

# **ENTREPRENEURSHIP AS ETHNIC MINORITY LIBERATION**

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# ENTREPRENEURSHIP AS ETHNIC MINORITY LIBERATION

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### **ABSTRACT**

To what extent does ethnic minority entrepreneurship promote socio-economic advancement? An implicit narrative of ethnic minority enterprise as a catalyst for social mobility has held sway in academic and policy discourse. It is fuelled by a largely-US inspired literature that emphasises 'ethnic resources'. We evaluate this question by drawing on recent theoretical developments that seek to embed ethnic minority entrepreneurship more clearly in the various contexts in which they are embedded. These contexts, rather than resources that may or may not exist amongst ethnic minority groups, are found to be more persuasive in accounting the nature of minority enterprise.

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Dispelling any possible misconceptions about the importance of immigrant-origin business ownership in the UK at the turn of the millennium, the then parliamentary secretary for small business confidently declared, 'Ethnic minority people are amongst the most entrepreneurial in our society' (Griffith, 2002). Around the same period in Britain there also emerged a new publication, the *Asian Rich List*, a celebration of the wealth (in some instances quite breath-taking) of the most successful Britons originating from India, Pakistan and Bangladesh. Almost inevitably a high proportion of these are business owners, a circumstance entirely in tune with the mood of bullish optimism surrounding ethnic minority business (EMB) over the past thirty years or more. Essentially there is a widespread feeling that self-employed business ownership is a virtually assured antidote to the discrimination suffered by racialized minorities in Western urban society. When wealth and status are denied to them as employees in an unfavourably biased labour market, it is logical to assume that these might be better pursued through independent business ownership. In Britain, this rationale has been projected on to many of the post-war immigrant-origin communities including Hong Kong Chinese, Greek Cypriots and Turks but most enthusiastically on to South Asians. Drawing on the rich social capital of their familial and communal networks, British South Asians are invariably presented as archetypes of the upwardly mobile entrepreneurial minority (See Ram and Jones, 2008 for a condensation of a proliferating literature in this vein).

For all the vigour with which this narrative is promoted, it has never escaped critical disagreement, however, and fully three decades ago there were already Canute-like scholars prepared to confront an already unstoppable tide of boosterism. Unimpressed by the emergent zeitgeist, McEvoy et al (1982, 1 and 10) bluntly declared, 'much Asian business is a waste of capital, energy and talent ... a continuation of subordinate status rather than an escape from it'. Despite its admitted lack of nuance, this statement was intended as a robust comment not on any possible

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shortcomings of Asian retailers themselves but on the hostile economic environment in which these new settlers were obliged to operate. As these authors argue, Asian entrepreneurship seemed to be a matter of settling for disappointingly light-weight returns on punishingly heavy effort. As well as penalising the entrepreneurs themselves, the system could be seen as patently self-harming, wasting the human capital of graduates and other highly qualified workers on the running of corner shops, hardly a rational allocation of valuable human capital resources (Aldrich et al. 1981). Here we see one of the early hints that self-employment was less of a voluntarily chosen occupational specialisation and more of a reactive survival mechanism for a newly arrived group suffering job discrimination and lacking viable options elsewhere in the economy (Jones, McEvoy and Barrett, 1992; Virdee 2006).

In the remainder of this chapter we shall firstly spell out the basic elements of the enterprise-as-socio-economic progress thesis before subjecting it to various qualifications. Given the serious doubts that we have long harboured about both the theoretical foundations of this thesis and the empirical interpretations to which it is wont to give rise, this will not be an uncritical account. Further adverse criticism will inevitably follow when, drawing extensively from our own researches, we shall show how far the actual reality of most ethnic minority businesses falls short of the often over-exuberant rhetoric. We end with a plea for a more restrained and balanced appraisal of entrepreneurship, not as an exclusive panacea, but as one of a number of pathways along which the social and economic advancement of the UK's ethnic minorities might be sought.

### **ETHNIC MINORITY BUSINESS AS SOCIO-ECONOMIC ADVANCEMENT**

As the onset of deindustrialisation in the 1970s began to destroy many of the low level jobs for which 'New Commonwealth' immigrants had initially been recruited (Miles, 1981), so there developed a growing displacement of immigrants, Asians above all, into self-employed business ownership. Coinciding as it did with the end of the post-war boom, the 1970s decade

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was one of economic decline in Britain, creating a sorry context for racist conflict, both literally and at the level of public and political discourse (Miles and Phizacklea, 1984). In this context, any commentator who hailed the vigour of South Asian and other immigrant business owners (Allen and Smith, 1974), could only be seen as a welcome addition to a beleaguered anti-racist camp, especially those who went so far as to directly promote EMB as the very engine of inner city regeneration (Hall, 1977). Not only were EMBs a highly dynamic force on their own behalf but they were evidently highly desirable also for the wider society.

Even at this early stage the paradoxical aspects of EMB started to become apparent and to lend themselves to contradictory interpretations, positive progressive inferences insistently vying with more problematic signs (McEvoy et al. 1982). When, for example, we are confronted with an immigrant shopkeeper working 80 hours a week for less than a manual worker's wage do we condemn this as a lamentable failure of the economic system and a manifest injustice that entrepreneurs are compelled to self-exploit in order to stay alive? Or does it betoken energetic industrious self-reliance? Similarly when we witness the intense concentration of Asian firms into corner shop retailing, should this be seen as an 'ethnic specialisation', an entrepreneurial community opting to concentrate on what it is good at? Or is it a painfully distorted distribution enforced by lack of choice, an extension of the racialised division of labour in which immigrants are allocated low level tasks unwanted by native whites (Miles, 1981)?

By and large the initial verdict tended towards the positive side of this dialectical see-saw (See Jones and McEvoy 1986 for review of the first wave EMB literature), in line with what we would describe as a kind of liberal anti-racist utopianism. At the same time, optimism about EMB as a profound force for good was braced by a world-historical context showing that the rise of EMB in the UK was no local or temporary blip but part of a general tendency throughout advanced capitalism for immigrant minorities to be over-represented as self-employed entrepreneurs (Bonacich and

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Modell, 1980). At this stage too one might have been forgiven for welcoming EMB as a kind of 'friendly face of capitalism' (Jones et al 2012a), an economy deriving its core strengths from such eminently human values as family and community solidarity, the source of its competitively advantageous access to capital, labour and markets (Light, 1972; Ram and Jones, 2008). Less a matter of hard-nosed chasing of the 'bottom line', Asian enterprise seemed rather to embody the virtues of mutuality and co-operation as a means not primarily of chasing great wealth but of improving one's hitherto rather straitened livelihood.

In many respects all this resonated with the influential Bolton Report (Bolton, 1971), an official investigation of the economic potential of the small firm in Britain, which portrayed it as not only more flexible and innovative than the then dominant giant corporation but also more harmonious in its labour relations. Shortly after this, the humane side of enterprise was given a further and more decisively theoretical boost by Granovetter (1985) and his insistence that all entrepreneurial activity is necessarily embedded in social networks, the absolutely essential source of the trust without which no economic exchange can take place. There could be no better embodiment than the Asian firm of the principle that the economic exists *because* of the social rather than *in spite* of it. Indeed its capacity to tap into the social capital of its ethnic networks came to be seen as the paramount key to its competitive edge (Flap, Kumcu and Bulder, 2000).

Moreover, for those of an anti-racist disposition, entrepreneurial participation seemed like a sign of inclusiveness. Certainly it was tempting to believe that mastering one of the most difficult roles in the adopted society was the ultimate proof that the excluded community had finally arrived. As we shall note elsewhere in this chapter, the EMB rags-to-riches theme has always been attended by an element of wish-fulfilment (See also Ram and Jones, 2008).



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Perhaps unhappily for EMB scholarship, the insights of Bolton and Granovetter became increasingly submerged under a deluge of cheer-leading accounts, doubtless intended as 'positive thinking' but actually verging on the hagiographical. From the 1980s onwards both reality and rhetoric have undergone substantial modification, often in directions grating to the sensibilities of the dispassionate truth-seeker. According to Harvey (2007) that decade witnessed the start of the "neo-liberal turn" in Western capitalism, a shift from the early post-war regime of state interventionist social democracy towards less regulated markets, increased privatisation and promotion of the individual entrepreneur as the motor of economic growth. In the UK this was embodied in the 'enterprise culture' of Thatcherism (Keat and Abercrombie, 1990), a drive that, with its aim of legitimising free competition, private profits and individual economic independence, was as much ideological as practical. Nevertheless, on the evidence of Campbell and Daley's (1992) review of the decade, it might be argued that policy had borne fruit in an entirely practical sense, with a vigorous increase in the national stock of small firms from 1.5 to 2.4 million, the latter representing a self-employment level of 13 per cent of the economically active population, much more in line with Western European norms than had previously been the case..

For the present argument what is particularly germane is the very substantial role played by many of the newly arrived immigrant communities, with Indian and Pakistani business owners notably prominent. Somewhat surprisingly in view of their origins as unskilled migrant labour at the bottom of the social pecking order, the growth of entrepreneurial self-employment among Asians had actually outstripped that of the general population, achieving self-employment rates much in excess of native whites. In the ethnic minority vanguard were British Indians (immigrants and British-born offspring), whose 1991 self-employment rate stood at 20 per cent in comparison to a 13 per cent white native rate (Jones et al. 2012b). Once again, access to exceptional social capital resources based on the cultural networks of ethnicity, family and community were heavily invoked as explanations of an apparent

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competitive advantage (Werbner, 1984). Whatever the nature of its driving forces, the consequences could only be seen as beneficial, with widespread business ownership automatically assumed to be a source of enrichment and empowerment for the South Asian communities (Soni et al 1987). Indeed, the latter years of the 20<sup>th</sup> century resounded to mouth-watering accounts of Asian entrepreneurial wealth, with journalistic over-excitement (Day, 1992) supported by (presumably) more sober academics (Aziz, 1995).

While any opportunity to rejoice in the against-the-odds achievements of immigrant minorities in a racist society should be eagerly seized upon, joy should retain a sense of proportion, however, resisting the temptations of hubris. Unhappily this principle was not always heeded and, to the objective observer, various rather jarring notes began to creep into the discourse during the 1980s. Though ethnic resources continued to occupy a pivotal point in the explanation of EMB, this now seemed less a matter of celebrating the humanity underlying commerce and more a part of a general rather aggressive entrepreneurial triumphalism. As Southern (2011) was later to remark, one was made to feel extremely uneasy by suggesting that enterprise ownership was anything less than a boon for its proponents; and to actually portray it as structural disadvantage was tantamount to grievous heresy. A certain conventional wisdom about the positive qualities of enterprise had achieved such momentum that to voice off-message contrary opinions was, at the very least, a rather gauche social faux-pas.

Southern of course had lived through a period when the quasi-bible of the zeitgeist had been Piore and Sabel's (1984) *New Industrial Divide*, a rather portentous title suggesting that the Economic History of Western capitalism was undergoing one of those gigantic tectonic shifts akin on the scale of the Industrial Revolution itself. In this instance the shift was from large to small. More specifically the claim was that a great confluence of economic, technological and market forces was now acting to effect an unstoppable shift away from the established market dominance by giant corporations

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and, through out-sourcing, the rise of a new service economy and related changes, to bring about a renaissance of the small independent firm. With hindsight we can now see this dramatic exaggeration as playing in tune with the academic and political mood music of the time, the sound track to the remaking of the economic landscape – or, more accurately, of the economic conversation (Harvey, 2007).

Perhaps as part and parcel of this new found re-legitimisation of the small entrepreneur, a new note seemed to be creeping into the Asian business narrative. Increasingly the virtues of humanity and mutuality could be seen taking a back seat to thinly disguised greed and materialism. In some senses the new found Asian confidence might be a cause for rejoicing – the belated self-assertion of the formerly down-trodden - except that mature reflection might suggest 'over-confidence' as more apt, given that only a very small fraction of Asian firms at that time could be rated as fast-trackers. Far from striving for growth and high earnings, the vast majority were content simply to survive (Jones, McEvoy and Barrett, 1992). Even so, it would be a pity to allow truth to spoil a good story and the 1980s decade was notable for a veritable spate of Local Authority sponsored consultancy reports – among them Rafiq (1985) on Bradford, Creed and Ward (1987) on Cardiff, Soni et al (1987) on Leicester – all seemingly predicated on some kind of belief in the panacea effect of EMB for local economic development. It is hard not to see all this as part of what Harvey (2007) sees as a broad campaign of ideological legitimisation, of drumming up support for and belief in entrepreneurialism as the one true source of growth, jobs, innovation and wealth (See also Keat and Abercrombie, 1990).

In the specific field of EMB, accounts of Asian growth and success gradually became not only more muscular but also increasingly and divisively moralistic. This point is trenchantly picked up by Kundnani (2002, 70), who notes Asians as acquiring a reputation as a 'model minority' whose 'passivity, entrepreneurship, hard work and education' were beloved of both Thatcherism and Blairism. Here the divisiveness of this crude

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stereotype is evident in the way that it drives a wedge between the business population and the great mass of Asians who are not entrepreneurs and less likely to be upwardly mobile than mired in poverty (Kundnani 2002). Not too far into the present millennium, this divide was even more graphically highlighted by the riotous disturbances of Bradford and Oldham, with the spotlight now firmly directed towards the much more representative under-privileged mass instead of the entrepreneurial 'millionaires club' (Kundnani 2001, 106).

As well as inflating internal divides *within* the Asian community, the entrepreneurial discourse has also been at the centre of debates about alleged differences *between* ethnic minorities. Such a rationale cannot fail to divert attention away from the shared racism and other hostile external forces facing all racialized minorities and towards the allegedly problematic internal qualities of each specific group. For several decades now one of the central questions for EMB researchers in the UK has been the self-employment gap between Asians and African Caribbeans, the latter lagging below the national average in stark contrast to the former (Ward, 1987) and implicitly portrayed as blameworthy, as if moral virtue automatically resided in business ownership rather than employee status. As Kundnani (2000, 7) mocks this finger-pointing demonization of the non-businesslike, if one group can set up successful enterprises, 'then the others are just not trying hard enough'. In fairness, writers such as Ward (1987) were genuinely puzzled as to why one community and not the other could respond in an enterprising manner to the collapse of work but even where moral hectoring is not intended, it is difficult to avoid the construction of a 'strivers versus skivers' caricature.

The origins of this morality tale are traced by Gilroy and Lawrence (1988) to the urban civil disorders – 'riots' in the tabloid vocabulary - of 1981, which gave rise to a flood of media reports attributing the fury of African-Caribbean youth not to involuntary mass unemployment, poverty, racist policing and other external systemic faults but to all manner of assumed family and social disabilities internal to the community itself. As these

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authors point out, the shifting of the causal onus on to the community itself is an effective way for the state to absolve itself. With a hint of irony, it is no coincidence that the official Scarman Report on the disorders recommended nothing less than the encouragement of African-Caribbean self-employment as an antidote to alienation and deprivation (Scarman, 1986). In all its essentials the narrative of the Afro-Asian entrepreneurial gap imparts extra momentum to this rather mean-spirited debate, with heavy emphasis on cultural values as the cardinal determinants of any group's business development. Against this, subsequent critical research has exposed the degree to which inter-group differences have been inflated and misinterpreted (See Ram and Jones, 2008) and, as we shall see later in this chapter, much of the culturalist explanation of enterprise is fundamentally flawed.

Particularly questionable when held up to scrutiny is the underlying assumption about contrasting business entry motives. Whereas Asians tend to be assumed to be entrepreneurs of opportunity, pulled into business by ambition and positive aspirations, the smaller number of African Caribbean owners tend to be dismissed as entrepreneurs of necessity, pushed out of employment by job discrimination (Ward, 1987). Yet in-depth research interviews with entrepreneurs from each group have pointed up the futile over-simplicity of attempts to reduce business entry to a crude push versus pull procedure. In practice – and irrespective of ethnic origin – such decision-making is often a lengthy complex deliberation, weighing up a host of contradictory positives and negatives; and subject to day-to-day changes in personal circumstances (Jones, McEvoy and Barrett, 1992; Ram and Jones, 2008). When a tick-box questionnaire allowing only for binary distinctions is employed, the answers can directly contradict the actuality.

Even so one sense in which the highly essentialist view of 'Asians as naturally entrepreneurial' might have some limited purchase is in the way myths – beliefs fundamentally untrue in themselves – can actually influence reality, through inducing their believers to behave **as if** they were true. In

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effect, perception can become reality. As Werbner (1999) suggests, the grass roots community tends to write its own version of history; and in so far as young Asians come to believe in the entrepreneurial reputation of their community, this might present business to them in a confidence-building way as a feasible, perfectly normal and even unavoidable career option, to be followed in an almost automatic manner. In a real sense, inter-generational motivational momentum is built up simply through the presence of family and co-ethnic role models, individuals in a sense undertaking the entrepreneurial journey for the benefit of those who follow and removing any perceived ceilings.

With equal force, however, we might argue that such motivational momentum might be less of an advantage and more a lemming-like path of self-destruction. In practice, community role models might be setting unhelpful precedents and may be part of the reason for the problematic nature of Asian business. In the following section we shall see that a key cause of poor returns is that too many Asian firms are crammed into a few low value sectors like catering and corner shop retailing, forced into cut-throat competition with one another (Jones et al 2000). If imitation of role models reinforces this, its effects are the absolute reverse of what might be hoped for. Highly enlightening here is that supposedly laggardly African-Caribbean owners are markedly less prone to this trap. Fewer in number they may be but their distribution is far less distorted and they are less likely to specialise in these stereotypically ethnic minority markets, with their poor returns and punishing work load (Ram and Jones, 2008).

In the final analysis our own view is that the hunt for particularistic ethnic differentiation is a wild goose chase in pursuit of a red herring. Evidence mounts that various traits taken to be ethno-cultural in origin – reliance on family resources and on informal recruitment, marketing and financing – are actually the universal characteristics of small business (Jones and Ram, 2007). In many instances they are determined by economic sector rather than ethnic provenance, one graphic example being Jones, McEvoy and Barrett's (1994) demonstration that Asian newsagents work

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excessively long hours because that is what any newsagent of any ethno-cultural origin must do simply to survive.

### ENTREPRENEURSHIP IN QUESTION

Without doubt one of the key weaknesses of the EMB literature of the time was its insistence on presenting Asian and other entrepreneurial minorities as if their business life were operating on its own terms inside an insulated sphere divorced from the mainstream of entrepreneurial life (Jones and Ram, 2007). Where occasionally the external world was let into this parallel universe – as in Waldinger et al's (1990) recognition of *opportunity structure* as an influence on EMB – market conditions were usually presented as becoming progressively more favourable for the small and the immigrant (Ward, 1987). Essentially this reflects a far too ready deference to the New Industrial Divide thesis.

As always in a healthy academic debate there are exceptions even to the most over-bearing trends and, among the mainstream enterprise researchers (i.e. those concerned with entrepreneurialism per se irrespective of ethnicity), Scase and Goffee (1984) are notable for an eminently realistic portrayal of the typical independent business owner as pragmatic, powerfully motivated by personal independence and surprisingly modest and non-materialistic in his/her goals. Moreover, from the late 1980s onward increasing evidence was forthcoming of a rediscovery of critical faculties previously stifled by voluminous layers of pro-enterprise material. Capturing the flavour of this is Storey's 1987 paper, whose title "Small is Ugly" is a parodic inversion of one of the jaunty small enterprise slogans of the period. Far from intending this "ugliness" literally as a condemnation, Storey is a true enthusiast for the small independent firm (See Storey, 1994) and for him this is all the more reason for not foisting upon it a host of unrealistic and dubiously motivated expectations. In reality, he argues, the great bulk of small firm owners are 'trundlers' (Storey 1994), engaging in business not primarily to generate vast wealth and growth but to satisfy a need for independence, free from supervision in the

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workplace and subordination to a boss. Perhaps the phrase ‘tolerable survival on one’s own terms’ would best sum up the typical firm owner’s ethos, not exactly the dynamic mind-set to spark a new Piore and Sabel-style Industrial Revolution but nevertheless approaching closer to the true meaning of the word ‘freedom’ than many of the empty slogans used to justify the unregulated market.

As part of his critique, Storey (1987) picks up on the sheer falsity of the conventional wisdom that the balance of the post-industrial economy is decisively shifting from large to small. True the sheer number of micro enterprises began to rise emphatically in the 1980s but the overall volume of economic activity continued to be ever more concentrated in the corporate giants. Shortly after this the theme of ever-growing corporate power was picked up by Rainnie (1989), arguing that the continued survival of the small firm is predicated entirely on its subordination to the large, either as its supplier in an unequal exchange relation or as the occupier of markets too poor to attract the large. Rather breathtakingly, most of these relationships were very clearly spelled out half a century ago by Wright Mills (1957) and it is a source of wonder how they could have been ignored for so long. Certainly historical blindness has been a prevailing feature of the EMB field, where the repeated rediscovery of the wheel invariably masquerades as exciting novelty (Jones and Ram, 2007).

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In practical terms, one of the inescapable implications of Rainnie’s rationale is that independent self-employment is for most of its practitioners an ill-rewarded and toilsome livelihood, where earnings actually tend to fall short of wages from employment (Smeaton, 2003). True a tiny number of high fliers will achieve spectacular returns but it is the iron law of capitalist free competition that these will be vastly out-numbered by the low fliers and of course the fallers from the sky. According to Storey (1994), fast growers/high fliers are confined to about one twentieth of the total entrepreneurial population, a figure corroborated over and over again by



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studies throughout the economically advanced world. Somewhat surprisingly for believers in the Asian entrepreneurial miracle, this figure was broadly replicated for Asians in Jones et al's (1992) large nationwide survey. Even more emphatic are the repeated findings on the paltry incomes and unprofitability of Asian owners at the bottom end of the range, with many entrepreneurs unable to survive without working quite agonisingly long hours (Jones et al 1994); or even through such desperate cost cutting as resorting to the use of illegal immigrant workers at below minimum wages (Ram et al 2007).

At this point we need to ask why there should be such a colossal gap between widely and confidently held beliefs on the one hand and what actually happens on the other. Broadly the reason for this is a general failure to look below the superficial picture created by the sheer numbers of Asian firms. Almost from the first stirrings of EMB in the 1970s the central problem has been a general tendency to equate raw numbers with economic success. Most writers have given far greater weight to the obvious question 'How much?' than to the more searching enquiry 'what sort?' of Asian business. Thus writers like Ward (1987) were content to record an astonishing proliferation of new Asian firms without fully questioning their viability, scale, earnings, failure rates and the intense struggle many were obliged to undergo just to stay alive. Generally it was simply taken as self-evident that multiplication meant development. Rather mischievously it is tempting to imagine the whole process being jollied along by an Animal Farm-style chorus of 'Asian firms good, more Asian firms better'. Even if we ignore such fancies, there is little doubt that the many ethnic minority enterprise agencies springing up during the period (Ram and Jones, 2008) were driven by a target-based firm creation approach virtually guaranteed to exacerbate quantification at the expense of diversity.

Essentially, then, the paramount weakness of the Asian entrepreneurial economy has been – and to a great extent still is – its narrowness. Not only is it disproportionately crammed into a tiny range of sectors; for the

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most part these are low value markets like corner shop retailing, catering and clothing manufacture generating very poor returns for their owners (Jones et al. 2000; Ram and Jones, 2008). Considering that in the 1970s Asians were new entrants to enterprise in a society highly charged with racist hostility (Miles and Phizacklea, 1984), the marginality and precariousness of their position comes as little surprise. Early work by Aldrich et al. (1981) showed Asian business gaining a foothold in cities like Bradford by taking over retail space from retiring white shopkeepers, a vacancy chain transition with the newcomers taking over effectively abandoned opportunities. Needless to say all this was financed on a shoestring, capitalised by small amounts of laboriously accumulated personal savings and run by cheap or free family labour.

At the theoretical level, some resolution of these somewhat paradoxical patterns has been achieved by Kloosterman et al's (1999) model of *mixed embeddedness*, in which they seek to specify a balance between the internal and external driving forces of EMB. Not only is the ethnic firm thoroughly embedded in its own social networks (as Granovetter 1985 would argue), this has to be placed in its external political-economic context. Even though they are intensely annoyed by what they see as an excessive explanatory reliance on ethno-cultural social capital, they readily acknowledge the paramount importance of the ethnic network as a means of raising capital, mobilizing a workforce and drumming up custom (Kloosterman, 2010). Indeed the very informality of ethnic channels enables entrepreneurs to by-pass the costs and possible unfavourable bias of official channels like banks.

Revealingly this very mention of by-passing external sources is a heavy reminder that ethnic entrepreneurs and their community cannot be taken in isolation from that which surrounds them. As the label 'mixed embeddedness' suggests, the firm is grounded at more than one level and its fate is determined by the interplay between the agency of its own community and the structure of market and state (See Archer 2003 on the general sense of agency/structure). For EMB firms in an advanced

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economy this interplay is by and large between a small under-resourced agent on the one hand; and a structure dominated by large corporate entities and rendered still more hostile by racist bias and discrimination (Jones et al. 2012a; Ram and Jones, 2008).

If this interplay seems like a painfully unequal contest between opposed forces, we would argue that it is in no way exaggerated and presents a wholly realistic picture of a real business world where, at the extremes, there are small Asian owners taking so little as to be eligible for welfare benefits (Jones et al. 2006). Unarguably rapid though its expansion in the UK has been, Asian business has essentially proceeded by avoiding direct confrontation with entrenched native incumbent businesses and moving into effectively uncontested market spaces like corner shop retailing and catering (Aldrich et al. 1981). Because start-up costs in these activities are low, this leads to mass entry by Asians, which in turn leads to an unsustainable market imbalance, with the number of firms out-running effective customer demand. Unavoidably this gives rise to cut-throat price competition and desperate cost-cutting (Jones et al. 2006).

Such an uncompromisingly realistic perspective on EMB allows us to appreciate just how over-blown are many of the claims made by the Asian economic miracle narrative, particularly its celebration of the power of communal culture and social capital. In the type of firms described above the true contribution of a resource like family labour is far from dynamic or cutting edge competitive. Billed as one of the most powerful driving force for EMB (Werbner 1984), it is in reality a bottom line emergency survival mechanism, a cheap or even free source of work for a cash-strapped owner. The value of this contribution becomes all the more evident when owners are obliged to recruit beyond the family, when their only means of such economy is the employment of non-documented labour; or other workers driven by sheer lack of choice to take less than the National Minimum Wage (Jones et al. 2006).

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Seen in this light there can be no question (even from the most uncompromisingly realistic critic) that the ethnic minority family is indeed a highly valuable business asset. Nevertheless this principle is generally valid only at the absolutely elemental level of bulwark against failure. Without doubt, countless Asian entrepreneurs over the years will have kept afloat courtesy of un-costed inputs from spouses, siblings and even more distant kin members. In addition to cheapness, personal sentiment coupled with a direct firm means that family members tend to display greater loyalty and flexibility than mere employees. On this question, we have shown that small Asian firm owners often attempt to create a quasi-family atmosphere among non-family co-ethnic workers, frequently trading on a shared ethnic identity to bolster an 'all-in-this-together' spirit (Jones et al, 2006).

Much as we appreciate the contribution of family to business, with all the implications of commerce being impelled by at least a minimal level of non-materialism, we cannot avoid stressing the limitations of this rationale as an explanation of EMB. Simply because we feel that some state of affairs ought to exist, we should not pretend that it actually does, especially when there are large holes in the logic. In the first place, it is often overlooked that much of the labour process taken to be characteristically Asian are in practice broadly common to independent small firms as a genre and therefore do not confer any peculiar ethnic advantage or disadvantage (Jones and Ram, 2010). Secondly, underlying inferences about the Asian business family working as a harmonious unit rest on assumptions about unchanging patriarchy, paternalism and traditionalism. As these suppositions become ever less realistic with the passing of time, we now have to take account of rising conflicts of interest along generational and gender lines (Ram and Jones, 2002). On the subject of gender, we also note the quite colossal under-representation of Asian women as business owners, despite their often highly significant entrepreneurial inputs (Ram and Jones, 2008). Finally, it should be recognized that, despite the unquestionable virtues of the family as a safety net, its particularistic informality tends to act as a stifling hindrance to growth; any Asian firm

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wishing to thrive in mainstream high value sectors can only do so by open recruitment based on ability and formal qualifications rather than on relationships which can only truly be described as nepotism and cronyism (Ram, Woldesenbet and Jones, 2011).

### **DIVERSIFICATION: OPPORTUNITIES AND STUMBLING BLOCKS**

For the past two decades or so, there have been growing signs of a widening Asian entrepreneurial break-out from the low level labour-intensive trap. At the highest most innovative level many instances have been noted of graduate Pakistanis and Indians bringing their rich human capital to bear on ventures in the most advanced branches of ICT (Mujumdar et al. 1997; Ram et al. 2003) and in the creative industries (Smallbone et al. 2005). Similarly advantageous Asian utilisation of co-ethnic transnational marketing and financial linkages has been optimistically assessed by Mascarhenhas-Keyes (2008) and McEwan, Pollard and Henry (2005), while their gradual entry into high order retailing (Jones et al. 2000) and corporate supply chains (Ram et al, 2011) has also been enthusiastically recorded.

Inescapably there is an inspirational quality about these efforts at market repositioning. It would be no exaggeration to describe them as the embodiment of those attributes popularly supposed to be the very stuff of enterprise itself. Strong on imagination, ingenuity and innovative creativity, they would seem to be bound for success in a national economy ostensibly valuing such virtues highly. Certainly nothing could give the present authors greater pleasure than to see ethnic minority entrepreneurs receiving their just desserts from a fair market system operating on a level playing field. Yet for objective researchers, what *is* must always trump what *ought to be*. Throughout this chapter we have warned against the intrusion of sentimentality into EMB studies and in the present instance, we are unable to avoid the painful conclusion that every one of these entrepreneurial escalators is subject to some form of blockage, malfunction or countervailing force.

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Summarising briefly:- 1) In retailing penetration of high order lines like pharmacy has exposed EMB to an unequal and unwinnable competitive battle with corporate chains (Ram and Jones, 2008); 2) In the case of transnationalism, even its staunchest advocates (McEwan et al. 2005) concede that major benefits are confined to the already well capitalized, with the mass of entrepreneurs largely by-passed. Indeed Jones et al' s (2010) study of Somali firms in Leicester shows that their transnational social networks actually drain more from them in remissions than they inject as capital; 3) Supply chain participation, while comparatively lucrative, places EMBs under intense pressure and requires a drastic loss of autonomy (Ram et al. 2011)

At this point even the staunchest advocate of entrepreneurship must entertain doubts about its transformative powers. If the ideal destination for ethnic minorities in Britain is economic equality coupled with cultural acceptance, then it would be dogmatic in the extreme to insist that this true state of integration can only be reached via the single route of enterprise. Given the demonstrably problematic nature of this pathway, it surely makes greater sense to think in terms of multiple routes. In the next section, we show how the rising generations of UK-born Asians, the very people who will actually enact their own future, are thinking in precisely these terms.

### **VOTING WITH THEIR FEET: THE ETHNIC ENTREPRENEURIAL TRANSITION**

In the last instance any definitive verdict on EMB must come from its participants themselves. Certainly in the case of the rising generation of Asians in the UK it is hard to escape the conclusion that for growing numbers of them the verdict is negative and they are voting with their feet. This is most striking for British-born Indians, an increasingly and outstandingly educationally qualified generation, more of whom are turning their human capital stocks into professional careers than into high level business ownership. On a lightly smaller scale, this trend has been followed by the Chinese community, formerly enormously concentrated in

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catering ownership but now experiencing a palpable fall in self-employment (Ram and Jones, 2008). Once again this appears as part of a universal trend, following the precedent of the US-born offspring of Japanese and Chinese entrepreneurs, who are noted as using the financial security of their family firms as a springboard into salaried middle class employment (Bonacich and Modell 1980). Both Nee and Sanders (2001) for the USA and Macarenhas-Keyes (2008) for the UK confirm a rather weak relationship between human capital and business entry for ethnic minorities, with the former asset more often used for escape from self-employment rather than self-betterment within it. In an effort to build on the recurring patterns contained within this relationship, we have recently proposed the notion of an 'ethnic entrepreneurial transition' (Jones et al. 2012b), suggesting that abnormally high self-employment is a temporary phase as newly arrived migrants attempt to compensate for exclusion from many parts of the labour market. With the passage of time and growing incorporation into the receiving economy, so the ethnic minority's occupational profile undergoes a degree of normalisation, through the shedding of over-dependence on self-employment and a proportionate rate of entry into other career routes.

Though we would concur with Virdee (2006) that this process of employment incorporation in the post-war UK has been slow, bitterly contested and as yet incomplete, we would argue that enough advancement has been achieved to confer on this pathway at least as much credibility as the entrepreneurial option for aspirational ethnic minorities. Indeed, there are sound arguments for the belief that it is actually a better option, a pathway that is possibly less strewn with intractable obstacles. Here Virdee (2006) reminds us that racist bias in recruitment and other employment practices, notably in the public sector, has been weakened by all manner of collective political pressures, from central government anti-discrimination legislation to actions at the Local Authority level. By contrast many of the negative forces for EMB – the banking, insurance and credit systems, biased customers and suppliers

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(Ram and Jones, 2008) – are difficult or impossible targets for anti-discrimination actions (Jones et al. 2012b).

At the same time, we wonder whether the employment option is not also more favourable in terms of social integration and inclusivity. Simple logic would suggest that bringing ethnic groups together as work colleagues might be more fruitful and less bluntly instrumental than simply throwing them into a supplier-customer relationship.

## CONCLUSION

Entrepreneurship has long been mooted as a vehicle for social mobility for ethnic minorities across Europe. For some groups, it clearly has constituted a very important ladder of opportunity. A largely-US inspired literature has sought to explain this phenomenon by the invocation an 'ethnic resources' model, which has attached primary importance to vaguely defined notions of 'culture'. However, the 'motor' for much of this apparent entrepreneurial success is often the intensive utilisation (or exploitation) of group specific social capital rather than support from public sector interventions. Furthermore, although some ethnic groups have much higher than average levels of self-employment, this should not be seen as an unqualified indicator of 'upward mobility'. For instance, evidence indicates that many Asian small business owners are stuck in highly competitive and precarious market niches (notably, lower-order retailing); are under capitalised; work long hours, intensively utilising familial and co-ethnic labour and are struggling to survive in hostile inner-city environments. Much of this can be explained by careful scrutiny of the different contexts in which minority firms are embedded. The constraining force of these contexts prompts us to conclude that entrepreneurship should not, in itself, carry the burden of securing the economic advancement of ethnic minority communities. A more balanced approach to social mobility is required.



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