, there was a positive relationship between the use of business plans and firm size (Table 5.3). Whereas just under a half (49.0 per cent) of businesses with no

⁸² DTZ Piedad (1998) Employer Survey 1998, FOCUS Central London, London.

employees had a business plan, this rose to over three quarters (76.9 per cent) with 10 or more employees.

	No	Yes	Don't Know	N=
Black British	29.2	62.5	8.3	24
Black Caribbean	36.6	56.1	7.3	41
Black African	23.8	71.4	4.8	63
Asian	52.8	41.5	5.7	53
Other	60.0	40.0	-	15
Retail	44.8	50.6	4.6	87
Consumer Service	26.7	64.4	8.9	45
Bus. and Prof. Servs	35.7	60.7	3.6	28
Hosp. and Ents.	28.6	64.3	7.1	14
Creative Ind.	22.2	66.7	11.1	9
Manufacturing	66.7	33.3	-	9
No employees	49.0	49.0	2.0	49
1-4 employees	37.4	57.0	5.6	107
5-9 employees	28.6	60.7	10.7	28
10+ employees	15.4	76.9	7.7	13
Total	37.6	56.9	5.6	100.0
N=	74	112	11	197

Source: Ethnic Minority Business in Lambeth and Southwark Survey.

The business owners were also asked why they had developed a business plan (Table 5.4). The main reason offered was to raise finance, with just under two out of five (37.4 per cent) business owners giving this response. This may please the banks who were often insistent that their business clients presented plans for raising finance. However, the banks also noted that the quality of the plans varied. Developing a 'business plan', in other words, was not the same as having a good one. The respondents offered a number of other reasons for developing a plan. For example, just under a quarter developed a plan 'to support business control', a further one in five developed a plan 'to support business growth' (Table 5.4). Other respondents (9.1 per cent) considered it 'a sensible business practice'.

	Percent	N=
To raise finance	37.4	37
To support business control	23.3	23
To support business	21.1	21

growth		
A sensible business practice	9.1	9
Other	9.1	9
N=	100.0	99

Source: Ethnic Minority Business in Lambeth and Southwark Survey.

Note: 13 respondents who had developed a business plan did not offer a response to this question.

5.5 Summary

Part five has considered the business owners' growth plans, their expectations and constraints on growth. The findings suggest that a significant majority of the business owners have made plans to grow and, indeed, expect to do so in the next 12 months. Black African and Black British business owners appeared particularly keen to grow, as indicated by their use of growth planning, perhaps because they had the youngest businesses and planning is more important at this stage. Owners in the newer activities, such as the creative industries, which are expected to perform well over the next 10 years, also planned for growth. The findings also suggest that once businesses reached a certain size, 10 or more employees, they were apparently slightly more reluctant to plan for growth, though they still expected growth to occur. This may relate to the difficulties for business owners converting a smaller personally run business into a larger professional organisation utilising delegation, structured management and external finance. This may mean that these firms need greater access to support from Business Links if they are to grow successfully.

Perhaps one of the most interesting and important findings to come out of the research was that the business felt their growth potential was being constrained by access to finance and problems managing cash flow. Because of these problems many of the respondents were establishing businesses with relatively low start-up costs, which because of their generally low level of capitalisation had problems raising funds for further investment and growth. The problems accessing finance experienced by the business owners are discussed in more detail in Part Six. However, it is clear that there is a good deal of work to be done by both support providers and the businesses before the situation can be improved.

The business owners also mentioned a number of other constraints to business growth. These included constraints on customer demands. This is usually the most important problem raised by small business owners, and thus, highlights the extent to which finance is a problem. However, though the businesses were surveyed at a time when the economic cycle was generally regarded as being at its peak, the boroughs in which the businesses operated, Lambeth and Southwark, are characterised by low levels of prosperity and this undoubtedly will have had an impact on all the businesses. The business owners also mentioned other issues. For example, many felt that growth was not an option because they had only recently started up. Others felt that the local authorities were doing nothing to help business. For example, they charged high rates, yet parking restrictions meant that

customers could not get to their businesses. Finally, some business owners mentioned problems recruiting, using and retaining staff. It was felt that the quality of the candidates they were receiving were inappropriate to achieving business growth.

Part Six: Finance

6.1 Introduction

In Part Five it was noted that accessing finance was the main constraint on growth experienced by the business owners. Indeed, the issue of how ethnic minority businesses access finance is the source of a good deal of controversy, especially concerning, the role of the commercial banks. Previous research suggests that ethnic minority entrepreneurs tend to use their own personal savings as the main source of finance and that access to commercial bank finance is rather more limited.⁸³ Part Six considers how the businesses financed the start-up and growth of their businesses and looks at some of the major problems involved.

6.2 Start-Up Finance

6.2.1 Sources of Start-Up Finance

The business owners were asked about how they financed the start-up of their current businesses (Table 6.1). Nearly four out of five business owners (79.5 per cent) used their own savings, one in five (20.6 per cent) accessed funds through family, another one in five (21.9 per cent) used a bank loan and just under one in ten (9.6 per cent) had a bank overdraft. Comparison with previous research suggests that ethnic businesses in Lambeth and Southwark placed an even greater emphasis on personal savings than other ethnic minority businesses, and had less access to bank loans and bank overdrafts.⁸⁴ The previous research suggests that just under three out of five businesses (58.9 per cent) used personal savings, nearly a third used bank loans (32.4 per cent) and one in five used a bank overdraft (20.3 per cent). Amongst the other sources of start-up finance used by respondents in the current research were the Princes Youth Business Trust and the loan guarantee scheme, though these were relatively minor compared to the main sources mentioned.

The sources of start-up finance varied according to ethnic group (Table 6.1). Black Caribbeans were the most

⁸³ See, for example, Deakins, D, Hussain, G and Ram, M (1994) Ethnic Entrepreneurs and Commercial Banks: Untapped Potential, University of Central England, Birmingham. However, almost every study of ethnic minority businesses undertaken reports the same findings.

⁸⁴ Curran, J and Blackburn, R (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

likely (94.0 per cent) to have used personal savings for start-up finance and the least likely to have used a bank loan (16 per cent). Black Caribbeans were also least likely to have used family (16 per cent) and friends (4 per cent) for start-up finance. The importance of personal savings for Black Caribbeans at the start-up stage also came out in the face-to-face interviews and focus groups:

"It has all been through personal finance, not a penny from the banks. A lot of praise in the past, but not any money" (Black Caribbean, professional services, 2 employees)

"It was all saving. Family support came when the business was already going and [I] also went to the bank when the business was going well, so they couldn't turn me down" (Black Caribbean, professional services, 26 employees).

Asians, on the other hand, were the least likely to have used personal savings (66.1 per cent) (though it was still the most frequently used source), and were the most likely to have a bank loan (29.0 per cent) and bank overdraft (11.3 per cent). The reasons why Asians have more success raising finance from the commercial banks undoubtedly relates to a number of factors. However, their greater presence in the business population, compared to other ethnic groups, together with the tailoring of bank services towards Asian businesses may have been particularly important (see Section 8).⁸⁵

Table 6.1 Sources of Start Up Finance Percent							
	Own Savings	Family Loan	Friend Loan	Bank Loan	Bank Overdra ft	Other	N=

⁸⁵ Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurs in Britain, University of Central England, Birmingham, June.

Black British	82.1	17.9	14.3	25 .0	3.6	25. 0	28
Black Caribbean	94.0	16.0	4.0	16 .0	10. 0	9.8	50
Black African	76.4	26.4	18.1	18 .1	9.7	14. 1	72
Asian	66.1	21.0	11.3	29 .0	11. 3	20. 4	62
Other	93.8	12.5	-	25 .0	12. 5	13. 3	16
Male	81.0	18.6	12.6	21 .6	12. 0	16. 8	168
Female	75.9	27.6	8.6	22 .4	3.4	13. 0	58
Total	79.5	20.6	11.4	21 .9	9.6	16. 2	-
N=	182	47	26	50	22	32	229

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Previous research on Asian businesses has also tended to emphasise the importance of extended family and community relations in providing finance.⁸⁶ Though this source was important (21.0 per cent), it was not as important, as in the previous research, or to the Black Africans in the survey. However, one business owner provided an interesting example of how finance was obtained through community relations. Moreover, the owner used help from a local Vietnamese community group to access funding from a commercial bank. Without this help it is unlikely that the funding would have been awarded.

After the Asians, the Black Africans had the lowest use of personal savings (76.4 per cent) and below average use of bank loans for start-up finance (18.1 per cent) (Table 6.1). However, the Black Africans had the highest reliance on family and friends for sources of start-up

⁸⁶ Metcalf, H, Modood, T and Virdee, S (1997) Asian Self Employment, Policy Studies Institute, London.

finance, compared with the other ethnic groups (Table 6.1). Over a quarter of Black Africans (26.4 per cent) approached family for finance, compared to an average of 20 per cent, and 18 per cent approached friends compared to an average of 11 per cent. This is similar to previous research on Nigerian business owners.⁸⁷ The importance of informal finance to Black Africans also came out in the focus groups:

"What gets you going in business is that you have some money, or you have friends who will support you. Going to bank will be the second or the last resort ... It was very difficult to attract start-up finance, except we started through help from abroad, from my own base country and from friends as well" (Black African, wholesale, 3 employees).

The sources of start-up finance also varied according to gender (Table 6.1). Male business owners were more reliant on personal savings (81 per cent), loans from friends (12.6 per cent) and bank overdrafts (12 per cent) than females, and females were more reliant on family loans (27.6 per cent) than males.

6.2.2 Problems Raising Start-Up Finance

The business owners were also asked whether they had experienced any problems raising start-up finance (Table 6.2). The results suggest that around two fifths (39.3 per cent) experienced problems, over a half (54.8 per cent) had no problems, with the balance unsure. These findings are almost identical to that produced by other research on ethnic minority businesses, which suggested that 53.2 per cent had no problems raising start-up finance.⁸⁸ Despite all the concern about ethnic minority business finance, the results suggests that a majority of the business owners had not experienced problems raising start-up finance. However, this may indicate that the business owners used personal savings, for example, because they were reluctant to take on commercial debt or because they wish to keep full financial control of the businesses.⁸⁹ Furthermore, this is not to suggest that

⁸⁷ Soyibo, A (1997) 'The Informal Financial Sector in Nigeria: Characteristics and Relationships with the Formal Sector', *Development Policy Review*, No. 15, pp. 5-22.

⁸⁸ Curran, J and Blackburn, R (1993) *Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities*, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

⁸⁹ Findings from research on mainstream small businesses suggests that owner managers are often reluctant to take on external debt for exactly these reasons. See, for example, Stanworth, J and Gray, C

commercial bank finance was available to all the business owners who wanted it.

As suggested earlier, the problems raising finance are often associated with particular ethnic groups.⁹⁰ Results from the current survey back this up. The Black Africans (54.3 per cent) and the Black Caribbeans (41.7 per cent) experienced the greatest problems raising start-up finance, whereas Asians (25.9 per cent) experienced the least. Problems raising finance also varied according to the age of the business with newer businesses much more likely to experience problems than older businesses. Indeed, there appeared to be a polarity of responses between those firms formed before and after 1990. That is, around a quarter of businesses formed before 1990 experienced problems raising finance compared to about half of those formed after (Table 6.2).

The self employed, and larger business with 10 or more employees, were less likely to have experienced problems accessing start-up finance than businesses with 1-9 employees. This suggests that the banks are more willing to lend to the former, perhaps, in the case of the self employed, because their financial requirements are smaller, and in the case of business with 10 or more employees, because they are more established and more secure for lending purposes. There was no difference in the relationship between gender and the problems accessing start-up finance.

	No	Yes	Don't Know	N=
Black British	57.1	35.7	7.1	28
Black Caribbean	54.2	41.7	4.2	48
Black African	38.6	54.3	7.1	70
Asian	70.7	25.9	3.4	58
Other	64.3	21.4	14.3	14
Male	54.0	39.8	6.2	161
Female	54.4	40.0	5.5	55
-1979	66.7	26.7	6.7	15

(1991) Bolton 20 Years On: The Small Firm in the 1990s, Paul Chapman, London.

⁹⁰ Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurs in Britain, University of Central England, Birmingham, June.; Wilson, P (1983) 'Ethnic Minority Business and Bank Finance', New Community, vol. xi., nos., 1 - 2, Autumn-Winter, pp. 63 - 73.

1980-1989	74.0	22.0	4.0	50
1990-1994	47.6	46.0	6.3	63
1995+	46.4	47.6	6.0	84
No employees	72.9	22.9	4.2	48
1-4 employees	48.2	46.5	5.3	114
5-9 employees	51.4	40.5	8.1	37
10+ employees	55.0	35.0	10.0	20
Total	54.8	39.3	5.9	100.0
N=	120	86	13	219

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The business owners were asked in more detail about the problems accessing finance (Table 6.3). The main response articulated by the respondents was that they had 'no access to bank or other finance'. This most likely reflects a perception that the banks or other external financial institutions were unwilling to lend to their businesses. The reasoning behind this perception probably relates to the other problems raised. For example, the second most frequently mentioned problem was that the banks considered their businesses unsuitable for start-up lending. In other words, the banks were reluctant to lend to businesses which were recent start-ups, were too small or in an inappropriate activity:

"Mainly bank problems. They can't give you your loan because your just starting over. They won't tell you that directly. [I] found it difficult to get a loan so we had to get an overdraft" (Black African, professional services, 31 employees).

"I had a problem, they (the bank) turned me down. It was prejudice, in fact. Not necessarily my skin colour, but as a small business. In the eye of the bank we [were] not in a favourable position" (Asian, hospitality and entertainment, 26 employees).

"The banks don't deal with things like that (start-ups) ...they are looking for value....if you have £10,000 they will lend you £15,000. They are looking for security ... They are no use to the small business ... They don't have the money to give away. I understand that. This thing about banks, banks, banks (respondent implies that a lot of criticism has been levelled at the banks), the banks are here to make money just like every body else" (Black Caribbean, retail, 2 employees).

Some business owners believed that they had problems accessing start-up finance because of their ethnicity. As has already been noted, Black Caribbeans were least likely to have a bank loan, and Black Africans experienced the greatest difficulties accessing start-up finance. Further evidence from the survey reinforced these findings. One in ten business owners (11.5 per cent) who experienced problems

accessing start-up finance suggested that it was due to racial discrimination on the part of the banks (Table 6.3). Another 5 per cent suggested that the banks have no understanding of ethnic minority customers and markets. These views were articulated by a number of the respondents in the face-to-face interviews and the focus groups:

"Finance is a problem for all the ethnic minorities. For a similar business, the white counterpart, who starts at the same time, applies to the bank for £50,000 with no security, he's got it. I applied for a £15,000 loan under the loan guarantee scheme, [I didn't get it]" (Black Caribbean, professional services, 7 employees).⁹¹

"I didn't go to the bank (for start-up finance) because I knew they wouldn't lend to me. I am very inventive, I found other ways [of raising finance] (respondent used own savings and borrowed £15,000 from family). I just discounted the banks. I cannot abide their lack of creativity. I've found my own resources ... They'd lend to me now, but they wouldn't lend to me at the time" (Black Caribbean, female, professional services, 7 employees).

The assertion that the banks operated racist lending practices appeared more common in Black African and Black Caribbean groups than in Asian groups. Indeed, the opinion that the banks were discriminatory had become so embedded in these groups that many respondents did not even consider approaching the banks. One explanation for this difference is the practices of the banks. Many of the banks, including those which participated in the current research (see section 8.4), have developed banking facilities tailored to Asian businesses and their bank managers appear to have more experience working with Asian business owners.⁹² No equivalent services appear to be on offer to African and Caribbean business owners, and this is likely to send out negative messages to these groups.

The tendency of Black Caribbeans to complain about their treatment by banks in this, and other, research may have its origins in the opportunity structures they face. Black Caribbeans were most likely to use personal savings for start-up finance but least likely to use finance from family and friends (Table 6.1). This may mean that informal finance through family and friends, which appears more available to Asians and Black Africans, is not available to the same extent to Black Caribbeans. In this case, it is possible that they are more likely to have approached the banks for finance, than say the Black Africans, and therefore have more experiences to complain about.

⁹¹ An alarming number of the ethnic minority business owners surveyed appeared to have anecdote about how a white business owner was able to raise £(large amount) from the banks and they could only get £(smaller amount). Whether these anecdotes have more widespread significance or are simply modern ethnic business folklore is unclear.

⁹² This may be understandable in some respects since Asians tend to dominate ethnic minority enterprise compared to their African Caribbean counterparts.

Table 6.3		
Problems Raising Start-Up Finance		
	Percent	N=
No access to bank or other finance	31.1	19
Bank considered business unsuitable for finance	29.5	18
Banks are racially discriminatory	11.5	7
No information on finance available	6.6	4
Banks have no understanding of ethnic markets	4.9	3
Other	16.4	10
N=	100.0	61

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey.

Note: Table based on 61 responses, though 86 respondents suggested that they had a problem raising finance.

It is clear that for a few respondents, at least, the problems raising start-up finance were related to a complete lack of knowledge about the processes involved. For example, over 6 per cent of those businesses who had problems raising start-up finance had 'no information on the finance available' (Table 6.3). This could be taken to mean that they have no knowledge of how the banks offer finance to businesses, of other sources of finance available, or any knowledge of the system at all. In this instance, there is a good case for intervention from support agencies in providing guidance on funding procedures. On another level, many ethnic minority business owners may benefit from instruction on how to present their business ideas in a format or language that the banks find compatible with their own business objectives. Indeed, this issue was recognised by a number of the respondents who had managed to develop successful relations with their bank manager:

"The whole thing about ethnic background [has been overplayed]. It is a lot to do with how you deal with individual bank managers. How you communicate with them. From my personal point of view, the managers I have dealt with, in terms of the business, I have always been able to communicate [with them] on a certain level" (Black African, professional services, 3 employees).

"when I want to meet with my bank manager I invite to my office, when we are sitting down talking somebody calls and says "I want a quote for 10,000 of these", he knows I am doing business. He can feel it, he can see it. We're not sat in his office where it is like

an interview" (Black African, manufacturing, 7 employees).

Other results from the research suggest that the banks are particularly impressed by well written business plans (see section 8.4.2). This may be another area where the businesses could be encouraged to improve. Indeed, the main reason given by the businesses for developing a business plan was to raise finance. However, this may lead to other problems. The business plan may be used as a 'quick and dirty' tool for raising finance, when in theory, it should guide all aspects of business development.

6.3 Further and Expansion Finance

The survey also considered the businesses' use of further and/or expansion finance. Further finance is important because it provides funds for working capital and investment. As already noted, access to finance was the most frequently mentioned barrier to growth. The results suggest that just under two fifths of the firms (38.3 per cent) had attempted to raise further finance (Table 6.4). This is much lower than other research on ethnic minority businesses which suggests that nearly two thirds (64.9 per cent) had raised further finance.⁹³ Raising further finance appeared particularly common amongst Black Africans (50 per cent), Black British (44.4 per cent), females (41.7 per cent), in business and professional services (58.6 per cent), creative industries (54.5 per cent) and more recently established businesses (post 1990) (Table 6.4).

	No	Yes	Don't know	N=
Black British	55.6	44.4	-	27
Black Caribbean	53.7	36.6	9.8	41
Black African	43.1	50.0	6.9	58
Asian	66.7	29.8	3.5	57
Other	91.7	8.3	-	12
Male	57.9	37.9	4.1	145
Female	50.0	41.7	8.3	48
Retail	56.6	37.3	6.0	83
Consumer Services	69.0	21.4	9.5	42
Bus. & Prof. Serv.	37.9	58.6	3.4	29
Hosp. & Ents.	64.7	35.5	-	17
Creative	45.5	54.5	-	11
Manufacturing	54.5	45.5	-	11
- 1979	73.3	20.0	6.7	15
1980-1989	61.9	31.0	7.1	42
1990-1994	53.4	43.1	3.4	58
1995+	53.3	42.7	4.0	75

⁹³ Curran, J and Blackburn, R (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

Total	56.6	38.3	5.1	100.0
N=	111	75	10	196

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

6.3.1 Sources of Further Finance

Though the businesses appeared to rely heavily on personal and informal finance at the start-up stage, the facilitation of expansion and growth, it could be argued, will depend upon a greater access to formal finance through, for example, commercial banks, venture capitalists etc. However, results from the research suggest that the respondents were still more likely to use personal finance than formal finance at the expansion stage (Table 6.5). Whereas 30 per cent of respondents used retained profits and savings for further finance, around 27 per cent had a bank loan and 11 per cent had an overdraft. The use of bank loan finance for expansion by the businesses was slightly higher than that reported in other research.⁹⁴ This suggests that 23 per cent used bank loan, though only 16 per cent used retained profits and 20 per cent used a bank overdraft.

	Retained Profits	Own Savings	Family Loan	Friend Loan	Bank Loan	Bank Overdraft	Other	N=
Black British	33.3	41.7	8.3	16.7	16.7	8.3	18.2	12
Black Caribbean	20.0	40.0	6.7	-	33.3	13.3	13.3	15
Black African	34.5	24.1	20.7	24.1	10.3	13.8	10.3	29
Asian	35.3	11.8	17.6	5.9	52.9	5.9	11.8	17

⁹⁴ Curran, J and Blackburn, R (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

Male	30.9	30.9	18.2	16.4	29 .1	12. 7	9.3	55
Female	30.0	15.0	10.0	5.0	20 .0	5.0	20. 0	20
Total	30.7	26.7	16.0	13.3	26 .7	10. 7	12. 0	-
N=	23	20	12	10	20	8	9	75

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey.

Note: Table based on those business owners who have attempted to raise further finance.

(N=75).

There was some evidence that the reason why the respondents were slightly more likely to access further finance from the banks was related to the characteristics of the businesses. For example, a number reported that their banks were more willing to lend to their businesses now that they were more established because they were able to demonstrate a proven track record and offer the bank security:

"[Originally] they (the banks) were not keen. [But my] accountant suggested I stayed with the bank to show turnover. There is a six to eight week period to generate profits from [the products we make]. After 18 months I needed more working capital. I went to the bank and was pleased to secure a loan" (Black Caribbean, manufacturing, 5 employees).

"It was not difficult [to raise finance from the banks] since I have been with the bank for about seven years. The bank was keen to support me and I had a good job and putting a lot of money into the account" (Asian, creative industry, 1 employee).

"I have good bank manager. When I first started I didn't have need for the bank, thank god for that. Now that the business is growing we [use the banks]" (Black African, manufacturing, 7 employees).

The sources of further finance varied according to ethnic group (Table 6.5). As with start up finance, Asians were the most likely to have a loan (52.9 per cent). They were also the most likely to reinvest retained profits (35.3 per cent), though they were the least likely to have a bank overdraft (5.9 per cent). The relatively high use of bank loans compared to bank overdrafts is often used as a financial health gauge in businesses and may suggest a more controlled approach. In this sense, the Asian businesses appeared to be performing well.

Black Caribbeans were the least likely to have a bank loan at the start-up stage (16.0 per cent - Table 6.1), but were second most likely to have a loan (33.3 per cent) and overdraft (13.3 per cent) for further finance (Table 6.5). This indicates that the Black Caribbeans were perhaps making a better case for support from the

banks at the further finance stage, though perhaps not to the same extent as the Asians. Interestingly, Black Caribbeans were by far the least likely (20 per cent) to reinvest retained profits into their businesses, though the reasons for this are unclear.

The Black Africans appeared to rely much more heavily on personal and informal sources for further finance than the other ethnic groups. For example, they were by far the most likely to use combinations of family (20.7 per cent) and friend (24.1 per cent) loans than other businesses (Table 6.5). However, their access to bank finance was much more limited. Just over one in ten (10.3 per cent) Black African businesses had a bank loan, compared to an average of over a quarter. They were the most reliant on bank overdrafts (13.8 per cent).

6.3.2 Problems Raising Further Finance

The business owners were also asked whether they had experienced any problems raising further finance (Table 6.6). The results suggest that the majority - just under three fifths (59.5 per cent) - experienced problems, just over a third (35.1 per cent) had no problems, with the balance unsure. The findings are almost identical to that produced by other research on ethnic minority businesses.⁹⁵ The findings suggest, therefore, that the business owners experienced significant problems raising further finance. For example, whereas 22 per cent of respondents had access to a bank loan at the start-up stage (Table 6.1), only 27 per cent had access to a bank loan at the further finance stage, though it might have been expected that the latter figure would have been much higher by this stage (Table 6.5). Evidence from focus groups suggests that the business owners had experienced problems with the banks over both short-term and long term further finance:

"You pay in loads of money, they (the banks) see all the cash your bringing in and instead of trying to help you [they do nothing]. At the end of the day most of us know that when you pay in £10,000, you've got pay out £8,500-£9,000 almost straight away. So when you put that money in that is when you need their help ... You've got to have some collateral, you've got to have some credit, you got to have some man who can give you some money, maybe not a lot, may be not a lot" (Black Caribbean, consumer service, x employees).

⁹⁵ Curran, J and Blackburn, R (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames. However, the results from the above survey are presented as the percentage of all businesses rather than those who chose to seek further finance. The equivalent results between the two surveys are very similar.

"There's a problem. [The bank are] asking for security before they will actually part with any money and, of course, take little notice of your future contracts, the rate of your growth, the strength of your management [or] anything like that ... They'll sometimes give you a temporary overdraft until the contracts are paid for, but nothing long term" (Black Caribbean, professional services, 14 employees).

	No	Yes	Don't Know	N=
Black British	16.7	58.3	25.0	12
Black Caribbean	26.7	66.7	6.7	15
Black African	32.1	67.9	-	28
Asian	52.9	47.1	-	17
Male	35.2	61.1	3.7	54
Female	35.0	55.0	10.0	20
-1979	66.7	33.3	-	3
1980-1989	61.5	38.5	-	13
1990-1994	32.0	64.0	4.0	25
1995+	25.8	64.5	9.7	31
No employees	42.9	57.1	-	7
1-4 employees	37.0	60.9	2.2	46
5-9 employees	42.9	50.0	7.1	14
10+ employees	-	71.4	28.6	7
Total	35.1	59.5	6.7	100.0
N=	26	44	5	75

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Note: Table based on those business owners who have attempted to raise further finance.

(N=75).

As with start-up finance, the problems raising further finance were associated with particular ethnic groups.⁹⁶ The Black Africans (67.9 per cent) and the Black Caribbeans (66.7 per cent) experienced the greatest problems raising further finance, whereas again, the Asians (47.1 per cent) experienced the least. Also similar to start-up finance, the problems raising further finance varied according to the age of the business with newer businesses much more likely to experience problems than older businesses. Again there was a polarity of

⁹⁶ Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurs in Britain, University of Central England, Birmingham, June.; Wilson, P (1983) 'Ethnic Minority Business and Bank Finance', New Community, vol. xi., nos., 1 - 2, Autumn-Winter, pp. 63 - 73.

responses between those firms formed before and after 1990. Nearly two thirds of businesses formed after 1990 experienced problems raising further finance compared to about a third of those formed before (Table 6.6).

The business owners were asked to provide more details about the problems accessing further finance (Table 6.7). As with start-up finance, the main problem was a lack of access to bank or other finance. A third of businesses suggested they had experienced problems raising further finance because there were 'no willing lenders' (20.5 per cent) or they were 'refused bank finance' (12.8 per cent'). Also similar to start-up finance the main reasons given for this problem was related to the characteristics of their businesses (30.8 per cent). That is, the businesses did not offer the appropriate security, were too small, and/or were operating in an inappropriate activity or location.

Table 6.7		
Problems Raising Further Finance		
	Percent	N=
Bank considered business unsuitable for finance	30.8	12
No willing lenders	20.5	8
Refused bank finance	12.8	5
Banks are racially discriminatory	7.7	3
Banks don't trust business	7.7	3
Doesn't want further bank debt	5.1	2
Other	15.4	6
N=	100.0	39

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey.

Note: Table based on 39 responses, though 60 respondents suggested that they had a problem raising finance.

The issue of bank discrimination also arose at the further finance stage, though not to the same extent as the start-up stage. Around 16 per cent of businesses who experienced problems obtaining start-up finance suggested that it was because the banks racially discriminated against them or because they did not understand the ethnic market place (Table 6.3). However, only just under 8 per cent made the same criticism in relation to further finance (though a further 8 per cent suggested that the 'banks didn't trust them'). This suggests, perhaps that those business owners who have had more experience of the business context are not as inclined to indicate that the banks discriminate:

"Maybe naively I feel my ethnicity has not come into play. It is difficult, may be they (the bank managers) did think when I walked back through the door, "oh well I'm not giving this guy something because he is black", but then it's something that is very difficult to ascertain, it is a very difficult area to actually

6.4 Summary

Part Six has considered how the business owners raised start-up and further finance and some of the main problems involved. Previous research on ethnic minority businesses has tended to highlight the importance of personal and informal sources of start-up and expansion finance, and the lower usage of bank and other commercial finance. The findings suggest that ethnic businesses in Lambeth and Southwark have experienced similar problems in relation to the financing of their businesses, and, if anything, these problems have been more extreme.

At the start-up stage four out of five business owners used their own savings and one in five used a bank loan. This compares to three out of five using their own savings and nearly a third using bank loans in the previous research. Only just under two fifths of the firms had attempted to raise further finance. This was much lower than in other research. Again, there was a large reliance on personal and informal sources for further finance (nearly a third of businesses used these sources), though the use of bank loans at this stage (27 per cent) was slightly higher than in other research on ethnic minority businesses (23 per cent). Other support providers, for example, Princes Youth Business Trust, Business Angels and Venture Capital were used by a very small minority of the sample. It is clear that the relations between these providers and the businesses has to be improved significantly. Many of the lessons to emerge from the banks and the support providers will apply to these agencies.

The sources of both start-up and further finance varied according to ethnic group and gender. Black Caribbeans were the most likely to rely on savings, Black Africans were most likely to rely on family and friends, and Asians were the most likely to rely on the banks, though Black Caribbeans appeared to be more successful at raising bank finance at the further finance stage. Men were more likely to rely on personal savings at both the start up and further finance stage, and women were more likely to rely on family finance especially at start-up. There was little difference between the genders in accessing bank finance at the start-up finance stage, though men were more likely to have banks loans for

further finance purposes, probably because of the older age of their businesses (see below).

Nearly two fifths of the businesses had problems raising start-up finance and just under three fifths experienced problems raising further finance indicating that it is harder to access growth and expansion finance. These are similar to findings in other research. Again the problems appeared more common in particular ethnic groups. Black Africans and Black Caribbeans appeared to experience greater problems raising finance, though Asians had fewer problems. The differences may relate to their perception and/or experiences of the commercial banks. Black Caribbeans appeared particularly vocal in their criticism of the banks and this may relate to the opportunity structures they face. The banks have set up special facilities for Asian customers that were not available to other ethnic groups and this may have had led to problems. Though Black Caribbeans are most likely to use personal savings for start-up finance, they have less access to funds from friends and family. This may mean that they are more reliant on, and thus more likely to have been in dispute with, the commercial banks.

The problems accessing banks finance also appeared to be related to business age. The newer business (post 1990) appeared to have more problems raising finance compared to the older business (pre 1990). This probably relates to the greater levels of security that the latter can offer the banks. It is interesting to note that Asians had the oldest and highest turnover businesses. This may explain, partially at least, why they experience the fewest problems compared with other ethnic groups.

The reasons why the businesses have problems accessing formal finance are difficult to unpack. Most of the respondents concentrated their attention on the commercial banks. The main problem raising funds at both the start-up and expansion stage was the perception, based on experience or otherwise, that they had 'no access to finance'. This was thought to mean that they have been refused bank lending or that they thought they would be refused bank lending. The respondents offered a number of specific reasons for why they thought this was the case. Interestingly, the main reason was not related to discrimination on the basis of ethnicity, but rather discrimination based on the characteristics of their firms. That is, they thought that the banks were unlikely to lend to them because they were too small, were in the wrong activity or location, or were unable to offer the security required.

Others, however, thought the ethnicity was an issue. Just over one in ten business owners explicitly stated that they were discriminated against by the banks because of their ethnicity. A further 5 per cent suggested that the banks had no understanding of the markets in which they operated. Another reason why the business owners had problems raising finance, especially, at the start-up stage was because they had no or little knowledge of the processes involved. More specifically, they were unaware of the channels and processes they had to go through to obtain bank or other finance. Other owners appeared to have problems presenting their business ideas in a manner which was appropriate to raising finance from the banks. This relates to both verbal and written communications and is an issue for both the banks and the business owners.

Overall, the results provide insight into why many of the businesses have experienced problems with growth. Accessing start-up and especially further finance appear to be a particular problem for the firms. The number of businesses attempting to raise further finance also appears particularly low. The results echo conclusions from other research.⁹⁷ This suggests that because ethnic business owners have small amounts of personal savings, and problems raising finance through the commercial banks, they were restricted to setting up businesses with low start-up capital requirements. As a result these businesses achieved only low levels of growth because they were under capitalised and could not generate funds for reinvestment. It is clear that if ethnic minority businesses in Lambeth and Southwark are to be encouraged to grow they must be able to have greater access to finance at all stages. This, as the section has shown quite clearly, is not only a challenge for funding providers and support agencies, but for the businesses themselves.

⁹⁷ Sawyerr, A (1983) 'Black Controlled Businesses in Britain: Particular Problems and Suggested Solutions, New Community, vol. xi., nos., 1 - 2, Autumn-Winter, pp. 55 - 62.

Part Seven: Experiences of Support Provision

7.1 Introduction

One of the main issues in the research was to consider the relationship between ethnic minority enterprise and support providers. The response of ethnic minority businesses to support providers is generally perceived to be low. Asian business owners are thought to have a particularly low awareness and usage of support providers, mainly because they utilise other support networks.⁹⁸ Research on Afro-Caribbean business owners indicates that a significant majority have negative views as to their usefulness.⁹⁹ However, other research suggests that the low level of take up of support provision amongst ethnic minority businesses is not because they do not want help but rather the support available is not sufficiently targeted at their needs.¹⁰⁰ The low level of take-up, however, must also be set against the low level of provision to small businesses in general by support bodies. In other words, what might be perceived as a problem specific to ethnic minority businesses, may be a reflection of more general weaknesses in the support provision available to all smaller businesses. Part Seven considers the business owners' awareness, experience and opinions of support provision in Lambeth and Southwark.

7.2 The Awareness and Use of External Support Providers

7.2.1 Conceptualising Businesses' Use of Support Provision

This section begins by considering what is meant by 'support needs'. Smallbone and Fadahunsi suggest that business owners' 'support needs' are the needs for external resources such as information, advice, training and other assistance which will enable them to deal more effectively with business problems.¹⁰¹ They suggest, for

⁹⁸ Marlow, S (1992) 'The Take-Up of Business Growth Training Schemes in Britain', International Small Business Journal, 7, 1, pp 34-36.

⁹⁹ Ram, M and Deakins, D (1995) African-Caribbean Entrepreneurship in Britain, University of Central England Business School, Birmingham.

¹⁰⁰ Marlow, S (1992) 'Take Up of Business Growth Training Schemes by Ethnic Minority Owned Small Firms', International Small Business Journal, Vol. 10, No. 1, pp 34-46.

¹⁰¹ Smallbone, D and Fadahunsi, A (1998) 'The Diversity of Ethnic Minority Enterprises: A Preliminary Analysis of Small Nigerian Firms in North London', Ethnic Minority Entrepreneurship Seminar, University of Central England, September.

example, that business owners may want information about how to obtain a license to run a particular business activity, technical advice about a piece of equipment, and/or advice on developing a marketing plan. Businesses, as the current research indicates, may also want financial support and/or help recruiting the appropriate staff (see Part Five). Smallbone and Fadahunsi also suggest that business owners have a 'hierarchy' of support needs which will determine: what they require, whom they require the services from, willingness to pay, and ability to use the support effectively. The hierarchy will also vary from firm to firm depending upon economic factors, business sector, location, size of the firm and the educational background of the owner-manager, amongst others.

The notion of a hierarchy of support needs relates to another theoretical contribution which considers small firms' networking activities and use of support providers.¹⁰² This approach suggests that businesses' network relations and use of support providers can be placed on a continuum ranging from 'compulsory' to 'voluntary'. All firms, it is argued, have compulsory relations with, for example, buyers and sellers, since without them they would not be in businesses. However, other external links with, for example, accountants, solicitors and external support providers are more voluntary. This theoretical contribution is enhanced if it is recognised that what constitutes 'compulsory' and 'voluntary' relationships can vary according to firms' economic activity and current business condition.¹⁰³ Concerning the latter, for example, it is suggested that in a time of crisis the advice of management consultants may be more important than relations with a bank, when the opposite is normally the case.

Previous research on small and ethnic minority businesses has tended to indicate a broad polarity in the use of support providers which tends to reflect the compulsory or voluntary nature of their relations. The research suggests that accountants, bank managers, solicitors and trade associations tend to be the most popular sources of advice and support because business owners primarily use

¹⁰² Blackburn, R A, Curran, J and Jarvis, R (1990) 'Small Firms and Local Networks: Some Theoretical and Conceptual Explorations', Paper presented to the 13th National Small Firms Policy and Research Conference, Harrogate, November.

¹⁰³ Bryson, J, Wood, P and Keeble, D (1993) 'Business Networks, Small Firm Flexibility and Regional Development in UK Business Services', Entrepreneurship & Regional Development, No. 5, pp 265-267.

them for their specialist functions.¹⁰⁴ Accountants, for example, are important for help in the preparation of accounts to meet Inland Revenue requirements, but may also be the source of help and support on other business issues. The use of support providers such as Business Link, TECs, Chambers of Commerce are thought to be lower because the services they provide are seen as less essential to the running of the business, though again, this will vary according to the circumstance in which the business finds itself. To reflect these differences the research considers the use of the 'more compulsory' support providers and the awareness and use of the 'less compulsory' support providers:

7.2.2 Use of 'More Compulsory' Support Providers

As expected the business owners were much more likely to use accountants, bank managers, business colleagues, solicitors, family, friends, trade associations¹⁰⁵ and private consultants for support provision, than other agencies such as Business Links and TECs (Table 7.1/Table 7.2). The research suggests, for example, that four out of five (80.3 per cent) businesses used an accountant for advice and support in the last 12 months (Table 7.1), a result which is similar to findings from other research on ethnic businesses.¹⁰⁶ Indeed, accountants may provide the established support providers with a way of accessing ethnic minority business owners. For example, accountants could raise awareness and provide advice on the use of Business Link services. However, previous research suggests that accountants may be reluctant to enter agreements with support providers because they perceive themselves to be competitors. Nearly a half of the respondents used their bank manager (47.6 per cent) and solicitor (44.7 per cent) for advice and support (Table 7.1). Again, these agencies could be used to promote the activities of support providers. Examples of the use of accountants, solicitors and bank managers were provided by the respondents:

"I have a solicitor, there's a firm across the road that's quite helpful. I will telephone him for advice

¹⁰⁴ Curran, J and Blackburn, R A (1994) Small Firms and Local Economic Networks, Paul Chapman, London.

¹⁰⁵ See, for example, North, J, Blackburn, R A and Curran, J (1997) 'Reaching Small Businesses? Delivering Advice and Support to Small Businesses Through Trade Bodies', in Ram, M, Deakins, D and Smallbone, D (eds.) Enterprising Futures, Paul Chapman, London.

¹⁰⁶ Curran, J and Blackburn, R (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

or pop round to see them. I've been round to the local banks at one point to introduce myself to some of them and have a chat and find out just how they're thinking" (Black African, professional services, 8 employees).

"the Bank Manager is very good, the Accountant is excellent" (Black Caribbean, hospitality and entertainment, 65 employees).

The use of private consultants provides another interesting example. In the 1980s the Greater London Enterprise Board (GLEB) ran a scheme known as the GLEB Financial Scheme (GLEBFINS). Ethnic minority businesses wishing to access finance from GLEB or the commercial banks were informed that they would have to produce a detailed business plan. To this end, GLEB provided the businesses with a list of local approved private consultants. The business owners then contacted several consultancies with a view to selecting one to help develop the plan. GLEB then subsidised the consultancy by 75 per cent for amounts up to £1,000, and 50 per cent for amounts up to £2,500. The scheme worked well because the business owners could access support from a consultancy they knew locally, with individuals they could develop a personal relationship and the trust required.¹⁰⁷ Though it is not proposed that this scheme be directly replicated, it does provide evidence of a way of improving the take up and efficacy of support provision through local consultancies.

Table 7.1

**The Use of Selected External Agencies for
Advice and Support in Last 12 months
Percent**

	Lambeth	Southwark	Total
Accountant	85.3	75.2	80.3
Bank Manager	55.2	41.3	47.6
Business Colleague	42.2	24.8	33.6
Solicitor	58.6	30.4	44.7
Family	37.9	28.3	33.2
Friends	20.0	15.9	18.0
Trade Association	20.2	5.0	12.6
Private Consultant	9.5	9.7	9.6
N=	116	113	229

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

¹⁰⁷ In many respects the success of the fieldwork in the current research was the result of many of the local businesses knowing members of Equinox Consultancy.

The relatively high use of business colleagues (33.6 per cent), family (33.2 per cent) and friends (18.0 per cent) demonstrates the importance of informal networks to the business owners. Informality is a common feature in small businesses. For example, staff are often recruited 'word of mouth' through family and/or friends. The reason why these network actors are popular may reflect the confidence and trust they inspire, rather than their particular specialism or value. This, therefore, provides another important lesson for the support providers. That is, it is important to establish a presence which can offer the confidence and trust required. This is undoubtedly a particularly difficult problem for governmental organisations who are usually the subject of a distrust on the part of business owners.¹⁰⁸ However, a long established, preferably local presence, which is seen to benefit businesses and which can develop positive recommendations through word of mouth, will allow for a greater chance of success with ethnic minority businesses (see Section 7.3.1).

7.2.3 Awareness of 'Less Compulsory' Support Providers

The awareness of 'less compulsory' support providers such as Business Link, TECs, Enterprise Agencies and the business support charities such as the Princes Youth Business Trust, was generally low. For example, less than a third of business owners (32.2 per cent) were aware of Business Link (Table 7.2). There was also a significant difference between the boroughs with just under two out of five firms aware of Business Link in Lambeth (37.9 per cent) compared to just over a quarter in Southwark (26.5 per cent). Since Business Link is the main provider of government sponsored support services to businesses these figures must be seen as quite concerning.

	Lambeth		Southwark		Total	
	Aware	Used	Aware	Used	Aware	Used
Business Link	37.9	11.2	26.5	0.9	32.2	6.1
Council	39.7	6.0	38.9	0.9	40.0	3.5
PYBT	31.0	1.7	30.1	5.3	30.0	3.5
Chamber	16.4	3.4	23.0	3.5	20.4	3.5

¹⁰⁸ Scase, R and Goffee, R (1987) The Real World of the Small Business Owner, Routledge, London.

LSBS	18.1	3.4	14.2	2.7	17.0	3.1
Southwark Credit Union	-	-	15.9	2.7	15.8	2.7
Focus TEC	9.5	1.7	17.7	1.8	13.9	1.7
Elephant Enterprises	-	-	8.8	0.9	8.8	0.9
Threshold	7.8	0.0	-	0.9	7.8	0.9
Instant Muscle	5.2	0.0	-	-	5.2	0.0
Total Support	-	19.0	-	12.4	-	15.7
N=	116	116	113	113	229	229

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The awareness of the enterprise agency, Lambeth and Southwark Business Services, and the TEC, FOCUS Central London, were also very low (Table 7.2). Lambeth and Southwark Business Services, in particular, which was responsible for delivering government sponsored support services to firms with under 10 employees (a large majority in the current sample), had a low level of awareness with only just under one out of five firms aware of it (17.0 per cent). An even smaller proportion (13.9 per cent) were aware of the TEC, though the latter did not tend to provide services directly to businesses, rather they were provided through contract consultancies, training providers etc. The local chambers of commerce did slightly better with around one out of five firms aware (20.4 per cent).

Somewhat surprisingly, only two out of five (40 per cent) businesses were aware of their local council, though 'awareness' in this instance was related to the provision of business services rather than the regulatory and service functions normally associated with local authorities (Table 7.2). However, this is far from clear since awareness of the councils did not vary between the boroughs despite the finding that Southwark council was more active in providing business services than Lambeth council. Southwark Credit Union, for example, were affiliated to Southwark Council (see Part Eight). Nearly a third of the business owners (30 per cent) were aware of the Princes Youth Business Trust (PYBT). This was by far the best well known charitable provision of business help, probably because of its high national profile, and was much higher than the other charities: Elephant Enterprises (8.8 per cent), Threshold (7.8 per cent), and Instant Muscle (5.2 per cent), though the latter tend to be more locally based covering relatively smaller geographical areas.

7.2.4 Use of 'Less Compulsory' Support Providers

The use of the 'less compulsory' support providers in the last 12 months was also very low (Table 7.2). Only 15 per cent of the business owners used any of the support providers listed in Table 7.2 in the last 12 months. Therefore, a vast majority (85 per cent) had no contact with any of these support providers at all. Business Link was the most frequently used, with 6 per cent of the businesses owners using its services. As with awareness, there was a big difference between the boroughs. Over one in ten businesses in Lambeth (11.2 per cent) had used Business Link, compared to one per cent in Southwark (0.9 per cent) (Table 7.2). The particularly low use of Business Link services is concerning. In other recent research of small businesses' use of Business Link services nationally, just under a quarter (22.4 per cent) had contacted Business Link in the last 12 months.¹⁰⁹ However, it also has to be noted that a majority of the sample had 10 employees or below and Business Link services were primarily aimed at businesses with above this number of employees, though new legislation may mean that this is about to change.¹¹⁰

The other support providers had an even lower level of use. The councils (3.5 per cent - 6 per cent in Lambeth and 0.9 per cent in Southwark), PYBT (3.5 per cent), the chambers of commerce (3.5 per cent), Lambeth and Southwark Business Services (3.1 per cent) and the Southwark Credit Union (3.1 per cent) were all used by about 3 per cent of the sample. The low level of use of Lambeth and Southwark Business Services is again concerning. As noted above this is the main provider of government support for businesses below 10 employees in Lambeth and Southwark. However, its low usage maybe mitigated by a fairly limited commitment to business support provision to firms of this size by the government (see Part Eight), though, again, this might be about to change (see footnote 12). The other agencies, appeared to have an even lower level of take-up. For example, the charities, Elephant Enterprise (0.9 per cent) and Threshold (0.9 per cent), had less than one per cent take up. Nobody in the sample had used the services provided by Instant Muscle. The apparent low usage of the charities in the survey probably reflects their lower profiles (when compared to PYBT) as well as the type of clients they were helping (rather than the services they provided). That is, their services were largely aimed at

¹⁰⁹ Fitchew, S and Blackburn, R A (1997) Small Firms in Services, Small Business Research Centre, Kingston Business School, Kingston Upon Thames, March.

¹¹⁰ See: DTI (1998) Our Competitive Future: Building the Knowledge Driven Economy, DTI, London.

the socially and educationally disadvantaged (see Part Eight), individuals who are likely to have less chance of business success in the longer term.¹¹¹

7.2.5 The Use of Support Providers By Ethnicity, Gender, Size and Sector

The use of support services varied according to ethnic group (Table 7.3). The Black British were the most frequent users of support services and Asians were the least frequent. Nearly a third of the Black British (32.1 per cent) used external support compared to one in twelve Asians (8.1 per cent). The most likely reasons for this difference may relate to the relative age and levels of assimilation into British culture of the two groups. The Black British were the youngest business owners on average and were the most likely to seek help from charities helping young people set up in business, namely the PYBT (21.4 per cent). They also consider themselves, by definition, British and therefore may have felt more likely to have an association with mainstream support providers. Asians, on the other hand, were older on average and more likely to be first generation. The Black Caribbeans and the Black Africans had an average use of support services (about 15 per cent) (Table 7.3). There was also a difference in the take up of support services and gender (Table 7.3). Nearly a quarter of the female entrepreneurs had used support in the last twelve months (22.4 per cent), compared to just over one in ten males (13.1 per cent). Women were also more likely to use support from each of the main support providers, including Business Link. This appears to suggest that the women were more likely to seek external help when they had a business problem, than the men in the sample.

The use of support services also varied according to firm size, as measured by employee numbers (Table 7.3). As expected the smaller businesses were the least likely to use external support and the larger businesses were the most likely. More specifically, whereas just over one in ten businesses with no employees used support in the last 12 months (11.8 per cent), around a third of businesses with over 10 or more employees had used support (33.3 per cent). Indeed, there was a positive relationship between firm size and the take up of support in the size categories in between. The higher take up of external support by larger small businesses has been noted in numerous other studies. It most likely reflects the

¹¹¹ Storey, D (1994) Understanding the Small Business Sector, Routledge, London.

adoption of a more outward looking professionally managed style in larger firms compared to a more introverted personal 'fortress mentality' approach typified by many smaller business owners.¹¹² It may also reflect time constraints on smaller business owners (see Section 7.3.1).

¹¹² Scase, R and Goffee, R (1987) The Real World of the Small Business Owner, Routledge, London.

Table 7.3 Use of the Support Providers Percent							
	Business Link	Council	PYBT	Chamber	LSBS	Total Support	N=
Black British	10.7	3.6	21.4	3.6	7.1	32.1	28
Black Caribbean	10.0	2.0	2.0	6.0	4.0	16.0	4.0
Black African	4.2	2.8	1.4	1.4	4.2	15.3	72
Asian	1.6	4.8	-	1.6	-	8.1	62
Other	12.5	6.3	-	6.3	-	12.5	16
Male	4.8	1.8	2.4	1.2	3.0	13.1	168
Female	8.6	8.6	6.9	10.3	3.4	22.4	58
No employees	5.9	5.9	2.0	-	-	11.8	51
1-4 employees	3.3	2.5	5.0	3.3	3.3	14.2	120
5-9 employees	8.1	2.7	20.7	8.1	2.7	16.2	37
10+ employees	19.0	4.8	-	4.8	9.5	33.3	21
Retail	3.2	4.2	4.2	3.1	2.1	13.7	95
Consumer Service	2.0	-	2.0	-	-	6.0	50
Bus. and Prof. Servs	14.7	5.9	8.8	14.7	8.1	38.2	34
Hosp. and Ents.	5.3	-	-	-	5.3	5.3	19
Creative Ind.	18.2	-	-	-	-	18.2	11
Manufacturing	7.1	14.3	-	-	7.1	21.4	14
Total	6.1	3.5	3.5	3.5	3.1	15.7	-
N=	14	8	8	8	7	36	229

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

Further analysis of the results suggest that the use of Business Link services increased significantly for firms with 10 or more employees. Indeed, this is as expected since Business Link's services are mainly targeted at this group. However, Business Link also provided services to some smaller firms, perhaps through their referral service (see Part Eight). The high proportion

of businesses using PYBT within the 5-9 employee sizeband also appears encouraging. Since most PYBT applicants usually start with no employees this finding may indicate that business owners using the PYBT programme are achieving growth. Similarly, the largest group who used Lambeth and Southwark Business Services in the last 12 months had 10 or more employees. Since its services are mainly geared at business with less than 10 employees, this may indicate that its activities are having success. However, it may also indicate that growth orientated businesses are more likely to use external support services.

The use of support services in the last 12 months also varied according to economic activity (Table 7.3). The take up of support appeared more common in the knowledge based activities - business services, creative industries - and less popular in more labour intensive industries. For example, nearly two out of five firms in business services had used support in the last twelve months (38.2 per cent), compared to 5.3 per cent in hospitality and entertainment and 6 per cent in consumer services. This finding probably reflects the fact that business owners in the former sectors are slightly better educated than business owners in the latter (see Part Two), and are therefore more likely to see external help and advice as desirable.

7.3 Support Provision: Experiences, Problems and Suggestions

This section considers the business owners' experiences and problems with existing support provision and also looks at their suggestions for improvement. As a result of the research design and the complexity of the issues involved the section necessarily adopts a more qualitative approach. More specifically, it uses information gathered through the face-to-face interviews, focus groups and qualitative questions in the telephone interviews. Since a majority of the sample had not used external help in the last twelve months, the section considers the opinions of non-users first, then moves on to those who have used support provision. The section also considers issues of delivery and content. Non-users, by definition have never, or rarely used, support services and therefore cannot accurately discuss the content of service provision (though they may still have an opinion on what services should be available). However, they can comment on the way services should be delivered such that they would be more likely to take

them up. Users can comment on both delivery and content, but the discussion of delivery issues between non-users and users were broadly similar. Therefore, the discussion of non-users will concentrate on delivery and the discussion of users will concentrate on content. However, for those who are interested, the issues of delivery and content are presented for both non-users and users in Figures 7.1 and 7.2.

Figure 7.1
The Opinion and Suggestions Of Non-Users of Support Provision

Opinions

Unaware/never used (14) (d)
 Not useful (6) (c)
 Not relevant to business/Do not understand business needs (3) (c)
 There to make money out of businesses (2) (d)
 Support providers are dishonest (2) (d)
 Not supportive of ethnic minority businesses (1) (d)
 High rates (1) (c)
 Bureaucratic (1) (c)
 Too remote (1) (d)
 They do not want to help small business (1) (d)

Useful/Helpful (6) (c)

Suggestions

Raise Awareness/Improve communication (20) (d)
 Provide sector relevant, high quality, advice (9) (c)
 Provide funding (8) (c)
 Do not need help (5) (d)
 Provide help to find funding (5) (c)
 Help business to grow (3) (c)
 Do not charge for services (2) (d)
 Establish business forum (2) (c)
 Be more supportive of ethnic minority businesses (2) (d/c)
 Be prepared to listen to growth plans/be encouraging (2) (d)
 Provide help with business planning (2) (c)
 Provide help with advertising/marketing (2) (c)
 Improve languages (1) (d)
 Improve local parking facilities (1) (c)
 Reduce business rates (1) (c)
 Offer more education to banks about ethnic groups (1) (c)
 Must be visible on the ground (1) (d)

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey.
 Note: First bracket relates to the number of mentions. Second bracket refers to whether the opinion/suggestion relates to delivery (d) or content (c).

7.3.1 The Non-Users: Issues of Delivery

A large majority of the sample (85 per cent) had not used any external support in the last twelve months (Table 7.2), nor were there many indications that they had used support prior to this period. This section considers why these business owners have not used the services of Business Link, Lambeth and Southwark Business Services and other support providers, and offers some suggestions for improvement.

Awareness and Trust

The main reason given by the business owners for why they had not taken up support services was a basic lack of awareness. More specifically, on being asked their opinions on the support providers the business owners' main response was that they were 'unaware', and their main suggestion for improvement was to 'raise awareness/improve communication' (Figure 7.1). Others commented that support agencies were 'too remote'. Awareness in this context may have meant either not having heard of support providers names - Business Link, FOCUS etc. - or having little or no idea about what these organisations did. This problem is particularly concerning since many support organisations are actively involved in marketing their services to businesses throughout the area. The following represent typical responses from the business owners:

"I just wanted to find out, what happened to the Business Links and all the government services? Where are they? I don't know" (Black Caribbean, professional services).

"It would be nice for these organisations to make themselves better known" (Asian, creative industries, 1 employee).

"What do they offer? I really don't know anything about them. My lack of knowledge prevents me. Are they any use? I get clients sometimes who've gone to these people and they've done a business plan and it's not really up to scratch and these people have approved it. I have just thought I'll get on with it and do my own thing and leave them to theirs" (Black African, professional service, 8 employees).

"Most of these organisations are essentially for start-ups. They do not appear to assist you when you really need them. You need finance and they cannot help with the hard cash needed for restructuring" (Black African, consumer services, 6 employees).

Another problem which concerned the business owners was one of trust. For example, the business owners suggested that the support agencies were 'there to make money out of businesses', 'support providers were dishonest' and were 'not supportive of ethnic minority businesses' (Figure 7.1). This issue appeared to have a number of different elements to it. First, it is well documented that mainstream small business owners have a distrust of government and government funded organisations. At the very least the government is considered to be bureaucratic and is seen as the very antithesis of the flexible and informal style advocated by business owners.¹¹³ Second, this problem appears to have been compounded for ethnic minority business owners. Evidence from one of the focus groups suggested that many respondents thought that government agencies have a racist agenda. This relates to range of experiences with, for example, local authorities, the police, and as a legacy from events such as the early 1980s riots. Furthermore, the business owners again expressed that it was difficult to develop trust and confidence in local support providers when they lacked visibility over a reasonable time period. Trust and confidence were often related to knowing particular personalities in the local community rather than faceless organisations. The result was that when the business owners were asked to talk about advice and support services, they rarely talked about government agencies (Business Links, TECs etc.), but rather focused their attention on the development of a local, community based, self help groups. One business owner articulated the following commonly held view about established support providers:

"people get a bit suspicious [of support providers] because of the past track record of these kind of things. It again comes down to my argument of trust and understanding ... If the people are here today gone tomorrow, people get suspicious. But if you have been around a long time, even a white, pink, red face, working with the people, the trust and confidence will come. I wouldn't take it personal that they are saying these things [criticising the support providers], they are just very suspicious because here is another face, we'll see it today, and six months down the line, will we see that face, we won't" The respondent then went on to say: "It is the same old thing, it's networking, you've got to be there all the time building up confidence and trust and if your not then it is no good" (Black Caribbean, professional services, x employees).

¹¹³ Scase, R and Goffee, R (1987) The Real World of the Small Business Owner, Routledge, London.

The problem for support providers in raising awareness and building trust amongst ethnic minority businesses relates, to a large degree, to the communication channels used, the extent to which they are prepared to immerse themselves in community issues, and a longer term commitment to developing a credible presence in the areas. The most effective channel of communication for the businesses was undoubtedly word of mouth. Word of mouth provides information which the business owners feel they can trust, it is seen as relevant and reliable, in contrast to more remote formal mainstream channels. There are a number of suggested solutions to this problem. At the simplest level support agencies should make more use of media and networking occasions used by the ethnic minorities in Lambeth and Southwark. This may include, for example, using Choice FM and a number of respondents even mentioned local churches. Another suggestion is for the support providers to tap into those network relations that the business owners use already. As was argued in Section 7.2.2, this may mean encouraging accountants, solicitors and bank managers to take a more active role in promoting support services, though as also noted, some of these agencies may be reluctant to co-operate because they believe themselves to be in competition with, for example, the Business Links.

Another suggestion, which implies significant resource commitment, and which came out strongly in the focus groups, is for support agencies to develop a much more localised community based focus. Currently, all the major support providers are based either in central London or away from main community centres. This gives the impression of remoteness and a lack of concern for issues as they are perceived at ground level (this accusation is far from new, yet none-the-less highly important). Greater success would be achieved if the support agencies could develop a credible, trusted, and long term presence in the local communities. This may mean, for example, the development of a 'advice and support shop front' in each of the main local communities (Brixton, Streatham, Peckham) providing quality advice and support such that it encourages positive word of mouth referrals. This model could be developed through the Lambeth Small Business Growth Initiative in Brixton.

The final suggestion is to make more use of outreach work. In Part Eight it is noted that the support providers proposed a two tier delivery model. They suggested that first generation business owners or owners of smaller micro businesses who are not familiar with

existing support provision may benefit from advisers, perhaps who are from the same ethnic background as the business owner (see Section 7.3.4), visiting their premises, talking through the business's situation and advising on the support available. This approach would give advice a tangible quality and would ensure that business's needs are being met practically, rather than delivering a simple top down 'this-is-what's best for you' approach. This may mean the extension of the Personal Business Advisors network, operated through Business Link, to smaller firms.

Time and the 'Fortress Mentality'

Beyond the problems of awareness and trust, however, are a number of other problems which prevent business owners from using established support provision. It is well documented that small business owners do not have the time to be away from their businesses.¹¹⁴ A well used example is that if an owner-manager with three employees decides to undertake a days training, then a quarter, and potentially the most important part, of the labour force is lost. As noted in Section 7.2.1 small business owners are often more concerned about concentrating their energies on making sure the business survives or achieves success than gaining outside help:

"When [you are] busy running a business, you are about surviving. When you [are] busy running a business the reality is that you do not have the time to go looking for consultancy. You are about surviving, looking at cash flow. It is only when you get to a certain level, when things are running in order, can you sit down and find out who is doing what" (Black African, consumer services, 6 employees).

Furthermore, and perhaps more fundamental, is a general reluctance on the part of small business owners to take external advice. As was noted in Section 2.8 many business owners start their venture because they value autonomy and independence. The development of the business then becomes a reflection of their own identity and success and failure is taken in a very personal manner. Research has shown that the owners' high level of personal involvement in their businesses means that they are often reluctant to let other people give them

¹¹⁴ Curran, J, Blackburn, R A, Kitching, J and North, J (1996) Establishing Small Firms' Training Practices, Needs, Difficulties and Use of Industry Training Organisations, Department for Education and Employment, London.

advice about the running of their business.¹¹⁵ As one respondent suggested:

"one of the disadvantages in having the experts coming down [from Central London], like to [my] business, and I've been doing my business for 15 years, is that the experts come in a tell me how to raise insurance, how to do this, or even how to do the marketing. I know all this, I know about all my existing client bank ... The thing is your own business is so personal, how I run my business is so personal, and some of the clients I work for, some of the stuff I do is so confidential, that I can't have outsiders telling me, do this, do that, for my clients, because I've built my business up the way I do it" (Black Caribbean, professional services).

Support providers are well versed with these problems and have adopted a number of solutions. The main response has been the targeting of advice and support provision.¹¹⁶ For example, Business Link targeted firms with over 10 employees and with a growth orientation. Undoubtedly larger firms have the resources to accept external advice and may be more likely to have a professional (rather than personal) management set up which values intervention of this kind. The problem for ethnic minority businesses is that a vast majority have less than 10 employees and most have very personalised management (see Section 3.3). At the broadest level, the solution maybe to concentrate on particular sectors. Knowledge based activities such as business and professional services and the creative industries appeared more active in their use of support services. At a more specific level, outreach work may be used to find out information on the business owners' educational background, growth orientation and general levels of acceptance of external help.

The final point in this section concerns business owners' perceptions of the support agencies. It has been highlighted that most of the business owners were unsure as to what the support providers did. However, on being pressed it was clear that most businesses owners associated support agencies with providing grants to small businesses. Though grants are available to some businesses under some programmes this is far from common

¹¹⁵ Lightfoot, G (1996) 'Management, Knowledge and Control in Small Firms: The Problem with Professional Advice', Paper presented to the 19th ISBA National Small Firms Policy and Research Conference, Birmingham, November.

¹¹⁶ Smallbone, D (1997) 'Selective Targeting in SME Policy: Criteria and Implementation Issues', in Deakins, D, Jennings, P and Mason, C (eds.) Entrepreneurship in the Nineties, Paul Chapman, London.

practice nowadays and this may be an issue which support providers wish to address. For example, on being asked what support providers could do for the businesses a common response was to provide them with financial assistance, perhaps reflecting the frustrations of raising finance from other sources:

"I think the government should actually set aside a department, whereby they've got some budget, some money to help businesses. [Perhaps] nothing for the first two years to see if they're succeeding, funding to actually improve the business and [make it] grow" (Black African, consumer services, 6 employees).

7.3.2 The Users: Issues of Content

Around 15 per cent of the business owners had used established support provision in the last 12 months (Table 7.2). For some businesses this may have meant a simple five minute enquiry, for example, with the Business Link's referral service. For others it may have meant full participation on a formal programme of business assistance. The nature of the relation the between the business owner and support provider will steer, to a large extent, the formers' ability to talk in detail about the latter. However, all relations, regardless of their content or extent will make an impression on business owners which will undoubtedly be passed on informally to other business owners through word of mouth. Business owners opinions on the content of service provision can be broken down into two main areas. These are: (1) the business owners' judgements as to the usefulness or value of the service received and (2) the services that the business owners think should be on offer.

On being asked to comment on the quality of the services on offer the business owners offered more negative than positive comments. Moreover one of the most popular opinions was that 'support was not helpful' (Figure 7.2). Unfortunately this is not particularly useful. However, on unpacking this further some reasonably familiar themes emerge. For example, a number of business owners commented that the support on offer was 'not relevant' to their business. This may reflect a genuine problem. Government provision has regularly been criticised for being too 'top down' and prescriptive and lacking the flexibility to meet businesses' genuine needs.¹¹⁷ However, this criticism may also reflect the business owners' characteristics alluded to in Section 7.3.1. That is, because business owners consider their enterprise to be highly personalised and unique, non-specialist programmes may be considered inappropriate even when in reality they would provide benefits (this provides a good example of the differences between 'wants' and 'needs'). The opinion that his business was too unique for business support was articulated by one of the respondents:

"...we don't use Business Link because we're in a very unique market situation. Unless they've got someone in there that has experience in our type of business

¹¹⁷ Curran, J (1993) 'TECs and Small Firms: Can TECs Reach the Small Firms Other Strategies Have Failed To Reach?', Paper presented to the All Party Social Science and Policy Groups, House of Commons, April.

which is very much emerging, it's a first. If there was something specific that we thought Business Link could advise [us on] then we would go to them." (Black Caribbean, creative industries, 12 employees).

One way round this problem may be to develop programmes which are tailored to highly specific business needs where the relevance is highly demonstrable. This may mean, for example, consulting with trade associations and delivering services at particular sectors and sub-sectors tied in with particular topic specialisms. Hypothetically one programme could be 'raising finance in new businesses in the retail sector'.

The results were not all negative. A number of business owners who used support services suggested they were 'good', 'OK', and 'constructive'. For example, the following respondent suggested:

"Business Link, I found them to be very good, very professional, very knowledgeable" (Black Caribbean, professional service, 7 employees).

The point here, however, is that all interventions have to be seen as positive. Though realistically this is never going to be the case the support agencies must strive to be as effective as possible. As noted, the importance of word of mouth as a means of communicating information between firms cannot be understated. The business owners are as, if not more likely, to communicate their negative experiences about established support providers than their positive ones. It is important therefore that the support agencies build on their successes to develop the informal referrals they require.

Figure 7.2
The Opinions and Suggestions of Users of Support Provision

Opinions

Support Good/'OK'/Fair/Constructive (7) (d/c)
Support not helpful (6) (c)
Support not relevant to business (2) (c)
Providers are untrustworthy (1) (d)
Very costly (1) (d/c)

Suggestions

Provide more information about services/Raise Awareness/Try to be more accessible - especially ethnic businesses (4) (d)
Get to know the needs of businesses/Provide appropriate advice (4) (d/c)
Offer free services (2) (d)
Provide information on how business can get 'proper' help (1) (d)
They should give more time to businesses (1) (c)
Help with business planning (1) (c)
Help with staff training (1) (c)
Do not harass small businesses (1) (d)
Provide financial help (1) (c)

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey
Note: First bracket relates to the number of mentions. Second bracket refers to whether the opinion/suggestion relates to delivery (d) or content (c).

This leads nicely to the issue of paying for services and the value that owner managers place on the services received. There are two schools of thought on this issue. The first is that some business owners will only use support services if they are free. There was evidence from the telephone interviews that the business owners thought support services were 'too costly' and that they should be 'offered free of charge' (Figure 7.2). This will certainly apply to many of the businesses in the study since they are trading at such low levels that any additional expenses will be prohibitive. The second issue, which was supported by anecdotal evidence from the support providers, was that if no charge is made for their services then the business owners place lesser value on the service benefits. The business owners are also less inclined to commit themselves such that the benefits are realistically achievable. Unfortunately both these arguments are probably correct and the issue is one of balance. However, before any charge can be made for services the support agencies have to develop the credibility required to ensure that it is feasible. At this point a certain amount of pragmatism is required in deciding on the costs of a specific intervention in relation to a carefully defined target group.

Central to effective business support provision is developing programmes and support which effectively meet businesses needs. This report has analysed the business owners' characteristics, growth aspirations and problems faced and this has pointed to a number of areas which may justify intervention. For example, access to formal finance has been argued to be a significant constraint on

the businesses growth. The business owners also mentioned problems developing and establishing their businesses because they were relatively new. They also mentioned problems recruiting and developing the appropriate quality staff. Beyond issues such as providing 'financial help', 'help with business planning' and 'help with staff training' (Figure 7.2), however, the business owners also raised other issues. For example, in Part Four it was noted that ethnic business may have a greater chance of achieving 'break-out', or higher value markets by serving more business customers. This point was also noted by some of the business owners:

"...I think one of the things that they could do is create network opportunities for smaller businesses to get to know what is going on in big business. It is on that personal level that you do business. So [it could be] a conference or some sort of event [for] small businesses to look at how they could supply services to larger businesses" (Black Caribbean, professional services, 7 employees).

7.3.4 Ethnically Sensitive Support Provision

One of the main issues concerning the delivery of support services to ethnic minority business owners was whether take-up would be increased if services were directly delivered by an individual(s) from the same ethnic group as the owner-manager. In Part Eight it is argued that the answer may be yes for some groups and no for others (see Section 8.3.3). Moreover, it is suggested that first generation and owners of smaller start-up and micro enterprise may be more willing to accept support if it is provided by outreach workers from the same ethnic group as the owner manager. This approach is seen as more suitable because it avoids language and cultural problems, it allows an intimacy of contact through which trust and credibility can be established, and finally it allows for greater sensitivity to individual business and other needs. For other business owners, however, who are perhaps larger, growing and generally more established, there may be less need for an ethnically sensitive approach simply because these business have aspirational and behavioural patterns very similar to the mainstream.

The results from the businesses research on this issue were very mixed reflecting, to a large degree, the complexity of the issues involved. When asked a simple question 'would you be more or less likely to use external advice and support if their staff were from your own ethnic background, or would it make no difference?',

a significant majority (85.7 per cent) suggested that it would make no difference, though 6 per cent suggested they would be more likely and 8 per cent did not know (Table 7.4). This suggests that it is not particularly important to use ethnic minority personnel in support delivery. However, some ethnic groups were more likely to suggest it would make a difference, or that they were unsure. For example, over one in ten Black Africans (12.3 per cent) suggested it would make a difference. Just over one in five Black Caribbeans suggested it would make a difference or that they were unsure (20.2 per cent). The Black British and the Asians appeared less concerned.

Table 7.4				
Would The Use of Support Providers From Same Ethnic Group Make Any Difference to Your Take Up of Support?				
Percent				
	No	Yes	Don't Know	N=
Ethnicity				
Black British	85.0	5.0	10.0	20
Black Caribbean	78.8	9.1	12.1	33
Black African	84.2	12.3	3.5	57
Asian	87.8	-	12.2	49
Other	100.0	-	-	15
Total	85.7	6.3	8.0	100
N=	150	11	14	175

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

However, the results from this question have to be looked at from a slightly different perspective. Results presented in Section 7.2.4 suggest that many of the business owners have never used established support services and it is likely that many do not intend to use them in the future. Given some business owners' general antipathy to established support it is unlikely that using more ethnic minority personnel to deliver services would make any difference to their take-up. However, for other business owners, who are perhaps in need of support

and are considering using external help, the use of ethnic minority personnel may make a difference to take-up. Results from the focus groups appeared to confirm this. Those business owners who offered an opinion suggested that using ethnic minority personnel was important. However, there appeared to be a general reluctance to admit that this was an issue, perhaps, because it was not seen as a positive 'business' approach (see also Section 2.8). Overall, the feeling from the research is that using ethnic minority support providers is an important, though not crucial, step in improving the participation of ethnic minority entrepreneurs in the support delivery process. Used in conjunction with a number of the other policy suggestions identified it may have an important impact.

7.4 Summary

Part Seven has considered the business owners' awareness, experiences and opinions of support provision in Lambeth and Southwark. The section began by arguing that support provision could be divided into 'more compulsory' support providers: accountants, solicitors, banks managers, trade associations; and 'less compulsory' support providers: Business Links, enterprise agencies, TECs, chambers of commerce and the charities, for example, Princes Youth Business Trust.

As suspected ethnic minority businesses in Lambeth and Southwark were much more likely to use accountants, solicitors and bank managers for advice than Business Links and TECs etc. This, it was argued, was because business often use the formers' services to comply, for example, with government regulation. Through relations of this kind the business owners often developed personal links which were then used to illicit other forms of more general business help and support. The business owners were also more inclined to use personal and informal contacts, business colleagues, family and friends, for advice and support than established support bodies demonstrating the extent which they rely on word of mouth as a source of business information. This information may not be highly specialist, yet at least it is seen as credible and trustworthy.

The business owners awareness of the established support agencies was surprisingly low. Less than a third of the owners were aware of Business Link, less than one in five were aware of the enterprise agency, Lambeth and Southwark Business Services; around 13 per cent were aware of the TEC, FOCUS; and less than one in ten were

aware of the business support charities Elephant Enterprise, Threshold and Instant Muscle. However, two out of five owners were aware of their council, though it was unclear whether this awareness related to their business services or regulatory function, and three out of ten were aware of the Princes Youth Business Trust.

The business owners' use of established support providers was even lower. Only 15 per cent of the business owners had used 'less compulsory' support providers in the last 12 months, indicating that a large majority of the sample had received no advice and support from the established agencies in the same period. Business Link was the most frequently used support provider though only 6 per cent of the business owners had used its services (interestingly 11 per cent of businesses in Lambeth had used its services compared to less 1 per cent in Southwark). The local councils, Princes Youth Business Trust, the chambers of commerce, Lambeth and Southwark Business Services were used by about 3 per cent of the business owners and the other support charities, Elephant Enterprise, Threshold and Instant Muscles were used by about 1 per cent of the businesses or not at all.

The most obvious reason for why there was such low usage of established support services related to awareness. If awareness of the services on offer is insufficient then clearly business owners are not going to take them up. In many cases the business owners suggested that the support agencies were simply there to provide funding, highlighting how many of the business owners also shared mis-conceptions about what they did.

The research also suggested that the business owners had a general distrust of the support agencies. This, it was argued, manifested itself at a number of different levels. Business owners are often characterised as having a basic distrust of government organisations. For example, government agencies are seen as being overly bureaucratic, the very anti-thesis of the flexible small firm. Ethnic minority business owners may also have reservations based on past episodes of discrimination, for example, concerning treatment by the police etc. In other words, their reluctance to use support agencies may reflect a lack of trust in any agency that represents 'the state'. The business owners also suggested that it was very difficult to trust organisations which had no long term presence in the local community. As far as these respondents were concerned the support agencies were there to help 'other businesses', were faceless, and had uncertain objectives.

Beyond the issues of awareness and trust, the business owners' reluctance to use support agencies were often similar to findings reported in research on mainstream small businesses. More specifically, the business owners were often more concerned with ensuring that their businesses had enough customers to survive rather than accepting external help. Though intervention may prove highly beneficial to businesses at this stage, they clearly believed that their time was much more wisely spent running the business. In other cases the business owners' reluctance to take up business support reflected a general lack of willingness to accept outside help. Moreover, many respondents felt very personal about their businesses and accepting advice was interpreted as an unacceptable admission of failure. In practice, the business owners would often refuse advice and support because it was not seen as 'specialised' enough for the requirements of the business.

Part Seven also offered a number of potential policy suggestions for improving the efficacy of support services. First, a number of practical suggestions were offered about how to raise the awareness of, and build trust in, the support agencies and their services. Briefly, it was argued, that the support agencies should (1) use media more commonly used by the ethnic minorities (2) use the agencies where the businesses would normally go for help and support, for example, accountants, solicitors, trade associations, local consultancies (3) establish a local long term and credible presence in the main community centres, perhaps using a 'advice and support shop front' (4) make more use of outreach work especially for first generation, start-up and micro business owners, and/or (5) make more use of ethnic minority personnel for support provision.

Second, a number of suggestions were made about the content of support provision. The results suggest that business owners needed help on: (1) raising finance, especially improving their understanding of, and presentation of business ideas to, the financial system (2) marketing their products and services to larger business and the public sector (3) establishing start-up and recent start-ups and/or (4) recruiting and retaining staff of the desired quality. Furthermore, support providers should ensure that their interventions are of the highest possible quality generating a 'critical mass' of positive word of mouth referrals. They should also steer away from providing programmes which are too general and broad-brush. For example, they should

develop schemes based on one of the above topics for firms in particular sectors and/or at particular stages in their life cycle, such that the relevance of the intervention is immediately apparent to the business owner concerned. Furthermore, the interventions should be delivered in flexible format which is consistent with smaller business owners time constraints.

Part Eight: The Support Providers

8.1 The Support Providers

There were at least 20 organisations providing enterprise funding, advice and support in Lambeth and Southwark, excluding the commercial banks (Table 8.1).¹¹⁸ They ranged from government funded agencies such as Business Link and TECs to enterprise agencies, chambers of commerce, trade associations, charities, property agents and borough councils. They varied significantly in terms of their geographical and business coverage, service activities, and support of ethnic minority businesses.

8.1.1 Geographical Coverage

Of the 20 support agencies detected, 7 covered Lambeth (or parts of) exclusively, 7 covered Southwark (or parts of) exclusively and 6 covered both boroughs or wider areas. For example, Business Link and the TEC covered 5 and 9 London boroughs respectively (see Appendix Two, for details). Other organisations, such as the Princes Youth Business Trust (PYBT), covered sub regional areas such as 'South London' (see Appendix Two, for details). Other agencies covered borough areas only. Lambeth and Southwark Business Services covered Lambeth and Southwark, and the councils covered their respective boroughs. At the smaller end, Elephant Enterprises, for example, concentrated its activities on specific parts of Southwark, especially, Peckham, though recently it has been awarded the self-employment option for New Deal in Lambeth and Southwark.

By considering the number of support agencies providing services in each of the boroughs, it could be argued that, the coverage is relatively even. However, a great deal depends upon the services offered by individual agencies unique to particular boroughs. As section 8.1.3 shows, services provision varies between the agencies, particularly, for example, between the government agencies and the charities. The government agencies' services are, in theory, provided in a uniform manner across the boroughs. However, the charities tended to reflect the local communities they were trying to help. This, it could be argued, led to different service provision in different geographical areas. For example, there appears to be more business planning support for

¹¹⁸ It is possible that there are more than 20 organisations though no others were detected by the research.

start-up businesses in Lambeth as a result of a higher concentration of charitable business support agencies there. There was also a greater amount of non-commercial bank finance in Southwark. This was the result of different policies and practice on business support and regeneration between the two borough councils.

The location of the support providers may also make a difference. For example, Business Link and the TEC are both located in central London yet serve wider geographical areas. It is more than possible that the take up of services may vary between boroughs. Lambeth and Southwark Business Services is situated in Lambeth yet it serves both boroughs. Part Seven showed that the take-up of Business Link services, for example, varied between Lambeth and Southwark.

**Table 8.1:
Support Provision in Lambeth and Southwark**

	Geographical Coverage		Target Group	Services	
	Lambeth	Southwark		For Start-ups	For Established Businesses
CHAMBERS OF COMMERCE					
Southside Business Network	*		Members	None	Contacts, seminars, exporting
Southwark		*	Members		
London	*		Members	None	Inf., contacts, training, exporting
CHARITIES					
Elephant Enterprises		*	Unemployed And Socially Disadvantaged	Training, Business Planning, Support	Outreach & Mentoring
Instant Muscle	*		Young People, Women & Unemployed	Business Planning	None
Princes Youth Business Trust	*	*	Young People Aged 18-30	Loans, Grants, Mentors, Advice, Marketing Help, Seminars, Advice	
Threshold	*		All Businesses	Business Planning, Seminars, IT Training, NVQs, Contacts	
Trafalgar Square 2000	*		Young Unemployed People 16-30	Advice And Training for Creative Inds.	None
CONSULTANCIES					
Greater London Enterprise	*	*			
BOROUGH COUNCILS					
Lambeth	*		All Businesses	Town Centre Mangers, Property Shop, Skills Development, IT & Internet	
Southwark Business Desk		*	All Businesses	Referral Service, Property Register, Directory, Grants, Seminars	
Southwark Credit Union		*	Businesses With Less Than 50 Employees	Referral Service For Business Planning, Loans	
ENTERPRISE AGENCIES					
Lambeth and Southwark Business Services	*	*	Businesses With Less Than 10 Employees	Business 2000, It Facility, Advice	Business Reviews, Soft Loans, Advice
London Enterprise Agency	*	*			
GOVERNMENT AGENCIES					
Business Link London Central	*	*	Growing SMEs	Advice And Referral Service	PBAs, Training, Seminars, Advice

FOCUS Central London TEC	*	*	Larger SMEs and Large Businesses	None	Human Resource Development
PROPERTY AGENTS					
Michael Cambell Associates		*	All Businesses	Council Property	
Nelson Bakewell Chartered Survey.	*		All Businesses	Advice On Commercial And Council Property	
BUSINESS ASSOCIATIONS					
Association of Minority Contractors		*	Members		
Vietnamese Employment and Training Centre		*	Local Vietnamese Community		

8.1.2 Target Groups

The support agencies also had widely varying target groups. Business Link provided services to growing SMEs, the chambers provided services targeted at their members, and the charities provided support for particular groups, socially disadvantaged or otherwise. Lambeth and Southwark Business Services provided funding and business support for start-up and established businesses with less than 10 employees. Lambeth and Southwark councils provided services to both start-up and established businesses, though their business services were relatively limited in comparison (see next section). The targeting of different groups by the support providers was undoubtedly related to UK and European funding arrangements which emphasise a targeted approach to service delivery, a need to demonstrate 'value for money', and the failure of existing general business support strategies. Other funding agencies such as charities and the private sector may also reflect these priorities or may allocate their contributions to more 'worthwhile' or 'visible' objectives.

However, as a result of the above a support 'gap' appears to have emerged especially for start-up and micro-businesses.¹¹⁹ Moreover, in many instances support provision did not appear to cater for mainstream start-up and micro businesses, though this is likely to change in the light of the latest DTI Competitiveness White Paper. Support appeared either to be targeted, for example, at fast growing dynamic SMEs (Business Link) or at potentially socially disadvantaged groups such as young people, ethnic minorities or the long-term unemployed (the charities). The only support explicitly targeted at the mainstream groups was provided by Lambeth and Southwark Business Services (LSBS). In 1997/98 there were 50 places¹²⁰ available on LSBS's 'Business Review' programme compared to nearly 7,500 businesses with between 1 and 10 employees in Lambeth and Southwark¹²¹. Therefore, business help and support for mainstream start-up and micro businesses can only ever cover around 1 per cent of the relevant Lambeth and Southwark business population.¹²² There may also be a potential gap for those firms with over 10 employees who do not have the

¹¹⁹ London Association of Enterprise Agencies (1998) Support for Start-ups and Micro-Enterprise, London Association of Enterprise Agencies, London.

¹²⁰ This excludes 35 places in the Cross River SRB partnership area.

¹²¹ ONS (1998) Inter Departmental Business Register, Newport, July.

¹²² This situation may be remedied when the Department of Trade and Industry reviews its policy on start-up and micro enterprise.

relevant turnover, or cannot express concrete growth aspirations to Business Link advisors.

8.1.3 Service Provision

The support agencies also provided a wide range of support services. Start-up support was provided by a number of different agencies. Most of the charities (Elephant Enterprise, Instant Muscle and Threshold) and the enterprise agencies (Lambeth and Southwark Business Services) provided help with business start-up, particularly business planning and mentoring. PYBT, Southwark Credit Union and the banks also provided funding (and some non-financial support) for start-ups though in many cases it depended on the quality of the latter's business plans. Many of the above also provided post start-up support including specialised training courses on improving management skills.

Support for established business tended to be provided by the government agencies, Business Link London Central and FOCUS Central London. Business Link provided training and support which emphasised management diagnosis/development and information support for growth orientated SMEs. This included, for example, 20 Personal Business Advisors (PBAs) which provided tailored 'hands on' support and advice. The Links also provided specific management training on a number of topics such as finance, marketing and the Millennium Bug. Business Link was also the focus of a business support referral network. That is, business owners contacted Business Link and were referred to the most appropriate provider based on their characteristics and needs. Indeed, all the organisations interviewed were keen to stress that if they could not help a business they would refer it to the most appropriate agency.

FOCUS Central London provided services which encouraged human resource development in larger SMEs and large firms. In practice this meant promoting and delivering schemes such as Investors in People (IiP) and Developing People in Business (formerly Skills for Small Business). FOCUS also provided a number of management diagnosis tools and management support, through their 'Management MOT' and 'Management Development' programmes. The borough councils provided a number of services applicable to both start-up and established businesses. For example, Lambeth provided town centre managers, a property shop and an ESF funded project providing Internet training to ethnic minority businesses. Southwark council provided a 'first stop' help desk,

access to loans, through Southwark Credit Union (which currently funds 31 businesses), and facilitated a local business forum.

There was a good spread of support provision available to start-up and established businesses in both boroughs, though it is not possible to comment on the quality of this provision here. However, as noted in the previous section, it is clear that there was only limited support for mainstream start-up and micro businesses though, as noted, this may change. Furthermore, it might also be argued that, there was a lack of non-commercial bank finance in Lambeth, though, in Southwark, the Southwark Credit union scheme, only provided funds for 32 businesses.

8.2 Service Provision to Ethnic Minority Businesses

This section looks at the support agencies' provision of services to ethnic minority businesses. Moreover, it considers the support agencies' policies on, targeting of, service provision to, and collection of information on, ethnic minority businesses.

8.2.1 Policies

Only one organisation, the TEC, had a written policy on the provision of services to ethnic minority clients, including businesses, though this was yet to be fully operationalised and allowed for a degree of flexibility. The TEC's Equal Opportunities Strategy stated a commitment to equal opportunities, set targets for the inclusion of ethnic minorities on mainstream training programmes, and made provision for the collection of data on ethnic minority clients where applicable. The setting of targets for ethnic minorities on non-mainstream projects was not yet operational though there was a commitment to undertake this activity at the time of the research. None of the other organisations surveyed had a policy on providing services to ethnic minority businesses, though a number had an equal opportunities strategy for recruitment and other human resource issues. Furthermore, many organisations were proactive in developing policies to help ethnic minority businesses, most of which are outlined in the next section.

Table 8.2: Provision of Support to Ethnic Minority Businesses in Lambeth and Southwark			
	Written Policy on EMBs	Targeting of EMBs	% of service provision to EMBs
Banks			
Midland	No	Yes, Asians	n/a
Natwest	No	Yes, Asians	n/a
Charities			
Elephant Enterprises	No	No	73% Black and Asian
Instant Muscle	No	No	90% and 65% on two programmes
PYBT	No	Yes	40% of successful start-up
Borough Councils			

Lambeth	No	Yes	n/a
Southwark Business Desk	No	No	90% of enquiries
Southwark Credit Union	No	No	90% of loaned funds
Enterprise Agencies			
Lambeth and Southwark Business Services	No	No	55% and 33% on two programmes
Government Agencies			
Business Link London Central	No	No	n/a
FOCUS Central London TEC	Yes	Yes	n/a

Note: The Table is based on information gained through interviews (see Appendix Two). Equivalent information was not collected for the outstanding organisations listed in Table 3.1.

8.2.2 Targeting

A number of organisations specifically targeted or prioritised ethnic minority clients (Table 8.2). The banks, for example, appeared particularly interested in focusing on Asian entrepreneurs. Asian groups are often characterised as being relatively self reliant on family networks for finance and support.¹²³ Both Midland and Natwest had developed initiatives aimed at encouraging Asians to use mainstream finance. For example, Midland had developed a 'South Asian Banking Unit' and Natwest 'Asian Business Managers'. However, it is unclear what these banks have done for other ethnic groups.¹²⁴ Other organisations, Lambeth Council and the TEC, had developed specific support initiatives for ethnic minority groups. For example, Lambeth Council, had put together an ESF Objective 4 bid on IT on Internet training for ethnic minority businesses. The TEC had introduced a pilot project 'Management Development for Ethnic Minority Women in Lambeth'.

Organisations such as PYBT and Instant Muscle did not exclude mainstream groups but tended to prioritise ethnic minority candidates where possible. For example, Instant Muscle targeted services at the 'double disadvantaged' such as the long term unemployed who were from the ethnic minorities. Business Link did not set targets for assisting ethnic minority businesses and indeed "targets" were considered to be inappropriate or "artificial" to the work undertaken. However, Business Link had become involved in facilitating a business group in Lambeth that involved members from the local ethnic minority business community.

8.2.3 Monitoring

Monitoring is undoubtedly a highly important way of measuring the extent of support provision to ethnic minority businesses. Eight of the eleven support providers were involved in monitoring activities. Lambeth and Southwark Business Services were contractually obligated to collect information of ethnic minorities. The charities were also able to provide monitoring information as was Southwark council (Table

¹²³ Metcalf, H, Modood, T and Virdee, S (1997) Asian Self-Employment, Policy Studies Institute, London.

¹²⁴ As noted in Appendix Two, Natwest Bank had conducted research on Afro-Caribbean Business owners.

2.2). Other organisations, including Business Link¹²⁵ and one of the banks did not monitor the ethnicity of their client groups. Where organisations collected information, the figures show that a high proportion of services are being provided to ethnic minority business owners. For example, the charities appeared particularly active in collecting information and providing services to ethnic businesses (though very few instances were picked up in the business survey - see Part Seven). The minimum coverage of ethnic minorities cited by an individual provider was 40 per cent, way above their representation in the wider population.

¹²⁵ At the time of the fieldwork Business Link was installing a database which would monitor ethnic group. However, this information was proving very difficult to collect.

8.3 The Support Providers' Views: Themes and Suggestions

The relationship between support providers and ethnic minority business owners is fundamental to the delivery process. This section considers the support providers' perceptions and experiences of the ethnic minority business owners they serve, as well as how they believe they are perceived. The support providers also offered suggestions for an improvement in their relationship.

8.3.1 The Provider-Ethnic Minority Business Relationship

Most support providers described their relationship with ethnic minority business owners as positive. None thought that they were perceived as racially discriminatory, neither did they think that there were any problems in delivering services to ethnic minority business owners. The following view was fairly typical:

"...we have never had any problems. We have dealt with minorities all through our careers, you should ask the businesses themselves"(support provider 6).

Most respondents made reference to developing and understanding ethnic groups' 'culture' and the importance of building 'trust'. For example, understanding culture is seen as very important in relationships between ethnic minority business owners and the commercial banks. When difficulties occur the banks are often accused of representing 'white middle class male' attitudes, that is, lacking understanding of different cultures, particularly, methods of communication, presentation and the potential of ethnic market places. One of the bank managers appeared very aware of this, suggesting that one way forward was for bank managers to raise their profiles in the local community by joining local business groups and visiting local businesses (support provider 5).

One provider suggested that though building trust was essential, it was sometimes difficult to obtain:

"With some programmes ethnic minorities have been very wary. "Why has the government become involved, why would the government want to support them, who else was going to turn up?" Grants may be seen as hand outs rather than related to any wider objectives. There is a feeling that they are being approached because they are labelled and they were also unsure about what was expected from them" (support provider 9).

The respondent argued, therefore, that support providers have to be careful in the way they present advice and support. 'Handouts', for example, may have pejorative overtones that are inconsistent with the self-perceptions of the individuals they are trying to help. For example, an individual who has taken the pro-active step of entering self-employment or business ownership may see 'grants' as an insult to the way in which he or she has taken a positive action, for example, to resolve a position of unemployment. For the ethnic minorities, targeted support may also have pejorative overtones related to the belief that in some ways particular groups are incapable of helping themselves.

8.3.2 The Providers and Perceptions of Ethnicity

A number of respondents offered views on the characteristics of individual ethnic groups, perhaps, reflecting stereotypes which may (or may not) hinder the support delivery process. For example, Asians were characterised as relying on family networks for advice and support, and 'not needing advice' from other agencies. Some support agencies (5&11) considered it important to gain trust in Asian networks, where as others (8) appeared unwilling to commit resources believing it to be a waste. Another example related to Afro-Caribbean groups. Afro-Caribbeans were perceived as having an attitude of 'low trust'. This prevented them, it was argued, from working with support providers and with each other, including family. For one respondent this was reflected in the alleged low level of business organisation in Brixton (support provider 7).

One respondent made an interesting comment about helping ethnic businesses. It was argued that one reason why ethnic minority businesses have problems growing is related to their perception in the wider business community and society in general:

"It's all to do with perception. People think that black (sic) businesses are lower order businesses. "They are more unreliable, they are run badly, so I am exposing my self to more risk trading with them". That's not true, or it is no more true than for other businesses" (support provider 2).

The respondent suggested that it may be constructive for the support organisations to work together to develop a campaign to change the perceptions of ethnic minority businesses. This, it was argued, would be far more useful than any of the other initiatives on offer.

8.3.3 Using Ethnic Minority Business Advisors

Many of the support agencies thought that awareness and efficacy of support provision to ethnic minority business owners could be increased by employing staff from the same ethnic background as the group(s) they were trying to help. Moreover, a number of support agency representatives proposed that ethnic minority clients could be separated into two groups, each of which would require a different delivery model. The first group may be broadly characterised as recent migrants/first generation individuals who are perhaps unemployed and/or finding it difficult to access employment through the labour market. They may also be contemplating business

ownership as a solution to their problems, already have a business, or operate in the informal economy. This group, it was argued, may be more likely to respond to outreach work particularly where the support provider is from the same ethnic background. Mainly because of the difficulties these groups may encounter identifying with indigenous providers, especially through language difficulties.

The second group may be broadly characterised as owners' of more dynamic and growing ethnic enterprise, which have perhaps also experienced a relatively high degree of 'breakout'. This group, it was argued, define themselves as 'business owners' rather than as 'ethnic business owners' and are seen as sharing many of the same characteristics of the mainstream indigenous business community. Similar to the mainstream business community they appear reluctant to take external advice, but if they do, then the 'quality' and 'value' of the support is seen as significantly more important than the ethnicity of the individual or groups who provided it.

"A lot ethnic minorities are disadvantaged and are excluded from mainstream society, so they are not going to walk into your normal formal route of advertising, you've got to go out and actually market yourself on the street, on an individual basis, because all the formal communication routes and channels have probably been let down in the education system, so you literally have to get out there and market yourself through outreach programs" (support provider 3).

"It depends on what section of the black (sic) business community you want to reach. If you are talking about the micro businesses, the ones that are really trading on the margin, the ones that need the most support, then you are going to look at outreach. People at [support agency], they've got black business outreach workers. If you are talking about the more successful black businesses, the ones that aren't trading on the margin, who are doing quite nicely, then you've got the same problems as indigenous businesses, most are not interested" (support provider 2).

"There are times when a targeted approach is useful though labelling is always a danger. It [the targeted approach] gives participants a chance to exchange common experiences. High flyers will not tend to respond to the targeted labelled approach. The latter may be more appropriate to those who feel disadvantaged" (support provider 9).

8.3.4 Co-ordinating Area Activities

The UK is often criticised for having a confusing, fragmented and overlapping 'patch work quilt' of support provision.¹²⁶ Many of the providers suggested that a similar situation occurred in Lambeth and Southwark. For example, one support provider argued that government funding was made available for outreach work with ethnic minorities in the east of London but was not available for South London. The respondent argued that more consistency was required between areas. The solution for many of the organisations interviewed was the introduction of a networking occasion, or business forum, where support groups could co-ordinate their activities, exchange information and discuss ideas. This was thought to be lacking in both Lambeth and Southwark. One model currently developing is the Lambeth Business Growth Initiative. This is a relatively informal support agency network facilitated through Business Link London Central. Many local providers attend, however, it is still in its infancy and has yet to secure significant resources and formal partnership commitment.

One support agency (2) had already tried to facilitate a business group with support providers and business owners. However, the event had only limited success since business owners appeared reluctant to attend unless they were given rewards such as high profile guest appearances and/or refreshments.

¹²⁶ Bennet, RJ and McCoshan, A (1993) Enterprise and Human Resource Development: Local Capacity Building, Paul Chapman, London.

8.4 The Banks and Finance

8.4.1 Support Providers and the Banks

The banks' relationship with ethnic minority business owners has often been the subject of debate in the past.¹²⁷ For example, some have claimed that ethnic minorities suffer negative stereotyping from the lending institutions. This view was also articulated by some of the support providers in the sample:

"Personally I do think they (the banks) have racist lending criteria. The way the banks determine who they give their money to has got a lot to do with the person you talk to and whether or not they think you're going to make a go of your business. The overriding criteria isn't how your figures are set up, it's what they think of you as a person. If you start from that premise and add the fact that we live in an inherently racist society [with] racist institutions there are a lot of negative perceptions about black and ethnic minorities groups" (support provider 2).

Some support providers thought that the banks should be more innovative in the way in which they consider applications for business support. That is, business talent may develop in many guises and that this was not easily recognised by the banks:

"[The banks] ... may also have a role. None are run by women or by ethnic minorities. For example, a young aggressive individual comes in looking for money from a conservative bank manager, without an appropriately prepared business plan then the help will obviously not be forthcoming. This young person is never going to succeed under these conditions. There is no talent in spotting young flair. The PYBT do a good job, but how do you help the PYBT clan become a successful growing business?" (support provider 11).

Other providers illustrated the problems that the socially disadvantaged have in accessing bank support:

"As far as the banks go, these people have been unemployed, been unemployed for months. They have a good business plan but then they have a blemish on their credit record which the banks will take into account. The banks [also] like to see some money being put forward by the individual" (support provider 8).

¹²⁷ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Kingston University, Kingston Upon Thames, March.

The banks were obviously defensive of their position. Both banks stated that they were in no way prejudiced against lending to ethnic minority business and indeed cited a number of examples of action intended to encourage the local and ethnic minority communities. For example, both had initiatives aimed at the Asian communities. The respondents also suggested that businesses and others often failed to remember that the banks are commercial organisations there to make money. They also argued that to discriminate against the ethnic minority business market would not make commercial sense given the latter's size and growth potential. Indeed, evidence provided by Natwest bank suggests that 46 per cent of Afro-Caribbean have an overdraft or a loan with their bank.¹²⁸ This is a norm, it was argued, for the small business sector:

"...a lot of people forget to realise that we're just like any other business, we have got share holders, we are not a benevolent society ... If they (the businesses) get turned down we're often told that we don't understand. But at the end of the day we have to make a commercial decision. We have to lend money because that is our business. We don't get any joy out of turning people down" (support provider 5).

The banks, it was also argued, are much more likely to lend to established businesses rather than start-ups:

"It's easier for us to assess an on-going business because they have got track records. If they've been operating for two or three years and they've got figures, the business is profitable and they want to expand out and do something else. There is less risk there than someone walking off the street [It would be] taking a risk on a unknown quantity and if there is a higher risk we are probably a bit more reluctant to do it".

One of the bank respondents believed that in some instances the racism charge levelled against the banks by business owners was simply a defensive response to not securing finance:

"The business community will always point the finger of blame at the bank, when I've seen so many occasions that you could point the finger at the business customer ... When people make a complaint about the bank I can guarantee you there is something in the background that the business customer's fallen down on, and sometimes that might just be a personality clash with the bank manager..." (support provider 4).

¹²⁸ Natwest Bank (1996) African Caribbean Businesses and Their Banks, Natwest Bank, London, March.

The respondent also recognised, however, that it was difficult for the banks to understand the 'culture' of the ethnic minorities because they are white male dominated.

8.4.2 The Support Providers and Business Planning

The support providers, and especially, the banks emphasised the importance of business planning in developing sustainable and controlled growth and accessing finance. One bank manager suggested:

"The production of a business plan emphasises to the bank that the customer has given his/her business some thought. Coming to the bank with a loan figure in mind, with no justification, is not an effective way of gaining finance" (support provider 5).

However, the providers were often critical about the businesses they encountered. For example, one support provider noted that start-up and micro businesses appeared very reluctant to accept formal planning. The support providers argued that business owners were often content to rely on their technical skills and the business planning process was given less importance. Indeed, this is typical of many small business owners who often reject formal approaches to managing their business.¹²⁹

Respondents also suggested that business plans were often of a widely varying quality. For example, one respondent noted that business owners were often far too optimistic about what they could achieve. The banks also noted a variation in quality. However, in contrast they were often pleasantly surprised with the sophistication of the analysis involved. More sophisticated plans, it was suggested, tended to be developed by business owners who had been given help by a support agency. One bank was keen to improve the quality of business plans further and had introduced a quarterly competition awarding £250 to the best plan received.

8.5 Summary

This chapter has described business support provision in Lambeth and Southwark. The support providers were evenly distributed between Lambeth and Southwark and provided a wide range of services. However, there were a few

¹²⁹ North, J, Blackburn, R A and Curran, J (1998) The Quality Business, Routledge, London.

differences between the boroughs. For example, there appeared to be a greater number of charities providing start-up support in Lambeth and a greater provision of non-commercial bank finance in Southwark, though these differences should not be overstated. This section has not considered the quality of the services provided.

One of the main problems with support provision in Lambeth and Southwark appears to relate to the targeting of support. Targeted government funding has meant that support provision is available mainly to socially disadvantaged start-ups, through combinations of SRB, ESF, charitable and private sector funding, or to established and growing SMEs, through Business Link.¹³⁰ Larger firms also receive human resource support from the TEC. There appeared to be a gap, therefore, for more mainstream business start-ups and small businesses that do not meet Business Link criteria,¹³¹ though this may change in the light of new government legislation. However, at the time of the research support provision appeared limited to Business Reviews through Lambeth and Southwark Business Services for which there were only 50 places in 1997/98, less than one per cent of the 7,500 business in this group.

The provision of services to ethnic minority businesses was also mixed. Only one organisation had a policy on providing services to ethnic businesses and that was yet to be fully operationalised. There was evidence that many organisations, especially, the charities were targeting the ethnic minorities, though others did not. For example, the banks only targeted Asian businesses and Business Link did not specifically target ethnic businesses. The monitoring of services provided to ethnic minority businesses was also mixed. Many of the charities actively collected information though the government support agencies and the banks appeared slower in the up take. Though the collection of information on ethnic minorities is a real problem for the support providers, it is also essential, if they are to act positively to help these groups.

The support providers were also asked to articulate their views on helping ethnic minority businesses. Most thought that the key was understanding the culture of individual ethnic minority groups and also building

¹³⁰ London Association of Enterprise Agencies (1998) Support for Start-ups and Micro-Enterprise, London Association of Enterprise Agencies, London.

¹³¹ Gavron, R, Cowling, M, Holtham, G and Westall, A (1998) The Entrepreneurial Society, Institute of Public Policy Research, London.

trust. They also provided a number of specific suggestions. These included the promotion of ethnic minority business to other businesses and wider society so as to raise their credibility. Support should be tied closely to the self perceptions of the group(s) being targeted. This, in part, led to a proposed two tiered delivery model. The first target groups were thought to be recent migrants/first generation individuals who are perhaps in some way socially disadvantaged. This group, it was argued, would be more successfully helped by outreach workers from the same ethnic background. The second target group was thought to be the more dynamic and growing ethnic minority businesses who are perceived, rightly or wrongly, as being more like the indigenous business population. This group, it was argued, would be more effectively helped by treating them like mainstream businesses. The support providers were also in favour of a more co-ordinated and integrated approach to service delivery. This may involve the creation of a discussion forum in Lambeth and Southwark.

The support providers were also asked their views on the role of the banks and business planning. Most support providers had a poor perception of what the banks did for ethnic minority businesses. In the worst cases they were seen as racially discriminatory, and at best representing white middle class attitudes which were inconsistent with understanding the proposals, needs and wants of ethnic businesses. The banks defended themselves by suggesting that racism was too often used as an excuse on the part of business owners for their own deficiencies. They also pointed to figures suggesting that they were more than active in lending to some ethnic groups. Moreover, the banks, they argued, were commercial organisations that would be foolish to miss out on the expanding ethnic businesses market.

Part Nine: The Use of Labour

9.1 Introduction

The businesses' use of labour provided another indication of how well the businesses were performing. For example, the use of full-time permanent workers may be seen as indicating greater success than the use of part-time temporary workers, though obviously this will depend on the type of activity under consideration. The use of workers from the business owners own family and/or ethnic community may also be seen as limiting because it may restrict access to other skills available in the labour market. Part Nine considers the business owners' use of labour. In particular it looks at their use of full-time, part-time, male and female workers; their use of labour from their own ethnic group and their own families.

9.2 The Use of Full time, Part-time, Male and Female Workers

Results from the research suggest that the businesses were less reliant on full-time and more reliant on part-time workers compared with the average for all businesses in the FOCUS Central London area. According to the 1996 Annual Employment Survey around four out of five central London employees were full-time (79.5 per cent) and one out of five were part time (20.5 per cent).¹³² However, results from the current research suggest that just under two thirds of the businesses' employees were full-time (63.6 per cent), compared to just over a third part-time (36.3 per cent) (Table 9.1). This perhaps indicates that the businesses have yet to develop to the extent where they can afford to employ a higher level of full-time staff. Staffing is often the most significant cost in small businesses and the respondents may have avoided this problem by employing more part-time and temporary workers. However, they may also be reluctant to take on full-time staff if they cannot get candidates of the desired quality. Indeed, this problem was reported by some of the business owners in Part Five. The use of full-time working was more common in Black British and Asian business (c 75 per cent) and less common in Black African (49.8 per cent) and Black Caribbean businesses (60.6 per cent).

9.3 Ethnic Minority Employees

¹³² FOCUS Central London (1998) Central London Economic Assessment , FOCUS Central London, London.

Previous research has considered ethnic minority businesses' use of labour. This suggests that ethnic businesses have access to greater quantities of cheap, hard working and loyal community labour and that this may give them an advantage compared to the mainstream.¹³³ This is thought to be especially true for Asian businesses,¹³⁴ though less so for Africans and Caribbeans.¹³⁵ The reasons why ethnic business may use community labour relates to their high level of flexibility over pay and conditions which is thought to be a particular advantage especially to recent start-up businesses. Furthermore, from the employee's perspective, working in an ethnic enterprise may mean earning an income without having to enter the wider labour market or indeed speak English.

Table 9.1							
Employment by Ethnicity, Sector, Size and Borough Percent							
	Full-time		Part-time		Ethnic Employees	Family Employees	N=
	Male	Female	Male	Female			

¹³³ Ward, R, Randall, R and Krmar, K (1986) 'Small Firms in the Clothing Industry: The Growth of Minority Enterprise', International Small Business Journal, Vol. 4, No. 3, pp 45-56.

¹³⁴ Ram, M and Hoilday, R (1992) 'Keeping it in the Family - Small Firms and Family Culture', Paper presented to the 13th National Small Firms Policy and Research Conference, Southampton, November.

¹³⁵ Wilson, P (1987) Growth Strategies in Minority Enterprise: Case Studies in Corporate Growth in Asian and Afro-Caribbean Businesses in Britain, Small Business Research Trust, Milton Keynes.

Black British	60.4	15.1	15.1	9.4	62.3	19.8	23
Black Caribbean	34.9	25.7	11.8	27.6	78.9	18.4	40
Black African	22.9	26.9	20.1	30.1	55.8	10.4	60
Asian	51.8	23.1	16.1	9.0	32.2	20.1	52
Other	44.1	41.2	8.8	5.9	44.1	20.6	14
Total	39.1	24.5	16.2	20.1	54.8	16.6	198

Source: Ethnic Minority Businesses in Lambeth and Southwark Survey

The results suggest that just over a half (54.8 per cent) of all the businesses' employees were from the same ethnic background as the owner-manager (Table 9.1). It is difficult to say whether this is a particular high or low number since no comparable information appeared available at the time of the research. However, this figure suggests that just under a half of the employees were from a different ethnic background to the business owners, which appears to be fairly encouraging. That is, the business owners appeared prepared to use employees from all ethnic backgrounds and thus were allowing themselves a wider range of choice in the labour market.

The use of employees from the same ethnic group as the owner manager varied with ethnic group, though not in the way normally expected (Table 9.1). As suggested above, previous research has tended to suggest the Asian business owners are more likely to use employees from their own ethnic group and Black Caribbeans least likely. The results from the current research suggested exactly the opposite effect. The Black Caribbean business owners were most likely (78.9 per cent) to use workers from the own ethnic group and Asians (32.2 per cent) were the least likely (Table 9.1).

9.4 Family Employees

The business owners also made use of family employees, though not to the same extent as workers from their own ethnic group (Table 9.1). The results suggest that around 16 per cent of all the businesses' employees were family workers. Results from other research on ethnic minority businesses suggest that this figure is probably about normal. The latter suggests that a large majority of ethnic businesses have less than 25 per cent family workers.¹³⁶ The use of family workers also varied according to ethnic group. As would be expected Asians had the highest use of family workers (20.1 per cent) and Black Africans had the lowest (10.4 per cent) (Table 9.1). Though the Asians had the highest use of family labour these figures still appear quite low.

9.5 Summary

Part Nine has considered the business owners' use of labour. In particular it looked at their use of full-time, part-time, male and female workers; their use of labour from their own ethnic group and their own families. The businesses were less likely to use full-time workers and more likely to use part-time workers than the mainstream. This was thought to indicate that the businesses were either not developed enough to be able to take on a larger proportion of full-time workers or were having problems recruiting the appropriate full-time staff.

About half of the businesses' employees were from the same ethnic group as the business owners and about one in five were family workers. The use of a high proportion of workers from a different ethnic groups was seen as encouraging especially given that it did not restrict business owners from accessing the appropriate skills in the labour market. The use of family workers was considered to be about normal, though there were indications that Asians were making much lower use of family labour than normal.

¹³⁶ Curran, J and Blackburn, R A (1993) Ethnic Enterprise and the High Street Bank: A Survey of Ethnic Businesses in Two Localities, Small Business Research Centre, Kingston Business School, Kingston Upon Thames.

Part Ten: Policy Suggestions

10.1 Introduction

The policy suggestions to emerge from this report are derived from two important questions. These are (1) What interventions should support agencies undertake? This refers to the content of the support delivered. In Part Eight a detailed description was made of the support provision on offer in Lambeth and Southwark. Using the findings from the research the report suggests what support providers should be doing to help ethnic minority businesses. (2) How should support be delivered? This refers to the methods for increasing the awareness of, trust in, and use of, the support providers.

10.2 What Interventions Should Support Agencies Undertake?

A number of suggestions were made about the content of support provision:

- (5) Ethnic minority business owners need help understanding, accessing and raising finance. The research suggests that accessing finance was the main constraint on business growth. The business owners appeared to need help in three main areas: (a) knowing what financial support is available (b) developing a clearer understanding of how the financial system works (c) presenting their business ideas to finance providers in both a verbal and written format. Proposed interventions should bear in mind that the business are very small (and therefore funding arrangements for larger small firms are probably not suitable) and the businesses owners have an aversion to use of financial jargon (the intervention should be expressed in the simplest and most relevant terms). This support could be targeted at all sectors and especially start-up and growing smaller firms. The banks also have a highly important part to play. In particular, the banks need to think more clearly about how they develop the delivery and content of their services such they are more understandable and accessible to ethnic minority businesses.
- (6) Ethnic minority business owners need help marketing their products and services to larger businesses and the public sector. The research suggests that business owners in particular activities, for example, business and professional services, were keen to move beyond

local, individual and ethnic based markets to serve mainstream individuals, other businesses and the public sector. The business owners appeared to need help accessing, and convincing, these markets that they are capable of doing the work necessary. Moreover, support providers may wish to think of ways of improving the perception of ethnic minority businesses in mainstream markets. This support will be most effective if targeted at particular sectors.

(7) Ethnic businesses need help recruiting and retaining staff of the desired quality. Many of the business owners suggested that problems recruiting and retaining quality staff were a significant constraint on growth. In many respects this problem may be related to their small size and inability to offer competitive wages. However, it is clear that these business would benefit from greater knowledge about recruitment and retention issues.

(8) Ethnic minority businesses need help at particular stages of their life-cycles. The research suggests that a large proportion of the businesses were recent start-ups. This is a particularly difficult stage in business development, yet currently, support provision to these businesses is limited (see Part Eight). These businesses need help with all the above issues: finance, developing markets, for example, but in a manner which is geared to the needs of start-up businesses. The research also suggested that firms with 10 or more employees needed help. These firms appeared reluctant to plan for growth and make the transition from personal to professionally run businesses. This may mean the increased provision of support offered by Business Link Personal Business Advisors to ethnic minority businesses.

10.3 How Should Support Be Delivered?

The research also offered a number of practical suggestions about how to raise the awareness of, build trust in, and increase the use of, the support agencies and their services.

(5) Awareness of, and trust in, the research agencies may be improved by using more informal methods of communication and by developing a presence in the local community. For example, support providers may benefit from (a) using media more commonly used by the ethnic minorities. For example, some respondents mentioned Choice FM and even the churches (b) advertise and/or

develop support services through agencies where the businesses would go normally for help and support, for example, accountants, solicitors and local consultants (c) establishing a local long term and credible presence in the main community centres, perhaps using an 'advice and support shop front' (d) make more use of outreach work especially for first generation, start-up and micro business owners, and/or (e) make more use of ethnic minority personnel for support provision.

(6) Support providers should ensure that their interventions are of the highest possible quality. Support providers may only increase the awareness and use of their services by ensuring that all (or most interventions) are positive. As noted, word of mouth plays a highly important part of the owners' business information. Negative experiences are equally, if not more, likely to permeate through informal networks than positive experiences. Positive referrals are more likely to be generated by providing appropriate support, guided by what the business owners perceive they need; using language appropriate to the target groups, and by using experienced and competent personnel.

(7) Support providers should target support at particular groups. There are both resource and efficacy implications here. For example, the research suggests that unemployment is not an important route into self employment. Policy makers may wish to consider whether this group should be encouraged to become business owners. Support providers should target their support at tightly defined groups and steer away from providing programmes which are too general or broad-brush. For example, they should develop schemes based on one of the above topics for firms in particular sectors and/or at particular stages in their life cycle, such that the relevance of the intervention is immediately apparent to the business owner concerned. Furthermore, the intervention should be delivered in flexible format which is consistent with smaller business owners time constraints.

(8) Support providers should track start-up businesses. Business owners which establish enterprise with assistance from the support providers, for example, the enterprise agency and the Princes Youth Business Trust, should be tracked as they develop. For example, if the businesses grow beyond their initial start-up stage their details should be passed on to Business Link. Support providers will have a full case history of the

businesses and the business owners will be accustomed to receiving outside help and support as their businesses develop.

Appendix One: The Survey Methodology

Introduction

This appendix has two broad aims. This first is to consider the definitions attached to 'ethnic minorities' in the UK and to discuss the problems of dealing with such issues in research. The second is to outline the research aims and research methods used in the project and the problems undertaking research in this area.

What are 'Ethnic Minorities'?

It is important when undertaking research of this kind to consider what expressions such as 'ethnic minorities' mean. The expression 'ethnic' means pertaining to a social group which has common national, racial or cultural traditions. 'Minority', in this sense, refers to the proportion of the overall population who are from an ethnic group or number of ethnic groups who are not indigenous to that population. That is, an ethnic group or number of ethnic groups are in a minority compared to the indigenous population in, for example, Lambeth, Southwark, Central London and the UK.

The problem when using expressions such as 'ethnic minorities' is that they have acquired meanings and values beyond that stated above. Though the expression 'ethnic' by definition encompasses all national, racial and cultural groupings it has tended to become associated with national and racial groups which are not indigenous to the UK. This may include Caribbeans, Russians, Turks, Africans and the Irish, though the English and the indigenous population of the UK are just as much an 'ethnic group'. The expression 'ethnic' has also come to be associated with particular skin colours. For example, individuals with non-white skin colour may be seen as more 'ethnic' than those with white skin though once again this is incorrect. Moreover, the expression 'visible' ethnic minorities has come to represent those ethnic groups which are non-white or could not be visibly confused with the indigenous white population.

Others have introduced expressions such as the 'black and ethnic minorities'. This implies in some way that the black groups are different from the ethnic minorities perhaps because they are in the majority in a particular geography. Presumably it would also be possible to talk about 'Asian and ethnic minorities' where Asians are the dominant group in a geography. The expression 'ethnic minorities' may also be seen as a way of trivialising the diverse set of cultural characteristics pertaining to the

numerous ethnic groups resident in the UK. That is, ethnic minorities is used as a broad brush expression to distinguish non indigenous ethnic groups from indigenous groups when in reality the cultural differences between the groups are vast.

This problem is exemplified by the labels used in the survey. For example, there may be problems using expressions such as 'Black Caribbean'. Individuals from the Caribbean may originate from a number of different islands, each with their own distinct cultural identities which may have a bearing on their socio-economic characteristics and differing propensities to enter self employment. The same applies to 'Black Africans'¹³⁷ and 'Asians'. Of course, it is favourable to use narrowly defined ethnic groups based on nationality or other group characteristic, however, given the sample size used in the survey it was decided that the categories used above were most suitable for analysis purposes. There may also be other problems, however. For example, it might be assumed that 'Black British' refers to individuals whose parents or grandparents were originally from the Caribbean or Africa but who were born in the UK. However, this was not necessarily the case. Individuals were given the opportunity to define their own ethnic grouping and a number of those who suggested they were 'Black British' were born outside the UK.

The Research Aims

The project had three broad research aims:

- ? To develop a profile of ethnic minority business owners in Lambeth and Southwark. This included looking at their ethnicity, gender, age, qualifications, previous experiences of employment/unemployment etc., and their motivations for entering business ownership.
- ? To develop a profile of ethnic minority businesses in Lambeth and Southwark. This included looking at their age, employment and turnover size, activities, premises, customers, labour markets, finance and use of advice and support.
- ? To explore the business owners' use of financial and non-financial advice and support provision. This included looking at why ethnic minority business owners were apparently reluctant to use established support provision and to consider how to improve the efficacy of this support.

¹³⁷ See, for example, Smallbone, D and Fadahunsi, A (1998) 'The Diversity of Ethnic Minority Enterprise', Paper presented to the Ethnic Minority Entrepreneurship Seminar, University of Central England, Birmingham, September.

Research Methods

The research employed a four stage methodology:

Stage One: **30 face-to-face** interviews with ethnic businesses owners in Lambeth and Southwark.

Stage Two: **Mapping exercise** of business advice and support provision in Lambeth and Southwark.

Stage Three: **200 telephone interviews** with ethnic minority businesses in Lambeth and Southwark.

Stage Four: **Two focus groups** with business owners, one in Lambeth and one in Southwark.

Stage One: 30 Face-to-Face Interviews

The first stage involved 30 face-to-face interviews with business owners in Lambeth and Southwark. At the onset of the research it was clear that very little was known about ethnic minority business owners and businesses in Lambeth and Southwark. It was, therefore, decided to start the research using an open qualitative approach to gain a fresh unprejudiced understanding of the characteristics, themes and opinions voiced by ethnic minority business owners at the ground level.

To facilitate this process a semi-structured interview schedule was developed with questions, prompts and probes on a range of issues, for example: start-up, markets, customers, finance, and advice and support. However, arrangements were also made to ensure that the respondents could develop any theme that they thought to be important while remaining focused on the issues surrounding business ownership. The business owners were chosen from different backgrounds to gain the widest range of views possible. The consultants were set quotas for ethnicity, gender, borough, business sector and business size to guide them in this process (Table A1).

Figure A1 Lists and Directories:

Business Research Intelligence Services - the most reliable list discovered.

The Black Pages - a little bit out of date but enabled some businesses to be identified.

The Asian Business Directory - most of the businesses in this comprehensive directory were outside the Lambeth and Southwark area. Those identified were mainly in retail or mainstream businesses that had advertised in the directory.

Brixton Business Directory - compiled for Brixton City Challenge.

National Association of Minority Contractors
Southside Chamber of Commerce
Inner city Employment Limited
Equinox Consulting

At the start of the fieldwork the business owners were identified through 8 separate databases which varied significantly in quality and consistency (see Figure A1 for a list of the consultant's comments). The problems maintaining accurate business databases are well documented, but the problems associated with databases on ethnic minority businesses in Lambeth and Southwark were particularly apparent. For example, many of the databases were incomplete or out of date. Some had names but no telephone numbers or addresses. Some did not identify the name of the business owner or type of business. The consultants attempted to improve awareness and take up of the research by using the local and the ethnic minority press.

The interviews achieved varied slightly from the quotas (Table A1), though this is unlikely to have affected the results at this stage. As already suggested, the main aim was to gain a wide range of experiences and opinions from business owners from different ethnic backgrounds, genders, locations, sectors etc., and this was achieved. However, the consultants did experience problems achieving interviews in certain areas. For example, they experienced difficulties meeting quota targets for Asians businesses. The databases used to identify Asian businesses were largely inaccurate or out of date. Asian business owners were often reluctant to be interviewed because they were either too busy or were concerned about the confidentiality of the research. The consultants also experienced problems meeting the business sector quotas. For example, it was difficult to achieve interviews with manufacturing businesses because there were very few manufacturing businesses owned by ethnic minority individuals in Lambeth and Southwark. The under-representation of construction firms was due in the main to their very small size when quotas for size had already been filled.

Table A1		
Stage One - Quotas and Achieved Interviews		
by Ethnicity, Gender, Borough, Sector and Size		
	Quota	Achieved
Black British	6	4
Black Caribbean	8	10
Black African	8	8
Asian	8	7
Other	-	1

Male	20	18
Female	10	12
Lambeth	15	16
Southwark	15	14
Manufacturing	5	5
Construction	5	1
Retail	5	6
Non-Professional Services	5	5
Professional Services	5	6
Other	5	7
1-4 employee	8	8
5- 10 employees	7	12
11-24 employees	9	5
25+ employees	6	5
Total	30	30

The interviews were undertaken by two experienced researchers from the consultants. Twenty of the interviews were tape recorded and full transcriptions made. Ten respondents refused to be tape recorded. Interviews lasted about one hour on average with shortest being 25 minutes and the longest 2 hours and 25 minutes. The response to the first stage is difficult to judge since the consultant's priority was to meet the quotas as far as possible. To achieve the first 20 interviews, 60 businesses were approached, a response rate of 33 per cent. More businesses were then contacted to achieve the final ten interviews so that they were compatible with the quota requirements. The first stage of the fieldwork was conducted from 7 March to 3 April 1998.

Stage Two: Mapping Exercise of Business Advice and Support Provision

The second stage of the research involved a mapping exercise of business advice and support provision in the boroughs of Lambeth and Southwark. The support providers were identified through two lists compiled by the Lambeth Small Business Growth Initiative and Southwark council. This was supplemented with information provided by the support providers in the interviews. Moreover, respondents were asked to name any other organisations relevant to the research. At least 20 organisations were identified which provided advice and support to businesses in Lambeth and Southwark (see Table 5.1).

The support providers were then approached for information about their activities. Respondents from eleven organisations were interviewed face-to-face using a semi-structured interview schedule. Care was taken to ensure that the key respondent was interviewed so as to ensure that the response reflected as accurately as possible the policy and practices of the organisations. The remaining support providers were contacted by telephone and asked to send details of

their activities by post or fax. Only one representative appeared reluctant to be interviewed face-to-face or to provide the relevant information. The second stage interviews were conducted between the 18 May and 1 July 1998.

Stage Three: 200 Telephone Interviews

The third stage of the research involved 200 telephone interviews with business owners in Lambeth and Southwark. This was a more quantitative stage designed to assess the extent to which the themes discovered in the first two stages were shared amongst a wider number of businesses. Moreover, the qualitative results from stage one and two of the research were used to guide question construction in stage three. Once finalised, the telephone questionnaire schedule was then entered on to SPSS Data Entry thus enabling a CATI (Computer Aided Telephone Input) data collection.

	1991 Census	Quota Used 1996 Warwick Study	Achieved
Black British/Other	5.5	26.0	12.1
Black Caribbean	27.5	17.0	20.7
Black African	18.2	35.0	32.3
Asian	41.4	22.0	27.3
Other	-	-	7.6
Lambeth	-	-	50.0
Southwark	-	-	50.0
N=	-	-	200

Respondents were identified using information provided by the databases used in stage one, though they had been improved through cleaning at the earlier stage. Businesses were then written a letter introducing the research and subsequently contacted by telephone. As with stage one, quotas were set for ethnicity and borough but not for gender, sector or size (Table A2). However, there were some initial problems achieving response using this method. Only three interviews were achieved with the first 87 telephone calls. The problems were thought to reflect the poor quality of existing databases on ethnic businesses, a high level of suspicion about answering sensitive questions over the telephone and the usual responses such as the respondent being very busy or unwilling to take part in the survey.

Due to the low initial response rate it was decided to review the methodology. The consultants began to supplement telephone interviewing with further face-to-face interviews using a hard copy of the telephone

questionnaire. In total 70 telephone interviews were conducted with business over the telephone from contacts with 422 businesses, a response rate of 16.6 per cent. However, many of the same businesses were re-approached using the face-to-face approach from which a further 130 interviews were achieved. The field work was conducted from the 22 June to 14 September 1998.

Stage Four: The Focus Groups

The final stage of the research involved two focus groups with business owners, one each in Lambeth and Southwark. The aim of the focus groups was to discuss in greater depth the findings from the first three stages of the work. It was also seen as a good opportunity to seek potential ideas for delivery models to ethnic minority business owners. Business owners who took part in the third stage of the research were asked if they were willing to participate in the focus groups. Those who were willing were then contacted by letter and then telephoned to confirm their attendance. Focus group respondents were again carefully chosen to reflect a range of ethnicities, genders, economic activities and sizebands.

There were seven attendees at the Lambeth focus group including: two Black British, two Black Caribbeans, two Black Africans, one Asian. There was one female respondent. The respondents represented a range of activities including: an estate agents, public relations agency, an independent college of further education, a shipping agency, a travel agency, a restaurant, an insurance broker and a second hand bookshop. The focus group was held on the 3 November 1998 and lasted for about 2 hours.

There were six attendees at the Southwark focus group including: four Black Caribbeans and two Black Africans. There was one female respondent. These respondents represented a range of activities including: a legal service, a clothing wholesaler, an estate agent, a printer and an accountant. The focus group was held on 18 November 1998 and lasted for about 2 hours.

Appendix Two: Business and Financial Support Providers

Introduction

This appendix provides details on the support agencies in Lambeth and Southwark who were interviewed face-to-face during the second stage of the research. It provides information on their coverage of businesses, particularly in relation to start-up, micro and larger businesses; their main activities and services provided to their clients; and their targeting of, and service provision to, ethnic minorities and ethnic minority business owners.

Business Link London Central

Coverage: Business Link Central London provider business support for growing businesses in the London boroughs of Hammersmith and Fulham, Kensington and Chelsea, Camden, Lambeth and Southwark. All sizes of businesses are provided for, from start-ups through to 250 employee businesses through a partnership of organisations under the Business Link umbrella: Enterprise Agencies, the London Chamber, FOCUS Central London Training and Enterprise Council and the Business Link company itself.

Activities: Business Link's main activities are targeted at growing SMEs. Personal Business Advisors (PBAs) offer mentoring for growing businesses once they have reached a certain size, currently about 10 employees, helping them to clarify their objectives and introducing them to the most appropriate sources of help, information and advice. Business Link also offers a number of other services to businesses. These include advice in the areas of design, finance, innovation and technology and the Year 2000 problem. A series of 'Business Masterclasses' are available to businesses such they can learn more about the latest thinking on wide range of topics. A specially tailored portfolio of services is available to start-up and smaller businesses through selected Enterprise Agencies and business support organisations. These include the Business 2000 loan and support programme, Business Reviews, help with business planning and training.

Ethnic Minority Businesses: Business Link does not have a specific policy on ethnic minority businesses, nor does it collect information on the ethnicity of its client base. However, it has developed links with many

community groups, particularly in Lambeth where it has regular contact with the African and Caribbean business community there. Business Link's recruitment policy means that employee composition must reflect the overall characteristics of the business population for both directors and business advisors. It has business advisors from the USA, Europe, Asia and Australasia speaking 14 languages in total.

Elephant Enterprises

Coverage: Start-up and established businesses less than 2 years old in Peckham and Southwark.

Activities: Elephant Enterprises (EE) is a charity which provides support to local unemployed individuals wishing to start their own business. It is funded by Southwark Council, the Single Regeneration Budget (SRB), the European Social Fund (ESF), Natwest bank and a number of other charities. It does not charge for its services though it does make income through re-cycling furniture and property management.

EE assists individuals who previously had little or no direct experience of business - and perhaps little in the way of formal education, numeracy and literacy - to develop basic business and other skills. There is a strong emphasis on helping the social excluded living in the area. EE provides a range of services for start-up and established businesses. It operates an business enquiry service (if businesses are less than 2 years old they dealt with by EE, otherwise by Southwark Council). Individuals are then given an 'initial appraisal' to assess their suitability for business start-up. They are then given a 'training needs analysis'. EE provide a 7 week business start-up course for the long-term unemployed and a 10 week course for women only business training. Each of these courses is accredited to NVQ Level III Bus. Owner/Manager. EE also helps business start-ups access further support including financial support from agencies such the Southwark Credit Union, Princes Youth Business Trust (PYBT), Greater London Enterprise (GLE), the TECs and the banks. EE also runs the New Deal Self Employment Option for under 25s in Southwark and Lambeth.

EE provides a number of other services. It runs a mentoring service for recently established businesses. It has an ethnic minority business outreach worker who reviews the progress of local ethnic minority business start-ups. EE, together with a number of local banks, plan to start a scheme to reward good working relations between local start-up businesses and their banks. EE also runs a number of local re-cycling schemes including one which re-cycles office furniture, fittings and equipment.

Ethnic Minority Businesses: EE is actively involved in providing services to ethnic minority businesses. By virtue of its geographical position most of its clients

are from the ethnic minorities. For example, of the 337 appraisals conducted in the year 1997/98, 69 per cent were from the Black population, mainly Black African. Only 17 per cent were White British. The remaining 15 per cent were mainly White Europeans and Asians. As noted earlier EE also has a worker dedicated to outreach work with ethnic minority businesses in Peckham. EE also has a good representation of women. In 1997/98 45 per cent of appraisals were with women. The respondent also suggested that EE's facilitation of ethnic minorities into enterprise offset the equal opportunities problems the minorities have accessing employment opportunities, especially in Peckham.

FOCUS Central London Training and Enterprise Council

Coverage: Business advice, support and training for large businesses in the London boroughs of Lambeth, Southwark, Hackney, City of London, Islington, Camden, Westminster, Kensington and Chelsea, and Hammersmith and Fulham.

Activities: FOCUS Central London's main service provision is targeted at larger SMEs and large firms (though FOCUS manages Enterprise Agency contracts for start-up support - see Lambeth and Southwark Business Services). In particular FOCUS encourages businesses to adopt the Investor in People (IIP) training standard. It also provides the 'Developing People in Business' scheme (previously Skills for Small Business) which aims to encourage businesses to adopt a structured approach to human resources. FOCUS also provides a 'Management MOT', a diagnostic tool for human resource systems. The MOT involves the development of a best practice action plan and refers businesses to other services such as 'Modern Apprenticeship' and 'Management Development.' It also provides a 'Train the Trainers' programme aimed at encouraging trainers, including the ethnic minorities, to seek training accreditation through the Institute of Personnel Development. FOCUS also provides a number of other training options, for example, NVQs, and advice on IT and health and safety issues. FOCUS Central London contract manages the provision of these services which are delivered by number local and UK providers.

Ethnic Minority Businesses: FOCUS Central London's operates an Equal Opportunities policy which ensures the representation of ethnic minority business in service provision. The policy also requires that providers collect information on their service provision to ethnic minority businesses. FOCUS has also developed a pilot project 'Management Development for Ethnic Minority Women' in Lambeth. This, it is hoped, will provide a best practice example which could be used to inform practice in other areas.

Instant Muscle

Coverage: Start-up business support for young people, women and the long term unemployed in Lambeth.

Activities: Instant Muscle (IM) is a UK charity which provides free help and advice to the 'doubly disadvantaged', for example, the unemployed who are from

the ethnic minorities, or the disabled, wishing to enter employment or to set up their own businesses. IM provides business start-up support for three main groups: young people aged 18-30, mainly from the ethnic minorities, funded by Marks and Spencer; women, mainly women returners, funded by a number of different parties, and; those who are unemployed and aged over 25 years, funded by FOCUS Central London.

IM promotes its activities through leafleting, PYBT, Lloyds Bank Business Guide, the local Employment Service and voluntary organisations in Lambeth and Southwark. Candidates are assessed to see if they have the requisite skills and whether they have an acceptable business idea. Candidates are then allocated a place on one of the main programmes (or a sent to another agency if they do not fit the criteria). IM offer one-to-one advice on formulating business plans as well as other business advice. Individuals who are not at the business plan stage are redirected to Threshold, another local support provider, which provides more basic business start-up courses.

Ethnic Minority Businesses: IM is actively involved in providing services to ethnic minority start-up businesses. For example, on the young people aged 18-30 programme, 90 per cent were from the ethnic minorities, mainly Black Caribbean and Black African. On the women returners programme, 65 per cent were from the ethnic minorities, again mostly Black African and Caribbean.

Lambeth Council

Coverage: Start-up and established businesses in Lambeth.

Activities: The incumbent authority is developing a new business support strategy linked to job creation. There are four main elements to their current or proposed service provision: Town centre initiatives - Brixton, Clapham, Norwood, Streatham and Vauxhall are to have a town centre manager. Local area and town centre initiatives, it is argued, can provide a more focused role for businesses and an improved response by business support agencies to local business needs. A 'property shop' will list all the available premises in the borough, a slightly more limited service is already provided by Nelson Bakewell chartered surveyors. A consultation exercise with Lambeth businesses concerning the perception and use of council services will take place. The council is also undertaking an informal

consultation exercise with the Brixton Town Centre partnership, Southside Chamber and Streatham Business Forum to develop an understanding of business concerns. Finally, the council is addressing businesses' finance concerns by bringing banks and other financial agencies together with local business partnerships.

Ethnic Minority Businesses: The council has no specific policy on assisting ethnic minority businesses, although a recent successful ESF Objective 4 proposal, targets ethnic minority owned small businesses, supported by local business organisations, Southwark Council and Business Link London Central. It is also argued that by virtue of promoting business support activities in an area with a high ethnic minority population the council will inevitably help ethnic minority businesses.

Lambeth and Southwark Businesses Services

Coverage: Funding and support for start-up and established businesses with less than 10 employees in Lambeth and Southwark.

Activities: Lambeth and Southwark Business Services (LSBS) provides a number of services for business start-up and existing business owners resourced jointly by Business Link London Central, FOCUS Central London, Greater London Enterprise and South Bank University. LSBS's 'Going into Business Seminar' provides a half day introductory seminar for potential entrepreneurs preparing for, or thinking about, starting a new business (which costs £10). The 'Business 2000' scheme provides advice and interest free loans of up to £2,000 for start-up businesses or businesses trading for less than 1 year (6 months no repayment, 12 months interest free payments). This scheme also offers a one year programme of advice, support and training from a business advisor through period meetings. The scheme also offer one day special topic training workshops. In the Cross River Area the Business 2000 scheme provides a £1,000 grant rather than a loan. Both schemes are contingent on the business owner providing an acceptable business plan as well as meeting a number of other conditions.

LSBS also provides 'Business Reviews'. These are health checks for established businesses where the business owner sits down with a business advisor (for three half days). Advisors provide advice on financial systems, marketing, premises, staff training, and other more general/trouble shooting advice. The advisor prepares a report and action plan on the business. Reviews are subsidised and cost £75. They are free in the Cross River Partnership Area. LSBS also provides access to 'soft loans' of up to £10,000, through the London Growth Fund, for business wishing to expand employment. It also provides an open access computer resource, which is free to Business 2000 clients. Finally, LSBS provides free general business information and advice to all small businesses in Lambeth and Southwark.

Ethnic Minority Businesses: LSBS does not have a policy on ethnic minority businesses. However, it is contractually obliged to collect information on the ethnicity of participants. Information for the year 1997-98 shows that just under 55 per cent of participants on Business 2000 and 33 per cent of participants on Business Reviews, are non-White. LSBS gives priority to ethnic minorities and refugees in accepting businesses on

to its schemes and employs a business advisor to give specialist advice where this is required. It is unclear why ethnic minority business representation on Business 2000 is higher than on Business Review.

Midland Bank

Business Coverage: Start-up and established businesses.

Financial Business Services: Business current account, borrowing/raising finance (overdrafts, loans, Small Firms Loan Guarantee Scheme, commercial mortgages, leasing and hire purchase, sales linked finance, corporate finance), savings, investments and insurance. Two years free banking for start-up businesses with less than £1 million turnover (the business owner must also have a personal account at the branch). Community Banking - local managers have the authority to make all (or most) financial decisions concerning local business accounts. All account holders are allocated a business banker, with knowledge of business issues. Account Opening Guarantee - Midland will pay £10 to business customers every time it fails against set standards, for example, businesses who do not receive their first cheque book within seven days of opening the account. Telephone banking. Electronic banking - Hexagon and BACS.

Non-Financial Business Service: Starting a Business Pack - free brochure, video and CD-ROM for business start-ups. This includes examples of how to write a business plan and forecast cash flow. The bank's personnel also offer limited assistance to business owners developing business plans and cash flow statements. However, in most instances they are referred to an external support agency, for example, Business Link. The bank also provides Business Profiles which give details on starting up different types of business activities. For example, information on customers and competitors, typical start up costs, legal considerations and training courses. The bank provides information on franchising, exporting and importing.

Ethnic Minority Businesses: Midland Bank does not have a policy on ethnic minority businesses but operates an equal opportunities policy for its workforce. The bank's general philosophy is that 'all businesses are treated the same'. However, it has developed the South Asian Banking Unit, a central function set up to manage the strategic growth of the bank's Indian and Pakistani business customers in the UK. It also promotes a 'community banking' approach which seeks to 'understand and serve the needs of Britain's many diverse communities'. The bank has sponsored a number of different initiatives which seek to promote equal opportunities in the UK for both individuals and businesses. In particular, the bank sponsors the 'Race

for Opportunities Campaign' which focuses on ethnic minority businesses. Midland bank does not collect information on the ethnicity of its business customers.

Sources: Midland Bank (1997) Equal Opportunities Initiatives, Midland Bank, London, July.
Midland Bank (undated) Ethnic Minorities in the UK: Race for Opportunity, Midland Bank, London.

Natwest Bank

Business Coverage: Start-up and established businesses.

Financial Business Activities: Business current account, borrowing/raising finance (overdrafts, business start-up and development loans, 'flexible business loans', Small Firm Loan Guarantee Scheme, leasing, contract hire and lease purchase), savings, investments and insurance. Start-up businesses are offered free banking for the first year of operation, and discounted banking for three and half years, whether the account is in credit or in debt, as long as they do not have more than £1 million turnover (free banking does not include overdraft arrangement fees). Telephone and computer linked banking facilities. The bank offers specialised services for agricultural businesses and legal and healthcare professionals.

Non-Financial Business Activities: Each branch has a 'Small Business Adviser' for start-up and established businesses. The bank provides a number of guides and computer packages, for example, 'The Business Start-up Guide', 'Making the Most of Your Business', 'In Control' and the computer package 'In Control'. The bank provides a business help line 'Businessline' and on-line computer based account access service 'Bankline Cash Manager'. The bank also provides a number of topic specific services, for example, franchising, innovation and growth, and payroll. The bank has a referral system to local support agencies, for example, Business Link and the Princes Youth Business Trust (PYBT).

Ethnic Minority Businesses: Natwest Bank does not have a specific policy on ethnic minority businesses. However, the bank employs Asian Business Managers to specifically work with the Asian business community. It also utilises 'Area Small Business Advisers' which are responsible for building relations between the banks and business communities in particular geographical areas. The bank has also undertaken research on Asian and Caribbean businesses.

Sources: Natwest Bank (1997) The Business Start-Up Guide, Natwest Bank, London, October. Natwest Bank (1996) African-Caribbean Business and their Banks, Natwest Bank, London, March.

Princes Youth Business Trust

Coverage: Business start-up funding and advice for the "unemployed, under-employed or of limited means" aged 18-30, particularly the ethnic minorities, ex-offenders and the disabled in South London.

Activities: South London Princes Youth Business Trust (PYBT) provides business start-up funding and support to individuals aged 18-30 who wish to start a businesses but have been refused funding by two commercial banks, though support is particularly targeted at the ethnic minorities, ex-offenders and the disabled. PYBT covers the South London area, in particular, Lambeth, Southwark, Wandsworth, Kingston, Merton, Bexley, Lewisham, Croydon, Bromley, Greenwich and Sutton. PYBT is funded through government, local authorities, large corporate donors and TECs. Most funding is received through head office which is then allocated to the regions.

The main service provided by PYBT is the allocation of loans and grants. Loans of up to £5,000 are available, with no repayment for the first 6 months and 3 per cent interest repayment thereafter. Non-repayment grants of £1,500 are available to those exhibiting "special hardship", for example, ex-offender, long term unemployed, loan parent, poor social housing. A European market grant of £350 and a market test grant of £250 are also available. PYBT also provide general business advice and support through mentors and outreach workers. It has a free legal advice line. PYBT provides free marketing opportunities at exhibitions and product fairs. It holds business clubs every 3 months and special topic clinics on, for example, accounts, marketing etc. PYBT also offers referral to other support providers, for example, where help is needed developing a business plan on which application for grants are assessed. It also helps applicants secure matched funding through the commercial banks.

Ethnic Minorities: PYBT is actively involved in providing services to the ethnic minorities. The ethnic minorities are one of PYBT's target groups. Around 40 per cent of successful start-ups in South London are from the ethnic minorities. PYBT uses outreach workers from a number of different ethnic backgrounds. The use of outreach has been increased recently and is expected to bring more ethnic minorities into PYBT this year. On the other hand, PYBT's loan and grant assessment panel still tends to be dominated by white middle aged, middle class, men.

Questions have also been raised as to the message that the 'Princes Trust' gives to potential non mainstream applicants.

Southwark Council Business Desk

Coverage: Business Support for Established Businesses in Southwark.

Activities: Southwark Council Business Desk provides a number of services for businesses in Southwark. One of its main areas of work is a 'referral service' for business owners wanting to access business services from other support providers. For example, start-up enquiries are directed to Elephant Enterprises or Lambeth and Southwark Business Services. The Business Desk also provides other information services. These include a commercial property register and a business directory. The council also operates a loan fund - see Southwark Credit Union.

The Business Desk also facilitates the 'Southwark Business Partnership'. This is a DTI 'Local Partnership Initiative' inspired project which aims to provide a 'business partnership forum'. The partnership is intended to provide a channel through which business organisations and the council can communicate, though it also used to deliver a number of special 'topic' presentations and meetings, for example, on business finance, welfare to work or local parking. The Business Desk also undertakes a good deal of project work. For example, it has been involved in setting up an ethnic food festival.

Ethnic Minority Businesses: The Business Desk does not have a specific policy on ethnic minority businesses. However, around 90 per cent of business owners who use the enquiry service are from the ethnic minorities. This reflects, to a degree, the high proportion of ethnic minority in the borough but also a perception, it is argued, that the Business Desk and Elephant Enterprises are seen as the 'last resort' for ethnic minority businesses. The council also funded the Association of Minority Contractors (AMC), through its voluntary sector grants programme, and set targets for assisting women ethnic minority businesses.

Southwark Credit Union Development Agency

Coverage: Loan assistance and support for Southwark businesses with less than 50 employees. Business owners must also live in Southwark.

Activities: Southwark Credit Union Development Agency, together with support from Southwark Council, provides funding and business support for Southwark businesses. Businesses can access loans from between £3,000 to £10,000 from the Small Business Revolving Fund. However, most awards range between £3,000 and £5,000. Very few awards are made for £10,000. The scheme currently funds 31 businesses.

Businesses find out about the Credit Union through 'word of mouth', advertisements in local business magazines, leaflets displayed in Jobcentres and Career Offices. Applicants also often phone the 'Southwark Business Desk'. Interested parties complete an application form and enclose a full business plan. In all cases the business plan is forwarded to Elephant Enterprise who improve and refine it, and to some extent assess its value. The final decision on the allocation of a loan award is made by the Small Business Revolving Fund Panel. The panel consists of two employees from Southwark Council, one from Elephant Enterprise, one from Camberwell Credit Union, one from Southwark Credit Union Development Agency and one from Lloyds Bank.

Ethnic Minority Businesses: The Credit Union does not explicitly target ethnic minority businesses. However, over 93 per cent of total loan funds are allocated to ethnic minority business, in particular, Nigerians, Black British and Caribbean. For example, 53 per cent of all loan funds allocated between September 1997 to March 1998 went to Nigerians.

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