

CHAPTER



Diversity in entrepreneurship: the role of women and ethnic minorities

❖ LEARNING OUTCOMES

At the end of this chapter you should be able to:

- ❖ Discuss the differing importance of men, women and ethnic minorities in entrepreneurship.
- ❖ Discuss factors that affect the importance and diversity of such roles.
- ❖ Describe key characteristics of female entrepreneurship.
- ❖ Describe recent policy initiatives to support women's enterprise in the UK.
- ❖ Discuss and account for the differing importance of Asian and African-Caribbean entrepreneurs.
- ❖ Describe the untapped potential of development that still exists with African and Caribbean entrepreneurs.
- ❖ Discuss why the issue of 'break-out' has become important for the future development of ethnic minority entrepreneurs.

Introduction

This chapter picks up some of the themes introduced in Chapter 1, where we noted that there are different rates of participation in entrepreneurial activity in different regions, in different environments and in different groups of society. For example, we have noted that some ethnic-minority groups have high rates of participation in entrepreneurship, despite operating in inner-city environments that might have limited resources and markets. Table 3.1 indicates the demographic importance of ethnic minorities in the UK; however, they have a greater importance in entrepreneurial activity than their relative importance by population might indicate. Taking self-employment as a proxy for participation in entrepreneurship, Figure 3.1 illustrates some of the variation and diversity in self-employment for men, women and ethnic-minority groups. Although UK national data are available on the number of small businesses,⁽¹⁾ a breakdown by gender or ethnicity is not available, therefore, self-employment data are used as proxy for gender and cultural diversity in entrepreneurship in the UK. Figure 3.1 shows that a

54 CHAPTER 3 DIVERSITY IN ENTREPRENEURSHIP: THE ROLE OF WOMEN AND ETHNIC MINORITIES

number of sectors in society in the UK are under-represented, whereas others are over-represented. For example, women’s rates are only around half those for men, and Africans and Caribbeans are also under-represented, whereas the highest rates of self-employment are attained by Pakistanis. This chapter reviews recent evidence on the barriers that such groups face in participation. Equality of opportunity in society should be available to all groups, yet, in certain cases, barriers may exist due to institutional practices that naturally favour men over women, or white business owners over ethnic-minority business owners. Access to resources, such as finance, or access to markets, may be more limited due to formal institutional practices that favour specific groups in society. For example, formal business networks such as local Chambers of Commerce may be male dominated, with an influence on agendas that reflects such a biased membership. This can limit women’s ability to access local business networks. We review recent evidence on the importance of such barriers in this chapter.

	Population	Percentage of UK population	Percentage of ethnic-minority population
White	54.15 million	92.1	n/a
Mixed	6.77 million	1.2	14.6
All ethnic minorities	4.6 million	7.9	100.0
Indian	1.05 million	1.8	22.7
Pakistani	0.75 million	1.3	16.1
Bangladeshi	280, 000	0.5	6.1
Other Asian	248, 000	0.4	5.3
Caribbean	566, 000	1.0	12.2
African	485, 000	0.8	10.5
Other black	98, 000	0.2	2.1
Chinese	247, 000	0.4	5.3
Other	231, 000	0.4	5.0
All UK population	58.8 million		

TABLE 3.1 Population size by ethnic-minority group

Source: Office for National Statistics, London. Crown copyright material is reproduced with the permission of the Controller of HMSO and the Queen’s Printer for Scotland.

Recent data on population estimates put the UK population approaching 60.6 million with population growth increasing with increased net in-migration.⁽²⁾ According to the Office for National Statistics (ONS): ‘Since the late 1990s – net international migration into the UK from abroad has been an increasingly important factor accounting for 45% of total change.’⁽²⁾ This indicates that ‘new’ migrants, for example from eastern Europe, are among some of the most recent waves of new in-migration forming increasingly important ‘new communities’.⁽³⁾

We examine some of the known features of female entrepreneurship and then ethnic-minority entrepreneurship in the rest of this chapter including factors affecting start-up, growth and diversity, illustrated with case examples.

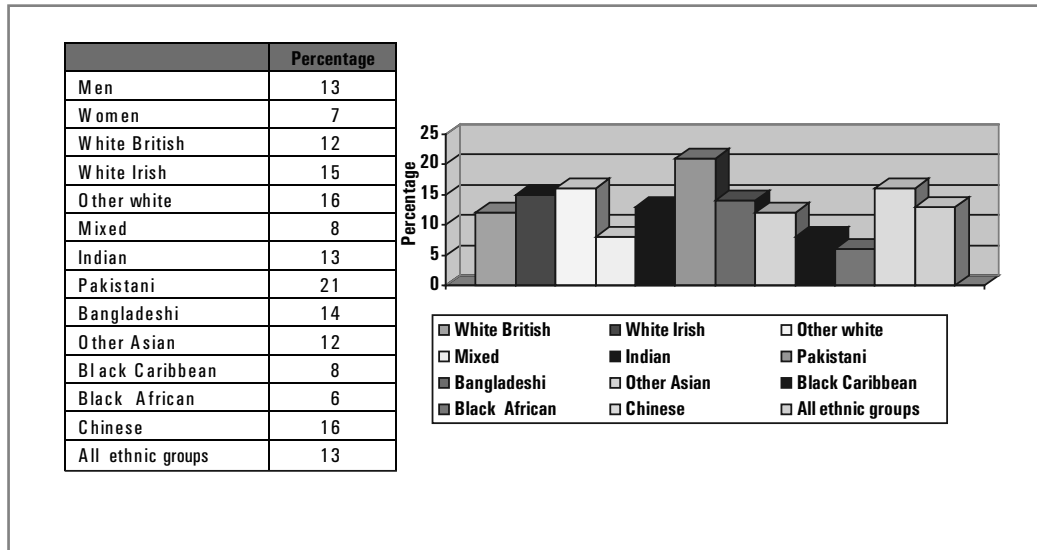


FIGURE 3.1 UK self-employment rates for men, women and ethnic minorities
 Source: Annual Population Survey, January 2004 to December 2004, Office for National Statistics, London. Crown Copyright material is reproduced with the permission of the Controller of HMSO and the Queen’s Printer for Scotland.

Female entrepreneurship

Section contributed by Dr Laura Galloway, Heriot-Watt University

Introduction

Throughout the world the female business start-up rate is substantially lower than that for males: often around half in a typical European or equivalent mature economy.⁽⁴⁾ The volume of female-owned firms is similarly low compared to those of men: for example, in the UK Carter and Shaw⁽⁵⁾ estimate that female-owned businesses account for between 12 and 16 per cent of British business stock. However, Carter and Shaw contend that if the definition of ‘female-owned’ is extended to include those with equal co-ownership ‘it is estimated that between 34.1 percent and 41.2 percent of the UK business stock is included’ (p. 6). These female business owners are often termed ‘hidden’ entrepreneurs, in that, as co-owners with male(s), their firms are often not defined as female owned. Forson⁽⁶⁾ argues that estimates of women’s contribution to small-firm ownership are limited by this problem with definition and statistics; indeed, qualitative studies such as Marshack,⁽⁷⁾ who refers to women in business with their husbands as ‘copreneurs’, and Hamilton,⁽⁸⁾ who studies women in family firms, have found that co-owning females can have as much influence in a firm as their male partners.

While the number of firms owned by women may be much greater than statistics reveal, Carter and Shaw find that where UK firms are wholly or majority owned, women still comprise a substantially lower proportion of business owners than men.⁽⁵⁾ This is reflected throughout the developed world.⁽⁹⁾ For the last few years, however, female entrepreneurship has been growing at a higher rate than male entrepreneurship. This is seen as a positive trend and governments are keen to support and increase this trend in order to contribute to the economic base, provide

employment⁽⁹⁾ and particularly female employment.⁽¹⁰⁾

Despite the increased rate of start-up, Morris et al. find that women's firms are more likely to be smaller or sole proprietorships than male-owned firms.⁽¹¹⁾ Carter and Shaw also note this and that self-employment is nearly twice as likely among women as business ownership.⁽⁵⁾ Similar characteristics of women's enterprise can be found elsewhere.⁽¹²⁾

Female business owners?

Carter⁽¹³⁾ identifies that studies of female entrepreneurship have 'presented a prima facie picture of business women with more similarities than differences to their male counterparts' (p. 328). However, variation is observed also. These include that women business owners are more likely than men to have close family in business;^(14, 15) the greatest proportion are older than 35;⁽⁸⁾ they are less likely than male business owners to take up training;⁽¹⁴⁾ and most are comparatively highly educated,⁽⁸⁾ though often are not trading in their educational area.⁽¹⁶⁾ Despite these general trends, however, there is much consensus that women entrepreneurs do not comprise a homogeneous group^(14, 13, 6) and represent instead 'a diverse and complex group with varied backgrounds, circumstances and world views' according to Sarri and Trihopoulou⁽¹⁰⁾ (p. 29). There is, thus, much variation in the types of firms women own, and as much variation in the type of woman who starts or owns a firm as there is among men. Just as there are exceptional male business owners who add spectacularly to the value of the firms they create, and to the economic base, so too are there women whose experience of value-adding business success is exceptional, especially compared with other women of similar circumstances. For example, male entrepreneurs such as Richard Branson are highly exceptional in having created and driven a brand as successful as Virgin Group. There are examples also of women who stand out as spectacularly successful, such as Anita Roddick of The Body Shop. More generally, however, it is claimed that business opportunity and success are less available to, and less experienced by, women compared with men.

Females' firms

In terms of the firms females own, various similarities have been found by empirical studies. The most prevalent of these is that while male-owned firms are represented in all industries, women-owned businesses tend to be concentrated in the retail and services industries.^(5, 17, 18, 9, 19) Schmidt and Parker⁽¹⁴⁾ contend that this is 'the logical extrapolation of highly gendered educational routes and vocational choices' (p. 433), therefore, the more lucrative manufacturing, engineering etc. sectors are dominated by males who have a long tradition of education in these areas. However, McClelland et al.'s contention that women with vocational education choose not to pursue businesses in their profession⁽¹⁶⁾ suggests that the under-representation of women in traditionally male-dominated education only partly explains the retail and services concentration of female entrepreneurs.

Other trends found for women-owned firms include that most often their markets are local, with a small minority involved in export⁽¹²⁾ and they are often smaller scale than male-owned firms (as mentioned above).

Many researchers have found that female-owned firms are more likely than male-owned firms to be undercapitalized at start-up.⁽²⁰⁾ Carter and Shaw⁽⁵⁾ report that 'there is unequivocal evidence that women-owned businesses start with lower levels of overall capitalisation, lower ratios of debt finance and are much less likely to use private equity or venture capital' (p. 9), and they link this to the retail/services sector preferences of women leading to smaller firms that

are perceived as requiring less external funding. Other reasons for undercapitalization include that women as a group have less financial wealth than men; Carter and Shaw note that full-time female workers in the UK earn 17 per cent less than full-time male workers and claim that 'one consequence of earning less is that women have less financial capital with which to initiate business ownership' (p. 8). Carter⁽¹³⁾ contends that undercapitalization 'has a long term effect on business survival and success' (p. 322), and Carter and Shaw⁽⁵⁾ note that 'undercapitalisation at start-up restricts future business growth and development' (p. 8).

It is known that compared with male-owned firms, female-owned firms are less likely to grow.⁽²¹⁾ Schmidt and Parker⁽¹⁴⁾ note that women's firms are said to 'under-perform on most of the key performance measures' (p. 431). One could argue that standard measures of success in firms do not allow for entrepreneurial diversity: if success is measured by growth, then women's firms can only be seen as underperforming. Similarly, female-owned firms have a higher cessation rate than male-owned firms.⁽⁵⁾ This is often assumed to be failure. In fact there is no basis on which to assume that business cessation always implies business failure. Further, what Martin and Wright call 'deficiency' studies, comprising investigations of underperformance, lack of confidence and under-representation across specialisms and sectors compared with men,⁽²²⁾ have been criticized by many researchers.^(8, 7, 5) Morris et al.⁽¹¹⁾ contend that lack of growth can be a 'deliberate and legitimate choice of women' (p. 224). They go on to claim that 'studies attempt to ascertain how men and women conform to male institutional standards, while failing to investigate uniquely female perspectives and contexts' (p. 226). Thus, they claim standard success measures are inappropriate in studies of female entrepreneurship as these measures reflect institutionalized male standards. If success is redefined as achievement of aims and ambitions, any variation between males' and females' aims and ambitions must result in different measures of success. This variation may be associated with reasons for being in business, reasons for staying in business, ambitions for the business, and include reasons for exiting business ownership.

Why do women start and own firms?

Negative reasons for female entrepreneurship have been identified in some studies, including lack of opportunity to advance or underemployment in the working environment.⁽¹⁴⁾ This is often referred to as the 'glass ceiling', particularly where it refers to professional women.⁽¹⁵⁾ Several writers extend this and claim that a male-dominated culture in some work places also contributes to female dissatisfaction with employment.^(15, 17) Smith-Hunter and Boyd⁽¹⁸⁾ apply Disadvantage Theory to this contention, citing from Weber that 'those from the mainstream economy because of discrimination will often turn to business ownership as an alternative to the labour market' (p. 20). The problem with the application of this theory is, however, that it assumes that conditions in self-employment are better than in employment, and there is no evidence to suggest that the prevailing culture in the business community is any different from the prevailing culture in the workforce. Certainly, in their empirical study McClelland et al. found few negative factors motivating female business ownership.⁽¹⁶⁾

Most often recent research has found that motivations for starting a firm are similar among men and women, and they involve desire for independence, achievement and challenge.⁽¹⁵⁾ In her study of UK Asian businesses, Dhaliwal finds an additional motivator of status accorded by business ownership, which is found to be a 'driving force' for men but not for women.⁽²³⁾ It may be the case that this variation is not restricted to the Asian community. Flexibility in terms of working hours particularly has been found to be an additional, concurrent, motivator for

women to a greater extent than for men.^(15, 11, 5) This most often is put down to women generally having coexisting priorities of domestic responsibility and responsibility for generating income, where males have been found to tend to have income generation as a prioritized responsibility. Thus, the argument here is that some women are, in part, motivated to business ownership as a means of managing two time-demanding roles. In their comparative study of females in the workforce and females in business, Parasuraman and Simmers⁽²⁴⁾ concede that this may be a motivator, but the reality for women entrepreneurs, and particularly those with families, is that they experience more, not less, work–family conflict despite their ‘autonomy and schedule flexibility’ (p. 566). This is further discussed below.

The ‘Entrepreneurship in action’ study included in this section on female entrepreneurship serves to illustrate the experiences of business start-up and ownership by a young single woman, highly educated and confident.

Entrepreneurship in action: Olwen Jones and MyMoneyTree.co.uk

By Maggie Anderson, Napier University

If at first you don’t succeed ... keep trying!

This could easily be the motto of Olwen Jones, the entrepreneur who set up MyMoneyTree.co.uk. At the age of 25, having spent thousands of pounds working towards becoming a commercial pilot – something she dreamed about doing since she was 5 years old – she discovered that her eyesight had deteriorated so that she was unable to register to fly commercially in the UK. Not surprisingly, this was a huge setback to a determined and single-minded young lady, who refused to accept that she could not do anything she put her mind to.

As Olwen says, ‘wanting something doesn’t mean it’s going to happen!’, and she started to rethink, and realign her thoughts about her future. After taking some career advice and recovering from the disappointment of not flying, she realized that, despite her degree in physics and her science training, there was a creative side to her wanting to get out. Through a series of tests, Olwen also identified that she had skills that could be put to good use: presenting, writing, a personable nature, and incredibly resourceful. Although she had never had an income as such, she had managed to fund hours of flight training. She had become known by friends and associates as a person who really knew how to manage money and always knew where to find a bargain or the best deal.

Olwen embarked on an MSc in Journalism and soon found herself writing, independent and enjoying her freelancing work. This provided her with freedom and control – something she values very much. She also found that what she enjoyed most was not the reporting, but in-depth feature writing. She started writing about how to be better with money, drawing on her own personal resourcefulness and concern that people did not get the best deals or know how to manage their money.

In late 2006, Olwen attended a government agency-funded New Business Start event with a friend who was going to start a business. On the spur of the moment she entered the ‘Big Idea’ competition, and made it through a few heats. She approached the local enterprise support agency and pitched the idea of a service offering guidance on how to make money work harder for individuals, including individual money coaching, financial MOTs and money-saving group seminars. The adviser encouraged her to develop a business plan, and she applied and was

awarded a marketing grant from The Moffat Centre (a start-up incubator) at Napier University, and £1,000 from the local enterprise support agency. With these grants, and the little personal capital she had, Olwen developed her website and started MyMoneyTree.co.uk in April 2007.

Olwen now works with individuals, runs business seminars on personal finance and provides training – a side to the business that is steadily growing. She has also found herself networking and collaborating with other businesses to broaden the service provision of MyMoneyTree.co.uk and foster further growth.

At times she has felt that others question if she actually has a ‘career’, but deep down Olwen knows it could not be any other way – running her own business gives her the freedom she cherishes and the challenges she seeks – albeit on the ground, and not in the skies as she once envisaged.

Questions for discussion

- 1 What are the entrepreneurial qualities demonstrated by Olwen Jones?
- 2 How does the case illustrate the importance of early-stage support and advice? (See also the discussion of support agencies in Chapter 12 on business start-up.)

Identifying barriers to entrepreneurship and issues for business women

One of the barriers commonly attributed to low rates of female entrepreneurship involves confidence. Morris et al.⁽¹¹⁾ contend that the

“ socialisation process throughout women’s lives may critically affect their self-assessments about being ill-prepared with regard to firm creation – even when outsiders evaluate skills and needs as being equal to those of men.

(p. 222) ”

This perceived lack of skills has been found in many social science studies: in his study of perceptions of educational ability among males and females Steele finds that females consistently report their ability lower than do males, though whether this suggests that women under-report or men over-report confidence in their ability is not determined.⁽²⁵⁾ Certainly Verheul finds that female business owners are less likely to apply the word ‘entrepreneur’ to themselves than male business owners,⁽²⁶⁾ and Langowitz and Minniti in their multinational study of female entrepreneurship find that perceptual, subjective variables have a large impact on women who might start firms whereby women perceive that they are less equipped and that the environment is less favourable for business start-up than do men.⁽⁴⁾ The other side of this coin is proposed by Ljunggren and Kolvereid.⁽¹⁷⁾ They find in their study of Scandinavian women business owners that those who start firms are more likely to have garnered extensive social support and have higher confidence in their entrepreneurial abilities than men, as evidenced in the case of Olwen Jones above. Ljunggren and Kolvereid suggest that perhaps women do more self-screening and place higher requirements of themselves than do men, and this, in part, explains the lower rate of female entrepreneurship generally.

Women have a long history of economic subordination, and even in the most legislatively equal societies, they have sociocultural roles and expectations that are different from those of men, and the effect of the sociocultural environment on female entrepreneurship rates and performance permeates the literature. Verheul et al.⁽²⁶⁾ note that ‘employment rates for women are still lower than for men in most OECD countries’ (p. 154). Hundley⁽¹⁹⁾ argues that women can opt out of economic activity, therefore there is a less prevalent culture of work and

economic ambition for some, compared with men, and in turn this is likely to contribute to the under-representation of female entrepreneurs. Despite this, Smith-Hunter and Boyd⁽¹⁸⁾ claim that there is more to it: 'the literature on women's business ownership suggests that ... women are more disadvantaged than men' (p. 19). Carter and Shaw concur, though they point out that this disadvantage owes less to direct discrimination and more to indirect, knock-on effects of the prevailing social divisions and expectation of men and women.⁽⁵⁾ It is impossible to divorce the sociocultural environment from understanding of women's business activity. Commentators such as Morris et al.⁽¹¹⁾ claim that 'culturally imposed attitudes regarding gender remain barriers to women in achieving higher financial rewards and status in the business world' (p. 224). Orhan and Scott⁽¹⁵⁾ include general 'discomfort with a dominant masculine business culture' (p. 233) as one of the most significant barriers, and while this can be interpreted as generalized and implying that women are entirely subjugated, rather than culpable in terms of current socio-economic variation in men's and women's circumstances, there is much evidence that lack of access to traditional male-dominated business networks does comprise a substantial barrier to women.⁽¹³⁾ In fact, Schmidt and Parker claim that women's lack of confidence is in part brought about and exacerbated by lack of inclusion in business culture and specifically business networks.⁽¹⁴⁾

Schmidt and Parker note that women do use networks for business, but that they tend to be informal networks, such as the use of family (including spouse) for business activities such as book-keeping, accounting, fixtures and support.⁽¹⁴⁾ McClelland et al.⁽¹⁶⁾ claim informal and formal networks have different value to an organization: informal networks are generally less likely to be value-adding in the same sense that formal business networks can be. For example, 'a reluctance to participate fully in existing financial networks' ⁽¹⁴⁾ is borne out by the common research finding that women are less likely than men to use external business finance,^(5, 22) thereby contributing to the undercapitalization problem. Lack of use of formal networks has been considered by many researchers, and explanations such as discrimination and exclusion, and socialization of the genders have been suggested. McClelland et al.⁽¹⁶⁾ add a further reason: 'due to societal pressures, women often do not have as much time for networking, particularly formal networking' (p. 88). This issue of lack of time relates again to the joint roles of women in western society. As Hundley⁽¹⁹⁾ puts it: 'individuals have finite stocks of human energy' (p. 97). The responsibility for family and domestic life exists for many women alongside responsibility for business, the former affecting the latter (and vice versa).

Female entrepreneurs and the family

Family responsibility has been identified by most research as a significant issue, particularly in terms of explaining the lower rate of female entrepreneurship compared with men, lower value and growth of female-owned firms compared with male-owned firms, and itinerant issues such as motivations and definitions of success.

For both men and women, family has an impact on business ownership. According to Verheul et al. this is most often negative: for both men and women it is riskier financially than employment and for women there is the additional issue of sufficient time to commit to both.⁽²⁶⁾ As already mentioned, women's firms tend to grow less than men's firms. One explanation given is that women deliberately keep their businesses small within the context of having to manage their business and domestic priorities in tandem.⁽¹¹⁾ Hundley⁽¹⁹⁾ finds empirically in his quantitative study that self-employed men earn more, and self-employed women less, as family increases, and he postulates (albeit by generalizing) that if a woman is

self-employed she is 'less constrained ... in [her] allocation of effort between household and market work' (p. 97). Hundley also finds, however, that 'increased family size increases the probability that an employed woman will be self-employed' (p. 103). Therein lies the paradox: apparently family is a barrier to female business value and growth; however, it seems also to act as a catalyst to start-up.

Other writers have suggested that while men's firms are profit orientated, women's firms can involve a social orientation also, instead of pure profit pursuit.^(15, 16) Carter and Shaw agree that women's firms can often be client focused, but claim that there is no evidence to suggest that women's firms are less profit-driven than men's.⁽⁵⁾ Albeit arbitrarily attributed to those who are married, Hundley identifies that women can have three levels of economic participation: work, self-employment and non-participation. If men take on the greater part of the responsibility for income, women – including business women – are less compelled to have the same focus. This generalization may contribute to the tendency for women's firms to be smaller than men's. Indeed, it could go some way to explaining why the rate of female business start-up is lower than that for males.

While it is important to remember that accounts of women's roles are generalized, there is some consensus that family/domestic responsibility is both a motivator to start and a limiter to growth for women's firms. There is also substantial evidence that despite the perceptions about flexibility, there is much role conflict for female entrepreneurs.^(24, 27) Dhaliwal's analysis of Asian women in family firms includes that the time-consuming nature of owner-management is a source of regret and guilt about neglecting family, and especially childcare, activity.⁽²³⁾ Forson⁽⁶⁾ claims that there is 'increasing policy recognition of the importance of child-care as a barrier for self-employed women' (p. 428). More specifically, Shelton⁽²⁷⁾ recommends that 'appropriate work-family management strategies will improve venture performance for women-owned businesses' (p. 292), and that this should be considered upon business start-up. While sensible, this raises further issues: in the face of evidence that suggests concern among women about access to a male-dominated business culture, to admit to role conflict from start-up might for many women comprise the implication that they are not fully committed to their firm. In fact, it suggests an honest appreciation of the realities of business ownership for many women, but may not be what banks and other external agents want to hear as it deviates from the pure-profit orientation of the traditional male-ownership model with which they are familiar and which they understand to be the norm.

Thus, the issues associated with women's business start-up and ownership are complex and are often inextricably linked to the sociocultural environment that incorporates different experiences, expectations and circumstances for women and men and between women. So to support women's business and improve the female start-up rate, policy must acknowledge and understand the complexity of the agenda. It is not simply a case of 'remedying' underperformance issues, such as improving confidence or networking skills (neither of which is inherently implicated as deficient, but rather as *different* in expression).

Female business support and policy

In the UK the government's Strategic Framework for Women's Enterprise,⁽²⁸⁾ which aims to 'create an environment and culture that encourages women to start and grow businesses' (p. 6), states that since women comprise a diverse group, 'effectively segmenting the market is crucial to providing effective support and services' (p. 16). Thus diversity among women is acknowledged, as is the central truth that women are not men, and this principle is intended to

feed into the available support structures. For example, women have been identified as doing less planning for business compared with men. An obvious intervention would be to improve business-planning support; however, women also are known to be less inclined to take up support where it is available.⁽⁶⁾ Schmidt and Parker⁽¹⁴⁾ suggest that lack of diversity at the support level is responsible, contending that 'increased diversity within an organization is a proven method by which that organization can increase diversity of those it seeks to serve' (p. 436). This is commonly identified in management and marketing literature⁽²⁹⁾ and there is no reason why it would not apply within the business support context. Carter⁽¹³⁾ discusses the type of training and support available through agents as another reason for lack of uptake: 'women are expected to conform to male models and standards of behaviour' (p. 331). She claims that while many female entrepreneurs are 'dismissive of women-only start-up services and training, women who have participated are overwhelmingly supportive of such schemes' (p. 332). Similar has been found in other studies.⁽³⁰⁾ The type of support must reflect the realities of women's business ambitions and expectations for it to be useful though. One commonly identified means of providing this is through role models⁽¹⁴⁾ and peer mentoring,⁽¹³⁾ i.e. using more women to advise, support and provide examples of achievement for women entrepreneurs.

The need for specific support has been identified as required not only for start-up but also for continuation and for growth,⁽¹⁰⁾ if growth is sought. The reasons why many women do not seek to grow their firms are complex and undoubtedly linked to greater societal differences between women and men. To increase the rates and value of female businesses, policy must address the greater sociocultural issues that generate divisions between the genders in terms of educational trajectory, labour value and role experiences and expectations, all of which contribute to differences in economic potential and opportunity.

A new identity

Compared with at least 2000 years for men, economic activity among women is relatively new. Within this context 'deficiency model' understanding of women's economic activity and entrepreneurship in particular has been prevalent. Recent research is beginning to identify a new perception of and among women entrepreneurs. For example, there is evidence that among female motivations to start firms, is the desire to define one's own working environment.⁽¹⁷⁾ Similar has been found by the current author among male gay entrepreneurs.⁽³¹⁾ In their empirical study, Orhan and Scott⁽¹⁵⁾ identify a category of women entrepreneurs they call 'new women' who have 'shifted [their] efforts from a desire to achieve along the same patterns as men, towards the recognition of [their] own identity regardless of gender stereotypes' (p. 235). Morris et al. ⁽¹¹⁾ state that 'the feminist movement itself may have catalyzed the formation of ventures with specific intentions to overcome the typical masculine organization and the capitalist society that supports it' (p. 227). While this suggests a highly deliberate and politicized rationale and, as such, is probably over-stated, there is a growing body of evidence that suggests the idea that perceptions about women's economic activity are maturing away from the secondary and subordinate model towards a more independent one. 'Different' from male economic activity models is becoming increasingly prevalent and economically viable.

General conclusions on diversity in entrepreneurship are provided at the end of the chapter. We now turn to a section on ethnic minority entrepreneurship, before giving overall conclusions, for the remaining parts of this chapter.

Ethnic-minority entrepreneurship

In Britain's history, ethnic immigrants have traditionally been of crucial importance to economic development, a tradition that goes back to groups such as the Huguenots. These ethnic groups have been willing to accept new practices or bring new skills that facilitate significant economic developments. The tradition continues to be significant in the modern economy where Asian entrepreneurs were the first to open retail outlets on Sundays, pre-dating a modern movement towards Sunday opening in most retail sectors. Ethnic entrepreneurs have also been willing to develop in areas that are shunned by 'mainstream' or white entrepreneurs – for example, economically marginal inner-city areas. Location in these inner-city areas has significant implications for ethnic-minority entrepreneurs. Not only does location often limit the available market to the ethnic enclave, it also makes the acquisition and availability of resources (especially finance and insurance) difficult or (in the case of insurance) expensive. Further discussion on the importance of location and environment, *acknowledging context*, is given later in this chapter.

Age distribution of ethnic groups

Although Table 3.1 shows the demographic importance of the main ethnic groups in the UK, the potential of ethnic minorities in economic development can be highlighted further by statistical analysis of the 2001 census data, which shows that one of the demographic features of ethnic minorities is their considerably younger age profile. For example, in 2001 the census showed that 32 per cent of the African minority population were under 16 years of age compared with less than 20 per cent of the white population.⁽³²⁾ By contrast, 9 per cent of the Caribbean minority were aged 65 and over, compared with 16 per cent for the white group (which was the largest proportion of any group). Further illustration of the dramatic differences in age profiles of minority ethnic groups for the UK is illustrated in Figure 3.2. This has indicated that the changing demographic profile and entrepreneurial potential of ethnic-minority groups is crucial to the future economic development of significant areas in Britain.⁽³³⁾

Figure 3.1 indicates that the rates of self-employment in ethnic-minority groups in the UK, although high, do vary, indicating diversity in entrepreneurial activity. Taking the five main ethnic-minority groups in the UK, the highest rates are for South Asians, particularly Pakistanis and Bangladeshis, at 22 per cent and 13 per cent respectively, and for Chinese, who have self-employment rates of 19 per cent. However, the rates for Africans and Caribbeans are much lower, being only 7 to 7.5 per cent, but the dynamics of these patterns are changing, illustrating further diversity. For example, there are higher rates of those who have recently become self-employed in African and Caribbean compared to South Asian ethnic groups.⁽³⁴⁾

Issues in ethnic-minority entrepreneurship

The literature on ethnic-minority enterprise development has focused on three main issues: *accessing resources*, notably finance and labour, *accessing markets* and *motivation*. Earlier literature focused on the cultural and additional forces that led early-stage immigrant labour into self-employment and high rates of participation in entrepreneurship. For example, Light stressed the importance of cultural minority status that produced a strong sense of social solidarity in immigrant and ethnic enterprise in North America.⁽³⁵⁾ Bonacich et al.'s study of Koreans in Los Angeles identified access to resources and informal support networks as two of

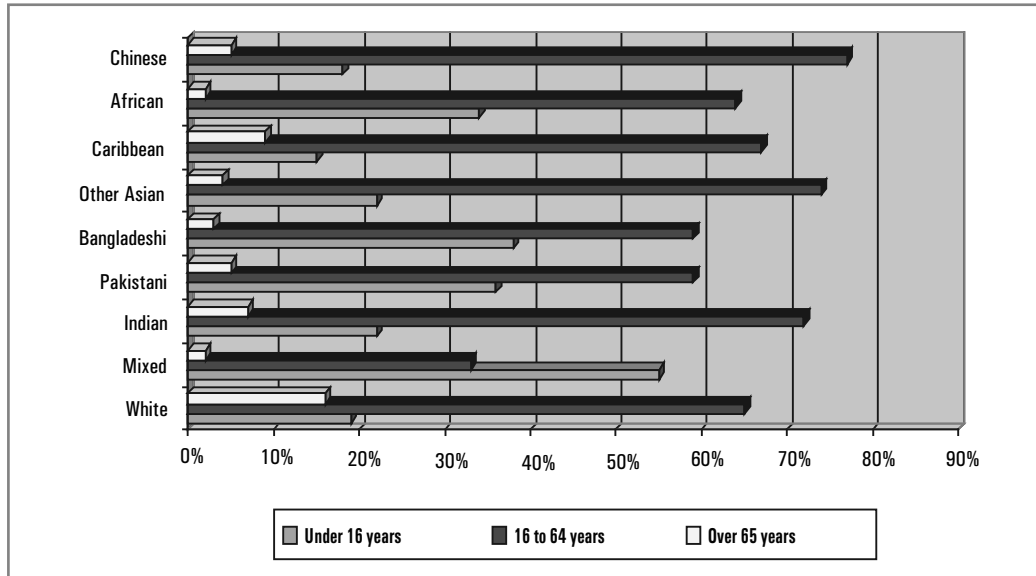


FIGURE 3.2 UK age distribution by ethnic group
 Source: Office for National Statistics, London. Crown copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland.

the key factors that accounted for the success of this ethnic-minority group in entrepreneurship.⁽³⁶⁾ Some writers have pointed to the success of ethnic groups despite difficult trading conditions, with survival achieved through piecing together a living from semi-legal activities.^(37; 38) Light identified particularly the difficulties of black entrepreneurs in North America due to limited access to resources.⁽³⁵⁾ Models of such ethnic enterprise development – for example, those of Waldinger, and Waldinger et al.^(39; 40) – reflect these issues and focus on how the entrepreneurial attributes of different ethnic groups determine their ability to access resources and markets to achieve entrepreneurial success.^(41; 42)

Accessing resources

The first of the three issues has concerned the ability of ethnic-minority entrepreneurs to generate or access resources. In some cases, writers have claimed that the advantages of informal networks have given ethnic minorities in business an advantage due to access to sources of finance and family labour.^(43; 44; 45) Waldinger also pointed to the importance of informal networks as a key factor in successful entrepreneurial development of ethnic immigrants in New York.⁽³⁹⁾ Ethnic-minority entrepreneurs' relationship with banks has also attracted research. For example, Curran and Blackburn's study of Bangladeshis, Greek-Cypriots, and African and Caribbeans in the UK highlighted the problems of the latter ethnic group in accessing bank finance.⁽⁴⁶⁾

Previous research by the author has supported the findings of Curran and Blackburn,^(46; 47) which shows that small firms owned by ethnic-minority entrepreneurs are no different from white-owned small firms in being heavily dependent on the banks for external finance. However, they found that reliance on bank finance was much less significant for African and Caribbeans, a finding also confirmed by the author's research.⁽⁴⁸⁾ A Bank of England report,⁽⁴⁹⁾

which reviewed the previous research at the time, indicated that there was a perception by ethnic-minority entrepreneurs of prejudice by the banks, but concluded that problems perceived by ethnic-minority entrepreneurs may be due to sectoral concentration of ethnic groups rather than any discrimination and called for more systematic research. For example, the report commented:

“ There are a number of possible explanations as to why ethnic minority businesses encounter difficulties, including risk aversion behaviour by lenders, sectoral concentration of ethnic businesses, failure rates and lack of business planning. (p. 7) ”

The largest UK study on ethnic-minority entrepreneurs and access to finance and business support, by Ram et al.,⁽⁵⁰⁾ was established as a result of the issues identified in the Bank of England report. This study suggests that reasons for differences in the pattern of access to finance are complex. For example, their report included in the conclusions that, ‘The issue is complex, reflecting a preference for informal sources of finance in some cases, yet strong perceptions of discrimination on the part of the banks in others’ (p. 116).

This study involved a demand-side baseline survey of the five main ethnic groups with a white control group, longitudinal case studies and an extensive programme of supply-side interviews with bank managers and support agencies.⁽⁵⁰⁾ The demand-side research has confirmed particular problems of access to finance for African and Caribbeans.⁽⁵¹⁾ The supply-side findings reflect variety in practice in bank managers’ dealings with ethnic-minority applications, despite proactive policies towards ethnic-minority entrepreneurs by all the banks.⁽⁵²⁾

There is evidence of diversity of experience of the business owners from different minority ethnic groups. In the Ram et al. study,⁽⁵⁰⁾ comment was made on different experience: ‘The survey evidence in particular clearly demonstrates the diversity of experience that exists between ethnic minority groups with respect to raising external finance’ (p. 7).

The study goes on to comment that the ability to raise formal sources of finance such as bank finance is significantly higher in Chinese-owned businesses, while significantly less in African- and Caribbean-owned businesses. Reliance on informal finance was more significant in South Asian-owned businesses. This diversity of experience will be further affected by differing experiences of ethnic-minority entrepreneurs in traditional and emergent sectors.

Diversity of experience is compounded by variety in practice with relationships between ethnic-minority entrepreneurs and their funders. Ram et al.⁽⁵⁰⁾ also comment that, ‘There was variation in practice in the level and intensity of bank manager experience of ethnic-minority businesses’ (p. 118). Good practice was evident where bank managers had built up trust through stable relationships and close involvement with their local minority community, leading to a better understanding of the way that ethnic-minority business owners conducted their business.

The importance to ethnic businesses of the use of family and co-ethnic labour has been highlighted by studies such as Wilson and Portes, whose research on Cubans in Miami pointed to the importance of ethnic preferences in hiring labour, which allowed this ethnic group to thrive where native whites did not, even where the native population had superior access to resources.⁽⁵³⁾

Accessing markets

The second issue has stressed the reliance of ethnic minorities in business on co-ethnic markets.^(54; 55) While this may be a deliberate strategy,⁽⁴⁰⁾ Light has argued that, in the case of black Americans, their concentration in ethnic enclaves traps them in a potentially disadvantaged cycle from which it is difficult to break into the mainstream of officially registered businesses.⁽³⁵⁾ Studies in the UK have stressed the importance of the need for successful break-out into mainstream white-dominated markets,^(56; 57) an issue that we would expect to be more important where markets are limited and peripheral. The related issue of location and the geographical characteristic of concentration of ethnic businesses in inner-city areas has further highlighted problems of break-out.

In the UK, the success of ethnic-minority entrepreneurs has been officially recognized in the past – for example, with reports from the Ethnic Minority Business Initiative (EMBI)⁽⁵⁸⁾ – but the constraints that such entrepreneurs have overcome have not always received the same recognition. Their success has been achieved in marginal economic environments of the inner city and with limited access to either resources or mainstream markets. Debate on developing the need for break-out, following the EMBI report, led to the view that the success of ethnic-minority businesses can only be secured through the development of more diversification into different sectors with discussion about the best way to secure strategies to move away from dependence on ethnic market niches.^(46; 57) The ability of ethnic firms to achieve successful break-out has been shown to depend on successful integration of a holistic strategy involving marketing, finance, human resources and ‘key’ contacts with mainstream markets.⁽⁵⁹⁾

Motivation

Attempts in the literature to explain the importance of ethnic-minority entrepreneurs concentrate on the relative primacy of ‘negative’ or ‘positive’ factors in the motivations and development of ethnic-minority small-firm owners – for example, Ward and Jenkins.⁽⁴¹⁾ The debate surrounds whether or not the discrimination faced by ethnic minorities in the labour market was the predominant motivating factor in business ownership and entrepreneurship, or whether positive factors, such as a group’s background experience of business ownership, were more important in the motivation decision. Although Curran and Blackburn⁽⁴⁶⁾ have indicated that motivational factors such as ‘independence’ were significant in entry to entrepreneurship, there is little doubt that a history of disadvantage and discrimination has led to the concentration of ethnic-minority firms and entrepreneurs in marginal areas of economic activity. A national scoping study in Scotland, led by the author with colleagues, has found contrasting experience of ethnic-minority business owners, with some in growth businesses in global markets, but some were still trading in marginal economic environments, which were subject to particular problems associated with high crime rates, incidences of racism and high levels of insurance premiums.⁽⁶⁰⁾

Curran and Blackburn⁽⁴⁶⁾ found in their study, perhaps surprisingly, that positive factors associated with the desire to be independent were higher than expected, and they claim that this was on similar levels to white-owned businesses. To some extent, the strong motivational factors were confirmed by our research with African and Caribbean entrepreneurs in UK cities, and with Asian entrepreneurs in Scotland.^(48; 60) Over 80 per cent of African-Caribbean and Asian entrepreneurs agreed with positive statements concerning ambition and control of their environment. Yet, for a significant minority, negative factors associated with the lack of opportunity elsewhere were also important. Over 40 per cent (for both groups) agreed that they

had faced discrimination in previous employment. In such circumstances, discrimination and the lack of opportunities in the labour market are significant 'push' factors. Evidence from these studies showed that such entrepreneurs were often more highly qualified than equivalent white entrepreneurs, a result confirmed by the more recent UK study for the British Bankers' Association (BBA).⁽⁵⁰⁾ Analysis of motivation factors with African and Caribbean entrepreneurs showed that a 'mix' of positive and negative factors were important in start-up and motivation. Negative factors included the lack of employment opportunities (although this may also be a significant factor for white entrepreneurs) and the lack of career opportunities when in employment. It may be that African and Caribbean entrepreneurs have the characteristics we would expect of white entrepreneurs. However, evidence of discrimination and frustrated career ambitions was found to be a factor with some African and Caribbean entrepreneurs.

Although a number of issues remain unresolved in motivation, such as the low participation rate of African and Caribbeans in entrepreneurship, attention has shifted from start-up to enterprise development issues. For example, ethnic-minority entrepreneurs are perceived to be located in ethnic niche markets, such as Asian clothing firms supplying the needs of the Asian community or Caribbean hairdressers supplying a service that meets the needs of their community. The issue of 'break-out' from this reliance upon ethnic niche markets has been recognized as a policy issue for ethnic-minority entrepreneurs; policy issues are explored later.

Some of the issues with ethnic-minority and female entrepreneurs can be explored and discussed in the 'Entrepreneurship in action' case that follows.

Entrepreneurship in action: Perween Warsi and S&A Foods**Contributed by Spinder Dhaliwal, University of Surrey**

Perween Warsi is the woman behind the Derby-based S&A Foods, named after her sons Sadiq and Abid. Perween was born and brought up in Bihar, Northern India, and moved to the UK later, finally settling in Derby. From the age of 4 she was in the kitchen helping to prepare special dishes for family occasions. She undertook little tasks such as folding the samosas and kneading chapatti dough. Although Perween did not grow up in an entrepreneurial family, she credits her family for her inspiration and for enabling her passion for food to flourish. 'From childhood I had seen the importance of food, of having fresh ingredients and creating fantastic flavours.' She adds, 'I got it from my grandmother and my mother. Food is in my blood.'

Her starting point in business came in a rebellious way: 'I wanted to challenge the food industry. I found supermarket food to be boring, tasteless and poor value for money.' Her mission was to provide better tasting food. 'I am passionate about this,' she affirms. In 1986, with the support of her family and friends Perween decided to create a business using her own recipes. She started off as a tiny cottage industry working from her own kitchen. Her first step was to produce Indian finger food for a local restaurant. She was soon in great demand and began to market herself more effectively, and the orders poured in.

Perween extended her kitchen and began to employ a number of women. Most of these women were of Indian descent and many of them did not speak English. Not content with a small business, Perween had aspirations to grow and hounded the supermarkets. Asda finally agreed to a blind tasting of Perween's foods alongside other samples. 'Our products got the thumbs-up and it was the best day of my business life.' Although luck played a part in her success, thanks to her persistence, it was no accident that Asda was her big break.

This success, however, presented her with a problem. As S&A Foods became increasingly more successful, larger premises were needed to accommodate the growing business. Perween needed to expand rapidly in order to meet the orders and access to finance was proving difficult. Financiers were cautious and were looking for at least a three-year track record. Her few months of experience in her own kitchen did not leave them feeling comfortable about the venture. After some deliberation she joined forces with the Hughes Food Group, a local company, in order to generate funds to build a factory. A purpose-built factory was designed specifically to produce chilled Indian ready meals. By 1989 the first S&A Foods factory was built in Derby, creating over 100 jobs for the area. Her husband quit his job as a GP and joined the business full-time.

The business flourished. Perween introduced a greater variety of dishes, as well as innovations in packaging such as the meal sold in its own wok when the balti craze hit Britain. However, she was soon to face a new challenge. Three years later saw the Warsi family fighting to regain control after the Hughes Food Group went into receivership and, after a long drawn-out battle, Perween and her husband completed a management buy-out in November 1991 with the backing of the venture capitalists, 3i. This was a very difficult period, not only because of the legal troubles, but also because the company faced stiff competition. Many food manufacturers were competing for a share of the lucrative ready-meal business. Perween began diversifying into Thai, Malaysian, Chinese and American food to keep ahead of the game. But the loss of control has not been forgotten – Perween plans to 'keep the business in the family' rather than float on the stock market.

In May 2004, Perween regained 100 per cent ownership of Derby-based S&A Foods with the acquisition of the shareholding of venture capitalists 3i. Perween believes firmly in building a team of highly qualified people around her and in developing a strong 'family' culture among employees who are encouraged to challenge their personal and professional boundaries and strive for excellence.

There are no moans or whines about being a woman or of being Asian; both are pluses as far as Perween is concerned: 'I have not experienced anything negative in my career as a business woman.' She continues, 'I am me, I am who I am. I have confidence in myself. I have knowledge, I have the expertise. My gender is irrelevant.'

Discussion questions

- 1 What entrepreneurial attributes does Perween Warsi demonstrate?
- 2 What role did her family and community play in the business?
- 3 What role did access to finance play in the business?

Acknowledging context

One of the issues that has received attention in the literature on ethnic-minority businesses (EMBs) has been the relative importance of the socio-economic and political environment compared with the ability of such EMB owners to access resources and markets. One approach that has gained popularity, led by a group of Dutch researchers, argues that it is important to acknowledge the wider environment within which EMB owners operate, including socio-economic environment and the important political institutions. This is known as the 'mixed embeddedness' approach;⁽⁶¹⁾ it recognizes the importance of context in the light of resources, such as human, social and financial capital, that can be drawn upon by EMB owners.

Diversity in location: urban v. rural environments

The importance of context and the environment can be illustrated by recent work undertaken by the author and colleagues with EMB owners in contrasting urban and rural localities.⁽⁶²⁾ Theoretically it is arguable that EMB owners in rural localities compared with urban, would face greater resource 'poverty' issues, have limited social networks and hence restricted access to human, financial and social capital, and therefore be relatively self-reliant. We could also hypothesize that such resource limitations would provide greater constraints and difficulties for such owners in achieving business growth.

For example, in terms of accessing resources, we found that accessing advice was noticeably absent from EMBs in the non-city urban and rural locations in Scotland. Even relatively successful EMB owners in such localities had bypassed support agencies. In rural localities there was evidence of some contact with the support agencies and intermediary bodies such as multicultural associations, nevertheless, there was a high degree of isolation and no contact with, or support from, agencies by EMB owners in such localities. For example, one EMB owner from the Highlands complained that he felt his business had

suffered from a lack of support; in commenting on the barriers he faced he commented that the main barriers were: 'A lack of confidence in me and support from the local enterprise advisers.' Accessing finance was also seen to be problematic by EMB owners in non-city localities as, although an issue with some in city localities, there was less of an alternative of informal finance which was the main source of finance for EMB owners in city localities.

In many cases, outside city localities, EMB owners were often in sectors that faced increased competition, facing declining demand yet not having access to advice or resources that might help them achieve diversification, although there was also evidence of some successful survival strategies in the face of such difficulties. For example, the owner of one convenience food store in a Central Belt locality commented that 'turnover had declined' due to increased presence of 'big supermarkets', yet he still found that customers were retained because of the nature of their immediate catchment area. Taking the experience of a Bangladeshi convenience store owner from a rural area in the South of Scotland, a similar picture emerges of 'declining demand', yet they were still resourceful enough to introduce measures that had enabled some expansion despite increased competition: 'We are always looking at improving things, we have a salad bar, we are always looking for ideas to change things and expand.' The rural location meant that 'convenience' still provided a survival strategy, in the face of increased competition.

In localities outside the main city locations, a lack of established networks compounded the limited access to resources. This contrasts with a more common experience in city localities of a network of informal advice. There was evidence that sources of social capital in city localities were still important for second generation and young company owners, although the source of social capital or sources of advice may well be different in nature, because of different, if overlapping, networks.

A characteristic of EMB owners in rural areas in dealing with business problems, was that these had to be solved in isolation. Allowing for the context of the rural environment with a greater dispersed pattern of numbers of small firms, this feature of relative isolation, with no apparent networks to tap into, was particularly apparent. The experience of EMB owners in rural localities of 'doing business in isolation' reinforces the notion of resource poverty. A lack of family, social and business networks to turn to for advice bears out our initial hypothesis that such EMB owners are relatively isolated and relatively invisible, after taking into account the context of the rural environment. It was clear that they adopted coping strategies based on loyalties of local customers in sectors of declining demand, but lacked access to standard sources of advice and networks.

In emergent sectors such as leisure, computing and telecommunications, the larger markets of city localities, with greater access to resources such as finance, provided a better platform for achieving growth. Achieving business growth in some areas of the Central Belt outside the main cities meant resorting to innovative networking and using opportunities to diversify. A typical experience, especially in a traditional sector, was maintaining income in the face of declining overall demand. It was noticeable that barriers to achieving growth were more significant and perhaps more difficult to deal with due to the more limited access to resources that characterized such localities.

Some EMB owners in rural and non-city localities admitted that it was 'more difficult to do business', but approached this with a stoic acceptance that such attitudes were only to

be expected and that they had to work harder to achieve success because of such barriers. It was in the nature of dealing with customers or suppliers where different forms of racism materialized. In a small number of cases, reference was made to the effect of changing a name on doing business and the beneficial effect of removing the perception, for example, of dealing with an Asian business.

The combination of these barriers and difficulties meant that for some EMB owners, in some localities, the realities of doing business, of their experience and their everyday lives meant that they were forced to adopt coping strategies, adjusting to different markets, to greater costs and to surviving rather than achieving successful diversification and growth; an experience that was more typical of non-city environments, that is in the Central Belt and in rural localities.

Ethnic-minority entrepreneurship: policy

It is arguable that similar principles to those of support for women's enterprise apply to support for ethnic-minority enterprise owners. For example, Ram and Smallbone, in their review,⁽⁶³⁾ considered good practice to include: instruments or initiatives that are focused on the distinctive support needs of ethnic-minority businesses, or specific subgroups; delivery approaches that are based on engagement and interaction with ethnic-minority communities; culturally sensitive delivery methods; and approaches that include strategies for drawing ethnic-minority business owners into mainstream support. In a review of support for five cities, arising from the UK study for the British Bankers' Association,⁽⁶⁴⁾ it was found that each of the localities had a different pattern and mix of mainstream agencies, specialized ethnic business-focused enterprise agencies, intervention by local authorities and ethnic-minority business associations. In both England and Scotland, mainstream agencies have inclusivity as an important objective, yet the main issue has been a lack of engagement by ethnic-minority entrepreneurs with support agencies.⁽⁶⁴⁾

A lack of engagement

It is now well established, from previous research, that ethnic-minority entrepreneurs are reluctant to access mainstream enterprise support provision.⁽⁶⁵⁾ For example, in a survey for Humberside Training and Enterprise Council (TEC) of 292 EMBs, of which 45 per cent were Chinese owned, only 4 per cent had used business support previously, compared with 66 per cent of all businesses. Moreover, nearly three-quarters of EMBs had never used any form of business support, compared with 32 per cent of all firms.⁽⁶⁶⁾ In London, one study suggested that the low level of use of mainstream support provision was related to the ethnic-minority business owner's general perception of the support environment, misgivings about the support that is offered, confusion caused by the continued fragmentation of the support infrastructure and a failure of agencies to deliver 'one-stop' support in practice.⁽⁶⁷⁾

The relative failure of mainstream support provision to reach ethnic-minority enterprise owners has contributed to the development of specialized enterprise support agencies, based on funding from a variety of sources and initiatives, which have tended to change over time, thereby contributing to changing fortunes for individual agencies. However, instead of being complementary and well co-ordinated with mainstream provision, many of these specialist

72 CHAPTER 3 DIVERSITY IN ENTREPRENEURSHIP: THE ROLE OF WOMEN AND ETHNIC MINORITIES

agencies have operated alongside existing mainstream agencies such as Business Links rather than working closely with them, although there are exceptions. For example, Ram reported a lack of integration between specialized and mainstream provision in his study of enterprise support for African-Caribbeans in different city locations in the UK.⁽⁶⁸⁾ In practice, the pattern of enterprise support for EMBs varies between cities, depending on the mix of mainstream and specialized agencies.

Another issue concerns the language and forms of communication used by mainstream business support providers to communicate with potential EMB clients, which could be improved through a greater use of ethnic-based media, such as radio and newsletters, to disseminate information on business support issues. In one study involving the author, we found that one of the gaps in enterprise support strategy in Glasgow, at the time, was limited use of ethnic-based media. Such factors help to explain the low level of use of formal sources of external advice and assistance by EMBs, particularly at start-up.⁽⁶⁹⁾

It could be that the low take-up of business support from formal agencies reflects a low level of perceived need, or a lack of interest, by ethnic-minority entrepreneurs in receiving external assistance, which is a more extreme form of the apathy shown by many small business owners (regardless of their ethnicity) towards business support providers. However, there is evidence to suggest that the low level of use of mainstream business support agencies cannot be put down to the lack of interest on the part of the business owners^(70; 71) since both studies found their South Asian samples receptive to appropriate business support. The reliance on social networks, which are embedded in ethnic communities, may provide strong social capital, but it may also militate against accessing mainstream sources of support and advice.⁽⁷²⁾

The principal obstacles for support agencies, therefore, can be associated with identifying and reaching ethnic-minority entrepreneurs. Ram and Smallbone suggest that when this is linked to often inadequate databases, together with the inappropriateness of the 'product-oriented' approaches used by support agencies, it may not be surprising that formal support is bypassed by ethnic-minority business owners.⁽⁶³⁾

Finally it has been suggested that ethnic-minority entrepreneurs' needs are different from those of other small businesses, which Ram and Jones have indicated are associated with their sector, size and geographic distributions.⁽⁶⁵⁾ In terms of sector, South Asians are strongly represented in the catering, clothing and food retailing sectors,⁽⁷³⁾ Chinese in catering,⁽⁷⁴⁾ and African and Caribbeans in construction.⁽⁷⁵⁾ Although our research has shown that new-generation EMB owners are favouring emergent sectors,⁽⁶⁹⁾ traditional sectoral concentrations remain important and, therefore, have to be taken into consideration when formulating support policies for ethnic-minority entrepreneurs.

Conclusions

This chapter has celebrated the diversity of entrepreneurship through a focus on women and ethnic-minority entrepreneurs. Even within these categories, however, diversity is a key theme. Diversity in entrepreneurship will always provide an issue for policy because it is not possible to treat any group of entrepreneurs as being homogeneous; the needs of business owners will vary and their needs will depend as much on the characteristics of their businesses (on their size, on their sector and on their location) as on whether they are owned by women, men or ethnic minorities. However, from the evidence that has been reviewed in this chapter, it

is possible to identify the distinctive experiences of ethnic-minority and women entrepreneurs. It is noticeable that the evidence does suggest that some ethnic-minority entrepreneurs – especially, for example, African and Caribbeans – do have very different experiences when accessing bank finance than do other entrepreneurs.

Diversity is important too for women's firms. Much of the discussion of female entrepreneurship has focused on the issues associated with business ownership and family responsibility. However, many females do not have families; many potential and actual female entrepreneurs have circumstances, including education, opportunity, wealth etc., similar to those of men. As such we might expect them to be less 'deficient' or less 'different' in terms of business outlook and ambition. For some this will be the case, for others not. Additionally, over time the socio-economic circumstances of women may vary considerably. For female entrepreneurs, therefore, the perceived value, utility and purpose of their businesses may well vary over time as their other circumstances change. Thus diversity in entrepreneurship for women can include not only diversity among women, but diversity of the business experience for each female entrepreneur. Such is the complexity of the entrepreneurship phenomenon. Emerging trends in research reflects this. Howarth et al. ⁽⁷⁶⁾ point out that entrepreneurship is 'a field characterised by dynamism, ambiguity, discontinuity, uniqueness and innovation' (p. 25). The 'deficiency model' of female self-employment and business ownership is therefore itself deficient if we are to understand properly the complexity and value of female (and any non-standard, minority) entrepreneurship.

Ethnic-minority enterprise development has succeeded largely outside mainstream support and largely without access to special support. For example, in some areas, success has been achieved through entrepreneurs and other community leaders taking individual action and setting up their own initiatives, using ethnic literature to ensure that firms and entrepreneurs are engaged.

The diversity of ethnic-minority enterprise is increasing. Generational issues have not been explored in this chapter, yet new young Asian and other ethnic-minority entrepreneurs are entering entrepreneurship from very different backgrounds than those of their parents and grandparents. While the family experience and tradition is still important in the Asian community, many of these new young ethnic-minority entrepreneurs may have a family background that does not have the tradition of business ownership. It is these new entrepreneurs that are forging the future of ethnic-minority enterprise development in the UK. They have different expectations, are often highly educated, and enter entrepreneurship against a background of high family expectations not to follow a career in self-employment.

Women are also increasing their participation in entrepreneurship, yet policies, such as the recently launched Strategic Framework,⁽²⁸⁾ still take a piecemeal approach to support and assume that women entrepreneurs have homogeneous needs, when, in practice, diversity characterizes their experience. In the case of both women and ethnic-minority entrepreneurs policies continue to defy the variety of their experience, participation and activity.

Below, we provide a case study (Alternative Publishing Ltd, part A only) of an ethnic-minority business that has been tracked for some time. Started by two young Asian entrepreneurs, it represents an example of the emergence of a new generation of ethnic-minority entrepreneurs with very different backgrounds and start-up aspirations from those that might have been associated with earlier generations. The business has, subsequently, changed significantly and further material can be obtained through the Online Resource Centre's learning and teaching material.

Case study: Alternative Publishing Ltd (part A)

Background

Alternative Publishing Ltd (AP Ltd) was started by two young entrepreneurs, Majid Anwar and Suhail Rehman. The firm focused on business services in desktop publishing and associated computer services such as software development. It was established in a UK city centre.

Both entrepreneurs were in their early twenties when the idea of starting in business was first conceived. They were British born, but of Asian background. Apart from this characteristic they both have very different histories. Majid was from a medical family and had himself followed this career after leaving school. Suhail was the same age, but had studied avionics at university and his position differed in that his family had a predominantly business background.

They met through one of their extra-curricular activities – community work – to which they both allotted significant amounts of time. This afforded an opportunity to put something of human value back into the community that they had been brought up in and so help young people from an inner-city environment. Both had a desire to help their ethnic community.

After leaving university they found professional jobs with strong career structures. Majid started work as a junior doctor working in various hospitals, while Suhail started work as a software engineer with GEC Ferranti.

Motivating factors leading to business start-up

Putting profits into community projects

The entrepreneurs' main motivating factor was the desire to put something back into their ethnic community. They had also devoted a lot of time to voluntary work. The plan was to skim off, in the future, some of the profits and put them into a charitable fund that would benefit others within the ethnic community to realize their aims (and also enter business).

The desire to empower themselves

Majid had a strong desire to be able to empower himself. Starting a business was one way in which he could take his own decisions about every aspect of his life. This wish to empower himself was not an easy option. He wanted to be able to influence the decisions regarding the course of his life and had to justify them to himself, his family and the members of his ethnic community that had supported his career.

Family background

For Suhail, the reasons for going into business were broadly similar, though his family involvement in business gave him an additional motivation to take this course. He had always had an inclination to go into business from an early age, though he felt that due to a lack of work experience it would have been unwise to do so straight from university. Thus he had followed the plan that he had set himself of going to work for a few years for a large company.

Barriers to entry

The influence of the ethnic community

The two men experienced much cumulative pressure to continue with a professional career. In the Asian community a great deal of emphasis is placed upon the younger generation achieving a professional career, in contrast to their parents, who may not have had the same educational and career opportunities. Therefore, they faced much opposition from members of the ethnic community, who were not able to appreciate why they were motivated to start a business. Also, because of the value placed upon a professional career, to leave their jobs meant a consequent loss in status, which in addition resulted in a narrowing of their marriage prospects.

Loss of professional status

The other factor that might be seen to mitigate against a business start-up was that their professional careers offered them relative security with the prospect of high salaries in the future.

Planning and implementing the business start-up

The choice of business

Both the founders possessed a strong interest in publishing and printing from their days of voluntary work, where knowledge of publishing had been acquired. They were both interested in computing as a result of their extra-curricular activities and, in Suhail's case, his previous job as a software engineer.

Finally, both partners recognized that future technological changes were going to make computing skills and knowledge even more crucial for a publishing career and their interests, as mentioned, already fitted this trend. From the outset both of them knew there was a gap in the market that had yet to be satisfied, and initial market research had established the feasibility of business entry.

Planning and initial phase

Even though they had identified publishing as a route to take, both founders were in only the early stages of planning. They realized that market research had to be done before any business could be started. In the initial phase they had to do a lot of the marketing themselves. They discovered that the building they were located in was actually the hub of the printing industry in the city centre. This was a feature that had not been known, but it proved fortuitous since it provided plenty of opportunities for networking. As a result, both Majid and Suhail were able to use the location as the basis for forging contacts and creating a network of links within the sector.

The marketing skills required for desktop publishing are different from those needed for more traditional printing. The importance of networking soon became apparent, as did the need to forge contacts. Therefore, they decided to bring in another partner and recruited Imran as a third director. Imran was older than the other two founders. They reckoned that his greater experience relative to them would be useful in making contacts.

In terms of director responsibilities, it was decided that Majid should be responsible for the design and artwork, while Suhail would deal with sales, marketing and administrative duties.

Customers and competition

They had to make various decisions about how to deal with customers and elicit business. The path taken was to listen to the requirements and specifications of the customer for the job. From this the directors would then go back to them with a price for the job and a sample.

76 CHAPTER 3 DIVERSITY IN ENTREPRENEURSHIP: THE ROLE OF WOMEN AND ETHNIC MINORITIES

Majid and Suhail estimated that the public sector was the chief market they wanted to develop. They recognized that there were many projects emanating from these authorities that would require new skills and expertise. In the initial phase they encountered two features of this sector: first, that the culture was generally less competitive and demanding; second, that the sector was generally difficult to break into or, as Majid put it, ‘business tends to go round in circles’.

By contrast, the competitive market was variable. For example, in some areas, such as traditional printing, trading patterns were vertical with some competition, whereas in new areas there was little or no competition. In these new areas of desktop publishing and ‘printing with technology’ it was possible to set their price. This was where they were offering specialized services and in these cases it was possible to dictate price. In areas where there was a lot of competition, there was little customer loyalty and they were compelled to negotiate prices each time. As a result, both directors felt that to get themselves established in such a market took a lot longer than for some of their more specialized niche markets.

Included with this part of the case are financial extracts and forecasts from the business plan for the first year (see Tables 1 and 2).

Expenditure	
Insurance, electricity, rent & rates	£6,000
Wages	£4,800
Telephone	£1,500
Subscriptions (journals, etc.)	£100
Consumables	£1,500
Legal & professional fees	£500
Advertising/publicity	£2,000
Equipment	£5,500
Total	£21,900
Income	
Total from directors/investors	£15,600
Sales	
Turnover for first year	£25,000
Assets	
As equipment less 20% depreciation	
Liabilities	
VAT	
Directors loans	
Total Expenditure	£21,900
Total income	£40,600
Net profit before tax	£18,700
Net profit margin	46%

TABLE 1 Financial projections for AP Ltd, year 1

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	
Expenditure													
Insurance, electricity, rent & rates	1 500	0	0	500	500	500	500	500	500	500	500	500	6 000
Wages	400	400	400	400	400	400	400	400	400	400	400	400	4 800
Telephone/Postage			375			375			375			375	1 500
Subscriptions (journals etc.)	75			25									100
Consumables	100	20	20	50	150	160	160	160	160	170	170	180	1 500
Legal & professional fees		500											500
Advertising/publicity	400	150	150	300	125	125	125	125	125	125	125	125	2 000
Equipment	700	200	200	4 000			400						5 500
Total expenditure	3 175	1 270	1 145	5 275	1 175	1 560	1 585	1 185	1 560	1 195	1 195	1 580	21 900
Income													
Directors/ investors	12 300	300	300	300	300	300	300	300	300	300	300	300	15 600
Sales		500	1 000	1 000	1 500	2 000	2 000	3 000	3 000	3 000	4 000	4 000	25 000
Total income	12 300	800	1 300	1 300	1 800	2 300	2 300	3 300	3 300	3 300	4 300	4 300	40 600
Cash flow	9 125	470	155	3975	625	740	715	2 115	1 740	2 105	3 105	2 720	18 700
Opening balance	12 300	9 125	8 655	8 810	4 835	5 640	6 200	6 915	9 030	10 770	12 875	15 980	
Closing balance	9 125	8 655	8 810	4 835	5 640	6 200	6 915	9 030	10 770	12 875	15 980	18 700	

TABLE 2 AP Ltd cash-flow forecast

Review questions 3.1

- 1 Why do official participation rates for women in business tend to underestimate their importance?
- 2 Why might women face higher start-up barriers than do men?
- 3 How does the pattern of self-employment in women and ethnic minorities, in the UK, illustrate diversity?
- 4 How might this diversity be changing?

Review questions 3.2

- 1 Commercial banks and mainstream support agencies may be seen by ethnic-minority entrepreneurs as 'white' institutions. This can be overlain with perceptions of prejudice in such institutions against them. What could the banks do to reduce such perceptions in order to improve access to formal bank finance? Similarly, what could support agencies do?
- 2 Why are ethnic-minority entrepreneurs important to Britain's future prosperity in the twenty-first century?
- 3 What are the five main ethnic-minority groups in the UK?
- 4 Which group appears to be the most under-represented in entrepreneurship? What factors might account for this?

Review questions 3.3

- 1 Give examples of factors that would be regarded as positive and negative motivations for ethnic-minority entrepreneurs.
- 2 How would you expect motivations to differ between new-start business owners in different ethnic-minority groups?
- 3 In the past, problems of accessing resources may have caused some ethnic-minority entrepreneurs to enter sectors that have low barriers to entry – for example, clothing manufacture, retailing and wholesaling. How is increased competition in these sectors likely to affect such ethnic-minority businesses today?

Review questions 3.4

- 1 Why has policy on support for women in enterprise become important?
- 2 Why is the issue of mainstream v. specialized support relevant to both ethnic-minority and women's enterprise support policies?
- 3 What factors may explain the lack of engagement and the low take-up of support by ethnic-minority entrepreneurs?

Suggested assignments

- 1 Consider the case of Alternative Publishing Ltd. Should Majid and Suhail start the business? In your answer, consider the advantages and disadvantages of entrepreneurship for these two ethnic-minority entrepreneurs.
- 2 There has been considerable research effort into understanding characteristics of ethnic-minority entrepreneurs, the issues that they face, and their potential in economic regeneration and recovery. Using material from this chapter, discuss the potential reasons for this attention, focusing on Asian ethnic-minority entrepreneurs.
- 3 Why should black African and Caribbean entrepreneurs have been neglected as a focus of research on ethnic minorities?
- 4 Critically discuss the nature of recent support initiatives for women's enterprise in the UK.
- 5 You are a business adviser to a new women's enterprise, seeking to start in the UK. Explain the relevance of recent policy initiatives, and recommend networks that they may consider joining as form of advice and information (see www.prowess.org.uk).

Recommended reading

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Internet resources

www.scottishbusinesswomen.com
www.prowess.org.uk
www.wbda.co.uk

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82 CHAPTER 3 DIVERSITY IN ENTREPRENEURSHIP: THE ROLE OF WOMEN AND ETHNIC MINORITIES

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