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Family values hold back Asian firms



Almost £10bn worth of riches – and only £200m generated in this region. **Jane Charnley** asks why so few of the multi-millionaires appearing in this year's Asian Rich List come from Yorkshire and the Humber.

DESPITE being home to a large Asian population, Yorkshire and the Humber failed to score highly in the list of Britain's richest 275 people, published last week.

The Asian Rich List – which placed controversial figures Lakshmi Mittal and the Hinduja brothers at the top with a combined wealth of more than £1.5bn – featured only 12 wealthy Asians from this region, with a total value of £200m.

It is not to detract from the success of those that did appear on the list, such as the £80m China brothers who founded Huddersfield's clothing chain, Bon Marche, to point out that the city of Manchester spawned more multi-millionaires than Yorkshire, boasting an incredible fifth of the names on the list.

Although comprehensive figures are hard to come by on this topic, the facts show Asian business people are very enterprising. In the UK, ethnic minorities account for 5.5 per cent of the population but for seven per cent of small businesses and an impressive nine per cent of start-ups. In Yorkshire, there are an estimated 6,000 Asian businesses but – according to Asian Trades Link in Bradford – the vast majority are micro-businesses with fewer than five employees. The question on the lips of those in both the public and private sector is – why aren't there more of the Bon-marches in Yorkshire and the Humber?

A number of observers feel that while it encourages young people to go into business in the first place, the integral involvement of the family in Asian businesses could be holding back the county's future stars, such as Ajaz Ahmed, co-founder of Leeds-based internet service provider Freeserve. Twenty-eight-year-old Ansar Aslam

says the tendency of the older generation to stick to traditional retail, service and manufacturing sectors – areas which account for almost all Asian business – was a real problem. While he has not yet made it into the Rich List, he was awarded Young Entrepreneur of the Year at the Asian Business Convention in Bradford in 2001.

"I know a lot of people around here who are having problems with their family. There is a big, big reluctance to move away from the way things are now."

"I was speaking to someone recently who has so much enthusiasm but because it is a family business he can't do what he wants on his own – it would be a betrayal. He has to wait until they are willing to take the risk."

Aslam, who runs the Leeds-based upholstery group, Aslam's Beautiful Interiors, says he is lucky because his mentors – his father, uncle and cousin – have not put too many limits on his activity. This January, Aslam branched out to open a new Luton-based distribution operation, called 2A, and a contract division, to add to the existing carpets and furniture retail and manufacturing businesses.

"It is not like an organisation where you can just pay someone to do the job. Families are a bit more complicated," he added.

One frustrated Asian businessman has gone as far as to accuse the older generation of behaving like sheep and following one another into the same, saturated markets.

Preferring to remain unnamed, he said: "I don't understand the mentality of these restaurateurs – it is laziness. Instead of thinking about selling shoes to Brazil, they sell samosas in Keighley."

"If there is a restaurant in street A, you really don't want to open one in Street B. First of all, there will be a price war in which there can only be one winner. They are chasing the same customers and should widen their horizons."

"There is a sheep mentality which says something like, 'I know, we'll go into the clothing market and so on'."

Some say the corner shop and restaurant cliché is now far behind the Asian business community. This year's Asian Rich List publishers, *Aslan Xpress* newspaper said diversification into finance, media, IT and pharmaceuticals had "gone mad". But evidence shows Yorkshire's new blood has not yet broken the mould.

Business banking manager for HSBC South Asian Banking, Richard Bowers, said: "We are seeing more of the younger generation going into markets, such as high technology, or moving some of their family businesses into high technology."

He commends companies, such as Bradford's Yorkshire Cottage Bakeries,



Bonmarche, heads the list of successful Asian businesses in the region, but still comes out at number 16 nationally.



Tariq Malik: Number 216 on the Asian Rich List.

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the bakery which began in 1972 from the back of a house which developed into a major supermarket supplier.

"But generally we are talking small-scale because the older generation have still got control of the purse strings," he adds. "They stick to what they know, they stick to their knitting which is predominantly service, retail and a bit of manufacturing."

However, Khalid Pervaiz of Huddersfield textile and property group, SKA – which employs 100 people – says today's younger generation is hardly being held back. The new entry to the Rich List at number 160, with a value of £10m – or the sixth richest Asian in Yorkshire and the Humber – says his children and the children of his brother and partner, Akhtar, have done degrees in engineering, accountancy and law.

"The thinking is different from two

generations ago when the family business was the only option" he said. "Now the children are branching out into computing, and dentistry, for instance."

Pervaiz admits that like his sons, both he and his father, who came over from Asia, were well educated. Training and education are areas of real concern for the Asian community especially in low-performing cities such as Bradford.

"The biggest problem is that the young people are coming out of school without qualifications. Therefore they are staying in very low-paid, working-class environments and jobs," says Zulf Karim, who was heavily involved with last year's Asian Business Convention in Bradford and is organising June's Bradford International Festival. His mission, he says, is to alter perceptions about Asians from within and without in order to boost entrepreneurship.

"And when we do get graduates from the region, we are losing them to London, where the talent is sucked up."

He urges successful companies – perhaps those that have made it to the Rich List – to help start-ups by mentoring them at "centres of excellence". Bradford organisation, Asian Trades Link, has been working for Business Link West Yorkshire since last year to increase awareness among Asians of Government-funded business support – wholly under-utilised by the community to date.

"The younger generation is a different animal altogether," says Tariq Sadiq, project manager. "The reliance on small networks is now changing and they are beginning to tap into external business advice."

"If they don't do this, the companies will plateau. We may not see the rise of

Bill Gates's grandsons but if we don't act it will remain the same."

Finally, though few Asian business people will bring the subject up voluntarily, racial prejudice still presents a big challenge for ethnic minorities in the country. A Barclays survey in 2000 revealed 90 per cent of those interviewed said discrimination was racially motivated.

"Certain sectors, like the construction industry," says Karim, "don't do enough to encourage the minorities and are dominated by certain cultures."

And Ansar Aslam, though oozing with confidence and pride, points out that the name of his latest company, 2A, bears no signs of being an Asian firm.

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Asian Rich List – Yorkshire and the Humber

- Number 16: Gurchait and Gurnakh Chima, Bonmarche, Huddersfield, £80m.
- 88: Dinesh Chandaria, Edridge Investments, Oley, £23.3m.
- 93: Mohammed Zafar, Hick Lane Bedding, Batley, £20m.
- 95: Ahsan Bhullar, Wetherby Fashions, Leeds, £20m.
- 112: Sanjay Dhir, Highlands International, Leeds, £17m.
- 137: Mohammed Ayub, Highgate Beds, Dewsbury, £13m.
- 147: Dilbag Singh and Gurnmail Kaur, Dilbag Clothhouse, Bradford, £12m.
- 160: Khalid and Akhtar Pervaiz, SKA Textiles, Huddersfield, £10m.
- 160: Nirmal Singh, Nirmal Razai Mart, Bradford, £10m.
- 198: Madam Showan, Empire EC Leeds, £8m.
- 216: Tariq Malik, Gazelle Travel and Cycles, Bradford, £7m.
- 248: Zahoor Hyder, Hyder International, Dewsbury, £5m.

Taxing choices that face Chancellor Brown

The Budget might be delayed, but there are still difficult decisions to be made if public services are to be improved, says **Jeremy Peat**.



THIS is the time of the year when economists' and accountants' thoughts would normally be turning to the detail of an imminent Budget. The focus would be on what specific measures we want/got from the Chancellor.

However, this year the Chancellor has, for very sad reasons, postponed the Budget until April. From an economic policy perspective this delay may prove welcome, as the economic

outlook has been particularly uncertain. Recent data have been confused and confusing, both because we look to be at a cyclical turning point and because of the real difficulties in making seasonal adjustments at the turn of the year. The delay provides a welcome opportunity to consider the overall fiscal strategy challenges facing the Chancellor.

In their preparations for April 17, Mr Brown and his advisers will be

facing up to a political imperative, to provide even more funds for public services, with the hope that real results follow before the next election.

There is a consequent economic essential, at this time of global uncertainty.

That is to meet the political imperative, without damaging either the Chancellor's hard-earned reputation for prudence or the internal stability of our economy. Walking this tightrope will be by no means simple.

The acknowledged source of objective expertise on fiscal policy is the Institute of Fiscal Studies. The gurus at IFS have estimated that the Chancellor needs to find net Budgetary savings of about £5bn, simply to fund tax changes and public expenditure increases already announced, and to return to the level of fiscal prudence included in

his March 2000 and March 2001 Budgets.

Any extra funding for health, education *et al* announced on April 17 would have to be funded on top of this £5bn.

He can find more funds by one of three means. First, he could cut public expenditure elsewhere, hence keeping his overall Budget arithmetic broadly unchanged. That looks close to impossible on the scale required.

Second, he could throw caution to the wind and allow a growing Budget deficit to develop. That would be extremely worrying, indeed dangerous, as a strategy. The Budget arithmetic in last year's Pre-Budget report lay at the margins of policy prudence.

Any significant degree of additional fiscal loosening would not only cause ructions at the European Union, but be highly likely to cause the Mone-

etary Policy Committee at the Bank of England to take early steps to mitigate the impact by raising interest rates.

That takes us to the third, almost inevitable, option. This involves raising more revenue, *ie* increasing taxes.

Tax increases are never popular. In recognition of this fact of political life, the Government pledged, before both the 1997 and 2001 General Elections, to raise neither the basic nor higher rate of income tax.

That rash undertaking severely limits options now that some degree of tax hike is needed to fund the clear priority of extra public spend.

The other choices for raising substantial sums are generally unworkable. Tax changes introduced in the first Blair/Brown administration are estimated, by the CBI, to have

resulted in a cumulative impact, by 2002/3, of over £5bn in extra tax burden on business.

With manufacturing in recession, the global environment still hugely uncertain, and businesses across the spectrum facing margin squeeze, adding further taxes on business would make no sense.

In sum then, a still prudent Chancellor will need to raise more in taxes at the April Budget, especially to meet the political imperative on the public services front.

He has no simple way of raising the extra taxes he requires and will be desperate not to choke off broad-based economic recovery.

Who would be a Chancellor – especially a Chancellor with some as yet unfulfilled political aspirations?

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