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## **News release**

12 December 2018

### **Minority-led firms more likely to face “survival threats”**

- **New study by the Enterprise Research Centre (ERC) of 600 London firms finds 48% of businesses run by ethnic minority leaders suffered a major crisis in past five years.**
- **Data on different types of entrepreneur provides basis for new toolkit to help businesses become more resilient to threats.**
- **With Brexit uncertainty continuing, study hopes to develop practical solutions based on real-world experiences.**

Nearly half of firms run by ethnic minority entrepreneurs have experienced an “existential crisis” threatening their survival in the past five years, a major new survey of London firms has revealed.

The startling figure – 15 percentage points higher than firms not run by someone from a minority group – is among survey data providing fresh insight on the challenges faced by firms led by ethnic minority entrepreneurs, who represent a growing but poorly-understood proportion of UK companies.

The findings form part of a major five-country study of 3,000 European firms looking at how entrepreneurs can ‘shock-proof’ their businesses. Entitled [‘Building Better Business Resilience’](#), the research project led by the [Enterprise Research Centre](#) is supported by the JPMorgan Chase Foundation.

The project will lead to the development of a practical toolkit that will enable SMEs to overcome major setbacks, based on the survival techniques of firms that have been able to rebound from adversity.

Hang Ho, Head of the JPMorgan Chase Foundation for Europe, the Middle East, Africa and Latin America said:

“We’ve seen that many of London’s entrepreneurs build viable businesses and aim to create employment in their communities. However, some entrepreneurs face much higher barriers to growing their business than others - and some of their challenges correlate significantly with ethnicity and gender. Through this study, we’re looking forward to supporting the creation and sharing of tools that will enable these businesses to compete on a level playing field and thrive in London’s vibrant business community.”

The researchers interviewed 600 business owners in six London boroughs – three categorized as lower income (Tower Hamlets, Lambeth, Hackney) and three middle income (Hammersmith and Fulham, Camden and Ealing) to understand their experiences. Half of the firms were led by women and around 30% by someone from an ethnic minority.

The research found that around two-thirds of London businesses were taking formal steps to think about risk. The top three threats were perceived as loss of key staff, rising costs and cashflow problems.

Firms with leaders from a minority background were significantly more likely to have experienced a crisis threatening their survival in the past five years – 48% of this group of firms were faced with a major shock, compared to 33% of the non-ethnic minority-led firms. In lower income boroughs, this figure rose to more than half. Overall, across all firms, 37% of London businesses said they had experienced a survival-threatening crisis in the past five years.

The researchers will explore the reasons for these differences further in the next phase of the research. However, they suggest that financial issues including under-capitalisation and the absence of available support networks could help to explain why ethnic minority-owned businesses may be more likely to experience shocks.

The data also show major differences in the types of threats entrepreneurs are most concerned about. Female business leaders worry more than any other group about personal circumstances such as illness and staff issues, while minority leaders express more concern about cybercrime and data theft. And both groups judge several challenges to be more potent threats to their businesses than their male and non-ethnic minority counterparts, including competition from new and existing sources, cost rises, problems with premises and changes in regulation or legislation.

There are also big differences in the motivations behind starting a business, with both women and ethnic minorities much more likely to cite contributing to their local community as a factor (63% and 65% respectively, versus 44% and 48% for male and non-minority respondents). And when it comes to getting external advice, women and ethnic minority entrepreneurs are more likely to consult friends and mentors and less likely to consult lawyers or accountants than non-ethnic men.

UK data from the [Global Entrepreneurship Monitor \(GEM\)](#), published earlier this year show that people from ethnic minority and immigrant backgrounds are twice as likely as their white British counterparts to be early-stage entrepreneurs.

The study found that in 2017, the total entrepreneurial activity (TEA) rate among non-white Britons was 14.5%, compared to 7.9% for white Britons – a gap which has widened substantially since the Great Recession of 2008-9.

There are around 300,000 ethnic minority-led businesses in the UK, representing [just over 5%](#) of the 5.7m total, according to the Department of Business, Energy and Industrial Strategy (BEIS). These firms are estimated to contribute about £20bn annually to the UK economy.

Maria Wishart, Research Fellow in business resilience at the ERC, said:

“The fact that minority-led firms are more likely to report experiencing a crisis could be down to a number of factors. We know that under-represented

groups face greater hurdles when accessing business advice and finance and some of that could relate to discrimination or unconscious bias.

“And while we found no significant difference in the resilience of different groups of entrepreneurs to setbacks, female and ethnic minority business leaders are more likely to perceive certain factors like staffing and fixed costs as major threats to their firms. We need to understand how well-founded these concerns are and whether policy interventions could alleviate some of them.”

**ENDS**

## **Notes to editors**

### **1. Full report**

The report, Building Better Business Resilience: Understanding business resilience among under-represented groups in London, is available on request. Please contact James Tout (details below).

### **About the Enterprise Research Centre**

ERC is the UK's leading independent research centre on the drivers behind the growth, innovation and productivity of small and medium-sized enterprises (SMEs). It is funded by the Department for Business, Energy and Industrial Strategy (BEIS), the Economic and Social Research Council (ESRC), Innovate UK, The Intellectual Property Office (IPO) and the British Business Bank (BBB).

The ERC produces knowledge and insights that help create a more business-friendly environment for SMEs, grounded in hard evidence.

The Centre is led by Professors Stephen Roper of Warwick Business School and Mark Hart of Aston University, Birmingham.

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