

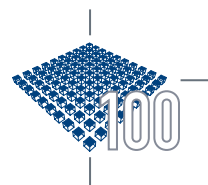


# INNERCITY100

Competing for Change

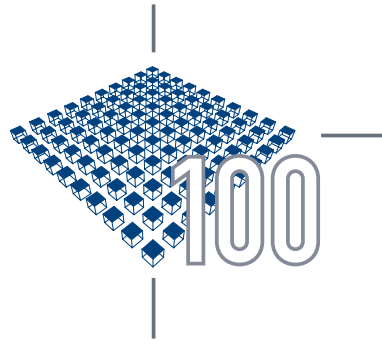
the inner city

supported by The Royal Bank of Scotland and NatWest



# the inner city

supported by The Royal Bank of Scotland and NatWest



## Thank you for another spectacular year!

The Inner City 100 sponsors and partners are critical to the success of the Inner City 100 – and what a success it has been! With a record number of nominations, the 2003 Inner City 100 are faster growing and more dynamic than ever.





# INNERCITY100

Competing for Change

John Taylor, Liz Mackie and Reza Hamroun



# About the Inner City 100.

The Inner City 100, dubbed the 'Enterprise Oscars' by the Rt. Hon Gordon Brown MP, is a yearly business index which locates and celebrates the 100 fastest-growing inner city enterprises in the UK. Led by the New Economics Foundation (**nef**) and based on world-class research and expertise, the Inner City 100's mission is to change the perception of the inner city from a no-go area to a vibrant place to do business; to advance UK inner city business growth; to launch a national movement of inner city entrepreneurs; and to champion inner city revitalisation across the country.

Unlike other entrepreneurship indexes or awards, the Inner City 100 showcases and supports new models of entrepreneurship within some of the UK's most deprived inner city areas. Importantly, many winners combine major growth with strong involvement in their local communities, often declaring this involvement to be critical to their success. The 2003 winners demonstrate an average five-year sales growth of 575% and have created 5,417 new jobs over the past five years. The winners can be seen not only as tomorrow's business leaders, but also as positive role models for everyone.

The Inner City 100 team at **nef** supports the winners' future growth via a structured series of events, awards and media exposure. Acting as a research and publishing mechanism, the Index enables these companies' success and opportunities for the UK's inner cities, to be captured, analysed and shared, in order to help support the growth of a stronger enterprise culture within the UK.

The Inner City 100 has its origins in the work of Professor Michael Porter of Harvard Business School in the United States. A world leader in the fields of strategy and competitiveness, in 1994 Michael Porter established the national Boston-based Initiative for a Competitive Inner City (ICIC). The New Economics Foundation (**nef**) - think tank of the year

2002/03 - imported and adapted this idea to the UK. The Royal Bank of Scotland, Natwest and Ulster Bank are the lead sponsors, and the Financial Times our lead media partner.

In brief, to be considered for the Inner City 100, firms must be:

- Located in inner city areas ranked with in the bottom fifth of most disadvantaged wards in the UK;
- Fast growth over five years;
- Employing at least five people in 2002.

The Inner City 100 Index ranks firms on the basis of their five-year growth rate (for detailed criteria see the Methodology section at the end of this report).

## **INNER CITY 100 RESEARCH**

The Inner City 100 research report for 2003, *Choosing to Compete* analyses our winners' fast growth tactics, providing unique insights into trends in inner city business development and urban regeneration. A must-read for anyone interested in fast-growth business tactics, urban regeneration, business support strategies, venture capital, entrepreneurship, sustainability and corporate social responsibility.

In 2004, we plan to publish a series of proprietary white papers on related inner-city business themes. Please

contact [info@theinnercity100.org](mailto:info@theinnercity100.org) for further information on these developments.

## **INNER CITY 100 MASTERCLASSES**

The 2003 Awards Ceremony is accompanied by a series of Masterclasses held at the London Business School, in which our winning entrepreneurs can learn from recognised experts in the field, as well as sharing their own best practices within facilitated sessions. There are also opportunities for the winners to meet with business advisers.

This year, we were able to accompany some of our 2002 winners to Harvard Business School, where they were able to attend masterclasses organised by the Inner City 100 in the US, as well as to create business development opportunities with a variety of potential clients, partners and suppliers.

## **INNER CITY 100 POLICY FORUM**

Held at the day before the Awards event and Masterclasses, this unique event brings together our winning inner city entrepreneurs with private sector leaders and policy decision-makers in a series of face-to-face debates around business support and urban regeneration issues

# Dear Honoured Guests, Welcome to the third annual Inner City 100 Awards Ceremony.

Thank you for participating with us in this unique endeavour to build a sustainable economic base in our inner cities.

The Inner City 100 is about recognising outstanding business success in areas that suffer from disadvantage and stigma. Yet these businesses are succeeding, competing and making a positive impact in their local communities.

Our Inner City 100 entrepreneurs are going from strength to strength, with an average 5-year turnover growth that is increasing year on year, from 274% in 2001 and 503% in 2002 to an astonishing 575% in 2003. These one hundred companies are also responsible for creating 5,417 new jobs over the past five years – a truly remarkable achievement.

Our key focus this year has been to look at the driving forces behind the phenomenal levels of growth experienced by Inner City 100 firms and what role the public and private sector have had in this. The results are remarkable and reinforce the message that the Inner City 100 entrepreneurs are dynamic, pragmatic and innovative.

Now in its third year, the Inner City 100 has established itself as the leading advocate on enterprise-led regeneration and compliments our work at the New Economics Foundation in providing alternative models of local economic development.

The Inner City 100 would not be possible without the support of a number of remarkable partnerships. It is a privilege for us to thank The Rt. Hon Gordon Brown MP, our patron, for championing the initiative in so many ways. Wholehearted thanks also go to the Royal Bank of Scotland, Natwest and the Ulster Bank, our lead sponsors who have played a pro-active role in the development of this initiative, and the Financial Times as our media partner.

We hope that the Inner City 100 will continue to inspire us all in valuing the entrepreneurial potential of our inner cities, which is critical as the UK strives towards building a more just and sustainable economy.



Stewart Wallis  
Director  
nef



Sarah Forster  
Programme Director  
Inner City 100

**Chancellor of the Exchequer, the Rt. Hon. Gordon Brown MP.** Foreword for Inner City 100, December 2003. The Inner City 100 is helping to create a more dynamic, innovative and enterprising Britain. For far too long, the image of enterprise in this country has been of a closed circle with millions left out. But I believe that there should be no no-go areas for enterprise culture, and that the British economy will do best when men and women from the nation's high, as well as low, unemployment communities – and from all social backgrounds – have confidence that they can transform their ideas and hopes into business start ups and growing firms, building an enterprise culture genuinely open to all.



The Inner City 100 is helping to create a more dynamic, innovative and enterprising Britain. For far too long, the image of enterprise in this country has been of a closed circle with millions left out. But I believe that there should be no no-go areas for enterprise culture, and that the British economy will do best when men and women from the nation's high, as well as low, unemployment communities – and from all social backgrounds – have confidence that they can transform their ideas and hopes into business start ups and growing firms, building an enterprise culture genuinely open to all.

So in every area of Britain I want the enterprising to go as far as their talents and potential can take them: a Britain where you can work your way up from unemployment to employment to self-employment, from micro business to

growing business; a Britain where people know what matters is not where you come from but what you do, not where you were born but what you aspire to; and a Britain where we break down the old barriers to opportunity and everyone has the chance to move ahead.

And the way forward is neither more benefit offices nor just bricks-and-mortar subsidies but encouraging the entrepreneurial to create and support profitable businesses. For the first time, the Government plans to transform black spots into enterprise areas – free of stamp duty and red tape, with fast track planning – will define inner cities not as intractable social problems but as new markets with competitive advantages – such as strategic locations, underdeveloped retail markets, or an untapped workforce.

But now is the time to do more. So in December, the Pre-Budget Report will make it easier to start up a business, help bridge the equity gap, and, because we should deregulate where possible, cut the time and cost of VAT administration and announce lower audit burdens on small firms.

This is not just the old way of simply backing zones of enterprise and forgetting about the people. It is about backing people of enterprise. And with the help of the Inner City 100, we are uncovering entrepreneurs with ideas and ambition, celebrating the success of the fastest growing firms in our most deprived areas and changing perceptions of the inner city as a business location.

I am delighted to support the Inner City 100 and proud to be one of its patrons.

**Foreword.** This is the third year in which we have celebrated The Inner City 100 Awards and we can look back with great pride over what has been achieved since their launch in 2001. The Awards programme recognises and celebrates entrepreneurial excellence in our inner cities. More importantly The Inner City 100 has begun to break down the perception of Britain's inner cities as places where it is difficult, if not impossible, for businesses to flourish.



The Royal Bank of Scotland Group is the leading lender to businesses in the postcodes covered by The Inner City 100, our most deprived inner city areas. We have been delighted to partner with the New Economics Foundation in recognising the success of these businesses and to promote debate on how we stimulate even more enterprise in these important areas.

The achievements of the 100 companies celebrated in this year's awards are impressive. They employ well over 8,000 people between them, they are profitable with average profits of over £400,000 and in the past five years Inner City 100 companies have created close to 5,500 new jobs. Interestingly 83% of them rate their location as a good place to do business with 63% stating that the inner city is a better place to do business than

it was 5 years ago, acknowledgement that Britain's inner cities have seen important improvements during that period.

I would like to congratulate all those who have won awards this year, once again, they are an inspiration and an example of what can be achieved. I wish them continued success.

Fred Goodwin  
Group Chief Executive  
The Royal Bank of Scotland Group

A handwritten signature in dark ink, appearing to read 'Fred Goodwin'.

# Contents



7	Introduction	26	Conclusion
9	Changing the Inner City through Competition	28	Special Awards
12	Innovative Strategies for Growth	29	Regional Awards and Hall of Fame list
15	Competing for Finance	30	Micro-start – Street (UK)
18	Snapshot of the Inner City 100	31	Winners List
20	Winning Contracts		Methodology/Nominators
23	Government and Inner City Enterprise		Acknowledgements



# Introduction

Although the national economy has been stable and steady over the last two years, we haven't seen nor have we been able to recover the fast-paced growth of the 1990s.

However, there is one bright spot: the 2003 Inner City 100, a group of dynamic entrepreneurial companies that are growing and thriving in the UK's economically distressed urban areas—areas once thought to be the toughest environment anywhere to do business. With combined turnover of £750m and employing over 8,300 people, the Inner City 100 are making major contributions to the inner cities and the UK economy.

Now in its third year, the Inner City 100 Index has demonstrated the competitive advantages conferred by inner city locations. The Inner City 100 are realising the business benefits of being closely engaged in their communities, and the majority strive to employ locally and purchase from local firms. To make the list this year, a company had to grow 167% over the five-year period. The *average* five-year growth rate of all 100 companies was a whopping 575%. These companies are the true urban "gazelles."

The Inner City 100 shows that firms are achieving sustainable growth ensuring they will continue to make contributions to their local areas and the UK economy for the long-term. With 97% predicting a positive or very positive future, the Inner City 100 firms look set to continue their extraordinary success.

The impact? The companies that make up this year's Inner City 100 have—

- created thousands of new jobs, opening up opportunity to inner-city residents from a wide variety of ethnic backgrounds;
- generated wealth for entrepreneurs, investors, employees, and entire communities through the operation of profitable, tax-paying businesses;
- demonstrated that the distressed areas once viewed as no-go areas can, in fact, be places of opportunity;
- complemented the efforts of public and non-profit agencies—themselves under budget pressure—with private-sector investment and job creation;
- pioneered innovative approaches to recruiting, managing, and developing employees who in many cases are new to the UK labour force;
- driven the UK's knowledge economy as engines of innovation and entrepreneurship;
- served as models and sources of inspiration for future generations of entrepreneurs in the UK's inner cities.

In effect, the Inner City 100 represents the leading edge of a new approach to the UK's urban crisis—an approach that relies not on charity but on the practical competitive advantages businesses can find or create in economically distressed areas. These companies are the forerunners and exemplars of this new approach. They show that it works.

The companies demonstrate something else as well, something we Britons should remember but often forget. Given an opportunity, people from all sorts of backgrounds will work hard to build a better future for themselves and their communities. Entrepreneurship has universal appeal. It benefits whole communities, not just a few individuals.

This report - organized around the questions most frequently asked about the Inner City 100 - is the story of the remarkable companies that make up this year's list, and of the remarkable people who are building them.



#### **WHAT DOES THE TYPICAL INNER CITY 100 FIRM LOOK LIKE?**

Well, none is really typical. But the average Inner City 100 company looks like this:

Date founded: 1992  
Number of full-time employees: 82  
2002 Sales: £7.4 million  
Five-year growth rate: 575%

#### **UNDERSTANDING THE INNER CITY 100 BUSINESS MODEL**

*Competing for Change* examines five central themes that are integral to the competitive performance of the Inner City 100. These are: location; growth strategies; finance; customers; and government support for the inner cities and inner city business.

Five key questions form the basis for this report:

##### ***What are firms' impacts on the inner cities?***

The Inner City 100 has demonstrated the competitive advantages of being based in the inner city. *Competing For Change* takes this one step further and looks at the advantages Inner City 100 firms bring to their local communities. We examine

how closely linked the Inner City 100 are with their local labour markets, local firms, and the communities in which they are based. Is there a virtuous cycle for competing firms, customers, workforces and communities?

##### ***What are the growth strategies of Inner City 100 firms?***

The Inner City 100 have grown rapidly and successfully. This report examines their attitudes to risk and their growth strategies. Insights are offered into which models of growth are most successful and how to support these high growth firms.

##### ***How do the Inner City 100 finance growth?***

The Inner City 100 have an extraordinary average five-year growth rate of 575%. Growth of this magnitude requires access to appropriate finance. *Competing for Change* builds on earlier Inner City 100 reports to examine what type of growth financing Inner City 100 firms have considered, and what they prefer. It particularly examines venture capital finance.

##### ***Who are the Inner City 100's customers?***

This section examines Inner City 100

firms' customer base. The focus is on determining the success firms achieve in gaining public or major private sector clients. Inner City 100 firms are examined to understand the challenges they face in winning contracts and building long-term customer relationships.

##### ***Is Government support working for inner city business and their locations?***

In recent years, the Government has been making renewed efforts to support inner city business. This report investigates Inner City 100 firms' awareness of government support for their businesses and local areas. This provides insights into the effectiveness of government policy and initiatives, and into how implementation of programmes can be improved.

This report and the data gathered from the Inner City 100 companies will be used to help direct ongoing research and consulting programs, as well as to launch new research projects in 2004. The Inner City 100 will continue to produce cutting-edge research that will change perceptions of the urban landscape as pockets of poverty to places of opportunity.

# Inner City 100 Insight: One Changing the Inner City through Competition

'We don't get a better service or a better price from local companies...we do it because we believe in supporting the local economy' (Dundees Ltd).

Inner City 100 firms are central to the economic and social fabric of their local areas and play a crucial role in regenerating the UK's inner cities.

Last year's Inner City 100 research found that many inner city enterprises were intimately connected to their local communities – the same is true of this year's Inner City 100.

Inner city firms employ local people, purchase from local suppliers and are involved in community-related activities. Motivated by a mix of pragmatism and altruism, all recognise the contribution their business makes to inner city regeneration and, in turn, the benefits this brings to their 'bottom line'.

Inner City 100 firms have impacts on their local areas in three significant ways:

- Purchasing of goods and services from local suppliers;
- Employing a locally based workforce; and
- Making contributions, both financial and others, to their local community.

## **LOCAL PURCHASING**

The majority of Inner City 100 firms buy local goods and services. Of these, 70% state that there are clear business benefits from local purchasing. This is particularly true regarding the services firms require, where local

companies often provide a faster and more flexible response to the needs of Inner City 100 firms.

Local suppliers are also able to deliver goods quickly. This is essential for a catering company like PJ's Foods Ltd, which relies on the delivery of fresh produce. For other companies, the business benefits of local purchasing lie in generating reciprocal business – *"It's part of networking...if we buy locally then people will buy from us locally"* [KGB Cleaning Group].

For some Inner City 100 firms, a local purchasing policy is part of their commitment to revitalising inner city areas. It is a contribution made less for returns on their business and more in the belief that they should give back to their communities. These companies clearly understand that enterprises can lead regeneration efforts and use their purchasing power to achieve this.

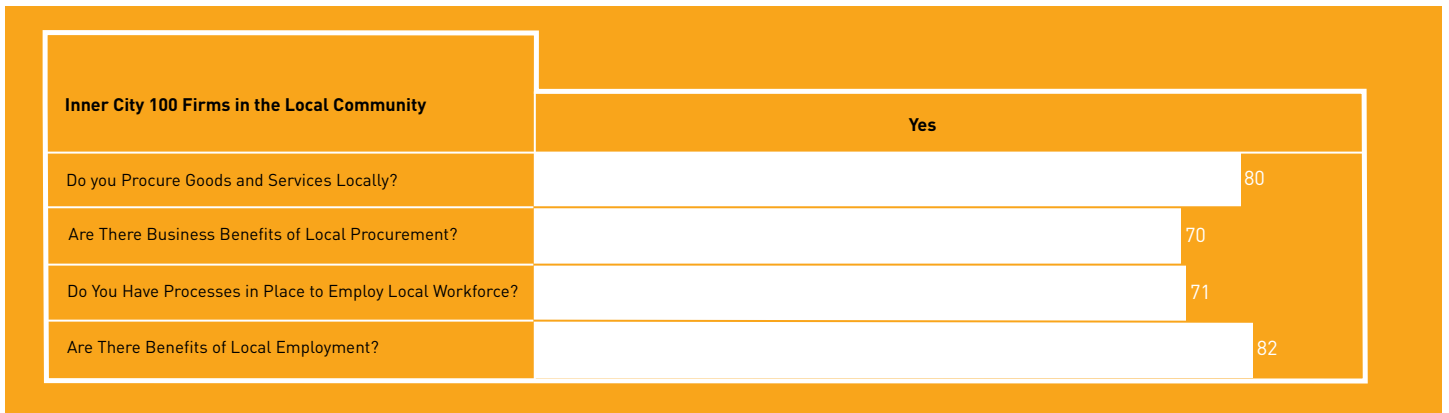
Some specialist goods and services simply cannot be bought locally and even companies highly committed to local purchasing are forced to source more widely. The increased popularity of e-commerce may also impact on local purchasing. TechnoPhobia, otherwise committed to buying goods locally, buys all its IT equipment on-line. In addition, the relative decline of manufacturing in the UK has forced many firms to source goods from outside their locality and, in some cases, from overseas.

## **LOCAL RECRUITMENT**

Around three quarters of the Inner City 100 have a process in place to attract a local workforce, suggesting that their commitment to local recruitment is serious. The benefits of employing people who live locally are clear: local people know the area and their communities and many firms find that a local workforce is a loyal workforce. These factors result in a higher commitment to the company that helps reduce staff turnover.

Inner City 100 firms use a range of recruitment methods to attract local employees. Most advertise in local papers or use local agencies and Job Centres. Some find that 'word of mouth' works best. Moonfish Limited use an incentive scheme which pays an employee £200 if someone hired on their recommendation stays in post for six months and a further £200 if they stay for a year. Other firms have built relationships with key pools of labour, for example with local universities, to find the higher level technical skills they require.

Despite this local focus, some Inner City 100 firms find that they have to recruit from the regional or national labour markets where there are skill gaps or shortages locally. As these businesses continue to grow, their dependence on a geographically widespread workforce may increase.



‘Merseyside suffered from a poor image for many years. If the city does well – including our competitors and our suppliers – it’s good for everybody in Liverpool.’ [Paver Downes].

### COMMUNITY INVOLVEMENT

Most of the Inner City 100 are involved in their local communities. We identified three broad groupings of firms:

- ‘Spectators’ - those with little engagement with their community;
- ‘Strategists’ - those for whom business growth and community involvement are intrinsically linked; and
- ‘Saints’ - those who make positive contributions though they are not inherently linked to growth.

Only a small number of Inner City 100 firms are ‘spectators’, with the largest group being ‘saints’ followed by a significant group of ‘strategists’. This underlines the extensive engagement of firms with their local communities.

Over 75% of the Inner City 100 make financial or other contributions to their local communities, most commonly through sponsorship of local events, clubs or charities or through links with local schools and colleges. A substantial number of companies are involved in activities that demand significant levels of commitment and resource, that go beyond simply writing a cheque.

*Findings show that over 26% of Inner City 100 entrepreneurs participate in mentoring programmes for budding entrepreneurs and 13% for young people considered ‘at risk’.* Admiral Leasing Plc is an example. In addition to sponsorship of a local childrens football team, the firm has initiated a campaign for

improved customer service by introducing an award for the best local company as voted by readers of the Oldham Evening Chronicle. Admiral Leasing Plc believes that these activities have raised its profile in the community and positioned it as passionate about customer care. Among the benefits this brings is a reputation as a good employer; enabling them to attract and retain ‘a good local workforce who are reliable, intelligent and methodical’.

Paver Downes Associates take a broad view of the firm’s role believing that by building a reputation for quality and excellence, they are helping to build Merseyside’s reputation as a centre of marketing excellence and as an attractive place to do business.

### Conclusion

So roles do the Inner City 100 play in their local communities?

- The majority of Inner City 100 firms buy local goods and services and recognise the ‘business benefits’ of purchasing locally. They also believe that a local purchasing policy is part of their commitment to revitalising inner city areas.
- Around three-quarters of the Inner City 100 have a process in place to attract a local workforce, suggesting that their commitment to local recruitment is serious. Most of the Inner City 100 firms find that a local workforce is a loyal workforce.

- Some firms experience recruitment difficulties and have to recruit outside their locality for people with professional or niche skill sets.
- Most of the Inner City 100 have some form of active engagement with their local communities, believing there is a competitive advantage in doing so.

### Key recommendations

- The government, economic development and enterprise agencies must be pro-active in ensuring that local supply chains are both enabled and strengthened to ensure local enterprise activity continues to thrive and prosper.
- A skilled workforce and local labour pool is critical to the productivity and competitiveness of Inner City 100 firms. Skills gaps and shortages in the inner cities must be addressed in pragmatic ways by the Learning and Skills Council and the Sector Skills Development Agency. Targeted programmes aimed at inner city firms offer strong potential for skills development, such as the London-focused Inner City Entrepreneurs’ Fund.
- To maximise the benefits of firms’ engagement in the inner cities, a broker is required to bring firms and community activities together. Local enterprise agencies, Local Strategic Partnerships or Regional Development Agencies could play this brokerage role.

# Inner City 100 Insight: One Case Study



## HACKNEY COMMUNITY TRANSPORT

Hackney Community Transport is a social enterprise combining successful trading with strong social benefits for its local community. Based in Hackney's Ash Grove Bus Depot, Hackney Community Transport provides for people unable to use mainstream public transport. These include the disabled and 'socially excluded' groups, for example lone parents and refugees.

Through successfully competing for commercial contracts, the firm generates surpluses to fund its core services. Hackney Community Transport wins commercial contracts on the basis of its financial proposition and strong record of performance. "What we've done" says Chief Executive Dai Powell, "is to fund a lot of our work by taking on mainstream bus work".

Founded in 1983 as a coalition of some 25 voluntary sector organisations that worked together to provide local minibuss transport, Hackney Community Transport is intimately tied to its inner city location, both in terms of its mission and its workforce. The firm employs the majority of its staff from the local area, ensuring high quality customer service and helping to retain wealth locally. In addition, the focus is upon developing staff from entry level into management positions, with English language training offered for those who require it. Hackney Community Transport also provides company resources to the local community and provides opportunities for training and volunteering in the area. This, combined with the service provided to those not able to access mainstream transport, creates a huge positive impact for the local area.

The outlook for Hackney Community Transport is very positive, with growth continuing apace as the firm increases its profile and the value of contracts. Its inner city location is providing advantages in terms of proximity to suppliers and customers, availability of skilled workforce, and access to independent, not for profit business support. The firm is also well networked, for example, with the Community Transport Association and Transport for London.

Hackney Community Transport is a major and popular employer in its area, with 200 staff that will rise to 300 by January 2004. With impressive five-year sales growth of 364%, this social enterprise regularly tops London Transport's performance league tables. Hackney Community Transport is a company that knows where it's going and is arriving ahead of schedule.

# Inner City 100 Insight: Two Innovative Strategies for Growth

In a culture where entrepreneurs are often viewed as life's big risk-takers, the Inner City 100 are relatively cautious in their risk taking. Not that they are averse to change and development. Far from it – virtually all are actively considering ways of growing their business, but their preferred growth strategies are those that:

- Minimise the need for external finance and borrowing;
- Maximise the entrepreneurs' control in maintaining the business;
- Increase their market presence; and
- Improve economies of scale.

Inner City 100 firms are dynamic. Their successful growth strategies include mergers, acquisitions, formal supply chain linkages and diversification of products and services. Nearly all (98%) have considered at least one of the growth options outlined in Table 1 below. The table below shows the growth strategies that companies have considered and those that have been successfully executed.

Acquisition of other companies is the most popular potential growth route, but one which less than a quarter of those considering have actually executed. Finding the right acquisition is the main problem, although this has not been an issue for every firm.

Diversification of core business activities is the second most popular growth strategy considered by the Inner City 100 and one with a 61% follow through rate. Companies have diversified in every way: new products, new markets, new services and spinning off new companies into new sectors. This diversification has often helped companies to grow organically without compromising their

independence – two features that reflect the Inner City 100 ethos. However, some Inner City 100 firms are operating in niche markets, so for them diversification may be less viable. Mergers have proved much trickier to implement. Although nearly half of firms have considered a merger, only 9% of these carried this through and not all of these produced happy results – *'We did one and it was awful, we nearly lost everything'* [Tempest Technology Ltd].

When risk taking goes wrong, the result can be bankruptcy. None of the Inner City 100 has ever been declared bankrupt. But a majority (56%) has been directly affected by the bankruptcy of another firm. The main impact is from unpaid debts, ranging from £4,000 to more than £100,000. This can have an impact on firms in their most critical phases of growth. Other effects of bankruptcy include:

- Increased nervousness in the industry; and
- Depreciation of company stock when cheap liquidated stock floods the market.

To minimise exposure, some of the larger Inner City 100 firms are reticent about doing business with small firms – *'we deal mainly with blue chips and the public sector [because] they are stable clients.'* But for others the risks are

unavoidable – *'about four or five times a year we are hit with outstanding balances when a client goes bankrupt. We have to work with early stage telecoms companies, which is a risk. The majority of our business is in this sector.'* [Tempest Technology Ltd]

A majority of the Inner City 100 (77%) think that bankruptcy is inappropriately regulated and believe that some companies deliberately go bust, 'cheating' their customers and creditors.

*"One catering company...went into liquidation on the Friday. In the same unit with the same team they were in business again on the Monday'. 'We have seen directors trading when they are in full knowledge that they are insolvent. This is diabolical, but currently difficult to prove."*

The Inner City 100 would like to see bankruptcy regulations tightened to combat fraud. This could be achieved through investigating trading before a company is allowed to become insolvent, or by ensuring that a firm does not re-emerge shortly after defaulting on its obligations with a subtle name change and with the same directors in place. These 'phoenix firms' undercut their competitors on price because they have no intention of paying their creditors.

**TABLE 1: STRATEGIES FOR COMPETING**

Have you considered & or executed the following?	Considered	Executed
Merger	49	9
Strategic Alliance	40	26
Partnerships	43	34
Acquisitions	67	23
Formal supply & chain linkages	32	32
Diversification	55	61

2 firms have not considered any of the options &  
98 firms have considered at least one

**INNER CITY 100'S VIEWS ON BANKRUPTCY**

	Is bankruptcy appropriately regulated?	Is bankruptcy a valuable & learning experience?	Has another firm's & bankruptcy affected you?	Have you ever been & declared bankrupt?
Yes	23	62	56	
No	77	38	44	No 100

At the same time, many Inner City 100 entrepreneurs wish genuine business failure to be less stigmatised and to make it easier for entrepreneurs to take risks and start afresh. The Inner City 100 also believe that the attitude to bankruptcy in the United States carries fewer stigmas and creates a healthier enterprise culture – *'You're never an entrepreneur in the US if you haven't been bankrupt'* [Caldeira Limited].

**CONCLUSION**

So what can we learn from the Inner City 100 about growth strategies?

- Virtually all of the Inner City 100 are actively considering innovative ways to grow their business.
- Consistent with their approach to funding, Inner City 100 firms' preferred route to growth minimises the need for external finance and borrowing while maximising market share.

- Lack of market intelligence on growth options and appropriate technical support may hinder the development of Inner City 100 firms. This could lead to poor investment decisions being made or firms being dissuaded from pursuing particular models of growth.
- Bankruptcy of firms that Inner City 100 firms trade with is a common, though not frequent, experience for Inner City 100 firms. This leads to some of the larger firms to avoid dealing with small firms.

**KEY RECOMMENDATIONS**

- Improved understanding is required of why firms don't proceed with particular growth strategies to develop solutions to overcome current barriers to external growth financing.
- Greater direction is needed for business advisors on the most appropriate growth strategies for

inner city firms. This would also be a useful source of information for firms seeking advice and hoping to reduce the risks associated with adopting new strategies.

- A tightening of bankruptcy regulations is required to combat fraud and prevent the resurrection of failed firms. The Enterprise Act 2002 has made significant steps towards reducing the penalties for entrepreneurs that face bankruptcy, and ensuring creditors receive monies, but more is required.

# Inner City 100 Insight: Two Case Study



## SQUIRREL STORAGE

Squirrel Storage Ltd of Leeds specialises in providing fully managed document archive and retrieval services to the private sector. The firm has more than one million boxes and eight million separate files on its database. Squirrel Storage was formed in 1991 after a successful £1.5m management buyout. This willingness of the management to take responsibility for the firm's future has underpinned Squirrel Storage's development.

A positive attitude towards taking risks has helped Squirrel Storage prosper. Originally the company offered self-storage as its only service, but when a customer said they would leave for a more comprehensive service elsewhere, Squirrel 'thought fast' and said that it too offered the same services. The

management immediately bought a van, hired new staff and offered the services required. This responsiveness and preparedness to invest in retaining customers demonstrated a willingness to take calculated risks.

When Squirrel Storage wished to compile a major tender for work requiring partnering with another organisation, the directors visited London, sat in a restaurant and searched the Yellow Pages for potential partners. They then visited the companies identified until they found a good match for the tender and for Squirrel Storage. This highly pragmatic approach initiated a five-year partnership bringing considerable commercial and competitive benefits. At the conclusion of the partnership,

Squirrel Storage bought the other firm and has since bought an additional firm. These partnerships and acquisitions have helped capture new customers, deepened the service offering to existing customers and proved an excellent method of expansion. The directors have become experienced at managing different methods for achieving growth, with one director recruited with extensive knowledge of growth and change management.

Through adopting a considered approach to taking risks, Squirrel Storage has achieved a five-year growth rate of 216%. The firm has acquired several established clients along the way including Touche Ross, Leeds General Infirmary and Barclays.



# Inner City 100 Insight: Three Competing for Finance

During the past three years, Inner City 100 research has examined the extent to which inner city firms face problems accessing finance to support their growth. This year we've taken a closer look at venture capital finance to examine trends and the lessons that can be learned.

Almost a quarter (23%) of the Inner City 100 identify 'access to capital' as the biggest factor currently limiting the growth of their companies. In principle, venture finance is well-suited to support the growth plans of these ambitious firms, but historically take-up has been low.

## START-UP FINANCE

The patterns of start-up finance for Inner City 100 firms provide valuable insights into their choice of growth finance. Although the average level of start-up finance for the Inner City 100 is approximately £20,000<sup>1</sup>, most started with a much lower amount of capital, with nearly half (48%) relying on less than £10,000. Sources of start up financing for the Inner City 100 are markedly different from the national pattern where around seven in ten business owners fund or part fund their own start up costs<sup>2</sup>. Virtually *all* Inner City 100 firms (98%) used their own money to start the company, drawing on their savings, family and friends, redundancy settlements or personal borrowing through overdrafts and credit cards.

Despite this self-reliance, publicly funded business finance schemes have become a more important source of finance for start-ups over the past three years. Nearly a quarter (23%) of Inner City 100 firms have used these as a source of finance, an increase from 16% in 2002. Five of this year's companies used venture capital for start-up finance, which is also higher than in previous years.

## GROWTH FUNDING

Nearly all Inner City 100 firms have ambitions to grow and understand that access to growth finance is critical. However, venture capital is not the preferred financing option for the Inner City 100. Although nearly two-thirds (65%) have considered the suitability of venture capital, few have pursued this. The main reason is that entrepreneurs are reluctant to lose full control of their companies.

This hesitancy to use venture capital seems justified when hearing examples like that of Admiral Leasing Plc, which raised money from a venture capital firm that then tried to put the company into receivership. Yet venture capital can work for some firms. Three-time Inner City 100 winner Americana International Ltd, and Andor Technology Ltd have used venture capital to finance their growth. These notable successes should be disseminated more widely amongst the business community to demonstrate in what circumstances venture capital can be beneficial.

The Inner City 100 are not risk-averse, but prefer organic growth funded by internal finance to external options i.e.

they prefer to finance growth through means that they can control. By far the most common means of financing growth is to re-invest profits back into the company. This ethos perhaps results from the huge personal investments in time, money and sheer hard work that these entrepreneurs have made. Horner Brothers Print Group Ltd epitomise this sentiment: *'We have looked at venture capital for growth funding but are loathe to use it...our ethic is to run the business the way we run our personal finances...if we can't afford it ourselves, we can't have it'*.

Inner City 100 entrepreneurs realise that incremental growth is not what venture capitalists are seeking. However, in several industries significant long-term investment is essential. Many of the Inner City 100 seeking investment would prefer a financing source that was longer term and less 'invasive' than venture capital. In addition, venture capitalists may want to re-consider their minimum investment levels to ensure Inner City 100 firms can absorb and manage capital injections.

## Venture Capital and the Inner City 100

Have you actively & considered Venture Capital?	Why have you not pursued Venture Capital?		Firms combining Venture Capital (VC) with Early Growth Funds (EGF) and/or Small Firms Loan Guarantee Scheme (SFLGS)		
Yes	65	Don't want to lose control	15	VC and SFLGS	38
		Share ownership	10		
		Share profits	8	VC and EGF	2
No	35	No need	14	VC and both SFLGS and EGF	6

Some companies had more than one response

### UNPACKING GROWTH FUNDS

To help increase the amount of equity finance available to small businesses, various growth finance packages have been introduced. These include:

- The Bridges Community Development Venture Fund – this provides venture capital to viable small businesses that demonstrate high growth potential and are located in the 25% most deprived wards in England;
- Regional Venture Capital Funds – overseen by the Regional Development Agencies and managed by private sector Fund Managers, these funds aim to tackle the 'equity gap' faced by small businesses; and
- Early Growth Funds – this encourages risk capital funding of start-ups and 'growth potential' small businesses.

These initiatives have yet to make an impact with Inner City 100 firms, with only 12% being aware of the Early Growth Funds and none reporting an approach to (or from) their Regional Venture Capital Fund Manager. However, Bridges Community Ventures are proactive in engaging with Inner City 100 firms. Such efforts need to be encouraged by all stakeholders if the growth fund market is to become more accessible to inner city businesses.

Lack of knowledge about where to go for financing and how to put a financing proposal together are also factors in the low take-up of external funding. As one

Inner City 100 winner, Impact Community Developments noted: "We are considering venture capital at this very minute...although we are unsure whether we would be eligible, or for that matter attractive, to a venture capital firm".

### CONCLUSION

So what can we learn about growth finance and the Inner City 100?

- Inner City 100 firms prefer long-term investment options and to re-invest profits to finance growth. If there is a trade off between accelerating growth and retaining control, a majority of the Inner City 100 will opt for control. This demonstrates their desire to remain in control over all aspects of their business and to take relatively low risks to fund their growth.
- Despite the UK having the most sophisticated venture capital market in Europe, take-up by the Inner City 100 is surprisingly low, though increasing year-on-year.
- Inner City 100 entrepreneurs may not have appropriate exit strategies in place or be 'investment ready' to receive venture capital or other growth finance schemes.
- Almost one quarter of the Inner City 100 view 'access to finance' as the biggest constraint to their growth.

### KEY RECOMMENDATIONS

- The marketing of venture capital, intelligence on potential venture

capital beneficiaries and other growth fund options needs to be improved significantly to inner city businesses. Regional Development Agencies could seed investor forums to bring investors and growth businesses together. This is particularly important because venture capital networks are quite closed, excluding many Inner City 100 firms, particularly women-owned and black and minority ethnic businesses.

- Success stories of growth funding from external sources need to be actively promoted.
- Mainstream business support and enterprise agencies need to provide customised services to inner city firms across industry sectors to make them 'investment ready'. They also need to identify appropriate growth fund packages for these firms.
- Inner city firms need investment products that are attractive to the inner city market: low risk, long term and not severely diluting ownership and control.
- Growth finance schemes are required that recognise the desire of some entrepreneurs to grow more gradually and retain greater control of their businesses.

1 Global Entrepreneurship Monitor, United Kingdom, 2002

2 'Small Firms, Big Business', A review of small and medium sized enterprises in the UK, SBS, 2003

# Inner City 100 Insight: Three Case Study



## B-PLAN INFORMATION SYSTEMS LTD

B-Plan Information Systems Ltd is a three-time winner of the Inner City 100. Founded in 1993 by two innovative and determined brothers from Kurdistan, B-Plan is realising its vision to lead the field in business planning and financial management software. By carefully seizing opportunities, Chief Executive Shirko Abid and his brother Farhad are now major players in the UK's budgeting and costing software markets. B-Plan was the first of a growing cluster of software firms in Manchester's Science Park and has capitalised on its inner city location.

In this year's Inner City 100, B-Plan Information Systems has a five-year growth rate of 194%; this follows growth rates of 167% and 405% in the 2001 and 2002 Inner City 100 competitions. Sustaining B-Plan's extraordinary growth has required an innovative approach to raising finance.

To maintain its competitive edge, B-Plan Information Systems has raised venture capital no fewer than three times. On the first occasion, venture finance was raised to develop a new web based benchmarking service. In 2000, B-Plan secured venture finance to make the strategic acquisition of Basingstoke-based APTOS Financial Solutions. This acquisition significantly enhanced the firm's product offering and market presence, representing a significant step forward for B-Plan. APTOS now forms the core of the company's service to both public and private sector organisations. APTOS also provides a strong platform for growth in the pan-European financial systems and services market.

This was not the end of B-Plan's venture financing and in 2001 the company raised £1 million to fund future growth, enabling re-financing and offering additional flexibility for the firm's expansion. This ability to raise finance

required commitment and robust internal processes to manage venture capitalists' due diligence processes. Whilst this due diligence was lengthy and required great detail about the company's operation and accounts, B-Plan was successful on all three occasions.

Choosing the venture capital route to finance growth has been the right choice for B-Plan. The firm continues to deliver high quality client-focused solutions and has built partnerships with several major firms including Microsoft and Oracle. B-Plan now has 65 full time employees and a turnover in excess of £5.5million.

# Snapshot of the 2003 Inner City 100

## Growth

Average 5-year growth rate	575%
Average age of companies	10 years
Average 2002 sales revenues	£7.4 million
Total full-time equivalent employees	8,238
New jobs created between 1998 and 2002	5,417

## Profitability

2002 average profitability was 6.9%, mean was 6%

Profitability	Percentage
Loss	8
0 %	9
1 – 5%	32
6 – 10%	20
11 – 15%	14
16 – 20%	9
21%+	8

## Sector Profile

### Industries (%)

Agriculture	0
Energy, water	1
Manufacturing	7
Construction	10
Wholesale / Retail	15
Hotels and catering	2
Transportation & Communications	6
Financial	5
Business activities	27
Education	4
Health & Social	6
Other, high tech	7
Other social/ personal activities	5
Other	5

### Sector (%)



### Size (%)



## Competitive Advantages & Disadvantages

### Top 3 Competitive Advantages

1. Transport Infrastructure
2. Access to customers
3. Availability of good, affordable premises

### Top 3 Competitive Disadvantages

1. Perception of crime
2. Actual crime
3. Availability of good, affordable premises

### Top 3 Ways That Companies Differentiate Themselves from Competitors

1. High quality customer service
2. Specialisation in product/service
3. Range of product/service offerings

### Top 3 Factors Limiting Growth

1. Recruiting skilled workforce
2. Access to capital
3. Lack of market demand/attracting customers

## Location

83% rate their current location as a good or excellent place to do business.

63% rate their location as a better or much better place to do business compared to 5 years ago.

## Workforce

Inner City 100 companies employ 8,238 people

Inner City 100 companies have created 5,417 new jobs in five years

Inner City 100 firms paid their employees, on average, a minimum of £5.70 per hour

12% of Inner City 100 firms state that at least 50% of their workforce is from ethnic minority groups

## MD/Founder Information

Average age	44 yrs
Female founder / co-founders	35%
Female Managing Directors	9%
Male founder / co-founders	65%
ETHNICITY	
White	87%
Total Ethnic-Minority	12%
No answer	1%
Black Caribbean	3%
Indian-Caribbean	1%
Indian	4%
Pakistani	1%
Other	3%

40% of MDs had immediate family members that owned and ran businesses.  
77% of MDs founded their company.

## City Representation

City	Total
Belfast, NI	3
Birmingham	3
Blackpool	1
Bolton	2
Bradford	3
Bristol	1
Coventry	1
Dundee, Scotland	1
Glasgow, Scotland	6
Halton	2
Ipswich	1
Kent	1
Kingston upon Hull,	1
Leeds	3
Leicester	1
Liverpool	3
London	25
Manchester	7
Middlesborough	3
Newcastle-Upon-Tyne	1
Newtownabbey, NI	1
Norwich	4
Nottingham	4
Oldham	1
Peterborough	1
Plymouth	1
Rochdale	1
Rotherham	1
Salford	3
Sefton	1
Sheffield	4
Shipley	1
South Tyneside	2
St. Helens	3
Stoke-on-Trent	1
Sunderland	1
Wolverhampton	1

## Community Impact

96% of companies are involved with their community (in one or more ways)

Type of Involvement	Number of companies involved
Visits/placements/links with schools/colleges	57
Sponsorships of local events/clubs/charities	61
Use of company resources for local community group	18
Membership of civic, charitable, local bus or education	41
Free or subsidised provision of goods & services	22
Involvement in local environment initiatives	19
Company support for staff involvement in charity	44
Mentoring of other entrepreneurs	26
Mentoring of at-risk young people	13
Other	12

## Regional

Region	Total
East Midlands	5
Eastern Region	6
London	25
North East	7
North West	24
Northern Ireland	4
Scotland	7
South East	1
South West	2
West Midlands	6
Yorks & Humberside	13

## Three year Analysis

	2001 Index	2002 Index	2003 Index
Average Growth Rate	274%	503%	575%
Average Revenues	£5.1 million	£6.8 million	£7.4 million
Average FTEs	57	70	82
New Jobs created	3,500	4,559	5,417
% Ethnic-Minority	11%	15%	12%
% Female sole founder	4%	13%	5%
% Female founder/co-founder	4%	17%	35%

## The Future

How do you describe the overall outlook for your business in the next 5 years?

97% of the Inner City 100 are positive to very positive on the overall outlook for their business in the next 5 years

# Inner City 100 Insight: Four Winning Contracts

‘Winning private sector contracts is a simpler process and once your ‘slippers are under the bed’ they come back to you...you don’t have to re-qualify every time you are providing a slightly different product’. McGrattan Piling

Winning contracts to supply the public and private sector underpins the financial health of Inner City 100 firms. At the same time, public and private sector procurement can be a lever to stimulate local enterprise activity and improve the local economy. So what are the experiences of Inner City 100 firms in winning public and private sector business?

## **SECURING PUBLIC SECTOR CONTRACTS**

Inner City 100 firms supply goods and services to the private sector (82%) and the public sector (68%).

Much public sector procurement is through staged processes, which include application and acceptance onto an approved supplier list prior to competitive tendering for specific contracts. Although most of the 68 firms supplying the public sector are on approved or preferred supplier lists, getting there is ‘*a cumbersome and longwinded process*’ [Stairlifts (Scotland) Limited]. It can also be an expensive process, over and above the costs of preparing applications – ‘*you have to pay to get on some lists...the public sector body has contracted to a company who demands payment for being on the list*’ [Squirrel Storage].

In some cases, the public sector requires large volume supplies and highly regulated quality of goods and services. This presents a restriction for some Inner City 100 firms in winning contracts, as many favour a customised approach to delivering goods and services. Even for companies that are successful in securing public sector contracts, the demand for high volumes can be difficult to meet. For example, the catering company Dundees Ltd often has a problem with the scale of public sector orders and loses out on this work to larger suppliers.

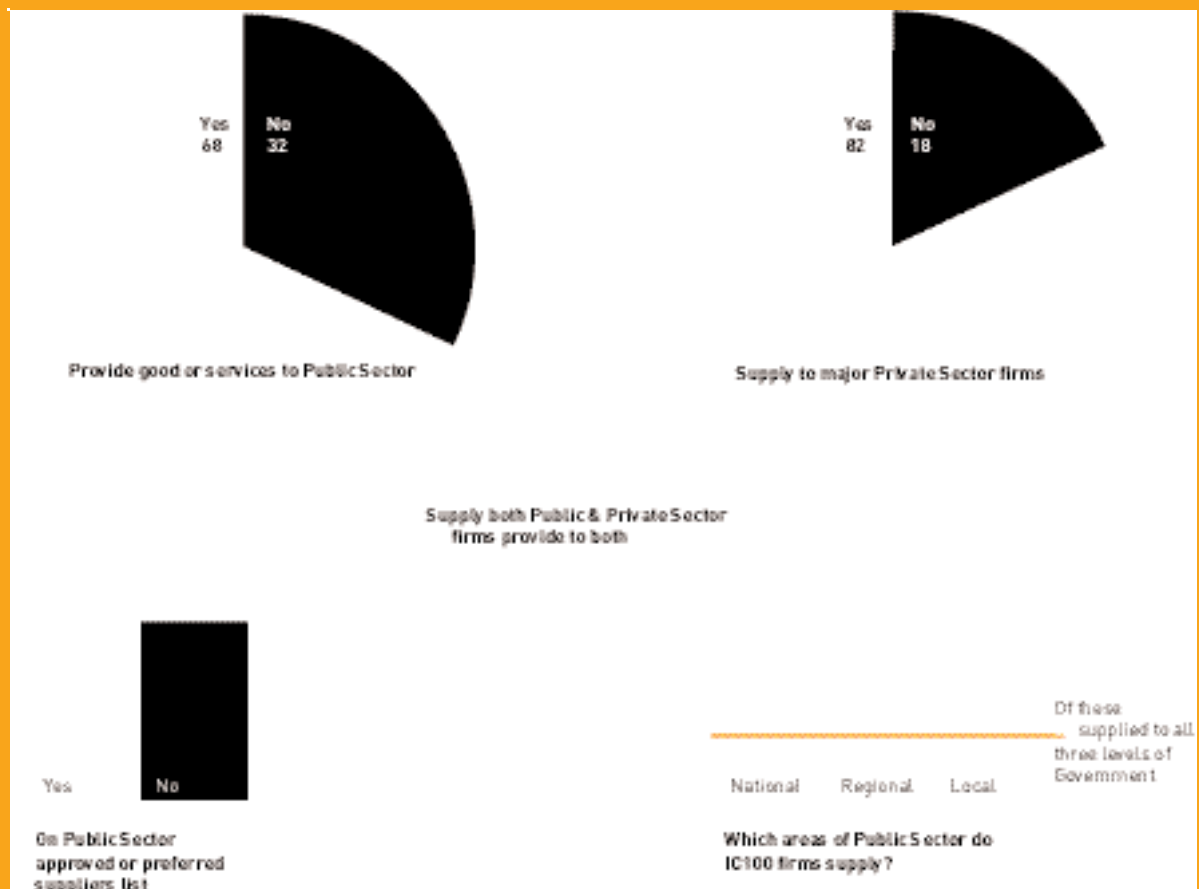
The frequency with which companies apply for public sector contracts varies hugely; from daily for the home lifting installation company Stairlifts (Scotland) Limited to only a few times each year for Starfinder Ltd, a customer contact company. Success rates are similarly varied and probably say more about the competitiveness of different sectors than about the strengths of individual companies. Greenwich Leisure Ltd, with a 100% success rate in securing public sector contracts, is an established player operating in a niche market, while Gas Call Services faces greater competition for its gas maintenance services and secures only one in ten of the public tenders they submit. For some firms, quality assurance accreditation can be an important factor in

meeting public sector procurement requirements. The Punjab Kitchen finds that ‘having all the right accreditation’ is a key factor in their 50% success rate in winning public sector contracts.

## **PUBLIC OR PRIVATE SECTOR PROCUREMENT?**

Although there are many success stories, some Inner City 100 firms are so discouraged by the low returns on their investment when competing for public sector contracts that they have stopped applying for them. Others find that the public sector procurement process doesn’t enable them to demonstrate their strengths – ‘*we are able to sell our approach much more effectively to corporate clients than through the monotonous public sector application process*’ [Moonfish Ltd].

Of the Inner City 100 firms that supply to both the public and private sectors, almost all prefer to work with private sector clients. It is not necessarily easier to win private sector work, but the process is clearer and easier for businesses to relate to. Inner City 100 firms find the more interactive process of securing private sector contracts more satisfying than the bureaucracy of the public sector. Factors such as personal relationships can be critical in securing private sector work.



However, winning private sector clients also takes time. It took Tempest Technology Ltd two and a half years to get on the approved supplier list for British Telecom, while another Inner City 100 winner, Interactive Ideas Ltd, suggest that it can take five to seven years to cultivate clients. The process requires perseverance, determination, and hard work – qualities which Inner City 100 entrepreneurs have in abundance.

Nonetheless, both public and private sector procurement have their advantages: with the public sector there is minimal risk of bad debt and relatively prompt payment, whereas with the private sector there is less bureaucracy, both in bidding for and executing work.

## CONCLUSION

So what do these Inner City 100 firms tell us about procurement?

- Many of the Inner City 100 firms supply goods and services to the private sector and the public sector. Firms cite the more interactive process of securing private sector contracts as more satisfying than the long struggle to apply for and win public sector contracts.

- Inner City 100 firms are competitive, but when procurement requires uniform quality and high volume supplies (as with many public sector contracts), firms often lose out to larger suppliers.
- Public procurement success rates vary, which says more about the competitiveness of different sectors than about the strengths of individual Inner City 100 firms.
- Local spend policies can bring huge benefits to local communities and businesses. However, public policies on procurement are not entirely geared to this objective and these local economic impacts are not always considered.

## KEY RECOMMENDATIONS

- A customised package of support is required to capacity build firms wishing to secure public and major private sector customers. This will encourage and retain local firms in the procurement process, as well as assist local firms to be 'fit to supply' goods and services.
- Models of good procurement practice with case study examples need to be disseminated widely to bring about a shift in organisational culture in both the public and private sectors.

- The public sector should make greater efforts to split contracts into smaller elements and ensure that these are marketed to inner city firms through.
- The public sector must ensure that contracts are open to inner city firms and streamline the process through which firms can bid for contracts. Improved marketing and guidance to inner city firms is required on how to gain approved and preferred supplier status.
- The UK should consider developing US-style regional supplier development contracts. These are designed to provide direct links between corporations in the United States and minority-owned businesses. The US-based National Minority Supplier Development Council started in 1972 and now has 3,500 corporate members working to increase procurement and business opportunities for minority-owned businesses of all sizes. The organisation operates on a regional basis to certify and matches more than 15,000 minority-owned businesses with corporations like Coca Cola, McDonalds and Verizon.

# Inner City 100 Insight: Four Case Study



## Action 4 Employment Limited (A4e)

Action For Employment's (A4e) mission is to 'Improve People's Lives'. Sheffield based A4e is a pioneer in bridging the gap between the public and private sectors. The firm has won groundbreaking contracts with the public sector, arguing that a private sector firm with the right skills and ethos can deliver many services appropriately. A4e has a wide range of activities including running nearly 100 Job Centres and operating two Business Link franchises in County Durham and Humber, the first private sector company to do so.

Founded by Emma Harrison in 1991 after she grew frustrated with the purpose of her previous training organisation, A4e began by focusing on getting the long-term unemployed back into work. A4e is now a significant outsourced supplier of services to both the private and public sector with the focus upon recruitment,

training and business solutions. A4e is constantly diversifying and proving itself in new fields that have traditionally been the preserve of government or major private sector firms. Mark Lovell, Group CEO, is continually seeking new markets and business opportunities whilst being careful to ensure that systems are in place to cope with the firm's extraordinary growth. By operating a carefully organised divisional structure with in-house expertise in tendering for government contracts, A4e has been able to manage its growth without overstretching the capacity of its senior management. The firm now has a number of divisions including A4e Training, A4e Educate and A4e Consulting.

A4e has leveraged its experience of public sector contracts to deliver 'Business Success for Childcare', a

national programme providing free business support and training to childcare providers. The Programme is a Sure Start initiative developed and delivered by A4e. The firm also operates the Swindon Brokerage, an initiative to combine the purchasing power of schools, nurseries and colleges to ensure that they receive competitive prices from national suppliers of goods and services.

A4e's track record of delivery to the public and private sectors has helped it grow by 1,892% over the past five years and it now employs over 1,000 people. With plans to diversify further and with current forays into childcare among others, A4e looks set to benefit from its strong track record and relationships with government at all levels.



# Inner City 100 Insight: Five Government and Inner City Enterprise

The government has made progress on improving support for business in the UK's inner cities, so just how helpful are Inner City 100 firms finding government initiatives? How involved are Inner City 100 firms in government-funded regeneration schemes and how relevant are these?

The picture is mixed.

## KNOWLEDGE AND AWARENESS

Knowledge of individual government initiatives to support inner city business varies widely. For more recent schemes - such as the abolition of stamp duty on all non-residential property transactions in the designated Enterprise Areas - awareness is relatively low at 36%. The same can also be said of Early Growth Funds that provide equity and loan finance to enterprises in deprived areas. Only 12% of firms have heard of this initiative. In contrast, nearly half of the Inner City 100 (44%) know of the tax credit for research and development.

More established schemes are widely known - nearly two thirds know about the Small Firms Loans Guarantee Scheme (SFLGS). However, given its potential usefulness in helping firms access loans, this is a scheme *all* Inner City 100 firms should know about. Feedback on the SFLGS is generally positive, with Inner City 100 winner Bio-Kinetic Europe Ltd accessing it twice to help fund their explosive growth, first receiving £50,000 and then £200,000 to move premises. However, some firms report that banks are reticent to use the SFLGS, effectively preventing firms' access.

In all, the variance in responses from the Inner City 100 suggests that the marketing of new and existing business support schemes is inconsistent. Whether this is due to the methods used by business support agencies or the way in which certain 'products' are positioned in the market is unclear. Nonetheless, this requires attention by the Government to ensure all business support schemes are marketed in an appropriate manner to inner city firms.

## BUSINESS SUPPORT

Many of the Inner City 100 have used business support schemes, but nearly 1 in 5 of the entrepreneurs avoid government-sponsored business support programmes altogether, finding them 'difficult to access' and 'convoluted'.

One entrepreneur commented that government assistance is directed to the first year of a firm's existence, but that the third year is the time of real challenge. This is a sentiment shared by many. Some Inner City 100 firms saw themselves as ineligible for support, due to:

- The over-emphasis of current business support services on helping start-ups;
- Operating in a 'traditional' sector that is seen by business support agencies as too 'unattractive' to assist; and
- Being too 'large' to receive help.

Among the Inner City 100 receiving business support, most comes from Business Links (64%) or their Local Authorities (47%). Benefits received by the Inner City 100 include assistance in accessing grants and loans, support to gain quality assurance accreditation such as ISO 9000 and identifying and sign-posting training opportunities.

A minority of Inner City 100 firms use more than one agency to access business support and are 'clued-up' on how to create the right package to resource their needs. This small group have become 'experts' at accessing public funding and support, and thus, have developed good relationships with business support agencies and public authorities. As one firm put it, 'whatever initiative is going, we will try to make the most of it'. This highlights two important lessons.

First, if firms want to benefit from government-sponsored business support programmes they have to be pro-active in their efforts. Second, the government needs to find better ways of simplifying and making more demand-responsive their business support schemes. Our survey with the Inner City 100 suggests that this has yet to be realised on a wholesale basis, which means that the dialogue between business support agencies and the Inner City 100 is not as strong as it could be.

## ENTERPRISE-LED REGENERATION

The government is committed to involving businesses in policy making. Yet less than 10% of the Inner City 100 have been involved in developing policies or been consulted about them. When it comes to enterprise-led regeneration initiatives, awareness amongst the Inner City 100 is relatively low. Several former Inner City 100 winners said that they had learned about government regeneration initiatives only after becoming winners on the Inner City 100 Index.

Approximately 1 in 5 of the Inner City 100 knew about Business Improvement Districts, City Growth Strategies or Business Planning Zones<sup>1</sup>. More importantly, just a third of the Inner City 100 knew of the Neighbourhood Renewal programme, which indicates how effective business engagement is in this flagship programme designed to improve socio-economic conditions in deprived areas.

The government recognises the leading role businesses can play in regenerating inner cities and the Inner City 100 are typically aware that their localities receive regeneration monies. However, there is still room for the government to engage them more in strategies and

## Government Support and the Inner City 100

How helpful is £ Government support £ for Inner City 100 firms for...	How helpful is £ Government support £ for Inner City 100 firms for...		
	quite/very unhelpful	neutral	quite/very helpful
Premises	36	40	24
Crime	33	44	23
Training	15	30	55
Finance	29	38	33
General environment	18	31	51

Supported by and/or engaged with?	Supported by and/or engaged with?	
	Yes	No
Local Authority	47	53
RDA	33	67
LSP	27	73
URC	11	89
Business Link	64	36
Gvn Office	27	73

18 none  
82 at least one

% firms with knowledge of ?	% firms with knowledge of ?	
	Yes	No
Stamp Duty	36	64
SFLGS	63	37
CDFIs	22	78
Early Growth Funds	12	88
R and D Tax	44	56

% of firms aware of	% of firms aware of	
	Yes	No
Neighbourhood Renewal	33	67
Business Planning £ Zones	16	84
City Growth Strategies	20	80
BIDS	20	80

20 had heard of none  
80 had heard of at least one

initiatives designed to regenerate inner city areas.

Where the Inner City 100 have been engaged in 'policy making', this is predominantly at a local level with the regeneration or neighbourhood renewal team of their local authority, rather than at sub-regional or regional level where real policy is developed and strategic decisions are made. For example, only 13% of the Inner City 100 have been approached by a Local Strategic Partnership and just 11% by a Regional Development Agency. Again, this says much about the dialogue (or lack of) amongst strategic regeneration players and the Inner City 100 - firms that are critical to enterprise-led regeneration.

However, there are a few exceptions. One company, based in Hoxton, belongs to the Local Economic Partnership, works in partnership with the London Development Agency and Hackney's Neighbourhood Renewal team. It also co-ordinates the Shoreditch Business Forum and is a member of the London Business Support Network. Such examples are rare and whether the City Growth Strategies initiative can eventually provide the ideal enterprise-led regeneration model is to be determined.

What is fundamental to enterprise-led regeneration is to give businesses real 'purchasing power' in the decision-

making process, rather than the traditional 'business representation' model that currently exists. The Inner City 100 is proof of a viable concept - that the UK's inner cities have tremendous market potential and that these dynamic businesses hold the key to revitalising economically distressed areas.

### CONCLUSIONS

So what do the Inner City 100 tell us about government initiatives for business support and enterprise-led regeneration?

- Many Inner City 100 firms are unaware of the range of business support schemes available. More worryingly, a significant number of firms choose to disengage from public sector programmes altogether, believing them to be overly bureaucratic and offering the wrong type of support. However, Inner City 100 firms that do use publicly funded business support programmes find them of benefit to their business.
- A majority of the Inner City 100 are not engaged in enterprise-led regeneration initiatives, even though they are aware that their areas receive regeneration monies. This suggests that they do not possess the information or contacts to become engaged.

### KEY RECOMMENDATIONS

- Government and agencies at all levels must be more 'entrepreneurial' about supporting the Inner City 100: greater responsiveness to business needs, improved dialogue and fewer, but more effective programmes are required. In general, the marketing of new and existing business support schemes needs to improve.
- The public policy focus on encouraging start-ups in deprived areas overlooks the importance of supporting existing businesses in sustaining and growing their operations. It also undermines incentives to retain businesses in their inner city locations. A greater focus on business retention would ensure that businesses remain the key drivers of job and wealth creation in these areas.
- If enterprise-led regeneration is to work, then there has to be more effective engagement of Inner City 100 firms with Local Strategic Partnerships, Regional Development Agencies and, where appropriate, Urban Regeneration Companies. The models of engagement that are developed must give these firms a real voice in the decision-making process.

1. We recognise that some schemes are at their pilot stages.

# Inner City 100 Insight: Five Case Study



## BIGHAM'S

Frustrated with the quality of pre-packaged meals available in UK supermarkets and inspired by his travels in Asia, Charlie Bigham decided to create and manufacture high quality, 'ready to cook' meals.

Starting from a kitchen table in 1996, Bigham's Ltd now employs over 80 people and supplies to several household names, including Waitrose and Harrods.

After founding the firm, Charlie Bigham visited fifteen banks in an attempt to open a business bank account but was refused by them all. He had written business plans professionally in a previous job and the banks liked his plan. However, because Bigham had no experience of the food industry, the banks refused to open a business account or loan the £20,000 he was seeking. Undeterred, Bigham found the start-up capital from his own pocket.

Perhaps this experience led him to consider public sector support for his growing business. This avenue of support has been instrumental in the firm's growth and has helped Bigham's achieve the scale required to compete in the food manufacturing industry. Bigham's is based in the Park Royal Business Park in London, one of the largest collections of businesses in Europe and home to a significant percentage of London's food industry. Park Royal Business Park is managed by the Park Royal Partnership, which is funded by private sector businesses, the local authority and London Development Agency. This public-private partnership has been central to promoting and improving the general environment of Park Royal and in nurturing new firms.

Bigham's has been greatly assisted by successful applications to the Small Firms Loan Guarantee Scheme. This has

enabled Bigham's to access funds to build the firm's capacity and to develop the high standards of food production required by major clients. Charlie Bigham's success in accessing public funds and support programmes is partly attributable to his knowledge of funding streams developed in his earlier role as a management consultant. In addition, he has built a management team that is able to construct professional bids, for example, for staff training through the Inner City Entrepreneurs Fund.

With an extraordinary five-year growth rate of 1,292%, and having recently diversified into catering, Bigham's is continuing its success with little public assistance. However, the initial support received was instrumental in building the business to where it is today.

# Conclusion

## Continuing to Compete for Change

The Inner City 100 have achieved the holy grail in business of combining growth and profitability with huge positive impacts on their local communities. With record five-year growth rates and strong profitability, this year's Inner City 100 have created over 5,400 jobs in the past five years.



Inner City 100 firms are finding profitable opportunities across the UK and in the major industrial sectors. They demonstrate that there is no relationship between an area's level of disadvantage and achieving business success. The Inner City 100 are important role models for aspiring entrepreneurs in the UK's economy.

### **FIRMS' POSITIVE IMPACTS**

Fast growth Inner City 100 firms have a crucial role in creating and retaining wealth in the UK's inner cities. These firms have major positive impacts on their communities through the employment of local people, spending on local goods and services, and providing direct financial contributions to their communities. Their intimate relationships with their local areas provide the Inner City 100 with significant competitive advantages that are

essential to the continued regeneration of the UK's inner cities.

### **RISKS AND REWARD**

Firms in the Inner City 100 are a bedrock of innovation and entrepreneurship in the UK. These firms have adopted innovative strategies for growth including acquisitions, mergers, diversifying their product portfolios, and forming strong supply chain linkages. Supporting these firms in identifying appropriate growth strategies and providing them with enhanced market intelligence will help maximise this innovation. Ensuring that this entrepreneurial activity continues to prosper is central to the the UK's knowledge economy.

### **FINANCING GROWTH**

Inner City 100 firms have accessed external sources of finance, but are reluctant to enter agreements that

involve losing any control of their businesses. This reflects their ethos of independence, hard work, and willingness to bear responsibility for their firms' performance and workforce. Nevertheless, much can be done to bridge the gap between current venture capital offerings and inner city firms, both in terms of improved information and networking, as well as with new products that offer more 'patient' capital.

### **PROCUREMENT**

The majority of Inner City 100 firms are actively trading with both the public and private sectors. Ensuring that Inner City 100 firms have access to both public and private sector procurement opportunities is central to continuing their wealth creation in the UK's inner cities. The public sector must ensure that contracts are open to inner city firms and streamline the process through which



firms can bid for contracts. In addition, to enhance small firms' access to large private sector players, supplier development networks should be built to create new supply chain linkages as exemplified in the United States.

#### **GOVERNMENT SUPPORT**

The Government has made considerable progress in supporting inner cities and their firms, with over 60% of firms reporting improvements in their local environments. However, weaknesses remain in the design and marketing of appropriate business support mechanisms. Though many of the Inner City 100 have engaged with some public sector agency for business support, there continue to be frustrations with the timeliness and quality of support offered.

#### **WOMEN**

Female entrepreneurs have made

significant progress in this year's Inner City 100, with 35 women either founders or co-founders of firms. This is very positive, but much more needs to be done to ensure that women are encouraged to start firms and have access to established financial networks, particularly venture finance. It is a sobering thought to consider that there are only nine female managing directors in the Inner City 100.

#### **THE FUTURE**

97% of Inner City 100 firms are optimistic about their business prospects over the next five years. This is not naïve optimism, but rather reflects their past success in achieving growth and profitability and their plans for the future. The old image of inner city firms on the brink of financial disaster lurching from crisis to crisis has been dispelled. Inner City 100 firms are capitalising on

market opportunities in their communities, at a national level and internationally, while making huge contributions to their local areas. Big business could learn a few lessons from these inner city firms about how to combine outstanding financial success with significant positive impacts on their local communities.

# 2003 Special Award Winners

## **CAPITAL MANUFACTURING AWARD**

Over the past few years, the manufacturing industry has been on a relative decline in the UK. However, the Inner City 100 Index has shown some real resiliency and innovations in this sector with 12% of the index coming from the manufacturing sector. Sponsored by the London Development Agency, this award goes to the fastest-growing manufacturing firm located in London.

**Winner: Bighams Ltd, London**

**Sponsor: London Development Agency**

## **CAPITAL PEOPLE AWARD**

The Inner City 100 companies have shown that they are very committed to their workforce and, on average, offer more benefits than many mainstream companies. Staff training is an important tool for filling skill gaps and retaining employees. Sponsored by the London Development Agency, the Capital People Award goes to the London firm that invests the highest percentage of its total turnover on staff training.

**Winner: Training for Life, London**

**Sponsor: London Development Agency**

## **COMMUNITY LEADERSHIP AWARD**

Last year, the New Economics Foundation created an inner city 'Impact Index', which measures business impact on local employment, local purchasing and community giving. NEF has carefully examined the social and economic impacts of the winners on their surrounding community. It shows that over half the enterprises are having a significant positive impact on their community and some of the most positive impacts come from the fastest growing companies. Businesses having a positive impact on their communities are one of the most encouraging aspects of the Index. Sponsored by the Office of the Deputy Prime Minister, the Community Leadership Award is presented to the business that has had the greatest impact in their local community.

**Winner: Hackney Community Transport, London**

**Sponsor: Office of the Deputy Prime Minister**

## **ECONOMIC INCLUSION AWARD**

When a business employs inner city residents, it has one of the greatest impacts on the community by helping to create jobs, income and wealth for local residents. Sponsored by the Small Business Service, the Economic Inclusion Award is given to the Inner City 100 firm that employs the highest number of people from within a 1-mile radius of its location.

**Winner: Dundees Ltd,**

**Newcastle-Upon-Tyne**

**Sponsor: Small Business Service**

## **ETHNIC MINORITY ENTREPRENEUR AWARD**

Twelve per cent of the Inner City 100 are from ethnic minorities, higher than expected from the UK average population and double the national rate for small business. Finding and celebrating examples of successful ethnic minority enterprise is an important aspect of the Inner City 100 Index. Sponsored by Business Link for London, the Ethnic Minority Award is presented to one of the fastest-growing ethnic minority-owned business on the Index.

**Winner: 2XL Recruitment, London**

**Sponsor: Business Link for London**

## **GREEN AWARD**

Companies that show a commitment to environmentally friendly policies, are proactive in implementing them and recognise the business benefits of these policies are real environmental champions. Finding and celebrating green companies is very important to the New Economics Foundation. Sponsored by Norwich Union, the Green Award is presented to the most environmentally friendly business on the Index.

**Winner: Teswaine Business Communications Ltd, London**

**Sponsor: Norwich Union**

## **RISING STAR AWARD**

Last year, the Rt. Hon Gordon Brown established the Rising Star Award to recognise a young company that is having great impact in its community. Inner City 100 companies have generated 5,417 new jobs over the past five years. The Rising Star Award is presented to one of the youngest founders who has created a significant number of new jobs in the community. This award celebrates not only job creation but also encourages young people to start businesses.

**Winner: Associated Network**

**Solutions plc, Manchester**

**Supporter: HM Treasury**

## **SOCIAL ENTERPRISE AWARD**

With primarily a social purpose and working for a social benefit rather than shareholders, social enterprises play an important role in urban regeneration. The presentation of this award shows that entrepreneurial drive and growth can co-exist with social objectives.

Sponsored by the Social Enterprise Unit at the Department of Trade and Industry, the Social Enterprise Award is presented to the fastest-growing social enterprise.

**Winner: Future Health & Social Care Association, Birmingham**

**Sponsor: The Social Enterprise Unit at the Department of Trade and Industry**

## **WOMEN ENTREPRENEUR AWARD**

Women represent approximately 50% of the population, yet they continue to be conspicuously absent from the entrepreneurial scene. With 35% of the Inner City 100 Index being founded or co-founded by women, we must continue to support and showcase successful women entrepreneurs. Sponsored by the New Economics Foundation and Prowess, the UK-wide network for the promotion of women's enterprise support, the Women Entrepreneur Award is presented to the fastest-growing woman-founded company.

**Winner: Action for Employment, Sheffield**

**Sponsor: New Economics Foundation**

# 2003 Regional Award Winners

## REGIONAL AWARDS

Nationwide representation on the list is an important way to understand what is working in regional economic development. Our goal has been to have strong regional support for the Inner City 100 Index. The regional awards are presented to the top performing company on the Index from the following areas in England, Northern Ireland and Scotland.

### East of England Winner

FM Holdings Limited,  
Peterborough  
Sponsor: East of England  
Development Agency

### West Midlands Winner

Future Health & Social Care  
Association, Birmingham  
Sponsor: Advantage West  
Midlands

### East Midlands Winner

ClinPhone Group Ltd, Nottingham  
Sponsor: East Midlands  
Development Agency

### London Winner

BCPMS (Europe) Limited, London  
Sponsor: London Development  
Agency

### North East Winner

FM Foods Ltd, Sunderland  
Sponsor: One NorthEast

### North West Winner

Temploy Recruitment Services  
Ltd, St. Helens  
Sponsor: North West  
Development Agency

### South East Winner

Tempest Technology Ltd, Margate  
Sponsor: South East of England  
Development Agency

### South West Winner

Sift, Bristol  
Sponsor: South West of England  
Regional Development Agency

### Yorkshire & Humberside Winner

Action for Employment Limited,  
Sheffield  
Sponsor: Yorkshire Forward

### Northern Ireland Winner

Wilton Healthcare Ltd, Belfast  
Sponsor: Invest Northern Ireland

### Scotland Winner

Gas Call Services, Glasgow  
Sponsor: Scottish Enterprise  
Glasgow

# Hall of Fame Winners

## Inner City 100 "Hall of Fame" Winners

Ten companies have made the list every year, a remarkable accomplishment given the astronomical annual growth rates required. We honour these companies with a special distinction – Hall of Fame.

**Americana International Ltd,**  
Manchester

**Armstrong Craven Ltd,**  
Manchester

**Blendon Communications Ltd,**  
London

**B-Plan Information Systems Ltd,**  
Manchester

**Hoxton Bibliotech,**  
London

**Mastclimbers Ltd,**  
Glasgow

**McGrattan Piling Ltd,**  
Glasgow

**Strategic Systems Solutions Ltd,**  
Liverpool

**TechnoPhobia,**  
Sheffield

**Teswaine Business  
Communications Ltd,**  
London

# Micro-Start Award Street (UK)

## WINNER OF THE INNER CITY 100 MICRO-START AWARD

For the highest growth enterprise that started with less than £1000 capital

**Our warmest congratulations to:**  
**HARRY BEHARRY, Founder and Managing Director, Atlas Property London Limited**  
**Provider of sales, lettings, property management, refurbishment, supported housing, rent guarantee, insurance and mortgage brokerage services**

	Turnover	Employees
1998:	£38,000	1
2002:	£4.04million	26
	Founded in 1986	

### Biggest milestone

First local authority contract from Islington Council in 1999

### Key lesson learned

The need to keep nurturing and re-energising the company

### Greatest achievement:

Building the business from only £600 capital

### Future goals:

Pan-London expansion and good legacy for three children  
When Harry Beharry started Atlas Property London Limited, with no office but simply one telephone box and £600, he exemplified one of the most remarkable characteristics of micro-entrepreneurs: their ability to stretch every penny of capital and create huge value out of very few resources. And when Steve Swallow, Runner-Up Micro-Start award winner, established Swallow Security, he demonstrated another key characteristic: the major competitive advantage that micro-enterprises can have over larger companies by virtue of their local knowledge.

Although micro-enterprises are individually very small, together they account for 2.9 million out the 3.7 million registered businesses in the UK (2.5 million having no more than 5 employees). As such, they have a vital contribution to make to both the local economy and to their whole community.

Gabby, a hairdresser in East London supported by Street (UK), after arriving from

Ghana with no money, now has 5 full time employees who were actively recruited from the recent immigrant community. Derek, another Street (UK) client, originally sold second-hand furniture and now has three additional businesses – an ice cream van, a white goods repair service and a washing machine home rental and fitting service. One enterprising couple offered some of their window cleaning rounds at subsidised prices to young people helping many of them to get on the first rung of the ladder, in more ways than one!

These micro-enterprises have also now become important role-models and advisors to people in their communities that aspire to become entrepreneurs.

These examples are just the tip of the iceberg – there are so many ways in which micro-enterprises contribute to their communities: re-investment and continual recycling of their business profits in the local economy; creation of local jobs; and economic and social activities that benefit the local community and stimulate the local economy.

## What is a Micro-Enterprise?

A micro-enterprise is generally defined as a business employing no more than 10 people. Most of them have fewer than 5 employees, with a large proportion being sole-traders. Some will be working from home, some in business premises or, in the case of market traders, in the street. While a proportion will be registered and regulated, with liability insurance, bank accounts, book-keepers and formal employment contracts, others will be subsisting on a cash basis. A minority will be recent start-ups, while most will have been in business for many years.

All of them however, will be owned and run by extremely hard-working people, passionate and committed to their enterprise and determined to make it succeed.

### COMPETITIVE ADVANTAGES OF MICRO-ENTERPRISES

- They have a deep and continually updated understanding of the local market
- They have the capacity to create high value from very small amounts of capital
- Their owners are exceptionally hard-working and persevering
- Their employees (often family members)

- have strong commitment and loyalty
- Their small size enables them to be flexible and implement decisions quickly
- They can take a common sense-based (as opposed to rule-based) approach
- Their investment decisions can be made over a longer term time horizon
- They can offer more elastic employment terms and income stability to employees

### CONTRIBUTION OF MICRO- ENTERPRISES TO LOCAL COMMUNITIES

#### Economic

- They involve the direct re-investment of local residents' spending within the community
- They create local jobs, both within each business and by stimulating new businesses
- They provide opportunities for people with good 'street skills' (vs. formal qualifications)
- Their products and services are more tailored to local needs
- They create opportunities for wide-ranging informal/initial work experience

#### Social

- They frequently include community goals within their overall business objectives
- They also provide connection points for local community residents
- They offer a foundation for the creation of additional community services
- They contribute to good health, well-being, lower levels of crime, and co-operation, by inclusion of all community members as owners, employees and/or customers

### ABOUT STREET (UK) AND THE INNER CITY 100 MICRO-START AWARD

Street (UK)'s mission is to support micro-entrepreneurs in the UK with tailored financial and business services, and offer a secure pathway to those aspiring to become bankable businesses. Street (UK) was launched in September 2000 and made its first loan in April 2001. It has branches in Newcastle, Birmingham and East London and has to date disbursed over £500,000 to micro-entrepreneurs borrowing an average of £1,800 each. Several of its clients have grown to 4-5 times their size and created many new jobs.



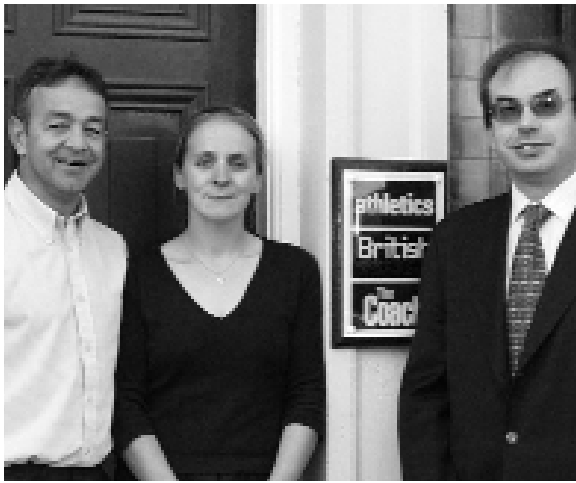
# INNERCITY 100 2003



IC100Rank	CompanyName	Short Description	City/Borough (LB)	Year Founded	2002 Employment	Employment Growth between 1998 and 2002 %	2002 Turnover	Turnover growth between 1998 and 2002 %
1	<b>Atlas Property London Ltd</b>	Property developer	Haringey (LB)	1996	26	2,500	£4,040,086	10,496
2	<b>Action For Employment Limited</b>	Recruitment, training and business solutions provider	Sheffield	1991	965	1,091	£35,853,847	1,892
3	<b>Temploy Recruitment Services Ltd</b>	Recruitment agency	St. Helens	1996	20	400	£3,609,294	1,621
4	<b>Swallow Security Ltd</b>	Security services provider	Blackpool	1997	142	14,100	£721,460	1,427
5	<b>BCPMS (Europe) Limited</b>	Gold and jewellery wholesalers	Brent (LB)	1986	11	120	£26,847,164	1,427
6	<b>FM Foods Ltd</b>	Ethical food import and processing business	Sunderland	1993	18	350	£867,616	1,375
7	<b>Bighams Ltd</b>	Food manufacturer	Brent (LB)	1996	67	458	£4,211,158	1,292
8	<b>2XL Recruitment Ltd</b>	Recruitment agency	Haringey (LB)	1997	7	250	£1,487,974	1,270
9	<b>The Frappe Vending Co Ltd</b>	Vending and dispensing systems manufacturer	Salford	1996	9	800	£648,071	1,004
10	<b>Square Foot Properties Ltd</b>	Property developer	Islington (LB)	1991	5	150	£6,233,225	988
11	<b>FM Holdings Limited</b>	Publishing and property services provider	Peterborough	1986	12	500	£995,062	975
12	<b>Gas Call Services</b>	Gas services provider	Glasgow	1996	63	688	£1,866,064	920
13	<b>Central Trust Plc</b>	Consumer finance services provider	Norwich	1987	263	437	£39,866,290	896
14	<b>Ultralase</b>	Laser eye surgery specialist	Leeds	1991	117	631	£18,913,417	863
15	<b>Sift</b>	IT and on-line communications consultancy	Bristol	1996	78	767	£3,121,048	858
16	<b>KGB Cleaning Group</b>	Commercial cleaning service provider	Tower Hamlets (LB)	1994	106	657	£5,669,001	842
17	<b>Jump Group Ltd</b>	Property developer	Leeds	1995	95	850	£17,844,789	767
18	<b>Wilton Healthcare Ltd</b>	Clinical waste and health services provider	Belfast	1993	13	225	£747,394	719
19	<b>Cardinal Maritime Limited</b>	Specialist freight forwarders	Salford	1997	19	375	£6,562,643	711
20	<b>Diva Creative Ltd</b>	Marketing and PR agency	Sheffield	1997	12	500	£885,426	700
21	<b>ClinPhone Group Ltd</b>	Clinical technology organisation	Nottingham	1993	234	550	£15,253,651	698



IC100Rank	CompanyName	Short Description	City/Borough (LB)	Year Founded	2002 Employment	Employment Growth between 1998 and 2002 %	2002 Turnover	Turnover growth between 1998 and 2002 %
22	<b>Zen Internet</b>	Internet service provider	Rochdale	1995	39	105	£3,502,279	697
23	<b>River Pro Audio</b>	Audio equipment manufacturer and distributor	Southwark (LB)	1995	6	200	£654,080	690
24	<b>Future Health &amp; Social Care Association</b>	Social housing, training and employment provider	Birmingham	1996	127	2,440	£1,620,135	671
25	<b>Associated Network Solutions plc</b>	IT and communications consultancy	Manchester	1996	50	400	£5,185,182	668
26	<b>Soup Ltd</b>	Interactive communications consultancy	Norwich	1997	22	1,000	£958,112	634
27	<b>Cash Management Systems Ltd</b>	Financial services management consultancy	Halton	1995	7	250	£590,989	589
28	<b>mmm Group Limited</b>	Multimedia entertainment specialist	Bolton	1992	14	100	£1,564,101	586
29	<b>Americana International Ltd</b>	Fashion wholesaler	Manchester	1993	37	106	£20,006,804	560
30	<b>Caldeira Limited</b>	Soft furnishings supplier	St. Helens	1991	124	313	£4,165,566	531
31	<b>Impact Community Developments</b>	Social housing, training and employment provider	Bradford	1997	20	567	£403,708	519
32	<b>Smartstyle Technology Training Ltd</b>	Professional IT training solutions provider	Bradford	1997	10	400	£359,117	491
33	<b>Stanton Interior Solutions Limited</b>	Commercial interiors contractor	Brent (LB)	1989	42	367	£9,477,044	490
34	<b>Town and Country Assistance</b>	Motor claims outsourcing solutions provider	Ipswich	1988	146	143	£29,111,400	477
35	<b>Teswaine Business Communications Ltd</b>	IT and communications consultancy	Tower Hamlets (LB)	1993	41	720	£8,721,207	477
36	<b>Tempest Technology Ltd</b>	Telecoms billing and software solutions provider	Margate	1996	25	56	£1,554,946	435
37	<b>Mastclimbers Ltd</b>	Construction service provider	Glasgow	1996	64	191	£5,108,176	434
38	<b>TechnoPhobia</b>	Internet technology consultancy	Sheffield	1995	28	367	£1,097,440	425
39	<b>Riverside Truck Rental Limited</b>	Provider of commercial and industrial vehicles	Halton	1996	21	250	£8,389,779	425
40	<b>Ecco Finishing Supplies Limited</b>	Industrial equipment supplier	Middlesborough	1995	11	1,000	£1,201,309	414
41	<b>Live Information Systems Ltd</b>	Software developer	Stoke-on-Trent	1997	18	350	£539,778	414
42	<b>Mediacom North Ltd</b>	Advertising and planning agency	Manchester	1996	23	229	£34,477,290	396
43	<b>Training For Life Ltd</b>	Training and employability services provider	City of London (LB)	1994	59	638	£1,265,594	394
44	<b>Kingfisher Building Co Ltd</b>	Construction services provider	Birmingham	1994	24	300	£8,280,812	391
45	<b>Thorns Group plc</b>	Event equipment provider	Haringey (LB)	1995	116	404	£5,096,780	378
46	<b>Brambles Foods Ltd</b>	Food manufacturer	Middlesborough	1991	170	209	£8,412,687	375



IC100Rank	Company Name	Short Description	City/Borough (LB)	Year Founded	2002 Employment	Employment Growth between 1998 and 2002 %	2002 Turnover	Turnover growth between 1998 and 2002 %
47	<b>Starfinder Ltd</b>	Provider of outsourced telecoms services	Liverpool	1981	65	210	£2,009,556	375
48	<b>Blendon Communications Ltd</b>	Magazine publisher and exhibition organiser	Southwark (LB)	1992	47	236	£7,259,124	373
49	<b>Hackney Community Transport</b>	Transport services for socially excluded groups	Hackney (LB)	1983	124	164	£3,024,570	364
50	<b>PJ's Foods Ltd</b>	Food manufacturer	Glasgow	1995	30	500	£805,422	362
51	<b>Strategic Systems Solutions Ltd</b>	Software developer	Liverpool	1995	400	260	£27,944,415	342
52	<b>Matrix Research &amp; Consultancy Limited</b>	Research and consultancy services	Hackney (LB)	1993	35	250	£2,310,140	337
53	<b>Laidlaw Scott Limited</b>	Maintenance and building contractor	Glasgow	1992	60	300	£1,554,504	327
54	<b>Intellect (UK) Ltd</b>	Electrical contracting and control panel manufacturer	Middlesborough	1997	66	313	£2,777,667	322
55	<b>The Punjab Kitchen Ltd</b>	Health sector catering service provider	South Tyneside	1993	33	200	£1,200,034	317
56	<b>Frontline Image Ltd</b>	Textile garment manufacturer	Plymouth	1992	48	140	£2,713,827	312
57	<b>Miller's Traditional Bakery Ltd</b>	Suppliers of hand crafted bread products	Newtownabbey	1997	39	290	£1,353,140	310
58	<b>GB Training (UK) Ltd</b>	Training provider	Birmingham	1996	27	800	£551,089	307
59	<b>Stairlifts (Scotland) Ltd</b>	Suppliers of equipment for people with a disability	Glasgow	1996	26	225	£2,006,276	300
60	<b>Armstrong Craven Ltd</b>	Business intelligence and research provider	Manchester	1990	43	115	£1,957,488	298
61	<b>Steps Drama Learning Development</b>	Performing arts-based training	Southwark (LB)	1992	9	200	£1,258,384	294
62	<b>Andor Technology Ltd</b>	Manufacturer of scientific cameras	Belfast	1989	91	153	£7,861,000	289
63	<b>Direct Digital Limited</b>	Document solutions service provider	Lambeth (LB)	1993	98	188	£14,126,551	289
64	<b>Sheffield Rebuild Ltd</b>	Construction and training contractor	Sheffield	1996	163	329	£5,721,417	287
65	<b>The EV Group</b>	Specialist manufacturer of cameras and systems	Norwich	1987	12	200	£958,296	280
66	<b>Mellors Catering Services Ltd</b>	Catering contractor	Sefton	1997	60	140	£3,085,849	256
67	<b>Arrow Mailing Ltd</b>	Direct mail services provider	Manchester	1992	92	229	£2,534,278	248
68	<b>Broadcast Media Services Ltd</b>	Provider of digital quality video services and media training	Nottingham	1996	7	133	£397,185	240
69	<b>Hydrogarden Wholesale Suppliers Limited</b>	Distributor and wholesaler of horticultural products	Coventry	1995	28	250	£2,100,036	236
70	<b>P.E.C Building Services</b>	Building and shopfitting company	Bradford	1977	44	144	£3,123,578	233
71	<b>Hoxton Bibliotech</b>	IT Training service provider	Hackney (LB)	1995	44	132	£1,951,067	231
72	<b>Williams and Williams Limited</b>	Insurance brokers	Leicester	1988	40	186	£1,957,543	226
73	<b>Greenwich Leisure Limited</b>	Leisure services provider	Greenwich (LB)	1993	600	87	£21,914,078	221



IC100Rank	CompanyName	Short Description	City/Borough (LB)	Year Founded	2002 Employment	Employment Growth between 1998 and 2002 %	2002 Turnover	Turnover growth between 1998 and 2002 %
74	<b>Dundeas Ltd</b>	Sandwich manufacturer and event caterer	Newcastle-Upon-Tyne	1991	25	108	£893,162	221
75	<b>Bill Goff Golf Tours</b>	Golf tour holiday operator	South Tyneside	1995	15	400	£4,289,539	219
76	<b>Nottinghamshire Business Venture</b>	Provider of professional support services for businesses	Nottingham	1982	8	300	£463,153	217
77	<b>Squirrel Storage Limited</b>	Fully managed document archive and retrieval services	Leeds	1990	66	313	£3,273,072	216
78	<b>Regional Car Parks Ltd</b>	Car park operator	Norwich	1994	19	280	£997,502	212
79	<b>Bio-Kinetic Europe Ltd</b>	Clinical trials specialists	Belfast	1996	11	120	£1,309,707	208
80	<b>Regent Envelopes Ltd</b>	Manufacturer of bespoke greeting cards and envelopes	Shipley	1986	97	33	£4,218,815	207
81	<b>Newell Palmer Associates Ltd</b>	Corporate financial consultants	Wolverhampton	1993	36	500	£929,559	199
82	<b>Cableworld Ltd</b>	Suppliers of electrical and data cables	Bolton	1994	7	75	£1,636,140	199
83	<b>Expotel Hotel Reservations Ltd</b>	Hotel reservations, conference and event management agency	Camden (LB)	1972	408	20	£81,951,065	198
84	<b>Shield (Insurance Consultants) Limited</b>	Taxi insurance providers	Dundee	1990	20	300	£1,293,204	197
85	<b>Paver Downes Associates Ltd</b>	Marketing consultants	Liverpool	1997	24	243	£1,207,953	196
86	<b>B-Plan Information Systems Ltd</b>	Financial management software developer	Manchester	1993	65	225	£4,446,876	194
87	<b>MKM Building Supplies Limited</b>	Building materials supplier	Kingston upon Hull	1995	203	233	£42,892,453	193
88	<b>Office Solutions Europe Limited</b>	Office products supplier	Salford	1996	12	200	£1,114,467	191
89	<b>Interactive Ideas Ltd</b>	Distributor of computer and console software	Enfield (LB)	1994	29	81	£9,053,501	191
90	<b>Mask Event Design &amp; Production</b>	Event designer and producer	Tower Hamlets (LB)	1988	9	125	£2,094,062	188
91	<b>Benchmark Scaffolding Limited</b>	Scaffolding access service provider	Ealing (LB)	1995	136	580	£8,639,557	186
92	<b>Phoenix Print Finishing Ltd</b>	Print finishing service provider	Nottingham	1991	31	107	£1,396,822	185
93	<b>Horner Brothers Print Group Ltd</b>	Print management services	Rotherham	1982	143	138	£12,366,327	185
94	<b>Prevista Ltd</b>	Management services consultancy	Islington (LB)	1996	18	50	£1,504,087	181
95	<b>Admiral Leasing Plc</b>	Leasing of capital equipment hire and vehicles	Oldham	1990	46	-12	£5,083,174	178
96	<b>Cross Services Ltd</b>	Specialist engineering services provider	St. Helens	1988	519	86	£41,845,095	178
97	<b>McGrattan Piling Ltd</b>	Specialist civil engineering contractor	Glasgow	1995	19	138	£2,128,700	173
98	<b>Kilnbridge Group Ltd</b>	Construction service provider	Newham (LB)	1992	352	14	£25,527,553	171
99	<b>The Bureaux Limited</b>	Independent financial advisor	Lambeth (LB)	1993	39	179	£2,827,934	169
100	<b>Moonfish Ltd</b>	Digital Communications agency	Manchester	1994	24	100	£1,188,889	167



## THE INNER CITY 100 METHODOLOGY

To be eligible for the 2003 Inner City 100 companies must:

- Be situated within eligible inner city postcode areas (in an urban local authority containing 100,000 people or more), in which at least 50,000 of the population live in wards in the bottom quintile of the Index of Multiple Deprivation (IMD) or equivalent. Firms trading in the Central Business District are not eligible. Over 80 inner cities areas were eligible this year;
- Be independent, with no other company holding a majority share. Not-for-profit organisations must have at least 50% of their income from non-grant sources;
- Have been founded before January 1st 1998;
- Have an annual turnover of at least £25,000 in the financial year ending 1998, and a turnover of at least £300,000 in the financial year ending 2002;
- Employ at least five people in 2002;
- Act in a socially and environmentally responsible manner.

Companies are ranked by percentage sales growth from 1998 to 2002, and the top 100 are the "winners." Companies were shortlisted for the Inner City 100 on the basis of unverified turnover growth and interviewed, whereupon financial data was submitted to an independent accountant for verification. The results were subsequently used to compile the final Inner City 100 Index.

# Acknowledgements

Our first thanks go to the Inner City 100, who are creating such dynamic change in the UK's inner cities.

We are also indebted to:

**The Inner City 100 patrons:** The Rt. Hon Gordon Brown MP, Chancellor of the Exchequer; Michael Porter, C. Roland Christensen Professor of Business Administration at Harvard Business School and Founder, Chairman and CEO of ICIC; Fred Goodwin, Group Chief Executive, The Royal Bank of Scotland Group; Sir Ronald Cohen, Chairman, APAX Partners; John Bird, International Chairman, The Big Issue; Sir Alan Sugar, Chairman, Amstrad plc; Lord Rogers of Riverside, Chairman, Richard Rogers Partnership; Pauline Tiffen, Non-Executive Director, the Day Chocolate Company; Ambassador Philip Lader; and Laura Tyson, Dean, The London Business School.

**The Inner City 100 Advisory Board members:** Mei Shui, Head of Enterprise, The Princes Trust; Bernadette Bickerton, Social Enterprise Unit, DTI; Hilary Brown, Small Firms Analyst, Domestic Finance Division, Bank of England; Neil Warsop, Policy Analyst, Enterprise Team, HM Treasury; Michele Giddens, Director, Bridges Community Ventures; Dr Rebecca Harding, Senior Fellow, London Business School; Kirsty McHugh, Partnership Director, Business in the Community; Peter Ibbetson, Head of Business Banking, NatWest; Barbara Phillips, Director, Social Enterprise Unit, DTI; Dr Ken Poulter, Director of Business Services, Small Business Service; Andrew Robinson, Head of Community Development, NatWest; Allan Watt, Head of Public Affairs, The Royal Bank of Scotland Group and Mike Young, Senior Manager, Small Firms Team, Domestic Finance Division, Bank of England.

**The Inner City 100 founders:** Michael Porter, C. Roland Christensen Professor of Business Administration at Harvard Business School and Founder, Chairman and CEO of the Initiative for Competitive Inner City (ICIC); Deirdre Coyle, Senior Vice President, and the team at ICIC who founded the ICIC-Inc. Magazine Inner City 100 in 1998, on which the UK Inner City 100 is modelled.

**The Inner City 100 sponsors and supporters:** The Royal Bank of Scotland, NatWest and Ulster Bank as lead sponsors; the Financial Times as our lead media partner; Growing Business magazine as our business magazine partner; HM Treasury, Small Business Service, The Department for Trade and Industry, The Office of the Deputy Prime Minister, The Bank of England, Bridges Community Ventures, APAX Partners, Prowess, The London Business School, The Princes Trust, Business in the Community, The Initiative for a Competitive Inner City, Norwich Union, Street (UK), Business Link for London, Scottish Enterprise Glasgow, Invest Northern Ireland and all the RDAs: Advantage West Midlands, East of England Development Agency, East Midlands Development Agency, London Development Agency, One North East, Northwest Development Agency, South East of England Development Agency, South West of England Regional Development Agency and Yorkshire Forward. Thanks also to Stephen Moir, Allan Watt and Gael Pollit of The Royal Bank of Scotland Group; we'd also like to thank David Adam and Jody Chatterjee from the London Development Agency for their support of the Inner City 100 and their commitment towards the Inner City Entrepreneurs' Fund.

**The Inner City 100 regional event co-organisers:** The Asian Business Development Network, Leeds City Council, Birmingham City Council and Glasgow City Council.

**The Inner City 100 nominators:** Andersons KBS Ltd, Asian Business Development Network, Birmingham Chamber of Commerce and Business Link, Bolton Business Support Unit, Business Link Coventry & Warwickshire, Business Link for London, Business Link for West Yorkshire, Business Link for Leicester, Business Link for North and West Lancashire, Coventry Centre for Investment, Drumchapel Opportunities, Sefton MBC, Glasgow City Council, Glasgow North Ltd, Gorbals Initiative Ltd, Greater Merseyside Enterprise Ltd, Haringey Business Development Agency, International Cuisine Group Ltd, Ipswich Borough Council, Macfarlane & Co, Manchester City Council, Manchester Science Park Ltd, Merseyside Special Investment Fund, Middlesbrough Council, NatWest Bank, Norwich City Council, Preston Borough Council, Salford City Council, Small Business Gateway, South Tyneside MBC, The Royal Bank of Scotland, Train 200 Ltd and Unity Business Centre.

**The Inner City 100 interview team:** John Taylor, Jessica Bridges Palmer, Julian Oram, Ethan Kline, Pradnya Ranade, Kemal Ahson, Rachael Osaigbovo and Alex Macgillivray.

**The Inner City 100 team comprises:** Sarah Forster, Sajid Butt, John Taylor, Heather Olhausen, Reza Hamroun, Jessica Bridges Palmer, Liz Antcliffe, Carey Young, Polly Raymond and Rob Booth, our accountant.

**nef** is an independent think and do tank that inspires and demonstrates real economic well-being.

We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environment and social issues. We work in partnership and put people and the planet first.

**nef** was founded in 1986 by the leaders of The Other Economic Summit (TOES) which forced issues such as international debt onto the agenda of the G7 and G8 summits.

We are unique in combining rigorous analysis and policy debate with practical solutions on the ground, often run and designed with the help of local people. We also create new ways of measuring progress towards increased well-being and environmental sustainability.

**nef** works with all sections of society in the UK and internationally – civil society, government, individuals, businesses and academia – to create more understanding and strategies for change.

**nef** works on economic, social and environmental issues through a mixture of practical pilot projects and tools for change, in-depth research, campaigning, policy discussion, and raising awareness through the media and publications. We also incubate new organisations and campaigns that can create long-term change in society.

**nef** currently has three 'hot topics': international economics and markets; democracy; and local economic renewal.



**new economics foundation**  
Jonathan Street, London, SE11 5NH  
phone 020 7820 6300  
fax 020 7820 6301  
email [info@neweconomics.org](mailto:info@neweconomics.org)  
website: [www.neweconomics.org](http://www.neweconomics.org)

# Power to the people

The Inner City 100 Index helps promote enterprise in disadvantaged communities



Investing in the community is about making sure money goes where it will make the most difference to people's lives. That's why we're involved as active, long-term partners in local and nationwide programmes, like the Inner City 100 Index, promoting enterprise in the UK's 88 most disadvantaged communities.

In total last year, we invested over £33 million in the community. We like to feel it's done a power of good.



Make it happen



*The Royal Bank of Scotland Group*

[www.rbs.co.uk/community](http://www.rbs.co.uk/community)