



EXPLORING WHETHER LONDON BASED BLACK AFRICAN BUSINESSES ARE MORE LIKELY TO FAIL, FALTER OR FLOURISH

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Abstract: In acknowledging the importance of break-out to the sustainability of BASMEs in London, this study sought to determine whether an escapist mindset and low levels of acculturation could impinge on an entrepreneur's willingness to overcome embeddedness – by reducing dependence on community linkages. Combining a synthesis of the extant literature with a modicum of empirical research, this chapter finds that majority of the respondents were not 'escapists entrepreneurs'. However, the escapists were more likely to operate businesses which may be failure-prone because they were more likely to neglect pre-start-up preparations, less likely to approach institutional support systems for business support and more likely to favour embeddedness. However, acculturation levels were not found to have any effect on the entrepreneurs' attitudes towards overcoming embeddedness and approaching institutions for business support. This chapter has both practical and social implications outlined in the main body of the chapter.

Keywords: African entrepreneurship, sustainability, ethnic embeddedness, break-out, London.

INTRODUCTION

Ethnic entrepreneurship has stimulated interest among academics and policy makers in recent times as questions have arisen as to what effect immigrants have on the socio-economic structure of their new country. Some studies have sought to gain insight into ethnic minority businesses (EMBs) (e.g. Ram, 1997, 1998, 2001, 2003; Fadahunsi et al. 2000; Barrett et al, 2002; Hussain and Maltay, 2007; Fraser, 2005). These have largely focused on exploring *who* the EMBs are – assessing the homogeneity or

heterogeneity of this group; *what* operational strategies they choose; *why* they choose self-employment; *when* they emerge; *where* they chose to operate?; and *how* they achieve growth and survival – if they do

Other studies have explored the unique characteristics of entrepreneurs and small and medium enterprises (SMEs) from specific minority ethnic groups (MEGs) – those owned by Afro-Caribbeans (Okonta and Pandya 2007); Asians (Basu and Goswami, 1999; Smallbone et al., 2005); Chinese (Hussain, Millman and Matlay, 2006);

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Turkish (Altinay, 2008) and Black Africans (Ekwulugo, 2005; Nwankwo, 2005).

While some scholars have identified common business practices among EMBs; others have identified that to some extent, certain nationalities display unique attitudes and practices in relation to self employment. Nwankwo (2005) proposes that many black African SMEs (BASMEs) are failure prone because they are pushed to choose self employment in a bid to overcome social exclusion. It is also noted that the entrepreneur's acculturation levels may shape his approach to business strategy and possibly the ability of the business to grow and survive (Nwankwo, 2005). However, Ram (1997) posits that escaping 'embeddedness' is pivotal to the survival and growth of any EMB.

In recognition of the importance of overcoming embeddedness to an ethnic business' survival; research was undertaken to assess the entrepreneurial motivations and acculturation levels of a sample of London based BASMEs - and how these impact on their attitudes towards overcoming embeddedness. This chapter provides some insight into these London based BASMEs and details the findings of this research.

BLACK AFRICAN BUSINESSES IN LONDON – AN OVERVIEW

The increasing diversity of the UK is evident in the fact that the 2001 census found that 8.3% of the total UK population was born overseas - compared to 4.2% in 1951 (ONS, 2001). This phenomenon has brought significant changes to the socio-economic structure of the UK. For example, while majority (99.3%) of the 4.7m businesses in the UK are small/medium-sized enterprises (SMEs); six percent of

these SMEs have owners/managers from a black and minority ethnic (BME) minority ethnic group (BERR, 2008). Their value is evident when one notes that 275,000 BME owned SMEs contribute an estimated £20 billion to the UK economy per year. (BERR, 2009).

London remains the city of choice for majority of immigrants settling down in the UK with seventy eight percent of black Africans based in the UK residing in London (ONS, 2001). Indeed, between 1991 and 2001, the black population levels in London rose by 100%, with self employment levels rising by 80% - black Africans constituted 28% of the self-employed. (GLA, 2004)

The increasing levels of self-employment among black Africans in the UK in general and London in particular has not gone unnoticed. Indeed, the rise in the number of London based black African owned SMEs has been described as the 'most rapidly mutating phenomenon' among UK SMEs in general (Nwankwo, 2005). However it must be noted that ethnic entrepreneurship existed in the UK well before the 1960s saw Asians effectively deliver a 'retailing revolution' to these shores. Records exist of Ignatius Sancho - a black African ex-slave, being the first black proprietor of a corner-shop in England - parish records indicate he was running a grocery in Westminster, London by the year 1773 (Sandhu, 2004, p.29).

Thus one may question whether this rise in the number of black African SMEs is as impressive as first thought. In London, black-owned businesses have been found to be underrepresented compared with the proportion of London's population which is black. While 12 percent of London's population is described as black, they own only 4% of the city's businesses (GLA, 2004).

Aspiration vs. Implementation

The UK Global Entrepreneurship Monitor (GEM) found that black Africans are the ethnic group most likely to harbour entrepreneurial aspirations – 35% considering self employment compared to 6.3% of the white British population (Harding, 2006). However, a survey into entrepreneurship by the UK's Department of Trade and Industry (DTI)'s Small Business Service highlights the potential dichotomy between aspiration and implementation – thinking or doing. 'Thinkers' are defined as those having recently thought about starting a business, buying into an existing business or becoming self-employed; while 'doers' are the self employed/business owners. (DTI, 2007)

While black Africans were found to be the ethnic group with the highest proportion of 'thinkers' – 27%; they possessed a relative low proportion of 'doers' – only 11%. This is in comparison to findings which identified 15% of Indians as 'thinkers' with 13% of them being 'doers' (DTI, 2007). Questions may now arise regarding the extent to which these entrepreneurial aspirations among UK black Africans translate into actual entrepreneurial activity.

Indeed, while the past decade has witnessed a rise in entrepreneurship among UK black Africans (Nwankwo, 2005; Ekwulugo, 2005); evidence of inconsistencies in this growth abound – Fraser (2005) found that black Africans and Caribbean in the UK display the lowest rates of self-employment (only 6% compared to Pakistanis' 21%) (GLA 2004). Thus, while findings indicate that UK based black Africans are most likely to identify a good business opportunity and consider self employment (Harding, R. Global Entrepreneurship Monitor (GEM) – 2002 and 2006); evidence

suggests that this does not automatically translate into autonomous start ups.

Questions may now arise regarding this stalled transition. One possible explanation may be that research found that 38% of the black Africans surveyed identified the fear of failure as deterring them from business start up (compared to only 26.7% of Bangladeshis). (Harding, R. Global Entrepreneurship Monitor (GEM) – 2002 and 2006)

Between 2002 and 2006, the unemployment rate was found to be higher among those born overseas than among the UK-born population: 7.7 per cent and 5.2 per cent respectively. The UK black population has been estimated to increase by a minimum of three million by the year 2025 (CEEDR 2000 cited by Ekwulugo, 2005). With increasing levels of ethnic entrepreneurship, set against a backdrop of high levels of immigrant unemployment; there emerges a need to understand whether these immigrants feel pushed or pulled into self employment. Such understanding is crucial as factors which motivate self-employment could determine the success or failure of the entrepreneur.

However, Nwankwo (2005) notes that there is often a tendency towards over-generalisation in studies of UK's ethnic minority; ignoring the fact that black Africans are far from a monolithic group. This generalisation may result from researchers often viewing black Africans as homogenous due to their continent of origin – ignoring the diversity of the continent as illustrated by its disparate languages, cultures and beliefs. Indeed, Ekwulugo (2005) notes that black Africans display fewer similarities than white Africans. Within Nigeria alone, over 250 ethnic groups (each with their own language, customs and beliefs) exist (Encyclopaedia Britannica, 2008).

This heterogeneity extends into the business arena with Fadahunsi et al. (2000) finding differences between Nigerian and East African business owners with regards to business decisions taken and attitudes towards networking/accessing public regeneration funds. Indeed, Nigerians and Zambians have been found to be the UK based Africans most likely to consider self employment (DTI, 2007). However, Ekwulugo (2005) notes that although the practices of BASMEs owned by individuals or groups from differing African countries may differ; some uniformity in their marketing and service delivery styles exists. Indeed, several studies have identified similarities among BASMEs with regards to problems with finance (Fraser, 2005); their relative youth and their attitudes towards mainstream institutional support services (Fadahunsi et al., 2000).

While consideration has been given to the national peculiarities of these entrepreneurs, this chapter views BASMEs as a homogenous demographic group and notes that Nwankwo (2005) describes majority of African-owned businesses in the UK as 'failure-prone and in need of strategic interventions'. In exploring these businesses, this chapter identifies three key factors which may shape the propensity of London based BASMEs to fail or flourish – firstly, the motivating factors which engendered entrepreneurship; secondly, the extent to which these entrepreneurs feel assimilated in the UK; and finally, the extent to which they seek to develop their businesses to engage with non-ethnics (as a means of ensuring sustainability).

EXPLORING EMBEDDEDNESS, ESCAPISM AND ACCULTURATION

Embeddness

Several researchers have sought to examine the impact of location on the success

or failure of SMEs (Porter, 1995; Barrett et al, 2002 and Aldrich et al, 2001). Most immigrants in the UK choose to reside and work in urban areas - with 78% of UK black Africans resident in London (ONS, 2001). Fraser (2005) notes that EMBs are more likely to be located in inner city areas which are often the most economically deprived areas of the country – exposing them to peculiar environmental challenges like access to required skills and capital.

However, while Porter (1995) proposes that inner cities offer certain unique competitive advantages which EMBs can exploit to become profitable ventures. These competitive advantages include inner city areas being strategic locations which are economically valuable and densely populated - proximate to business districts, logistical infrastructure and entertainment/tourist areas. Again, the size of the inner city is seen as delivering the potential advantage of a dense, diverse population with differing cultures – offering a varied workforce, a potential market with substantial spending power and the opportunity for SMEs to monitor trends and develop new products (Porter, 1995).

However, the location of EMBs in these urban areas is not viewed as desirable by other researchers. Indeed, Ram (1997) identified co-ethnic trading as characteristic of ethnic businesses and Barrett et al. (2002) found EMBs displaying potentially damaging high levels of 'ethnic embeddedness' - where close dependence on links to their community exists. Aldrich et al. (2001) concur, recognising that these linkages often result in these businesses developing a seemingly protected market (where co-ethnic EMBs cater to the specific cultural tastes of their communities).

This dependence has been judged as providing ethnic entrepreneurs with an initial

advantage – albeit short-lived. Indeed, this situation has been found to be undesirable as these businesses are inevitably subject to ‘grinding competitive pressure from the multiplicity of similar firms’ (Barrett, 2002, p.27). As these EMBs are often trapped in a ‘hostile trading milieu’, Ram (1997) posits that survival and growth can only be achieved when they ‘break out’ – diversifying, innovating, differing and adopting unique market strategies – in a bid to overcome embeddedness and probable demise (p.151).

In England, London suffers the lowest survival rates of VAT-registered enterprises. While other regions witnessed 70 to 73 percent of their businesses surviving after three years; the rate in London was only 67% (BERR, 2008). Although this data detailing business survival rates does not indicate the ethnicity of their owner/managers (BERR, 2008); the propensity for majority of BASMEs to be located in London, makes these survival rates extremely pertinent. Again, within England and Wales; Brent and Newham (in London) have been found to be the most ethnically diverse local authority areas. These boroughs scored 0.85 and 0.83 respectively on a diversity scale - indicating an 85% and 83% chance that two people chosen at random would be from different ethnic groups (ONS, 2001).

Interestingly, Newham has one of the lowest three-year survival rates of businesses - 59 percent (BERR, 2007). While this may be attributable to several factors; it might indicate a possible correlation between the propensities of EMBs to fail when situated in areas with a high concentration of co-ethnic businesses.

Thus, this study acknowledges the need for EMBs to overcome embeddedness in their path to growth. However, in recognition

of the possibility that not all London based BASME owner/managers may view achieving break-out as essential; research undertaken sought to assess whether escapist entrepreneurial motivations and low levels of acculturation had any influence on an entrepreneur’s attitude to overcoming embeddedness.

Escapism

It has been proposed that many BASMEs are failure prone because they are embarked upon to ‘escape ethnic penalties’ (Nwankwo, 2005, p.120). These ethnic penalties resulting from a bias against the individual’s ethnicity; include an inability to find formal employment, underpayment, or redundancy (Basu and Goswami, 1999; Morrison, 2001 cited in Nwankwo, 2005, p.128).

The resulting ‘escapist mindset’ has been found to be accompanied by inadequate initial preparations prior to business entry; resulting in these businesses failing to plan, evolve or survive (Nwankwo, 2005, p.120). However, in examining the constraints faced by UK BASMEs; findings indicate that their owner/managers were ‘the most qualified in terms of academic and financial qualifications and the most likely to engage in business planning at start-up’. Conversely, they were the ethnic group which mostly suffered financial rejections - ‘denial of finance by finance providers’ (Fraser, 2005). Indeed, Black African owned businesses have been found to possess a ‘37.4% likelihood of outright financial rejection’ - significantly higher than other SMEs: Indians (5.8%); Pakistani (13.2%); and White (10.4%) (Fraser, 2005, p. 10).

In exploring this seeming bias; Fraser (2005) notes that a ‘third of Black African and Pakistani businesses are high-growth/high-risk firms for which equity finance may

be more suitable than debt finance' (p.13). Concurring, other studies have found divergent factors moderating the potential sustainability of BASMEs – including low interaction with institutional support systems; inadequate training, planning or strategy formulation; poor support networks; poor marketing and increasingly intense competition. (Ram, 1997; Nwankwo and Lindridge, 1998; Fadahunsi et al, 2000; Barrett et al, 2002; Aldrich et al, 2001; Nwankwo, 2005; Ekwulugo, 2005 and Fraser, 2005)

However, entrepreneurial motivations have been recognised as important in shaping a business and its owner. Distinctions have been made between those motivated to choose self-employment by push factors (negative motivators like unemployment and discrimination); and those motivated by pull factors (positive entrepreneurial motivators like seeking independence) (Nwankwo, 2005). This research paper recognised these distinctions and sought to ascertain the proportion of those London based BASMEs entrepreneurs surveyed that were 'pushed' into self employment (*the escapists*) and those that were 'pulled'. This served as a precursor to assessing whether escapist entrepreneurial motivations coupled with low levels of acculturation among these business owners; could limit the ability/willingness of these entrepreneurs to adopt strategies aimed at breaking out.

Acculturation

It has been noted that 'acculturation' levels may contribute to shaping an entrepreneur's approach to business strategy (Nwankwo, 2005, p.131) – 'acculturation' having been defined as the process by which an individual acquires the customs of the society he inhabits (Seitz, 1998). This process ranges from 'low acculturation', where the cultural

values of the individual's ethnic origin are maintained; to 'high acculturation', where the individual adopts 'the cultural values of the dominant culture.' (Khairulla et al., 1996 cited in Nwankwo and Lindridge, 1998. p.205)

This concept of acculturation is pertinent to this study's assessment of the sustainability of BASMEs as answers were sought to the whether those entrepreneurs who possess an escapist mindset are more likely to display a low level of acculturation. This linkage may potentially portend another phenomenon – the probability that those entrepreneurs who possess an escapist mindset and low levels of acculturation, are more likely to operate embedded businesses, be less likely to develop/adopt break-out strategies and invariably, be more likely to fail.

RESEARCH METHODOLOGY

While several variables may shape the ability of an EMB to achieve sustainability; this research paper highlights the achievement of break-out as a key pathway to achieving long term growth. This strategy has been deemed imperative to any EMB seeking to overcome embeddedness and its attendant challenges of intense competition/limited business growth (Ram, 1997; Smallbone et al., 2005). Thus, in acknowledging the importance of break-out to the sustainability of BASMEs in London, this study sought to determine if relationships exist between an escapist mindset, levels of acculturation and a willingness to consider break-out.

The hypotheses proposed was –

London based BASMEs were more likely to fail because an escapist mindset, and low levels of acculturation among the

owners; precluded long term planning towards achieving break out.

With regards to the nature of this research, it must be mentioned that while it sought to explore; it also fulfilled some descriptive functions in attempting to ascertain the validity of Nwankwo (2005)'s findings that many UK black Africans embarked on entrepreneurship with an 'escapist mindset' which 'has meant that inadequate initial preparations have tended to characterise the small businesses they operate' (Nwankwo, 2005, p.120). This multifaceted nature of the study (exploratory and descriptive in tandem) has been acknowledged as common to most research which often seek to identify cause-and-effect relationships. (Churchill, 1996)

Research Philosophy

The study adopted an interpretivist epistemology – positing that reality is 'socially constructed' – an individual's understanding of reality being influenced by the way the way he/she sees the world and possibly influenced by other people's interpretations also. (Fisher, 2004)

In adopting an interpretivist epistemology; this study acknowledged that respondents' entrepreneurial motivations, levels of acculturation and attitudes towards business strategy may be shaped by their subjective interpretation of the world around them. Indeed, existing literature acknowledges that these ethnic entrepreneurs are likely to interpret challenges to their sustainability differently from non-ethnics; based on their experiences and understanding of their social reality (Ekwulugo, 2005; Fraser, 2005; Nwankwo, 2005). However, Saunders et al. (2007) note that business research rarely falls into one neat philosophical box and are often a mixture of positivism and interpretivism.

Research Approach

A triangulated approach -where quantitative and qualitative research strategies was employed in a bid to 'cancel out the limitations of one method - by using another to cross-check findings' (Bryman and Bell, 2003, p.51). Characteristics of deductive and inductive research were also evident in the research. Some deductive qualities of research evident in this study are a progression from theory to data; the collection of quantitative data and a need to explore cause-and-effect relationships (Saunders et al., 2007) – with an attempt to establish linkages between escapist motivation, acculturation and attitude towards break-out.

However, its inductive characteristics included a quest to understand the meanings respondents attach to events (in shaping possible escapist motives) and the collection of qualitative data. This two-pronged approach to business research has been found to be often more advantageous; as the impression of 'rigid divisions between deduction and induction' can often be 'misleading'. (Saunders et al., 2007, p.119)

Data Collection

Invaluable insight into the entrepreneurial behaviour of BASMEs was gained from a perusal of reliable data from the UK's Department for Business Enterprise and Regulatory Reform (BERR); National Statistics Service (ONS); the Department of Trade and Industry (DTI); Greater London Authority (GLA) and the Global Entrepreneurship Monitor (GEM). A review of existing literature yielded significant insight into issues pertaining to the propensity of UK BASMEs to flourish, flounder or fail. These included literature identifying escapist motivations (Nwankwo, 2005); levels of acculturation (Nwankwo and Lindridge,

1998); financial limitations (Fraser, 2005) and the importance of breaking out to overcome embeddedness. (Ram, 1997)

With regards to primary data collection, it has been observed that African communities often display a reticence to research efforts (Fadahunsi et al., 2000). This became evident in preliminary attempts to consult with prospective participants.

Thus, a personal interviewing survey method (employing a previously formulated questionnaire) was chosen. This offered the advantage of facilitating interviewer-respondent cordiality to overcome any reticence; gain respondents' attention while minimising non-response errors (Malhotra and Birks, 2007 cited in De Domenici, 2008)

Again, in garnering data (qualitative and quantitative); the previously formulated questionnaire ensured that data collected was standardised, thus facilitating effective analysis. In retrospect, it must be mentioned that one shortcoming of a semi-structured interview is that the probability exists that response errors may have resulted from interviewer prompting or bias (Malhotra and Birks, 2007 cited in De Domenici, 2008). However, a semi-structured interview does offer some flexibility in enabling the researcher employ open-ended questions in gaining further insight into the subject area (Bryman and Bell, 2003). This flexibility enabled this study obtain qualitative data which facilitated greater understanding of some causal relationships.

Research Sample

In selecting the sample for this study, a non-probability judgemental technique was employed - where the selection of participants relies on the researcher's personal judgement (Saunders et al. 2007). This technique

may suffer from low variability (with regards to the sample not being fully representative of all BASME entrepreneurs in London). However, it did offer the advantage of facilitating exploratory and information focused research. (Saunders et al. 2007)

Thus, this study's ethnic minority sample was selected based on these criteria:

- London based SMEs - defined as: those with fewer than 20 full time staff and a turnover below £2.8 million (BERR, 2008);
- Having black African Owner/Owners;
- Operating a functioning registered business (at the time the interview was conducted); with an official address and a designated manager or supervisor answerable for its activities.

A total of 30 small business owners were initially approached in South-East, East and West London areas. Of those approached, twenty-one BASME owner/managers were willing to take part in this research.

On reflection, the research methods chosen were appropriate to the subject matter and the respondents surveyed especially as initial approaches to these business owners had highlighted the fact that most were reluctant to divulge any business information. The unstable economic climate at the time of this research meant that they were often apprehensive and reticent when first approached. While the sample cannot be said to be truly representative of all London based BASMEs, the respondents fulfilled the criteria used to define these businesses. Again, while the research was guided by ethical considerations, the possibility of interviewee bias - where the respondent constructs an account which 'presents himself/herself in a socially desirable role or

situation' (Saunders et al., 2007, p.600); cannot be discounted.

RESEARCH FINDINGS

The findings are discussed below using a narrative approach where some of the data are 'produced in the form of narrative accounts'; exploring 'linkages, relationships and socially constructed explanations' (Bryman and Bell, 2003. p.505).

Demographic Characteristics of Respondents

The average respondent was male, 40 years old, lived in the UK for 16 years and owned his business for 5 years. These findings confirmed existing studies that Findings that majority (62%) of the BASMEs were male-owned and that majority (80%) of UK SMEs are owned by those aged between 35-54 years old (BERR, 2008).

Interestingly, while majority of the respondents (48%) had resided in the UK for 16-20 years, it was found that most (72%) of the businesses were less than 5 years old - confirming findings that BASMEs are usually the youngest UK small businesses - averaging around 6 years in existence. (Fraser, 2005).

Exploring Escapism

With regards to the research hypothesis - London based BASMEs are more likely to fail because an escapist mindset, and low levels of acculturation among the owners; precludes long term planning towards achieving break out - this study assessed whether majority of the respondents (black African entrepreneurs) actually possessed escapist entrepreneurial motivations.

Respondents were first given the option to choose what factor motivated them to seek self employment - a need to be independent; frustration experienced in previous paid employment; a desire to exploit a gap in the market; to use their talents/skills or a need to be flexible because of family commitments. Most (forty eight percent) cited a need to be independent as their entrepreneurial motivation.

Interestingly, those respondents who claimed that their entrepreneurial motivation was a need to be flexible (in order to meet family commitments) were all female. This could have implications regarding the sustainability of these female-owned businesses as it has been observed that with ethnic entrepreneurs in general, 'family commitments (both nuclear and extended) interfere with work - resulting to strategic drift and lack of clear direction of where the enterprise is headed' (Nwankwo, 2005. p.133).

The study also ascertained the proportion of respondents that were 'pushed' - *the escapists* - and those that were 'pulled'. Majority (76%) of respondents claimed to have been motivated by positive factors to become entrepreneurs. These findings may contradict earlier observations 'that many Black Africans embarked on entrepreneurship more to escape ethnic penalties than a strategic response to the structure of environmental opportunities' (Nwankwo, 2005. p.120). However, it must be noted that as a motive is an 'inner state'; respondents may be reluctant to divulge their innermost thoughts and considerations. (Churchill, 1996, p.267)

To identify any differences (between pushed versus pulled entrepreneurs) - regarding their acculturation levels, attitudes towards institutional support systems and overcoming embeddedness; the two groups

were further explored. Those entrepreneurs 'pushed' into self-employment were then termed 'ESCAPISTS'; while the 'pulled' were termed 'CONFRONTERS' to distinguish each group.

Exploring Embeddedness

Respondents were surveyed to assess their attitudes towards overcoming embeddedness (by actively seeking to acquire non-ethnic customers). Majority of all respondents (72%) indicated a belief that it was important to overcome embeddedness. However, differences emerged between the attitudes of escapists and confronters. While 88% of confronters responded positively (strongly agree/tend to agree) to acquiring non-ethnic customers; only 20% of escapists replied thus.

Thus, in seeking to gauge whether the overwhelming negative response given by the escapists indicated apathy, hostility or ambivalence towards the break-out strategy; the respondents were also surveyed to assess their attitudes towards making long-term investments in the UK.

Interestingly, majority of escapists and confronters (60% and 71% respectively) responded positively (strongly agree/tend to agree) to perceiving a need for their business to expand within the UK - indicating a general willingness on the part of the respondents to invest long term in the UK. Indeed, it has been noted that contemporary UK-Africans are more likely to view themselves as permanent residents of the UK unlike immigrants in the past who were seen as 'transient migrants'. (Nwankwo, 2005, p.121)

Respondents were also surveyed to assess whether they felt that the future of their businesses lay in the UK. This was done to

explore whether confronters and escapists possessed differing attitudes in their commitment to devising break-out strategies - with the accompanying long-term challenges (i.e. devising/implementing product development, diversification or market penetration strategies - Ansoff, 1988 cited in Johnson et. al 2008)

While 88% of confronters felt that their business future was in the UK; only 20% of escapists concurred - indicating a possible dichotomy between how both groups visualise their businesses' future. Again, contrary to Nwankwo's (2005) observation that UK-based Africans are increasingly viewing themselves as permanent residents; it has been noted that 'Africans tend to return to their country of origin' (Ekwulugo, 2005 p.75). These findings could indicate that escapists are unwilling/hesitant to overcome embeddedness because they view their migration to the UK as temporary and view embeddedness as a viable business model.

To gauge respondents' attitudes towards operating businesses with strong community links; respondents were also surveyed to assess whether they felt that operating in an area with predominantly black population was best for their business. Surprisingly, majority (62%) of all respondents felt that operating in a black-dominated area was best for their business - with majority of escapists (80%) and confronters (56%) concurring.

While most of the respondents indicated a desire to overcome embeddedness by acquiring non-ethnic customers (72% majority), to expand within the UK (86%) and stake their business' futures in the UK (72%); most (62%) still felt that operating businesses with strong community linkages was a viable business model. This contradiction - where the respondents' view overcoming embeddedness as ideal while

still persisting that operating within black-dominated areas is the best option for their businesses - could indicate apathy towards overcoming embeddedness and a belief that s observed Barrett et al. (2002).

This may also confirm previous findings that EMBs' embeddedness could possibly deliver benefits alongside problems (Barrett et al. 2002). However, it has been noted that 'many black African entrepreneurs lack a long term outward view of where their businesses are headed, instead, turning inward and depending on co-ethnics for survival' (Nwankwo, 2005. p.132). Thus, this study also sought to assess whether BASME entrepreneurs were open to approaching external sources for support (i.e. to acquire the skills/knowledge required to devise/implement break-out strategies) - and if the escapists were more/less willing to.

Assessing Attitudes to Institutional Support Systems

In assessing the respondents' attitudes towards financial institutions and government policies - whether they perceive them as beneficial to their businesses (or not); it was found that 80% of escapists felt that government policies in the UK were of no benefit to their businesses - 63% of confronters also concurred. Again, larger proportions (80%) of escapists felt financial institutions were of little/no use to their businesses - compared to 69% of escapists. This might indicate that while the government has sought to engage small businesses in general and EMBs in particular with different initiatives i.e. Business Link, Business Support Simplification Plan and Ethnic Minority Business Task Force (BERR, 2009); the target audience has not been reached. This anomaly (between government intention to engage with EMBs and their reticence about approaching formal institutions regarding

their business affairs) may confirm previous findings by Fadahunsi et. al. (2000) that ethnic minority business owners are often reluctant to take up advice and support from mainstream business support agencies because of perceived prejudice.

Indeed, when asked where they would choose to go to first for business advice, a larger proportion (48%) stated that they would prefer to approach other business owners first for business advice - other business owners being those known to the respondents on an informal basis i.e. operating in the same locality or having met through a mutual friend). Interestingly, none of the escapists indicated a willingness to approach a government body first for business advice - possibly confirming earlier observations that despite the fact that they experience the most problems at start-up; black-owned businesses 'may feel there is nothing to gain from external support despite their apparent greater need for assistance'. (Fraser, 2005, p.81)

Evaluating Levels of Preparedness before Business Entry

The extent to which these entrepreneurs planned their entry into self employment was also assessed as previous literature has indicated that EMBs in general are less likely to have a written business plan (Ram and Smallbone, 2001) and often exhibit 'high mortality rates' especially when planning was absent pre-start-up. (Nwankwo, 2005. p.125)

Majority of the respondents (67%) answered in the affirmative when asked whether they had drawn up a business plan prior to opening their business. These findings confirm existing literature which observed that 'black owned businesses are more likely to write business plans than either Asian

or White-owned businesses' (Fraser, 2005. p.15). However, while 75% of the confronters claimed to have drawn up business plans pre-start-up; only 40% of escapists concurred. This could be interpreted to mean that an escapist mindset could portend that the entrepreneur will adopt a less methodical approach pre business start-up.

This study's interpretivist approach acknowledges that the respondents' entrepreneurial motivations and attitudes towards business strategy may be shaped by their subjective interpretation of the world around them. Thus, in seeking to understand how their responses may have been shaped by their experiences in the UK; this study sought to assess if their acculturation levels could have shaped their perceptions and attitudes (regarding embeddedness, institutional support systems and possible escapist motivations to become self employed).

Assessing Acculturation Levels

The questions that were designed to measure the respondents' acculturation levels, were modelled on the Acculturation Influence Group (AIG) schema by Segal and Sosa (1983) – (cited in Nwankwo and Lindridge, 1998). These questions sought to identify the preferences (English, African or a mixture) of these London based black African entrepreneurs - in relation to food, language and lifestyle. Their preferences were then used to categorise the acculturation levels of each entrepreneur – ranging from *Totally Acculturated* (high levels of Acculturation where the respondent mainly chose those options that indicated a preference for the 'English' way of life; to *Slightly Acculturated* (low levels of Acculturation where the respondent chose those options that indicated a preference for maintaining African linkages).

The middle ground was the *Mostly Acculturated* (those who chose options which indicated a willingness to juxtapose western influences alongside their native culture.

Majority (51%) of the responses chosen were in the 'mostly acculturated' grouping – indicating that most respondents were more comfortable with a lifestyle that incorporated both native and western influences i.e. choosing to speak both English alongside his/her native language. Interestingly, there were no clear distinctions between the acculturation levels of escapists and confronters as majority of the options selected by both groups (56% of those selected by the escapists and 50% of the confronters') indicated that both groups were mostly acculturated - choosing a lifestyle shaped by both their native culture and western influences.

It can then be deduced that there appears to be no linkages between an entrepreneur possessing escapist motivations and the likelihood that he/she will have low acculturation levels as suggested by Nwankwo (2005). While escapists and confronters displayed marked differences relating to other variables – their entrepreneurial motivations, attitudes towards overcoming embeddedness/approaching external or formal bodies for support and their level of pre-start-up preparations – their acculturation levels were similar.

Thus while this study sought to assess whether those entrepreneurs who possess an escapist mindset are more likely to display low levels of acculturation; data analysis found no discernible differences in the acculturation levels of the escapists and confronters. Again, both categories shared similar concerns when it came to what they perceived to be the biggest challenge to their individual businesses – majority (24%) of

the respondents cited the problems faced in securing finance for business expansion/growth as their biggest challenge.

CONCLUSION

Research undertaken sought to ascertain whether London based BASMEs were more likely to fail because an escapist mindset, and low levels of acculturation among the owners; resulted in these entrepreneurs failing to develop/implement break-out strategies..

Following primary research, data analysis provided valuable information which identified areas that confirmed/contradicted existing literature regarding the research area and the following conclusions emanated:

Firstly, most Black African entrepreneurs were found to have entered into self employment because of a need for independence – not to escape negative influences. However, a small number of ‘escapists’ were identified.

Secondly, while these black African business owners viewed the development of strategies to overcome embeddedness as important, they were reluctant to relinquish the strong linkages their businesses maintained with their co-ethnics. Furthermore, those entrepreneurs who were identified as escapists displayed more resistance to the idea of pursuing break-out and were more in favour of operating businesses depending on co-ethnics.

Thirdly, regarding sustainability, the escapists were found to be the most likely to be less prepared prior to business entry – by failing to draw business plans. Again, in seeking to survive/grow, the BASME owners displayed a reluctance to

approach formal sources (banks, government bodies) for advice/support. This reluctance was even more pronounced among escapists.

Lastly, despite the differences between escapists and confronters regarding the other factors (entrepreneurial motivations, overcoming embeddedness and pre-start-up preparation); the acculturation levels of both categories were found to be similar.

This study posits that while not all BASME owners are forced to enter self employment because of negative factors. However, it observes that those who are (the escapists) may be more likely to operate businesses which may be short-lived because poor pre-start-up preparations and a continuing dependency on co-ethnics may render their business models unviable in the long term.

However, the entrepreneurs’ acculturation levels were not found to have any effect on their attitudes towards overcoming embeddedness and accessing external sources for business support.

While this research has been conducted ethically – securing informed consent, objectively analysing/reporting data and ensuring respondents’ confidentiality and anonymity – it does suffer some limitations. These limitations include that fact that due to time constraints, the data collection method (questionnaires and semi-structured interview) cannot be said to have examined all the issues (regarding acculturation levels, attitudes towards overcoming embeddedness and behavioural differences between escapists and confronters) exhaustively. Again, the researcher cannot guarantee the absence of interviewee bias or the fact that the secondary data examined by this study might suffer from researcher bias.

RECOMMENDATIONS

What became clear from a perusal of secondary research into BASMEs is that there appears to be a lack of clear information regarding their size, ownership and *modus operandi*. This has implications regarding the UK economy – in relation to the probable to employment of illegal aliens, avoidance of taxes and money laundering issues. It must also be recognised that these BASMEs often operate in highly competitive sectors – food/garment retailing, business services, real estate, catering and training; with relatively limited resources (compared to white-owned businesses) – portending a tendency for these businesses to suffer high mortality rates.

Thus, this study recommends that business support agencies should actively seek to develop avenues to interact with BASMEs in particular and EMBs in general. While these businesses may display some reluctance to engage with formal bodies, they still maintain strong community linkages. Herein lays the opportunity to engage them. It is recommended that business support agencies liaise with existing ethnic minority organisations and community leaders as a means to gaining the trust of these ethnic entrepreneurs. However, this study does not discount the probability that some entrepreneurs may feel reluctant about participating in networks based on ethnicity alone. To reach a wider range of BASMEs, these agencies may choose to use whatever media these MEGS prefer.

Ethnic entrepreneurs should also be encouraged (through business support agencies and their community leaders) to initiate and develop organisations based on the sector in which they operate – enabling them achieve a critical mass that could potentially influence policy makers.

Apart from seeking to establish links with these communities, this chapter also recommends that in a bid to stimulate a deeper understanding of the intricacies involved in shaping business strategy and the practicalities of small business development; ethnic minority youth should be targeted in the the development of entrepreneurship programmes in the UK. To achieve this, schools operating in areas with high immigrant population may develop/maintain close links with EMBs as a means to developing mentoring relationships – where the young from ethnic minority backgrounds are opportune to observe and learn from successful ethnic entrepreneurs.

It must be noted that it has not been proven that operating an embedded business definitely portends business mortality. However, secondary and primary research have shown that those entrepreneurs with limited business skill (relating to devising/ implementing operational/marketing strategies) may operate businesses which are more likely to fail.

Considering that nineteen percent of those surveyed cited the biggest challenge to their survival as lacking the ability/knowledge to market effectively to gain new customers and ten percent acknowledged that they felt deficient regarding the skills/knowledge required as business owners to develop effective business strategies; Nwankwo's (2005) observation that African entrepreneurs may have a poor understanding of marketing and growth strategies, appears well founded.

However, this shortcoming may not be related to their ethnicity as research in the USA (Perry, 2002), Canada (Monk, 2000), Australia (Haswell and Holmes, 1989) and UK (Beaver and Jennings, 2005); have found that small businesses in general often suffer

high mortality rates because the owner(s)/manager(s) lack essential managerial skills (in relation to business planning, marketing and strategy formulation).

Thus, this study recognises that training is especially relevant to these businesses in particular and SMEs in general - which form the bulk of the businesses in the UK.

Particular attention needs to be paid to not only creating awareness - among budding entrepreneurs - regarding what running a business (day-to-day) entails; but also how the entrepreneur needs to devise and implement competitive strategies. Again, to overcome the lack of data about BASMEs in the UK, it is also advisable that longitudinal studies be conducted to assess the challenges, performance and contributions of these businesses.

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