

Spotlight on Asian Business

Their contribution to London

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Their contribution to London

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**Greater London Authority
December 2007**

Published by

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

www.london.gov.uk

enquiries **020 7983 4100**

minicom **020 7983 4458**

ISBN **978 1 84781 104 2**

For more information about this publication, please contact:

GLA Economics

telephone **020 7983 4922**

email **glaeconomics@london.gov.uk**

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Foreword by Ken Livingstone, Mayor of London



The strength of London's Asian business community is of the greatest importance to London's economic success. Asian businesses and entrepreneurs play a key part in the life of our city. They are a fundamental part of the capital's economy, and I am delighted to be launching this report with the Asian Business Association, which assesses the vital contribution Asian businesses make to the London economy.

In 2006 there were 41,000 Asian-owned businesses in London, providing around 210,000 jobs. But their real importance goes further than even these figures suggest: they have helped to underpin London's global connectedness and openness and they have helped us maintain our edge in key sectors such as the creative industries, retail and wholesaling. Over the years they have helped introduce Londoners to a wide-range of new products and experiences; and, they provide a bridge into the rapidly changing Indian sub-continent. In short, Asian businesses and entrepreneurs make an essential and distinctive contribution to London's vitality and success.

The next century will be economically dominated by Asia, particularly with the phenomenal growth of India and China. If London is to continue to thrive, it will have to understand and adjust to these huge changes in the global economy. I believe Asian-owned enterprises play a key role not only in London's economy but in helping us to get to grips with the most important trends in the world economy.

I hope this report provides a detailed understanding of the significant role London's Asian businesses make to the capital, and I look forward to continuing my support to this thriving business community.

A handwritten signature in black ink that reads "Ken Livingstone". The signature is written in a cursive style with a prominent flourish at the end of the word "Livingstone".

Ken Livingstone
Mayor of London

Foreword by Tony Sarin, Chairman, Asian Business Association, London Chamber of Commerce and Industry

As Chair of the Asian Business Association I welcome this report and the work of the Mayor's office, which not only examines the importance of foreign direct investment from the Asia-Pacific into London, but also provides a blueprint for sharing best practice in relation to passing on family-run businesses to the next generation of Asian business-owners. Asian women have also played a significant if sometimes unnoticed role in the success of Asian businesses, and this report seeks to highlight the importance of encouraging more women to engage in business.

The Asian Business Association has rightly gained the accolade as the voice for representing a dynamic Asian business community in London. Such businesses not only create jobs and wealth but are also a source of innovation which is critical to a modern economy. I hope the conference which launches this report will provide an opportunity for you to debate, discuss and share ideas on developing the success of Asian businesses even further.



Tony Sarin

Chair, Asian Business Association
London Chamber of Commerce and Industry



Executive summary

It has been widely recognised for some time that Asian-owned businesses make a significant contribution to London's economy and this contribution is likely to continue into the future given the size of London's Asian population and the growing financial ties with the Indian sub-continent.¹

This report provides a comprehensive coverage of Asian-owned businesses in London using a combination of data-based economic analysis and qualitative case studies. Though separate, these approaches are very much complementary. The case studies explore some of the key business issues and achievements of Asian businesses. Obviously the views expressed are subjective and cannot capture the experience of all Asian businesses, which are themselves diverse, varying from multinationals such as Tata at one end of the spectrum, to small convenience stores at the other. Taken as a whole this report aims to provide useful insights and analyses of London's Asian businesses at the present time.

Key findings from the data

- Data from the 2006 London Annual Business Survey (LABS) reveals that there were over 41,000 Asian-owned businesses in London in 2006. This was about 13 per cent of all London businesses covered by the survey.² The definition of Asians in this report is consistent with that used by the 2001 Census and the Office for National Statistics (ONS) and is therefore suitable for national comparison. The Asian ethnic group, as defined in this report, comprises the following sub-groups: Indian, Pakistani, Bangladeshi and Other Asian. An Asian-owned business is defined as a business in which a majority of the owners are Asian.³
- Asian-owned firms provide just under 210,000 jobs to the London economy. This represents around 10 per cent of total employment by firms covered in the survey.
- Generally speaking, Asian-owned businesses make up a similar share of all businesses as the Asian share of London's working age population. Asian-owned businesses comprise 13 per cent of all businesses, while 14 per cent of London's working-age population is Asian.
- In terms of characteristics, Asian-owned businesses do have certain distinctive traits, one of which is the high rate of self-employment. According to the 2001 Census, Indian and Pakistani individuals are more likely to be self-employed than the average for the population as a whole.⁴

- Most Asian businesses are relatively small: 83 per cent of businesses have between one and four employees compared to an average of 77 per cent of all firms in London.
- The most common sectors for Asian-owned firms are Wholesale and Retail, and Business Services. Thirty-nine per cent of Asian-owned businesses are in the Wholesale and Retail sector (compared to 23 per cent for businesses in general). Asian-owned firms are relatively under-represented in Business Services: around 33 per cent of Asian-owned businesses are in this sector compared to 40 per cent for all businesses.
- Female business ownership in Asian-owned businesses is somewhat lower than average. Around 10 per cent of Asian-owned businesses are majority-owned by women, compared to a 16 per cent average for all businesses in London.⁵

1 Introduction

The Asian community in London's economy

The majority of data for this report comes from the 2006 London Annual Business Survey (LABS) in addition to the 2001 census. LABS is the only detailed business survey of London that includes a comprehensive coverage of business owners. The London Chamber of Commerce and Industry developed the case studies through a series of semi-structured interviews.

Definitions

Ethnicity is difficult to define: as the GLA report *Black people pushing back the boundaries* noted, one of the main difficulties is in establishing a single objective definition. The difficulty arises because ethnicity is a changing and culturally contingent category and individuals classify themselves within the category with which they most closely identify. Therefore in reviewing the accuracy of any quantitative analysis such limitations of the underlying data should be borne in mind. This report uses the definition of Asian that is consistent with the 2001 Census. The equivalent sub-categories for the definition used by the GLA and the census are summarised in Table 1.

For statistical reasons it was not possible in all instances to analyse the data in terms of each individual sub-category, but the sample for the broad category of Asian-owned businesses was large enough to allow robust analysis (see Appendix B for more detail of statistical reliability).

Table 1 Ethnic definitions used in the report

LABS ethnic groupings	GLA aggregated group (AEG) *	ONS 2001 Census ethnic category
White	White	White: British. White: Irish. White: Other White
Black	Black Caribbean	Black or Black British: Caribbean
	Black African	Black or Black British: African
	Black Other	Black or Black British: Other Black Mixed: White and Black Caribbean Mixed: White and Black African
Asian	Indian	Asian or Asian British: Indian
	Pakistani	Asian or Asian British: Pakistani
	Bangladeshi	Asian or Asian British: Bangladeshi
	Other Asian	Mixed: White and Asian Asian or Asian British: Other Asian
Other	Other	Mixed: Other Mixed Chinese or Other: Other

* approximate to the ten ethnic groups used in the 1991 Census, using best fit comparison described in DMAG Briefing 2003/9, 2001 Census Key Statistics: Ethnicity, religion and country of birth

According to the 2001 Census (see Table 2), the Asian population (including for the purposes of this report the census categories 'Asian or Asian British', 'Mixed: White and Asian') is approximately 710 000, or around 14 per cent of the total London population. Table 2 below shows the population of different ethnic groups in London and some relevant economic statistics (also from the 2001 Census).

In summary:

- Self-employment rates are high among the Asian population of London. There were over 58,000 self-employed Asian people in London according to the 2001 Census. The rate of self-employment (as a percentage of those in employment) for the Asian or Asian British census category was 15.8 per cent in 2001 and for Mixed: White and Asian it was 13.8 per cent. The average for all ethnic groups was 14.9 per cent. Indian and Pakistani individuals were more likely to be self-employed than the average for all people.
- It is well known that employment rates amongst Asians are markedly lower than the London average. Using data from the latest census (2001), the employment rate for London's Asian population stood at 58.6 per cent, compared to the London average of 69.5 per cent for all ethnic groups. However there is considerable variation amongst the different Asian sub-categories, for instance Indians have quite a high employment rate at 68 per cent, whereas the Pakistani and Bangladeshi populations have respective employment rates of 48.9 per cent and 37.9 per cent. Unsurprisingly given the low employment rates, unemployment rates among all Asian ethnic groups are fairly high. Again on the basis of the 2001 Census, total unemployment was 8.8 per cent for the overall Asian category, compared with 6.7 per cent for the total population.⁶ Within the Asian population the highest unemployment rates are among Bangladeshis and Pakistanis, at 20.5 per cent and 12.2 per cent respectively (see the Prime Minister's Strategy Unit report Ethnic minorities and the labour market for more detailed analysis of the reasons for this).

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
White	5,103,203	71.2%	69.5%	15.6%	5.3%	6.0%	4.4%
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%
Mixed	226,111	3.2%	63.4%	12.7%	12.3%	14.2%	10.4%
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%
Asian or Asian British	866,693	12.1%	60.0%	15.8%	8.8%	9.2%	8.2%
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%
Black or Black British	782,849	10.9%	65.8%	8.6%	14.3%	17.2%	11.6%
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%
Chinese or Other	193,235	2.7%	58.4%	14.7%	9.0%	10.3%	7.7%
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%

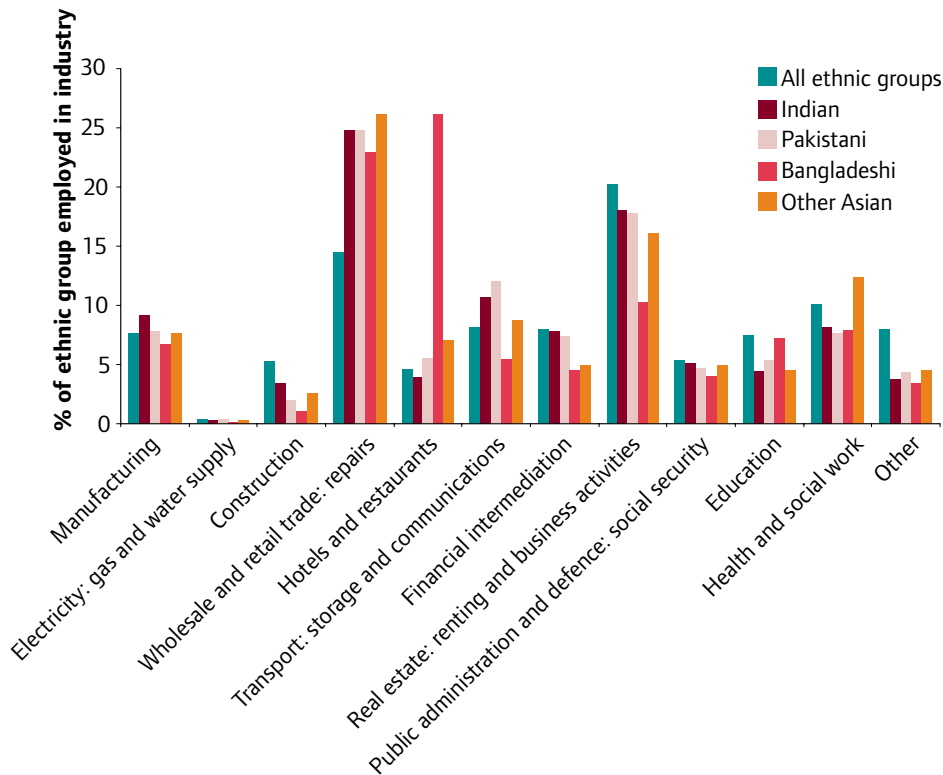
Source: Office for National Statistics

Asian workers are distributed across all industries as shown in Chart 1. The sectoral distribution for the Asian sub-groups has some distinctive characteristics. Broadly speaking there is a significant over-representation relative to the population as a whole in the Wholesale and Retail and the Hotels and Restaurants sectors, whereas there is an under-representation amongst Asian sub-groups in the Business Services sector.

Some of the most significant over-representations relative to the average for the workforce as a whole include Pakistanis, Bangladeshis, Indians and Other Asians in the Wholesale and Retail sector; Bangladeshis in the Hotels and Restaurants sector; and Indians and Pakistanis in the Transport and Communications sector.

There are also certain sectors where some Asian groups are significantly under-represented relative to the workforce as a whole. These include Bangladeshis in Business Services and most of the Asian groups in Other Services. This data is presented for context. It should be remembered that there is not necessarily any connection between the ethnicity of workers in a sector and the ethnicity of owners of businesses in that sector.

Chart 1 Sectoral distribution of employees in London, 2001



Source: 2001 Census, Crown copyright, Office for National Statistics

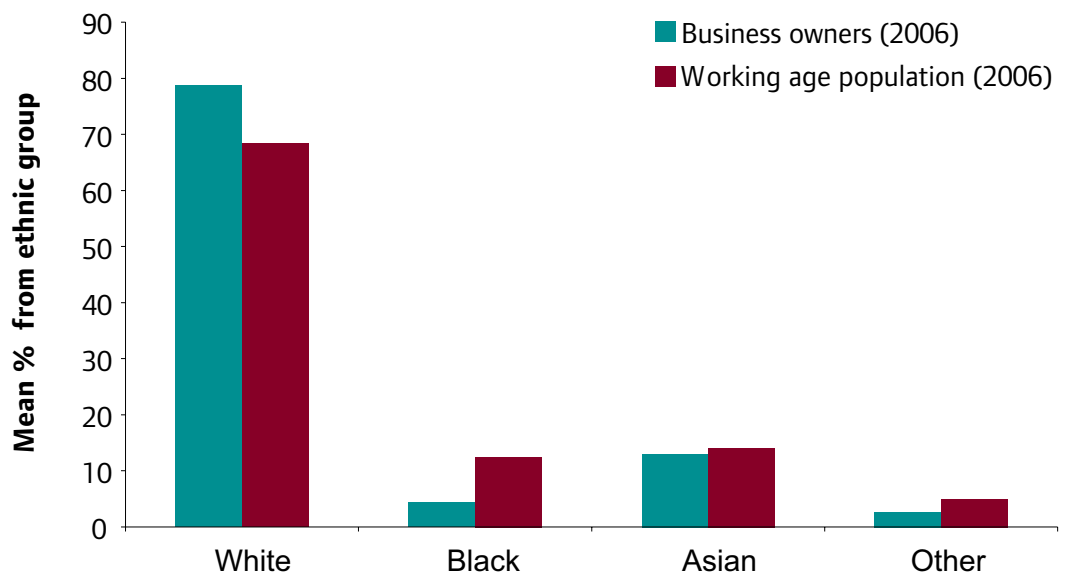
2 Asian-owned businesses in London's economy

Headline statistics

Asian-owned businesses are important to London's economy. The latest available data from the 2006 London Annual Business Survey shows that there are over 41,000 Asian-owned businesses in London that employ one or more staff. This is approximately 13 per cent of all London businesses (excluding those that did not report the ethnicity of the owners). The total number of employees in Asian-owned firms is approximately 210,000 (10 per cent of total employment by private sector firms with one or more staff).

Chart 2 shows the proportion of business owners and the working-age population by ethnic group. The proportion of businesses that are owned by Asians is approximately the same as the proportion of the working-age population in London that is Asian.

Chart 2 London Businesses and working age population by ethnicity



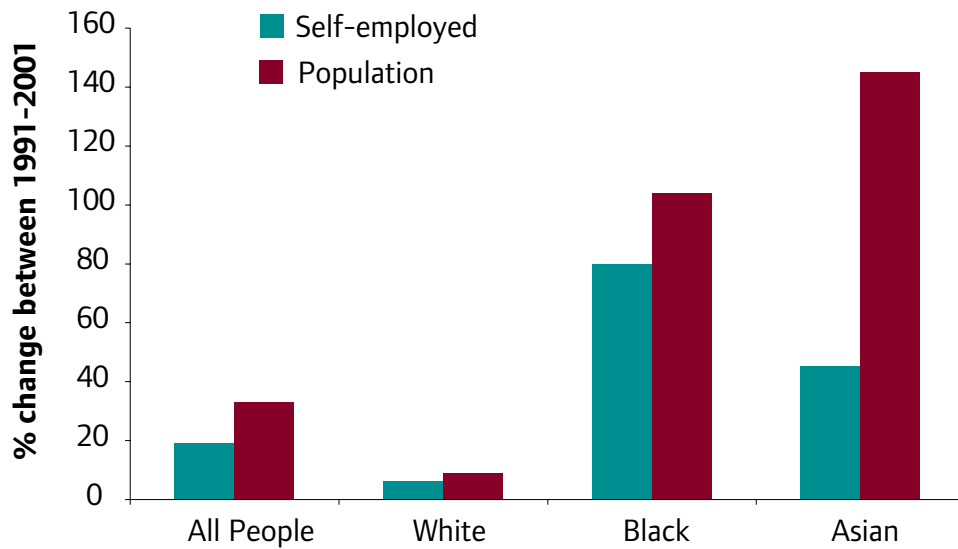
Source: LABS 2006 (based on all businesses that reported the ethnicity of the owners) and DMAG

Trends

The first LABS was in 2003, so four years of data has been accumulated - this is not sufficient enough to infer meaningful trends. Additionally the sample changed considerably between these years, making it difficult to compare the results. Self-employment data is available for a longer time period from the census (1991 and 2001) and some analysis of changes in Asian self-employment are presented below. It should be remembered that self-employment is not synonymous with business ownership.

The Asian level of self-employment grew at a faster rate than the average for all ethnic groups between 1991 and 2001 although not by the same rate as those from a Black ethnic group (as shown in Chart 3). For the period 1991 to 2001 the number of self-employed Asians rose by 45 per cent. However, self-employment levels have not grown nearly as fast as population levels. Over the same period the Asian population in London rose by over 140 per cent.

Chart 3 Growth in self-employment 1991-2001 in London

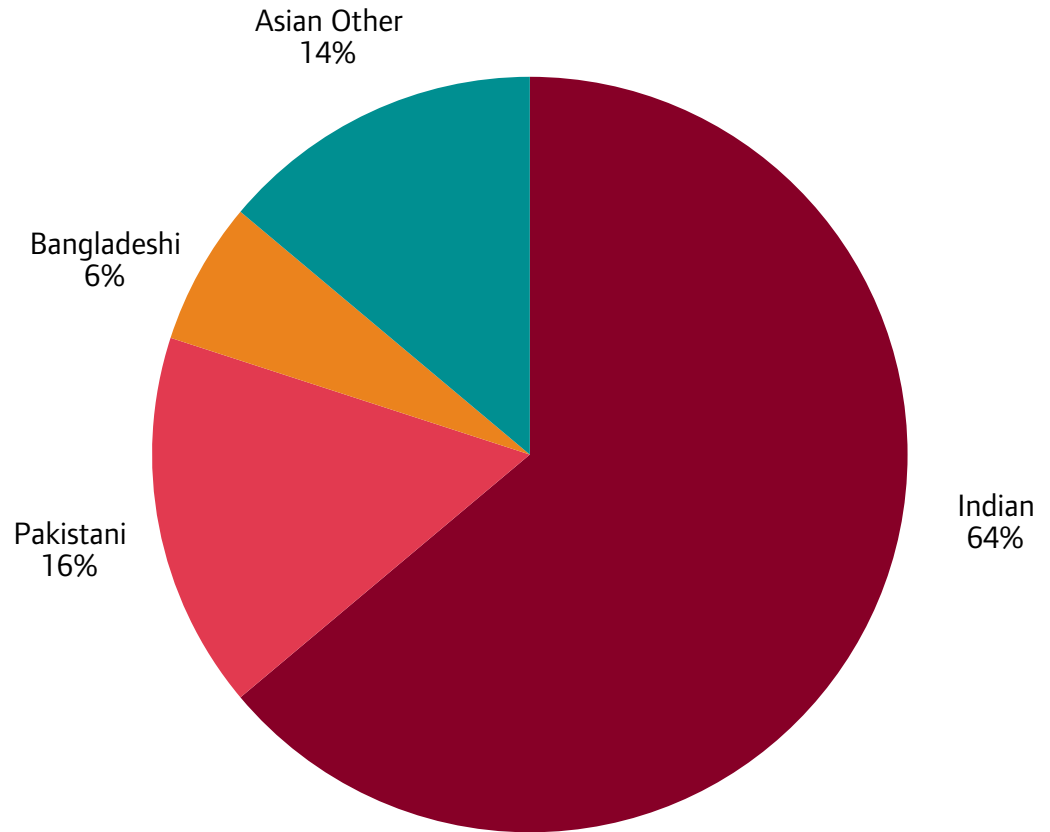


Source: ONS, Census 1991 and 2001

The sub-groups within the Asian-owned businesses sample

Chart 4 below shows a breakdown of the LABS sample of Asian-owned businesses. The biggest sub-groups are Indians, comprising around 64 per cent of Asian-owned businesses.

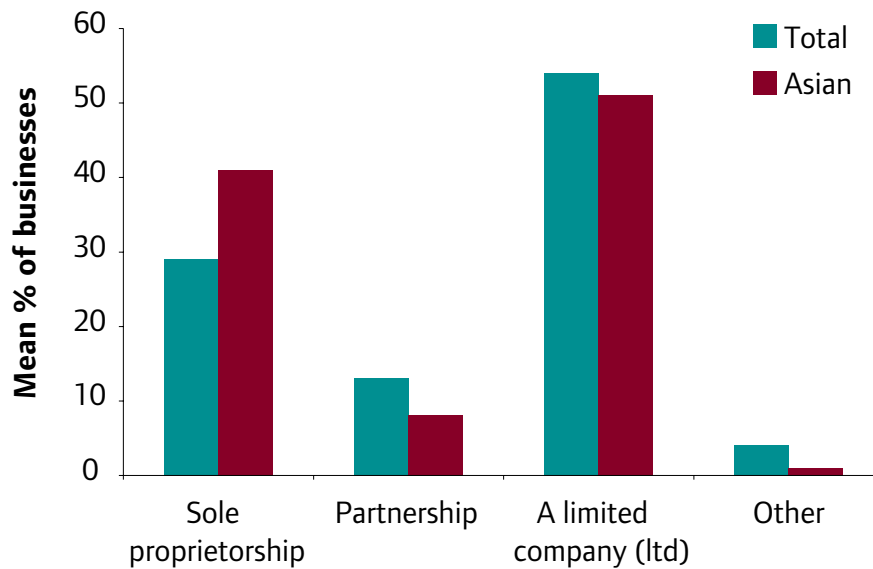
Chart 4 Breakdown of Asian-owned businesses sample in London Annual Business Survey 2006



Source: LABS 2006

Legal structure

As with most businesses in London, the majority of Asian businesses are private limited companies. Approximately 50 per cent have this legal structure. Sole proprietorships form the second largest business type, with just over 40 per cent of Asian businesses being sole proprietorships.

Chart 5 Business legal structure

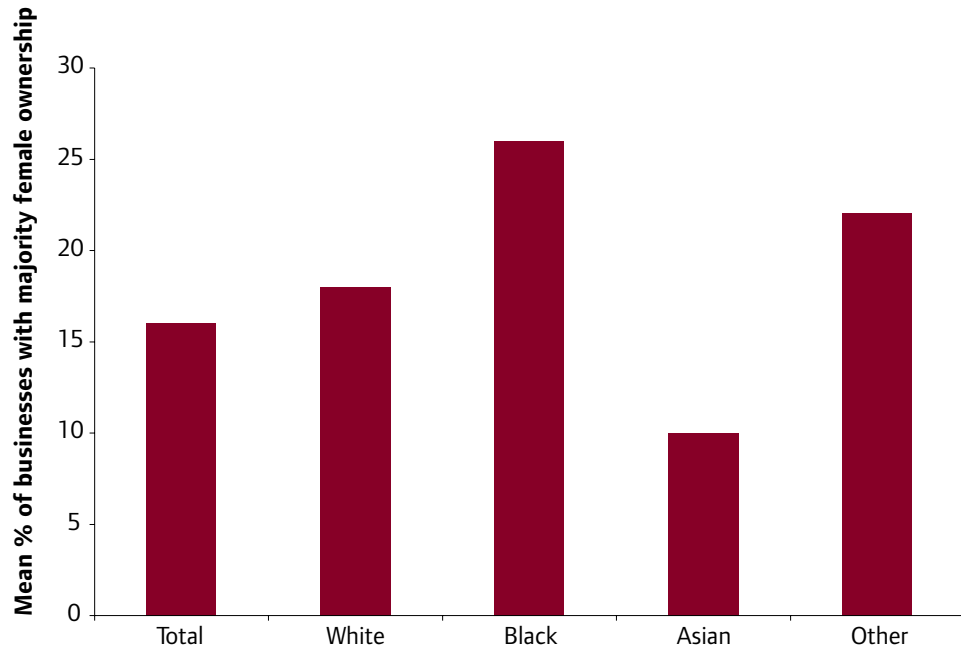
Source: LABS 2006 (excludes public limited companies)

Female ownership

Female ownership can be defined in different ways. In accordance with the criteria adopted in defining ethnic ownership, majority female ownership takes 51 per cent as a threshold (see Chart 6). However, female ownership within business is important in its own right and therefore Chart 7 also reports on the proportion of businesses across the main ethnic groups where there is at least one female owner or partner. The striking feature of Chart 7 is that female ownership is concentrated in just 26 per cent of Asian owned businesses, against an average of 43 per cent for all businesses.

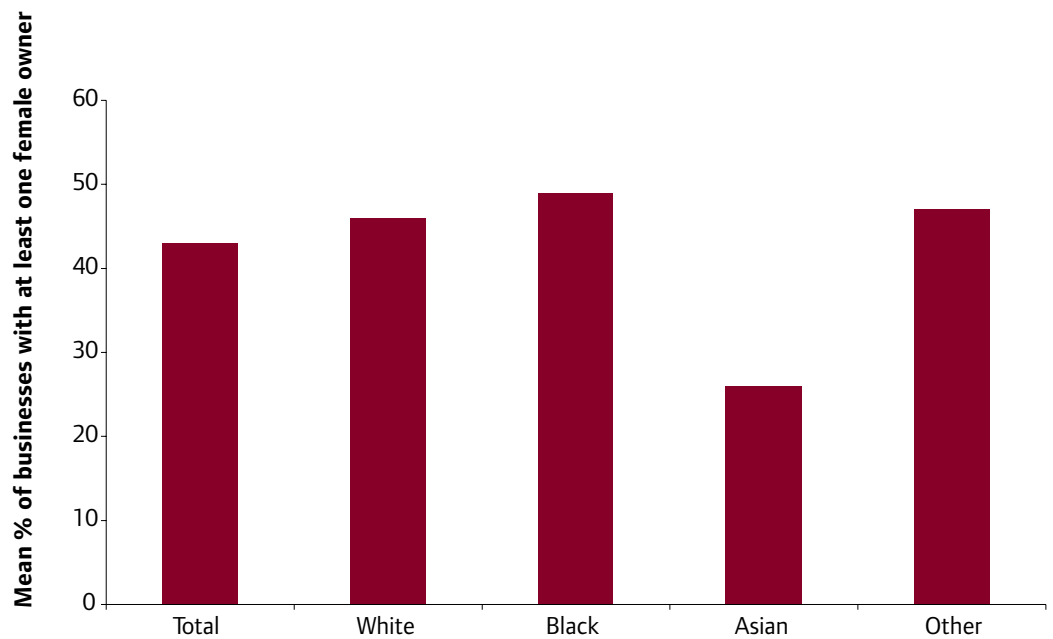
When looking at majority female ownership, the figure of 10 per cent for Asian businesses is again considerably lower than the average for all businesses (16 per cent). The reasons for such differences are not clear, though one factor may be the lower economic activity rates for women among some Asian communities compared with White and Black women.

Chart 6 Businesses with majority female ownership



Source: LABS 2006 (excludes 'don't know' responses)

Chart 7 Businesses with at least one female owner



Source: LABS 2006 (excludes 'don't know' responses)

Case study on Asian women in business: Rupal Patel, Orcha Group

For Rupal Patel, entrepreneurship was always on the horizon. ‘Starting my own business is something I always knew I would do – the interest has been there from the beginning,’ she explains.

The director and founder of the Orcha Group media agency, Patel says she learned about business from a young age, as a number of her aunts and uncles ran their own businesses. ‘Looking at their passion and belief helped me get inspired,’ she said.

After completing a joint degree in Economics and Politics at Manchester University, Patel embarked on a career in media, working as the Broadcast and Media Sales Director at British Airways Media and as international Deputy Advertising Manager at Lloyds List and Insurance Day newspaper. Before starting the Orcha Group, time in a smaller agency taught her how to run a business day-to-day.

In 2006, the Orcha Group launched the International Network of Asian Businesses (INAB), an initiative that provides education, support and networking opportunities for Asian family-run businesses in the UK and abroad.

Although Patel is part of the still small group of Asian women business owners, she believes there is a great deal of opportunity available. ‘I personally have not found there to be a major barrier to starting a business,’ she says. ‘There’s a lot of help out there but I have found people just don’t know what support is available to them. A critical factor to increase the number of Asian women entrepreneurs is ensuring this support reaches individuals who would like to have their own business but haven’t yet taken the steps to realise the dream.’

Mentorship has been key to Patel’s success: ‘I found good mentorship readily available, and in my opinion mentors are invaluable.’

‘Through INAB, we hear time and again from established business people who would like to give something back through mentoring. It’s about finding businesses that can benefit from their experience; the mentor also gets something back from the process.’

Patel believes there are signs that more Asian women are establishing themselves in business. ‘When INAB was launched, it was difficult to find women to get involved – but two years later, the situation is improving,’ she says.

Patel also explains that many women are involved in family-owned businesses, even if they aren't the exclusive owner. 'Women play a crucial role, often acting as the mediator within the family business unit, but this is under-represented in the literature.'

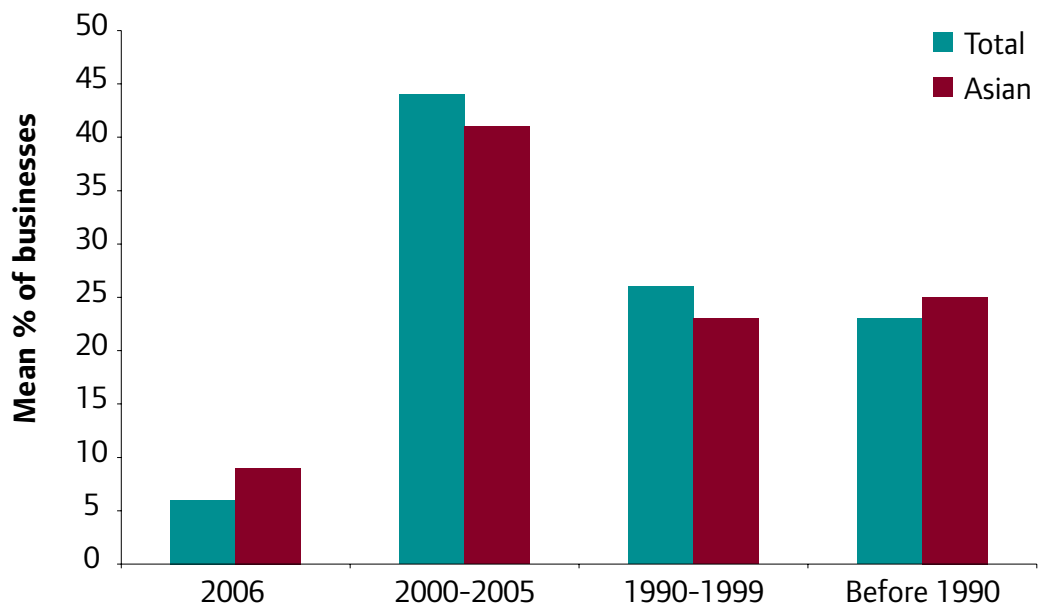
Patel's advice to would-be entrepreneurs is to have confidence and conviction, and to seek mentorship early on. 'There are more people who want to help you than want to hold you back,' she says.

Source: London Chamber of Commerce and Industry

Length of time established

Nearly 50 per cent of Asian businesses that took part in the 2006 LABS were established before 2000. Chart 8 shows that the dates of establishment of Asian-owned businesses almost mirror the average date of establishment of all businesses, with the largest proportion being set up between 2000 and 2005.

Chart 8 How long has the business been established?



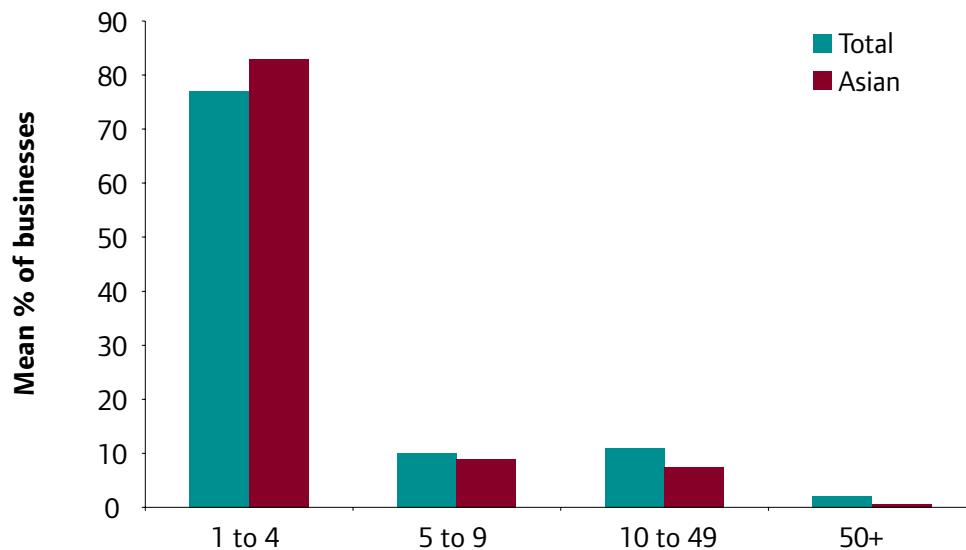
Source: LABS 2006 (excludes 'don't know' responses)

3 Business size

Employment

Asian-owned private sector businesses provide around 210,000 jobs to the London economy. The vast majority (92 per cent) of Asian-owned business sites are small, with between one and nine employees. This compares to 87 per cent for all businesses. Chart 9 shows that Asian-owned businesses are also more likely to be in the one to four employees category.⁷ Eighty-three per cent of Asian-owned businesses have between one and four employees compared to 77 per cent of all businesses. The proportion of Asian-owned businesses having 10 or more employees is 8 per cent, while the proportion for all businesses is 13 per cent.

Chart 9 Employee size bands for business sites



Source: LABS 2006 (excludes 'don't know' responses)

4 Sector distribution

Thirty-nine per cent of Asian-owned businesses in London are in the Wholesale and Retail sector. The second largest category for Asian-owned businesses is Business Services at 33 per cent. Together these sectors account for approximately 72 per cent of all Asian-owned businesses in London. The two biggest sectors for businesses in general are similar: around 40 per cent of all businesses fall in the Business Services sector, with Wholesale and Retail coming second at around 23 per cent.

The third biggest sector for Asian-owned firms is Transport and Communications with around 8 per cent and the fourth largest is Hotels and Restaurants with 7 per cent. The four biggest sectors for Asian-owned businesses account for around 87 per cent of businesses, indicating a slightly higher level of concentration than for businesses in general where 78 per cent fall in the top four sectors. Table 3 shows the ranking of the biggest sectors (in terms of number of firms).

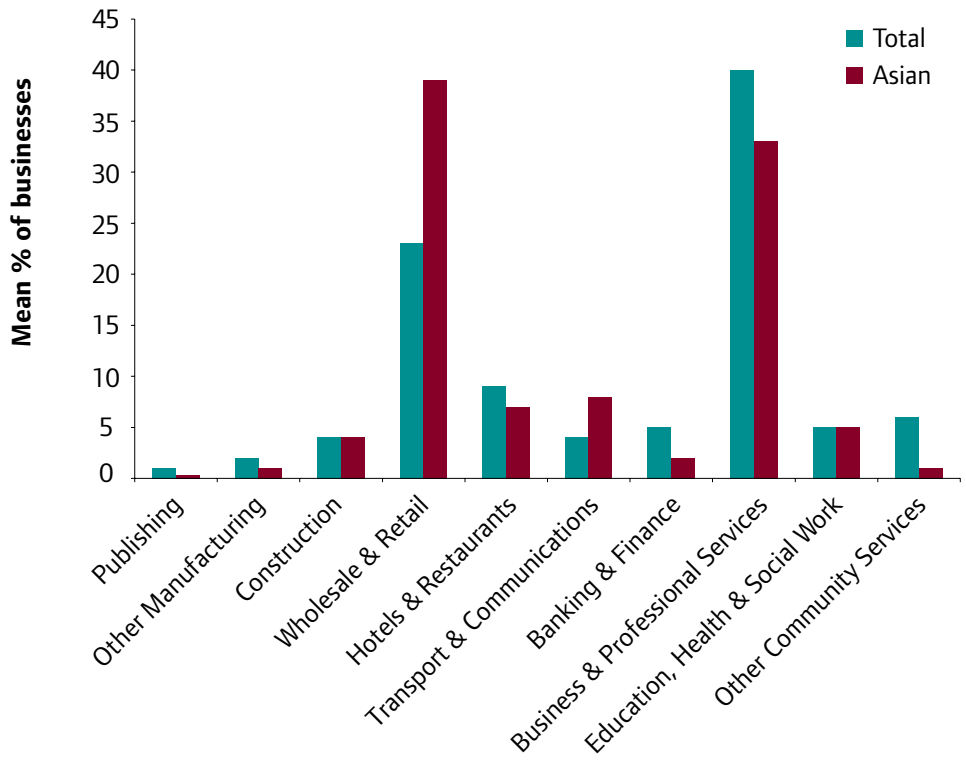
Table 3 Biggest sectors (by number of businesses)

Asian	Total
1 Wholesale and Retail	1 Business Services
2 Business Services	2 Wholesale and Retail
3 Transport and Communication	3 Hotel and Restaurants
4 Hotel and Restaurants	4 Other Community Services

The concentration of Asian-owned businesses in the Wholesale and Retail sector is well known and its causes are to some extent historical (see Ram and Jones (1998)).⁸ Nor is it solely a London phenomenon. The Asian Marketing Group estimates that in the UK as a whole, Asian retailers account for around 75 per cent of all independently owned retail outlets, and this rises to almost 95 per cent within the M25 and other major metropolitan areas (Asian Marketing Group 2001).⁹ Having such a large presence in one sector may mean that Asian-owned businesses are particularly vulnerable to trends that affect this sector.¹⁰

Likewise the under-representation of Asian-owned businesses in the Business Services sector may have implications for the ability of Asian-owned businesses to take advantage of future growth in this sector. Business Services is one of the most productive and fastest-growing sectors in the London economy and as GLA Economic's employment forecasts have shown it is likely that it will continue to be one of the fastest-growing sectors in the medium term.¹¹

Chart 10 Sectoral distribution of Asian-owned businesses



Source: LABS 2006

5 Family ownership

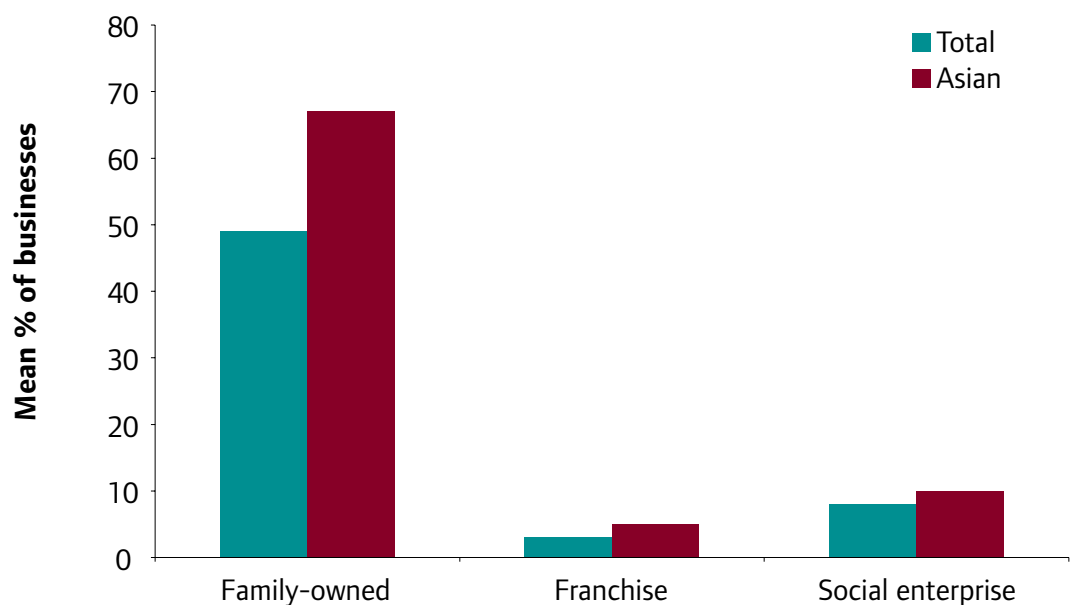
Ownership status

Family ownership is widely associated with Asian businesses, a global and historic characteristic that also appears to hold true for London. For instance, Chart 11 shows family ownership amongst Asian businesses at 67 per cent against an average of 49 per cent for all businesses.

Specific structural reasons for this are not known for certain. However the combination of a high concentration of Asian-owned businesses in the Wholesale and Retail sector and their small size could be significant. (However, as the pre-eminence of family-run multinationals such as Tata and Mittal Steel demonstrate, these are generalisations and should be treated with care.)

Family ownership may also be seen as an important means of creating job security and passing on wealth between generations. Business owners may attach high importance to this given the very high levels of worklessness among the Asian community. This is reinforced by the separate finding that of those involved in setting up the business, 13 per cent said the principal reason was to secure employment, whereas the average for all London businesses was only six per cent.

Chart 11 Ownership status of business



Source: LABS 2006 (excludes 'don't know' responses)

Case study on succession planning: Bestway Group

Sir Anwar Pervez OBE H Pk is the founder and Chairman of Bestway Group, the second largest cash and carry operator in the UK.

From establishing his first convenience store in Earl's Court in 1963, Sir Anwar grew his company to ten stores and then entered the wholesale market in 1976.

By introducing the concept of a lower operating margin, Bestway's trading style changed the face of the entire wholesale sector and the company now operates 51 wholesale outlets across the UK. Bestway Group also holds interests in several overseas businesses, including the Pakistan-based Bestway Cement, United Bank Ltd and Bestway Power.

Bestway is a family-owned business, and Sir Anwar's sons Rizwan and Dawood are involved as Group Operations Director, and Director and Company Secretary respectively. However, Sir Anwar believes that effective succession planning must look beyond just family members.

'From 1963 to 1985, I was the only member of my family involved in the business,' Sir Anwar says. 'I don't take the view that only my children should manage the business.'

Indeed the Managing Director of the Bestway Cash and Carry Group, Younus Sheikh, is not a member of the Pervez family. Sir Anwar looks for like-minded people to get involved in the business, whether they come from within or outside the family.

As he explains, 'I choose people to work with who think like me. When you choose people who think like you, they become like family,' he says.

Nonetheless if a family business is to be successfully passed on to the second generation, Sir Anwar believes children should be given the best education possible, and the opportunity to train in other fields. His sons qualified in law and accounting, working outside the Bestway Group to prove themselves and bringing essential skills and a wider knowledge to the business in the process.

'I gave my children a choice – they were welcome to work outside the family company,' Sir Anwar says.

It is a testament to Sir Anwar's philosophy and phenomenal success that his sons have been keen to return to the family firm, having been involved from an early age when Sir Anwar sent them to work anonymously in his stores during their holidays from studying. 'My son worked in Japan,

but he came back here because he knew what he could do in his own business if it was run successfully,' Sir Anwar explains.

'I tell them, if you are not involved, you cannot be sure the business will be successful. But if you are there, and you are intelligent, you can see that things get done,' he says. 'Because if the business is not a success, the family cannot gain from it.'

Sir Anwar's success is undoubtedly based on a philosophy of hard work, rewarding merit and a clear focus on making a success of his business at every stage, rather than looking too far ahead. Quite simply according to Sir Anwar, the most important thing is to run a family-owned business successfully day to day. 'You are working for today. If today is not working, then succession cannot happen.'

At Bestway, there is room for both family members and outsiders to succeed. 'In our business, inclusion is based on merit – there is no colour, no nationality, only merit,' Sir Anwar says. 'And I am sure my children will be doing the same thing in the future.'

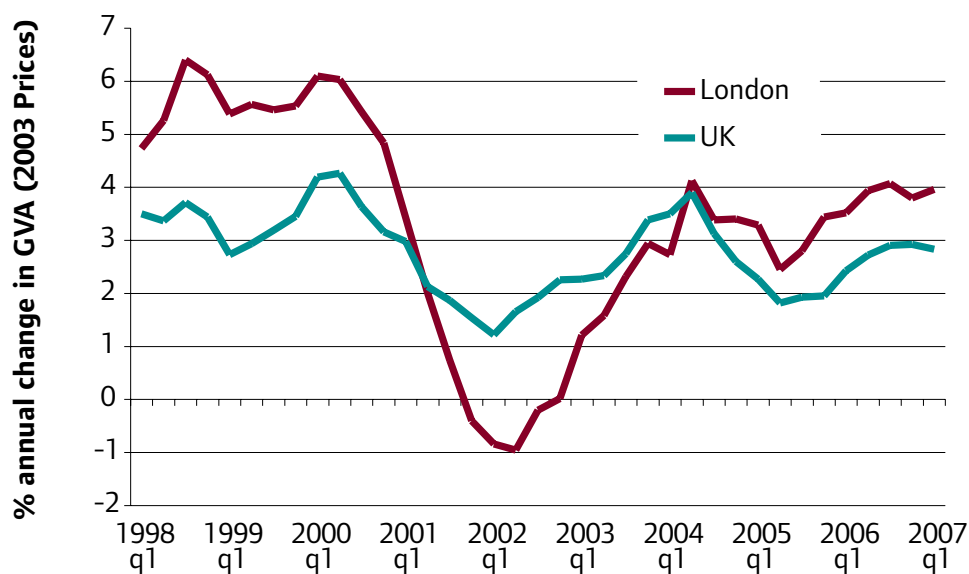
Source: London Chamber of Commerce and Industry

6 Recent performance and Foreign Direct Investment (FDI)

The London Annual Business Survey contains information on recent business performance. The survey asks businesses about their performance during the last financial year (ie 2005/06), compared to the previous financial year (2004/05). Chart 12 below shows how the London and UK economies performed during the last few years. From 2002 the London and UK economies were emerging from a slowdown, though this was more severe in London than in the UK.

UK and London economic growth has been fairly strong since 2005, providing a good business environment. The two most notable features of Chart 12 are that firstly economic growth in London continues to lead the UK and secondly that the trend has been generally positive since the global downturn in 2001/02. This has provided a positive climate for FDI, with the greatest growth in FDI coming from emerging markets, including India.¹²

Chart 12 Economic growth GVA (gross value added) for London and UK



Source: Experian Business Strategies

India is a growing source of Foreign Direct Investment

Emerging markets in Asia are playing a new role in FDI as they participate more strongly in the global economy. India in particular has taken the next step from its traditional role as a pure recipient of FDI to become an active direct investor.

London attracts 32 per cent of all Indian FDI projects into Europe, more than any other location in Europe, according to Ernst and Young's European Investment Monitor. The increase in FDI projects from India is a key part of the shifting pattern of FDI into London.

As a consequence, Think London, London's foreign direct investment agency, has helped 50 Indian companies set up in London over the past three years – recent examples being Punjab National Bank, Orchid Pharma and HDFC.

Think London has recently extended its 'Touchdown London' facility to Indian businesses to help them start up with subsidised office space and support services in the capital.

Source: ThinkLondon¹³

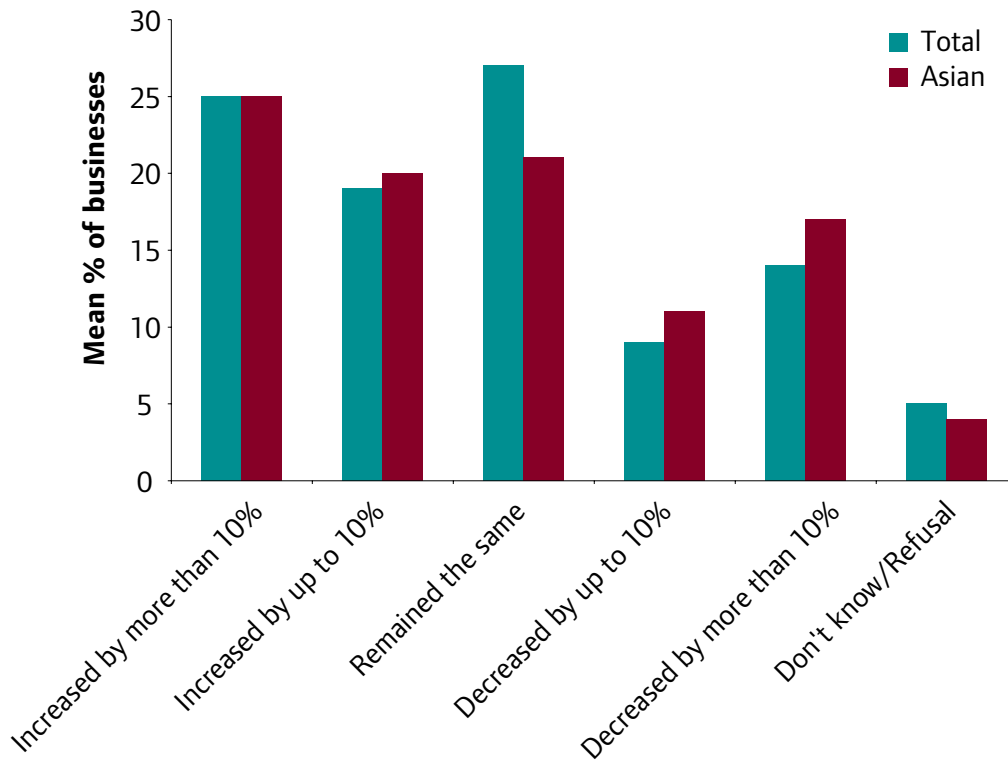
Case study on FDI: Tata Steel takeover of Corus

India is currently the second largest contributor of FDI projects to London, with investment occurring across a range of sectors and levels. In early 2007, Tata Steel of India made history when it acquired the London-based Corus group for £6.2 billion in the biggest ever foreign takeover by an Indian company.

This has produced the fifth largest steel company in the world, secured international competitiveness for Corus, and illustrates the appeal London holds for investors in the global marketplace.

Source: London Chamber of Commerce and Industry

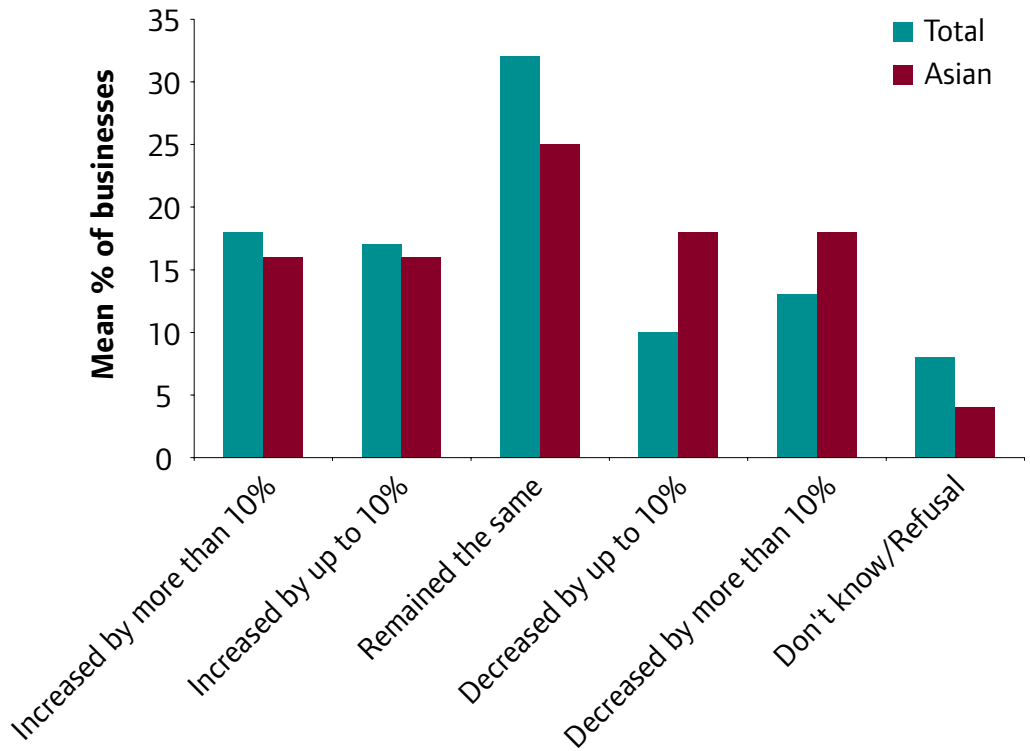
In the year before the survey, 45 per cent of domestic Asian-owned businesses experienced a rise in turnover and profitability as shown in Chart 13. Twenty-eight per cent reported a decrease in turnover. This broadly reflects the performance of all businesses (the small differences that did occur could be within the survey's sampling error).

Chart 13 Change in turnover during last 12 months

Source: LABS 2006

In terms of profitability over the 12 months preceding the survey, around 57 per cent of Asian-owned businesses reported that they had increased or stayed the same, compared with around 36 per cent reporting a decrease. This performance is somewhat below that of London businesses as a whole, but again this may be related to sectoral concentration because Asian firms are highly represented in sectors such as Retail and Wholesale. Smaller businesses within this sector have had a particularly difficult time in recent years with the rapid growth of supermarket stores and internet based shopping. Both of these are likely to have encroached on the market share of small Asian retailers.¹⁴

Chart 14 Change in profitability in the last 12 months



Source: LABS 2006

7 Business barriers: access to finance and business premises

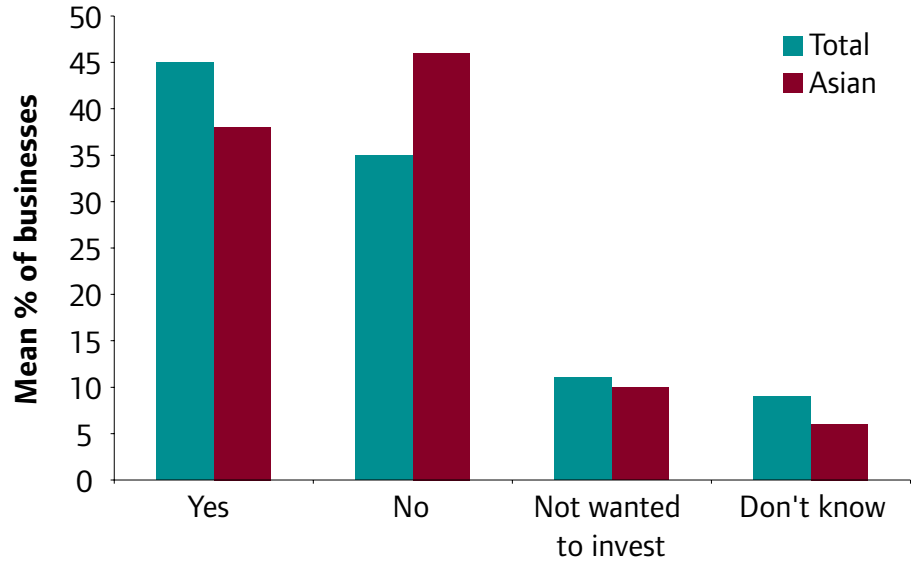
The GLA Economics report *Ready for Business*¹⁵ has described the benefits to businesses of investment and the ability to access finance. Investment is important in enabling businesses to grow, which allows businesses to increase their returns to scale and to become more competitive.¹⁶

The ability to access finance is critical for investment, since access to the right type of finance can help determine what type of capital a firm can invest in and how profitable that firm can be. Ethnic minority-owned businesses often experience problems when accessing finance, although the 2006 London Annual Business Survey does not provide unequivocal support for this view regarding Asian-owned businesses. When asked whether the desired amount of capital was invested in the last 12 months, 38 per cent of Asian-owned businesses responded by saying 'yes' as compared to 45 per cent for all businesses. The proportion of Asian-owned businesses saying 'no' was 45 per cent, with the equivalent figure for all businesses at 35 per cent. It is not clear whether this margin of difference signifies problems in access to finance for Asian firms.

It cannot be assumed that sub-optimal investment is a straightforward reflection of access to finance problems encountered by Asian business. This is reinforced by the findings of the survey, where the respondents stated that the main reasons for being unable to invest sufficiently were related to market conditions and declining profitability, as shown in Chart 16. Fifty per cent of Asian-owned business cited market conditions for insufficient investment compared to 44 per cent of total businesses. The proportion of Asian-owned businesses reporting decreased profitability as a factor was 44 per cent, whereas for all businesses it was 35 per cent. In all other categories the proportions for Asian-owned and all businesses were similar with the exception of the shortage in skilled labour. All this suggests that access to finance is not the primary reason for perceived underinvestment by Asian-owned businesses. Rather, the unfavourable nature of underlying commercial and market conditions is holding back investment.

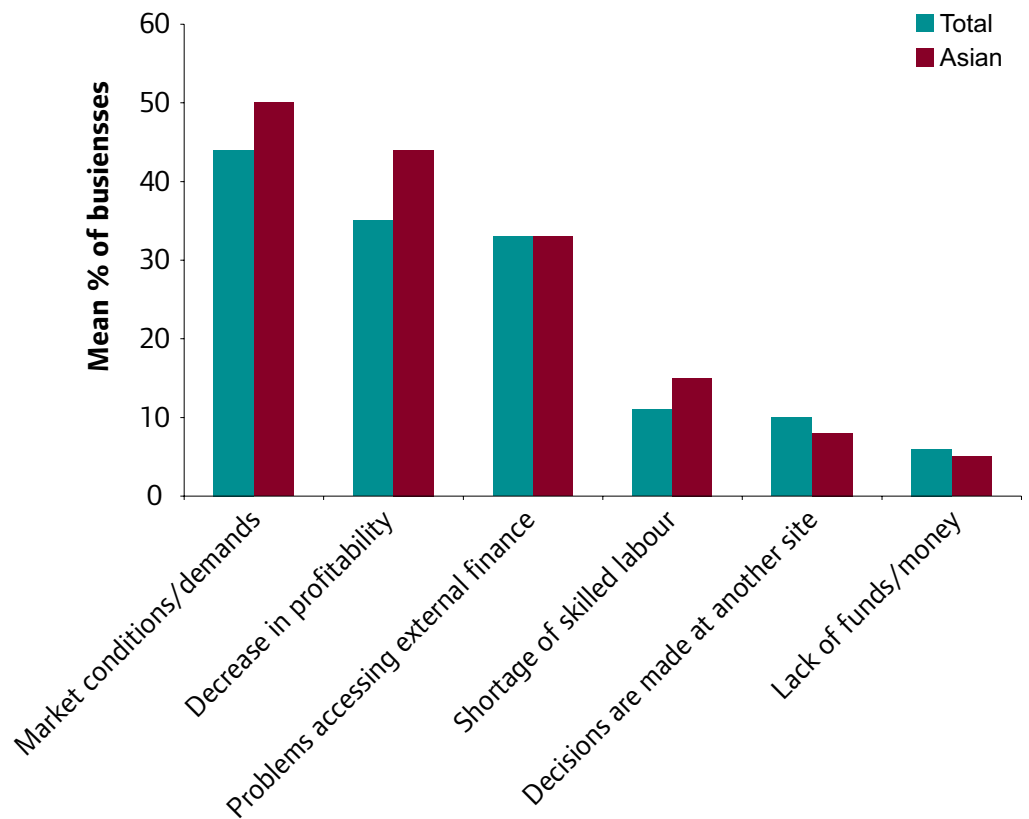
Other studies including the British Bankers Association 2002 report *Ethnic minority businesses in the UK: access to finance and business*¹⁷ have found that different ethnic groups had very different experiences accessing external start-up finance. The LABS 2006 data suggests Asian-owned businesses have had no more problem accessing external finance than businesses in general.

Chart 15 Whether business managed to invest in desired level of capital over the last 12 months



Source: LABS 2006

Chart 16 Reasons for underinvestment

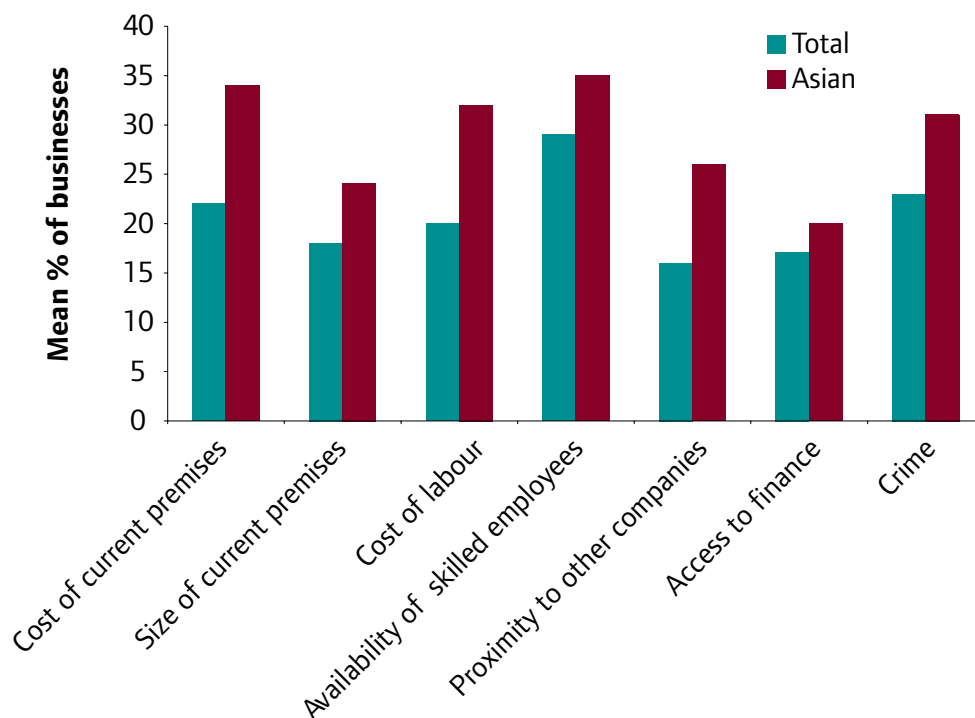


Source: LABS 2006

Asian Businesses were more likely to report business problems as significant or very significant for all categories than business as a whole.

The issues that most Asian-owned businesses reported as the most significant problem in the 2006 LABS were around the cost and skills of labour, the cost of premises and crime. Chart 17 shows the major problems of businesses in London by ethnicity of owners. Thirty-five per cent stated the shortage of skilled labour and 34 per cent said the cost of premises were significant business concerns. In terms of the cost of premises, this might also be a consequence of the high proportion of Asian-owned businesses in the Retail sector. Retail outlets need to be conveniently located to attract shoppers. Rising property values in London have meant that the cost of renting these premises has been significant for retailers. Similarly 31 per cent of Asian businesses perceived crime to be a significant problem compared with 23 per cent for all London businesses. Location and Asian over-representation in the Retail and Hotels and Restaurants sectors may be possible explanatory factors for this finding.

Chart 17 Problems of businesses in London



Source: LABS 2006

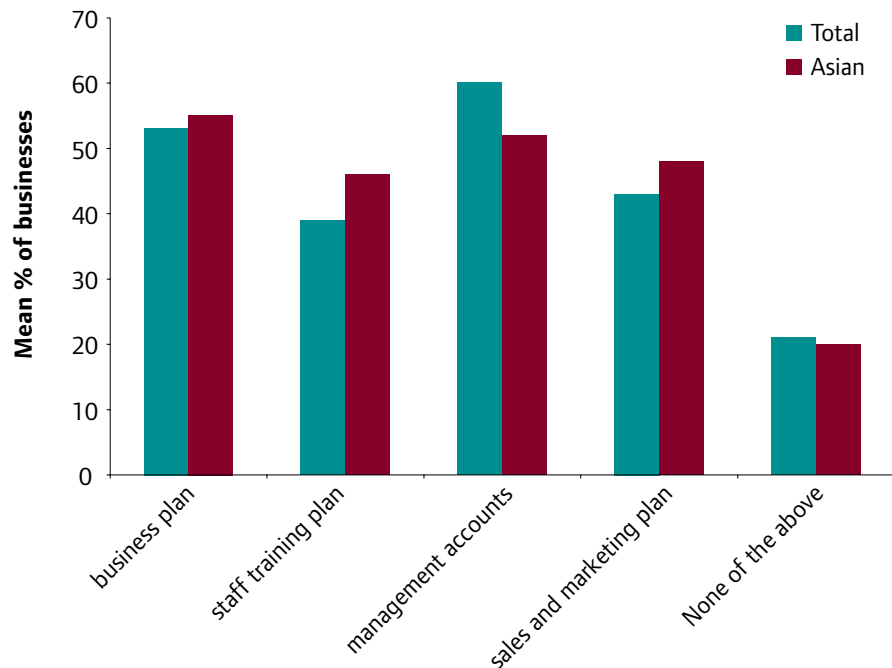
The chart shows percentages of businesses reporting problems as significant or very significant.

8 Business practice and management

The survival of firms in today's competitive markets could be bolstered by improving the management structures and strategic tools that businesses possess. In addition, small businesses can be particularly susceptible to the vagaries of the market, and access to timely and appropriate business support and advice could be critical for their survival.¹⁸ This chapter uses the LABS 2006 data to assess the business structures of Asian-owned businesses and to discern the source of business support and advice for these enterprises.

Chart 18 shows that Asian-owned businesses are more likely to have staff training plans and sales and marketing plans in place than average businesses in London. Conversely they are less likely to use management accounts. These differences may be a reflection of the smaller size and the sectors that Asian businesses are concentrated in.

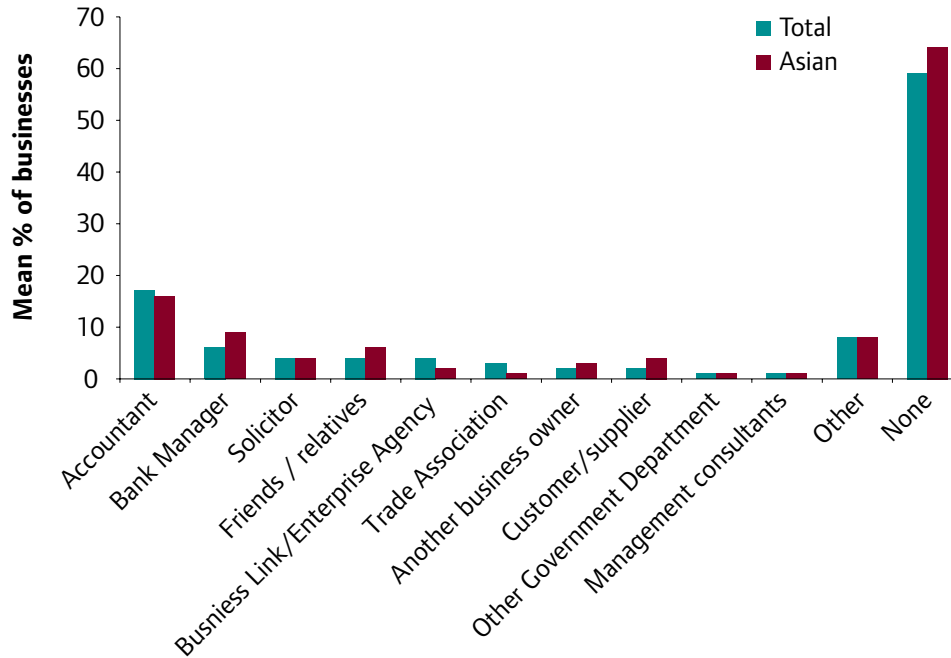
Chart 18 Proportion of businesses with various strategic planning tools



Source: LABS 2006

Chart 19 shows that Asian-owned businesses access most kinds of business advice in the way all businesses do (slight differences are within the margins of error for the survey). It is striking that approximately 60 per cent of Asian businesses are not likely to seek any external business advice, but this is similar for London businesses as a whole.

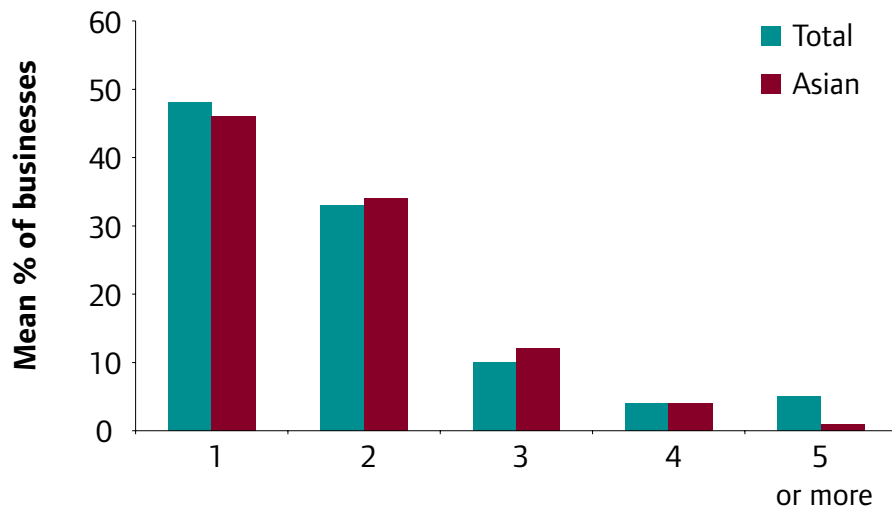
Chart 19 Most frequently used source of business advice in last 12 months



Source: LABS 2006

The size of managerial teams in Asian-owned businesses is similar to that of all London’s businesses. About 80 per cent of both Asian-owned and all London businesses have one or two managers.

Chart 20 Size of managerial team

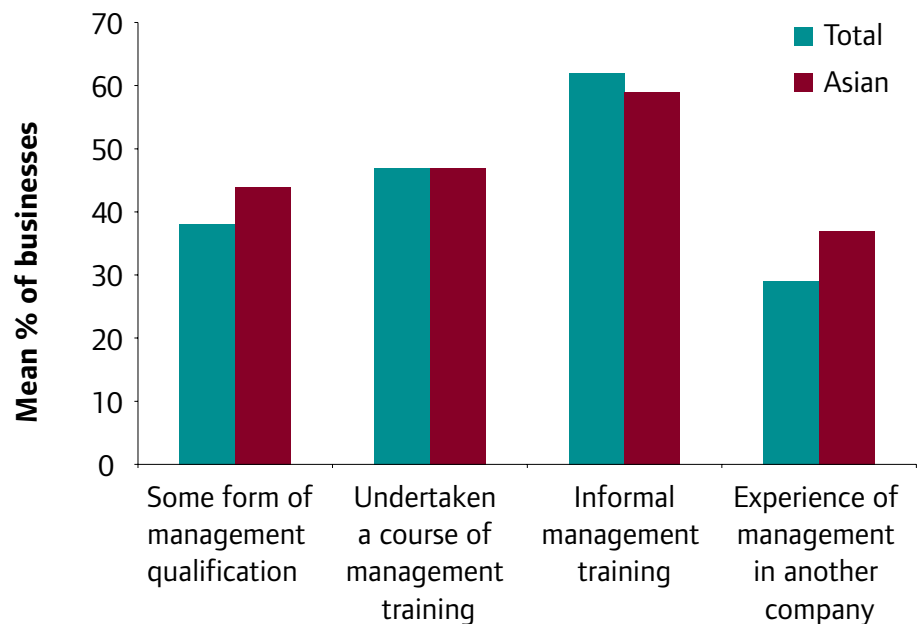


Source: LABS 2006 (excludes ‘Don’t know’ responses)

Managerial experience in Asian-owned businesses has been acquired in similar ways to other businesses, as illustrated in Chart 21. Most managers have acquired their main experience through informal management

training. It is, however, noteworthy that a higher proportion of managers in Asian-owned businesses have managerial qualifications when compared to managers from all businesses. Forty-four per cent of managers in Asian businesses are likely to have managerial qualifications, compared to 38 per cent in all businesses. Another striking characteristic of Asian-owned businesses is that 37 per cent have acquired their managerial experience through managing another company whereas for all businesses this figure was only 29 per cent.

Chart 21 Ways in which principal managerial experience was acquired



Source: LABS 2006

Case study on entrepreneurialism: Cobra Beer

Although Karan Bilimoria (now Lord Bilimoria of Chelsea since his appointment to the House of Lords last year) qualified in accountancy, graduated in law from Cambridge, and could have easily entered the professional world upon completing his studies, he instead chose the path of the entrepreneur.

Despite being £20,000 in debt from his education, he started Cobra Beer in 1990 with a mission to create the world's best Indian lager and make it a global beer brand – a beer that would have all the refreshing qualities of a lager, appeal to ale drinkers and accompany and complement all food, especially Indian food.

He developed the beer with a distinguished brewer in Bangalore, spending several months perfecting the right blend. Then he and his business partner marketed the product door-to-door with Indian restaurants in the UK, transporting cases in a rusty Citroën 2CV they nicknamed "Albert."

Just a few years after he started the company, Bilimoria had already moved decisively and courageously into one of the most competitive businesses in the world. He was reaching hundreds of Indian restaurants and building brand awareness, employing an innovative array of finance methods to fund the start-up business.

Today, Cobra products (now including General Bilimoria Wines) are supplied to nearly 6,000 Indian restaurants, 6,000 bars, clubs and pubs, and more than 12,000 branches of supermarkets and off licenses. Gold medals in brewing have been won, foreign operations set up, award-winning advertising campaigns waged and Cobra beer has a retail value turnover of more than £126 million. There are even plans to take Cobra public through flotation on the stock exchange.

Lord Bilimoria's advice to budding entrepreneurs?

'Be passionate about what you do; it will never be easy and you will need focus, determination and guts. As Churchill said in my favourite quotation, "Never give in. Never, never, never, never." Finally, be different, be better, and change the marketplace forever.'

9 Conclusion

The latest data from 2006 suggests that Asian-owned businesses make up around 13 per cent of all London businesses and provide jobs to around 210,000 persons.

Many Asian-owned businesses were established before 1990, which indicates that Asian-owned enterprises have a survival rate that is similar to the average business in London. Though the lack of data makes it difficult to say anything about trends in Asian-owned businesses, self-employment increased significantly for Asians in London between 1991 and 2001.

There is a high concentration of Asian-owned businesses in the Wholesale and Retail sector. The slowdown in sales in the Retail sector across the UK may have had a significant dampening effect on the performance of Asian-owned businesses in 2005/06. Despite this, the profitability of Asian-owned businesses is similar to that for all businesses.

Asian companies are under-represented in the Business Services sector which may be of concern as this is projected to be one of the most rapidly growing sectors in London to 2026.

In terms of business barriers, Asian-owned businesses do not appear to have greater problems of access to finance than businesses on average. However, a higher proportion of Asian-owned businesses compared to all businesses indicated that market conditions in 2005/06 were a disincentive to invest. The cost of business premises, the availability of skilled employees and cost of labour were reported as the most significant problems faced by Asian-owned businesses.

The international links of Asian-owned businesses are a potential area for comparative advantage and further business development. While the data from the LABS suggests that Asian-owned businesses are overwhelmingly local in focus, there is certainly scope for development in this direction. Another area where Asian-owned businesses may profitably expand is in the Business Services sector. LABS data suggests that this is the principal market where Asian-owned businesses are significantly under-represented compared with the average. The reasons for these characteristics of Asian-owned businesses may be the concentration in sectors that have a more local customer base and are less likely to sell to other businesses. This distribution could change with new or existing Asian-owned businesses taking advantage of the opportunities in this B2B market as they diversify. The growing role of FDI from the Indian sub-continent may well be an indication of this.

Appendix A: Methodology

Methodology

The principal data source for this report is the 2006 LABS. This survey was commissioned for the first time in 2003 by the LDA and Business Link 4 London (BL4L). It is a telephone survey of 5,600 private sector businesses employing at least one person. The survey does not cover the self-employed, so data for this had to be obtained from other sources. LABS achieved a sample of 5,600 businesses, making it currently the best available source on issues regarding the ethnicity of London business owners. The achieved sample for Asian-owned businesses was 629. 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 15 per cent of businesses taking part in the survey did not know or refused to give information about the ethnicity of the owners. It is likely that a large proportion of the respondents who did not supply the ethnicity of the owners of the firm are public limited companies (plcs) which are often owned to a significant extent by pension funds or other institutional investors, or firms which in other ways have a more complex ownership structure. In such cases it is not necessarily possible (or meaningful) to analyse the ethnicity of the owners.

Appendix B: Statistical reliability

The London Annual Business Survey 2006

LABS is a survey and so is subject to sampling error. While a random sampling framework maximises the probability that the sample is representative of the wider population, the fact that the information comes from a sample and not the total population means that there is a risk that the estimates of any particular sample parameter are different from the population (true) parameters.

A key issue is that of sample size and the effect that this has on the standard error; this affects the robustness of any figure that is quoted. For small samples the required 95 confidence interval for the mean can be very large. For a full discussion of the standard errors associated with the LABS results see the London Annual Business Survey 2003 (available on the LDA website). Below is a table of the sample sizes from LABS 2006 of the main ethnic groups used in this report:

Figure A1 Sample sizes for different ethnicities of business owners from LABS

Total White	3,706
Total Black	236
Black – British	
Black - Caribbean	32
Black - African	58
Black - Other	9
Mixed - White/Black Caribbean	29
Mixed - White/Black African	13
Total Asian	629
Asian - British	100
Asian - Indian	136
Asian - Pakistani	44
Asian - Bangladeshi	11
Asian - Other	63
Asian - Chinese	20
Asian - Japanese	12
Mixed - White Asian	87
East Asian	14
West Asian	32
Total Other	164
Mixed - Other	113
Other	52

Source: LABS 2006

Endnotes

- 1 See United Nations Conference on Trade and Development (Unctad) report, October 2006
- 2 This includes private sector businesses with one or more staff, excluding refusals or 'don't knows'.
- 3 The London Annual Business Survey (LABS) defines majority ownership as being 51 per cent or more and unless otherwise stated Asian ownership throughout this report refers to this definition of majority ownership.
- 4 The census is an extensive survey that occurs once every ten years and the 2001 Census is the most recent survey undertaken.
- 5 As with the definition of ethnic ownership, female ownership is based on majority ownership taking 51 per cent as the minimal threshold.
- 6 The 2001 Census is the most comprehensive source of data on labour market conditions that permits disaggregation at the ethnic sub-category level.
- 7 The DTI defines Small Businesses as meeting two out of the following three criteria: having under 50 employees, having a balance sheet total below £2.8 million or having a turnover below £5.6 million (for two consecutive years or one year if in first year of incorporation). However, the LABS statistics refer to the number of employees at a business site, not necessarily across the business as a whole, so these classifications cannot be applied strictly.
- 8 Ram, Monder and Trevor Jones, 1998, Ethnic Minorities in Business, Small Business Research Trust
- 9 GLA, 2001, The contribution of Asian businesses to London's economy
- 10 See, for example, GLA Economics, 2005, Retail in London Working Paper A: Retail in the West End
- 11 London's Economic Outlook Spring 2007, The GLA's Medium-Term Planning Projections
- 12 See United Nations Conference on Trade and Development (Unctad) report, October 2006
- 13 For further information see the agency's website: www.thinklondon.com
- 14 BBC Business News article (9/03/2006): the article stated that 2,000 independent convenience stores across the UK had closed down in the 12 months prior to June 2005 as a result of supermarkets moving in. Small grocers and locally oriented stores have been shown to be particularly vulnerable - an issue for independent Asian retailers because it affects the food retail niche where they are disproportionately focused.
- 15 Ready for Business: The contribution of black businesses to London's economy. GLA Economics, 2004

- 16 See, for example, Mirjam Schiffer and Beatrice Weder, August 2001, Firm size and business environment: Worldwide survey results, IFC Discussion paper No. 43, The World Bank or J. J.S Metcalf and M. Porteous, 1990, Barriers to growth in Small Firms, Routledge, London
- 17 British Bankers Association, 2002, Ethnic Minority Business in the UK: Access to Finance and Business Support
- 18 Ram, Monder and David Smallbone, 2001, Ethnic Minority Enterprise: Policy in Practice, Final report prepared for the Small Business Service, www.sbs.gov.uk

GLAECONOMICS

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

Tel: 020 7983 4922

Fax: 020 7983 4137

Minicom: 020 7983 4458

Email: glaeconomics@london.gov.uk

www.london.gov.uk/mayor/economic_unit



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