

**Ready for Business:**  
The contribution of black businesses to London's economy.

# copyright

**Greater London Authority  
December 2004**

**Published by**

Greater London Authority  
City Hall  
The Queen's Walk  
London SE1 2AA

**[www.london.gov.uk](http://www.london.gov.uk)**

enquiries **020 7983 4000**

minicom **020 7983 4458**

ISBN 1 85261 678 4

**Cover photograph**

Digital Vision



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## foreword Mayor of London


The contribution of black businesses to London's economy is evidently significant and rapidly growing, which is why I am pleased to be launching this report.

In September 2001, I hosted a reception at the London Chamber of Commerce and Industry supporting the development of an African and Caribbean Business Network (ACBN). The network has now been established and I fully support the continuing progress of the ACBN as a voice for black businesses in London.

As part of my support, GLA Economics have produced this report which examines the economic contribution black businesses make to London's economy. The report highlights the fact black businesses make up 4% of all London's businesses. 25% of black business owners are women - higher than most other ethnic groups. black-owned businesses provide over 70,000 jobs and have a total turnover of almost £4.5 billion (and growing).

These facts, and the many more in this report, simply add to the argument that black businesses have an integral role to play in London's business community.

I would like to take this opportunity to thank all those who have contributed to this report and I look forward to continuing my support for black business in London.



**Ken Livingstone**

Mayor of London



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## foreword from Lee Jasper, Director - Equalities and Policing



This report illustrates our continuing commitment to establish the evidence base from which to develop and implement innovative business support, growth and infrastructure programmes for London's African and Caribbean communities.

The profile of African and Caribbean businesses in London clearly demonstrates their potential and opportunity for growth. Their contribution to London's economy is incredibly significant and must not be overlooked. This report demonstrates a clear need for us to increase our knowledge and understanding of this growing entrepreneurial community and to ensure that the right resources and skills are in place to continue building a more complete and accurate picture of African and Caribbean business activity in London.

I would like to extend my thanks to all those who contributed to the development of this report and a special thanks to the African Caribbean Business Network for their invaluable support and vision.

## foreword from Yvonne Thompson Chair, ACBN



I am delighted to be supporting this report on the economic contribution of black businesses to London's economy and I welcome the Mayor's and the GLA's recognition of this fact.

Black-owned businesses are underrepresented in the business population relative to the share of London's population. Black-owned businesses make up 4% of the business population but 12% of the population. Yet despite these challenges, our women are continuing to excel and run sustainable businesses across a wide variety of sectors and industries. And all this despite challenges that cuts across issues of size, culture and historical legacy. Indeed, as chair of the ACBN, I am consistently buoyed by the raw entrepreneurial spirit that is demonstrated by our members.

But there is no room for complacency, and it is with this in mind that the ACBN has set itself the priority of fostering an environment conducive to not only more start-ups, but even more sustainable ones. This can only be achieved through a bespoke business support service, especially designed to meet the unique needs of black businesses. A service that will ensure that African and Caribbean owned businesses can compete successfully on a level playing field. After all, it would be economic suicide to do anything less.

## executive summary

- There are over 10,000 black-owned businesses employing one or more staff in London (4 per cent of all London businesses).
- 25 per cent of black business owners are women (compared to 21 per cent for White and 17 per cent of Asian business owners).
- Black-owned businesses are underrepresented compared with the proportion of London's population which is black. Black-owned businesses comprise 4 per cent of all businesses, but 12 per cent of London's population is black.
- Most black-owned businesses are small (61 per cent have one to four employees, compared to 49 per cent for White-owned firms and 47 per cent for London as a whole)
- Black-owned businesses in London have a total turnover of almost £4.5 billion.
- Black-owned businesses provide around 70,000 jobs (3 per cent of total London employee jobs)
- The two biggest industries for black-owned firms (in terms of number of businesses) are Real Estate, Renting and Business Activities (broadly Business Services) and Wholesale & Retail trade.
- Black businesses seem to have shown great resilience during the recent slowdown.
- Black businesses are innovative - they are more than averagely likely to introduce innovations in goods, services or business processes, and significantly more likely than the average to derive substantial benefits from such innovations.





# 1. introduction

## The black/African and Caribbean community in London's economy

This report examines data from many different sources on African and Caribbean owned businesses in London to assess the contribution these businesses make to London's economy. It aims to provide an economic overview, characterisation and analysis of black-owned businesses in London. It does not pretend to provide conclusive evidence for why black-owned businesses have the characteristics they do, to draw out in any detail the policy implications, nor to provide practical business advice. However, it is clear that insofar as black-owned businesses are different from other businesses, they will need different forms of policy support. The report recognises that black is a very heterogeneous category. However, the data available unfortunately does not allow much more fine-grained analysis. It is important to remember that the best data available often has relatively small sample sizes and so the results presented in this study should be interpreted with caution especially when the sample is subdivided.

### Methodology

The principal data source for this report is the 2003 London Annual Business Survey. This is the source for all tables and charts in this report where no other source is indicated. This survey commissioned for the first time in 2003 by the London Development Agency (LDA) and Business Link 4 London (BL4L) is a telephone survey of over 4,000 private sector businesses employing at least one person. The achieved sample of over 4,000 businesses makes the London Annual Business Survey the best currently available source on issues of the ethnicity of business owners. The question asked on ethnicity of owners was unprompted and ran as follows 'What ethnic groups would you say that the majority of owners or partners of this business belong to?' Approximately 13 per cent of businesses taking part in the survey did not know or refused to give information about the ethnicity of the owners.

The sample size for black-owned businesses was 107 which is bigger than any other comparable survey containing this information, but is not large enough to permit very detailed analysis e.g. of the sub-categories of black-owned businesses. The sample size issue also means that results for the whole black-owned businesses sample - e.g. total number of businesses, total turnover etc. are associated with much higher levels of statistical confidence than results which subdivide this category - e.g. the distribution of black-owned businesses over industries.

### Definitions

Ethnicity, as noted in the GLA report *Black People Pushing Back the Boundaries*, is difficult to define. Empirical investigations are often limited to the categories for which meaningful data is available. The definitions used in this report are the ones proposed by the forthcoming LDA report *Redefining BME Businesses* as being the most meaningful for analysing minority ethnic owned businesses. These definitions of broad ethnic categories are shown in Table 1 below. Note that the black category includes mixed white and black Caribbean and mixed white and black African. Not all data from the 2001 Census allows amalgamation into these broad categories however, so Table 2 and Charts 1-3 which depend on Census data use the Census category of black which excludes mixed white and black Caribbean and mixed white and black African. For statistical reasons (see above) it was not possible to analyse the data in terms of each individual sub-category, but the sample for the broad category of black-owned businesses was large enough to allow fairly robust analysis. This is not ideal. Clearly, it would be interesting and useful to see if African businesses have different characteristics from Caribbean or black British owned firms for example. However, at present the data available does not permit analysis at such a detailed level.

**Table 1. Ethnic Definitions used in the report**

WHITE	BLACK	ASIAN	OTHER		
White British	Black - British	South Asian	East Asian	West Asian	Greek Cypriot
White Irish	Black - Caribbean	Asian - British	Chinese	Turkish	Mixed - Other
White - Other EU	Black - African	Asian - Indian	Japanese	Kurdish	
South-East/Eastern European	Black - Other	Asian - Pakistani	East Asian - non Chinese	Middle Eastern	
White - Other	Mixed - White and Black Caribbean	Asian - Other			
	Mixed - White and Black African	Mixed - White and Asian			

### The black, African and Caribbean communities in London's economy

- According to the 2001 Census the black population of London (African, Caribbean and black Other) is over 782,000 or almost 11 per cent of the total population (343,000 Caribbean, 379,000 African and 60,000 black Other) - See Table 1 below. This rises to over 880,000 if you include mixed white and black Caribbean and mixed white and black African.
- Around 66 per cent of the black working age population of London is economically active, slightly lower than the average for all ethnic groups, which is 68 per cent.
- Unemployment rates are high. In 2001 the ILO unemployment rate was

16 per cent for black Africans and 12 per cent for black Caribbeans compared to 6.7 per cent for the total population and 5.3 per cent for the white population. However, unemployment is lower among black women compared to black men. (This is true for most ethnic groups).

- There are over 24,000 self-employed black people in London. However, this is only 8.6 per cent of all black people in employment. The average for all ethnic groups is almost 15 per cent.
- Indian, Pakistani and Chinese people in employment are more likely to be self-employed than the average, while black African and Caribbean people are less likely. (Source: Census data, Crown Copyright)

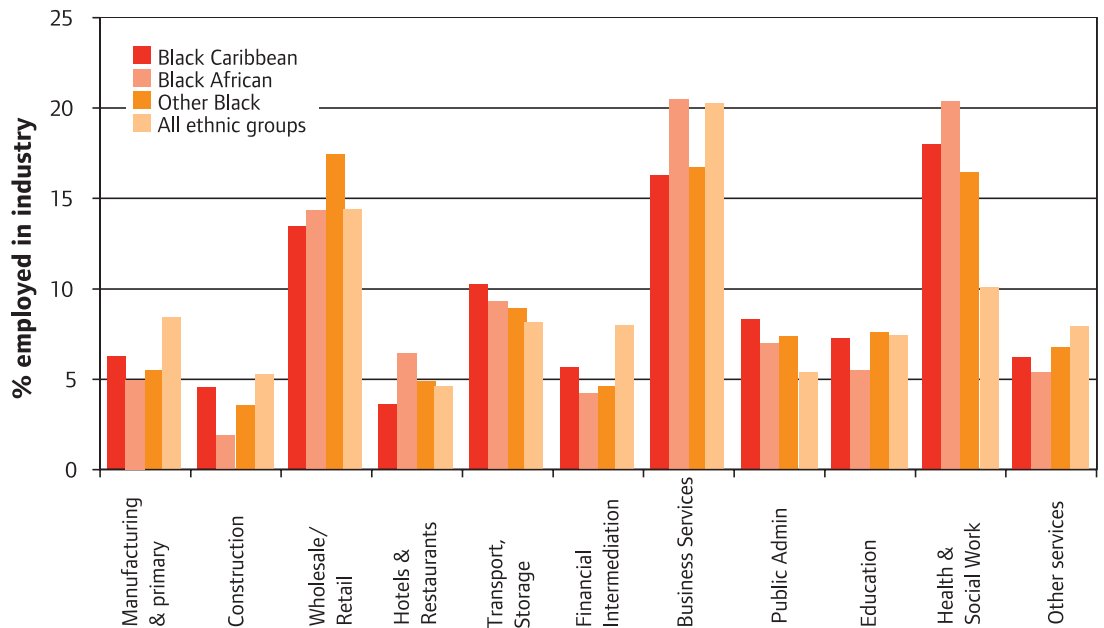
**Table 2. Census 2001 Data by ethnic group**

	Total Greater London residents	% of total	Economically Active as % of population aged 16-74	Self-Employed as % of all employed	Unemployment rate (%)		
					Persons	Males	Females
<b>White</b>	<b>5,103,203</b>	<b>71.2%</b>	<b>69.5%</b>	<b>15.6%</b>	<b>5.3%</b>	<b>6.0%</b>	<b>4.4%</b>
British	4,287,861	59.8%	70.2%	15.4%	5.0%	5.7%	4.1%
Irish	220,488	3.1%	63.1%	16.1%	5.9%	7.1%	4.5%
Other White	594,854	8.3%	67.8%	16.7%	7.2%	7.9%	6.5%
<b>Mixed</b>	<b>226,111</b>	<b>3.2%</b>	<b>63.4%</b>	<b>12.7%</b>	<b>12.3%</b>	<b>14.2%</b>	<b>10.4%</b>
White and Black Caribbean	70,928	1.0%	64.2%	11.0%	15.6%	18.5%	12.9%
White and Black African	34,182	0.5%	62.1%	11.6%	14.7%	16.5%	12.8%
White and Asian	59,944	0.8%	63.5%	13.8%	9.2%	10.6%	7.5%
Other Mixed	61,057	0.9%	63.3%	13.6%	11.2%	13.1%	9.4%
<b>Asian or Asian British</b>	<b>866,693</b>	<b>12.1%</b>	<b>60.0%</b>	<b>15.8%</b>	<b>8.8%</b>	<b>9.2%</b>	<b>8.2%</b>
Indian	436,993	6.1%	66.4%	16.0%	5.9%	5.9%	6.0%
Pakistani	142,749	2.0%	52.3%	19.2%	12.2%	11.6%	13.3%
Bangladeshi	153,893	2.1%	43.7%	11.7%	20.5%	20.6%	20.0%
Other Asian	133,058	1.9%	61.7%	14.6%	9.3%	9.5%	9.0%
<b>Black or Black British</b>	<b>782,849</b>	<b>10.9%</b>	<b>65.8%</b>	<b>8.6%</b>	<b>14.3%</b>	<b>17.2%</b>	<b>11.6%</b>
Black Caribbean	343,567	4.8%	66.8%	8.1%	12.3%	16.6%	8.8%
Black African	378,933	5.3%	64.7%	9.4%	16.0%	17.1%	15.0%
Other Black	60,349	0.8%	66.0%	7.0%	17.6%	22.7%	13.4%
<b>Chinese or Other</b>	<b>193,235</b>	<b>2.7%</b>	<b>58.4%</b>	<b>14.7%</b>	<b>9.0%</b>	<b>10.3%</b>	<b>7.7%</b>
Chinese	80,201	1.1%	60.0%	17.7%	7.1%	7.5%	6.7%
Other Ethnic Group	113,034	1.6%	57.2%	12.3%	10.4%	12.3%	8.4%
All ethnic groups	7,172,091	100%	67.6%	14.9%	6.7%	7.6%	5.8%

source: Crown Copyright, ONS, 2001 Census

- Black people are underrepresented in the more highly-paid professional and managerial occupations and over-represented in lower paid occupations such as in sales and customer services (see GLA (2003), Black People Pushing Back the Boundaries).
- 10 per cent of African and Caribbean workers are managerial and senior officials compared to 17 per cent for the average across all ethnic groups.
- 8 per cent of African, 9 per cent of Caribbean and 12 per cent of black Other workers are employed in sales and customer services occupations, compared to 7 per cent for the London average.
- African and Caribbean workers are distributed across industries in approximately the same patterns as the population as a whole. However, black workers are overrepresented in the health and social work, Public administration and Transport sectors. Interestingly, the same proportion of black African employees is employed in Business Services, as for the population as a whole.

**Chart 1. Sectoral distribution of employees**

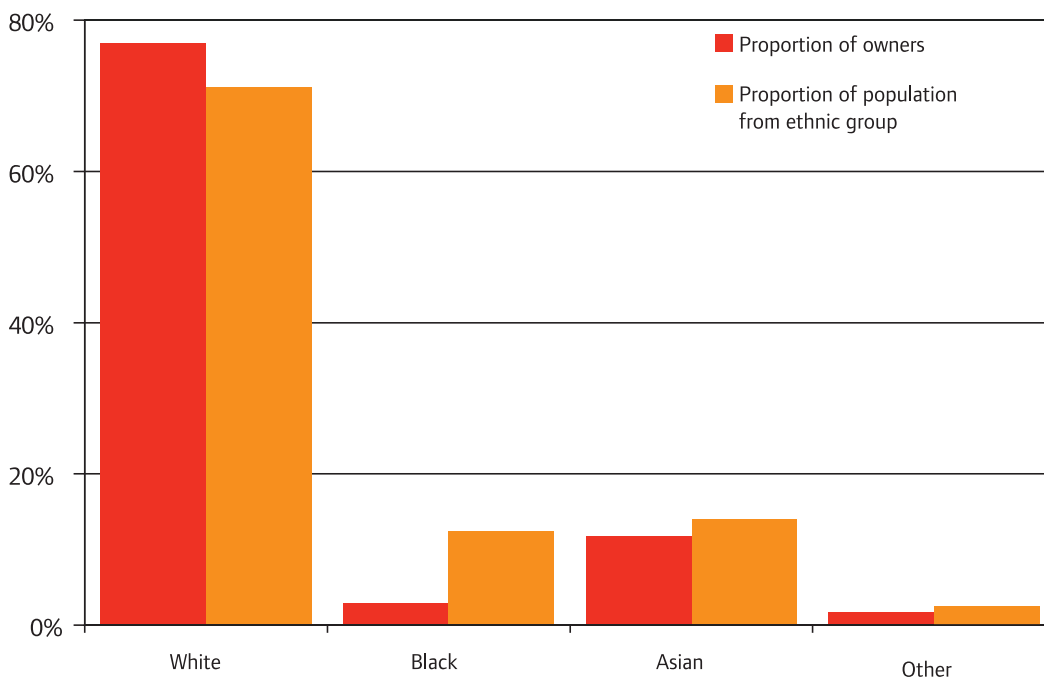


source: 2001 Census, Crown Copyright, ONS

## 2. black businesses in London's economy

Black-owned businesses are a vital part of London's economy. There are over 10,000 black-owned private-sector businesses employing one or more staff in London (4 per cent of all London businesses). These businesses contribute over 70,000 jobs (3 per cent of total employment by private sector firms with one or more staff) and have a turnover of over £4.5 billion<sup>1</sup>. Black-owned firms are clearly underrepresented compared to the black share of the population (see Chart 2). This report does not try to provide final conclusions on why this is the case, though the information presented herein may suggest some possible hypotheses. For fuller treatment of the challenges faced by black and minority ethnic group-owned businesses see the LDA report *Re-defining Black and Minority Ethnic Owned Businesses* (forthcoming) and the report for the Small Business Service by Monder Ram and David Smallbone (2001) *Ethnic Minority Enterprise: Policy in Practice*.

**Chart 2. London Businesses and Population by ethnicity**



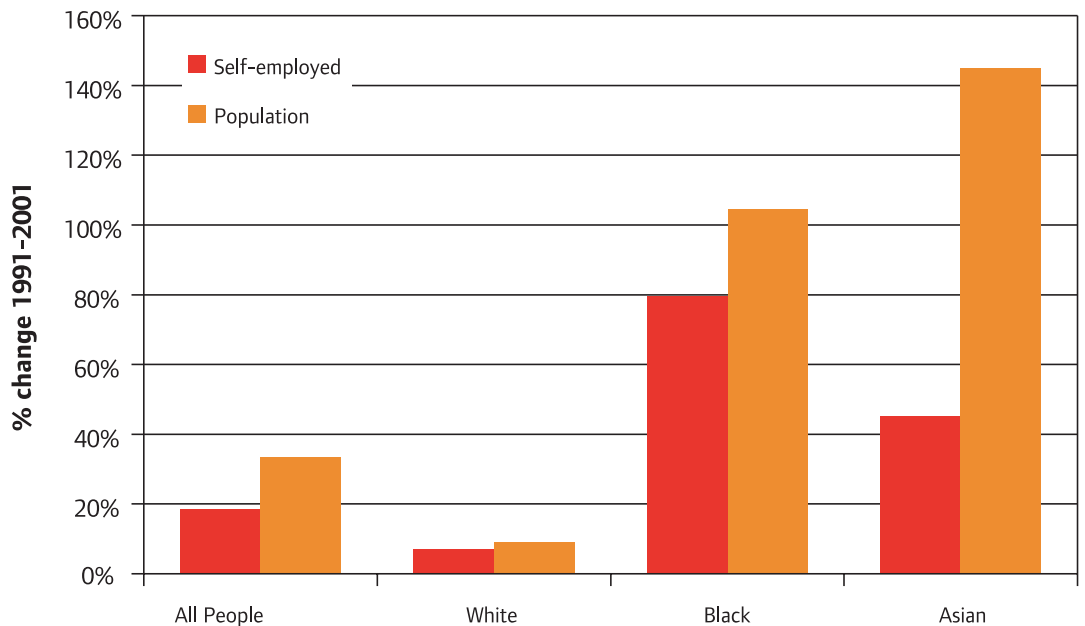
source: London Annual Business Survey 2003 and Census 2001

There is some evidence that minority ethnic groups have a higher incidence of entrepreneurialism and self-employment than the population as a whole. A Bank of England report from 1999 refers to findings that the rate of ethnic minority business start-ups is higher than would be

expected on the basis of their share of population (5 per cent of population of the UK but 9 per cent of start-ups in 1997)<sup>2</sup>. A study by Barclays Bank found that in 1997 ethnic minorities owned 7 per cent of the total small business stock in the UK<sup>3</sup>. However, levels of self-employment and entrepreneurship vary between minority groups. The 2001 Census suggests that while some ethnic groups (notably Indians, Chinese and Pakistanis) show higher than average levels of self-employment, black groups exhibit self-employment rates significantly below average (see Table 2).

While still being underrepresented in terms of self-employment, black rates of self-employment have grown faster than most other groups in the past decade. Chart 3 below shows the rates of growth of self-employed people by ethnic group derived from the 1991 and 2001 censuses. The number of black self-employed people rose by almost 80 per cent between 1991 and 2001 (although from a smaller base than the other ethnic groups shown). However, self-employment levels have not risen quite as fast as population levels. London's black population increased by over 100 per cent in the same period. There is little consistent historical data on black-owned businesses which would allow the analysis of growth rates (the LDA/BL4L Survey which forms the basis of much of the analysis in this report was only started in 2003). However, while self-employment data can be seen as a proxy for entrepreneurial activity in general, it should be remembered that self-employment trends might also be affected by things such as legal and fiscal changes.

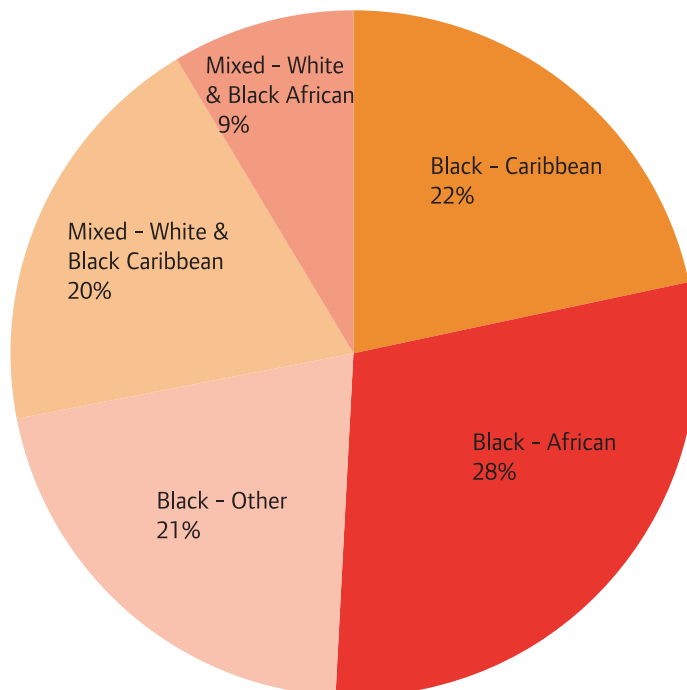
**Chart 3. Growth in self-employment 1991-2001**



source: ONS, Census 1991 and 2001

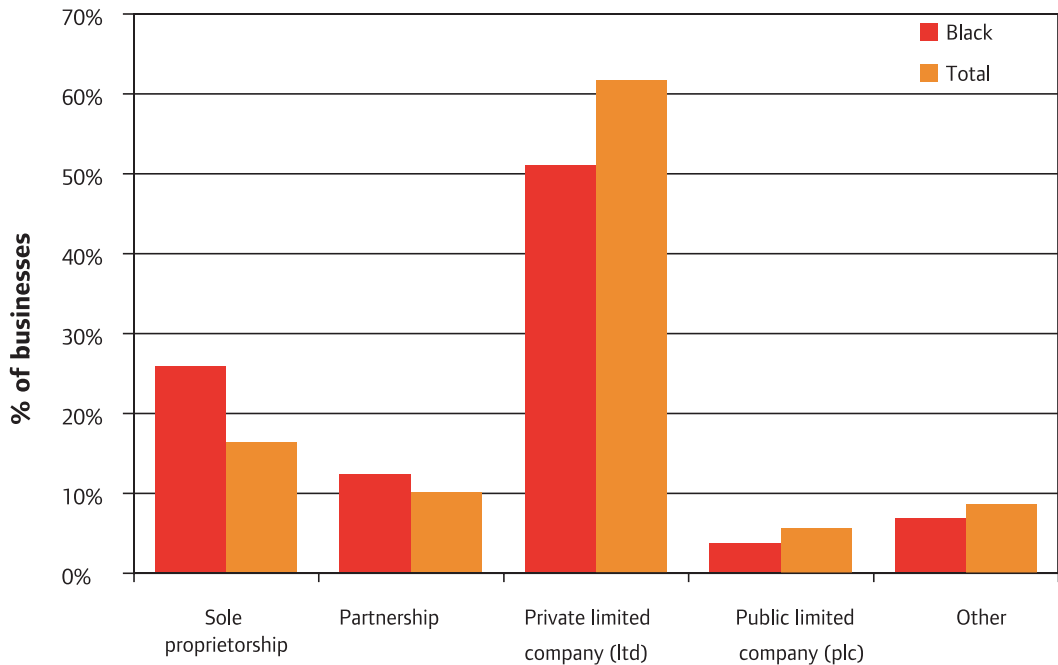
Within the broad category of black-owned businesses, around 22 per cent are owned by black Caribbeans (approximately 2,200 businesses), 28 per cent by black Africans (approx. 3,000 businesses) and 21 per cent by black Other (approx. 2,200 businesses). Mixed-white and black Caribbeans own 20 per cent of black businesses (approx. 2,000 businesses) and mixed-white and black Africans own 9 per cent (approx 900).

**Chart 4. Proportion of black businesses owned by Africans and Caribbeans**



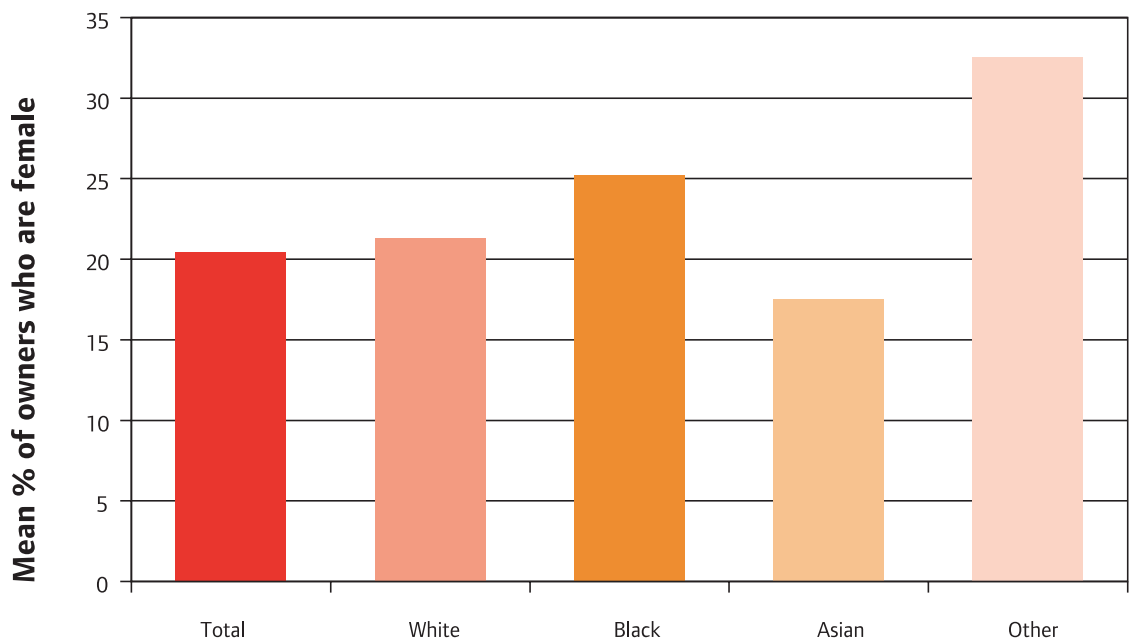
Black-owned businesses are more likely to have the legal structure of sole proprietorships or partnerships and less likely to be private limited or public limited (quoted on the stock market). This no doubt is at least partly a reflection of business size. Black-owned businesses in London tend to be smaller than average (see Chapter 3).

**Chart 5. Business legal structure**



Black-owned businesses appear to exhibit higher than average levels of female-ownership than the average for all ethnic groups. Chart 6 shows that 25 per cent of black business owners are women (compared to 21 per cent for White and 18 per cent of Asian business owners).

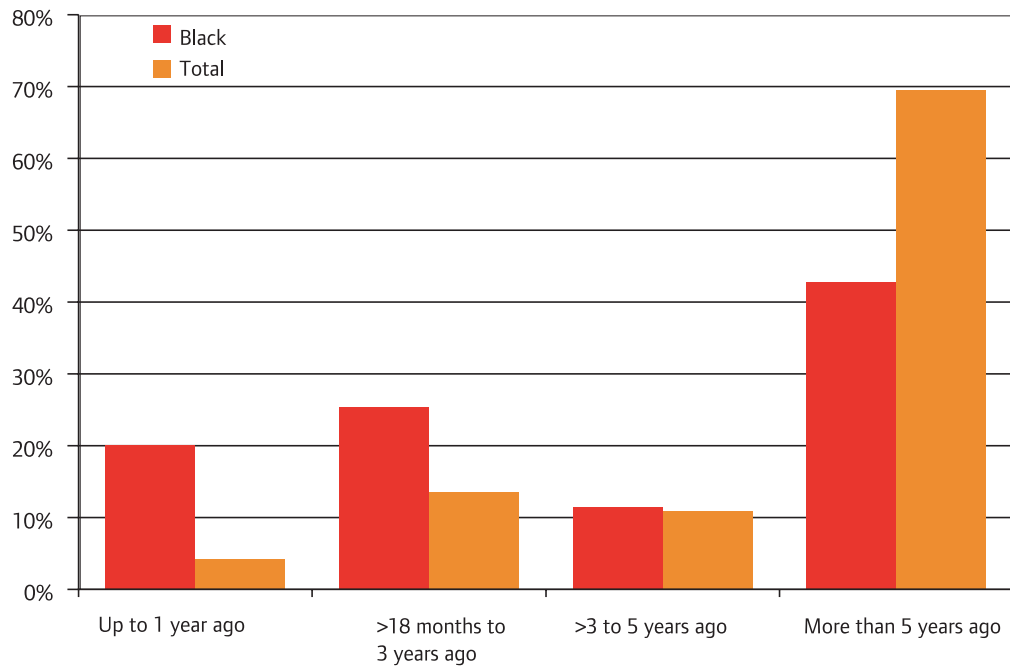
**Chart 6. Women entrepreneurs**





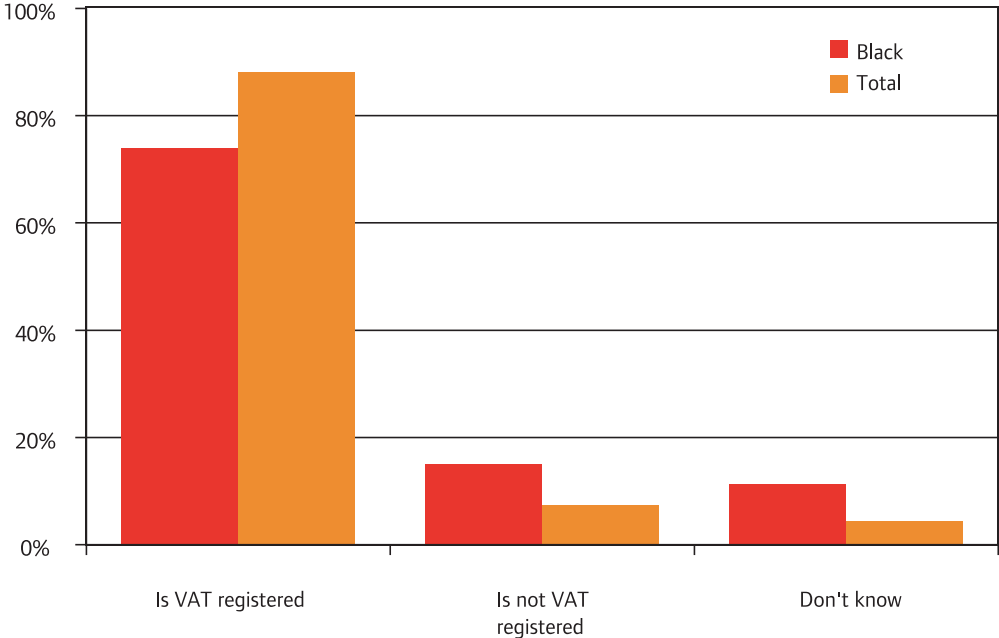
Black-owned businesses are more likely to be newer than the average for all businesses. Around 46 per cent of black-owned businesses were established less than 3 years ago, compared to 18 per cent for all businesses. However, a sizable proportion of black-owned businesses (43 per cent) are more than 5 years old.

**Chart 7. How long has business been established?**



Black-owned businesses are less likely to be VAT-registered than businesses in general. This is at least partly the result of black businesses being smaller than average, as VAT registration is only a requirement for businesses with a turnover of £56,000 (in 2003/4) or more.

**Chart 8. Proportion of businesses that are VAT registered**



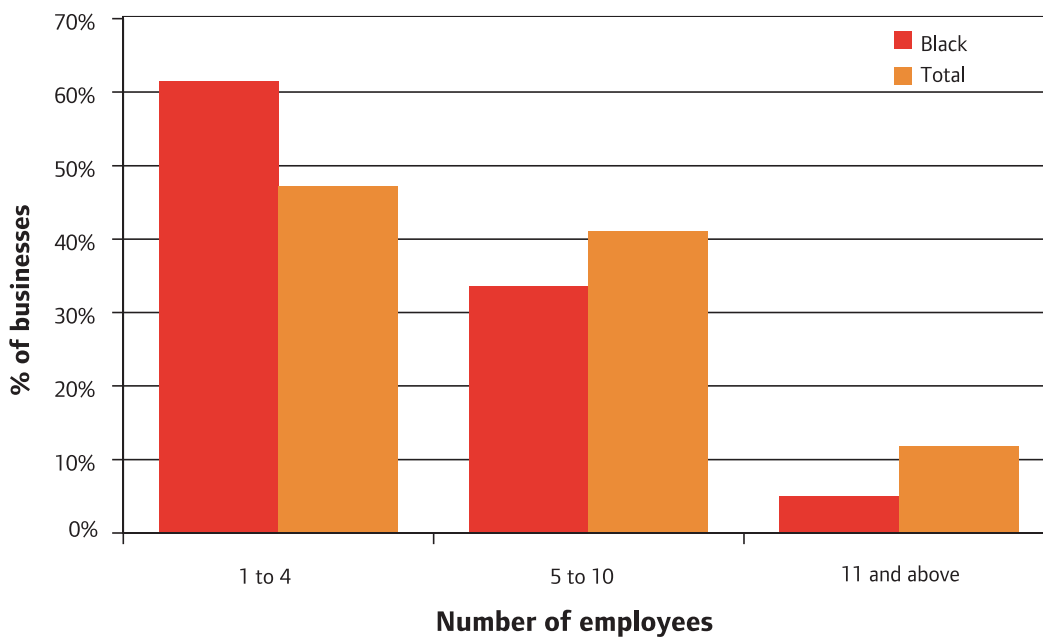
### 3. business size

#### Employment

Black-owned private sector businesses provide around 70,000 jobs to the London economy.

Most black-owned businesses are small (61 per cent of black-owned businesses have one to four employees, compared to 49 per cent for White-owned businesses and 47 per cent for all London businesses). Of course, small businesses can be extremely successful, and in certain industries the predominant business model is for a small to medium sized firm.

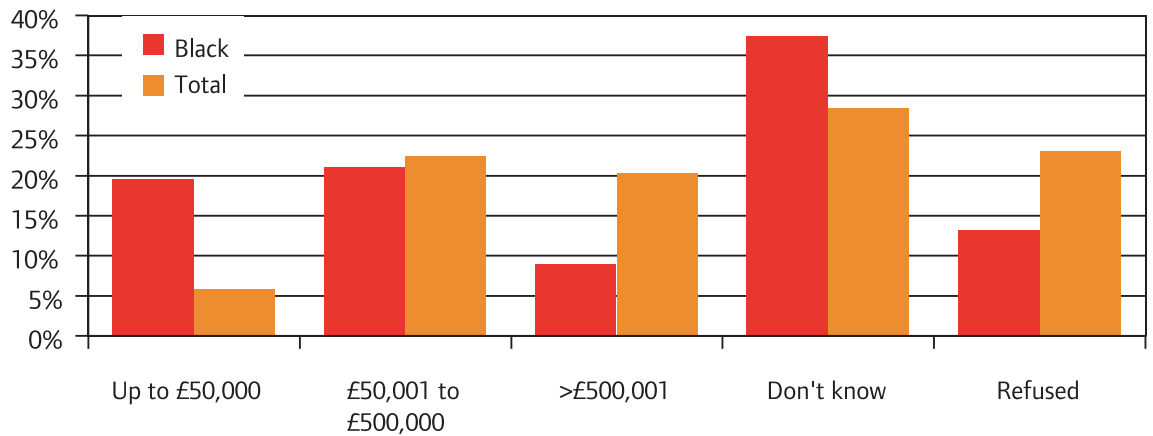
**Chart 9. Employee size bands**



## Turnover

The turnover of black-owned firms in London is estimated by the London Business Survey at around £4.5 billion. As Chart 10 shows, black-owned businesses seem to be disproportionately concentrated in the lower size band (up to £50,000), compared to all businesses. However, roughly the same proportion of black-owned businesses as total businesses are medium-sized with turnover of £50,000 - £500,000.

**Chart 10. Business size by turnover**



## 4. sectors

Most black-owned businesses in are in Business Services (this is the biggest single industry in terms of numbers of firms). This is the same as for the population as a whole. As Table 3 shows, the ranking of the biggest sectors (in terms of numbers of firms) is more or less the same for black-owned firms as for all businesses. Far from being concentrated in a few niche markets, black-owned businesses are spread across all areas of the economy as evidenced by Chart 11.

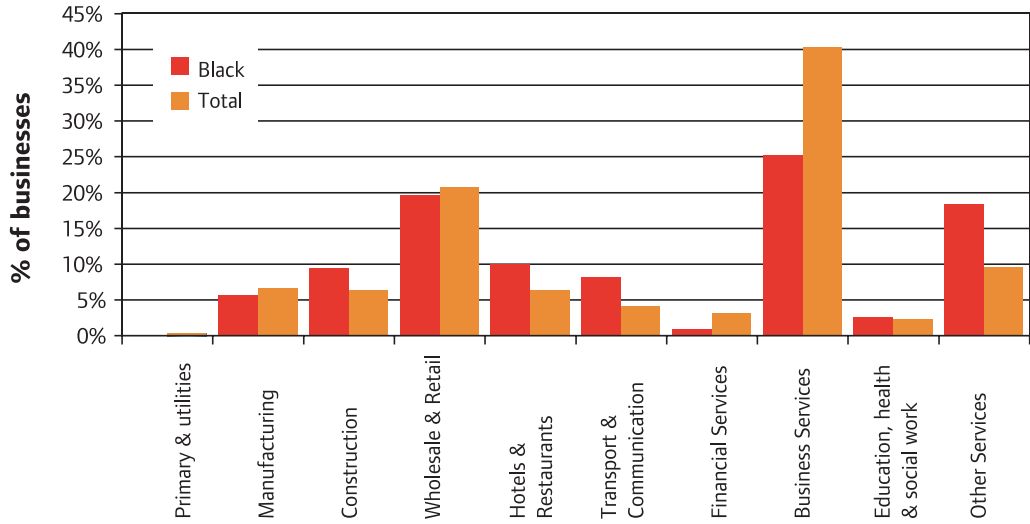
**Table 3. Biggest sectors (by number of businesses)**

Black	Total
1 Business Services	Business Services
2 Wholesale & Retail	Wholesale & Retail
3 Other Services	Other Services
4 Hotels & Restaurants	Manufacturing

While Business services is the biggest sector for black-owned businesses (around 25 per cent of all black-owned businesses are in this sector), it is not quite as important for black-owned businesses as for all businesses (40 per cent of all businesses are in Business services). Black-owned businesses are over-represented in industries such as Hotels and Restaurants and Other Services (including membership organisations, recreational, cultural and sporting activities, and services such as hairdressing). Thus, there is some evidence of sectoral concentrations in different areas than for all businesses. However, it does not seem to be the case that black-owned businesses are as highly concentrated in 'niche-markets' as has been suggested in the literature<sup>4</sup>. In particular, the propensity of African and Caribbean businesses to be concentrated in the construction industry appears to be less strong now than it was ten years ago<sup>5</sup>.

Nonetheless, black businesses-owners appear to be significantly underrepresented in certain sectors. The industries in which black-owned businesses appear to be the most underrepresented are Business Services and Financial Services. This is important as these two sectors are the two highest productivity sectors and a significant part of London's economy. Business services has been the single fastest growing sector in London's economy over the past two decades. And the London Plan predicts that it will continue to be one of the fastest growing sectors to 2016.<sup>6</sup> If black-owned businesses are less concentrated in these sectors than other businesses, then they may be less able to take advantage of projected future growth in these sectors. Financial and Business services account for around 32 per cent of employment in London and around 40 per cent of London GVA<sup>7</sup>.

**Chart 11. Sectoral distribution of black-owned businesses**

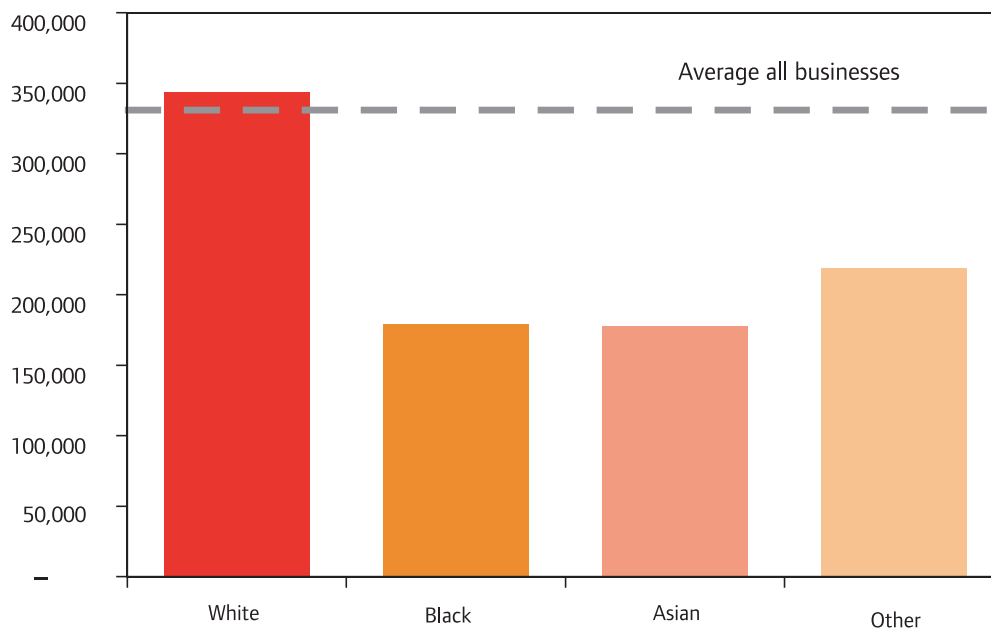


Businesses within different sectors will experience different market conditions which will be one of the primary drivers of success. Just as business-owners from different ethnic groups will require different kinds of support, so businesses within different sectors require different kinds and levels of support. Indeed, there is some research which suggests that sectoral trends and forces are more important than ethnic group in determining businesses needs<sup>8</sup>.

## 5. productivity and profitability

Productivity - measured in terms of turnover per employee - is lower on average for black-owned businesses than for other businesses. All businesses owned by ethnic minority groups seem to have lower than average productivity. This could be due to the smaller average size of ethnic minority businesses. It could also be partly explained by the sectoral distribution of ethnic minority businesses - as seen in Chapter 4, ethnic minority owned businesses tend to be underrepresented in the highest productivity sectors such as financial and business services. So the results should be interpreted with caution and it needs to be remembered that the London Annual Business Survey is subject to sampling errors, especially as only around 50 per cent of respondents provided turnover information.

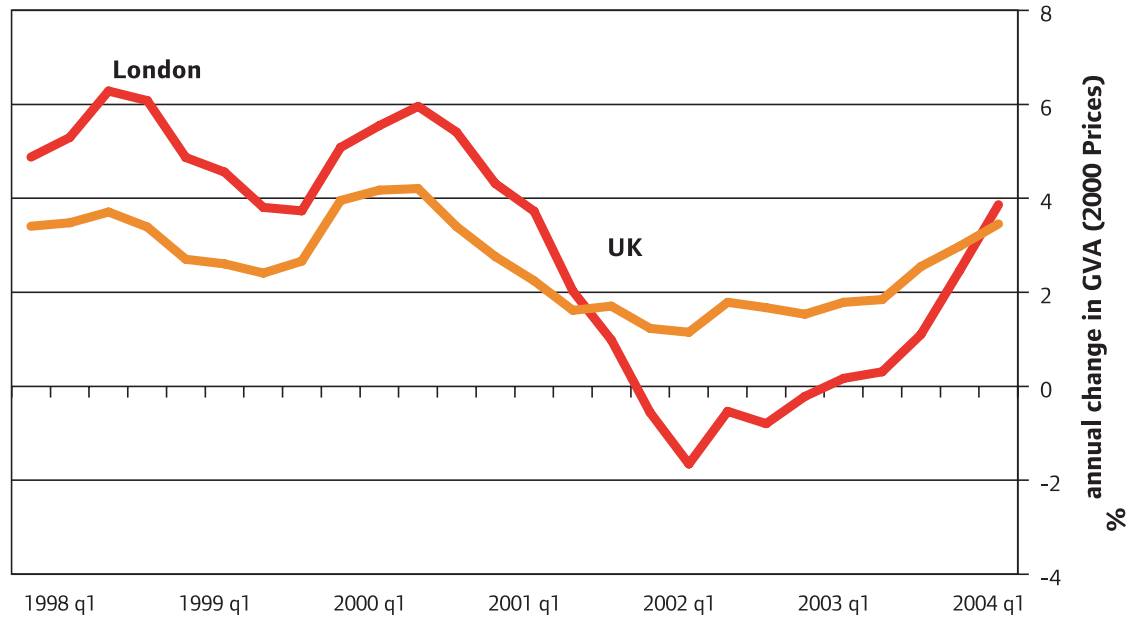
**Chart 12. Turnover per employee by ethnicity of owner**



*base:* all businesses providing details on turnover and number of employees

Black-owned businesses appear to have weathered the recent slowdown in the economy better than average. Chart 13 shows the performance of the London and UK economies over the last few years from the boom during the late 1990s to the slowdown in economic growth from the third quarter of 2000 which was particularly acute in London. Charts 14 and 15 below show how black-owned businesses experienced the business environment during 2002/2003.

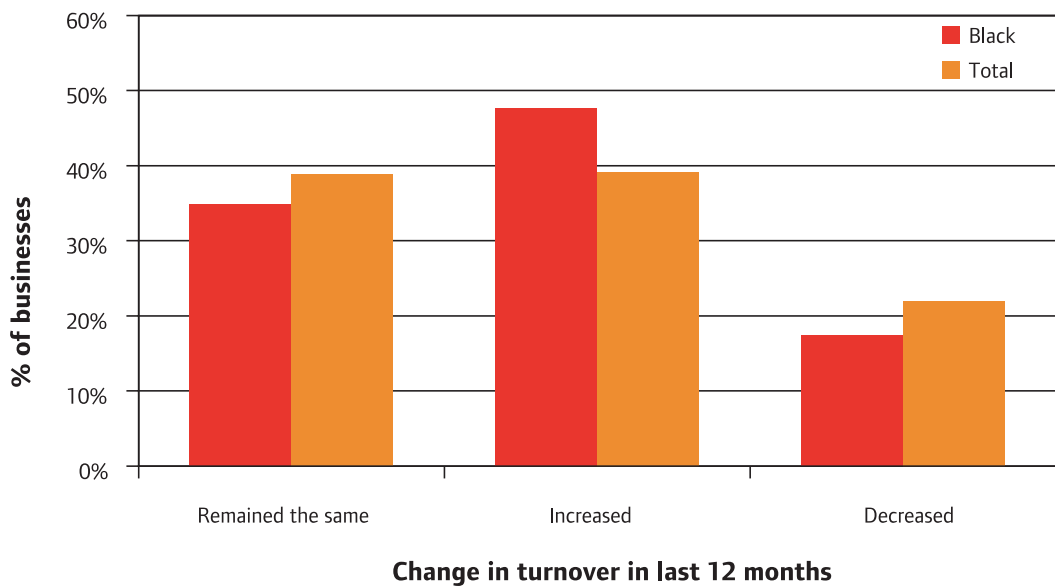
**Chart 13. Economic growth (GVA - Gross Value Added) for London and UK**



source: Experian

Both in terms of turnover and profits during the 12 months preceding the survey, black-owned businesses appear to have been less badly affected by the slowdown in the national and London economies. More black-owned businesses report continued growing turnover and profit than the average for all businesses.

**Chart 14. Change in turnover during last 12 months**



base: all businesses providing details on turnover change during last 12 months



These results must clearly be interpreted with caution and they provide at best an impressionistic picture of how businesses have fared during the recent slowdown.

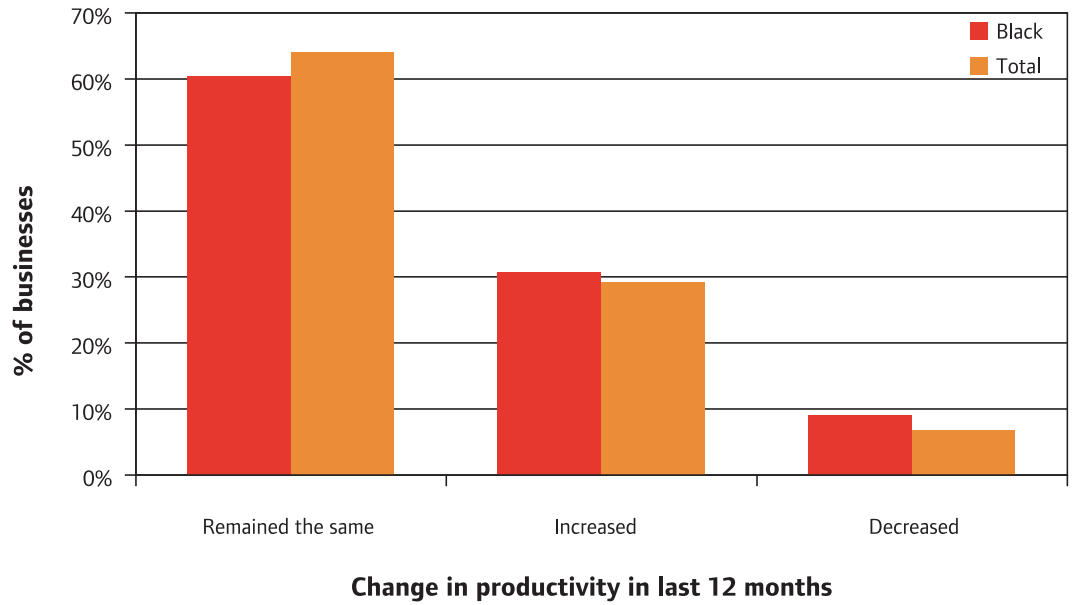
**Chart 15. Change in profitability in the last 12 months**



*base:* all businesses providing details on profitability in last 12 months

The reasons why black-owned businesses appear to have been more than averagely resilient during the recent slowdown are not obvious. Chart 16 below shows that it does not seem to have been due to any rise in productivity during the period. Black-owned businesses did not experience changes in productivity significantly different from the average for all London businesses. However, Chapter 4 on sectors and Chapter 7 on technology, may suggest some possible explanations. The relative concentration of black-owned businesses in leisure and other services which were less affected by the economic slowdown and the relatively low proportion in financial services which were particularly hit is the most likely explanation. Another reason could be that as the slowdown was a result of momentum going out of the hi-tech boom of the 1990s, and black-owned firms may be less hi-tech than the average (see Chapter 7), they would have been less affected by the dot.com bubble bursting than other more hi-tech parts of the economy.

**Chart 16. Explanations - Change in productivity?**



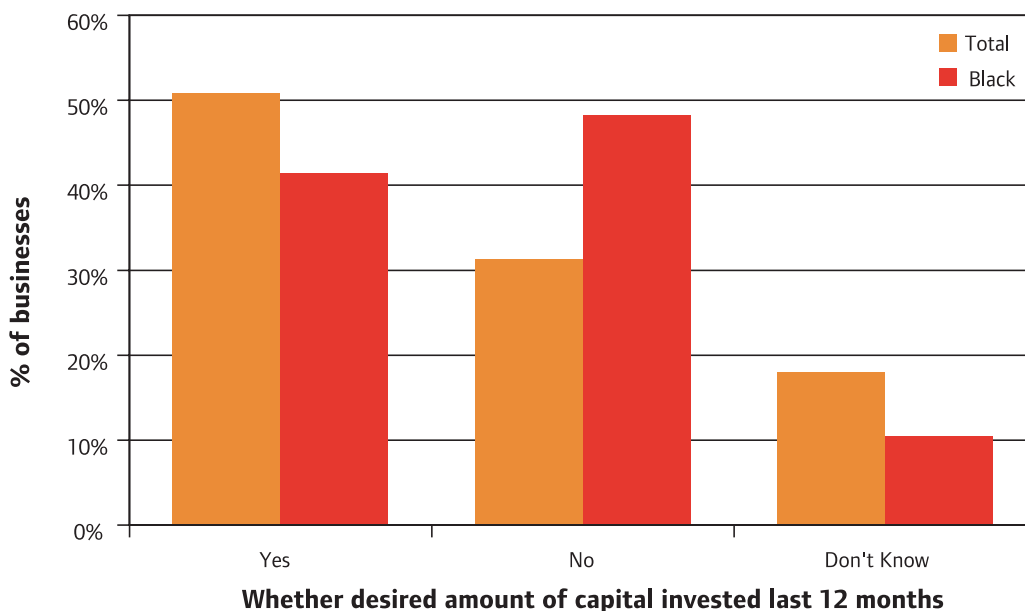
*base:* all businesses providing details on productivity change during last 12 months

## 6. investment and access to finance

Investment is key to expanding a business. Since ethnic minority businesses (including black-owned businesses) are more likely to be smaller businesses, being able to invest enough to grow the firm is very important, especially as the advantages of size in terms of competitiveness, increasing returns to scale, and market dominance are clearly documented in the business literature<sup>9</sup>.

Access to finance is often mentioned as one of the key challenges for ethnic minority firms in particular. Most small firms experience difficulties in accessing finance, but there is some evidence that this is particularly acute for ethnic minority firms, and especially for African and Caribbean businesses<sup>10</sup>. The results from the Annual London Business Survey appear to support this view. Chart 17 shows that black-owned firms were more likely than average to say that they had not been able to invest enough capital into the business during the preceding year. This includes investment in business infrastructure, capital equipment and staff training.

**Chart 17. Investment in infrastructure, equipment and staff**



When asked what the reasons for not being able to invest as much as they wished, black-owned businesses were far more likely to cite problems accessing external finance than any other reason, whereas businesses in general were most likely to put it down to market conditions.

**Chart 18. Reasons for under-investment**

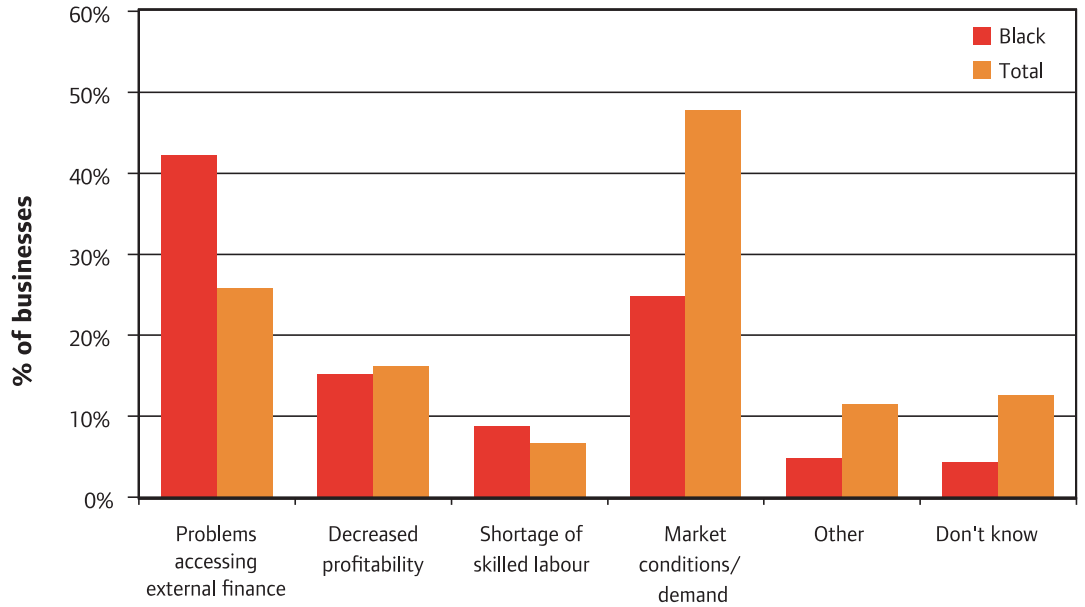
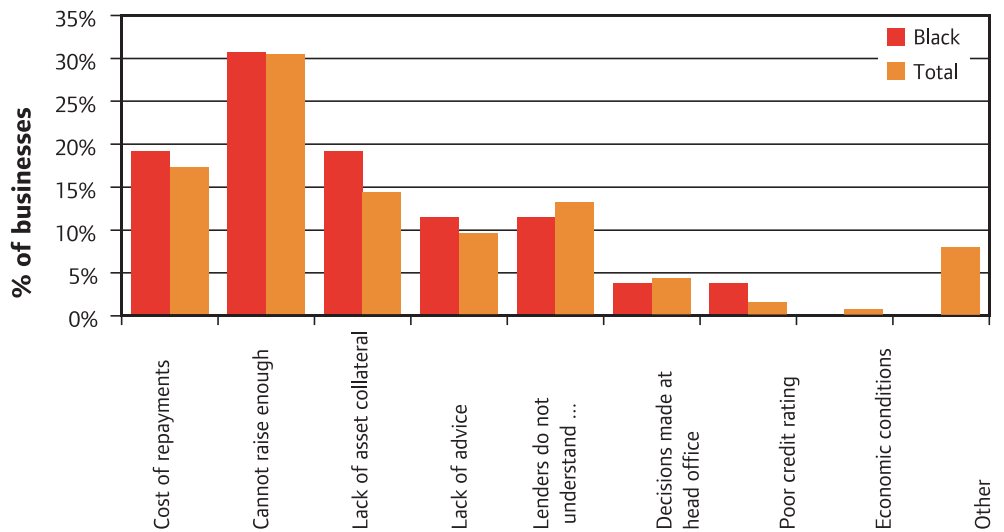


Chart 19 analyses the specific reasons cited by businesses that had problems accessing external finance. The sorts of reasons mentioned by black-owned businesses are not statistically different from those mentioned by businesses in general

**Chart 19. Reasons for problems accessing external finance**



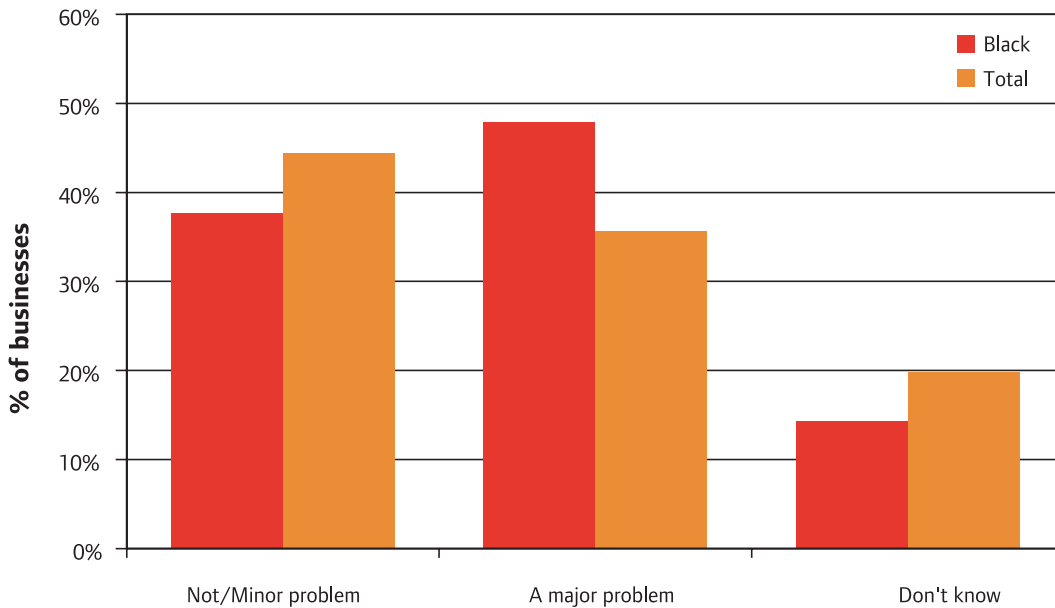
Several previous studies have found that black-owned businesses have difficulties accessing adequate finance. One of the most comprehensive recent studies was the British Bankers Association 2002 report Ethnic Minority Business in the UK: Access to Finance and Business, which found that access to external start-up finance was very different between

different ethnic groups. Chinese businesses were the most likely to access external start-up finance (51 per cent) and African-Caribbean businesses the least likely (31 per cent).

Professor Monder Ram, one of the authors of the report, commented in the press release “The research does not provide clear evidence of discrimination, but it does paint a picture of diversity, and does demonstrate that African-Caribbean businesses have particular difficulties in accessing finance. Much of this can be explained by factors such as size, but there is an unexplained difference.”

Chart 20 shows to what extent the businesses surveyed for the LDA/BL4L Annual London Business Survey considered that the difficulties in accessing finance were a problem. Black-owned businesses appear to experience this as a bigger problem than businesses in general.

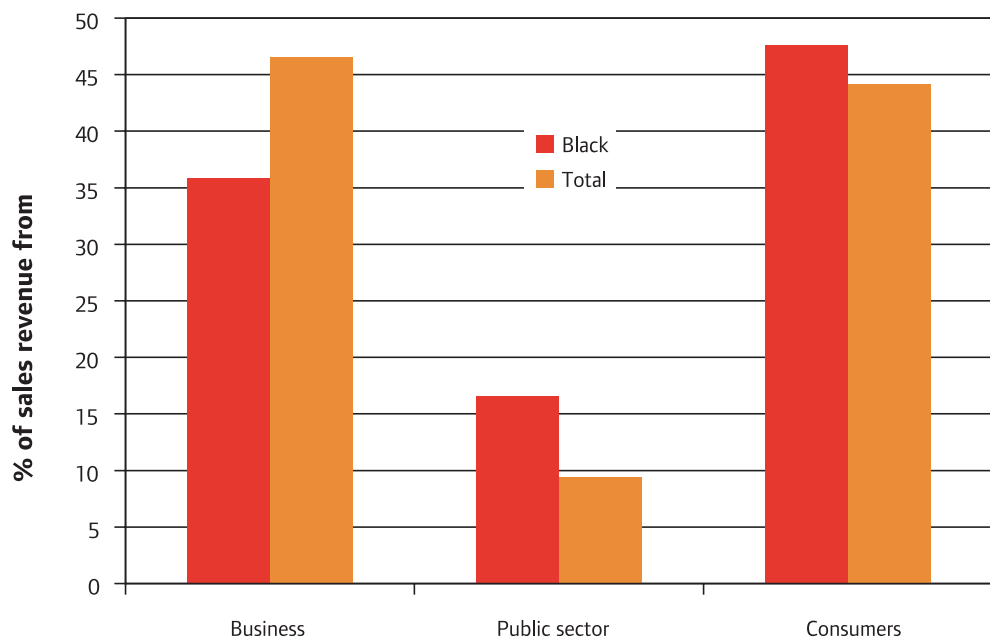
**Chart 20. The impact of inadequate access to finance**



## 7. sales and purchasing

In addition to knowing what the sector distribution of black-owned businesses looks like it is illuminating to examine the customer base. Several studies have suggested that ethnic minority businesses find it difficult to win contracts from big business and government, partly because ethnic minority businesses tend to be small. Chart 21 shows that black-owned businesses derive the biggest part of their sales direct from consumers, followed by sales to other businesses (sometimes called B2B) and finally sales to the public sector.

**Chart 21. Proportion of sales to different sectors**

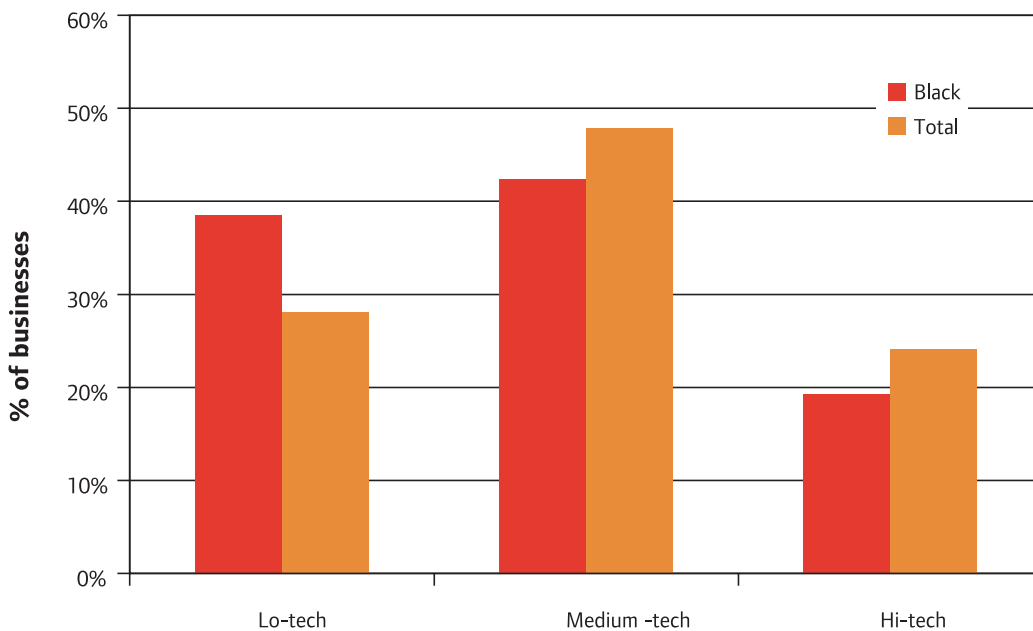


According to the Annual report of the Ethnic Minority Business Forum in 2001, procurement from the government was one of the major challenges facing ethnic minority firms. However, as Chart 21 shows, black-owned businesses seem to derive a significantly larger proportion of sales from the public sector than businesses in general. The customer-sales category in which black-owned businesses was most underrepresented, was in the sales to other businesses category. This is partly a function of size. Smaller businesses find it harder to win tenders from other (especially larger) businesses. But it is a potentially very profitable area in which black-owned businesses could expand.

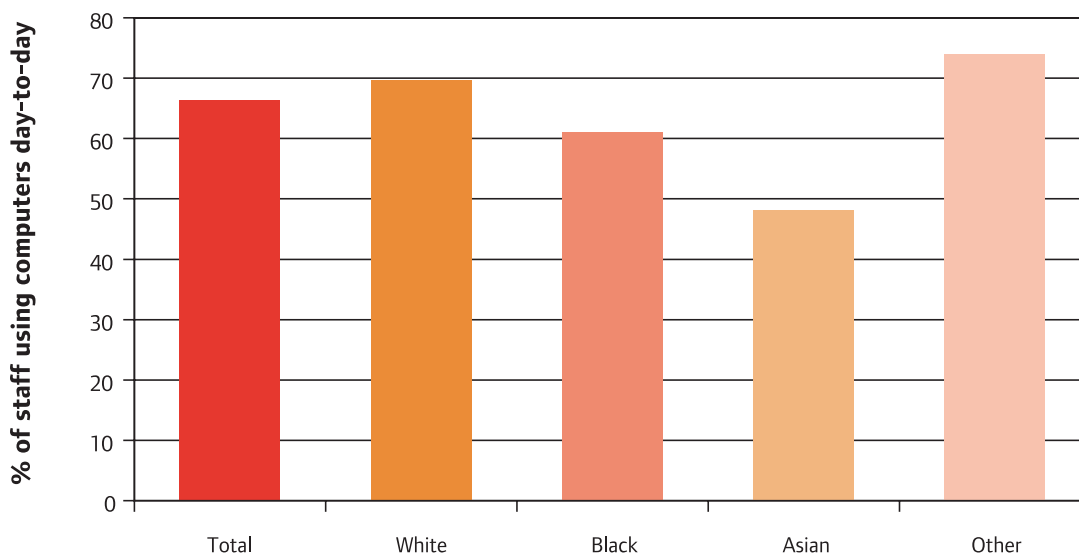
## 8. information technology and innovation

Black-owned firms seem to be more likely than the average to be (or at least describe themselves as) 'Lo-tech'. This may go some way to explaining the lower than average productivity figures of black-owned businesses as compared to (Chapter 5). Chart 23 reinforces this impression, showing that employees in black-owned businesses are less likely than average to use computers on a daily basis (but more likely than in Asian-owned businesses).

**Chart 22. Whether the business is low, medium or high-tech**

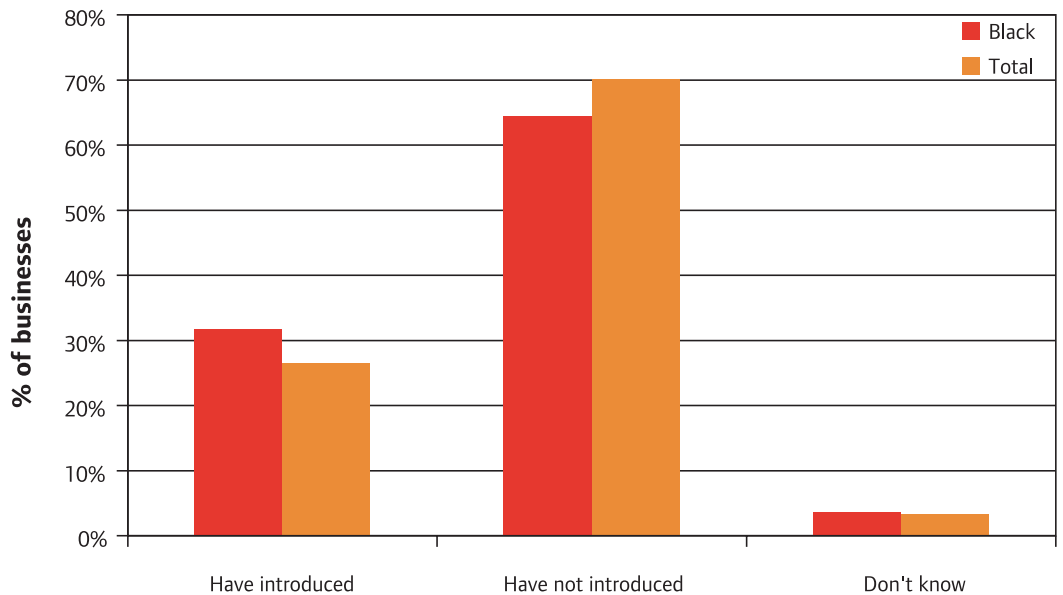


**Chart 23. Proportion of staff using computers daily**

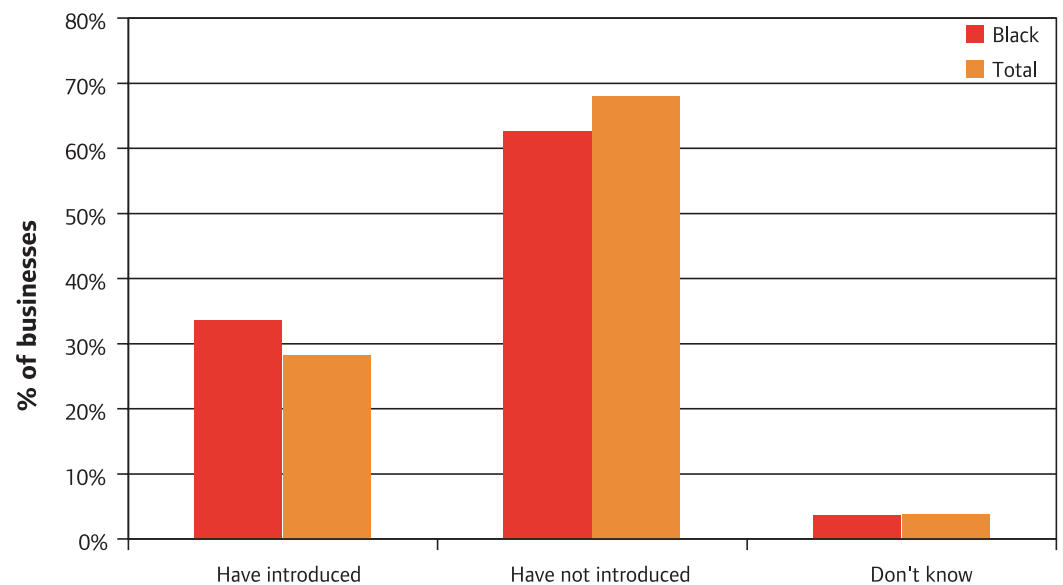


However, being innovative and improving your production techniques and therefore productivity is not only about using computers and other information technology. Chart 24 shows that black-owned firms were more likely to have introduced new (or significantly enhanced) products or services in the preceding year. And Chart 25 likewise shows that black-owned businesses were if anything slightly more likely to have been innovative in terms of introducing new or enhanced business practices.

**Chart 24. Introduced new product/service in last year?**



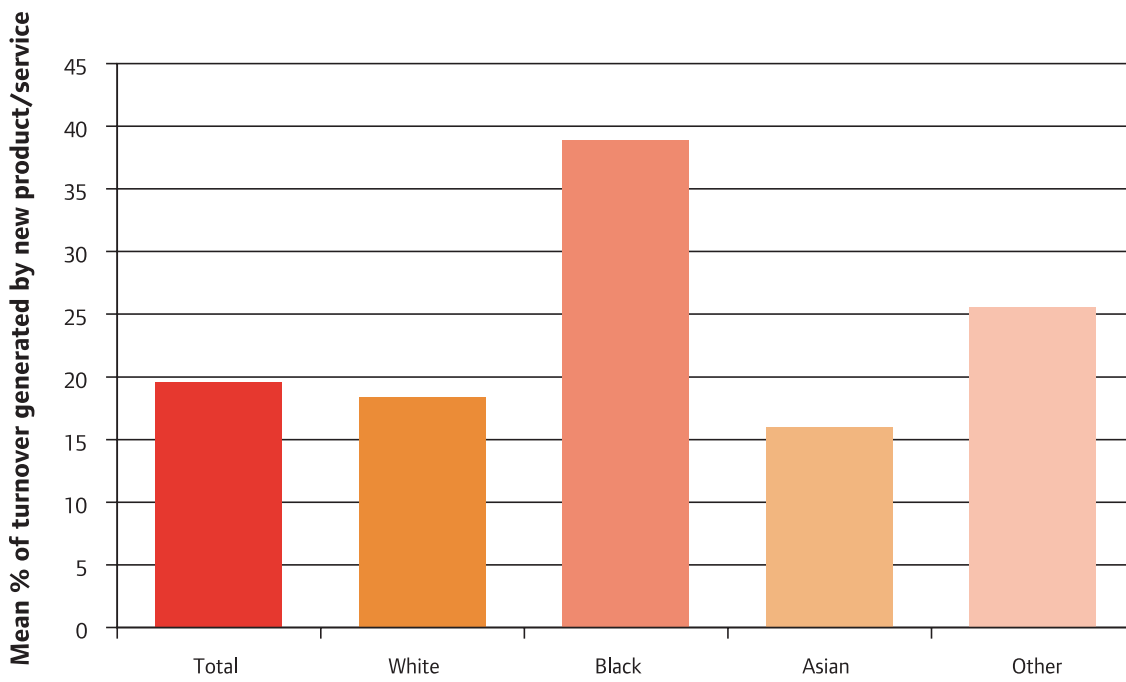
**Chart 25. Introduced new or enhanced business practice in last year?**





Further, as Chart 26 illustrates, black-owned businesses were more likely to have derived significant benefit and increased revenues from their innovations.

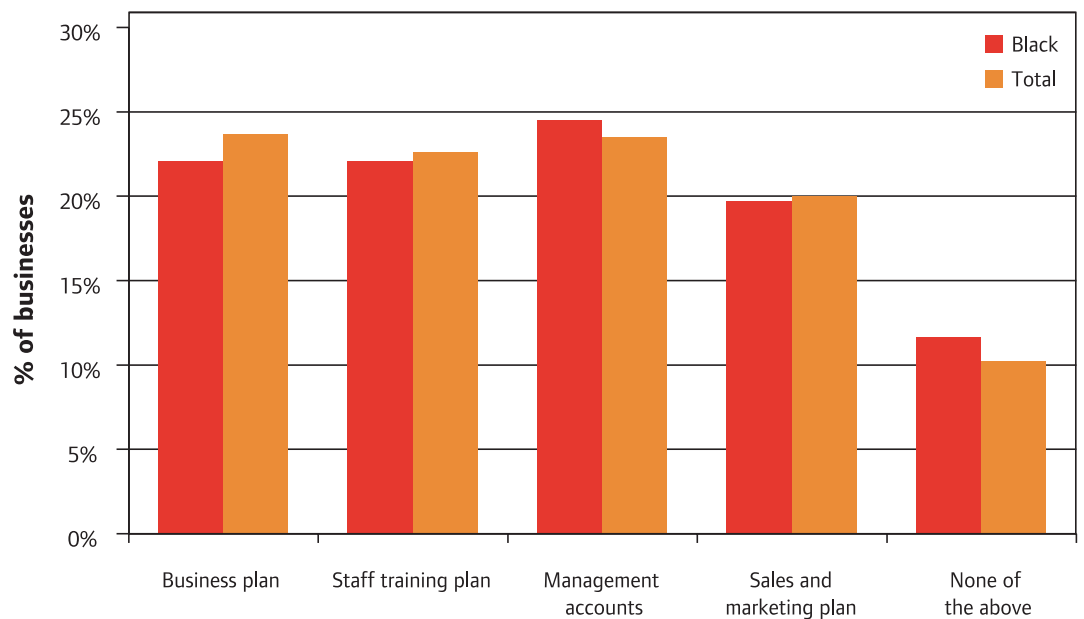
**Chart 26. Impact of new or improved product/service**



## 9. business practice and management

Having good management and effective management structures in place is key to a business's success. Further, providing business support and advice, especially to start-ups and small businesses is often important in order to help them to achieve their potential. Chart 27 reveals that black-owned businesses are approximately as likely to have the basic planning tools such as a Business Plan and Management Accounts, as the average for all businesses.

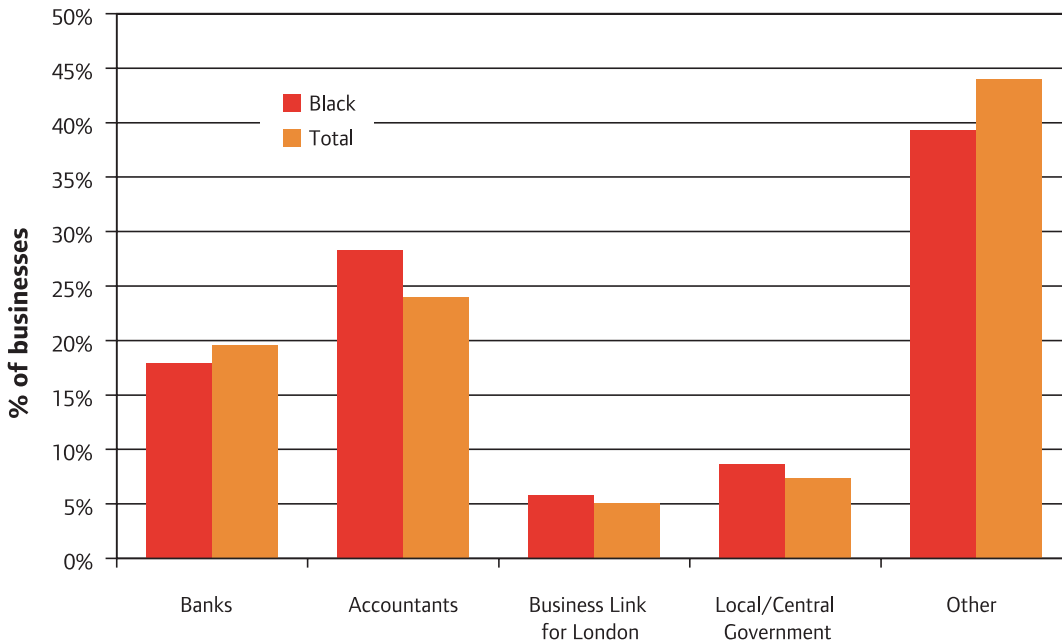
**Chart 27. Proportion of businesses with various strategic planning tools**



Black-owned businesses are equally or more likely to access most kinds of business advice, apart from banks. This supports other research suggesting that particularly African and Caribbean owned businesses experience communication problems with banks<sup>11</sup>.

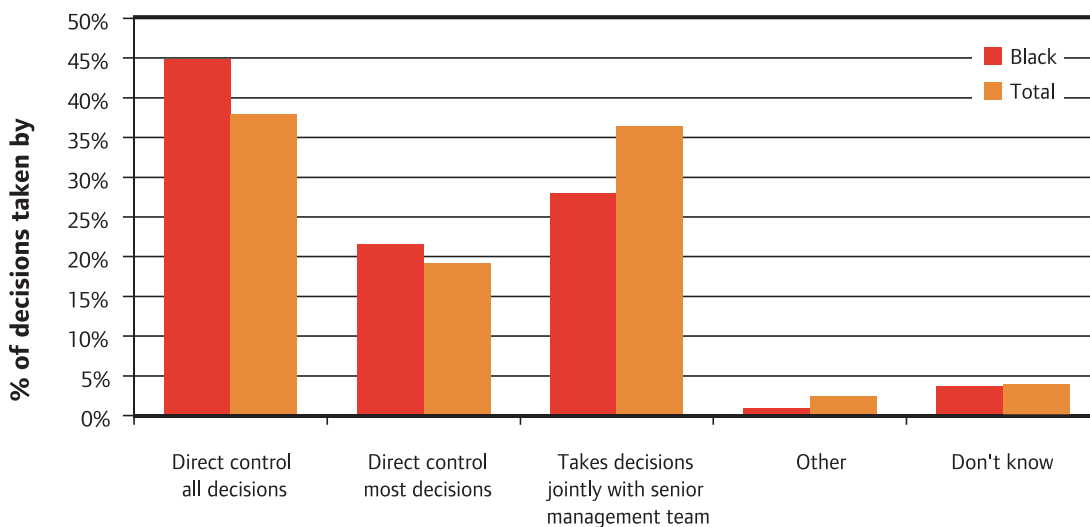
To the extent that black-owned businesses appear to be accessing more forms of business advice than average, this is most likely a reflection of size. Black-owned businesses tend to be smaller than average and small businesses tend to be more likely to access business advice.

**Chart 28. Sources of business advice**



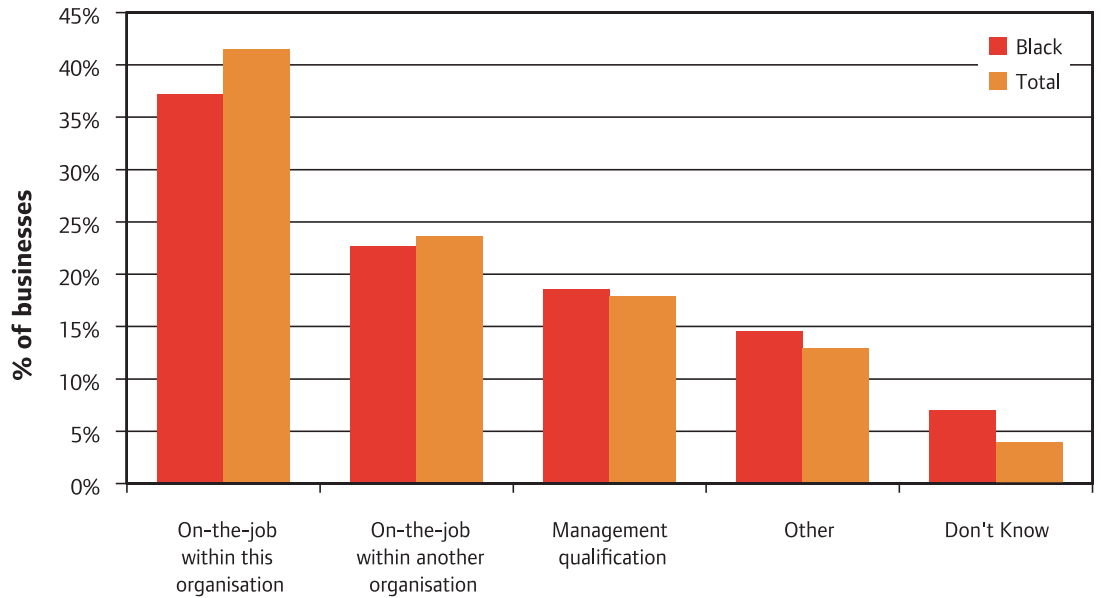
In terms of the management of black-owned businesses, the overall picture seems to be that the role of the Managing Director or Chief Executive tends to be more directly controlling than the average. This is probably largely due to the fact that black-owned businesses are smaller than average and so direct control and management by the head of the firm is not just more feasible, but necessary - there may not even be a senior management team.

**Chart 29. Role of the Managing Director or Chief Executive**



Managers in black-owned businesses are somewhat less likely than average to have got their management experience on-the-job within the same organisation, but equally likely to have got their experience on-the-job in another organisation. Black-owned businesses are also more likely to have managers who have management qualifications (but the difference is slight).

**Chart 30. How did senior managers get their management experience?**



## conclusion

Black-owned businesses, whether African or Caribbean, clearly provide a very valuable contribution to London's economy. Although their characteristics and needs are not yet well understood, it is clear that they are distinct from businesses in general in several respects. They are more likely to be smaller firms and so require the support that small firms normally require. Nonetheless, black businesses create around 70,000 jobs across London. From the limited information that this report has been able to draw on it is also clear that they cover many different sectors and so will be subject to the different market conditions, trends and pressures that these different sectors experience. But it is clear that ethnic minority businesses, including black-owned businesses, are no longer simply concentrated in one or two industries and do not serve only niche markets.

The report brings out some of the problems and challenges faced by black-owned businesses. Access to finance clearly remains difficult for many black-owned businesses. Black businesses could also strive to capitalise further on the growth within certain key sectors in London such as Business Services. The proportion of sales to other businesses is lower than average and this provides an opportunity for further growth. Nonetheless, the data was also full of positive messages about the strength and achievement of black-owned business. The higher than average number of black-owned businesses that have innovated by successfully introduced new products, services or business practices was striking. Another notable feature to emerge from the LDA/BL4L Business Survey was how resilient black-owned businesses have been to the recent economic slowdown. This all provides a solid foundation on which to build for future growth and success.

## foot notes

- 1 The London Development Agency and Business Link 4 London's London Annual Business Survey 2003. The survey covered private sector businesses with 1 or more staff, i.e. it excluded the self-employed. The results were calibrated to accord with the ABI and the London Employers Survey (conducted by the London Skills Forecasting Unit of the Learning and Skills Council).
- 2 Bank of England (1999), The Financing of Ethnic Minority Firms in the UK
- 3 Barclays Bank (1997), Cultural Change and the Small Firm
- 4 Monder and Smallbone (2001) Ethnic Minority Enterprise: Policy in Practice, Small Business Service
- 5 Curran and Blackburn (1993), Enterprise and the High Street Bank, Small Business Research Centre, Kingston Business School, Kingston University
- 6 GLA (2002), Planning for London's Growth
- 7 ONS employment data and Experian GVA by industry estimates, 2002
- 8 Rutherford and Blackburn (2000), 'The diversity of ethnic minority small firms: issues for business support providers,' Paper presented at the 23rd ISBS National Small Firms Research and Policy Conference, Aberdeen
- 9 See e.g. Mirjam Schiffer and Beatrice Weder (August 2001), Firm Size and the Business Environment: Worldwide Survey Results, IFC Discussion Paper No. 43, The World Bank or Barber, J., J.S. Metcalfe and M. Porteous (1990), Barriers to Growth in Small Firms, Routledge, London.
- 10 See LDA (Forthcoming) Redefining BME Businesses, Ram and Smallbone (2001) Ethnic Minority Enterprise: Policy in Practice, Bank of England (1999), The Financing of Ethnic Minority Firms in the UK, British Bankers Association (2002), Ethnic Minority Business in the UK: Access to Finance and Business
- 11 British Bankers Association (2002), Ethnic Minority Business in the UK: Access to Finance and Business



