Ethnic Minorities
In Business

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FOREWORD

Ethnic minority owned businesses are an important and growing feature of the private sector, playing a significant economic and social role. Government figures estimate that there are 300,000 ethnic minority owned businesses, contributing an estimated £20 billion annually to the UK economy. Ethnic minority businesses are important not just because of their numbers or financial contribution; they have also helped transform particular sectors of the economy and in the regeneration of depressed inner-city areas.

A higher proportion of ethnic minority businesses than white businesses are located in the 15% most deprived wards in England. This reflects patterns across the UK where ethnic minorities are proportionally more likely to be living in deprived communities than their white counterparts. Businesses based in these areas bring much needed jobs, facilities and services and contribute significantly to the regeneration of the communities.

While many first generation enterprises were established out of necessity, today the situation appears to be changing. Although the ‘push’ effect is still a factor, businesses are increasingly established to take advantage of a market opportunity. This is a positive development. Young ethnic minorities are starting businesses in high growth sectors such as IT, information and business services, and the creative industries, moving beyond the traditional service sectors such as catering, retail and transport.

Nevertheless the experience of many ethnic minority business people is still the struggle to diversify out of low value added, over crowded service sectors. Access to suitable finance remains a problem for certain ethnic groups, and a question remains over the effectiveness of initiatives and business support targeted at ethnic minority businesses. The divergence of experiences of different ethnic groups remains stark, with African Caribbean businesses in particular facing greater difficulties than others.

One of the main challenges in understanding ethnic minority businesses remains the lack of accurate, regularly updated data which is needed to further define the size and attributes of this important sector of the economy. Neither Companies House nor H.M. Revenue & Customs require firms to specify in their returns whether they are ethnic minority owned or managed. In general business surveys the sample size is often too small to enable the robust analysis of different ethnic groups. Good quality data on ethnic minorities is essential for policy making and improved service delivery.

The CRE is pleased the Ethnic Minorities in Business report has been updated. At a time when ethnic minority businesses are gaining in significance, it is important to see how the issues affecting them have also evolved. What is apparent is that while progress has been made, many of the same concerns or barriers remain.

The research paints a useful picture of the current environment for ethnic minority businesses. What is needed now is action by policy makers, government, the banking industry and the forthcoming Commission for Equality and Human Rights to tackle the issues outlined in the report. Part of this will be further research to inform the work of policy makers. We need to understand more about the needs and experiences of more recently arrived minorities such as those from the EU accession countries, who are an increasingly important feature in towns and cities across the UK. Further exploration is needed of the divergent experiences of different ethnic groups, and more consideration needs to be given to the role of ethnic minority women.

The entrepreneurial spirit of ethnic minorities in the UK is something to be celebrated. We need to work together to create an environment that nurtures this creative energy and drive, and supports it to flourish.

Alan Christie
Private Sector Director, Commission for Racial Equality
[since merged into The Equality & Human Rights Commission]
PREFACE

We wish to thank all parties involved in the production of this publication. It comes from a very good stable and, we feel, has been well-managed throughout its production. We would also thank the authors, the staff involved at the Small Enterprise Research Team, and also the Commission for Racial Equality.

The field of ethnicity and SMEs is one which attracts considerable publicity, not all of it necessarily well-balanced. Emotion and prejudice sometimes blur rational scientific method in this fascinating field and we have made considerable efforts to check and balance sources and findings.

It is now 50 years since the events that first spawned the terms ‘ethnic minority’ and ‘minority enterprise’. Since the beginning of so-called ‘mass immigration’ in 1955, the presence of African- and Asian-origin ethnic groups, their cultural institutions and their business ventures have grown from miniscule proportions to a point where, now, ethnic minorities in some areas of Britain have become ethnic majorities and indigenous groups are themselves in minority.

The next big surge in this process is now underway with large-scale immigration from Eastern Europe. After all, the quintessential ‘Polish Plumber’ is first and foremost a small business. And just as African- and Asian-British researchers have taken the lead in studying enterprise amongst their own communities, it seems likely that it will be a new generation of academics of East European origin with their own insights that will lead our understanding of these new groups.

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Abbreviations

ACB ......................... African-Carribbean Business
ACOST ...................... Advisory Council on Science and Technology
BBA ......................... British Bankers Association
CIR .......................... Corporate Intelligence on Retailing
CTN ......................... Confectionery, Tobacco and Newsagents
EMB ......................... Ethnic Minority Business
GEM .......................... Global Entrepreneurship Monitor
LFS .......................... Labour Force Survey
LVA .......................... Low Value Added
NMSDC ..................... National Minority Supplier Diversity Council
NMW .......................... National Minimum Wage
PIU ......................... Performance and Innovation Unit
PYBT ....................... Prince’s Youth Business Trust
SBS ......................... The Small Business Service
SDEM ....................... Supplier Development East Midlands
WMD ....................... Weapons of Mass Destruction
EXECUTIVE SUMMARY

Background

Ethnic minority businesses continue to be a source of fascination for an array of commentators. The media eulogise the Asian entrepreneurs who feature on various ‘rich lists’; at the same time, concerns are frequently reported on the economic implications of migration.

Whilst much of the literature on ethnic minority businesses wrestles with the respective merits of cultural and structural explanations of the phenomenon, policymakers have their own version of this debate in terms of considering the extent to which support needs for ethnic minority firms differ from the wider small business population.

Policy interest in the nurturing of ethnic minority businesses has been boosted by the twin preoccupations of promoting ‘enterprise’ and combating ‘social exclusion’.

Introduction

This monograph updates and develops an earlier review (Ram and Jones 1998) of ethnic minority entrepreneurship in Britain.

Key developments in theory, census data, survey evidence, and policy make this review timely.

Using the recently developed ‘mixed embeddedness’ perspective (an approach that attaches equal importance to the economic and social context of ethnic minority entrepreneurship) as an organising framework, a number of key issues are addressed, including:

1. the contentious question of entrepreneurial motivation and the apparent impact of ‘cultural’ resources on the business entry decision;

2. the nature of ethnic minority labour power in small enterprises and the manner of its deployment;

3. the market environment of ethnic minority firms;

4. the relationship between ethnic enterprise and high street banks;

5. the role of business support agencies in ethnic minority business development.

Business formation

Explanations about the formation of ethnic minority businesses tend to stress the importance of cultural resources (particularly family and community ties), the ‘push’ effect occasioned by disadvantage in wider society or similar motivations to the general small firm population (making money, the desire for autonomy, and so on).

Evidence is presented here to suggest that limited opportunities for many ethnic minorities continue to be an important influence on the decision to become self-employed.

The importance of familial and community ties needs to be set against the context of the opportunity structure for ethnic minorities.

The mixed embeddedness approach can be helpful in drawing attention to the interaction of forces emanating from the socio-economic context of ethnic minorities and so-called ‘ethnic’ resources.

Managing ethnic minority businesses

The apparent distinctiveness of labour practices in ethnic minority firms has attracted much comment. For example, some maintain that intensive utilisation of co-ethnic labour is an important source of competitive advantage and a signifier of a culturally-specific entrepreneurial spirit.

Others, however, argue this veneer often conceals exploitative work environments.
Close investigation reveals many similarities across ethnic groups despite the persistence of stereotypes, that family and community labour can operate as a constraint as well as a resource and that the role of women in the enterprise is often unacknowledged in discussions on the ‘family’ at work.

An adequate conceptualization of employment relations in ethnic minority firms has to integrate development in the product market with family dynamics and social relations in the firm.

‘Break-out’

The need for ethnic minority firms to ‘break-out’ of limiting and limited co-ethnic markets has been a feature of recent debates.

There is some encouraging evidence of sectoral diversification, ethnic minority entrepreneurs making a mark in new areas of the economy.

The phenomenon of ‘transnational’ entrepreneurship has also been remarked upon, illustrating the global reach of ethnic minority trading networks.

Equally though, it is still the case that too many ethnic minority firms are trapped in traditional sectors characterised by decline and extreme competition.

Finance and ethnic minority businesses

The financial experiences of ethnic minority entrepreneurs has provoked much comment, essentially around the question of whether the problems that ethnic entrepreneurs are reputed to have with the banks are ‘business-related’ or ‘race-related’.

The recent large-scale study commissioned by the British Bankers Association demonstrates the widely divergent experiences of ethnic minority businesses in their relationship with banks.

A key finding is the continuing disadvantage experienced by African-Caribbean entrepreneurs.

Ethnic minority enterprise and business support

Publicly funded initiatives to support EMB have been a feature of the small firm policy agenda since the Brixton disturbances in the early 1980s.

The promotion of ‘entrepreneurship’ has often been as a means of tackling disadvantage and maintaining social harmony in urban areas.

Although commitment to this policy objective has waxed and waned, there has nonetheless been a steady stream of initiatives over the last decade or so.

Most major metropolitan areas in the UK now have some form of initiative or agency designated to support ethnic minority businesses.

The effectiveness of such interventions and their link with ‘mainstream’ business support institutions are issues that require further scrutiny.

Future research and policy activity

The mixed embeddedness perspective is a highly encouraging theoretical development; it requires more systematic application if its potential value is to be realised.

The role of ethnic minority women in self-employment continues to be neglected. This is a significant omission in light of the government’s aspiration to boost women’s enterprise.

The growth in initiatives to support ethnic minority businesses has been a major development since the first review. Emphasis needs to be accorded to specifying more accurately the beneficiaries of such initiatives.
New minority with aspirations for entrepreneurship are increasingly a feature of many British cities. Migrants from the EU accession states are a case in point. Research needs to document and explain their labour market and entrepreneurial trajectories.

Policy-makers need to respond to the new, small and scattered, multiple-origin, transnationally connected immigrants who have arrived in recent years.
CHAPTER 1
ISSUES IN ETHNIC MINORITY BUSINESS RESEARCH

Introduction

Barely three decades ago, Allen and Smith (1974) were moved to complain that “little systematic research ... is available” on the emergence of a business owning class among the new immigrant communities of Britain. Such has been the rapidity of subsequent change however, that both ethnic minority business (EMB) itself and the words written about it have expanded considerably. Hard on the heels of Allen and Smith’s pronouncement, the national economy entered into a new phase of rapid small firm growth after decades of entrepreneurial decline (Campbell and Daly, 1992).

Even more novel was the manner in which members of certain ethnic minority communities began to out-strip the general growth trend during the late 1970s and 1980s. Such an apparently counter-intuitive trend – the most disadvantaged sections of British society in the vanguard of its entrepreneurial renaissance – was bound to whet the curiosity of academics and a small initial trickle of pioneering exercises (Aldrich et al., 1981; Cater and Jones, 1978; Jones, 1981; Werbner, 1980) was followed by a burgeoning flood (See Barrett et al., 1996 for extensive bibliography).

In the first edition of the present monograph, we attempted to set out the contemporary research agenda, which had largely been established during the 1980s and early 1990s. Since then both the condition of EMBs in Britain and the way we look at it have changed. Accordingly the present chapter is divided between the original research agenda and what we regard as an increasingly distinct current phase in thinking.

The First Phase Agenda

Much of the essence of the formative 1980s phase is captured in the bare lines of Figure 1.1. Using self-employment rates as a surrogate for independent business ownership, the graph confirms a strikingly greater than average entrepreneurial propensity among the ethnic minority population during the decade of the enterprise culture. As Jones and Ram (2003) demonstrate, the steady rise of self-employment during this period was a

Figure 1.1 Self-employment by Ethnic Origin (First Phase)

![Figure 1.1 Self-employment by Ethnic Origin (First Phase)](image)

Source: Employment Gazette, June 1992
trend affecting all sections of the UK working population but was an even more striking feature among minority communities of recent immigrant origin.

Placing these trends in their broader context, we note that, far from a British peculiarity, this over-representation of immigrant groups in the prized occupation of enterprise ownership is widespread throughout the advanced capitalist sphere. Not coincidentally, the very field of EMB research itself was pioneered in that most multicultural of societies, the USA (Bonacich, 1973; Light, 1972), where immigrant groups were observed to be over-represented in business ownership as early as the 1880s (Light, 1984). Historically deep-rooted entrepreneurial minorities like Chinese, Japanese and Jews (Light, 1972; Bonacich and Modell, 1980) have been joined since the 1970s by a multiplicity of relative newcomers – Cubans (Wilson and Portes, 1980), Koreans (Dong Ok Lee, 1995) and Iranians (Khosravi, 1999).

From a world-historical perspective, Bonacich and Modell (1980) argue that the connection between expatriate status and entrepreneurial activity is a long-running universal theme. With little exaggeration, we might say that, for EMB researchers, the answer to the mystery of how this connection actually works is akin to the quest for the Holy Grail. Accordingly much effort has gone into examining how it is that ethnic minorities can rise from an underclass position to the coveted status of business ownership, “under capitalism ... often hailed as the ultimate success” (Cashmore, 1992: 1241). “Rags-to riches”, the phrase that comes irresistibly to mind, has been employed to capture the upward mobility of at least one ethnic business community in Britain (Werbner, 1980). Such mobility is all the more remarkable because achieved “despite opposition from the larger society” (Boyd, 1990: 258), opposition which comes in the form of resistance by banks, customers, suppliers and other leading actors on the business stage (see especially Chapters 4 and 5).

Opposition there may be but the onward march of EMBs at the start of the new millennium proceeds unabated – or so it would seem. In the last decade or so, more light has been shone on the global spread of EMB by a welcome rise of international comparative studies, with major important inputs from continental European writers. Reference to the works collected in Kloosterman and Rath (2003) and Rath (2000) reveals the way in which immigrant communities like Turks, Magrebians, Surinamese and Chinese domiciled in Austria, Belgium, France, Germany, the Netherlands and Italy are also turning to business ownership in proportionately greater numbers than the native population. Beyond Europe, ethnic minority status similarly drives self-employment in Canada (Hiebert, 2003), Australia (Collins, 2003; Peters, 1999) and South Africa (Peberdy and Rogerson, 2003).

On closer inspection however, entrepreneurialism is seen to be highly selective rather than a general characteristic of immigrants per se. Breaking down the UK ethnic minority population to specific groups, Figure 1.2 shows that it is the South Asian groups from the Indian sub-continent who had established themselves as the main business-owning vanguard by the end of the 1980s.

Essentially of course Figure 1.2 encapsulates another of the great preoccupations of the British EMB debate, the question posed by Walinger (1995: 62) of “why some visibly identifiable and stigmatised groups make it through business and others do not.” In Britain specifically, concern is with the yawning gap between Asians and African-Caribbeans. As Figure 1.2 shows, the markedly below average self-employment rate of the latter contrasts startlingly with the apparently inexorable business prowess of the former (Soar, 1991; Ward, 1987; 1991).

It would be true to say that the socio-economic condition of Britain’s African-Caribbeans first emerged on the public agenda with the 1981 Brixton civil disorders and the high profile official response in the shape of the Scarman Report (Scarman, 1986). Pin-pointing the social alienation of “an economically dispossessed black population” as the underlying cause of a breakdown in police-community relations, Scarman recommended special measures to promote entrepreneurial self-employment among ethnic minorities (see Chapter 6 on the ethnic enterprise support system).

In the wake of Scarman came a spate of policy-oriented research reports (CETA, 1987; Creed and Ward, 1987; Jones et al., 1989; McGoldrick 2003).
and Reeve, 1989; Rafiq, 1985; Ram and Sparrow, 1992; Soni et al., 1987; Wilson and Stanworth, 1986), often commissioned by local authorities or other official bodies seduced by the notion of enterprise as some sort of panacea for social malaise and seeking ways to stimulate it. Most of these surveys strongly reinforce the impression of a persistent gap between entrepreneurial leaders and laggards. Almost invariably the local Asian communities displayed a higher than average self-employment based on ownership of rapidly multiplying swarms of small shops, restaurants, other service outlets (Rafiq, 1985) and in some localities manufacturing firms also (Soni et al., 1987; Ram, 1994). Though mainly concentrated in inner city areas serving dense local Asian residential clusters (Aldrich et al., 1981; 1986), Asian retailers and caterers were now beginning to spread their wings also into white suburbs and satellites (Ward, 1985). Moreover, much of this was taking place spontaneously without any kind of official state support.

By contrast African-Caribbeans were everywhere “significantly under-represented in entrepreneurship” (Ram and Deakins, 1996: 67-8), their low self-employment rates compounded by extremely high unemployment especially among school-leavers in problematic local labour markets like Brixton (Scarman, 1986). While Asians were also front-line victims of de-industrialisation (Brah, 1996), they were in effect using self-employment as a means of mopping up the resultant job loss (Ward, 1987; 1991). Inevitably, the question of why African-Caribbeans were unable or unwilling to do the same has become one of the most significant issues for British researchers. Indeed, well before Scarman, Patterson (1969) was highlighting the contrasting trajectories of the two groups in British society, with Asians destined for a “Jewish future” in business and the professions, African-Caribbeans set for an “Irish” future via the organised working class. Despite the passage of time and the collapse of the organised working class, the theme continues to be reiterated (Peach, 1996; Kundnani, 2000; 2001) and the question of the Asian-Caribbean gap will dog us throughout the rest of this monograph.

Culture and Enterprise

In its initial phase, British EMB research relied heavily on American theory in its attempt to resolve both the paradox of high entrepreneurial performance in the face of acute social handicaps and the ethnically selective way in which this seems to operate.
Immigrant groups suffer the negative effects not only of their own displacement but also discrimination on the part of the receiving society. Against this, the early American researchers argued that ethnic culture – the beliefs, values, customs and traditions brought from the home country – can act as a remarkably potent entrepreneurial driving force and support mechanism (Bonacich, 1973; Light, 1972; for amplification see Barrett et al., 1996; Waldinger 1995).

Perverse though it may seem, the very traditionalism of migrants from pre-modern societies (“acculturation lag” as Light, 1984 expresses it) can be turned to advantage in modern society. Traditional cultural values such as family and communal solidarity provide a resource base for the group’s entrepreneurs, who derive a competitive advantage from their privileged insider access to all manner of informal business assets denied to non-members – pooled savings for start-up capital, guaranteed patronage from a loyal clientele, information networks.

Within this close-knit ethnic fellowship, the family itself is the most vital of building blocks “because the self-employed rely heavily on the labour of family members” (Boyd, 1990: 262). Spouses, children and other close kin offer by far the most accessible, trustworthy, committed and cheap labour (Sanders and Nee, 1996). Beyond the family, common ethnic identity provides another level of trust on which to base all manner of transactions. At the extreme, Cubans and other highly successful American minorities have been portrayed as virtually self-contained “ethnic enclave economies”, mobilising most of their capital and labour internally from informal mutual exchange networks within the group (Portes and Manning, 1986).

Not surprisingly, this cultural logic was eagerly devoured by the emerging students of EMB in Britain, where it exerted an especially powerful appeal in respect of the rapid and conspicuous rise in South Asian business ownership. Often seen as the very embodiment of business success, Asian entrepreneurialism is repeatedly portrayed as the direct product of highly distinctive heritage cultures, imported from the sub-continent and kept alive within British society. Particularly persuasive here are Werbner’s (1980; 1984; 1990) studies of Pakistani business families in Manchester, which demonstrate the competitive advantages stemming from a close-knit traditional family as a source of low-cost committed labour; from trust-based networks of exchange within the ethnic community and from a set of essentially puritanical religious and cultural beliefs which set great store on independence, industriousness, thrift and other values favouring and supporting a life in business.

Though Werbner is concerned with mainly Muslim Pakistanis, other writers have detected similar entrepreneurial cultural values and institutions among Indian Sikhs (Ballard and Ballard, 1977; Bhachu, 1991), Hindus (Lyon and West, 1995) and Asians generally (Patel, 1991) both from the sub-continent itself and from East Africa. The common thread running through this work is ethnic culture as entrepreneurial motive force and support mechanism. Insofar as they have attracted coverage at all, other tight-knit entrepreneurial groups like the Chinese (Bailey et al., 1995; Baxter and Raw, 1988; Liao, 1992; Watson, 1977) and various Mediterranean groups (Blackburn, 1994; Ladbury, 1984) have been painted in similar colours.

Extending the same logic, writers like Ward draw explicit comparisons between Asians and African-Caribbeans, tracing the latter’s lack of enterprise to, in effect, a “lack of culture” (Ward, 1987; 1991; Reeves and Ward, 1984). According to Rex (1982), a tragic history of slavery has robbed this people of their proper self-identity and left a negative legacy in the form of weak kinship networks, poor self-esteem, negative expectations and a culture of under-achievement (see Cashmore’s critique). Once again, this follows an original North American discourse, which seeks to explain the economic and entrepreneurial under-development of Black America in similar historical terms.

So neatly does this cultural approach appear to account for the vagaries of the real world, that it would seem almost churlish to question it. The influential New York Times commentator, Maureen Dowd has coined the term “truthiness” to describe something which conforms so closely to the observer’s expectations that it “must be true”, even in the utter absence of any concrete evidence for its existence (WMD in Iraq for example). Hence, from the very outset of EMB research in Britain, there were those
who suspected that advocates of the culturalist approach had been carried away by a feeling that it ought to be true.

Adverse criticism centred on the one-sidedness of the cultural perspective, its lack of context and over-emphasis on processes internal to the ethnic community at the expense of vitally important external forces (Barrett et al., 1996; Jones et al., 1992). Remarkably self-contained though the ethnic business community may be, it cannot exist in a modern society as a hermetically sealed bubble, immune from the influence of mainstream consumer, capital and labour markets or indeed of relevant public sector institutions.

Once again, the American literature demonstrates a clear awareness of this external "opportunity structure" as Auster and Aldrich (1984) call it, though there is yet another divide between those who regard its effects as predominantly positive or negative. Following Piore and Sabel's (1984) influential work on the global renaissance of the small firm, many authors would claim that, in the present climate of booming demand for personal services coupled with the massive trend for manufacturing out-sourcing, the post-industrial opportunity structure could hardly be more favourable for EMB (Sassen, 1991; 1996; Ward, 1987). Against this, others (Auster and Aldrich, 1984; Light and Bonacich, 1988; Waldinger, 1995) would stress its highly disadvantageous aspects, in which the "systemic nature of constraints" (Bogenhold and Stuber, 1993) on all small business is compounded by additional problems specific to ethnic minorities (Jones et al., 1992). In 1980s Britain, it was impossible to ignore the weight of evidence pointing to profoundly discriminatory practices on the part of almost every key actor in the business environment (Brooks, 1983; Reeves and Ward, 1984; Wilson, 1983; see summaries in Barrett et al., 1996; Jones et al., 1992). There have been numerous recorded cases of African-Caribbean and Asian firms rejected for work contracts or bank credit simply on the basis of skin colour and personal appearance (Creed and Ward, 1987; Jones et al., 1989). As one of Jones et al.'s Jamaican respondents described his interview at the bank, "they looked at me as if I'd just come in from outer space." In Chapters 4 and 5 we examine the relationship with customers and their banks.

Given this hostile environment, it is inevitable that EMB in Britain has been obliged to struggle for its existence. To say this is by no means to belittle the efforts of the practitioners themselves but on the contrary to highlight the prodigious odds they must overcome. In this light, it might make more sense to explain the entrepreneurial condition of African-Caribbeans in terms of proven external disadvantages rather than alleged internal deficiencies (Barrett, 1999; Basu, 1991; Ram and Deakins, 1995).

This is equally applicable to South Asians, despite all the glamorous media profiles of Asian millionaires (Day, 1992) and the popular stereotype of business success, given extra credibility by academic contributions (Aziz, 1995; Dhaliwal and Amin, 1995). Very much against this grain, the first extensive interview survey of Asian retailers and small service firms in England emphasised the sheer marginality of small-scale under-capitalised enterprises, heavily reliant on fellow Asian patronage and struggling to survive in hostile inner city environments (Aldrich et al., 1981; 1984; Jones, 1981).

All this underlines Wright Mills's (1957) lesson that quantity should not be confused with quality. Even more than mainstream small firms, the high fecundity of Asian firms is at odds with their state of health. Typically under-resourced and often entering self-employment in the wake of redundancy (Brah 1996, Ohri and Faruqi, 1988), Asian entrepreneurs have tended to be over-crowded into some of the most competitive and least profitable markets and sectors (Jones et al., 2000; Barrett et al., 2003; Ram and Sparrow, 1992; Robinson and Flintoff, 1982). Under such conditions, survival depends upon the entrepreneur and family members working brutally long hours (Jones et al., 1994a; see Chapter 3), a factor noted also for the Chinese, another ethnic community popularly supposed to be enriching themselves via self-employment (Liao, 1992; Parker, 1994). The vexed question of ethnic entrepreneurial earnings is expanded in Chapter 2.

As we shall see in Chapter 4, the 1980s and 1990s were a period in which further EMB proliferation was accompanied by a certain degree of welcome diversification, spatial and sectoral (Ward, 1985; 1991). Nevertheless, various follow-up studies continue to stress the
problematic nature of much Asian enterprise (Jones et al., 1989; 1992; McGoldrick and Reeve, 1989; Rafiq, 1985; Ram, 1992; 1994). For the first time, too, awareness of this issue began to percolate into the popular media, typified by the Daily Mail (7th June 1994) headline “Rich life a myth say Asians looking to shut up shop.”

Alongside this mainly materialistic critique of cultural exceptionalism, objections have also been lodged against the implicitly judgemental and socially divisive nature of the discourse (Jones and McEvoy, 1986). Certain ethnic minorities are raised to the status of “models” (Kundnani, 2002), seemingly culturally programmed for success – in itself a patronising and dehumanising construction presenting them as some kind of alien exotic specimens to be gazed at in wonder – while others by default must be presumed unworthy under-achievers. One of the first to pinpoint this potential for unwittingly reproducing popular stereotypes, Miles (1982: 181) bemoans the attribution of “an inherent capacity for petty bourgeois enterprise to Asians ... an explanation which easily leads to a racist conclusion” (Miles, 1982: 181). As we shall see in the following section and subsequent chapters, there is much evidence to suggest that, rather than causing business outcomes, ethnic differences are often over-ridden by the common occupational circumstances and pressures to which all human beings engaged in business must respond in order simply to survive (Jones et al., 1992, Ram et al., 2000).

The New Agenda: Shifting Patterns of EMB

While many essentials of the original agenda have proved splendidly resilient and are still with us, others have been subject to review and modification. Partly this is because the world itself has changed and with it the shape and form of EMB. In Table 1.1 we summarise recent work by McEvoy and Hafeez (2006; see also Barrett and McEvoy, 2005) on the 2001 Census, which presents a mixture of persistence and change. Among the persisting features is the continuing gap between African-

### Table 1.1 Great Britain: self-employment as share of ethnic group (1991 classification)

<table>
<thead>
<tr>
<th></th>
<th>All in work</th>
<th>All males in work</th>
<th>All females in work</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL PEOPLE</td>
<td>12.9</td>
<td>13.5</td>
<td>18.1</td>
</tr>
<tr>
<td>White</td>
<td>12.8</td>
<td>13.4</td>
<td>17.9</td>
</tr>
<tr>
<td>Black Caribbean</td>
<td>6.0</td>
<td>8.2</td>
<td>13.3</td>
</tr>
<tr>
<td>Black African</td>
<td>8.1</td>
<td>9.5</td>
<td>13.6</td>
</tr>
<tr>
<td>Black Other</td>
<td>8.2</td>
<td>7.0</td>
<td>10.7</td>
</tr>
<tr>
<td>Indian</td>
<td>20.0</td>
<td>16.9</td>
<td>22.0</td>
</tr>
<tr>
<td>Pakistani</td>
<td>23.9</td>
<td>22.4</td>
<td>27.6</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>18.6</td>
<td>15.2</td>
<td>18.6</td>
</tr>
<tr>
<td>Chinese</td>
<td>27.2</td>
<td>25.5</td>
<td>31.1</td>
</tr>
<tr>
<td>Other Asian</td>
<td>9.8</td>
<td>15.1</td>
<td>19.2</td>
</tr>
<tr>
<td>Other Ethnic Groups</td>
<td>13.8</td>
<td>12.2</td>
<td>15.3</td>
</tr>
</tbody>
</table>

2001: calculated from 2001 Census Area Statistics, accessed via Census Dissemination Unit, MIMAS (University of Manchester) Census output is Crown copyright and is reproduced with the permission of the Controller of HMSO and the Queen’s Printer for Scotland.
Caribbeans and South Asians and also a continuing gender gap, a highly salient feature, which is analysed as an issue in its own right in Chapter 2.

At the same time, Table 1.1 also records several very significant departures from the former pattern and immediately raises question marks against various previously self-evident truths. First, the self-employed rate of all ethnic minorities combined, which in 1991 had risen to three percentage points above the white level (Campbell and Daly, 1992), is now virtually identical. The inference here is that any ethnic entrepreneurial tendency is conditional on circumstances and that, despite the frequent recordings of a statistical correlation; we should not assume any kind of essential causal link between ethnicity and self-employment.

Secondly, there has been a degree of convergence particularly between African-Caribbeans/Africans and the other groups. Though the self-employment rates for both African-Caribbeans and Africans are still palpably submerged below the rates for whites and South Asians, the gap has narrowed since the 1980s, once again suggesting the absence of any kind of inevitability in ethnic group entrepreneurial propensities.

Equally intriguing is the figure for the Chinese, a group always assumed to be highly businesslike but apart from isolated instances (Watson, 1977) rarely figuring in the literature before the 1990s (Parker, 1994; Song, 1997). Here, however, they appear as the most heavily self-employed of all groups, owing largely to their very substantial presence in catering. Even so, their coverage in the research literature is to say the least disappointing, a comment which would also apply to many of the smaller but nevertheless important entrepreneurial minorities. In the case of Turkish Cypriots (Ladbury, 1984) and Greek Cypriots (Panyiatopolous and Dreef, 2002), contributions are still few and far between.

Most thought-provoking of all is the recorded fall in the self-employment level of all three designated South Asian groups. Running as it does counter to a slight upward trend in the general population, this statistic puts paid to any myths about British Asians enjoying some kind of manifest entrepreneurial destiny. Moreover, reference to Labour Force Survey (LFS) data suggests that this malfunction in the motor of historical inevitability has been more serious still. In Table 1.2 we reproduce Jones and Ram’s (2003) LFS-based findings, which among other items show the Indian

Table 1.2 Ethnic self-employment (SE) and unemployment (UE)

<table>
<thead>
<tr>
<th>Year</th>
<th>Indian SE</th>
<th>Indian SE ratio</th>
<th>Indian UE</th>
<th>Pakistani-Bangladeshi SE</th>
<th>Pakistani-Bangladeshi SE ratio</th>
<th>Pakistani-Bangladeshi UE</th>
<th>White SE</th>
<th>White UE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-83</td>
<td>13.8</td>
<td>1.5</td>
<td>17.4</td>
<td>21.9</td>
<td>1.7</td>
<td>22.0</td>
<td>8.8</td>
<td></td>
</tr>
<tr>
<td>1989-91</td>
<td>20.2</td>
<td>1.6</td>
<td>10.0</td>
<td>21.9</td>
<td>1.7</td>
<td>29.0</td>
<td>13.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Autumn 1993</td>
<td>18.0</td>
<td>1.4</td>
<td>15.0</td>
<td>21.0</td>
<td>1.6</td>
<td>29.0</td>
<td>13.0</td>
<td>9.5</td>
</tr>
<tr>
<td>July 1996</td>
<td>14.0</td>
<td>1.2</td>
<td>11.0</td>
<td>18.0</td>
<td>1.5</td>
<td>26.0</td>
<td>12.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Winter 1999/00</td>
<td>14.5</td>
<td>1.3</td>
<td>6.0</td>
<td>18.0</td>
<td>1.6</td>
<td>18.0</td>
<td>11.5</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Note: SE is the ratio between Indian, Pakistani or Bangladeshi self-employment and the figure for the white majority.

Sources: Employment Gazette and Labour Market Trends
self-employment percentage to have fallen during the 1990s to barely three points above the white level.

All this is very much in line with the argument advanced by Modood (1991: see also Peach 1996, Metcalf et al. 1996) that Indians are distinctly more upwardly mobile and better equipped in terms of human capital than Bangladeshis and Pakistanis. Insofar as this is true however, by no means all of this advantage is being brought directly to bear on enterprise. Taking the fall in self-employment in conjunction with the occupational data in Table 1.1, we can infer a strong trend on the part of the rising British-born Indian generation to use qualifications as a means of avoiding business entry.

Instead, qualifications are being used as a passport into professional employment and other pathways to social mobility, which do not entail the risks and drudgery of business ownership. This is not confined to Indians, since Table 1.1 suggests that the Chinese also are beginning to descend from their high self-employed peak.

Historically of course, there are ample precedents for this and, in the case of East Asian immigrants in California, Bonacich and Modell (1980) see entrepreneurialism as in effect a transitional stage in the process of the group inserting itself fully into the national labour market (see discussion in Chapter 2).

Seen in this context, enterprise ownership no longer necessarily appears as a desirable end in itself; a long-term problem-solving solution for dislocated minorities; the definitive hallmark of success. On the contrary, it may more accurately be regarded as a kind of anomaly and a mark of the group’s exclusion from the open labour market (Barrett and McEvoy, 2005). Certainly, the alacrity with which younger group members voluntarily relinquish it as soon as alternative opportunities present themselves is suggestive of self-employment as a temporary emergency measure taken under duress in the absence of viable alternatives.

According to Ram et al. (Jones and Ram, 2003), any exodus of ethnic minority members from self-employment is doubly beneficial for the community in question. Not only do the leavers gain from better opportunities but also those remaining in business ownership are helped by a reduction in the over-crowding of markets by excessive numbers of people without job alternatives (See also Barrett et al., 2003; Jones et al., 1989). All this calls to mind Scase’s (1995: 572) verdict that the self-employed are often people “unlikely to attain occupational success according to more traditional career routes.”

The New Agenda: Zeitgeist Shift

Scase’s critique is a reminder of a quiet shift away from a 1980s political and cultural climate uncritically favourable towards any kind of small

| Table 1.3 Educational Qualifications of selected ethnic groups (per cent working age population) |
|-----------------------------------------------|-----------------------------------------------|
| Higher qualification (†) | No qualification |
| Indian | 23 | 25 | 22 | 18 |
| Pakistani | 10 | 12 | 42 | 36 |
| Bangladeshi | 4 | 8 | 49 | 44 |
| White | 21 | 22 | 19 | 16 |

(†) A-level and above

enterprise, whether ethnic minority or not. As we have noted, the 1980s was a decade of unswerving official support for small and medium enterprise as a means of national economic regeneration and an antidote to welfare dependency. With the number of small firms growing from 1.5 millions to 2.4 millions during the period 1979-91 (Storey, 1994), it was a period of entrepreneurial celebration verging on triumphalism (Campbell and Daly, 1992, Daly, 1991, Hakim, 1988).

More recently however, voices questioning the belief that “the resurgence of self-employment reflects economic vigour and industrial dynamism” (Bogenhold and Stuber, 1993: 465) have become more numerous and confident. To a large extent, many of these strictures are essentially latter-day re-statements of classic principles, established in some cases decades ago but drowned out in the chorus of small firm cheer-leading. Typical of this is the growing acknowledgement that self-employment itself is often a very hard life, where rich rewards can be a mirage (Bechofer et al., 1974) and often “does not provide the upward mobility so vigorously espoused by advocates of the enterprise culture” (Mulolland, 1997: 688).

Here, we detect powerful echoes of Wright Mills (1957: 23), writing almost half a century ago and noting of the small business class, “Their remarkable persistence as a stratum should not be confused with the well-being of each individual enterprise.” Among other modern-day disciples (knowingly or otherwise) of Wright Mills are Parker (2001), who records one-third of British new-start firms dying within 3 years of their birth and Weir (2003) who finds the self-employed earning significantly less than the employed (see also Halliday, 1995, MacDonald, 1996, Robson, 1997). All this is highly germane to EMB, South Asian firms especially, where quantity tends to be confused with quality, with the sheer numerical proliferation of businesses being hailed as high achievement in itself.

One of the lessons to be drawn from this is that EMB is properly understood only when it is grounded within the mainstream literature rather than treated as an exceptional phenomenon (Jones et al., 1992). Especially pertinent in this respect is the growing influence of structuralist analyses concerned with the inherent marginality of small firms in mature capitalism and their domination by corporate capital. For example, Sayer (1995: 169) talks of small firms surviving only in “niches which capital finds too small or specialised to fill”, while Barrett and Rainnie (2002) insist that small business can only be understood as existing within parameters laid down by the giant corporation.

Rainnie’s (1989) typology of small firm subordination captures the struggle for survival typical of the Asian-owned economy in Britain. One major category, dependent firms, is exemplified by the Indian-owned clothing sector (Ram, 1994; Jones et al., 2006), operating on stringent terms dictated by large-scale retail monopoly buyers, their owners reduced to the role of the “risk-taking manager of a branch plant” (Wright Mills, 1957: 27). Since most of these buyers are increasingly turning to overseas sources, the precariousness of this dependency is becoming ever more manifest (Jones et al., 2006). Alongside these are dominated firms, engaged in hopelessly unequal competition with the majors, as exemplified by the squeezing of the ethnic minority owned corner shop by the supermarket (Barrett et al., 2003). In Chapter 4 we chart the ceaseless search for new market niches offering some respite from the frantic competition to which EMB is subject.

At the extremes of market precariousness, the need to cut costs is so imperative that entrepreneurs are sometimes forced into underhand and desperate practices such as employing illegal immigrants and other workers at rates below the National Minimum Wage (NMW). In their case histories of Asian firms using such practices, Jones and colleagues (Jones et al., 2004; 2006) ground their findings in the mainstream literature on the informal (or ‘underground’) economy, which argues that such practices are endemic in late capitalism (Portes et al., 1989; Kloosterman et al., 1998; Portes, 1994; Waldinger and Lapp, 1993; Williams and Windebank, 1998). In examining the very exploitative labour process essential to the operation of these informal firms, Ram et al. (2005), similarly draw on a mainstream literature of industrial relations in small firms, much of which is now highly critical of the notion of small scale personalised relations as automatically harmonious (Barrett and Rainnie, 2002; Ram and Edwards, 2003; Scase, 1995; see Chapter 3 for the ‘Sweatshop vs. Happy
Families’ debate).

A further recognition of the mainstream context is the manner in which the discourse of ethnic resources has been replaced by the language of social capital. Drawing on seminal work by Granovetter (1985), social capital theorists argue that business activity should no longer be treated as existing within its own ‘box’ but as embedded within social relationships enabling business resources to be marshalled and exchanged on the basis of trust and reciprocity (Barbieri, 2003; Spence et al., 2004). For the study of EMB, the importance of this is that social capital is universal, applying to all human beings and not solely to selected ethnic communities (Jones et al., 1994a; Ram et al., 2000). While it may be valid to argue that certain minorities possess denser or more extensive social networks than the majority population (Flap et al., 2000; Janjuha-Jivraj, 2003), this portrays them realistically as a distinctive variation on a common human theme rather than as an exotic abnormality.

Even so, despite the salience of social capital, tails do not wag dogs and, in the interests of balance, the correct context must always be borne in mind. To this end, one of the major contributions of the new continental European input into the debate is the concept of mixed embeddedness, the notion that enterprise is rooted not simply in personal social networks and community culture but also in an entire economic, political and macro-social environment (Kloosterman and Rath, 2001; Kloosterman et al., 1999). In a sense this is a restatement of the importance of opportunity structure, though Kloosterman and colleagues follow Esping-Anderson (1990) in according the most decisive role to the political dimension. For them, it is the regulatory framework operated by the national state, which imposes the ultimate parameters within which enterprise must operate, irrespective of the ethnic origin of its owners or of their personal social networks.

What is certainly indisputable here is the existence of marked international variations in EMB activity connected to differences in regulatory regime. In particular a gulf exists between the relatively lightly regulated Anglo-Saxon economies of the UK, the USA, Canada and Australia, where both immigration and employment regimes are argued to have enabled a very high rate of EMB formation and the continental regimes, where much tighter control of who can enter self-employment and sometimes a directly negative official stance towards EMB has retarded development (Kloosterman and Rath, 2001; Pecoud, 2002).

Suggestive though this may be, it is far from definitive in the absence of detailed comparative research, on the qualitative as well as the quantitative dimension. While it certainly seems to be the case that deregulated post-industrialism spawns vast numbers of EMBs, the evidence on marginality suggests that it fails to create the space to support many of them at a viable level of returns (Barrett et al., 2003). Alongside this, the volatility of the deregulated regime means that EMB, far from existing in its own self-contained space, is in a state of ceaseless adjustment to external economic and technological change. As well as market adaptation, patterns of Asian self-employment in the UK have also been shaped by seismic labour market restructuring (Barrett and McEvoy, 2005; Jones and Ram, 2003).

**Summary**

This brief review of the historical landscape of EMB research in the UK has reiterated a number of themes. First, despite a discourse of ethnic exceptionalism, ethnic minority entrepreneurship seems to be characterised by increasing convergence. Census data highlights a narrowing of the gap between EMBs and other small enterprises; studies of practices within ethnic minority firms (Mulholland, 1997; Ram et al., 2000) also suggest growing convergence. Second, the integration of studies on ethnic minority entrepreneurship within a wider range of academic disciplines and conceptual frameworks is increasingly apparent. The growing popularity of the mixed embeddedness perspective has served as a useful means of ‘opening up’ EMB research. Finally, there has been a discernible shift towards examining the substance of ethnic minority entrepreneurship, rather than a fixation with popular stereotype of unbridled success or unmitigated exploitation. The remaining chapters build upon these themes.
CHAPTER 2
THE ENTREPRENEURS

Introduction

In this chapter we address the essential question of why members of certain ethnic communities in Britain are highly active in entrepreneurial self-employment, while others are deemed as laggards in this respect. Our focus is upon the business entry motives, personal resources (human capital) and business performance of ethnic minority entrepreneurs. This is our first direct encounter with one of the cardinal themes running inescapably through the entire EMB field: the thorny question of whether and how ethnic cultural identity influences the business profiles of immigrant-origin communities. In particular, what is the truth in the widely held belief that “some ethnic groups may have a cultural propensity towards entrepreneurship” (Basu and Altinay, 2002: 373), while others presumably are not so blessed.

Almost from the outset, British researchers have been fixated upon what is presented as a stark contrast between the entrepreneurial profiles of South Asians and African-Caribbeans, with Chinese occasionally bracketed with the former and Africans with the latter. Whereas the former began to outstrip the national self-employed average from the late 1970s onwards (Jones and Ram, 2003), the latter’s self-employment rate remains stubbornly below it, despite the explicit policy priority given to black business promotion by the Scarman Report (Scarman, 1986). This of course is yet another version of the long-running Jewish future/Irish future saga, “entrepreneurial, resourceful and upwardly mobile Jews and Asians” versus the “less enterprising Afro-Caribbeans and Irish” (Mulholland, 1997: 668; see Chapter 1).

Inevitably cultural characteristics are invoked as the key explanation here, with Asians portrayed as possessing abundant social capital and cultural values relevant to enterprise creation (Basu, 1998; Metcalf et al., 1996; Werbner, 1984; 1990), resources lacking in the much less historically deep-rooted African-Caribbean cultural heritage (Ward, 1987; 1991). Until quite recently, as Kundnani (2002: 68) muses, “Asian culture connoted passivity, entrepreneurship, hard work and education. Asians were the model minority.” This widespread popular image of Asians as bearers of middle class values supportive of business and property ownership is given the scholarly seal of approval by researchers declaring that Asians are “culturally oriented to business” (Ward, 1991) and possess an “inherent aptitude for business” (Basu, 1995). Harmonising sweetly with the 1980s zeitgeist, Asians could be seen as the virtual embodiment of the enterprise culture itself (Mulholland, 1997).

The attraction of this approach is that it helps to explain both the high Asian business entry rate and their apparent rags-to-riches progress (Werbner, 1980) from disadvantaged immigrant labourers to comfortable bourgeois status (Srinavasan, 1995). In this chapter however, we present a much more complex picture. Apart from its implicit judgementalism, the ‘model minority’ stereotype has recently been seriously tarnished by the civil disturbances in Oldham and Bradford (Kundnani, 2002), the London bombings of 7th July 2005 and the accompanying rise of Islamophobia. Whatever else we may conclude from all this, one clear inference is that the British-born generation of Asians seems disinclined simply to replicate the trajectory of the immigrant generation, in business or elsewhere.

Yet even before these traumas, the model rested on very shaky foundations. No ethnic group’s entrepreneurial motivations can simply be read off from a list of alleged cultural traits. Neither can it be assumed that, simply because Asian entrepreneurs are proportionally numerous, they necessarily perform more successfully than anyone else. Much the same might be said about other heavily self-employed ethnic minorities like Chinese or Cypriots. By the same token, attempts to explain African-Caribbean entrepreneurial under-representation have to look further than culture-based accounts that point to some deficiency in the values and traditions of a people “robbed of their ancestral culture” (Rex, 1982).

The Business Entry Decision

As suggested, cultural exceptionalism offers a tempting solution to the riddle of why individuals from certain ethnic communities are more inclined than either the minority population or other ethnic minorities to opt for business ownership as a livelihood. Boiled
down to its essence, the argument maintains that the core beliefs, values and norms shared by members of communities like South Asians in Britain lend support and moral legitimacy to independent self-employment as a means of livelihood. In Werbner’s (1984; 1990; 1999) work on Pakistani entrepreneurialism, it is religious belief systems which are the primary driving force, a specifically Islamic worldview extolling the virtues of self-reliance and self-sufficiency. According to Werbner (1999: 563), Asians see entrepreneurial self-employment as an essential means to self-respect and personal autonomy.

On the question of the religious underpinnings of business activity, A. Basu and Altinay (2002) invoke Weber’s (1976) famous link between Protestantism and enterprise, drawing from this inferences for their own South Asian and Turkish interviewees. While this rare attempt to place ethnic business theory in some sort of historical context is welcome, it is also ironic in that Weber himself would doubtless baulk at his logic being directly transposed to Islam or indeed Sikhism, Hinduism or Confucianism. Nonetheless, proponents of the culturalist thesis have continued to advance the notion of a peculiarly South Asian enterprise culture. In Srinavasan’s (1992; 1995) enquiry, 79 per cent of her Oxford Asian respondents expressed the desire to be their ‘own boss’ as their main entry motive, evidence of positive and pro-active entrepreneurial aspirations. Similarly positively motivated were Basu’s (1995) respondents, 78 per cent of whom cited the positive ‘pull’ of enterprise as against the negative ‘push’ of the labour market, more proof of that essential Asian ‘entrepreneurial spirit’. From this she concludes that, “It is difficult to support the hypothesis that the small businessmen in our sample were driven or pushed into self-employment as the only alternative to escaping unemployment” (Basu, 1995: 16).

On the contrary, supporting such a hypothesis is far from difficult in practice. Indeed from the instant one acknowledges that cultural agency operates not in a void but in a material economic context, it is virtually impossible not to. Thus, from the very outset a weighty body of evidence has been presented to suggest that the Asian drive into self-employment has to be seen in large part as a survival mechanism during a period of de-industrialisation and catastrophic job loss which, in a discriminatory job market, affected ethnic minorities even more heavily than other workers (Barrett et al., 2002; Jones, 1981; Jones et al., 1989; Ram., 1994; Ram and Sparrow, 1992; Robinson and Flintoff, 1982). In Bradford, for example, it is difficult to ignore the likely connections between a one-third fall in textile employment between 1978 and 1986 (Moss, 1986), a rise in local Asian unemployment to 25 per cent by the mid 1980s and an 11 per cent annual rise in Asian-owned firms between 1970 and 1984 (Rafiq, 1985).

Elsewhere Ram (1994) observes a similar job market crisis underlying the rise of the Asian-dominated West Midlands clothing industry during the 1980s. All this is of course inferential, but clinching direct confirmation of labour market push is supplied by interview surveys where respondents were directly questioned about their entry motives. A nationwide exercise in which over one quarter of Asian interviewees testified that they had been pushed into self-employment as a last resort by unemployment or blocked opportunities. Since there were also many respondents who gave positive entry motives despite previous experience of redundancy or discriminatory employment practices, the authors believe that negative pressures are even greater than at first apparent, an indication that “Asians in Britain are no more culturally predisposed or voluntaristically oriented towards employment than any other group” (Jones et al., 1992: 86). Even Metcalf et al. (1996), enthusiasts for the thesis that Asians receive “strong cultural support to enter business” (ibid. pp.10), are obliged to acknowledge many mentions of unfair discrimination, blocked careers and workplace harassment from their interviews with self-employed Asians.

Although the 1990s have seen definite improvements in the Asian labour market position, especially for better-qualified sections of youth, progress has been sharply uneven. According to Brah (1996: 52), “rapidly accelerating rates of unemployment among Asian groups” are likely to maintain the pressures on the self-employment option. This applies particularly in local unemployment blackspots, whole towns like Oldham “left on the scrap-heap” (Kundnani, 2001: 108), with Asian youth unemployment rates touching 50 per cent.
<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Number</th>
<th>% of all people</th>
<th>% economically active</th>
<th>% males economically active</th>
<th>% females economically active</th>
<th>unemployed % of economically active</th>
<th>unemployed % of economically active males</th>
<th>unemployed % of economically active females</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL PEOPLE</td>
<td>41,338,516</td>
<td>100.0</td>
<td>66.4</td>
<td>73.6</td>
<td>59.4</td>
<td>5.1</td>
<td>6.0</td>
<td>4.2</td>
</tr>
<tr>
<td>White British</td>
<td>36,436,344</td>
<td>88.1</td>
<td>67.1</td>
<td>74.2</td>
<td>60.2</td>
<td>4.7</td>
<td>5.5</td>
<td>3.8</td>
</tr>
<tr>
<td>White Irish</td>
<td>581,712</td>
<td>1.4</td>
<td>59.9</td>
<td>65.7</td>
<td>54.4</td>
<td>5.4</td>
<td>6.7</td>
<td>3.9</td>
</tr>
<tr>
<td>White Other</td>
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<td>2.8</td>
<td>65.7</td>
<td>73.1</td>
<td>59.4</td>
<td>5.9</td>
<td>6.3</td>
<td>5.4</td>
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<tr>
<td>Mixed</td>
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<td>63.7</td>
<td>68.9</td>
<td>59.0</td>
<td>10.6</td>
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<td>73.5</td>
<td>57.3</td>
<td>6.2</td>
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<td>6.2</td>
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<tr>
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<td>47.6</td>
<td>66.2</td>
<td>28.7</td>
<td>13.9</td>
<td>13.6</td>
<td>14.6</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>172,562</td>
<td>0.4</td>
<td>44.9</td>
<td>64.3</td>
<td>25.2</td>
<td>16.0</td>
<td>15.9</td>
<td>16.5</td>
</tr>
<tr>
<td>Asian British or Asian Other</td>
<td>185,128</td>
<td>0.5</td>
<td>60.7</td>
<td>69.1</td>
<td>49.9</td>
<td>8.7</td>
<td>8.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Black Caribbean</td>
<td>435,009</td>
<td>1.1</td>
<td>66.4</td>
<td>69.3</td>
<td>64.0</td>
<td>11.1</td>
<td>14.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Black African</td>
<td>335,536</td>
<td>0.8</td>
<td>63.9</td>
<td>70.0</td>
<td>58.4</td>
<td>13.2</td>
<td>14.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Black British or Black Other</td>
<td>59,276</td>
<td>0.1</td>
<td>66.0</td>
<td>70.1</td>
<td>62.6</td>
<td>14.8</td>
<td>18.5</td>
<td>11.4</td>
</tr>
<tr>
<td>Chinese</td>
<td>194,266</td>
<td>0.5</td>
<td>57.5</td>
<td>62.3</td>
<td>53.2</td>
<td>5.4</td>
<td>5.5</td>
<td>5.4</td>
</tr>
<tr>
<td>Other Ethnic Group</td>
<td>182,748</td>
<td>0.4</td>
<td>56.2</td>
<td>64.1</td>
<td>50.3</td>
<td>8.7</td>
<td>10.2</td>
<td>7.4</td>
</tr>
</tbody>
</table>
Powerful support for this view is provided by Clark and Drinkwater’s (2000) study, which is drawn from the Fourth National Survey of Ethnic Minorities. This survey, conducted between November 1993 and December 1994, comprised interviews with 5196 individuals of Asian and Caribbean origin, aged 16 and over; 2887 whites were also interviewed. The results suggest that discrimination against ethnic minorities in paid-employment contributed to the over-representation of minority workers in self-employment (although there was also a role for some pull factors). Mascarenhas-Keyes’ (2006) review of two large-scale surveys of small firm population further illustrates the prevalence of ‘necessity entrepreneurship’ amongst EMB owners in the UK. The Annual Small Business Survey (with a booster sample of EMBs) reported that a higher proportion of EMBs compared to non-EMBs found it difficult to secure the right job (7% compared to 2%) or indeed any job (9% compared to 7%) as a reason for going into business. The Household Survey of Entrepreneurship (2005) found, among the unemployed, that a greater proportion of Black and ‘Asian Thinkers’ (that is, individuals who have recently thought about starting a business) compared to White ‘Thinkers’ said they would like to start a business because they were unable to obtain regular or suitable employment. Furthermore, a higher proportion of Black and Asian ‘Doers’ (those who are self-employed or own a business) compared to White ‘Doers’ said they wanted to get away from discrimination that occurred at their previous place of employment.

**African-Caribbean Experiences**

The figures on self-employment rates for ethnic minorities presented in Chapter 1 (Figure 1.2) indicate that the inclination to become small business owners is not evident to the same degree across all ethnic minority groups. In sharp contrast to the prominence of Asian groups in self-employment, African-Caribbeans exhibit significantly below average self-employment rates. They do not appear to be equal participants in the ‘enterprise culture’. Many of the explanations accounting for this under-representation appear to make reference to the apparent lack of cultural resources that are so evident in other ethnic minority groups. They include: the different value base of the African-Caribbean family unit, which apparently does not pre-dispose them to running a family business (Reeves and Ward, 1984); the legacy of slavery, which had a deleterious effect on African-Caribbean culture (Rex, 1982) and the absence of extended family and community networks (Blaschke et al., 1990).

However, explanations that focus exclusively on the absence or otherwise of ‘cultural’ resources often fail to appreciate the impact that the opportunity structure can have on the facilitation of business opportunities. Basu (1991) in particular eschews culturalist interpretations and presents a cogent case for locating African-Caribbean under-representation in the socio-context of black people in Britain. To this end, a number of factors need to be considered. First, many African-Caribbeans originally migrating to Britain were from a working class background:

> Afro-Caribbeans were essentially a “replacement” workforce who came from working-class backgrounds to fill occupational and residential niches vacated by whites (Basu, 1991: 102)

As we will discuss later, class resources are important in developing attitudes, beliefs, educational qualifications and social networks conducive to entrepreneurship. Asian migrants to Britain appeared to have a broader socio-economic profile and, therefore, greater access to class resources. The greater entrepreneurial success of the more affluent blacks who migrated to the USA (Foner, 1979) would seem to bear out the importance of class background, as well as underlining the point that simply being Jamaican or Barbadian is utterly irrelevant to an individual’s capacity to be an entrepreneur. Ethnic identity is cross-cut by class background in this as in many other instances. Hence, in Light’s (2004) terms, African-Caribbeans often suffer the “double disadvantage” of discrimination in the labour market and a comparative lack of resources.

Second, comparatively high levels of unemployment amongst the black community (Jones, 1993) serve to induce self-employment in low-skill, highly competitive and poorly rewarded industrial sectors. Often such ‘no-choice’ businesses operate in the informal economy (and thus are not accounted for in official statistics) or remain marginal concerns with little prospect of real progress (Basu, 1991; Nwanko, 2005).
Third, negative stereotyping of African-Caribbeans in British society impinges upon their capacity to mobilise resources potentially useful in business. Less preferential treatment by the banks (see Chapter 5) and hostile customer behaviour (see Chapter 4) are important business processes where such stereotyping has been noted.

Fourth, residential settlement patterns appear to influence business development amongst minority groups. For example, Reeves and Ward (1984) argue that the relative dispersal of African-Caribbean settlement (compared to the concentration of Asians), their numerically smaller population and the apparent lack of culturally specific needs, combine to limit market potential for growth in small businesses.

Finally, African-Caribbeans are further constrained by their comparatively low levels of home ownership, which diminishes their capacity to offer collateral for business start-up funding (Basu, 1991). All in all, this group is faced with a powerful combination of structural handicaps to entrepreneurialism, handicaps which in themselves have little directly to do with ethnic cultural attributes. When this combination of negative external forces is taken into account, the notion that African-Caribbeans can be dismissed as simply uninterested in or incapable of business ownership becomes highly problematic.

In the light of this, at least two adjustments need to be made to the standard culturally-determined model.

1) In many key respects, small scale entrepreneurs of whatever ethnic origin share various attitudinal features in common, a proposition now at least partially conceded by culturalist commentators. Basu and Altinay (2002: 31), for example, recognise that ethnicity “influences entrepreneurial aspirations but does not completely determine them.” This is most sharply demonstrated by the universal thirst for independence, shared by all three groups interviewed by Jones et al. (1992). At this point, it becomes glaringly apparent that the fallacy of cultural exceptionalism stems directly from a failure to locate ethnic minority entrepreneurs properly within the total body of entrepreneurs of all ethnicities and the long running body of mainstream small business literature which addresses them.

It is very surprising that the desire for self-employment as a means of “autonomy and freedom” (Scase and Goffee, 1982), should ever have been presented as an ethnic-specific novelty peculiar to exotic immigrant communities. Fully half a century ago Wright Mills (1957: 218) was insisting on the attractions of work done, not for a boss, but for oneself when it becomes “intrinsically more meaningful ... the technical processes themselves are gratifying.” This seminal theme of autonomous control over one’s working life as the principal entrepreneurial driving force has been repeatedly reaffirmed by a succession of subsequent writers (Bolton, 1971; Bechofer and Elliott, 1976; 1978; Curran, 1986; Scase and Goffee, 1982; Storey, 1994; Thrift, 2001).

Since none of these sources touches on ethnicity at any critical point, the clear implication is that certain eternal values are part of a universal entrepreneurial class culture and that ethnic minority business people are essentially the latest recruits into a pre-existing “moral economy” (Bechofer and Elliott, 1978) of enterprise. This is not to suggest that any group’s business attitudes are to be regarded as absolutely indistinguishable from anyone else’s (Jenkins, 1984). On the contrary, each group contributes its own variation on the theme but it does not depart from the theme itself. This principle is further illustrated by studies of the restaurant industry (Liu and Fine, 1995; Ram et al., 2000), where entrepreneurs are often attracted and motivated by the “craft ethic” (Bolton, 1971). While they could hardly be more distinct from one another in respect of cuisine, African-Caribbean, white and Asian restaurateurs are virtually identical in the gratification taken from creating that cuisine and achieving customer satisfaction (Ram et al., 2000).

2) While the push versus pull motivational dichotomy is a very useful starting point, beyond that point it becomes increasingly unhelpful. As recognised by the mainstream small business discourse (Granger et al., 1995; Storey, 1994), the business entry decision itself is in reality a complex and sometimes long drawn-out and contradictory process (Jones et al., 1992). A tick box questionnaire approach simply focusing on the moment of business entry “without exploring background case histories ... [is]... unlikely to grasp the real dynamics of self-employment career changes”
Ethnic Minorities In Business, Ram & Jones, 2008

There is now growing awareness of this in the EMB studies field, with Basu and Altinay (2002) for example contributing valuable insights into the complex interacting aspirations of their South Asian and Turkish respondents (see also Basu, 2004). Similarly, Metcalf et al. (1996) find multiple motivations, often a mix of push and pull, material and psychic. Elsewhere, Ram and Deakins (1995) address several erroneous preconceptions about African Caribbean business entry motives through encouraging their respondents to elaborate at length on their convoluted case histories.

From the foregoing evidence, it is now clear that ethnic cultural determinism is highly misleading, if not actually politically damaging in its potential support for the moralistic proposition that “if one black person can set up their own successful business, then the others are just not trying hard enough” (Kundnani, 2000: 7). From this, it is but a short step to “the notion of a hierarchy of cultures ... and the racial stereotyping of some groups” (Mulholland, 1997: 688). Having recognised this, however, it would be equally misleading to dismiss entirely the influence of ethnicity, which must still be seen as an active force, though operating in far more nuanced and intangible ways than was once thought.

Probably closest to putting the finger on this particular pulse is Werbner (1991: 38 and 31), who observes that the “people we study are their own social historians”, engaged in the “construction of communal myths”. From this we might argue that, even though popular narratives about ‘natural’ Asian business acumen may be entirely fictitious, nevertheless myth can exert a powerful practical influence provided enough people believe it. A self-consciously business-orientated community bolstered by a legendary narrative about its own prowess can generate role models and a general ambience in which self-employment is widely seen as a desirable and completely credible option. As we shall see in Chapter 5, a community’s reputation as businesslike can often be enough to overturn negative stereotypes on the part of influential business gate-keepers like bank lenders. Insofar as there do exist motivational differences at the collective level between ethnic communities, the answer might lie in this realm of myth-making but even so such differences should neither be pre-assumed to exist nor over-argued when they are identified.

While there is bound to be uncertainty over these intangibles, there is longstanding agreement about the very concrete business benefits which can be generated by a tight-knit ethnic community, where shared values form the basis of mutual trust, loyalty and solidarity. This classic theme propounded by the first wave of American researchers such as Bonacich (1973; see also Bonacich and Modell, 1980) is no less relevant today, with much contemporary research directed at the ethnic community as a source of social capital – i.e. business resources obtained on trust via social networks (Flap, 2000; Janjuha-Jivraj, 2005). Since much social capital takes the concrete form of labour and financing, it will be dealt with in Chapters 3 and 5. Here we shall deal with the additional resources of human capital, personal entrepreneurial endowments like qualifications, experience and expertise, the possession of which is once again arguably influenced by membership of a given ethnic collectivity.

Personal Resources and Human Capital

a) Family Background

The role of family background in reproducing entrepreneurs is well documented in the mainstream small business literature, where the family business is seen a both a provider of financial support and as a training school for the prospective entrepreneur (Aldrich and Cliff, 2003; Chell et al., 1991; Scase and Goffee, 1982; Simon and Hitt, 2003). Beyond this it is also argued that growing up in a business family helps to socialise the individual into an entrepreneurial world-view, inculcating values such as self-reliance, deferred gratification, competitiveness and all the other elements of the belief system underpinning the survival of the independent business class (Bechofer and Elliott, 1978; Curran, 1986; Mulholland, 1997).

In line with the prevailing tide, the EMB literature has always laid special weight on the South Asian family as a generative force for business (Basu, 1998; 2004; Janjuha-Jivraj, 2003; Mattausch, 1998; Metcalf et al., 1996). Prominent here is Werbner’s (1984) work, which
vividly captures the large patriarchal Pakistani extended family, where there is no clear boundary between business and family life and all members are expected to make a contribution to the family business from the earliest feasible age. Taking this reasoning even further, Basu (2004: 14) claims there is a distinctively Asian perception of the business as an extension of the family “which is different from the common perception in Western societies.” All this would support the proposition that existing Asian enterprise comprises a launching pad for future generations of entrepreneurs, well equipped by their “apprenticeship” in their parents’ firms.

When put to the empirical test however, ethnic differentials are less clear-cut than anticipated. Highly revealing here are Mulholland’s (1997) case histories of successful family concerns owned by Indian, East Africa Asian, Jewish, Irish and, vitally, white native entrepreneurs. Universalism rather than particularism is the theme here, with ethnicity transcended by common attitudes and practices or, as she describes it, “a number of key shared business strategies and beliefs ... embedded in the material reality of the family” (Mulholland, 1997: 706). Evidently then, the entrepreneurial values inculcated into the young of the South Asian business family will, for most practical purposes, be those of any other business family.

Elsewhere, the research evidence is variable. Positive evidence about the business family is provided by Metcalf et al. (1996), a high proportion of whose Asian respondents have self-employed parents and direct experience of working in the family firm, a clearly advantageous occupational preparation. By contrast, Jones et al.’s (1992) comparative study sends out mixed signals (summarised in Figure 2.1). Certainly Asian business owners are far more likely than others to have a self-employed or professional parent and equally, it is East African Indians who figure most prominently here. This is emphatically replicated by Basu and Altinay’s (2002: 387) East Africans, with their deeply entrenched “family tradition in business” (see also Basu and Altinay 2003). According to these authors, the wish to maintain this family tradition is in itself a powerful business entry motive. Even so, as Mulholland (1997) points out, African-Asian occupational specialisation has to be seen in the historical context of British colonialism, where the Asian economic middleman position was less voluntaristic and more politically determined as part of a racialised colonial division of labour (Tinker, 1977). It is not some kind of autonomous
cultural trait.

Whatever the truth of this, Jones et al. (1992), also find that a business background does not necessarily pay off in terms of business success, with Asians from business families just as likely as others to be dissatisfied with profits and personal incomes. Bowing to Waldinger et al.’s (1990a) recognition of the interactive nature of the forces governing ethnic enterprise, we suggest that personal resources can only pay off when they are effectively deployed in favourable external circumstances.

Finally on this topic, we note that Chinese entrepreneurs are generally represented as more strongly rooted in family resources than even South Asians. Drawing from Liao (1992), Parker (1994) and Watson (1977), a picture emerges of the typical Chinese establishment as a takeaway food shop, owned by a husband and wife partnership and staffed by children and other relatives. Many Chinese owners began their careers working for parents or relatives; hence the Chinese business community might be seen as exceptionally well-trained and experienced via this kind of family business apprenticeship tradition, more so than in most other ethnic groups. The concept of “entrepreneurial familism” (Leung, 1996) captures this dynamic; the resources of the family and household are gathered together in order to pursue collective interests. Song (1999) makes reference to a “family work contract”, where Chinese young people share an implicit understanding that that all family members should help out in the family business.

A further key difference between Chinese and South Asians is demographic, with the former population containing far fewer extended families and fewer children per couple (Bailey et al., 1995). This means that “... family businesses in the Chinese economy can still absorb its younger adults” (Bailey et al., 1995), from which we can infer that a very high proportion of future Chinese business owners will continue to benefit from family apprenticeship.

Yet another salient characteristic pinpointed by Bailey et al. is the strikingly high proportion of young Chinese in higher education. Chinese people are more likely to stay in full-time education after the age of 16 than white people, and stay in full-time education for longer than white people (Owen, 1996). The percentage of Chinese people (25.4%) aged 18 and over with higher educational qualifications is nearly twice that for white people (13.4%) (Owen 1996). To a substantial extent this is also true of South Asians. Whether or not this results from a felt need to compensate for disadvantage – Bullivant’s (1988) “ethnic success ethic” – these high educational profiles are certainly reflected in these groups’ entrepreneurs, who tend to be exceptionally well-qualified compared with their native-born white counterparts. However, participation in higher education does not necessarily result in a smooth transition to the professional careers. As Pang and Lau (1998: 863) note “... discrimination in the wider labour market, whether genuine or only a perception on the part of the Chinese, appears to have caused many young qualified Chinese to work within the familiar and safe territory of the ethnic niche.” The result is a bimodal distribution of the Chinese positioning in the occupational structure, with young Chinese adults tending to enter either the professions or the Chinese catering industry.

b) Academic Qualifications

Even by the normal standards of this field, the connections between educational credentials and ethnic entrepreneurialism are complex and sometimes contradictory. For Mulholland (1997), the thirst for education is very much part of the generic entrepreneurial mindset, seen by business owners themselves as one of the keys to advancement. Apparent proof of this is supplied by Basu (1998), who finds a direct correlation between business success and academic qualifications among her Asian business sample. Once again, however, we should beware of becoming over-excited. Other writers are much more cautious about the connection (Storey, 1994) and Sayer (1995: 50) is adamant that “skills and know-how ... are rarely enough on their own to enable workers to become capitalists.” Against this, however, there is no doubt that the rising generation of ethnic minority school-leavers is becoming increasingly well qualified educationally (Figure 2.2) and there is also palpable growth of new cutting edge EMBs, where academic credentials are vital (see Chapter 4).

At first sight, Figure 2.2 lends still further support
to beliefs about ethnic cultural differentiation. Not only does it show African-Caribbean attainments lagging behind those of South Asians but it also appears to confirm the notion advanced by Metcalf et al. (1996; see also Peach, 1996), that there are significant variations within the South Asian population itself, with Indians out-stripping the other groups. Much of this pattern makes itself felt in the world of self-employment, where most studies of Asian business owners find substantial numbers with degrees and A levels or equivalent (Basu, 1998; 2004; Metcalf et al., 1996), though in line with Metcalf et al.’s distinction, Bangladeshi owners are found to be far less qualified than entrepreneurs from other ethnic communities (Curran and Blackburn, 1993).

However, when Asians are examined immediately alongside African-Caribbeans and whites, the picture changes, as revealed in Jones et al.’s findings. While there is a noticeable gap between both ethnic minorities and whites, that between the two minorities is virtually invisible, suggesting that whatever the overall attainments of the African-Caribbean community, those who opt for self-employment are as well credentialised as any other group. When this is up-dated, it is found that this prevalence of richly-endowed African-Caribbean entrepreneurs is repeated in Ram et al.’s (2002) more recent survey of bank financing. Previously, further support had been lent by Curran and Blackburn (1993), who found an above average incidence of degree-holders among both African-Caribbean and, interestingly, Greek-Cypriot owners.

Whatever the inter-ethnic pattern of educational qualifications may be, there are two reasons why we cannot directly read entrepreneurial consequences from them. First there is a lengthy and persistent history of mismatch between qualifications and occupation in the field of self-employment with highly qualified individuals in activities completely unrelated to their specialised expertise (Aldrich et al., 1981; Brennan and McGeever, 1990; Jones et al., 1994a; Pang and Lau, 1998; Ram, 1994). On finding cases such as engineering or electronics graduates running corner groceries, Jones et al. (1994a: 192), could only conclude that “these mismatches stem from blocked opportunities in the graduate labour market.” Later evidence from Phizacklea and

**Figure 2.2 Personal Background – Own Qualifications**

(as a proportion of each ethnic group)

<table>
<thead>
<tr>
<th>Qualification</th>
<th>White %</th>
<th>Asian %</th>
<th>African-Caribbean %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Qualifications (†)</td>
<td>43</td>
<td>23</td>
<td>4</td>
</tr>
<tr>
<td>Technical &amp; Voc.</td>
<td>16</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>GCSE or equivalent</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>‘A’ Levels or equivalent</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Degree or equivalent</td>
<td>40</td>
<td>43</td>
<td>43</td>
</tr>
</tbody>
</table>

(†) includes ‘don’t know’ & no reply

Source: Jones et al, 1992
Ram (1996) on Asian graduates forced to fall back on work in their family’s firm seems to confirm that high qualifications themselves do not guarantee any kind of entrepreneurial success.

Secondly – and partly as a result of these blockages – increasing numbers of young British-born ethnic minority members are using their degrees and A levels to better themselves via the professions rather than in business. More than a decade ago, the Financial Times (10th Sept 1996) was announcing that young Asians were “set to shun trade” and subsequently this has given rise to that almost unthinkable trend noted in Chapter 1 – an actual decline in the number and proportion of Asian self-employed, most marked among Indians (Jones and Ram, 2003). As with many North American minorities before them, the use of enterprise as a social ladder seems simply to have been a temporary – and perhaps rather abnormal – phase, opening up windows of opportunity for a subsequent professional trajectory (cf. Bonacich and Modell, 1980). It may well be that in the future the term ‘ethnic entrepreneurial transition’ will trip off the tongue as readily as the ‘demographic transition’ once did.

**Gender**

Thus far we have examined the connections between ethnic business development and personal resources. There is, however, a range of other personal characteristics having a keen bearing on ethnic enterprise – age, length of time in Britain, whether born in Britain, English language fluency and many others which need further exploration in future research. Recently one characteristic which has provoked increasing interest is gender.

As yet, ethnic minority women are not strongly represented in self-employment. As Figure 2.3 (cited in Mascarenhas-Keyes, 2006) shows, the rate of female self-employment among ethnic minorities is lower (3.5%) than that of White females (4.5%). However, Chinese (8.7%) and Indian (5.2%) females have a higher self-employment rate than White females, while Bangladeshi (0.9%), Pakistani (1.9%),

---

**Figure 2.3 Self-employment rate by Gender of all aged 16-74 England and Wales**

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>12.4%</td>
<td>6.9%</td>
</tr>
<tr>
<td>White &amp; Black Caribbean</td>
<td>4.5%</td>
<td>2.4%</td>
</tr>
<tr>
<td>White &amp; Black African</td>
<td>7.9%</td>
<td>2.4%</td>
</tr>
<tr>
<td>White &amp; Asian</td>
<td>9.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Other Mixed</td>
<td>8.8%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Indian</td>
<td>14.3%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Pakistani</td>
<td>14.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>12.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Other Asian</td>
<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Black Caribbean</td>
<td>7.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Black African</td>
<td>6.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Other Black</td>
<td>5.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Chinese</td>
<td>16.5%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Other Ethnic Group</td>
<td>8.1%</td>
<td>4.0%</td>
</tr>
<tr>
<td>All Ethnic Minority Groups</td>
<td>11.2%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Source: SBS analysis of Census 2001 data
Black African (2.1%) and Black Caribbean (1.9%) women have lower rates. The lowest self-employment rate is among Bangladeshi women. Pronounced though this female-under-representation is, it actually represents a substantial reduction in the overwhelming male domination which prevailed in the Asian business community during its emergent phase; for example, women respondents were almost completely absent from Aldrich et al.’s early study of Asian retailing in Bradford, Ealing and Leicester (Aldrich et al., 1981). On the other hand, Asian business ownership continues to be much more male-dominated than business ownership in general and even more so in comparison with African-Caribbeans (Jones et al., 1992).

Irrespective of ethnic identity, women continue to be numerically under-represented in self-employment, constituting only around one-quarter of the self-employed population (Daly, 1991; Jones et al., 1992: Carter et al., 2001). At the same time, something of a catching-up trend is clearly under way, with women owners now constituting a “significant economic force” (Jennings and Cohen, 1993). According to Daly (1991), women were very much in the forefront of the 1980s entrepreneurial explosion, increasing their rate of self-employment by more than half as much again as men. Evidently this is all part of a general re-making of the role of women in society or as Jennings and Cohen (1993: 21) phrase it:

This revolution has ... been particularly strong since social liberalisation and the drive for all forms of equality began in the late 1960s. The structural changes taking place in society have also led to a significant change in women’s attitudes and expectations, especially towards employment.

Even so, this female drive towards business ownership ought not to be seen as smooth unproblematic progress. Two critical points raised by Jennings and Cohen (1993) have particular resonance for ethnic minority women entrepreneurs. First, it is suggested that figures for female self-employment are misleadingly low, owing to a tendency for some women entrepreneurs to be invisible, their existence unacknowledged. Second, it is argued that, owing to women’s greater vulnerability to redundancy and unemployment, female enterprises are more likely to result from ‘push’ and as a consequence are also more likely to be concentrated in lines which are easy to enter but least remunerative. On the first of these points, a great many of the invisible entrepreneurs are ethnic minority women, notably within the South Asian communities (Dawe and Fielden, 2005; Dhaliwal, 2000). It is almost certain that the low participation figures cited for Asian women mask the extent to which women participate in the enterprise, and often play pivotal roles in the management of the business (Dawe and Fielden, 2005; Dhaliwal, 2000; Ram, 1992; 1994; Phizacklea, 1990; Phizacklea and Ram, 1996). The point to note here is that despite male assertions of single ownership of their enterprises, a notable number of businesses are registered legally as family partnerships which in essence constitute joint ownership between husband and wife (Barrett et al., 1996). Still others are not formally registered as partnerships but nonetheless operate as such in practice, a consideration which would certainly apply to many of the instances recorded in Figure 2.3.

Among the South Asian communities, by far the lowest female participation rates occur among the predominantly Muslim Pakistani/ Bangladeshi populations, for whom the most recent finding is a 9:1 male/female ratio (Metcalf et al., 1996). In accounting for this low female Muslim participation rate, Brah (1992) notes critically that most explanations are culturally specific, with Muslim men often cited as the main obstacles to women becoming active in the labour market. Whereas women in general are, as Jennings and Cohen (1993) suggest, subject to radical role changes and expectations in the labour market, Islamic women are argued to be at least partially sealed off from such changes by the traditionalist nature of their religion. While not completely erroneous, this type of explanation is over-simplistic. Brah suggests that such explanations are highly partial and do not acknowledge the significance of other factors, notably the “racialised gendering” of the labour market – the way in which the labour of Muslim women is socially constructed; the influence of persistent stereotypes in shaping societal perceptions of women and the way the labour market discriminates against individuals on the grounds of gender, race, age and disability.

African-Caribbean women’s participation tends
to be the obverse for that of Asian women. Indeed, the economic activity of African-Caribbean women surpasses that of white women (Lewis, 1993; Rees, 1992), with Jones et al. (1992) finding African-Caribbean firms almost twice as likely as others to be female-owned. One explanations for this pattern is what Jayaweera (1993) calls “the economic aspect of motherhood role”, which in practice in Britain has to do with a high proportion of lone female-headed families (Scarmann, 1986), coupled in any case with high levels of male unemployment and under-employment (see also Foner, 1979; Phizacklea, 1990).

As suggested previously, African-Caribbean women owners tend to be concentrated into very small under-capitalised ventures in unrewarding lines of business. This results not only from the economic and family pressures outlined above but also from the quite abnormally crippling barriers which black women face in entering anything but the most elementary forms of self-employment. One outstanding case history, authored by the entrepreneur herself (Alexander-Moore, 1991) is that of an African-Caribbean woman who now presides over a highly successful ethnic food manufacturing outfit with nationwide outlets. As she herself stresses this had to be achieved in face of the quadruple disadvantage of blackness, femininity, working-class status (indeed poverty) and single parenthood and in face of a persistent refusal by bank lenders and every other form of gatekeeper to take her in the least bit seriously. The breakthrough to eventual success demanded quite exceptional determination and self-belief.

Performance and Rewards

When it comes to the vital question of how well ethnic minority entrepreneurs are recompensed for their efforts, the research interpretations are no less disputatious. Even at the very outset, there is no clear agreement about how this should be measured. Culturally-oriented writers predictably insist that intangible rewards ought to be included alongside or even ahead of monetary earnings. In particular Werbner (1999) is critical of what she regards as narrowly materialistic approaches. Among her self-employed Pakistani respondents, “honour cannot be measured in terms of profit and turnover” (Werbner, 1999: 563) and this emphasis on psychic as opposed to material rewards is echoed in Metcalf et al.’s (1996) study of South Asians for whom autonomy, self-esteem, standing in the community and the perceived benefits to family life are highly prized. This family theme is also prominent in Basu’s (2004) work.

Though not disputing the wisdom of these propositions, they do stand in need of some qualification. First, non-pecuniary entrepreneurial motivations are by no means peculiar to specific ethnicities or to immigrant communities in general and it is misleading to present them in this exceptionalist manner. As established in the first section of this chapter, many of the classic works of the mainstream small business literature are absolutely consistent that intangible rewards like independence, the craft ethic, self esteem and so on are universal to the small business class and indeed the very bedrock of its continuing survival (Wright Mills, 1957; Bechofer and Elliott, 1978). All this is entirely irrespective of ethnic identity. It also holds good consistently over time, with very recent commentators like Smeaton (2003) finding only 26 per cent of the British male self-employed to have entered business primarily for pecuniary motives.

Second, because even the most high-minded and spiritually pure business owner has a flesh and blood embodiment, his or her business must, regrettably sordid though this might seem, provide a material livelihood. Thus, alongside their coverage of intangibles, Metcalf et al. (1996) also give prominence to the profits and turnover of their Asian sample. In line with a veritable chorus of voices hailing an Asian business “success story” (Dhaliwal and Amin, 1995; Soni et al., 1987; Srinavasan, 1995), they find three in four of their South Asian sample to be managing well financially.

Here it must be said that assessment is made difficult by the paucity of hard evidence on the financial performance of ethnic minority firms. Indeed the only available work where the weekly earnings of ethnic business owners are directly revealed and set against those of the white self-employed is Modood and Berthoud’s (1997) exercise. Though now dated, this offers several revealing pointers. Most counter-intuitive is that African-Caribbean earnings at £347 per week are almost on a par with Indians and are well ahead of whites, African Asians and Pakistanis, suggesting that though African-
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Caribbeans may well be proportionately under-represented among the self-employed, those who have entered business are out-performing everyone else but the Chinese. Recent research by the DTI (2006; see Guardian, 15 May 2006) and by Ram et al. (2003a) confirm a continuing African-Caribbean push into leading edge sectors such as IT. Once again, the importance in this field of distinguishing between quantitative and qualitative indicators is forcefully underlined.

Even so, the image of South Asians – Indians especially – as the leading performers is highly persistent and needs to be set in perspective. It is always tempting to build a narrative of success on the back of prominent and spectacular high flyers but, as Jones et al. (1992: 54) find, the Asian-owned economy is actually a microcosm of the larger capitalist economy, highly polarised, “with sales turnover and employment heavily concentrated into a very thin top layer of very few firms.” Irrespective of ethnicity, fast track firms are a rare breed, with the more representative majority described as “trundlers” (Storey, 1994) or “plodders” (MacDonald, 1996), dedicated to survival rather than growth or profit maximisation.

Amongst Asian firms, most are still recognisable from Brah’s (1996: 48) description, “small shopkeepers eking out a living on very narrow profit margins.” Even where Asian owners declare themselves satisfied with their earnings, many would concur with the respondent who complained “this is not good enough considering the hours we work” (Jones et al., 1992). As we highlight in Chapter 3, tolerable earnings are often won at the cost of intolerable hours of work, a message which also comes across strongly from work on the Chinese catering industry. From his Manchester survey, Liao (1992) calculated that a highly satisfactory family income of around £1,000 per week was earned by a working regime so gruelling as to completely rule out any scope for leisure or indeed family life. According to Parker (1994) this leads to a “loss of childhood” on the part of the younger family members working in the business.

**Summary**

The interaction of culture and structure is a persistent theme within the field of ethnic minority entrepreneurship. This theme has been examined in relation to entrepreneurs from varying ethnic groups. From our assessment of the evidence, ethnic enterprise is not culturally predetermined but results from a complex mixture of forces, including processes operating outside the ethnic communities themselves. However, once a group like South Asians or Chinese does achieve entrepreneurial momentum, this takes on a cumulative quality, with the business family acting as a vital medium via inheritance, accumulated resources, track record and so on. Beyond this, the existence of established entrepreneurial role models, both within the family and elsewhere in the ethnic community, has a vital psychological effect on rising generations, for whom business comes to be seen as a credible and viable career option.

Werbner (1984; 1990) makes a strong point when she claims that the Asian communities in Britain have promoted entrepreneurialism as part of their group heritage, a hallmark quality of being Asian in Britain. Here we see a much more realistic version of the cultural argument – while being Asian as such does not make one a potential entrepreneur, this artificially constructed group identity certainly does influence the career expectations of the new generation. Thus Asian business momentum is sustained by a belief in the group’s own mythology as well as by the material resources which the group can muster – and, of course, by the lack of decent alternative choices in an unequal society and heavily unemployed economy.

Even so this does not necessarily make for unqualified entrepreneurial success. On the contrary, the momentum towards self-employment may actually produce a great many unsuitable entrepreneurs, whose talents could be better used in some other career if only that were available. Moreover, as we shall shortly see, ethnic business performance is governed by a host of other conditions as well as the personal qualities and resources of its participants. It depends on the way they bring their personal resources to bear on their firms and on a variety of external opportunities such as customer base and funding, training and information sources. These issues are the subject for the remaining chapters.
CHAPTER 3

ETHNIC LABOUR POWER
AND ITS DEPLOYMENT

Introduction

Often in an implicit fashion, extant studies of ethnic minority entrepreneurship acknowledge the importance of labour deployment in accounting for the viability of the enterprise. For example, studies in the culturalist tradition emphasise the cohesiveness of familial and co-ethnic work relations (Werbner, 1990), whilst more structurally-informed accounts stress that exploitative work regimes provide the material base for successful ethnic minority businesses (Mitter, 1986; Phizacklea, 1990). However, the employment relationship has rarely formed the primary focus of studies on ethnic minority businesses. Throughout the literature in this field, the claim is constantly repeated that many minority groups are special in these respects because they enjoy ready access to critical factors of production and tend to adapt special strategies to use these to the best advantage. Particularly germane to this argument is the ethnic community itself, argued to be a cost-effective, flexible and informal source of such vital ingredients as labour, which can be marshalled on the basis of familial and communal loyalty. This enables ethnic firms to under-cut competitors in fields where labour intensiveness is a decisive factor.

This view is assessed in the light of recent studies that have aimed to locate ethnic minority entrepreneurship in a broader context. The mixed embeddedness perspective (Kloosterman et al. 1999) is germane to this task; it recognises the importance of both economic and social aspects of ethnic minority entrepreneurship. Accordingly, it is argued that the way in which labour is managed in the workplace is a reflection of a fluid mix of social and economic considerations; these stem from an interaction of pressures emanating from the market environment, labour market and social relations within the enterprise. In respect of the latter, the role of family and kinship networks is particularly important.

Labour Inputs: How Distinctive?

Trawling through the EMB literature on both sides of the Atlantic, we find a recurring theme that the labour process in ethnic minority firms tends to be quite distinct from that in mainstream firms and that this distinctiveness is one of the decisive comparative advantages enabling EMBs to survive and thrive in highly competitive markets. Broadly, this distinctiveness is manifest at two levels – firstly at the level of individual industriousness, where a readiness to work hard and long unsocial hours is repeatedly presented as a distinctive feature of ethnic minority entrepreneurship; secondly at the collective level of social capital, “resources available to a person through ... social relations with others” (Coleman, 1988: 147). According to this view, ethnic minority entrepreneurs can more readily than others tap into a supply of loyal, trustworthy, cost-effective and flexible workers.

On both levels, particular minority ethnic groups are argued to be abundantly endowed with these qualities. Particularly emphatic here is Gidoomal’s (1997) “UK Maharajahs” – prominent South Asian entrepreneurs – which attributes much of their fame and fortune to their prodigious appetites for hard work, familial support, and the culture of enterprise that inheres within the co-ethnic community. Janjuha-Jivraj’s (2005) account of South Asian business owners in Britain, Kenya and the USA suggests that this culturally specific propensity for enterprise transcends geographical boundaries.

With regard to individual industriousness, there is a weighty body of evidence (Bains, 1988; Basu, 1995; Metcalf et al., 1996; Patel, 1988; Soar, 1991; Soni et al., 1987; Ward, 1991; Werbner, 1984; 1990) that explains South Asian involvement in labour-intensive lines such as clothing manufacture, catering and above all convenience retailing by their ready willingness to work long unsocial hours at their customers’ convenience. In lines like corner shop retailing, such working practices are vital in supporting the customer-friendly working hours demanded by time-poor shoppers, who usually enjoy accessible supermarket alternatives (see Chapter 4 on the exigencies of low order retailing).

Very similar tendencies have also been attributed to Greek Cypriots and Chinese. For the former, Blackburn (1994) observes that because their entrepreneurs are intensely
concentrated into the restaurant trade, they work very long hours boosted by ordering and collecting supplies. The Chinese are even more specialised in restaurants and takeaways and consequently exposed to inordinately long hours of work in which to secure a competitive cost advantage (Parker, 1994; Liao, 1992). Some of the newer communities settling in the UK, for example the Vietnamese, also seem to emulate this approach to entrepreneurial activity. This closely replicates what Huhr and Kim (1989: 512) have called the “success stereotype of Asian-Americans”, in this case mainly Chinese, Japanese and Koreans.

In the great majority of Britain’s EMBs, the owners’ own personal inputs make up a huge proportion of the total workload (Jones et al., 1994a; Metcalf et al., 1996). Yet, even in micro-businesses, the entrepreneur’s own efforts are more often than not vitally supported by work contributions from family members. In the slightly larger concerns typical of restaurant catering or clothing manufacture for example, scale and division of labour usually require the recruitment of workers from beyond the family circle but usually within the same ethnic community. Indeed this co-ethnicity of employer and employee has been so repeatedly and universally observed as to amount to one of the defining hallmarks of ethnic minority businesses (Janjuha-Jivraj, 2005).

Privileged access to co-ethnic and family labour has generally been regarded as one of EMB’s critical advantages, an argument once again enthusiastically applied to British South Asians and Chinese. Because of the importance of personal face-to-face ties, such workers are arguably more trustworthy, better-motivated and better value than the norm. Their low cost flexibility is a clear boon to their employer’s competitiveness. Until recently, most writers in the field talked about such workers as part of the pool of “ethnic resources” (Light, 1972; Waldinger and Lapp, 1993), available only to EMB owners by virtue of their insider status, their implicit right to make claims upon fellow members of their kinship and communal networks.

More recently, the term social capital has entered the vocabulary, bringing with it the recognition that, far from occupying a hermetically sealed economic sphere of pure calculative rationality, all entrepreneurship is actually rooted in the wider social sphere (Barbieri, 2003; Brook, 2005; Spence et al., 2004). “Market transactions,” declare Flap et al. (2000, 146), “are embedded in on-going relations and social networks.” Membership of a personal social network is vital in minimizing transaction costs, accessing information and securing and enforcing agreements on an entirely informal basis, without the intervention of costly intermediaries or involvement in official red tape (Flap et al., 2000). “Actions of small mutual assistance,” note Spence et al. (2000: 19), “save money on professional services” such as legal and insurance services.

Importantly for the present argument, it is postulated that immigrant groups from highly traditional societies like those of the Indian sub-continent enjoy greater social capital resources than the mainstream society, with extra-strong ties and mutual obligations stemming from ultra-dense social networks. For Janjuha-Jivraj (2003), these networks revolve around a high frequency of social meeting, common places of worship and shared neighbourhoods. Virtually closed to outsiders, this common social space creates the bonds of trust underpinning all manner of business exchanges including employment relations.

The prevailing trend to divine differences in the manner in which ethnic minorities deploy and utilise labour can be challenged on a number of fronts. First, the tendency to focus on a single ethnic group in isolation from the wider small business population can accentuate perceived differences (Zimmer and Aldrich, 1987; Jones et al., 1992; Mulholland, 1997). As Zimmer and Aldrich (1987: 422) note, “the comparative study of immigrants and native groups shifts the focus from group differences to group similarities. Studies examining only immigrants may find apparently distinctive characteristics, but in fact many traits are common to all small business owners. Jones et al. (1992) found many highly significant commonalities between African-Caribbean, South Asian and white small firm owners in their national study of ethnic minority business activity. In her study of 70 successful business families from white and ethnic minority communities, Mulholland (1997) found that business behaviour in family firms had many similarities; moreover, it had kinship and class roots rather than a specific ethnic identification. Ram et al.’s (2000) study of restaurateurs from African-Caribbean,
South Asian and white communities also found common practices, particularly in respect of the role of the family. In most firms, family members acted as a kind of task force, a temporary but vital contribution to the preparation and launching of the restaurant. The findings highlighted a high degree of inter-group convergence and of common practice within the small business community irrespective of its members’ origins.

Second, the implied unity of minority ethnic groups in business is another problematic feature of the ‘difference’ thesis. Tensions arising from class, gender and generational relations are glossed over, or omitted altogether (Jones et al. 1992; Phizacklea 1990; Ram et al., 2001; Rath, 1999). As Rath (1999: 5) observes:

The impression is given that ethnic groups, once formed, constitute one happy family, a community without conflicts of interest, without gender-specific resource allocation and that all members are immediately and without reserve ready and willing to help one another.

A series of recent empirical studies have illuminated such conflicts and tensions (Kim, 1999; Janjuha-Jivraj, 2005; Jones et al., 2004; Panyiatopolous and Dreef, 2002; Ram et al., 2001). For example, Panyiatopolous and Dreef’s study (2002) study of the attempts of Greek-Cypriot clothing manufacturers to withstand an increasingly hostile marketplace highlights the fragility of the community compliance model of ethnic minority entrepreneurship. The ageing of first generation women immigrant machinists, the reluctance of the secondgeneration to labour under such conditions and tight immigration controls forced entrepreneurs to change the ethnic composition of their workforce. This exacerbated tensions inside ethnic communities. Similarly, Kim’s (1999) study of Korean-owned businesses in the USA points up the fragility of ethnic reciprocity when operating in the midst of difficult market conditions:

... the benefits of co-ethnic employment are no longer viable in the face of retention problems and increased labour costs. The counterpart to ethnic solidarity, which is reciprocity in ethnic preference in hiring and support for co-ethnic economic ventures, crumbles in the face of labour shortages and competition.

Reference to markets highlights a further danger of focusing unduly on dynamics within ethnic communities. It is difficult to disentangle sectoral processes from supposedly ethnic-specific characteristics. In the broader small firms’ literature, the dangers of treating small businesses as a homogeneous grouping are well known (Curran et al., 1991). The importance of the economic sector in shaping social relations in the small firm has been noted in areas as diverse as finance (Curran and Blackburn, 1993), employment relations (Scase, 1995) and enterprise support (North et al., 1997). Yet recent studies differentiating South Asian business activity seem to have underplayed or even completely ignored the influence of sector (Basu, 1998; Metcalf et al., 1996) and when sectoral comparisons are taken into account, inter-communal differences are often less acute than imagined. For example, while Jones et al. (1994a) confirm the existing wisdom that South Asian owners work significantly longer hours than others, it was found to be largely due to the overwhelming concentration of South Asian firms in labour intensive sectors like food retailing and Confectionery, Tobacco and Newsagents (CTN).

Labour Use: An Integrated Approach

The foregoing discussion has highlighted a number of factors that need to be taken into consideration in order to develop a more adequate approach to labour management in ethnic minority businesses. First, tensions within communities need to be recognised and are an inevitable feature of the labour process in small firms (irrespective of ethnicity). Second, due attention has to be accorded to the political economy of ethnic minority businesses; the economic structure, its operating principles and balance of power will influence the chances and behaviour of small firms (Rath, 1999: 6). Finally, labour relations in ethnic minority businesses will be shaped by interplay of the economic context in which they are located and traditions within the workplace. Hence despite the ethnic label, minority entrepreneurs engage in diverse activities, which will in turn have a bearing on
their business practices. Taken together, these points can be seen as encouragement for an integrated approach towards labour use in ethnic minority firms.

The broader literature on employment relations in small firms has witnessed calls for an integrated approach to the study of small firms (Barrett and Rainnie, 2002). Such an approach has begun to emerge; a number of recent studies have documented the interplay between resources in the firm and its product and labour market context (Arrowsmith et al., 2003; Edwards and Ram, 2006; Ram and Edwards, 2003). A particular focus on low value added (LVA) firms has been a feature of these studies. As well as being small, defining features of LVA firms include: location in highly competitive sectors of the economy with low barriers to entry, for example clothing manufacture and restaurants; payment of low wages and being generally family owned and run. Many of these LVA firms were owned and run by members of minority ethnic communities. Drawing on a number empirical studies on employment relations in LVA small firms, Edwards and Ram (2006) pursue the theme of integration by linking together the economic context of the firm with family and other kinship networks. Each of these elements will be outlined, since they are important to an understanding of the resilience of informal economy.

Economic Context

The manner in which economic location shapes practices within the firm is a key consideration. As we have noted, researchers on ethnic minority small firms have been taken to task for “implicitly assum[ing] that market conditions are of little importance” (Rath and Kloosterman, 2000: 668). The contrasting view was Rainnie’s (1989) argument that small firms are shaped primarily by relations of power with large firms. Rainnie identified four types of these relations, of which two are central to the LVA firms of interest here. First, there are dependent small firms that rely on large companies for business and that are subject to the substantial market power of the latter. Second, isolated small firms operate in market niches that large firms have chosen not to fill. For example Kloosterman et al. (1999), note that Islamic butchers in the Netherlands survived by exploiting a niche that was not attractive to larger businesses.

Such hyper-competitive trading environments undoubtedly constrain ethnic minority businesses but they also enact them to a degree. In the process of enactment, the product and labour market contexts are both important. This is clearly illustrated in Ram et al.’s (2005) study of the different approaches to businesses’ development adopted by ethnic minority business owners in the restaurant sector. Even in the highly competitive ethnic restaurant market, there was scope for business growth. The market relationships documented in the firms that had grown, through multiple business ownership, product differentiation, and locational breakout, highlighted the myriad ways that business owners had developed their enterprises. Rarely could this development be attributed to the mobilisation of ethnic networks. Rather the main examples of business growth utilised class resources. This embraced economic capital and access to instrumental social networks, business education, and business know-how. Such resources were crucial in helping to acquire additional businesses, locate in more auspicious market settings and invest in work relations that would produce the authenticity required to differentiate the business from its competitors.

The Asian-owned clothing firms investigated by Arrowsmith et al. (2003) were clearly hemmed in on all fronts by a series of adverse market changes; a reduction in domestic sourcing and a corresponding fall in production levels; the imminent removal of the protectionist Multi-Fibre Arrangement which restricted textile and apparel exports from developing countries to the advanced economies; a relocation of production to central Europe and a collapse of overseas markets (TCSG, 2000), a veritable quadruple whammy. For many firms, this precarious situation was aggravated still further by the introduction of the NMW in 1999. When these firms were revisited by the research team a year after the introduction of the NMW, it was clear that their market position had deteriorated. Two of the 18 firms investigated had closed down completely and employment levels were reduced to some extent in almost all the rest. This was blamed primarily on deteriorating market conditions, though the new regulations were sometimes reported to have significantly increased costs. However, even in this comparatively small group of firms, it was still possible to identify at
least four main patterns of response to the twin pressures of market and regulatory change: firms that pushed into the grey economy; manufacturers that had retrenched or scaled back their operations; work intensification; companies that had attempted a niche shift. Hence the particularities of market conditions need to be given careful consideration, since similar circumstances can have different implications.

Family and Kinship Networks

Of all the social networks underpinning business life, it goes without saying that by far the most intimate and close-knit is the family. Where an immigrant-origin community retains certain of the essential values and customs of the traditionalist patriarchal extended family, this can give it a competitive advantage in a modern society, where such institutions are generally supposed to have withered away (Jones and Ram, 2003; see Light and Bonacich, 1988 on the role of acculturation lag in the emergence of immigrant enterprise). Viewed in this way, the family appears as an unqualified resource for entrepreneurial groups like overseas South Asians (Basu and Altinay 2002; Janjuha-Jivraj, 2005; Werbner 1984) and Chinese (Parker, 1994; Weidenbaum, 1996), who have clung on tenaciously to their traditional close-knit webs of kinship. In complete contradistinction to the functional separation taken for granted in modern urbanism, the South Asian family in the UK “is not merely a social unit but also an economic unit” (Basu, 2004: 13).

Much of the basic gist of the swelling literature on this issue (Basu, 2004; Basu and Altinay, 2002; Bonacich and Modell, 1980; Fernandez-Kelly and Garcia, 1990; Kim and Huhr 1985; Nee and Wong 1985; Ram et al., 2000; Srinavasan 1995; Waldinger et al., 1990a; Werbner 1984; Zhou 1992) is captured in Sanders and Nee’s (1996) analysis of the family as social capital. Although mostly confined to evidence from the USA, this contains much that is universally applicable and indeed invariably is applied to expatriate groups like overseas South Asians or South East or South Asia wherever they may be. Controlling for a range of non-family variables, these authors find that self-employment among migrant-origin communities in the USA correlates positively with marriage, number of children in the household and other family variables.

According to Sanders and Nee, the logic behind this is that the family embodies an invaluable store of social capital, both tangible and intangible. More than anything else, the family is a non-market source of vital factors of production like labour, obtainable via emotional ties instead of monetary exchange. Such labour power is not only likely to be cheaper than that obtained through formal recruitment in the external labour market but it is also likely to be more reliable, flexible and above all trustworthy. The family labour process is lubricated by an ethos of “mutual dependence ... mutual obligation and trust ... and common self-interests” (Sanders and Nee, 1996: 233: 237: 246), within a family business operating as a collective entity for the common good of all its members (Kibria, 1994). Within this ethos, rights, duties and obligations are tacit and implicit, dispensing with the need for contractual agreements and constant renegotiation.

Whatever the underlying mechanisms, there is no question that the work contributions of family members are central to the viability of many Asian-origin family firms in Britain. Parker (1994) leaves us in no doubt of the importance of younger family members in the Chinese take-away business, with extremely unsocial opening hours creating a heavy dependence on both spouses and frequently on school age children also. In most of its essentials, this theme is echoed for South Asians, with recent work by Basu (2004) finding a particularly heavy reliance on the family during the infant stages of a firm, when it is at its most vulnerable and potentially in need of individuals prepared to make personal sacrifices.

Even writers like Aldrich et al. (1981; 1984), generally unsympathetic to uncritical culturalism, have acknowledged the pivotal contribution of spouses and children to the survival of the small Asian shop, though they tend to present this largely un-costed labour as a rather desperate safety net rather than a virtuous developmental asset. Similarly Ram (1994) recognizes the importance of trusted family members in key management positions in Asian clothing firms, though he also questions the preference for familiar faces over professional expertise.

Such expressions of doubt remind us that the real world is an extremely messy affair and
it is unwise to become too carried away with the apparent power of a neat linear causal process. In the case of the business family, that process is riddled with all sorts of hidden contradictions. Some hint of the gender conflicts of interest contained within the Asian family business is picked up from Metcalf et al. (1996), who reveal that only two in five of their mainly Muslim Pakistani business owners thought that wives should be free to work in the family business. This apparent head-on clash between traditionalist attitudes to women and the material needs of the firm is far from atypical. On the contrary, there is an accumulated body of research arguing that the notion of the family functioning for the common good is an artificial construct masking its potential for exploitation and female subordination (Dhaliwal, 2000; Mitter, 1986; Mulholland, 1997; Phizacklea, 1990; Ram, 1994).

Parallel to this, Parker’s (1994) work on Chinese takeaways raises all manner of questions about inter-generational tensions. One increasingly problematic area is that of inheritance and intergenerational succession. In Britain’s South Asian and Chinese businesses, this can be no longer assumed to be a smooth hand-over to the rising British-educated generations, increasing numbers of whom are turning to the professional labour market and other employment alternatives (Song, 1999). This interplay between the family labour process and the external world offers another reminder of the fact of mixed embeddedness.

Equally hidden from a one-dimensional approach are the contradictions between the social and the economic facets of the family. After a certain stage of development, it seems that the effect of family members may become transformed from throttle to brake. Once again this is a universal not an ethnic-specific condition, as revealed by authors such as Baines and Wheelock (1998) and Simon and Hitt (2003) in their studies of mainly white firms, where over-reliance on the family can get in the way of business-like professionalism.

Reflecting as they must this inherent business family paradox, many EMBs also find themselves seriously constrained by the perceived obligation to provide family members with key jobs. Hence, for all his stress on family workers as a positive asset for the Chinese firm, Wiedenbaum (1996: 143) acknowledges “serious disadvantages ... Keeping control within the family almost inevitably restricts the size and especially the complexity to which it can grow.” In similar vein, various studies of Asians in Britain suggest that family orientation often stands in the way of progressive and efficient management, which clearly ought to rest on qualifications and expertise rather than nepotistic ties (Ram and Holliday, 1993). Somewhat against her usual grain, Basu (2004: 13) also highlights conflict arising from the “business-family overlap” and claims that the most family-oriented Asian firms are also the most risk-averse and growth-phobic. She also shows the declining input of family members as firms grow, a tendency confirmed by Ram et al.’s (2003a) study of ethnic minority and white high flyers.

Summary

There is now a rich and growing accumulation of knowledge and argument about the ways in which ethnic minority entrepreneurs in Britain obtain and use the vital resource of labour and the ways in which this affects their performance, in some cases their very survival itself. As we have seen, this is a sharply disputatious area, with disagreement about almost every aspect – whether groups like Asians actually are significantly more labour-intensive than whites, whether, if they are, they should be, whether African-Caribbeans are less so. Significantly, the broader and deeper the research, the more the question marks which are raised and the more obvious the need for ethnic working practices to be examined in their full context. When they are so examined, it becomes increasingly clear that ethnic working practices are far less exotic than was initially assumed.
CHAPTER 4
MARKETS, COMPETITION AND BREAK-OUT

Introduction

In the previous chapter, we looked at the social capital resources available to EMB from family and community and the ways these are put into practice. Important though these resources are, we reiterate the principle of mixed embeddedness (Kloosterman et al., 1999: see Chapter ) that each enterprise is grounded not only in its owner’s personal network but also in a wider political-economic context. No matter how adept an ethnic community may be at mobilising resources like family labour, the ultimate fortunes of its entrepreneurs depend on a whole range of circumstances outside that community.

Of all the elements in the external environment, one of the most critical is the market, often overshadowed in discussions of entrepreneurial resources by more obvious factors like capital, management and labour (Curran et al., 1999; Jones et al., 2000). Yet, as Curran et al. (1991) remind us, no amount of funding and human resources is of the slightest use if no one wants to buy the product. At the very outset, it is demand for goods and services that calls businesses into being. Once in being, the strength and composition of that demand set ultimate limits on business development and growth. Specifically, is there a sufficient demand for the goods and services, which EMBs can offer? Can this demand sustain the numbers of ethnic minority members wishing to become self-employed? How well can they exploit this demand in direct competition with incumbent white firms, who may be deeply entrenched in the most rewarding sectors of the economy? As Basu (1998) finds in her study of Asian firms, size and growth are closely related to careful assessment of market potential.

Unhappily, access to high potential markets has been denied to many if not most Asian and other EMBs. In this chapter, our account of the comparative market experiences of EMBs is dominated by the theme of diversification – the need to break out from the very narrow range of generally poorly rewarded and destructively competitive activities which, historically, have accounted for the great bulk of EMB in the UK. While there are hopeful signs that growing maturity is beginning to encourage this much-needed diversity (Barclays Bank, 2005), it must be said that a great many serious obstacles continue to litter the path of progress. Not least here is the rapid pace of change in the increasingly de-regulated market, which often renders promising new sectors technologically obsolescent or over-run by competitors almost as soon as they are entered.

The Ethnic Niche Market

Over the past two decades, the proposition has been widely floated that the major economic and social changes of the post-industrial era have created highly favourable conditions for small business generally and even more so for immigrant-origin entrepreneurs (Sassen, 1991; 1996; Ward, 1987; 1991). In the case of groups like Chinese and South Asians, much importance is placed on niche markets, specialised fields of demand where ethnic firms can enjoy a competitive edge over non-minority firms. As Drucker (1987: 215) observes, a niche market is essentially “a practical monopoly in a small area” and it is certainly the case that many of the most successful ethnic firms in Britain are those which have in some way contrived to insulate themselves from the full force of competition.

Ironically, the archetypal protected niche has little directly to do with post-industrial market opportunities per se and everything to do with the customer potential of the ethnic minority population itself. According to Ram and Deakins (1996: 69), one of the hallmarks of EMB is its “heavy reliance on co-ethnic customers”, a relationship which can be highly fruitful when the co-ethnic population is sufficiently large and concentrated to provide decisive aggregate purchasing power. Outstanding in this respect is Britain’s South Asian population, not only large in aggregate terms but highly spatially concentrated in intense residential clusters within Greater London, West Midlands, West Yorkshire, East Lancashire and a handful of free-standing urban settlements like Leicester, Nottingham, Luton and Slough.

Early research by Aldrich et al. (1981) in Bradford, Leicester and Ealing established that the first wave of Asian-owned shops and services were hugely dependent upon
co-ethnic custom, with the geographical distribution of outlets intimately reproducing that of Asian residents (Figure 4.1) and Asian customers accounting for no less than 64 per cent of clientele.

The strength of this ethnic niche market derives not only from the convenience of sheer proximity but also from ethnic loyalty. Indeed the ethnic niche market is yet another form of social capital, with customers and suppliers preferring to do business with others that they know and trust, either through kinship ties or social networks or membership of a close-knit community (Phizacklea and Ram, 1996). Moreover, culturally-specific dietary and sartorial needs can only be authentically supplied by co-ethnics (Hiro, 1971). In this way, much early Asian enterprise was guaranteed privileged access to a market protected by ethnic loyalty and preferences, which supported a whole range of outlets including clothing shops, jewellers, bookshops and travel agents as well as basic low order activities like food shops (Cater and Jones, 1978).

Such an advantage is absent or only weakly present for entrepreneurs from the African-Caribbean and Chinese communities (Table 4.1).

For African-Caribbeans, it is argued that ethnic identity is weaker than that of Asians and that this constitutes a key entrepreneurial disadvantage. Though there is a large co-ethnic population base, this does not necessarily translate into customer loyalty (Reeves and Ward, 1984). In the words of a Jamaican shopkeeper, “fellow blacks do not support their people in business” (Jones et al., 1992), which means that Caribbean business owners have always been obliged to seek custom in mainstream markets where there is no “cushion of co-ethnic support” (Ram and Deakins, 1996: 69).

By contrast, the ethnic identity of the Chinese in Britain is anything but weak, the group being noted for its self-consciousness, self-sufficiency and high levels of self-employment, notably in catering (Bailey et al., 1995; Liao, 1992; Parker 1994). From the outset however, self-employed Chinese have had to operate in the complete absence of anything remotely resembling a co-ethnic client base. In only a handful of local districts in the whole of Great Britain do Chinese residents comprise even one per cent of the population and this absence of residential clustering helps to explain the geography of dispersed take-aways and restaurants aimed at white custom (Parker,
The Limitations of the Ethnic Niche

As with many other forms of ethnic social capital, reliance upon support from insider customer networks sets severe limits on the quantity and quality of enterprise. Almost by definition, no population can support more than a small proportion of its own members in business or, as Hiro (1971) observed about his fellow Asians, “They could not all become grocers and restaurateurs.” Given also low Asian incomes and high unemployment (Brah, 1996; Dam, 1995), the limitations of the ethnic neighbourhood market offer precious little scope for the swelling numbers of job market refugees setting up in shops (see Chapters 1 and 2). Perhaps the most apt metaphor is that of the womb, the ultimate in cocoon-like protection but with living space so limited that eventually the growing organism has to burst forth into the outer world.

Not surprisingly, the early researchers recorded Asian retailers and their often unpaid family members working extremely long hours for poor returns and precarious survival (Aldrich et al., 1981; 1984; McEvoy and Aldrich, 1986; Rafiq, 1985; Robinson and Flintoff, 1982). This pattern of “entrepreneurial overpopulation” (Jones et al., 1992) and commercial marginality has been repeatedly recorded by later studies of those Asian firms who continued to rely on this trusty but entirely inadequate customer base (Jones et al., 1989; 1992; 2000; Patel, 1991; Ram, 1994; Ram and Sparrow, 1992). Furthermore, the inner urban location of most of these niche markets imposes additional environmental and security costs, with the excessive cost of insuring premises noted as a crippling burden by Patel (1988; see also Jones et al., 1989; Rafiq, 1985).

Diversification and Breakout

Essentially Aldrich et al.’s (1984) verdict that excessive ethnic market embeddedness is a developmental barrier derives from Bonacich’s (1973) middleman minority model, which states that successful entrepreneurial minorities are almost always those selling goods and services to mainstream markets with their relatively unbounded potential (Bonacich and Modell, 1980; Light and Bonacich, 1988). Gradually, this message has begun to make headway, with growing acceptance that a sustainable future for Asian and other EMB rests upon “non-ethnocentric markets” (Hausner, 1993; see also EMBI, 1991). More comprehensively, Ram and Hillin (1994) canvas the notion of breakout, a complete across-the-board escape from the constraints of traditionalist practices (see also Curran and Blackburn, 1993), notably over-reliance on co-ethnic custom. Nursery conditions highly appropriate for seedling firms are completely inappropriate for growth and development.

By the mid 1980s, there were already signs that, consciously or otherwise, many Asian entrepreneurs were beginning to follow these recommendations. For example, Ward (1985) draws attention to an on-going relocation process, in which South Asian retailers were beginning to replicate the pattern of Chinese catering by aiming at mainly white suburbs and even towns and cities not previously settled by South Asians. However, Ram and Deakin’s (1995) study of African-Caribbean entrepreneurs warns that this ethnic middleman approach is not in itself a solution, since despite

<table>
<thead>
<tr>
<th>Ethnic Residential Base</th>
<th>South Asians</th>
<th>African/Caribbean</th>
<th>Chinese</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very Strong</td>
<td>Strong</td>
<td>Very Weak</td>
</tr>
<tr>
<td>Ethnic Loyalty Base</td>
<td>Very Strong</td>
<td>Weak</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Reliance On Ethnic Niche</td>
<td>Heavy</td>
<td>Variable</td>
<td>Slight</td>
</tr>
</tbody>
</table>

Table 4.1 Contrasting Ethnic Niche Markets

Ethnic Minorities In Business, Ram & Jones, 2008
a majority of white customers, their respondent firms were no less marginal than those in the ethnic niche.

From this we must assume that simply setting up a corner shop in a white neighbourhood is in itself no escape from the highly competitive market conditions threatening the survival and stunting the growth prospects of small EMBs. Following the hypothesis that there needs to be some sort of qualitative change in market orientation, Jones et al. (1989) set out to interview EMB owners in Bradford who had set up in sectors of the economy hitherto virtually un-penetrated by EMBs. Very much against the tide of prevailing stereotypes, they found African-Caribbeans in the vanguard of such innovative market orientation, including outstandingly successful printing and nursery ventures.

**Breakout Potential: Four Market Spaces**

In an attempt to take this further and formulate a coherent view of Asian market potential, Jones and McEvoy (1992; see also Jones et al., 2000) introduce a spatial dimension. They argue that the fatal weakness of the ethnic niche market is that it is a double-bounded enclosure, constrained not only by customer ethnicity but also by customer proximity. In order to achieve expansion and viable rewards, Asian and other ethnic firms need to move into sectors like high order retailing, manufacturing and producer services which are not confined to walking-distance orbits but operate over regional, national and even international ranges.

When the two dimensions of locality and ethnicity are combined schematically (Figure 4.2), this gives four hypothetical market spaces – the local ethnic enclosure (A) plus three potential escape routes. In market space B (non-ethnic local) EMBs are oriented towards a more expansive non-ethnic market but are still essentially low order retail-service activities constrained by a local market. In C, firms such as large wholesalers or specialist high order retailers still sell mostly to fellow Asian custom but draw it from a wide unbounded radius. Space D might be regarded as the ultimate breakout market, entirely mainstream custom confined neither by locality nor ethnic membership.

Table 4.2 gives Jones et al.’s (1992) application of the model to their own research findings and shows the expected variations in business success indicators from one market space to another.
Subsequently this model has been sharply criticised by Engelen (2001), on the grounds that it is overly formulaic and prescriptive. In reality, the authors’ intention is the much more modest one of offering a guideline framework for investigation, recognising that by no means all EMB can or should be squeezed into the classification. On the contrary, we shall shortly see that many EMBs in sectors like clothing manufacture and restaurant catering are struggling desperately for survival despite having accomplished the supposedly ideal move to Space D. From this we deduce that market breakout is perhaps a necessary but certainly not sufficient precondition for EMB to expand and thrive. Other resources are necessary to ensure that, with access to adequate funding usually the prime consideration (See Chapter 5).

Breakout

Turning now from what ought to be happening to what actually is, we note that the continuing proliferation of EMB has indeed been accompanied by substantial market diversification. Moreover, it is good to record that at least some of this diversification has proceeded in favourable directions according to the logic of the four spaces model, with penetration of novel and much better rewarded market sectors enabling the emergence of firms of almost unprecedented scale and profitability (Barclays Bank, 2005). Even allowing for the ever-present tendency towards hype, the evidence from case-studies of large high profile Asian-owned companies thriving in favourable market environments (Dhaliwal and Amin, 1995) is highly instructive as well as impressive. Some of the firms in question could almost be offered as templates of EMB success. Particularly interesting here are companies like the large brewer of Indian lager expanding prodigiously as a result of an explosion in its principal market, the curry house industry (Dhaliwal and Amin, 1995). Such are the classic virtues of Market Space C, where the entrepreneur can continue to bask in the comfort of co-ethnic custom but now over an expansive nationwide orbit rather than within stifling local confines.

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Table 4.2 Comparing Asian firms in four market types (percentages)

<table>
<thead>
<tr>
<th></th>
<th>A Local ethnic</th>
<th>B Local non-ethnic</th>
<th>C Non-local ethnic</th>
<th>D Non-local non-ethnic</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>28</td>
<td>77</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td>Food retail and C.T.N. (†)</td>
<td>46.4</td>
<td>68.6</td>
<td>8.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Eating places</td>
<td>7.2</td>
<td>9.8</td>
<td>0.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Manufacturing and wholesaling</td>
<td>0.0</td>
<td>0.0</td>
<td>88.9</td>
<td>52.4</td>
</tr>
<tr>
<td>Owner’s hours over 55 per week</td>
<td>67.8</td>
<td>64.7</td>
<td>50.0</td>
<td>38.1</td>
</tr>
<tr>
<td>Using unpaid labour</td>
<td>50.0</td>
<td>15.7</td>
<td>11.1</td>
<td>9.5</td>
</tr>
<tr>
<td>‘Pushed’ into self-employment</td>
<td>35.6</td>
<td>20.9</td>
<td>27.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Better than satisfied: profits</td>
<td>0.0</td>
<td>8.7</td>
<td>0.0</td>
<td>19.0</td>
</tr>
<tr>
<td>Better than satisfied: incomes</td>
<td>7.2</td>
<td>4.4</td>
<td>0.0</td>
<td>14.3</td>
</tr>
<tr>
<td>Worse than satisfied: profits</td>
<td>42.8</td>
<td>26.1</td>
<td>9.1</td>
<td>19.0</td>
</tr>
<tr>
<td>Worse than satisfied: incomes</td>
<td>32.4</td>
<td>20.0</td>
<td>18.2</td>
<td>14.3</td>
</tr>
<tr>
<td>Full-time employees per firm</td>
<td>1.4</td>
<td>2.5</td>
<td>10.7</td>
<td>5.5</td>
</tr>
</tbody>
</table>

(†) C.T.N. = Confectioners, tobacconists & newsagents.
Further virtuous market re-orientation has been demonstrated by other recent case studies of mould-breaking entrepreneurs (Deakins et al., 1997; Ram et al., 2003a) often enjoying conspicuous success and very rapid growth in fields previously un-colonised by EMB, including private health care, training and self-employed professional lines like accountancy (Ram and Carter, 2003). In what can only be seen as an exciting development, there are also numerous new youthful EMBs in sectors on the very cutting edge of what Castells (2000) calls the “new economy”. Prominent here are software manufacturers, IT and business consultants and, a particularly explosive growth niche in the late 1990s, mobile phone retailers (but see Economist, 30th January, 2002 on the imminent saturation of the cell phone market). One of the most successful operators interviewed by Ram et al. (2003a) is a Scottish-based Pakistani computer manufacturer with a £ multi-million turnover and breath-taking growth grounded in an international market of institutional and corporate clients. Needless to say, none of these enterprises is remotely constrained by either customer ethnicity or locality. Moreover, these are for the most part growth markets in which there is little imminent danger of saturation by excessive numbers of sellers.

While this positive trend certainly seems to confirm Ward’s (1991) vision of a maturing and diversifying South Asian entrepreneurial economy, it is by no means confined to that group. On the contrary, Ram et al.’s (2003a) sample of breakout firms is enlivened by, among others a Chinese fashion designer, a Chinese travel agent exploiting trans-national links, an African-Caribbean leisure services provider, an African-Caribbean broadcaster and an African nursing home proprietor. Rather than ethnic identity, the quality shared by these individuals is the ability to effectively exploit market opportunities as well as to spot them.

This ability is related to various personal attributes and one attribute shared by almost all in the sample is their sheer hunger for success, their desire for growth, which stands in sharp contrast to the survivalism of most small entrepreneurs. As well as the will, they also possess the skill, for many of these individuals boast abundant human capital directly relevant to their chosen field. Almost all are British-born and/or educated and their high level of qualifications and credentials is increasingly typical of their generation (Chapter 2). Many of their business ventures are distinguished by an intensity of human rather than financial capital, with knowledge and expertise often counting for more than money. In cases where lavish financial investment was also a pre-condition for success, this has frequently been supplied by the business parents of the owner (Ram et al., 2003a), confirming a process of inter-generational resource accumulation over time (Ward, 1991; Janjuha-Jivraj, 2005).

Possibly the most exciting prospects are offered by a growing exploitation of the trans-national dimension, in effect an overseas extension of Market Space C, which embraces co-ethnic customers and suppliers throughout the worldwide diaspora (Dwyer and Jackson, 2003; Henry et al., 2002; McEwan et al., 2005; Vertovec and Cohen, 1999). All the evidence suggests a growing volume of EMB based on networks of “migrants who retain deep and extended attachments to people, traditions and movements located outside the boundaries of the nation-state in which they reside” (Henry et al., 2002: 121). In the particular case of Birmingham, Henry et al. (2002) lay out an impressive list of Chinese and South Asian firms operating on this principle. Though as yet at an early stage, this trans-nationalism clearly offers an additional and qualitatively different market dimension for some of the better resourced EMBs.

Pitfalls

Pleasant though it is to extol the virtues of these high-achievers, it is necessary to sound two notes of caution. Firstly, even the most promising niche can be undermined by unexpected changes beyond the entrepreneur’s control. A case in point here is the chemist shop, identified by Jones et al. (1994a) as a human capital-intensive niche where professionally qualified Asian pharmacists could earn fair returns without struggling for eighty hours a week. As argued in Chapter 3, working smart is always preferable to working hard and long. For ethnic minorities breaking into new fields, pharmacy has the additional advantages of few entrenched entry barriers and bank loans for start-up businesses guaranteed by pharmaceutical wholesalers (Hakim, 1998, Ram et al., 2002).
Perversely however, much of this promise turns out to have been extraordinarily ephemeral, evaporating like a mirage almost from the moment that EMBs began entering the trade. Since the 1980s the survival of the small chemist shop has become increasingly endangered, with a recent news report declaring, “The future of the local chemist shop has never looked bleaker” (Lewis, 200). Such has been the vulnerability of the independent pharmacy that its numbers fell from 8,458 to 7,560 over the short period 1980-92, largely as a result of major market penetration by supermarkets and chain retailers (CIR, 1995). By the turn of the millennium, the ASDA supermarket chain had acquired 76 in-store pharmacies and intended to open one in each of its 240 outlets (Euromonitor, 2000). This corporate invasion of the retail sphere is the great recurring theme in the narrative of the ethnic minority retailer.

Our second caution is that successful fast-track EMBs underpinned by strong market potential are as yet a small unrepresentative minority and the emergence of what Kundnani, 2001: 106) calls “a millionaires’ club” should not be allowed to obscure the broader picture. Through lack of financial capital and other resources, most EMBs have been denied access to the most desirable sectors of the market. While it is undeniable that there has been a substantial shift away from co-ethnic markets, this is best described as “horizontal breakout” (Jones et al., 2000), a continued confinement within low profit, acutely competitive branches of the economy. Certainly this has enabled the sheer number of ethnic firms to continue proliferating but the continued predominance of low order activities dependent on neighbourhood markets has not permitted qualitative development. Much EMB growth has taken the form of a colonisation of corner grocery shops and news-agencies in mainly white areas, in effect the occupation of an abandoned niche (Aldrich et al., 1990), forsaken by its former white occupants precisely because of its poor rewards and deteriorating prospects (Barrett et al., 2002; Jones et al., 2000).

Reference to Table 4.3 above confirms that the historical over-concentration of EMB in the retail and catering sectors (McGoldrick and Reeve, 1989; Rafiq, 1985) continues into the present.

There is also a prevailing under-representation in sectors like manufacturing and the higher order service branches. Indeed the salient feature of this table is the sheer dissimilarity between the sectoral patterns of EMB and the

### Table 4.3 East Midlands Self-Employed by Broad Sector (per cent)

<table>
<thead>
<tr>
<th>Sector</th>
<th>White British</th>
<th>All Ethnic Minorities (Exc. Irish)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5.4</td>
<td>0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.7</td>
<td>8.3</td>
</tr>
<tr>
<td>Construction</td>
<td>23.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Distribution, hotels, restaurants</td>
<td>19.8</td>
<td>51.2</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>6.2</td>
<td>14.3</td>
</tr>
<tr>
<td>Banking, finance, insurance</td>
<td>16.7</td>
<td>10.7</td>
</tr>
<tr>
<td>Public admin, education, health</td>
<td>9.7</td>
<td>9.5</td>
</tr>
<tr>
<td>Other</td>
<td>9.5</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey, 2004
rest of the entrepreneurial population, with
the former still leaning towards the easier-
to-enter and least rewarded areas – in effect
the least popular options. In the remainder
of this chapter, we shall examine the three
sectors of low-order retailing, catering and
clothing, which have absorbed the great
bulk of ethnic entrepreneurial growth over
the past two decades or so. Each of these is
plagued by intense competition, vast corporate
retailers in the first case, a surfeit of co-ethnic
restaurateurs in the second and low cost
overseas manufacturers in the third.

Corner Shop Retailing in the
Local Non-Ethnic Market

In noting a growing relocation of Asian
shopkeepers to predominantly white areas,
Ward (1985; 1987) laid much positive emphasis
on post-Fordist social change as a fruitful
source of new business opportunities ideally
suited to immigrant-origin entrepreneurs. In
retailing, the key factor has been changing
consumption patterns consequent on changing
family structures, working patterns and
lifestyles and placing a heavy premium on
open-all-hours convenience, accessibility
and flexibility. It is easy to see the widespread
colonisation of convenience retailing by Asian
and other ethnic minority shopkeepers as the
natural expression of an outsider mentality
untrammelled by thoughts of half-day and
Sunday closing and willing to see opportunities
in places myopically rejected by native-born
traders (Werbner, 1990). This ethos is clearly
vital to survival in such intensely competitive
trades as food retailing and CTN, where
the bulk of Asian – and indeed African and
African-Caribbean – retailers are concentrated.

For all these positive aspects however, the hard
realistic verdict would have to be that small
retailers are “unadaptive strugglers exploiting
family structure” (Barrett and Rainnie, 2001:
415); and that the sole competitive advantage
possessed by ethnic retailers is their sheer
labour-intensiveness – their own willingness
to work long and unsocial hours and their
ability to draw on the often un-waged labour
of family members. Critics argue that far
from a competitive advantage, such labour-
intensiveness is essentially retrograde, resting
on extremely traditionalist family structures
and with competitive survival conditional upon
accepting sub-normal rewards for a grinding
work regime completely inappropriate to a
modern economy (Jones et al., 1994a; 2000). It
is this which makes necessary the stupefyingly
long hours worked by Asian entrepreneurs
in CTN and food retailing as discussed in
Chapter 3.

As well as being exposed to the general
structural disadvantages of low order retailing,
ethnic minority shopkeepers are often further
confronted by the hostility of white customers.
Several Asian and African-Caribbean retailers
told Jones et al. (1994a) that they felt the need
to work extra hard in the face of white resistance
and prejudice. Beyond these purely financial
handicaps, it should not be forgotten that the
white neighbourhood market is also potentially
fraught with abuse and occasional violence.
This point is most tellingly made by Parker
(1994) in his study of Chinese takeaways,
one of the most isolated and exposed forms
of EMB. Chillingly he refers to the position of
young female family members serving behind
the counter as “one of the most vulnerable jobs
in the world” (Parker, 1994: 627).

In the long run however, even this precarious
and dangerous means of livelihood is under
threat, since the family-run corner shop is a
decaying activity, seemingly not far from
the brink of final extinction. From the 1960s
onwards the small retailer has been engaged
in a painfully unequal competitive struggle with
the huge supermarket chains, the top five of
whom had cornered between them no less
than 61 per cent of UK food sales by 2000/01
(Mintel, 2002). By 2005, the market leader
Tesco alone controlled 30.8 per cent of a £76
billion national grocery market (Mathiason,
2006).

As a direct consequence, the number of
independent grocers has fallen calamitously
from 43,396 in 1980 to 18,557 in 1992 (CIR,
1995), with a more recent estimate putting the
cull at almost 2,000 in 2004 alone (Greene,
2005). Alongside this, small independent
CTN retailers “are struggling to maintain the
status quo” (Mintel, 2001: 10) and there were
over 5,400 closures from 1992 to 2000. Here
the familiar process of market penetration
by supermarkets and motorway service
stations is coupled with a 30 per cent real fall
in cigarette-tobacco expenditure from 1995-
2000 (Mintel, 2001). The draconian impact of
market forces has been further magnified by
government deregulation, notably the removal of legal restrictions on Sunday opening by supermarkets (Barrett et al., 2002).

At the time of writing, the monopolistic stranglehold of supermarkets, together with the spread of out of town mega-stores and allegations of aggressive market-poaching and bullying of suppliers, has generated mounting opposition and emerged as a high profile political issue. According to Mathiason (2006: 3), supermarkets are for the first time in Britain encountering significant opposition in the shape of “an alliance of government ministers, MPs across the political spectrum, campaign groups, suppliers.” Whether this will translate into regulatory intervention powerful enough to protect small ethnic retailers remains to be seen. For some writers there is room for optimism even in the face of dire market trends, with Jamal (2004) highlighting the ethnic retailer’s willingness to respond innovatively to customers’ enduring need for accessibility and human contact (Davies and Harries, 1990).

The Paradox of the Ethnic Restaurant

On the face of it, catering embodies everything that a post-industrial ethnic niche market ought to be. Over the past two decades or so in the UK, demand for restaurant and takeaway meals has expanded at a giddy tempo in line with rising affluence and lifestyle changes (Ball, 1999). As part of a quest for what Warde et al. (1999) call “social distinctiveness”, the demand for exotic cuisine has expanded even faster still, spawning catering outlets bearing the names of almost every known Asian nation, together with numerous European, Caribbean, Latin-American and African counterparts.

In aggregate terms, the two cuisines of Chinese and Indian have always led the field in Britain. Over the past decade or so, the Indian curry house – Indian being shorthand for caterers from anywhere in the sub-continent, with Bangladeshis actually more common than any other nationality – has established itself as the market leader. By 1998, there were no fewer than 8,300 curry houses nationally, a more than eightfold increase in a quarter of a century (Mintel, 1999). So widely and deeply entrenched is this veritable national institution that “all but the smallest towns have an Indian restaurant ... many dishes can now be considered mainstays of the British palate” (Mintel 1999: 7).

Clearly then, the ethnic caterer, South Asian or otherwise, enjoys an enviably buoyant mainstream market, uninhibited by the usual constraints. Although most takeaway outlets are aimed at predominantly local custom supplemented by passing trade (Parker, 1994), restaurants frequently thrive on a city-wide or even more extensive catchment area. Perhaps the most conspicuous feature of this market relationship is the concentrated cluster of restaurants, which operates as a magnet for night-lifers and diners and finds its classic form in the ubiquitous Chinatown, long-established in metropolitan cities throughout Europe and North America (Chan and Chan, 1997; Watson, 1977). More recently British cities have seen the rise of the curry-house equivalent as in East London’s Brick Lane (Rhodes and Nabi, 1992) or the Birmingham Balti Quarter (Ram et al., 1999; 2000).

Alongside this, the ethnic caterer also enjoys what we might call a monopoly of authenticity, in that only South Asian caterers, for example, can credibly purvey curry cuisine and, unlike their counterparts in other sectors, need fear no competition from non-Asians. Indeed they are in a remarkably strong position to manipulate the tastes of their customers, while simultaneously accommodating the cuisine itself to those tastes (Jamal, 1996; Narayan, 1995).

Paradoxically however, many ethnic caterers are now struggling to make a livelihood in the face of truly fierce competition, a crisis addressed by recent detailed case studies of curry house proprietors in the West Midlands (Ram et al., 1999; 2000). While some of this competition is from external sources like fast food chains and supermarket ready meals (Mintel, 1999), most of it stems from excessive numbers of fellow Asians setting up in the same trade and in effect engendering destructive price wars (Ram et al., 2001; Jones et al., 2006).

Almost by definition, catering is a creative pursuit, where individuals can promote themselves by cultivating their own distinctiveness, the proverbial unique selling point. The most successful firms are those that have distanced themselves from the crowd, either figuratively by the creation of an original
cuisine or up market ambience, or literally by pioneering locations as yet untouched by Asian restaurants. Even so, such strategies tend to be rather too capital-intensive for the majority and it has to be acknowledged that one of the most widespread survival strategies is the drastic cost-cutting measure of evading the NMW and/or using illegal immigrant workers (Ram et al., 2004; Jones et al., 2006).

**Clothing Manufacture and Allied Activities**

As well as spawning a new or expanded range of labour intensive service activities, the post-Fordist era is also associated with vertical disintegration in manufacturing and hence a certain revival of small scale manufacturing. With giant corporations out-sourcing an increasing amount of work from the 1980s onwards, entrepreneurial opportunities have been opened up for ethnic minority manufacturers in certain labour-intensive sectors (Sassen, 1991; 1996). Ideal in this respect is the clothing industry, a low entry threshold activity, where capital can be raised from wholesaler credit and technological demands are modest (Watson et al., 2000; Ram, 1994).

In the UK, clothing manufacture has followed a general West European pattern of rapid decline in the 1960s, as production was out-sourced to low cost producers in newly emergent Third World nations but then came a “renewed labour-intensive production” (Raes, 2000: 24) in the 1980s as part of a new logic of just-in-time delivery. The British revival was mostly engineered by South Asian entrepreneurs (Ram, 1994), though there are also important Greek and Turkish Cypriot contributions, notably in London (Panyiatopolous and Dreef, 2002).

Once again, it must be said that any competitive advantage enjoyed by EMB in this trade takes the rather painful form of minimising labour costs and maximising flexibility through the employment of family and co-ethnic labour on highly informal non-market terms (Mitter, 1986; Phizacklea, 1990; but see Jones et al., 2004 for more nuanced interpretation). Market position is further problematised by the essentially “dependent relationship” (Barrett and Rainnie, 2001) between these small manufacturers and their customers, the large high street retailers with their prodigious buying power.

In the most recent phase, small clothing makers have been plunged into fresh crisis by the mid-1990s liberalisation of global trading and the emergence of a tidal wave of new market invaders – China and post-Soviet Eastern Europe – against whom there seems no defence (Ram et al., 2003b). Though many Asian manufacturers have attempted positive strategies of tapping into new market niches, the general trend has been one of downsizing and/or complete withdrawal from the industry (Jones et al., 2006). Where survivors are hanging on, their continued existence is often dependent on ignoring the NMW and employing illegal labour (Jones et al., 2004).

**Summary**

Emerging from this review of changing EMB market trends is a pervading sense of people running very hard up the down escalator. On the positive side, it is impossible to underline too strongly the extent of sectoral diversification and the strategic ingenuity of ethnic entrepreneurs breaking into new areas of the economy, occasionally at the very leading edge of technological advance. Geographical bounds, too, are being spectacularly stretched with the advance of trans-national enterprise links. Yet the process of breakout has been far from smooth, with several promising areas proving in the event to be destructively competitive. In general, too, it must be acknowledged that too much of EMB is still stuck in declining or otherwise undesirable sectors of the economy where drudgery is the main condition of survival.
CHAPTER 5
FINANCE AND THE ETHNIC MINORITY FIRM

Introduction

In this chapter, the focus is on the financial experiences of ethnic minority entrepreneurs. The process of raising capital is problematic for many small firms, regardless of ethnicity (Storey, 1994). But in the case of ethnic minority firms, the problems appear to be more acute, with financial disadvantage appearing as one of the most distinguishing features of EMBs. A combination of factors, including inner-city locations, highly competitive market sectors, absence of a track record, language difficulties, and discrimination, frequently render ethnic businesses unattractive propositions for high street banks (Jones et al., 1992; 1994a).

Funding the minority firm is a long-running theme. It was identified as a crucial issue during the 1980s by Brooks (1983), Kazuka (1980), Ward and Reeves (1980), Wilson (1983), and Wilson and Stanworth (1986). More recently the question has been examined in a number of studies. They include Curran and Blackburn’s (1993) assessment of African-Caribbean, Bangladeshi and Greek-Cypriot firms; Deakins et al.’s (1994) examination of predominantly Asian entrepreneurs and bank managers; Jones et al.’s (1992) ESRC survey of Asian, African-Caribbean and white businesses (see also Jones et al., 1994b for detailed reportage); Ram and Deakin’s (1995) study of African-Caribbeans in business and Metcalf et al.’s (1996) survey of Asian self-employment. These studies are drawn upon in the course of this chapter but particular emphasis is accorded to Ram et al.’s (2002) study, which is the largest and most recent investigation of ethnic minority businesses and finance.

Access to Finance: Key Themes

Although it is widely recognised that the process of raising finance is difficult for many small firms, previous research has suggested that members of ethnic minority communities face additional barriers compared with other firms, particularly at start-up. For example, based on a study of 403 enterprises (232 EMBs and 171 white-owned firms) some ten years ago, both African-Caribbean and Asian-owned businesses demonstrated a higher propensity to report problems in accessing bank finance at start-up than their white counterparts (39%, 29% and 21% of loan applicants respectively) (Jones et al., 1994b). Other studies have confirmed that applicants from certain ethnic minority communities appear to experience greater problems than others in accessing external finance at start-up (Barrett, 1999; Curran and Blackburn, 1993; Ram and Deakins, 1995).

In their explanation of this apparent bias on the part of these crucial financial gatekeepers, Jones et al. (1994b; see also Jones et al., 1989) point to the unwitting, stereotyping of ethnic minorities as essentially lacking credibility in the serious role of entrepreneur. These authors also note the inherent inaccessibility of the banking environment, perceived as a significant hurdle by new immigrants. Here of course there is much scope for positive improvement as the ethnic composition of the banking personnel increasingly begins to reflect that of the clientele but as Ram et al. (2002) note, there is still far to go, with ethnic minorities still under-represented in vital senior positions. We now focus on the funding problems that some ethnic minority groups continue to experience.

African-Caribbean Exclusion from Bank Credit?

African-Caribbean entrepreneurs have long been identified as a group that experiences particular problems in raising finance. For example, more than two decades ago and reflecting an emerging official concern with encouraging entrepreneurship for disadvantaged immigrant minorities, Ward and Reeves (1980) carried out what was the first systematic survey of the relationship between African-Caribbean entrepreneurs and their banks. One of their most significant findings was a widespread perception of discrimination, with numerous aggrieved respondents claiming to have been rejected for business loans despite in most cases, being able to offer the required security and references. Confirmation of these findings has been repeatedly provided since then, the researchers usually attributing the acute under-representation of African-Caribbeans in self-employment to credit
barriers and a consequent lack of access to capital (Barrett, 1999; Brooks, 1983; Jones et al., 1994a; Wilson and Stanworth, 1986). Given also that a relatively high proportion of African-Caribbean businesses are owned by women, it has also been argued these entrepreneurs may face another level of disadvantage by being negatively stereotyped on the grounds of gender (Barrett, 1999; Alexander Moore, 1991).

As we shall see when we come to discuss Ram et al.’s (2002) major enquiry into EMB funding, the difficulties experienced by African-Caribbean enterprise is a recurring theme, despite the now very long-standing presence of that community in the UK. That such perceptions of financial discrimination continues into the 21st century is confirmed by a very recent London Development Agency (2005) survey, which finds over a quarter of African-Caribbeans experiencing problems with access to business funding as against ten per cent of whites. The Annual Small Business Survey of 2003 (reported in Mascarenhas-Keyes, 2006) adds to this growing body of evidence: When businesses with employees were asked about the obstacles to the success of business, EMBs were almost twice as likely (25%) than non EMBs (14%) to cite obtaining finance as an obstacle. This obstacle was much more significant among Black businesses (58%).

South Asian Informal Self-Financing?

In the very different case of South Asians, the picture is rather less clear-cut. In direct contrast to African-Caribbeans, by the 1980s Asians had already established a reputation as being highly entrepreneurial. They were significantly over-represented in self-employment, with a conspicuous presence in catering and certain consumer services (Jones et al., 1992). Yet this could by no means be attributed to a superior capacity to negotiate bank lending, since there was ample evidence that Asians were little more immune from bank discrimination than African-Caribbeans (Jones et al., 1989). Accordingly, their proliferating business presence came to be explained in terms of their alleged ability to by-pass the pitfalls of the formal financial market; and to tap into readily available alternative sources of funding for their myriad business start-ups (Dahya, 1973; Lyon, 1973; Werbner, 1984; Soar, 1991; see discussion in Jones et al., 1994b).

As with other well documented cases like the Chinese in the USA (Light, 1972), British Asian enterprise was said to be largely financed via the “social capital” (Flap et al., 2000) of family and ethnic community, with start-up capital raised from personal savings and informal loans from family and friends. By informal, we mean non-market transactions based on personal trust and it is precisely these networks of mutual trust founded on ethnic loyalty which are seen as the principal Asian entrepreneurial strength (Werbner, 1990). Further reinforcement is lent by the persistence within the Asian communities of strong extended family networks (Sanders and Nee, 1996) which typically form the building blocks of business. Similar arguments have also been advanced on behalf of Chinese entrepreneurs in Britain (Song, 1999), though these have attracted much less academic attention until recently. By the same token, it is the alleged absence of family and community institutions among African-Caribbeans that largely accounts for that community’s entrepreneurial under-achievement (Soar, 1991).

Once again, there is a need to put this ethnic exceptionalism into some kind of context by reference to mainstream sources. Certainly ready access to informal funding can constitute an absolutely decisive advantage given the congenital shortage of funding available to small operators. For entrepreneurs of all ethnicities, under-capitalisation is the most frequently cited cause of business failure, with a shortage of working capital often compounded by late payments and bad debts (Storey, 1994; see also Scase and Goffee, 1982 on the tenuous position of under-capitalised small business).

For students of EMB, the crucial question here is whether certain ethnic minorities like UK Asians enjoy superior access to informal social capital by virtue of their especially dense social networks (Flap et al., 2000). Despite widespread support for this temptingly plausible proposition (Basu, 1998; Janjuha-Jivraj, 2003; Soar, 1991; Werbner, 1990), concrete research is not altogether conclusive in its favour. For their large sample of South Asians, Metcalf et al. (1996) find that the use of bank loans for start-up is just as frequent as tapping into family and community. Even more revealingly, when Asian entrepreneurs
are studied alongside their counterparts from other groups, their reliance on informal sources is revealed as far from extraordinary. Tellingly, Jones et al. (1994b) find that business owners from the African-Caribbean and white populations are also highly geared to informal funding. This is in line with other findings from ethnically non-specific studies such as the Natwest survey (Jennings, 1991), where 60 per cent of all start-ups are shown to be funded mainly by personal savings and loans from family and friends. Apart from matters of trust and personal relationships, informal funding is an obvious means of avoiding what Marckus (1991) calls “penal” interest rates, a powerful motive which helps to explain why informality is common to all small independent business people irrespective of ethnicity (Jones et al., 1992; Storey, 1994). Once again, reference to the recent literature on social capital will demonstrate the universality of informality (Barbieri, 2003; Spence et al., 2004).

Despite the truth of this, it is also the case that the role of informal capital formation varies significantly according to scale and complexity. Harking back to the theme of break-out discussed in the previous chapter, elementary logic suggests that diversification into higher value-added market sectors and all other forms of qualitative up-grading require increasing capital-intensiveness, making financial demands beyond the capacity of informal sources to supply. In Basu’s (1998) sample of South Asian businesses, adequate capitalisation was one of the distinguishing attributes of her successful fast-growth firms, many of whom were deploying development capital on a scale usually obtainable only through the commercial credit system. According to Janjuha-Jivraj (2003; 2005), Asian entrepreneurial expansion continues to be funded through a mixture of commercial and informal co-ethnic sources but it must be assumed that the balance tips progressively towards the former with rising levels of sophistication.

The BBA Study

In effect the banking industry itself brought matters to a head with the publication of its own report into EMB financing (Bank of England, 1999). Whilst noting the findings of earlier studies, the Bank of England report emphasised their limitations with respect to small sample sizes as well as to the possible changes that may have occurred since the recession of the early 1990s when there was general dissatisfaction with the financing arrangements offered to small firms by banks in particular. The Bank of England report drew a number of conclusions on the basis of previous studies. First, financing problems facing ethnic minority firms are similar to those facing the wider small business population, although some studies suggest that they encounter them in a more acute form. Second, little comparative evidence exists on the extent to which the constraints on ethnic minority businesses have changed since the last recession. Third, a number of largely business-related reasons explain the difficulties that many ethnic minority businesses experience in raising finance. Finally, despite the absence of concrete evidence of discrimination, some ethnic minority businesses perceive that they are treated adversely. A recurrent theme in the Bank of England report was the need for further research into the nature of the relationship between banks and EMBs in order to systematically investigate some of the themes emerging from previous studies (Bank of England, 1999).

In response came Ram et al.’s (2002) study – the largest and most comprehensive in the UK to date, commissioned by the British Bankers Association – and concerned with financing and business support issues and EMBs. It is a two-year study, commencing in January 2000 and completed in July 2002. The key underlying research question is whether EMBs have similar or different experiences with respect to accessing finance and business support compared with similar white owned businesses and what is the nature of their experiences.

Data Sources and Methodology

The methodology employed in the study as a whole comprised a number of elements:

- Two large-scale telephone surveys of EMB owners, together with a control group of white owned firms. The initial baseline survey was undertaken in July/August 2000 and repeated in July/August 2001.
Case studies of growth-oriented EMBs operating in mainly non-traditional market niches

In-depth interviews with bankers, concerned with processing loan applications from EMBs

Aggregate analysis of lending data supplied by the banks

Interviews with alternative funders

Interviews with business support providers, who deal with EMB clients

**Convergence between Ethnic Minority and White-Owned businesses**

Existing research points to many similarities between ethnic minority and white-owned businesses in respect of finance. Evidence from the different elements of the current study supports this view in some significant respects. The two baseline surveys suggest that as a group, EMBs are not disadvantaged in terms of start-up capital from banks and other formal sources, compared with a matched sample of white-owned businesses. This applies to their propensity to raise some finance, as well as to the typical percentage of total start-up capital raised.

As Table 5.1 shows, as a group, EMBs do not appear to have been disadvantaged in accessing start-up finance compared with white-owned firms, either from all formal sources, or specifically from banks. At the same time, there was significant variation between ethnic minority groups ranging from the Chinese at one extreme, to ACBs at the other, with Bangladeshi and Pakistani owned firms also below average in this respect. Detailed analysis shows that among firms that were successful in accessing external finance from formal sources, this typically accounted for about half of total start-up capital, with little difference between either white-owned firms or EMBs, or between EMB groups themselves. In fact, the median percentage of total start-up finance raised from formal sources by these firms was 50% in all EMB groups and also in the white control group.

The case study findings similarly highlight important areas of commonality, notably the bypassing of bank finance and reliance on informal sources of funding, although EMBs have a higher propensity to use such sources than their white counterparts. It is quite

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**Table 5.1 External finance from formal sources at start-up (i.e. finance other than from own savings, family & friends)**

<table>
<thead>
<tr>
<th></th>
<th>Firms obtaining external finance</th>
<th>Firms obtaining bank finance</th>
<th>No. of Respondents</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>% N</td>
<td>No.</td>
</tr>
<tr>
<td>ACB</td>
<td>55</td>
<td>31%</td>
<td>38</td>
</tr>
<tr>
<td>Pakistani</td>
<td>57</td>
<td>35%</td>
<td>55</td>
</tr>
<tr>
<td>Indian</td>
<td>74</td>
<td>41%</td>
<td>67</td>
</tr>
<tr>
<td>Bangladeshi</td>
<td>44</td>
<td>34%</td>
<td>43</td>
</tr>
<tr>
<td>Chinese</td>
<td>84</td>
<td>51%</td>
<td>81</td>
</tr>
<tr>
<td>All EMBs</td>
<td>314</td>
<td>39%</td>
<td>284</td>
</tr>
<tr>
<td>White-owned</td>
<td>93</td>
<td>39%</td>
<td>82</td>
</tr>
<tr>
<td>ALL FIRMS</td>
<td>407</td>
<td>39%</td>
<td>366</td>
</tr>
</tbody>
</table>

Source: 2000 survey
possible that a reluctance to utilise bank credit is a universal small business trait rather than something peculiar to ethnic minority firms. On this point, several sources note that the cost, risk and administrative headaches attached to high street bank borrowing constitute a perennial obstacle for all small owners and the desire to avoid this is widespread. Moreover, their previous experience in dealing with banks, together with the effect of word of mouth and adverse media publicity, can undoubtedly deter some owner-managers from approaching a bank (Smallbone et al., 1997). As evidence of these shared attitudes to formal credit, there was also a marked reluctance on the part of our white respondents to utilise bank borrowing. Perhaps the most graphic illustration of this was a security firm whose impressive growth would suggest an acute appetite for capital but whose start-up and subsequent expansion have both occurred without any external finance whatsoever. As the respondent explained, “I don’t trust banks, anyway they’re too expensive.” The other two white respondents – pub landlord and business consultancy – expressed similar sentiments.

Supply-side evidence drawn from interviews with bank managers also suggests significant convergence. The level of decision-making in banks – local or centralised; the advent of credit-scoring; levels of security, were not considered to have distinctive effects when applied to EMBs. Moreover, there was no evidence from the practice of bank managers that either sector or dependence on co-ethnic markets explained differences between EMB groups in their experiences in accessing formal bank finance.

Underfunding: A Continuing Constraint

Although statistically, EMBs may not appear disadvantaged in comparison with similar white-owned firms, the case study evidence shows that a lack of access to external sources of finance continues to create problems, even for EMBs that are growing and attempting to diversify away from low order activities (see Ram et al., 2003a for further discussion). This is an important issue because of the need for EMBs to diversify into higher value added activities. The fact that the great majority of the owners of case study firms are well-qualified, entrepreneurial high achievers, serves to underline the point, since so often success has been attained without any significant input from the banking system. This reinforces earlier research (Jones et al., 1992) that under-funding remains one of the most intractable problems facing ethnic minority small business owners.

Inter-Group Diversity: South Asian Informality, African-Caribbean Disadvantage

Although many similarities between ethnic minority and white-owned businesses were evident, the survey evidence in particular clearly demonstrates the diversity of experience that exists between ethnic minority groups with respect to raising external finance. For example, whilst Chinese owned businesses demonstrated a significantly higher propensity than white owned firms to access start-up finance from formal sources such as banks, the proportion of ACBs to do so was below that of the white control group and significantly below with respect to bank finance solely. In line with previous research, reliance on informal sources of finance was found to be a particular feature of South Asian-owned businesses.

Much more so than existing studies, the findings provide a stark picture of the extent of African-Caribbean disadvantage in respect of finance. In terms of start-up finance, ACBs appear to have less success in accessing bank loans than either their white or other ethnic minority counterparts, a higher propensity to turn to non-bank formal sources of start-up finance (including various sources of last resort lending) and a below average propensity to access informal sources of start-up capital (at least in comparison with other ethnic minority groups). As a consequence, ACBs showed the highest propensity to rely entirely on self-financing at start-up of any of the ethnic minority groups, although lower than white-owned businesses. Once established, ACBs also experienced lower success rates in accessing external finance compared with other established firms and a much higher propensity to report future financial needs than other EMBs or white control firms.

Some supply-side evidence also indicated that African-Caribbeans were at a particular disadvantage. Equity and gearing requirements were found to affect different EMB owners in different ways. It was suggested that Asian owners did not have the same difficulties as
African-Caribbeans in meeting such bank requirements. The view was that Asian EMB owners could effectively borrow funds from their community to meet bank equity requirements, whereas African-Caribbean owners were often deemed to lack this facility to the same extent.

Although there was no evidence that these requirements would be different from white-owned businesses, bankers recognised that EMB owners may have problems meeting equity requirements and were willing to treat capital borrowed from family members as equity. In some bank managers’ views it was possible for Asian EMB owners to meet equity requirements because of their informal sources of equity finance. For example, one bank manager with over 9 years experience of dealing with EMBs, and with over 55% of his customers as EMBs, provided the following discussion of how he treated applications from EMBs. While stressing that all applications were treated the same, he commented:

There are 2 key areas, however, were we do take a slightly different view of EMBs – the first one is experience because there’s a very wide family involvement. For example, in the retail sector that I do a lot of; they might well be setting one of the younger family members up in their first shop and therefore there’s no point in me ruling it out on the grounds that they’ve not had any business experience before ...

And secondly, as regards their stake – the reality with the Asian community is that money will be provided by the family – we don’t treat it as such because we know the culture, we know it is not debt, and if you did it that way you would be declining every proposition.

With bank managers that had Black African-Caribbean and Asian EMB customers, the view was that this ability to call on an extended network and informal sources within their community was not available to Black African-Caribbean EMBs. For example one bank manager with a mix of business from different EM groups commented:

If you look at say the Asian and the Turkish and Greek communities that we’ve been involved in, there is more opportunity for there to be funds available from family members, either to invest in the business initially, or if problems occur, then money gets lent to them to help them. You know if they’ve got short term problems or whatever, then a family member will usually help them with funds. That very rarely seems to be the case with the Caribbean and African communities.

Explaining Disadvantage

Some of the difficulties that ACBs face can be explained by concentration in particular types of business activity (such as personal services, arts and cultural industries). However, the comparative evidence provided by the baseline surveys demonstrate that sector is not a determining influence. Moreover, both the survey and case study data show that the difficulties that ACBs (and other EMBs) experience in accessing external finance cannot be explained in terms of lower educational or management qualifications. For example, case study EMB respondents were mostly well supplied with human capital and have taken focused, purposeful and carefully thought out decisions on the question of which market segment to enter. More detailed case study evidence shows that in cases where banks have been approached, there continues to be a high incidence of grievance concerning the way they were treated, which many perceived to be related to their ethnicity. Around of a third of the case study respondents believed that they had been unfairly treated. For example, the African owner of a nursing employment agency, who needed a relatively modest £2,000 for start-up, was repeatedly rejected by a series of banks. Consequently start-up was forced to take place in straitened circumstances subsidised by his wife’s outside earnings. Though there were almost guaranteed prospects of an immediate income flow from this business, he was turned down on account of lack of assets to offer as collateral. In his opinion:

I don’t think they were professional enough then to put aside any sentiment that may be at the back of their mind and look at the proposal squarely as a professional, without bias. It would have been helpful if they had looked at my book like you are an
individual, whatever your background, and look at it like they would look at every other proposal. It would have helped because I made sure that I wrote down everything so that they would understand. I made sure I was as realistic as possible. I was telling them this thing is possible. It is real. They said “no it’s not possible”. Now we’re making over a million. They would just look at me say “huh, maybe that’s another fraudster”. It’s so embarrassing. I was so frustrated. It was so bad, so bad. Something needs to be done about it actually because people who have got ideas are there walking around the whole place, collecting dole because they haven’t got any help.

An African-Caribbean graduate sales and training consultant turned to an enterprise agency for funding after being rejected by two banks. She maintained that this “demoralising” experience had been shared by others in the black community,

It was something that was well known within the community that banks were not receptive to black business plans at all … That was something we all knew, but because, I think I went ahead with it because it was the criteria for getting the loan that you had to show that you had gone, so I had to go along.

Whilst the BBA study did not prove conclusively discrimination existed, there was nonetheless clear evidence of disadvantage for ACBs, which could not be satisfactorily explained in terms of other characteristics of the businesses or their owners. Moreover, the general tenor of complaints reported by case study businesses show the continued gap that exists between EMBs beyond the ACB group and suppliers of finance.

**Bank – Ethnic Minority Business Relations: Variation in Practice**

Variation in practice was the key theme to emerge from supply-side interviews with bank managers. This was particularly evident in respect of the critical role of individual bank managers; uneven development of networks amongst key intermediaries in ethnic minority communities and the differential nature of links with external organisations.

Regardless of the particular system of decision-making in place, the role of individual bank managers was crucial in determining relations with EMBs. There was variation in practice by individual bank managers in preparing applications by their EMB clients. Some managers were able to do more business and process more successful applications through their understanding of EMBs, or through additional time spent with EMB applicants; indicating that there should be benefits from sharing experience in how EMB applications are dealt with.

Bank managers were well aware of the importance of intermediaries and word-of-mouth recommendations for getting new business in EM communities. Most managers were keen to develop networks and profile as a result. These networks, however, were largely in Asian communities. Given some of the demand-side results from this study, it may be that African-Caribbean networks are less developed and consequently more difficult to access for bank managers. It was recognised in terms of both policy and practice that the development of manager and bank networks in local EM communities is important for developing trust and relationships and gaining new business.

A further area of divergence between policy and practice was in the relationships with external organisations. Not surprisingly, given the recognition of variable quality across different support agencies, relationships were uneven and were dependent on the perception of quality by different managers. There was variable involvement with other organisations and agencies, such as PYBT/PSYBT and Chambers of Commerce.

**Summary**

Regardless of ethnicity, small entrepreneurs tend to raise capital primarily from self-financing and informal funding. Partly this aversion to the formal credit market reflects a positive preference for minimising transaction costs and red tape. Less happily, however, it also contributes to an endemic problem of under-capitalisation, in which inadequate funding
for start-up, expansion and working capital can undermine efficiency, stifle development and even threaten survival itself. Significantly this pattern is more acute for EMB and the relationship between ethnic minority firms and the banking system constitutes the most problematic and controversial issue in the entire field. In this chapter we have reviewed a weighty and insistent body of evidence that highlight lingering perceptions of unequal treatment. Whatever the cause, perceived financial discrimination remains a barrier to development, especially for African-Caribbeans and Africans. Undoubtedly the most optimistic development since the early 1990s is that the British banking industry has now openly acknowledged that it has problems in its relations with EMB and is taking steps to ensure the requisite equal treatment and ethnic inclusivity.
CHAPTER 6
POLICY AND ETHNIC MINORITY BUSINESSES

Introduction

As part of the seemingly widespread political enthusiasm for encouraging entrepreneurship in the UK, increased attention is being accorded to business support and ethnic minority firms. The Small Business Service (SBS) (the government agency charged with providing business support to small firms in England) has an explicit remit to cater for entrepreneurs from all sections of society. This is an important development given the widely noted reluctance of EMBs to avail themselves of the services of mainstream business support agencies (Blackburn and Odamtten, 2004; Deakins et al., 2003). Policy interest in the nurturing of ethnic minority businesses has been boosted by this twin preoccupation of promoting enterprise and combating social exclusion. Publicly funded initiatives to support EMBs have been a feature of the small firm policy agenda since the Brixton disturbances in the early 1980s. Lord Scarman's report on the implications of this civil unrest identified a key role for the promotion of entrepreneurship as a means of tackling disadvantage and maintaining social harmony in urban areas. Although commitment to this policy objective has waxed and waned, there has nonetheless been a steady stream of initiatives over the last couple of decades (Blackburn and Odamtten, 2004; Deakins et al., 2003). Most major metropolitan areas in the UK now have some form of initiative or agency designated to support EMBs.

The landscape of support for ethnic minority businesses in the UK has been assessed in some detail in a number of recent studies (Blackburn and Odamtten, 2004; Deakins et al., 2003; Ram and Smallbone, 2002; 2003). This chapter will draw on their findings but rather than rehearse details, we focus on three key developments since the Ram and Jones review of 1998: first, the importance of adopting a broader approach to policy matters in outline (consistent with the mixed embeddedness perspective that informs the present review); second, key policy developments are sketched out, drawing on the studies cited above; finally, we present research on the evaluation of initiatives aimed at ethnic minority businesses.

Embedding EMB Policy

Published accounts on the policy context in which EMBs operate have, until recently, been comparatively rare. This is particularly curious since a substantial portion of British research on ethnic business is wholly or partially policy-oriented (Brooks, 1983; CETA, 1987; Creed and Ward, 1987; Jones et al., 1989; McGoldrick and Reeve, 1989; Rafiq, 1985; Ram and Sparrow, 1992; Soni et al., 1987; Ward and Reeves, 1980; Wilson and Stanworth, 1986). In the Dutch case too, the Ministry for Economic Affairs led the funding of research in this field, closely followed by other government departments; according to Rath and Kloosterman “Immigrant entrepreneurship came to be seen as a form of socio-economic self-help that snugly fitted in with the among policy makers prevailing neo-liberal views on ways of incorporation of immigrants.” Waldinger et al.’s (1990a) interactive model – which was particularly influential in the 1990s – did make some reference to political factors but this was only to the extent of recognizing rules and regulations pertaining to immigration. In a trenchant critique of this model, Rath (1999: 11) observes:

The chances open to small immigrant firms are not only determined by the extent to which foreign entrepreneurs are legally permitted to set up business ... but by a mixture of general – that is, not only applicable to foreigners – laws and regulations on education, taxes, labour relations, residency status, job quality, safety, health, the environment and so on. Not only the actual laws and regulations themselves, but also their enforcement and any political conflict on these issues are relevant.

The mixed embeddedness perspective has been important in foregrounding the significance of the institutional context in more recent studies of ethnic minority businesses (Rekers and van Kempen, 2000; Kloosterman and Rath, 2003b; Leung, 2003; Ram and Smallbone, 2003). A central axiom is that political and regulatory processes are wide-
ranging; they extend from state legislation to the provision of financial incentives, which means that they can be both enabling and constraining. Moreover, the effects of the regulatory environment are transmitted via a broad range of state activities, ranging from conscious design, as in the specific targeting of ethnic minorities for enterprise aid, to the knock-on effects of immigration laws, which may have no intended bearing on entrepreneurship but which in practice may limit occupational choice, especially if they render the status of immigrants and their descendants insecure (Barrett et al., 2003). As a result, the institutional environment and wider policy context is a key element in any analysis of immigrant or ethnic business development, incorporated within a mixed embeddedness perspective (Ram and Smallbone, 2003).

Guided by this framework, two sectors have been the subject of particular interest within international studies: catering (Kloostrerman et al., 1999; Leung, 2003; Ram et al., 2000) and clothing (Raes et al., 2001; Ram et al., 2003b). The complex inter-relationships between the institutional context and individual business behaviour are illustrated by Leung’s (2003) study of Chinese restaurant owners in Germany. Leung examines the way in which a variety of policies (i.e. immigrant policies, overseas labour recruitment legislation, control over the establishment of small businesses in general, and the provision (or not) of financial and other forms of business support) interact with socio-economic conditions to shape the development path of Chinese restaurants. A key theme is the adjustment strategies adopted by immigrant-owned firms in response to the regulatory and institutional environment that include non-compliance in some cases and informal rather than mainly formal business strategies. Examples include drawing on ethnic based social networks for mobilising capital, labour and information, as well as modifying their business operations in response to the effects of regulation. Perversely, Leung’s study shows that regulations designed to maintain the authenticity of Chinese restaurants by controlling who can legally work as chefs in these establishments, has encouraged some restaurateurs to move into fast food, where turnover is rapidly generated and the skills requirements of staff are minimal. As Leung observes:

Having to survive high levels of market challenges, multiple layers of policy controls and lack of state assistance, Chinese restaurateurs are active and creative in circumventing market and policy constraints, creating new products and business tactics, charting new business terrain (2003: 116).

The prominence of ethnic minority entrepreneurs and labour in the garment trade is a common feature of many of the world’s major metropolitan areas. Latinos in Los Angeles (Bonacich and Appelbaum, 2000), Turks in Amsterdam (Raes et al., 2002) and Asians in the UK West Midlands clothing industry (Phizacklea, 1990) are well-documented examples of this phenomenon. Although the specific conditions of each ethnic group and region vary, there are a number of more general processes at play. First, intense global competition from newly industrialising countries and more recently, central Europe, is exacerbating an already harshly competitive market environment (Raes, et al., 2002). Second, ethnic minority garment manufacturers have often resorted to informal working practices as a means of survival. For instance, Turks operating in Amstersdam’s clothing industry survived by evading regulations, hiring illegal immigrants, and cutting corners in all kinds of ways (Raes et al., 2002). Finally, regulatory developments – for example, tougher enforcement in Amsterdam and a raft of employment regulations in the UK – appear to limit the scope of clothing firms to continue to operate in such circumstances.

The Dutch response to these developments in the clothing sector is categorised by Ram et al. (2001) as “cracking down”. Between 1980 and 1987, the Dutch clothing industry emerged from a period of decline; the role of Turkish immigrants based in Amsterdam was important. Significantly, government agencies turned a blind eye towards illegal practices in the sector and a protectionist trade policy restricted competition from imports. This propitious trend for immigrant entrepreneurs was aided by favourable market conditions and they reached a peak of 1,000 sewing shops in 1992. However, between 1993 and 1997, the sector collapsed dramatically; only 50 contractors remained in 1997. Liberalisation of trade and a sharp downturn in demand were contributing factors. But equally, stricter enforcement of
rules and regulations regarding immigrant work made the main asset of immigrant entrepreneurs – the recruitment of cheap and flexible immigrant labour through their own social network – obsolete. As a consequence, immigrant contractors disappeared again from the streets of Amsterdam (Raes et al., 2002).

A coherent UK strategy is not readily discernible, but Ram et al. (2003b) highlight the example of the Coventry Clothing Centre, which they maintain has the potential for a constructive response to the pressures of the West Midlands clothing sector. The Coventry Clothing Resource Centre is an example of a major initiative aimed at regenerating a local manufacturing sector. It established a range of services that were well received by businesses and emphasised the importance of progressive working practices. It promoted networks within the sector and gained the trust of businesses that have traditionally worked in a very insular environment. Although not its main aim, the centre created an environment in which regulation of work organisation and employment became an important matter in the modernisation agenda. In effect it helped some of the companies to use their strengths of flexibility to look for other niche elements within the market but in a much more positive way.

Policy Developments

The growing awareness of the context in which ethnic minority business operates has been accompanied by considerable interest the development of more effective business support policies (Deakins et al., 2003; Ram and Smallbone, 2002; 2003). This reflects a variety of factors including: the tendency of ethnic minority firms to use business services to a lesser extent than the general small business population (Deakins et al., 2003); the Small Business Service’s remit to cater for all businesses (Ram and Smallbone, 2003) and the promotion of enterprise as a means of tackling disadvantage in deprived areas (Blackburn and Ram, 2006). The creation of an advisory body in 2001, the Ethnic Minority Business Forum, within the Department of Trade & Industry has also kept the issues to the fore of the agenda on small business policy. This has been reinforced by the creation of similar bodies at a regional level. Finally, the advent of the Race Relations Amendment has provided an additional legislative stimulus. The act gives public authorities, including the Small Business Service, a statutory duty to promote race equality. The general duty expects public authorities to take the lead in promoting equality of opportunity and good race relations (www.cre.gov.uk).

Mascarenhas-Keyes (2006) reports on four recent Government initiatives that aim to regenerate deprived areas; in so doing, they are intended to benefit EMBs. First, a number of ‘Enterprise Areas’ have been established in order to focus and co-ordinate measures targeted on or likely to help businesses in deprived areas. Second, ‘City Growth’ initiatives use private sector leadership as a catalyst for growth and change within designated areas, most with high ethnic minority populations. Third, the Government is committed to introducing a business premises renovation allowance scheme, which will assist in bringing empty business properties in disadvantaged areas back into use. The aim here is to assist ethnic minorities and other people living in disadvantaged areas to overcome the problem of finding suitable business premises. Finally, the Local Enterprise Growth Initiative (LEGI), which commenced this year, aims to stimulate economic activity and productivity through enterprise impact on ethnic minorities will form a key part of its evaluation. It is too early to assess the significance of these very recent initiatives; but some of the implications that flow the policy developments noted earlier are now reviewed.

An Emphasis Upon Engagement

Developing active approaches to engage with ethnic minority communities in business is a clear outcome of the developments noted above. Considerable attention is now being accorded to developing relationships with ethnic minorities that may have been under-represented among Business Link clients in the past. Recent reviews (Deakins et al., 2003; Ram and Smallbone, 2003) of UK business support initiatives aimed at EMBs indicates that there has been a flurry of activity in recent years. Deakins et al. (2003) investigated business support provision for EMBs in five cities: Birmingham, Leicester, London, Glasgow and Edinburgh. Although the authors identified a number of areas for concern, they nonetheless concluded that “The restructuring of the business support
system ... appears to be associated with a new commitment to the inclusion of all groups of entrepreneurs, including those from ethnic minorities” (Deakins et al., 2003: 856).

The following have been identified as important elements in an engagement strategy (Ram and Smallbone, 2002):

- representation for EMBs across the SBS structures
- an outreach strategy to engage EMBs
- promotional approaches through media, focusing on those that are the most widely used by the ethnic minority communities, and,
- transparent monitoring and annual reporting of performance of individual SBS franchisees with respect to EMB targets

**Developing an Integrated System of Business Support**

A perennial challenge for policy-makers is the relationship between initiatives for EMBs and the mainstream business support system. This involves managing the difficult balancing act of being sensitive to the particular problems of EMBs, whilst also recognising such firms as part of the general small business population. To this end, Ram and Smallbone (2002) argue that the task for policy makers is to redefine the mainstream market for business support around the principle of diversity, recognising that in areas like London, the North West, and the Midlands, EMBs are a significant part of the mainstream.

**Improving Data Capture**

A lack of reliable information on EMBs is a common problem in many areas in the United Kingdom (Ram et al., 2002). For example, in the East Midlands, a recent Observatory report on EMBs concluded: “At present, business support agencies, researchers and policy makers are limited to data from the 1991 census or piecemeal data collected by a variety of organisations, for a variety of purposes, using a range of methodologies and across differing time periods.” (Small Business And Enterprise Research Group, 2002). Deakins et al.’s (2003) five-city study of EMB support noted some improvement in data collection, but observed that:

... there is still a widespread lack of robust intelligence on the characteristics and needs of EMBs in most agency databases, which is a prerequisite for the development of support policies tuned to the specific needs of EMBs.

**Promoting Sectoral Diversity**

Despite the increasing involvement of ethnic minorities in a variety of business activities, concentration in particular sectors is still a feature of their contemporary profile (Ram et al., 2002). The clustering of EMB activity has prompted interest in sectoral initiatives (see Ram and Smallbone, 2003 for review). But there are various signs that the EMB economy may now be diversifying in the desired directions. Recent research suggests that a new generation of highly educated British-born operators is using their human capital resources to establish themselves in some of the key sectors of the ‘New Economy’ (Ram et al., 2003a): computer software development, IT consultancy, business consultancy, financial services, health care and leisure services. For the most part, these business owners are positively motivated “fast-trackers”, geared to growth rather than brute survival (Ram et al., 2003a). While there is a clear need for robust data to monitor these trends, these studies could be suggestive of a move from quantitative expansion to qualitative development, a switch that may well benefit further from the encouragement of policy makers and support providers.

At a policy level, a number of recent developments have prompted further interest in the potential for contributing to the diversification of the EMB base through supplier diversity. First, a recent Cabinet Office report by the Performance and Innovation Unit suggests that public procurement is a neglected policy instrument, “... though public procurement has been used as a major lever overseas to improve the position of ethnic minority businesses, emphasis on this policy lever [in the UK] is less developed” (PIU, 2002: 167). Second, ‘The Better Regulation Task Force’ (Recently renamed ‘The Better Regulation Commission’) has also urged the

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government to promote equality practices among contractors and suppliers to the public sector (cited in PIU, 2002: 167). On the basis of its recommendations, two pilot initiatives to promote small business engagement with procurers in the public sector were located in Haringey and the West Midlands (two areas with a significant ethnic minority presence). There is also evidence that in some local authorities, adherence to the principle of supplier diversity is recognised as evidence of good practice. (Ram and Smallbone, 2002). Finally, the private sector is also showing signs of participating in initiatives that aim to increase their exposure to suppliers from the ethnic minority business community (Theodorakopolous et al., 2005; Ram et al., 2005).

Ram and Smallbone (2003) provide a snapshot of current approaches to supplier diversity in the UK. They examined a variety of supplier diversity initiatives involving both public and private organisations. These ranged from predominantly purchaser driven initiatives, which can be highly EMB targeted and proactive, to ones which are weakly focused on EMBs and are more equal opportunities driven. The other main type of supply diversity initiative was intermediary business-to-business supplier based initiatives. These were brokerage initiatives, undertaken by third parties, which attempted to assist potential EMB suppliers in the procurement process. Most were at a very early stage of development. Given the embryonic nature of these initiatives, their actual impact was difficult to establish. Moreover, it has to be remembered that such initiatives operate within legislative constraints which militate against the kind of spectacular successes that are sometimes reported in the USA (see, for example, Boston, 1999: Bates, 2001). Nonetheless, Ram and Smallbone conclude that there is still scope to engage EMBs in public and private sector supply chains and that intermediary initiatives involving the private sector have a potentially important role to play.

What Works?

Although there has been considerable activity in the field of ethnic minority business support, there is still a dearth of knowledge on what constitutes good practice, a lack of systematic dissemination of key developments, and very little independent evaluation. Ram and Smallbone’s (2003) review of a range of initiatives targeted at EMBs that in one respect or another constituted good practice, addresses some of these issues: but the authors readily concede that more work needs to be undertaken on the content and impact of such initiatives. Calls for evaluation were repeated by Deakins et al., (2003) and Ram and Smallbone (2003). Such calls are important but a number of caveats need to be entered in respect of the efficacy of evaluation. These include: the imprecise nature of policy objectives, which militate against firm conclusions on their attainment; the interpretation of empirical evidence will often depend on the evaluator’s assumptions and perceptions of the situation, and attempts to quantify may distort the true nature of policy interventions (Turok, 1991). Deakins et al.’s (2003) review of agencies with a remit to support ethnic minority business is instructive. Echoing the findings of Ram (1998), Deakins et al., found “... considerable variation ... in the reported objectives of the different agencies with respect to ethnic minority enterprise” (2003: 850). Conflicting objectives were reported, although they were not always seen as important. Notwithstanding these caveats, evaluation is nonetheless an important tool for identifying good or appropriate practice and it can serve an important function in promoting policy learning (Sanderson, 2002: 13). To this end, we briefly review three initiatives to support ethnic minority businesses that are informed by this approach to evaluation.

Reaching out to Ethnic Minority Businesses

A recurring theme in the policy-oriented literature on ethnic minority businesses is the tendency to utilise public sector business support to a lesser degree than the wider small business population (Deakins et al., 2003). The reasons for this apparent gap include: a lack of awareness of business support initiatives; a perceived lack of relevance of business support products; language barriers; an absence of trust between ethnic minority businesses and providers and cultural differences. Blackburn and Odamten’s study of four community-based organisations with a remit to support ethnic minority businesses is instructive in the light of this context. It contains a number of interesting features. First, a variety of methods were used to assess the effectiveness of the intermediary
organisations, including structured interviews and more open-ended discussions with key personnel. Second, the organisations represented communities and constituencies that rarely feature within extant studies of ethnic minority entrepreneurship: Turks and Kurds; Greek-Cypriot women; Muslims; and Iranians. Finally, the outcome of this form of business support was a central concern of the study. The findings highlight: the critical role of individual business advisers to the take-up and utility of business support; the importance of providing training and mentoring packages for business advisers; the need for long-term funding for organisation stability and the retention of business advisers and the link between community-based support and broader agendas of economic inclusion.

ICT and Ethnic Minority Businesses

Beckinsale and Ram (2006) have recently evaluated a year-long DTI-supported pilot initiative that aimed to stimulate the adoption of ICT amongst EMBs in the North West region of the United Kingdom. The initiative was prompted by evidence suggesting that EMBs are less likely to use ICT than other small firms (Foley and Ram, 2002; Allinson et al., 2004). It was located in Manchester’s Chintatown and Rusholme (which is dominated by Pakistani restaurateurs and retailers). Three objectives were central to Beckinsale and Ram’s study: the application and adaptation of existing models of ICT adoption; examining the distinctiveness of delivery issues with respect to EMBs and a systematic application of an action research approach to policy evaluation.

In terms of the first objective, it was clear that extant models on ICT adoption, notably DTI adoption ladder and Papazafeiropoulou et al.’s (2002) “selection matrix”, were too generalist and had to be modified to meet the particular needs of Chinese and Pakistani-owned firms operating in the catering and retail sectors. Moreover, these tools had to be supplemented by culturally appropriate outreach activities (for example, the appointment of outreach workers with the trust of the local communities). In terms of the second objective, the championing of exemplar firms that were embedded in the community was a key feature of the initiative. This was an important spur to the involvement of locally based EMBs, the majority of which had not utilised formal sources of business support. The target of engaging 20 EMBs was met; moreover, many of these firms went on to access other forms of business support. In terms of the third objective, the study casts light on the application of an action research approach to policy evaluation in an SME (and EMB) context. It demonstrates how implementation can be improved by working closely with participants, and illuminates “…the nature of effects and impacts of policies and about how these effects are produced in the circumstances in which they are implemented” (Sanderson, 2002: 14).

Supplier Diversity and Ethnic Minority Businesses

As noted above, the potential role that supplier diversity initiatives in the public and private sector can play in promoting the break-out of ethnic minority businesses is attracting interest from policy-makers. (See Ram and Smallbone, 2002 for review of policy developments in respect of supplier diversity). Despite little UK (or European) research on engaging the corporate sector in supplier diversity initiatives, there has been much speculation about the value of emulating US practice in this sphere. Some (for example, Migration Policy Group, 2002) see the role of a US-intermediary organization like the National Minority Supplier Diversity Council (NMSDC) as a useful model. Ram et al. (2005) deploy an action research approach to evaluate the implementation of such an initiative. The initiative, entitled ‘Supplier Development East Midlands’ (SDEM) drew on features of the corporate-led NMSDC. But in transferring the programme to the UK through the vehicle of SDEM, it was clear that the potency of triggers such as law and demography – which facilitated the development of the NMSDC – were much diminished. Different sources of legitimacy had to be drawn upon, including the relationship with the NMSDC, SDEM’s academic status and growing awareness in policy and practitioner circles of the potential role of supplier diversity in promoting ethnic minority business development. After the completion of SDEM’s first year, in 2005, the results were encouraging. Corporate membership had more than doubled; contracts had been exchanged, which in terms of value, were in excess of five times the cost of the initiative and there had been instances of EMBs combining to bid for corporate sector
contracts.

Summary

Theoretical advances in the field of ethnic minority entrepreneurship have led to a broader and richer debate on what actually constitutes policy. The mixed embeddedness perspective has drawn attention to the interplay of political and regulatory processes and the manner in which they impinge upon the development of ethnic minority businesses. Such considerations facilitate a more integrated approach to ethnic minority businesses, which pays due regard to the nature of the institutional context as well the dynamics of social relations in particular community groups.

The flurry of initiatives aimed at ethnic minority businesses illustrate, in the UK at least, a renewed interest in the potential of entrepreneurship to tackle persistent problems of economic disadvantage. Blackburn and Ram (2006) caution against the excessive claims of some of the proponents of self-employment and as a means of upward mobility. Nonetheless, it is clear that ethnic minorities now do figure in the activities in many business support agencies across the UK. However, the evidence on the effectiveness of such initiatives is still scarce and it is clear that the literature on evaluating this area of work needs to be developed further.
CHAPTER 7

CONCLUSION

Since our 1998 monograph documenting the state of knowledge on ethnic minority businesses, there have been a number of important developments which have fundamentally altered our outlook on this increasingly significant segment of the small business population. These developments include the publication of the results of the 2001 census, which have highlighted areas of continuity as well as significant change. Rath and colleagues (Rath, 2000) have undertaken a major European-wide initiative to promote a critical re-appraisal of theoretical approaches to ethnic minority entrepreneurship. This has resulted in the emergence of the mixed embeddedness perspective, which has been helpful in explaining the arguments presented in this monograph. Another international effort, the Global Entrepreneurship Monitor (GEM), has yielded some occasionally surprising findings on ethnic minority entrepreneurs. There have been several sector specific studies of ethnic minority entrepreneurs involved in catering (Ram et al., 2001), clothing (Rath, 2002), care homes (Edwards et al., 2004) and the creative industries (Smallbone et al., 2005). Growing interest from policy-makers is confirmed by the largest ever study of ethnic minority businesses, commissioned by the British Bankers’ Association (Ram et al., 2002). Further, the Department of Trade and Industry has sponsored projects on different aspects of ethnic minority enterprise, including policy, supplier diversity and ICT.

In this monograph, we have attempted to scrutinise the growing literature on ethnic minority enterprise with a view to assessing some of the key debates which have dominated this subject. The processes that underpin small business formation have been shown to extend beyond pure culturalist arguments that, for instance, depict South Asians as natural entrepreneurs and African-Caribbeans as uninterested in entrepreneurial activities. The influence of the socio-economic context, or opportunity structure, continues to affect the life-chances of Britain’s ethnic minorities, and its impact on the decision to enter self-employment cannot be ignored. A mixed embeddedness perspective is helpful in illuminating the interaction between the broader economic context of ethnic minority entrepreneurship and so-called ‘ethnic resources’. The resources that ethnic minority entrepreneurs draw upon, notably the family, are best seen in this light. The intensive utilisation of family ties is clearly an important source of competitive advantage, but it is not necessarily the preserve of particular ethnic groups, and the veneer of the family firm can often conceal unequal gender relations. Here we note again that cultural stereotypes are remarkably persistent both at the academic and media levels, with a recent Sunday Times article continuing to hail immigrants as among the most enterprising people in Britain. Needless to say, South Asians and their inordinately strong family support are singled out for special mention (Drillsma-Milgrom, 2006).

Whatever the merits of this argument, ethnic social capital is not the end of the story and greater attention needs to be paid to the acquisition of human capital resources, in particular educational qualifications, shown in Chapter 2 to be an extremely potent weapon in the armoury of any growth-seeking entrepreneur. Tellingly, the importance of human capital has been explicitly recognised by a recent Home Office Report on the need to select future immigrants on the basis of their skills, qualifications and English language fluency (Kempton, 2002). While this might raise hackles because of its obvious brain-drain effect on countries of origin, the example of countries like Canada suggests it to be highly conducive both to entrepreneurship itself and to harmonious community relations (Hiebert 2003).

Investigation of labour practices inside the ethnic small business further exposes the fragility of popular stereotypes. It is undoubtedly the case that in terms of hours worked, entrepreneurial rewards and commitment to the business, ethnic minorities (African-Caribbeans as well as the more commonly noted South Asians) are remarkably industrious. But it is equally evident that such practices are characteristic of the harshly competitive economic sectors that such minority groups trade in rather than a culturally specific work ethic. Moreover when the capacity of family labour to constrain business development and the often unequal nature of gender relations is highlighted, the image of the cosy, consensus oriented ethnic
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minority firm becomes even more illusory. This is not to deny the importance of particular ethnic resources, which can often serve as an important source of competitiveness. Rather, it serves to reinforce the importance of the context in which such firms operate. Whilst the issue of employment relations in small firms per se has attracted greater attention in recent years, working practices in ethnic minority firms have been largely neglected. Much of the literature on ethnic minority businesses wrestles with the comparative merits of cultural and structural explanations of the phenomenon. Again the approach of mixed embeddedness is helpful insofar it aims to explain the trajectory of ethnic minority businesses by examining the influence of sectoral, spatial, demographic environments; ethnic ties are acknowledged, but their significance needs to be seen in the light of these broader processes. Recent studies of employment relations in ethnic minority businesses have worked with grain of this approach (Edwards and Ram, 2006; Ram et al., 2001).

The decisive influence that the market exerts on the dynamics of ethnic minority entrepreneurship has been a particular feature of recent studies. Emerging from this review of changing EMB market trends is a pronounced theme of minority entrepreneurs struggling to withstand profound change to staple niches like clothing, catering and retailing. On the positive side, there have been instances of sectoral diversification. Some ethnic minority entrepreneurs have clearly established a presence in new areas of the economy, characterised more by technological sophistication than the traditional refuge of labour intensification. The spatial reach of ethnic minority enterprise has also expanded dramatically, with the phenomenon of transnational entrepreneurship being much remarked in the US and increasingly noted in the UK. Yet the process of breakout can also be problematic; ostensibly high value market niches like pharmacy and information technology have also been subject to ferocious competition, thereby offering little respite for new entrants. It must also be noted that many ethnic minority firms are still located in sectors characterised by decline and extreme competition and manage to survive by individual sacrifice and the exploitation of familial and co-ethnic labour.

Recent advances in understanding the context of EMBs have been complemented by a series of studies on the policy environment, notably featuring the banks and formal sources of businesses support. The large-scale British Bankers’ Association study has further highlighted the varying financial experiences of different ethnic minority groups in business and has provided further evidence of the disadvantages facing particular groups, notably African-Caribbeans. Nonetheless, debate continues on whether the reported problems between ethnic minority firms and the banks are business or race related. Individual banks have responded in different ways to demonstrate that they are open for business to all-comers.

One case of outstanding relevance here is the recent move by the Luton branch of a high street major to introduce practices compatible with the Islamic prohibition on paying or receiving interest, thus enabling Muslim business owners access to banking services without compromising their faith. Such multicultural sensitivity seems like a real break with the past and might be canvassed as a pointer for the future. Yet, this welcome recognition of difference should not deflect attention from the more general need to remove widespread systemic credit blockages for the majority of EMBs not run by devout Muslims.

Public sector businesses support agencies have also responded to perceptions that they are not easily accessed by EMBs. There has been considerable policy activity designed to improve engagement with ethnic minority firms. Yet, despite this activity, questions remain in relation to the extent to which business support services have to be complemented by specialist provision and whether support for ethnic minority enterprise should be mainstreamed or segregated. This issue assumes even greater significance given contemporary interest in brokerage models of business support.

FUTURE RESEARCH AND POLICY ACTIVITY

Developing the Mixed Embeddedness Perspective

The emergence of the mixed embeddedness perspective has been one of the most notable contributions to the field of ethnic minority
entrepreneurship in recent years. Despite its popularity amongst European scholars (see edited collections by Rath 2000; 2002; and the special edition of Entrepreneurship and Regional Development, 2003 [15.2]), the approach is barely perceptible within the vast US-based literature on the subject. Recent theoretical overviews by leading US scholars have subsumed the perspective within existing theories (Light, 2004) or omitted it altogether (Zhou, 2003). Perhaps this could be remedied by more systematic application of the mixed embeddedness framework in future studies. Some encouraging contributions have emerged recently. For example, the framework was used to bring together a study of the ethnic minorities in the garment sector in seven cities across the globe (see edited collection by Rath, 2002); Rekers and van Kempen (2000) drew on this approach in their analysis of the role of location and ethnic minority enterprise and Edwards and Ram (2006) use the perspective to develop a model of employment relations in small survival-oriented firms. Further studies could usefully broaden and deepen the mixed embeddedness framework.

Gender

The foregrounding of the role of women in ethnic minority enterprise has been a welcome feature of recent studies (Dhaliwal, 2000; Dawe and Fielden, 2005; Hilmann, 1999). Of course, it has long been recognized that women often play a pivotal role in family-owned firms (Ram, 1992) and that their contribution to the enterprise is often unacknowledged (Phizacklea, 1990). This recognition has not generated many, or indeed any, large-scale systematic studies of ethnic minority businesses that are owned and run by women. Some useful insights into the challenges faced by such women have been provided by isolated small-scale studies (Dhaliwal, 2000; Dawe and Fielden, 2005). But these are few and far between, and are not of a scale that is likely to provide an accurate profile of female entrepreneurship in ethnic minority communities. The need for such information is pressing in the light of current government interest in boosting entrepreneurship amongst women.

The Policy Agenda

The changing landscape of support for ethnic minority businesses in the UK has been particularly noticeable since the review of 1998. Considerable policy attention appears to be focused on ensuring that ethnic minority firms are appropriately engaged within the system of business support. A range of business support initiatives aimed at EMBs has emerged in recent years (Blackburn and Odamtten, 2004; Deakins et al., 2003; Ram and Smallbone, 2002; 2003). Most major metropolitan areas in the UK now have some form of initiative or agency designated to support EMBs. Yet the effectiveness of these interventions is rarely assessed. There have been calls for the evaluation of initiatives aimed at EMBs (Ram and Smallbone, 2002). But there is still a dearth of information on who actually benefits from such initiatives and under what conditions.

New Entrepreneurial Minorities?

Finally at the most basic level, much more attention needs to be switched on to ethnic communities other than South Asians and African-Caribbeans. Not only do Chinese, Turkish and Greeks continue to be under-investigated but more recent streams of immigrants are also reputed to contain high proportions of self-employed operators. There is for example an estimate of over one million Polish immigrants currently in the UK (Guardian 21 July 2006) but, beyond the level of gossip about “Polish plumbers” and of journalistic speculation, there is no hard evidence of the size, nature and permanence of their entrepreneurial activities. Another virtually invisible entrepreneurial presence is that of the Somali community, about whom we ourselves expect to be reporting in the near future. Ending on a speculative note, we can envisage the EMB agenda becoming progressively occupied by newcomer groups as the professionalisation of the now-predominant South Asian groups continues to direct them away from business ownership.
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