

'Ethnic Minority Entrepreneurs: communities, social capital, actors' strategies'

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Abstract. Literature dealing with Ethnic Minority Entrepreneurship has endeavoured to explain the specific situation of immigrant Entrepreneurs in the host country. How different are the Ethnic Minority Businesses (EMBs) from the native and white population's businesses in the USA or in the UK? Why does an immigrant enter-self-employment? How do Ethnic Minority Entrepreneurs (EMEs) raise up resources from their networks? What are the strategies pursued by EMEs?

The “push” and “pull” factors or the reasons for an immigrant to enter-self-employment are the central topic in the EMBs literature. Interestingly, the participation rates for most ethnic minority groups in self-employment in the Scotland are higher than for the white natives. Living in the context of foreignness and facing language barriers, lack of knowledge of institutional and entrepreneurial framework, as well as issues with access to finance or advice from public agencies, Ethnic Minority Entrepreneurs seem to be resourceful and prospering in Scotland.

Ethnic Minority Entrepreneurs use co-ethnic ties to secure resources from their own community including finance, advice. This affects their strategies, although the role of influence of social capital on entrepreneurial activity remains complex. These ties with the co-ethnics can act as positive or negative factors (bonding and bridging social capital) and give birth to specific strategies for the EMEs such as serving co-ethnics, becoming a middleman entrepreneur or breaking-out to the mainstream market.

Introduction

Although the notion of *mobility* is rarely used literally in Ethnic Minority Businesses (EMBs) studies, it is a crucial point of research in this field. Indeed, the literature is dealing with immigrant Entrepreneurs moving to a host country. The latest examples, since 2004 and the UE-enlargement, over 600 000¹ workers from the 8 Central and Eastern European countries² that have entered the EU in 2004, have officially entered the UK's labour market. This recent immigration wave has been a crucial concern for British Government and researchers.

Poles like Pakistanis or Chinese immigrants are out rooted (deprived of social capital, having language issues, lacking knowledge of the institutional and entrepreneurial framework, lacking awareness of the existing public or agencies support, finding difficulties in raising finance to start a business, etc...³) [Deakins et al. 2007]. Despite these difficulties, Ethnic Minority Entrepreneurs (EME) seem to be resourceful and prospering [Deakins et al. 2005]. This ability to secure resources from their co-ethnics depends on the strength of the existing community that they join. The immigrant is embedded in a structure of relations, especially with co-ethnics and is able to access social capital from their networks.

The social capital raised by the immigrant entrepreneur within his/her community may be an explanation to the success or failure of the entrepreneurial firm, although the role of influence of social capital on entrepreneurial activity is complex [Deakins et al. 2007, Portes and Sensenbrenner 1993, Kloosterman and Rath 2001]. Furthermore, the relation with the community of the co-ethnics gives birth to specific strategies for the EMEs, including *breaking-out* to the mainstream market.

This paper presents the work in progress as part of the PhD thesis focusing on Polish Ethnic Minority Businesses (EMBs) and Entrepreneurs in Scotland. It is based on the EMBs literature in different areas such as the USA or the UK and on literature about the embeddedness of economic action in social networks including the role of social capital. The first part will deal with the notions of *entrepreneur* and *ethnicity* in order to build an efficient working definition of the concept of Ethnic Minority Entrepreneur. Considering the discrimination faced by the immigrant in the host country's labour market and higher self-employment rates than the natives amongst immigrants, one should consider the "push" and "pull" factors to understand this decision (1). The second part will focus on the importance of the community of co-ethnics in starting-up and managing a business. In addition, the relation between the individual entrepreneur and the opportunity structure in the host country is crucial to explain the decision to start-up. The notions of *bonding* and *bridging* social capital will be further explored in the case of EMEs (2). The third part will focus on the sectors of presence of EMBs in the UK as well as on the Business's strategies pursued by the EMEs. Amongst the later, survival strategies, the strategy of *breaking-out*, that

¹ Source: Home Office Border and Immigration Agency, *Accession Monitoring Report A8 Countries, May 2004 – June 2007*.

² The eight Central and Eastern European countries that joined the European Union in May 2004: Poland, Czech republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Slovenia).

³ See next.

is leaving the ethnic economic enclave to join the mainstream market and *sojourner* strategies will be described (3).

Part I: Ethnic Minority Entrepreneurs: definitions and specificities.

1. Working on a definition

Although Entrepreneurs are obviously represented in the economical field, the term *Entrepreneur* as been developed by writers outside mainstream economic thinking such as Say, Kirzner, Schumpeter or Casson. The Entrepreneur has been defined as an organizer of factors of production, a middleman facilitating the exchange, an innovator, a motor for economic change, a risk-taker about uncertain future, someone having capacity of making judgement in a scarce resource's context. The literature highlights the fact there is no clear definition in existence as to exactly what is an ethnic entrepreneur. Is it a first generation immigrant? Second generation? An entrepreneur selling "ethnic" products? The Ethnic Minority Entrepreneur is usually defined by skin colour (Chinese, Afro-Caribbean, Pakistanis, etc.), minority status, religion (Jews) or cultural background. It is important to develop a working definition of the term "EME" to be used as a marker of description throughout the current research.

Giving a definition to "*who is an entrepreneur?*" is the first step to understand "*who is an ethnic minority entrepreneur?*". The *ethnic* dimension will be studied considering policy-making in favour of *disadvantaged groups*. In addition, because Polish immigration post-EU enlargement is an original phenomenon, the concept of *ethnicity* will be balanced with the notion of *nationality*. Finally, the issue of generation and gender in Ethnic Minority Entrepreneurship's studies will be presented.

The definition of entrepreneur.

In conventional neo-classical economic theory, the figure of the Entrepreneur is confined in a background position of organiser of factors of production. Capitalist employer or owner-manager, the Entrepreneur's role is not studied in depth [Deakins and Freel 2003]. When attention has become more and more focused on the role of Small and Medium Enterprise's (SME) sector for economic development, growth and job creation, greater attention has also been directed at theories of entrepreneurship. The role of unorthodox thinkers has been crucial to build a definition of who is an Entrepreneur and to give him an active role within the economic sphere. Nevertheless, previous research has a tendency to use indifferently the terms *entrepreneur*, *business-owner* or *owner manager*.

We can acknowledge differences between those considering their particular approach to strategic decision-making activities [Hatten and Coulter 1997]. Indeed, entrepreneurs have the aptitude to innovate (Schumpeterian entrepreneur), to spot opportunities (Kirzner) and take risks (Knight) and to influence their environment by organizing resources (Casson) or factors of production (Say).

Economic theories of who is an Entrepreneur: Kirzner, Schumpeter and Knight.

While physiocrats such as Cantillon and Say focused on agrarian economy, Kirzner gives a general definition of the Entrepreneur individual. The Kirzner's Entrepreneur has the ability to spot profitable opportunities for exchange. Acting as a middleman⁴, the entrepreneur uses the asymmetry of information and knowledge in a specific market as resources to make profits [Kirzner 1973].

Nevertheless, it is impossible to give a definition of the concept of Entrepreneur without any reference to Schumpeter. In his definition of the concept of Entrepreneur, Schumpeter highlights the relation between the Entrepreneur and *innovation*, motor of the economic growth [Schumpeter 1939, 1949]. In Schumpeter's view, the Entrepreneur introduces technological processes or products into the market. This ability to innovate allows the Entrepreneur to move the limits of what is possible by moving the constraints of production⁵. The Schumpeterian Entrepreneur is part of the Business's Cycles [Schumpeter 1939]. Having introduced an innovation, the Entrepreneur exploits a niche in the market and is in a temporary situation of monopoly. This situation gives the entrepreneur a "Rent" to benefit from their monopoly position. Then, other actors of the market learn the new technology, the competition increases, the price drops as the Rent disappears until the next Entrepreneur introduces a new innovation and the Cycle starts again.

We can complete the two later definitions using Knight and Casson to emphasize two important aspects of entrepreneurship: risk-taking and organisation of resources. According to Knight, an entrepreneur is a risk-taker [Knight 1921]. The entrepreneur is able to spot risky opportunities in a changing and uncertain environment. Considering the Ethnic Minority entrepreneurs, the notion of changing environment has an even greater importance. Indeed, the immigrants are moving to another country, where the business, legal and economic environments are different. The immigrant entrepreneurs are willing to spot additional business opportunities than the natives [Light 1972]. The entrepreneur is rewarded when the risk-taking has been successful. This definition is not far from the innovation of Schumpeter's entrepreneur. The entrepreneur is indeed a risk-taker (investing for innovation is a risk as well) and the reward for risk-taking is profit generated for the firm. Furthermore, the Entrepreneur, in contrast to the manager, is directly responsible for his/her own actions⁶. The Entrepreneur and the business-owner take risk for their firm and themselves. Nonetheless, the very starting-up of one's own business is taking a risk. Following this definition?, economic agents starting their own business are entrepreneurs. Finally, an Entrepreneur is an organiser of resources. In Casson's view, the Entrepreneur makes judgemental decisions involving the reallocation of resources considering the conditions in the environment. As mentioned above, the environment is uncertain and gives constraints (legal, technological, economic, etc.) to the

⁴ In French the term "entre" means "between", "preneur" means "taker".

⁵ Avoiding the dead-end of the law of diminishing returns [Turgot 1768, Ricardo] and falling rates of Profit in Marx's theory of capitalism [Marx 1867].

⁶ The Entrepreneur and the business owners have shares in the firms and are directly interested in its success. Although the manager can be accountable for their actions, they are not directly involved in the risk-taking actions.

individual's actions. The entrepreneur is able to evaluate the risks in this environment and then, to reallocate the resources available in order to generate profit.

Entrepreneur or business manager?

Considering their ability to innovate, the Entrepreneur is able to make strategic decisions regarding the allocation of resources and he is able to create firms with the potential to generate a high level of profits and growth. These firms are *entrepreneurial* firms, continually looking for opportunities in risky markets. By contrast, business-owners may settle down instead of looking for growth and opportunities. They are willing to pursue common strategies in small local geographic niches [Deakins 1996, Barret, Jones and McEvoy 2001], or, to a certain extent, they are bounded to pursue survival strategies as a reaction to geographical, cultural and psychological dislocation [Light and Bonacich 1988].

The statements made above are not specific to the mainstream market, i.e. the non-ethnic market. They could equally be applied to the EMEs debates.

The ethnic dimension.

There is still no clear and universal accepted definition of the term *ethnic entrepreneur* either from an economic or sociological perspective. Firstly, the economic conditions and the socio-political environment change and have an impact on the dynamic and changing nature of the ethnic entrepreneurial process. Secondly, as mentioned above, an immigrant starting-up may be an Ethnic Minority Entrepreneur (EME), however, is it still the case of second, third or later generations of Entrepreneurs? This underlines how blur can be the concept of ethnicity. Consequently, there is a conceptual ambiguity concerning political – and thus research – agenda on EMBs and the supportive policies provided to them. Finally, there is a gap in knowledge and a striking lack of data concerning specific but nonetheless important communities, such as Poles in the UK.

How to give a definition? On the one hand, we can follow the definition used by the USA government (USA is also the most important place for research on EMBs in terms of number of publications, with a long-term interest on the issue of ethnicity and integration and of the enclave economy [Zhou 1994]). Following their definition, a business is ranked into the EMBs category if 51% or more of the business is *minority owned or controlled* by one member of a minority disadvantaged group [Sonfield 2005].

The term disadvantaged group is interesting because it underlines the aims of this classification to help immigrants to enter the labour market and/or to start-up their own businesses and to contribute to local economic development. In the USA, the minority socially disadvantaged group refers to oth US-born and first generation. There is there no differentiation between native and foreign-born minority groups, as it assumes both groups face barriers to integrate the labour market.

On the other hand, we can present the european model. Studies on EMBs by Kloosterman, Rath, Smallbone, Ram do not consider the 51% share to define a

business as an ethnic business. Attention is given to *solely* owned business status within a broader mixed-embeddedness research agenda including socio-economics, political and institutional issues [Kloosterman and Rath 2001, Ram and Smallbone 2001]. From a UK perspective, this definition has been used for various studies and includes research on businesses staffed and owned by ethnic minorities or businesses that serve an ethnic minority clientele. Unlike the American definition, the attention will be focused on the *nationality* of the immigrant rather than on *ethnic origin*.

A working definition of Ethnic Minority Entrepreneur.

This presentation will thus offer what it could be considered as a working definition of an *ethnic entrepreneur*. Firstly, the term *ethnic* excludes skin colour. It is thus possible to include immigrants from the same phenotypical type of population such as Jewish in the USA, Polish or Irish immigrants in the UK. These populations will also be considered as ethnic. The definition chosen will instead include the concept of minority status, that is to say community, location, socially disadvantaged group, size in comparison to an ideal-typical or average UK Anglo-Saxon Entrepreneur. This definition will also include distinctive national and/or cultural attributes such as religion, ethnicity, language and the existence of communal infrastructures and social networks manifesting from recent or settled immigrant arrivals. Most of all, the proposed working definition will be presented according to the *nationality* of the *immigrant*.

First and second generation

The second generation of immigrants is usually acculturated, has acquired the linguistic knowledge to pass over the language barrier. Theories of „second generation decline“ [Waldinger, Roger, Perlmann, 1998, Portes and Zhou 1993, Rumbaut 1997] or „segmented assimilation“ are interesting to see the social effects on second generation integration and promotion in the labour-market [Portes and Rumbaut 1996], i.e. the social capital that has been acquired from minority community networks can act as a resource for second generation EME but although could act as a barrier to their ambition [Deakins 2005, Portes 1996].

According to a survey conducted for the Scottish Executive in 2005, most of the EMBs in Scotland are family-businesses. Therefore, it could be a conflict between generations for the succession, if the second generation is reluctant to continue the business. Nevertheless, the second generation of EMEs is more likely to leave the ethnic market and traditional sectors to reach the mainstream market [Rusinovic]. However, the reluctance to approach institutional providers of finance or advice persists with second generation of EMEs [Deakins 2005].

Concerning immigrants coming from EU member states, the issue of racial discrimination for children of the second generation seems less important than for non-white or non-caucasian immigrant [Zhou 1993, Gans 1992].

Gender

The interconnexion between ethnicity, gender and racism have been explored [Phizacklea 1990, Ram and Holliday 1991, Phizacklea and Wolkowitw 1995]. These studies assess the importance of flexible labour in the family-run business [see also Ram 1992]. According to Barret, Jones and McEvoy, it represents the transplantation of patriarchy into the family-business. The recent reports from the Gender and Employment in Local Labour markets Programme highlight that there is a „need for urgent action to improve the position of ethnic minority women“ because of the discrimination faced by women EMEs [GELLM, in Law 2007].

The case of Polish Ethnic Minority Entrepreneurs in Scotland.

The knowledge of the recent Polish immigrants in the UK is low because of the lack of data available. Indeed, there are few official sources and information concerning the Polish community in Scotland. The 2004 EU-enlargement and the resulting immigration wave to the UK is an original phenomenon. Firstly, the immigrants are classified in the Census under the “other white” category and do not present phenotypical differences to the natives. Secondly, the immigrants come from the European countries and do not need a visa or a work permit to settle in the UK. As a consequence, easier *sojourners* strategies seem to be a rational behaviour in the European market (see hereinafter, Part III). The gap in the EMBs literature is moreover due to the striking lack of data and official sources concerning these populations in the official census. The terms of “other white”, *registered* immigrants from Eastern Europe [Home Office 2008] are vague. Nevertheless, it is possible to give an estimation of the population’s size. Since 2004 and the EU-enlargement, over 600 000⁷ workers from the 8 Central and Eastern European countries⁸ that have entered the EU in 2004, have officially joined the UK’s labour market. This recent immigration wave has been a crucial concern for the British Government. Within this category, we can estimate⁹ that the Polish immigrants represent above 65% of the total¹⁰. The size of the Polish immigration which has formed here since Poland’s accession to the EU in 2004, poses new challenges to policymakers in terms of business support and policy in the labour market¹¹.

⁷ Source: Home Office Border and Immigration Agency, *Accession Monitoring Report A8 Countries, May 2004 – June 2007*.

⁸ The eight Central and Eastern European countries that joined the European Union in May 2004: Poland, Czech republic, Estonia, Hungary, Latvia, Lithuania, Slovakia and Slovenia).

⁹ In the absence of precise data.

¹⁰ 66% of the A8 immigrant *registered* workers arrived in UK between 1 May 2004 and 30 June 2007 were Polish nationals.

¹¹ So far, literature concerning EMBs in Scotland has focused on far-east immigration and communities.

2. Starting-up

Differences in self-employment rates between the communities.

In 2004 people in employment from Pakistani, Chinese and White Irish groups were more likely to be self-employed than those in other ethnic groups in Great Britain. One in five Pakistanis in employment were self-employed (21 per cent), as were just under one in six Chinese (16 per cent) and White Irish (15 per cent) people. This compared with around one in ten (12 per cent) White British people and fewer than one in ten people from a Mixed or Black ethnic group [Annual Local Area Labour Force Survey, Office for National Statistics 2004].

EMBs' contribution to the economy.

For Scotland, the overall contribution of the EMEs to the economy is crucial. Indeed, there are 4,400 Ethnic Minority Businesses, i.e. 3% of self-employed (1,600 registered in Glasgow alone). These businesses contribute from £500 to £700 million toward Scotland's GDP. Despite a concentration in traditional sectors of retailing and catering, they have growth and diversification potential. Furthermore, the EMEs bring a socio-cultural contribution to civil society and a demographic contribution in rural areas (e.g. Highlands and Islands) [Scottish Executive 2005].

"Push" and "Pull" factors for immigrants to enter self-employment.

The motivations for starting a business are both positive (pull) and negative (push) [Deakins and Ram 1995]. Nevertheless, motivation is the result of an interplay of these two factors [Freel, 1998].

On the one hand, the *push* factors are essential, because they stress the importance of policy-making for integration of immigrants in civil society [Hjerm 2004], to fight against discrimination in the Labour market [Metclaf et al. 1996] and in access to finance and support [Deakins et al. 2005]. Inclusion obstacles to join the British Labour Market are language barriers, lack of knowledge about the institutions in the Labour market, lack of trust in these institutions. These factors *push* the immigrant to self-employment. On the other hand, the community networks, the ability of immigrants to spot business' opportunities and the wish for independence are factors that *pull* the immigrant into self-employment. The immigrant is subject to the acculturation lag. This process act as a capacity of the EME from a lower-wages country to exploit opportunities more effectively than local entrepreneurs [Light 1972].

3. A major issue for EMEs : accessing to formal source of finance

Previous research has underlined the fact that the immigrant Entrepreneur has greater difficulties to raise finance and face greater difficulties to access business support, as well as finance or advice support, than the mainstream population of Entrepreneurs [Deakins et al. 2003, Curran and Blackburn 1993]. Firstly, EMEs have a lack of awareness of business support initiatives and face language barriers [Ram and Jones 2007]. Secondly, there are deliberate strategies to avoid these institutions [Deakins et al. 2005], i.e. an absence of trust between Ethnic Entrepreneur and providers of support. This reluctance may also be explained by considering the immigrant entrepreneur's self-elected goals of independence [Barret, Trevor, McEvoy 1996].

The relations between EMEs and the institutions in the host country is a major issue to ensure the sustainability and growth of EMBs. The low access of EMEs to mainstream and public institutions has different aspects. Firstly, there is a comparatively low access to formal sources of finance. As shown in Scotland's situation, there is a marked reluctance to approach banks and institutional providers of formal sources of finance, although there is little reporting of any dissatisfaction with the commercial banks [Deakins et al. 2005]. Indeed, immigrant Entrepreneurs have a lack of awareness of business support initiatives but also face language barriers [Ram and Jones 2007]. Furthermore, there is a lack of engagement by EMEs with mainstream support or agencies. The latter authors report also a lack of intermediaries between the banks and the ethnic communities leading to a lack of trust. Yet trust is required to establish relationships between individuals and institutions, here between EMEs and banks [Deakins et al. 2005, Granovetter 1985].

Secondly, there is also a lack of engagement with the mainstream and formal sources of advice¹². Once more, these dimensions underline a lack of awareness of source of support or advice. Nevertheless, according to recent case studies conducted in the UK, the lack of awareness of the existence of mainstream support is not necessarily the explanation to the lower propensity of EMBs to use formal source of finance and advice. These researches have identified deliberate strategies to avoid engagement. For instance, the lack of understanding of the types of support available, doubts about the relevance, a lack of confidence and a low level of willingness and ability to pay can explain this avoidance [Ram and Smallbone 2001, Deakins et al. 2005].

Finally, it is important to acknowledge differences between ethnic communities of Entrepreneurs. For instance, Chinese Ethnic Minority Businesses in the UK are more likely to access finance or external advice from mainstream sources. In comparison to white Entrepreneurs, they present the same dependence to mainstream and formal sources of finance [Deakins and Freel 2003]. At the other end of the scale, Pakistani Entrepreneurs are more likely to draw finance from informal sources. The EME has a relatively low access to formal sources of finance [Deakins et al. 2005]. This reinforces the dependence by EMEs "on personal and informal community sources of

¹² Business Gateway, formal training, etc.

finance” [ibid.]¹³. Once again, lack of awareness, language barriers, discrimination and reluctance to contact formal institutions are part of the explanation.

Thus, EMBs have a low propensity to access mainstream support provision [Ram and Smallbone 2001, Curran and Blackburn 1993], they have a “Marked reluctance to approach institutional providers, even by second generation” [Deakins et al. 2005] relying instead on self-help and informal source of assistance (see hereinafter, Part II). The low access of mainstream support and source of finance is a major issue to ensure the sustainability and the potential of growth for EMBs. Nevertheless, Ethnic Minority Entrepreneurs (EMEs) seem to be resourceful and prospering [ibid.]. The role of informal networks and family ties is indeed crucial to explain the success of EMBs. The EMEs draw upon resources upon familial and co-ethnic ties (see next).

¹³ Nevertheless, there are „larger differences between minority ethnic groups in their success in raising external finance at start-up than between MEBs as a group and white-owned firms“ [Scottish Executive 2005].

Part II: Community and social capital

Social structures and economic action.

The following part deals with the influence of informal structures on EMBs. Indeed, formal networks such as agencies or business organization are not the only resources available for the new immigrant Entrepreneur. Likewise, the culturalist approach or the explanations through the entrepreneur's personality [McClelland 1961] are not sufficient to understand the immigrant's reasons to become an Entrepreneur. Many authors have insisted on the role of the social and institutional environment to provide resources (or constraints) to individual EMEs [Ward 1981, Waldinger et al. 1990, Kloosterman et al. 1999, Rath 1999]. In other words, we have to identify the social structures and the social and institutional framework of an individual to understand its economic action. The push and pull factors (see above), the trajectories of EMEs, the „motivation“ to enter-self-employment are influenced by the social structures and networks of the individual. The economic action is **embedded** in a structure of social relations [Granovetter 1985¹⁴, Coleman 1988, Portes and Sensenbrenner 1993]. Following Coleman, „social, material and human capitals [acts] as resources available to individuals to attain their ends“ [Coleman 1988¹⁵].

1. Foreignness and embeddedness: the Ethnic Minority Entrepreneurs and the opportunity structure in the host country

Social capital.

The notion of social capital developed by Bourdieu, Coleman and Putnam takes into account the importance of social structure and framework. The individual is thus „embedded“ in a web of social networks, providing resources or constraints to start up a business. Social capital is the process that allows the individual „to draw on resources from social networks“ [Deakins et al. 2007]. Networks are – for instance - family, community, business clubs, etc. [ibid.]. On the other hand, we can define social capital as the social structures and networks that affect the economic goals and goal-seeking behavior of its members [Granovetter 1985, Portes and Sensenbrenner 1993]. This definition *emphasizes the impact* (positive or negative) of social structures on economic action and differs from Coleman's definition where social capital *facilitates* individual rational goal-seeking actions. Many authors in the EMBs field have underlined that strong social capital may thus have a negative impact especially in the case of EMEs [Deakins et al. 2007, see also Forment 1989, Nee and Nee 1973, Kim 1981 for case studies in the USA].

¹⁴ Most economic behaviours are closely embedded in networks of interpersonal relations that influence economic action.

¹⁵ Social capital is the most intangible form of capital. It inheres in the structure of relations between individuals within which purposive action takes place [Coleman 1988, Portes and Sensenbrenner 1993].

The immigrant lives in the context of „foreignness“ [Portes, Sensenbrenner 1993] and is able to raise different types of social capital from its own ethnic community. The case of EMEs is strongly linked to the question of access to the resources of the community [Song 1997, Werbner 1990], solidarity and faithfulness with co-ethnics and the situation of the immigrant in the host country, including institutional, economical and social framework. Many authors stress the importance of contextual or environmental factors such as sector, localisation and regulation [Kloosterman 1999] in the specific case of immigrants [Granovetter 1985, Coleman 1988, Portes and Sensenbrenner 1993]. In other words, the situation of immigration leads to specific forms of social capital available for the new entrepreneur [ibid.].

Thus, the immigrant is embedded in different social networks and interacts with the environment and the structures of opportunities of the host country. These social structures and more specifically, the co-ethnics' communities provide resources to the EMEs to start-up a business. However, strong social capital can act as a negative factor for diversification or break-out strategies.

Mixed-embeddedness and opportunity structure: individual and environment.

The academic debate has attempted to explain the specificity of EMEs compared to other SMEs and between the different communities and especially in the Entrepreneurs' ability to draw resources from formal sources of finance. Firstly, The *cultural* approach attaches considerable explanatory importance to the mobilisation of specific *ethnic* resources [Werbner 1990]. Secondly, the “material-structural” approach focuses upon the socio-economic context in which the EMEs are socially disadvantaged [Jones et al. 1992, Phizacklea 1990]. Thirdly, more interactionist approaches stress the mutual – or “double loop” – relation between internal group resource dynamic and the external *opportunity structure* [Ram and Smallbone 2001].

The notion of *opportunity structure* in the neo-classical model tends to neglect the accessibility issue. Indeed, entry to the market for newcomers may be blocked directly by rules or by language issues, access to finance, discrimination, ... (see above¹⁶). We have to understand the socio-economic position of EMEs entrepreneurs by taking into account their embeddedness in the socio-economic and politico-institutional environment in the host country [Kloosterman et al. 1999]. Thus, mixed embeddedness is the embeddedness of the EME in social networks [Granovetter 1985, 1990, 1995, Portes and Sensenbrenner 1993, Waldinger 1996] such as community, family, business clubs [Deakins et al. 2007] plus its relation with the opportunity structure in which the EME is looking for opportunities to start-up a business [Kloosterman and Rath 2001].

Mixed embeddedness refers to the relation between actors and environment (or opportunity structure¹⁷ or system) [Kloosterman and Rath 2001, Crozier and Friedberg 1977]. The opportunity structure refers to the specific market conditions, the access to ownership, ... The immigrant tend to have a different pool of resources

¹⁶ See Part I.

¹⁷ See also Williamson, Ouchi, 1981 and the issue of trust and malfeasance. The individual is engaged in the pursuit of self-interest but also in opportunism. Here, the malfeasance is averted because clever institutional arrangements make it costly to engage it. See the commentary of Granovetter 1985.

(social, human, financial and cultural capital) than the native (see above). The relations (innovative or passive behaviour of the EME¹⁸) between actors and opportunity structure allow us to see if the EMEs have survival strategies (because they are facing significant barriers on the regular labour market) or emerging strategies [Kloosterman and Rath 1999, Clarke 1998]. Thus, there are two dimensions of the opportunity structure to understand the processes of insertion and social mobility of EME: accessibility to market and growth potential of this market¹⁹.

Finally, the enclave economy is a special case of ethnic economy, bounded by coethnicity and location [Zhou 2004]. It is similar to dual market theory [Wilson and Portes 1980, Portes and Bach, 1985]. The Enclave economy allows the development of structures of opportunities as an alternative path to social mobility [Zhou 2004].

Bounded solidarity and social capital.

The opportunity structure is situational and is itself embedded in wider social contexts that may differ according to time or place [Scott 1998, Storper 1997]. The comparatives approach²⁰ is thus really useful in the mixed-embeddedness study.

Embedded in social relations and structures of opportunities, the newcomer is often facing strong barriers in the Labour market and in access to finance (see above, Part I). The ties with co-ethnic networks and the resources they can provide to their members are useful to start a business [See for instance Deakins et al. 2007, Portes and Sensenbrenner 1993, etc.]. This is „social capital“. The literature about EMBs has underlined the use of resources drawn from the co-ethnics such as labour, advice or capital, especially at the early stage of the business [Ram et al. 2000]. Furthermore, South Asian firms have been categorized as „family business“, i.e. business managed by the family [Werbner 1984, Jones 1991, Ram et al. 2001]. In the latter case, the family is involved in the restaurant's management and provides support to the owner, husband, wife, or any member of the family [Ram et al. 2001]. Considering the Indian community, the support of the wife's in the business, i.e. full unpaid employment is more important than the one of Pakistani's wives (four-fifths compare to two-fifths) [Metclaf et al. 1996].

Finally, the confrontation with the host society has created solidarity community ties among immigrants [Nee 1973, Zhou 1992]. Immigrants have to accept definitions of their identity based on host society stereotypes. In the case of Poles in the USA, poor immigrants considered themselves as peasants before arriving in America but learned to be „Poles“ as they clustered [Glazer 1954]. Nonetheless, it is important to underline the fact that social capital raised through bounded solidarity is a response to a specific situation, that is to say, a specific environment and context bounded in time. Thus, the immigrant Entrepreneur belongs to a communal solidarity network in an alien new society. He is a group-insider by virtue of shared identity [Rams, Jones 2007]²¹. Him

¹⁸ We can compare these behaviours to push and pull factors to enter self-employment [see for instance Deakins and Ram 1995].

¹⁹ Furthermore, the market is a social construction of the interaction between actors. It is a continuous process [Granovetter 1985, Crozier and Friedberg 1977].

²⁰ At a national, regional/urban and neighbourhood level [Kloosterman and Rath 1999, Storper 1997].

²¹ Moreover, „ethnicity is much more contingent than formerly recognised“ [Ram and Jones 2005].

and the fellow-members of this social network share ethnic resources [Light, Bonacich 1988].

Social capital as a negative factor.

As a resource, social capital can only have positive effects on the individual. The Entrepreneur is embedded into several networks providing him with social capital. Nevertheless, this embeddedness has negative effects [Deakins et al. 2007]. Indeed, strong social capital may act as a constraint to the individual, or, in other words, social capital can have a cost. Case studies about Latinos and Asian communities in the USA insist on the importance of negative effects of social embeddedness (and therefore of its associated social capital). The social networks that give rise to resources for the individual can also constrain its action. Actually, the sentiments of obligations [Geertz 1973] can constrain freedom for the individual [Simmel 1902]. The role of social capital can reveal surprising effects, for example with the choice of the sector of activity to start-up a business or in the difficulty to diversify the activity [Deakins et al. 2007, Portes and Sensenbrenner 1993]. Community control is another one of the negative effects of social ties [Formant 1989 for Latinos in South Florida, Didion 1987 for the Cuban community, Nee and Nee 1973 for the Chinese enclave, Kim 1981 about the Korean]. Likewise, the levelling pressures of the community to keep members at the same situation as their peers exists in the second generation [Bourgeois 1991] constraining break-out strategies for young people and entrepreneurs [Wacquant and Wilson 1989, Portes and Rumbaut 1996, Waldinger et al. 1998?].

Bonding and bridging social capital.

The notions of bonding and bridging social capital reveal that social capital can play different roles in the decision to starting a business. Case studies about the Latinos immigrants in the USA show the limit for immigrant individual's economic success in having strong ties with their community.

Social capital raised by the individual in a bounded community can be considered as bonding capital. Bonding capital can explain the decision of an immigrant to start-up a business [Davidsson and Honig, 2001]. Nevertheless, we can also take into account the proposition of Granovetter and the importance of weak ties. The embeddedness of the individual in social networks insists on the importance of concrete personal relations and structure in generating trust and discouraging malfeasance. The experience of the relation with someone (even a weak tie) generates trust [Granovetter 1985]. One can differentiate various types of ties considering the relation with the EMEs and their community [Birch and Whittam, forthcoming]. Once more the issue of reputation is crucial but it appears during the interaction between individual. Following Granovetter, more intimate relations make behaviour more predictable and reduce transaction costs.

The role of social capital is really complex but we can hypothesises that: on the one hand bonding social capital is often a crucial resource for the immigrant to start-up a business, on the other hand, break-out or diversification strategies could require bridging social capital and extra-community networks to join the mainstream and

institutional web. *Bridging* social capital allows breaking-out strategies into the mainstream market while *bonding* social capital may act as a constraint to business development.

Weaker ties, extra-community social networks can provide bridging social capital [Granovetter 1985, Svendsen and Svendsen 2004, Deakins et al. 2007]. Extra-community and extra-family ties provide *bridging* capital, which happen to be more helpful for diversification and breaking-out strategies.

Part III: Strategies pursued by Ethnic Minority Entrepreneurs

1. Sectors of presence of EMBs and survival strategies

Sectors.

In the United Kingdom, the EMBs have a tendency to be concentrated in particular sectors. It is of interest to underline that different communities are usually represented in different sectors of the economy. For example, numerous South Asians are represented in the catering, wholesaling, clothing and food retailing sectors [Curran and Burrows, 1988, Jones et al. 1992], Chinese in the takeaway trade [Song, 1997]. African-Caribbeans, despite a lower rate of self-employment than the later groups, are strongly represented in the construction sector [Curran and Blackburn, 1993].

EMBs situated in labour-intensive traditional sectors such as retailing, catering, wholesaling, clothing face greater difficulties [Netto et al. 2001]. The demand is decreasing in these sectors, and, in the meantime, the competition between small businesses is increasing [Scottish Executive 2005]. They may yet not have access to advice or resources that might help them to achieve diversification. Furthermore, concerning the EMBs located in rural areas, the limited markets reduce the chance to secure resources for achieving growth or diversification. The viability of the EMBs in these markets can be weak [see Aldrich 1986, Jones 1981, Portes and Zhou 1993] and may lead to survival strategies [Ram and Jones, Curran and Blackburn 1993] (see also dead-end thesis [Metcalf et al. 1995]).

Nevertheless, the cliché of „corner shop“ is now challenged by diversification of EMBs [Deakins et al. 2005, Zhou 2004] to better rewarded sectors and *break-out* strategy to the mainstream market [Portes and Rumbault 1996, Ram and Jones 1998, Ram and Smallbone 2003] and better rewarded sectors. For instance, in Scotland, EMBs are well represented in emergent new and developing sectors of the economy such as IT, telecom, software, media or mobile phone technology [Deakins and Freel 2003]. EMBs in Scotland are resourceful, have innovated in traditional sectors [Deakins et al. 1995, 2005] and achieve similar growth to mainstream Small Businesses. Despite the generational change and the emergence of new areas of EMBs activity, traditional sectors concentrations remain for the moment being the key element of EMBs population [Ram and Smallbone 2001].

Geographical location and *breaking-out*.

In the case of rural areas or inner-cities, where the growth potential is often already limited by the structure of the market the EMBs face isolation, crime or security issues and have to cope with racism or discrimination. This affects growth and diversification strategies [Deakins et al. 2005, 2007]. For instance, crime or security was also considered to be an issue in rural environments where some EMBs or private property of EMBs have been targeted and attacked. Such businesses are coping with strong discrimination. This situation drains on resources, making business growth more difficult.

Finally, it is important to underline the importance of geographical location on the opportunity structures. Indeed, EMEs are willing to exploit niches in labour intensive sectors such as restaurant trade [Aldrich et al. 1981, Phizacklea 1990]. Furthermore, there are geographical niches exploited by EMEs. For instance, EMEs spot opportunities to start-up in inner-cities and suburban locations [Ward 1991]. In terms of mobility, research has underlined that the colonisation of new territory in the city represents a *break-out* from the former dependence on the ethnic enclave as well as an entry to the mainstream market [Barret et al. 1996].

Strategies pursued by Ethnic Minority Entrepreneurs.

There are different “ethnic” entrepreneurs or “immigrant” entrepreneurs. The immigrant entrepreneur belongs to a communal solidarity network in an alien new society. He is a group-insider by virtue of shared identity [Rams, Jones 2007]²². They and the fellow-members of this social network share ethnic resources [Light, Bonacich 1988]. There are 4 ideal-types of ethnic entrepreneurs. The two first types have been largely documented.

- The Ethnic-market entrepreneur. The principal market for ethnic market entrepreneur is his own community [Jones, Barret, McEvoy 2000, Light 1972, Aldrich et al. 1985, Waldinger, Aldrich and Ward 1990]
- The middleman-market entrepreneur. Historically, they were sojourners, interesting in making quick profit [Bonacich 1973, Zhou 2004]. Characterize self-employed immigrants who serve non co-ethnics. See also Kim, 1999, Aldrich and Ward, 1990. It also involves Entrepreneurs who sells ethnic products to a mainstream public [Barret, McEvoy 2000]. See also Waldinger 2000 and Ram et al. 2002 for a case study in Birmingham restaurant trade.
- The niche-market entrepreneur. Entrepreneurs who sells non-ethnics products such as financial services, legal aid to their own immigrant group. Although the sell non-ethnic product, they have the cultural competence to enter this niche market [Putz 2000, Engelen 2001].
- The mainstream-market entrepreneur. The Entrepreneur who sells non-ethnic products into the mainstream market [Barret, Jones, McEvoy, 1996]. These entrepreneurs are in direct competition with native entrepreneurs [Morokvasic 1999]. This category is interesting when studying the second generation for example.

The ability of EME to beak-out depends on successful integration of a holistic strategy involving marketing, finance, human resources and key contact with the mainstream market.

Transnationalism and entrepreneurship.

The globalisation of capital and labour and the common market of the EU have encouraged transnational entrepreneurship [Zhou 2004]. As observed in the US [Portes and Guarnizo 1991, Portes et al. 2002] the first type of transnational entrepreneurship is related with financial services and investment institutions, the second with import/export. The third concerns cultural enterprises and the fourth

²² Moreover, “ethnicity is much more contingent than formerly recognised [Ram and Jones 2005].

manufacturing firms. Finally, the fifth type, identified by Zhou is the “return migrant micro enterprise“ [Landolt et al. 1999]. That stresses the importance of transnational networks and social capital. Transnational entrepreneurs maximises their human capital and recognition status in their country of origin [Gold 2001, Guarzino et al, 1999, Light et al, 2002].

Sojourner strategies.

A sojourner is an immigrant that sees himself as transients rather than settlers [Bonacich 1973]. For example, are the Polish Entrepreneurs willing to go back to Poland after a few years? A recent Institute for Policy Research’s Survey suggests that half of the immigrant workers from the new EU-country have already gone back to Poland. Questions are left open for the researcher about the will to come back to the home country. Are the *sojourner* EMEs trapped in dead-end strategies, stucked in traditional sectors and inner-cities?

Conclusions: EMEs and mobilities

The trajectories of EMEs are by nature linked to the notion of mobility, or more precisely, to different mobilities. Indeed, the journey of an EME starts with migration, emigration from the home country and immigration in the host country. Nevertheless, this phenomenon is not unique or permanent.

Firstly, the EME can start to use their knowledge of both countries and their networks to become transnational Entrepreneurs. The other form of mobility in space is when the EME decides to come back to their home country, to start a business or not. There is still a gap in academic knowledge to explain the reasons to come back and the careers pursued by the former EMEs back in their country. To take the recent example of Poles going back: do they go back because they were trapped in survival strategies? Did they expect more from their stay? Did they expect from the beginning to stay only for a few years? But one can also ask whether the changing economic situation in Poland and the appreciation of the Zloty against the British pound are sufficient explanation for this movement. In addition, the mobility of workers (and indeed Entrepreneur) is encouraged by the EU. *Sojourner* strategies and *transnational entrepreneurship* is been made easier.

Secondly, the mobility in space goes hand in hand with mobility in time. As mentioned above, the EMEs are subject to the acculturation lag. On the one hand, the immigrant faces obstacles to inclusion in the host country's labour market because of language issues and lack of knowledge of the institutions. Likewise, the immigrant Entrepreneur has a lower propensity to access to formal source of finance and advice partly because of the lack of knowledge of the institutions (and also because of a lack of trust). On the other hand, the acculturation lag may act as a positive factor for the immigrant willing to start-up if the immigrant comes from a lowerer-wage country. The acculturation lag in this situation allows the immigrant to spot opportunities to exploit in the new business environment.

Thirdly, there is a socio-economic mobility from the status of immigrant and EMEs to the one of mainstream market Entrepreneur. The issue of integration, especially amongst second generation, is linked to the one of social mobility. As mentioned earlier, the diversification strategies seem to be a better chance of success for an EMB when demand is decreasing and competition is increasing in traditional sectors of presence for EMBs. The *breaking-out* strategies to join the mainstream labour market are a crucial element of dynamic and mobility in the EMBs' research agenda. These strategies are facilitated by *bridging* social capital, which is another factor of mobility. It is important to underline that breaking-out strategies may be observed in the geography of EMBs. Indeed, many second generation EMEs break-out from the ethnic enclave and inner-cities to join mainstream markets in more central or mainstream locations. Drawing on these assumptions, the policy-makers consider the issue of integration and success of EMBs in term of geographical localisation (revitalisation of inner-cities or rural areas) and integration (sustainability of EMBs, diversification strategies).

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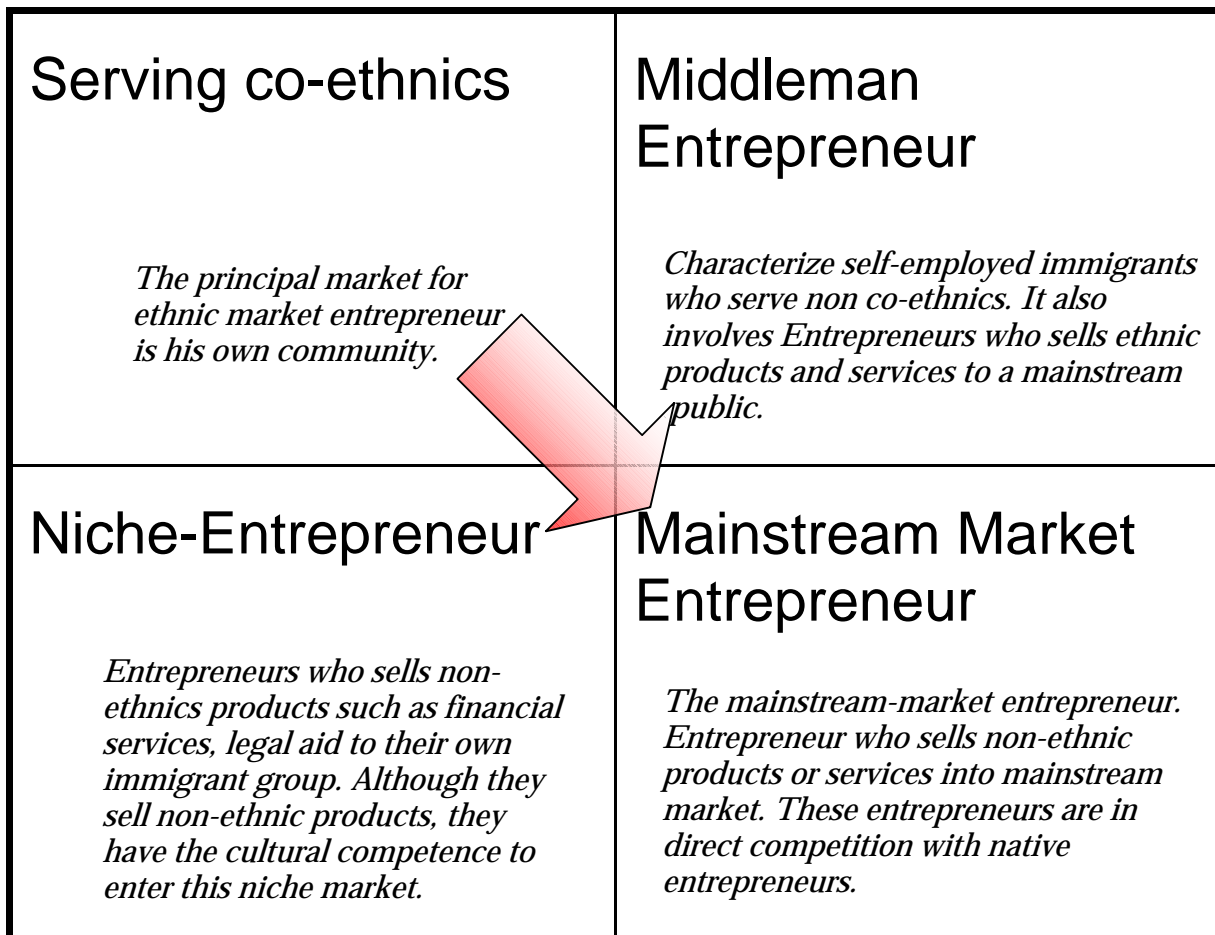
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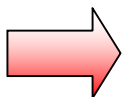
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ANNEXE: Strategies pursued by EMEs



4 ideal-types of ethnic entrepreneurs. Adapted from Rusinovic 2007.



Breaking-out strategy to the mainstream market