

'Why do Minority Ethnic People Start up Small Businesses in Britain?'

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Abstract

Based on a review of the current literature, this paper explores why minority ethnic people start-up small business in Britain. Evaluating the motives of minority ethnic population in Britain and internationally, the paper examines common patterns of 'pull' and 'push' factors along with certain theories that respectively encourage and force minority ethnic workers into self-employment, entrepreneurship and small businesses. This paper is a part of a doctoral project, which at a later stage will involve an empirical study of the subject area. Literature review so far reveals that the 'pull' factors for encouraging entrepreneurship are; a desire to be financially and managerially independent and autonomous. On the other hand, 'push' factors were cited as higher rates of unemployment and pay and employment discrimination faced by ethnic minority workers, lack of educational qualifications or lack of recognition of their qualifications, job dissatisfaction and inferior job conditions

Introduction

Ethnic minority-owned business is now an established and growing feature of contemporary Britain. In addition to fulfilling an important economic and social role for the minority communities themselves, ethnic enterprise has also made a significant contribution to the revival of the small business population (Ram 1997:149). In this paper, I will start by providing demographic background and population of ethnic minority businesses in Britain. These will be followed by definition of ethnic minority business according to various researchers. Lastly, a review of the literature on ethnic minority small businesses in Britain and other parts of the world will be provided by presenting the important factors of their small business start-up reasons. The paper will end by a conclusion.

The term 'ethnic minority' has tended to replace 'immigrant' as the size of the British-born minority population has increased (Barrett et al. 2000). The minority ethnic group population of Great Britain has continuously grown since the late 1940s (Labour Force survey, Spring 1999 to Winter 1999/2000). It reached more than 3 million by 1991. The quarterly Labour Force Survey has recorded further growth during the 1990s. The minority ethnic group population is believed to have reached 3.8 million in 1999 constituting 6.7 per cent of the British population (Owen et al. 2000). South Asians make up 49 per cent of the ethnic minority population, Blacks 30 per cent, and 21 per cent are Chinese and other (Owen 1997). 'All other origin' group are communities like the Africans, Turks, Greeks and Maltese (Campbell and Daly 1992). The main minority groups have quiet different sectoral profiles. The most numerous and visible of these minority businesses are usually those engaged in retailing, catering, manufacturing (clothing and textile industries), and associated consumer services. For example, South Asians have become widely established in manufacturing and the service sector (Ram and Jones 1998). Within the less numerous African and Caribbean business food retailing, catering and consumer services are the most notable ones (Jones et al. 2000).

Ethnic Minorities are not distributed evenly across Britain. Minority ethnic groups remain highly geographically concentrated in urban areas. Greater London alone contains half of all people from minority ethnic groups living in Britain (Jones et al. 2000).

Waldinger, Aldrich, and Ward defined ethnic entrepreneurship as 'a set of connections and regular patterns of interaction among people sharing common national background or migration experiences' (1990: 33). Feldman, Koberg and Dean (1991) commented that ethnic firms appear to be different from non-ethnic firms since businesses in the minority ethnic community often reflects the customs and value systems, which are unique to it. Furthermore, Feagin and Feagin (1996) defined an ethnic group as socially distinguished (by others or by itself) by characteristics of cultural or national origin. Finally, the Wiltshire Committee Report (Wiltshire, 1971, cited by Agrawal and Chavan, 1997) used the ethnic small business term to describe all small businesses, which are independently owned and controlled by managers whose ethnic and cultural origins are different from that of the host country.

The growth of self-employment in the labour markets of industrialised countries has been a significant development over the past two decades. Increasing visibility of ethnic minorities in self-employment between South Asians in Britain, the Surinamese in Amsterdam, The Turks in Germany, the North Africans in France and East Asians in North America indicates that these minorities have made a major contribution to such

growth (Boissevian 1992; Light et al. 1994, cited by Borooah and Hart, 1999). In addition when the literature is revised, it becomes evident that research about minority small entrepreneurs was carried on large metropolitan areas. Blaschke and Ersoz (1984) reported on Turks in West Berlin; Brenner and Toulouse (1990) researched Chinese entrepreneurs in Montreal; Dana (1993) compared Italians in Montreal; Ladbury (1984) investigated Turkish Cypriots in London; Lasry (1982) described Sephardiv Jews in Quebec; Light (1972; 1980; 1984) researched Japanese entrepreneurs in Los Angeles; and Werbner (1984) studied Pakistanis in Manchester (Dana 1995).

Reasons of Their Business Establishment

There are many reasons why ethnic minorities enter self-employment. Borooah and Hart (1999) argued that some people are 'pushed' into self-employment because it provides a better option to unemployment. Other people are 'pulled' into self-employment due to possible employee status, attracted by the rewards and independence that it offers. 'Pull' reasons include making more money, recognising an ethnic niche, wanting to be independent, wanting to increase one's social status in the community or wanting to control one's own life. Many of these positive motives are emphasised by economic theories of entrepreneurship. These 'pull' reasons are closely related to cultural explanations for ethnic self-employees such as cultural heritage or spirit of enterprise (Basu 1998; Waldinger et al 1990; Werbner 1990).

On the other hand 'push' reasons are related with having no or limited chances of finding a paid job, or salaried work. They can also be related to 'blocked upward mobility' that ethnic minorities join self-employment to prevent any possible discrimination in the labour market. These negative circumstances play an important role in ethnic minorities business entry decisions (Aldrich et al 1981; Clark and Drinkwater 1998; Jones et al. 1994; Metcalf et al. 1996; Ram 1992, cited by Basu and Altinay 2000). Basu (1998) suggested that this view is supported more generally by Storey (1994). He argued that the move towards self-employment in Britain during the 1980s might be explained by the fact that although the expected income from self-employment may be lower from employment, it is higher than unemployment. One explanation emphasizes the role of pure prejudice as a reaction in pushing members of ethnic minorities into self-employment and small business owing to discrimination in the labour market. The shrinking job market of the 1970s exacerbated the problem so that Asian immigrants were left with a choice of being either unemployed or self-employed (Jones et al, 1992). On another study conducted by Basu and Goswami (1999) on 118 entrepreneurs in Great Britain the main 'push' factors were found to be; the inability to find salaried employment, underpaid salaried work, discrimination in the labour market economy, and redundancy. On the other hand, the 'pull' factors were; a desire for independence, financial betterment, higher social status, niche market identification, greater personal control, best use of expertise, previous business experience and market research showing high growth potential. In a comparative study of Phizacklea and Ram (1995) among 10

minority ethnic small businesses in France and Britain, the main motive of start-up of small business in both countries was found to be as an alternative to unemployment.

For Indians the 'pull' factors are their main cause for entry into self-employment (Barett et al. 1996). It has been suggested that Pakistanis and Bangladeshis suffer from poorer employment prospects, discrimination and racism at work than the Indians in Britain. Therefore, Pakistanis and Bangladeshis are motivated to enter self-employment more by 'push' or negative factors than Indians (Basu 1998, Moodod 1997, Rafiq 1992). Basu and Altinay (2000) pointed out that the motivations for self-employment were positive ('pull' factors) for Turkish Cypriot entrepreneurs in Britain in their study, which was conducted among 30 Turkish micro and small businesses in London (majority of catering businesses and dry cleaning, car repair and a running a petrol station). The 'pull' factors for this study were given as to make more money, to be one's own boss and to gain business experience. 'Push' factors did not come out strongly in this study. Only one third of the respondents said that being paid less affected their business entry decisions. To add more, only 4 out of 30 respondents mentioned unemployment as a reason for choosing self-employment. Lastly, one of them said they had perceived any discrimination in the labour market.

According to Auster and Aldrich (1984), it is also possible to look at cultural theories in explaining ethnic minorities entering into business. Cultural explanations emphasize the cultural resources or predispositions that may direct to business success. Culture here refers to the individual and collective characteristics of the ethnic entrepreneur including social customs and traditional values. Hard work and individual achievement are the elements of culture and these can open the door to a modern capitalist life. The cultural theory is useful for the importance it assigns to 'cultural' features that may influence an immigrant group to succeed in small business sector. It emphasises the individual characteristics and behaviour patterns brought from their homeland. All minority ethnic businesses in Australia and its operations are strongly evident by ethnic cultural norms, values, beliefs and customs. Majority of their customers are from their own cultural background (Agrawal and Chavan, 1997). In addition, the importance of strong family structures in many ethnic cultures, including Asians, may facilitate access to resources such as family capital, family labour as well as 'free' information advice if some family members are already in business or are professionally trained as solicitors or accountants (Basu 1998: 315).

Furthermore, the middleman theory (Bonacich 1973) can be thought of cultural or structural explanations of entrepreneurship. The middleman minority concept is used to describe a specific cultural group occupying an intermediate position due to some competitive advantage on a highly adaptive capacity. The Chinese in South East Asia, the Jews in Europe, and the Asians in East Africa provide examples to the practice of the middleman minority theory (Agrawal and Chavan 1997). Butler and Cedric (1991) suggested that middleman theory developed relating to ethnic

solidarity, societal hostility and the development of business enterprise. Agrawal and Chavan (1997) argue that two factors are essential for the sojourning temporary settlement with the aim to return to their place of origin and the culture of origin. The sojourners carry out stability by forming their own communities, usually marry within their own groups, set apart themselves residentially, establish language and cultural schools for their children and attach to their cultural and religious traits. In addition, because of the small amount of capital needed, groups in this tradition are more likely to concentrate on small service enterprises. These groups develop a strong emphasis on the education and offspring. As a result, their children are more likely to become professionals, especially in areas that are entrepreneurial in nature and they are concentrated in occupations such as law, education and medicine (Butler and Cedric 1991).

Metcalf et al. (1996) have questioned the adequacy of treating South Asians in business as a homogenous group, pointing to some major differences between the Indians, Pakistanis and between those originating in Africa and the subcontinent among 129 self-employed South Asians. The decisions to enter self-employment emphasized the importance of both economic and cultural factors. Pakistanis seemed to suffer more than the other groups from poor employment prospects and racism at work. Different 'pull' factors were also provided for each group. Pakistanis and African-Asians tended to view running a business as a source of status within the family, while Indians were more financially motivated and attached more importance to the rewards and autonomy that the self-employment offered.

Auster and Aldrich (1984) also emphasised historical and social conditions in shaping business opportunities and limitations. In a survey carried out in Britain among 78 Asian small businesses in the retail, distribution and catering sector in 1994, Basu (1998) argued that most Bangladeshis come to Britain to get away from the poor living conditions in their homeland and brought with them little by way of educational qualifications and financial experience. The East African Asians were relatively better equipped than the average Asian immigrant in terms of skills, qualifications and capital; they had also belonged to a successful business community in East Africa. These historical and social factors are bound to have had an impact on their decision to venture into entrepreneurship in Britain (Basu 1998: 315). The ethnicity of the immigrant may also offer certain business opportunities. The unique consumption patterns and needs of an ethnic minority community can best be known and served by some from the same community. So, the ethnic entrepreneur with an extensive knowledge of a particular market niche will be attracted to start the business. Food items, such as pickles or spices, and ready-made garments can be examples to ethnic products. Many features of the ethnic environment such as cafes and shops selling food, textiles, furniture and household articles fall into this category (Kesteloot and Mistian 1997: 327). The advantage of this kind of entrepreneurship is that the entrepreneur may be able to import the main raw materials required or even the finished product from his/her country of origin, consequently being able to reduce many of the barriers caused by his lack of knowledge of the local marketplace. Financial factors also played a significant role in influencing their business entry.

The access to family or community funds helps immigrants to start their own business. It has also been suggested that one of the ways in which EMBs in some ethnic groups compensate for the difficulties they face in accessing finance from formal sources is to use funds drawn from within their own and personal and community based networks (Ram and Jones 1998). Ram et al (2001) conducted a large-scale study in Britain taking into account the ease at which EMBs (Ethnic Minority Businesses) from the largest ethnic minority groups namely African-Caribbean, Indian, Pakistani, Bangladeshi and Chinese could access to financing. In this survey, they found that these EMBs were significantly more likely to draw on finance from family and friends at start-up than white owned businesses: 45 per cent compared with 25 percent (Ram et al. 2001: 9).

Another cultural explanation that aims to assess the differential rates of entrepreneurship among diverse ethnic groups is the Social Learning Theory (Scherer et al. 1989). This theory suggested that 'role models' act as important factors in forming career choices. Observing, serving, identifying with and appreciating the behaviour of others makes certain callings more striking than others. Through a process of vicarious learning and emulation, people form cognitive evaluations of the overall attractiveness of specific career options. They are either encouraged or discouraged to join a specific occupation. If people have seen role models successfully performing the activities related with that career they are more likely to enter that position and less likely to enter a career in the opposite situation. Research conducted in America during the 1983-1987 among ethnic minorities has established a relationship between social learning and entrepreneurial behaviour (Butler and Cedric 1991). It has shown that 70 percent of entrepreneurs came from homes where parents or close relatives owned a small enterprise or were independent professionals such as lawyers, farmers or accountants.

Conclusion

Ethnic minority businesses are very popular in Britain and all around the world and they have some reasons for their business establishment. We have reviewed the growing literature on the ethnic minority small businesses with the most important 'push' and 'pull' factors, some cultural theories together with historical and social conditions and the social learning theory. Literature review so far reveals that the 'pull' factors for encouraging entrepreneurship are; a desire to be financially and managerially independent and autonomous. On the other hand, 'push' factors were cited as higher rates of unemployment and pay and employment discrimination faced by ethnic minority workers, lack of educational qualifications or lack of recognition of their qualifications, job dissatisfaction and inferior job conditions. Cultural explanations emphasized the cultural resources that may direct people into business. Lastly, the social learning theory suggested that 'role models' act as important factors in forming career choices. Having identified the business start-up reasons of minority ethnic businesses according to different factors and theories, I will be exploring the entrepreneurial activities of Turkish Cypriot small businesses in Britain and North Cyprus by a comparative analysis of pull and push factors to fill a significant gap in our knowledge of Turkish Cypriot entrepreneurship.

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