



ASSESSING THE SUSTAINABILITY OF LONDON BASED BLACK AFRICAN SMES

Cordelia Osewa-Ediae*

Social Policy Researcher, London

Abstract: This study seeks to assess the sustainability of black African Small/Medium Enterprises (BASMEs) in London - by identifying how several unique factors might impinge on their propensity to flourish, falter or fail. In acknowledging the importance of break-out to the sustainability of these businesses, this study explores 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 existing literature with a modicum of empirical research, this study finds that majority of the respondents were not 'escapists entrepreneurs'. However, the escapists were more likely to operate businesses which may be failure-prone as 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. Furthermore, acculturation levels were not found to have any effect on the entrepreneurs' attitudes towards overcoming embeddedness and approaching institutions for business support. This study has both practical and social implications - as outlined in the main body of the paper.

Keywords: *African entrepreneurs, sustainability, embeddedness, escapists, ethnic business, break out, acculturation, self employment, London.*

INTRODUCTION

Over the past two decades, there has been a rise in the number of UK based ethnic minority businesses (EMBs) - accompanied by a corresponding increase in the number of Black African entrepreneurs (Nwankwo, 2011) This phenomenon has

stimulated interest among academics and policy makers who have sought to assess the impact of these ethnic entrepreneurs on the socio-economic structure of the UK.

Some studies have sought to gain insight into EMBs in general - e.g. Ram, 1997, 1998, 2001, 2003; Fadahunsi et al.

*Social Policy Researcher, London, UK. Email: cordyediae@aol.com

2000; Barrett et al, 2002; Hussain and Maltay, 2007; Fraser, (2005).

These studies 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 emerged; *where* they chose to operate; and *how* they achieve growth and survival - if they do

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

As the UK faces tough economic times and rising unemployment, entrepreneurship may become more appealing to even more individuals from minority ethnic groups. However, it has been noted that while the number of black owned SMEs has risen in the UK, the failure rate of these businesses has also been 'huge and disproportionate' (Ukemenam, 2011, p.222). While this high failure rate may be attributable to several reasons, this study recognises that an EMBs ability to overcome embeddedness may be crucial to its sustainability. Thus, research was conducted to assess the entrepreneurial motivations and acculturation levels of a sample of London based BASMEs - to explore how these factors impact on their attitudes towards overcoming embeddedness. This chapter provides some insight into these London based BASMEs and details the findings of the research conducted.

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) group (BERR, 2008). Their value to the UK economy is evidenced by findings which indicate that 275,000

BME owned SMEs contribute an estimated £20 billion to the UK economy annually (BERR, 2009).

London remains the city of choice for majority of immigrants settling down in the UK with seventy eight percent of UK based black Africans choosing to reside in the city (ONS, 2001). This trend shows no signs of abating as between 1991 and 2001, the black population levels in London rose by 100%. While self employment levels among the general population rose 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 – with Nwankwo (2005) remarking that they were the ‘most rapidly mutating phenomenon’ among UK SMEs in general. 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 Santo – 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).

One may question whether this rise in the number of black African SMEs is as impressive as first thought especially as black-owned businesses have been found to be underrepresented in London: While 12% of London’s population is described as ‘black’, only 4% of London’s

businesses are owned by a Black Londoner (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 – with 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%. In comparison, 15% of Indian respondents were identified as ‘thinkers’, with 13% being doers’ (DTI, 2007). These findings highlight a gulf between the extents to which entrepreneurial aspirations among UK black Africans actually translate into entrepreneurial activity.

Again, 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 as 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. GEM reports 2002, 2006); evidence suggests that this does not automatically translate into autonomous start ups.

This stalled transition could be explained by findings which indicate that 38% of black Africans surveyed, identified the *fear of failure* as deterring them from business start up - in comparison to 26.7% of Bangladeshis (Harding, R. GEM reports 2002, 2006)

Interestingly, 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 (Walling, 2007). Considering the UK black population is estimated to increase by a minimum of three million by the year 2025 (CEEDR 2000 cited by Ekwulugo, 2005); increasing levels of ethnic entrepreneurship, set against a backdrop of high levels of immigrant unemployment; necessitates 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, generalisations should be avoided especially as Nwankwo (2005) has observed that in studies of UK's ethnic

minority, there is often a tendency towards over generalisation - ignoring the fact that black Africans are far from a monolithic group. While some researchers view black Africans as homogenous due to their continent of origin, this approach ignores the continent's diversity - evidenced by its disparate languages, cultures and beliefs. Ekwulugo (2005) highlights the heterogeneity of black Africans, by noting that they 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 individual's attitudes towards networking / accessing public regeneration funds. Nigerians and Zambians have been found to be the UK based Africans most likely to consider self employment (DTI, 2007). 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 study views BASMEs as a homogenous demographic group especially with consideration to Nwankwo (2005)'s observation that majority of African-owned businesses in the UK as 'failure-prone and in need of strategic interventions'. In exploring these businesses, this study 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

Embeddedness

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 - 78% of UK black Africans reside 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, Porter (1995) proposes that inner cities offer certain unique

competitive advantages that EMBs can exploit to become profitable ventures. One competitive advantage proposed is that inner city areas are strategic locations which are economically valuable and densely populated - being proximate to business districts, logistical infrastructure and entertainment / tourist areas. Another advantage is the size of the inner city which is seen as potentially advantageous because it delivers a dense, culturally diverse population with a varied workforce, potential market with substantial spending power and the opportunity for SMEs to monitor trends and develop new products (Porter, 1995).

Ram (1997) identified co-ethnic trading as characteristic of ethnic businesses, while Barrett et al. (2002) found EMBs display potentially damaging high levels of 'ethnic embeddedness' - where close dependence on community linkages exist. These observations are corroborated by fAldrich et al. (2001) findings which indicate these community linkages often result in EMBs 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 short-lived advantage. However, this situation has been deemed undesirable as these businesses are inevitably subjected 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, 2007). Although 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 also 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 breakout 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

Majority of BASMEs have been described as 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*' (*the Confronters*). 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 regarding whether those entrepreneurs who possessed an escapist mindset were more likely to display low levels 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 and 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' and "inadequate initial preparations have tended to characterise the small businesses they operate' (Nwankwo, 2005. p.120). The multifaceted nature of this 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 – often being a mixture of positivism and interpretivism.

Research Approach

A triangulated approach - where quantitative and qualitative research strategies were 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) – illustrated by attempts to identify any 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 often

been found to be 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 (Fadahusi 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); a 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 employs 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 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 at initial contact. 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 - confirming 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 Fraser (2005)'s findings that BASMEs are usually the youngest UK SMEs - averaging around 6 years in existence.

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 - with the

options being: 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' and those that were 'pulled' into self-employment. To distinguish each group, those entrepreneurs 'pushed' into self-employment were then termed 'ESCAPISTS'; while the 'pulled' were termed 'CONFRONTERS' Research found that 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, p120). 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 the *Escapists* and *Confronters* – regarding their acculturation levels, attitudes towards institutional support systems and overcoming embeddedness; the two groups were further explored.

Exploring Embeddedness

Respondents were surveyed to assess their attitudes towards overcoming embeddedness (by actively seeking to acquire non-ethnic customers). Majority (72%) of the respondents indicated a belief that it was important to overcome embeddedness. However, differences emerged between the attitudes of *Escapists* and the *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. This indicated a general willingness on the part of the respondents to invest long term in the UK – confirming

observations 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.

Most (72%) of the respondents indicated a desire to overcome embeddedness by acquiring non-ethnic customers; majority (86%) expressed an intent to expand within the UK; and most (72%) indicated they would also stake their business' futures in the UK. However, majority (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, as observed by 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 *Escapists* were more/ less willing to do so.

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 *Confronters*. This might indicate that while 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) confirms 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

Ram and Smallbone (2001) have noted that EMBs in general are less likely to have a written business plan, while Nwankwo (2005) has noted that they often exhibit 'high mortality rates' especially when planning was absent pre-start-up (p.125). Thus, the respondents were also assessed to evaluate their levels of preparedness pre-start up.

Majority of the respondents (67%) answered in the affirmative when asked whether they had drawn up a business – confirming 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 *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. Both showed a preference for 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.

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. Faced with eight options, 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 and contradicted existing literature regarding the research area. 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 breakout 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, all 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-startup preparation); the acculturation levels of both categories were found to be similar.

This study posits that 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 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 issues surrounding employment of illegal immigrants, tax-avoidance and money laundering. 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's first recommendation is that business support agencies should actively seek to interact with BASMEs in particular and EMBs in general. While these businesses may display an aversion to initial contact from government, they do still maintain strong community linkages. Herein lays the opportunity to engage them, as business support agencies could 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 be reluctant to participate in networks based on ethnicity alone. To reach a wider range of BASMEs, business support agencies may choose to use media channels preferred by these MEGS. 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's second recommendation is that - to stimulate a deeper understanding of the intricacies involved in shaping business strategy and the practicalities of small business development - ethnic minority youth in the UK should be targeted in the development of entrepreneurship programmes. 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.

This study's third recommendation is that training be targeted at SMEs in general, especially as they 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.

EMBs in particular could benefit from such training especially - 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; while ten percent acknowledged that they felt deficient regarding the skills/ knowledge required as business owners to develop effective business strategies. Thus, Nwankwo's (2005) observation that African entrepreneurs may have a poor understanding of marketing and growth strategies appears well founded.

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.

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).

The final recommendation relates to research. 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.

In the current economic climate - with shrinking public spending, rising unemployment and falling consumer confidence - only innovative and agile businesses will survive. Considering majority (99.3%) of UK businesses are small/ medium-sized enterprises (SMEs), there arises a need to understand better which processes, practices and strategies engender profitability and sustainability - and which do not.

Similarly, as the number of UK based ethnic businesses rises - and their workforce grows - there is a need to know more about them; engage with them better and ensure they remain sustainable.

BIOGRAPHY

Cordelia Osewa-Ediae Following a first degree in Politics, Cordelia worked in the private sector before acquiring a second degree in Business Management. Graduating with a First Class and an Outstanding Achievement award, she joined the Digital Inclusion team at the UK Department for Communities and Local Government (CLG) where her remit included managing relationships with key Digital Inclusion stakeholders. This enabled her deliver a research paper: *'Intergenerational Practice and Digital Inclusion.'* Her next position was Business Development Manager with UK online

centres. Recognising the link between social exclusion and digital exclusion, these England-wide centres were set up by government in 1999 to provide public access to computers – with a vision of bridging social and digital inequality. A keen interest in community cohesion motivates her to work closely with The Adab Trust – a UK organisation dedicated to improving the employment outcomes for graduates from minority communities; Alongside contributing to the WASD forum, Cordelia is presently a Social Policy Researcher at Community Links – a London charity with over 30 years' experience of working with practitioners and policy makers to deliver community projects and deliver evidence-based research.

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