

Diversity in Entrepreneurship: The Role of Women and Ethnic Minorities

CHAPTER

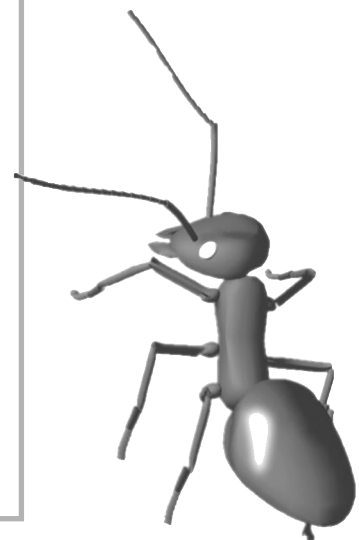
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The material in this chapter is drawn from research undertaken by the authors with a number of colleagues including, among others, Professor Monder Ram, de Montfort University, and Professor David Smallbone, Kingston University, concerning ethnic-minority entrepreneurship, and Laura Wilson, University of Portsmouth, concerning women's enterprise.

Learning Outcomes

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

- 1** discuss the differing importance of men, women and ethnic minorities in entrepreneurship
- 2** discuss factors that might affect the importance and diversity of such roles
- 3** assess the impact of recent policies to support the role of women and ethnic minorities
- 4** discuss and account for the importance of Asian and African-Caribbean entrepreneurs
- 5** describe the untapped potential of development that still exists with African and Caribbean entrepreneurs
- 6** explain why ethnic minority entrepreneurs are dependent on bank finance
- 7** discuss why the issue of 'break-out' has become an important issue for the future development of ethnic-minority entrepreneurs
- 8** describe recent policy initiatives to support women's enterprise in the UK.



■ ■ ■ ■ Introduction

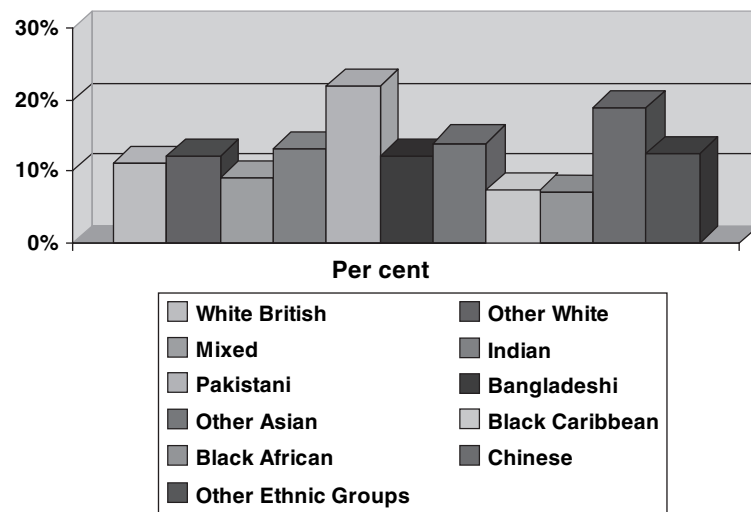
This chapter picks up some of themes introduced in Chapter 1, where we noted that there are different rates of participation in entrepreneurial activity in different regions, in different environments and in different groups of society. For example, we have noted that some ethnic-minority groups have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

Table 3.1: *Population Size by Ethnic Minority Group*

	Population	Per cent of UK Population	Per cent of Ethnic Minority Population
White	54.15 million	92.1%	N/a
Mixed	6.77 million	1.2%	14.6%
All ethnic minorities	4.6 million	7.9%	100%
Indian	1.05 million	1.8%	22.7%
Pakistani	0.75 million	1.3%	16.1%
Bangladeshi	280,000	0.5%	6.1%
Other Asian	248,000	0.4%	5.3%
Caribbean	566,000	1.0%	12.2%
African	485,000	0.8%	10.5%
Other Black	98,000	0.2%	2.1%
Chinese	247,000	0.4%	5.3%
Other	231,000	0.4%	5.0%
All UK population	58.8 million		

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	Per cent
Men	13%
Women	7%
White British	11%
Other White	12%
Mixed	9%
Indian	13%
Pakistani	22%
Bangladeshi	12%
Other Asian	14%
Black Caribbean	7.5%
Black African	7%
Chinese	19%
Other Ethnic Groups	12.5%



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Figure 3.1: *UK Self-Employment Rates for Men, Women and Ethnic Minorities*

used as proxy for gender and cultural diversity in entrepreneurship in the UK. Figure 3.1 shows that a number of sectors in society in the UK are under-represented, whereas others are over-represented. For example, women's rates are only around half those for men, and Africans and Caribbeans are also under-represented, whereas the highest rates of self-employment are attained by Bangladeshis. This chapter reviews recent evidence on the barriers that such groups face in participation. Equality of opportunity in society should be available to all groups, yet, in certain cases, barriers may exist due to institutional practices that naturally favour men over women, or white business owners over ethnic-minority business owners. Access to resources, such as finance, or access to markets, may be more limited due to formal institutional practices that favour specific groups in society. For example, formal business networks such as local Chambers of Commerce may be male dominated, with an influence on agendas that reflects such a biased membership. This can limit women's abilities to access local business networks. We review recent evidence on the importance of such barriers in this chapter.

■ ■ ■ ■ Women and Entrepreneurship

Participation rates for women in the UK are typical of rates in most advanced economies. For example, one study suggests that in most countries women's participation rates were around one-half of that of men.⁽³⁾ It should be noted, however, that official statistics may underestimate the participation of women in business; for example, women may participate through involvement as partners or in family businesses as employees, but remain 'hidden' in official statistics. For example, a recent study for the Federation of Small Businesses (FSB) confirms higher rates of women's participation with mixed-gender ownership among its membership in the UK, at 35 per cent.⁽⁴⁾ The same study indicated that the proportion of businesses wholly owned by women, who were members of the FSB was, on average, 15 per cent in the UK. Taking this study, then, women are therefore participating in business ownership, in some role, nationally at 50 per cent. The FSB study confirms an increasing rate of business ownership of about 5 per cent among women from its member base, as compared with a similar study in 2002.⁽⁵⁾ These studies indicate that one of the information gaps is reliable data on women's participation in business and entrepreneurial activity.⁽⁶⁾ However, overall, women still lag behind men in starting businesses in the UK and the Prowess membership initiative⁽⁷⁾ states as its vision 'equal numbers of women and men starting businesses' (p. 2). Prowess is a UK Government-supported networking and pressure group for women in business seeking to profile women in business and promote its members' interests.

Barriers, Networks and Women's Enterprise

Issues in the literature, on the nature and characteristics of women in business, focus on the nature of their performance and whether women face greater constraints in developing their business than do men.⁽⁶⁾ Issues include cultural and social barriers that may exist in business start-up and development⁽⁸⁾ – for example, whether women may be intimidated by institutional barriers such as attitudes affecting access to formal sources of finance. Shaw *et al.*⁽⁹⁾ have claimed that women face particular distinct issues and potential barriers in developing their businesses, notably in pre-start experience, finance and in developing and accessing networks. There is evidence that women form different networks and place different values on them compared to men.^(10; 11) Thus it can be more difficult for women in business to form mentoring relationships, suggesting that it can be important for women-only or woman-friendly networks to exist if women are to access the mentoring opportunities critical to business and career development.⁽¹²⁾

Previous research, in Scotland, suggested that women faced barriers in accessing finance and business support.⁽¹³⁾ Carter *et al.*⁽⁶⁾ claim that 'the majority of studies show that women find it more difficult to access resources . . . than do men', although a study by Read,⁽¹⁴⁾ on the treatment of men and women by bank managers in England, found more similarities than differences between male and female clients of business bank managers. One of the problems with the literature is that robust and consistent methodology has not been adopted and that some of the studies are rather dated, making it difficult to establish the importance of barriers, in accessing finance and business support, to women's enterprise.

Overall there has been a lack of systematic evidence on the nature of barriers faced by women as business owners; this has not stopped policy-makers and policy initiatives such as the Small Business Services' Strategic Framework for Women's Enterprise assuming that the main barriers for women starting businesses are access to formal

sources of finance, and access to formal and informal business networks.⁽¹⁵⁾ However, we leave policy issues until later in this chapter, and consider the extent of distinctive issues and diversity of entrepreneurship in ethnic minorities in the UK.

There is little doubt that women are increasing their importance in entrepreneurship (confirmed by recent GEM surveys), although the nature of barriers can be subtle and difficult to identify. Some of these issues are illustrated through the case of Lawton Dancewear (see the 'Entrepreneurship in Action' box), an example of a woman-owned business, overcoming some difficulties to establish a successful business in a niche market. The information on Lawton Dancewear is based on a real case and real events, but the names of the people and the business concerned have been changed to preserve anonymity.

ENTREPRENEURSHIP IN ACTION

Lawton Dancewear

By Dr Laura Galloway, Heriot-Watt University

The Gradual Awareness of Opportunity

Six years ago Lesley Holland's daughter decided she wanted to be a dancer. Not an uncommon ambition for a nine-year-old girl. Her career started with ballet and tap classes, and included, eventually, Irish dancing. At this point Lesley, with a family to support noticed that her daughter's current passion was beginning to impact on the purse strings. Irish dancing costumes are expensive, and as Lesley's family was based in the rural Borders region between England and Scotland, had to be bought either by mail order from Ireland or via a visit to Coatbridge, near Glasgow — Scotland's only Irish dance dressmaker at that time. A keen hobby-seamstress, Lesley decided it would be easier and less expensive if she were to make her daughter's costumes herself.

Irish dancing dresses are not simple in design or formation. As an industry, Irish dressmakers are very protective of their designs and craft, and trade secrets are well kept. Lesley found that it would be no simple process of buying a pattern and making a dress, as patterns for Irish dancewear are almost non-existent. As a result, she began a process of research that involved contacting dressmakers in Ireland and studying photographs of dresses with a view to learning the nuances of the designs as well as how the dresses are made.

The first Irish dance dress Lesley made for her daughter was a huge success. Not only was her daughter delighted with it, but her friends and, more importantly, her friends' parents, were also impressed. Increasingly friends and neighbours in the Borders town of Galashiels who had children in Irish dancing classes asked Lesley if she could make their dresses too. Working from home, and with no industrial machinery, Lesley supplied local people with dresses for the cost of materials and pin money. When the volume of work increased Lesley was only too glad to be able to take on some help in the form of Lynn, a student of textiles at the Heriot-Watt Borders Campus, who first became involved during a part-time work-experience placement.

Realisation of a Venture

In early 2001, Lesley was told by Lynn's university supervisor of a new business incubator opening at the Borders Campus in Galashiels. While Lesley's motivation and interest in making Irish dance dresses had waned periodically due to other demands on her time, she felt that with her children now older, she would be able to devote herself fully to developing this hobby into a financially viable venture.

Lesley applied for funding through her local enterprise support agency, but was unsuccessful. Not to be put off, she invested £2500 of her own savings in buying equipment, and applied through the agency for a unit in the incubator. A major incentive the Galashiels Incubator offered at that time for new businesses was free

rent for the first six months. Lesley also has the ongoing support of Lynn, who continues to help out part-time as she benefits from the work and business experience. Between Lesley and Lynn, start-up costs have been an estimated £10,000 much of which comprises equipment they already owned. By December 2002, upon entering the Galashiels Incubator, Lawton Dancewear was born.

The Product

Lesley believes that Lawton Dancewear can offer a quality of service and product not readily found elsewhere. While people in Scotland often purchase Irish dancewear from catalogues, Lawton Dancewear can offer a fully iterative design service. Customers are consulted on design and fitted for dresses throughout the design and production processes, and ultimately receive a fully bespoke product. While children's dresses in particular can be sold 'off the peg', Lesley believes that this relationship-building service with customers for individual dresses is her competitive advantage. Products made by Lawton Dancewear in this way are commonly several hundred pounds cheaper than equivalent products sold in Ireland and England.

The Market

The most common means of buying Irish dancewear is by purchasing direct from Ireland. The market is made up of children and adults in all parts of the UK, and in the 'new' countries to which Irish people and their customs have migrated in recent centuries. The market potential of these 'new' countries is massive. Notwithstanding the fact that children continuously grow out of costumes, the Irish dancewear industry has maintained and increased its popularity among adults too, particularly since the success of spectacular productions such as *Riverdance*. Scotland, with its historical and traditional links with Ireland, is a lucrative potential first market for Lawton Dancewear, as the number of Irish dance schools and classes, and associated shows and competitions is considerable.

Lesley was aware that one Irish-dance dressmaking company was trading in Scotland, and was actually having to turn work away. Lawton Dancewear aims to take advantage of this significant Scottish market and, with the advantage of trading from the Scottish Borders – the traditional home of the textile industry – to be able to offer its products to the wider UK and overseas markets too.

While the market for Lawton Dancewear's products is potentially huge, Irish dancing remains a niche sector. There would be limited benefit of promotion or advertising in mainstream media, particularly with start-up funding so tight. One dedicated Irish dancing publication exists and is widely referred to in Irish dance circles. Lesley has placed an advert for Lawton Dancewear within that publication and has already generated interest in the company and its products. A highly lucrative outcome from this might involve a parent or teacher connected with an Irish dance school using Lawton Dancewear for a 'class costume' either for general use or for a particular event.

As with any industry, but particularly with Irish dancing, word of mouth is one of the most effective methods of advertising and promoting your services and product. Not only does this mean that Lesley has to maintain the highest standard of quality of her products, but also that she must ensure that the company is known throughout the Irish dance network in Scotland. To this end Lesley attends various events to promote Lawton Dancewear. For example, last May she rented a stall at the Dunedin Feis in Musselburgh, an annual national competition, and generated from that enough orders to see the company through to the end of the year.

The Achievement

For Lesley, the motivation to start and build a sustainable venture was twofold. She had always wanted to work for herself, to have the independence and challenges associated with self-employment and business ownership. She also feels strongly that she is capable of contributing to employment and economic development in the Borders area – a region that has been blighted by industrial decline.

Lesley believes that Lawton Dancewear has the potential to be a successful Borders venture. She has been disappointed, however, in the lack of support she has received to launch it. She feels that the business support sector has essentially let her down, and questions the reasons for this.

Like many potential entrepreneurs operating in niche markets she has wondered if support agents have failed to understand the potential of her market, or the potential of her business within the local economy. She has also wondered if traditional and latent prejudices about female business potentiality have affected the level of support she has received. These questions are never likely to be answered, but the reality is that Lawton Dancewear has successfully started up and is positioning itself for sustainability and, potentially, growth.

It is to Lesley Holland's credit that this is the case, and that she, a mother, a divorcee, a seamstress, living in tranquil Galashiels has prevailed and succeeded in her ambition to gain independence through business ownership.

Discussion Questions

1. What difficulties or barriers do you consider that Lesley has overcome?
2. Would you agree that local support agencies have not understood her market or her business?
3. What are the qualities demonstrated by Lesley in this case?

■ ■ ■ ■ Ethnic-Minority Entrepreneurship

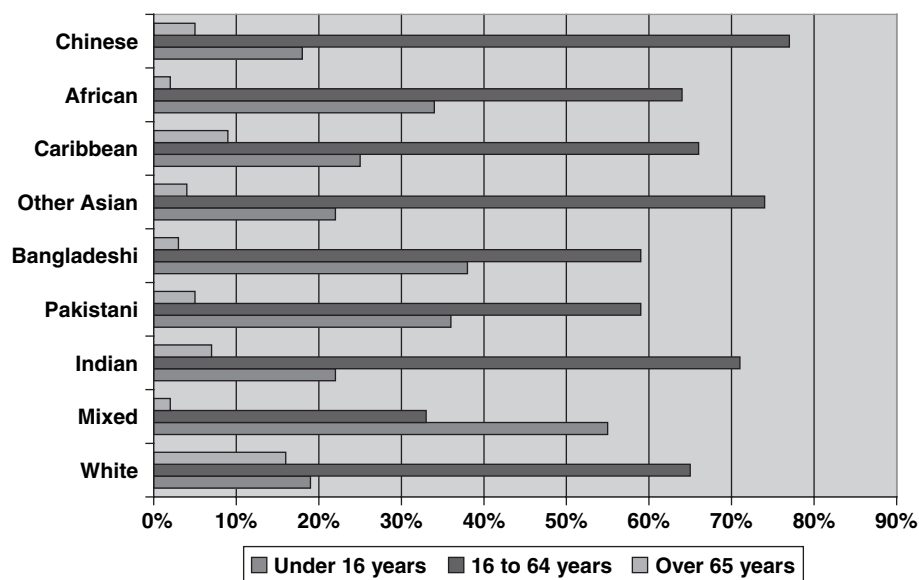
In Britain's history, ethnic immigrants have traditionally been of crucial importance to economic development, a tradition that goes back to groups such as the Huguenots. These ethnic groups have been willing to accept new practices or bring new skills that facilitate significant economic developments.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

Although Table 3.1 shows the demographic importance of the main ethnic groups in the UK, the potential of ethnic minorities in economic development can be highlighted further by statistical analysis of 2001 census data, which shows that one of the demographic features of ethnic minorities is their considerably younger age profile. For example, in 2001, the census showed that 32 per cent of the African minority population were under 16 years of age compared to less than 20 per cent of the white population.⁽¹⁶⁾ By contrast, 9 per cent of the Caribbean minority were aged 65 and over, compared to 16 per cent for the white group (which was the largest proportion of any group). Further illustration of the dramatic differences in age profiles of minority ethnic groups for the UK is illustrated in Figure 3.2. This has indicated that the changing demographic profile and entrepreneurial potential of ethnic minority groups is crucial to the future economic development of significant areas in Britain.⁽¹⁷⁾

Age Distribution of Ethnic Groups

Figure 3.1 indicates that the rates of self-employment in ethnic minority groups in the UK, although high, do vary, indicating diversity in entrepreneurial activity. Taking the five main ethnic-minority groups in the UK, the highest rates are for South Asians, particularly Pakistanis and Bangladeshis, at 22 per cent and 13 per cent respectively,

Ethnic Groups	Under 16 years	16 to 64 years	Over 65 years
White	19%	65%	16%
Mixed	55%	33%	2%
Indian	22%	71%	7%
Pakistani	36%	59%	5%
Bangladeshi	38%	59%	3%
Other Asian	22%	74%	4%
Caribbean	25%	66%	9%
African	34%	64%	2%
Chinese	18%	77%	5%



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Figure 3.2: UK Age Distribution by Ethnic Group

and for Chinese, who have self-employment rates of 19 per cent. However, the rates for Africans and Caribbeans are much lower, being only 7 to 7.5 per cent, but as indicated by the recent Small Business Service's Action Plan (SBS), the dynamics of these patterns are changing, illustrating further diversity. For example, there are higher rates of those who have recently become self-employed in African and Caribbeans compared to South Asian ethnic groups.⁽¹⁸⁾

Issues in Ethnic-minority Entrepreneurship

The literature on ethnic-minority enterprise development has focused on three main issues: *accessing resources*, notably finance and labour; *accessing markets*; and *motivation*. Earlier literature focused on the cultural and additional forces that led early-stage immigrant labour into self-employment and high rates of participation in entrepreneurship. For example, Light stressed the importance of cultural minority status that produced a strong sense of social solidarity in immigrant and ethnic enterprise in North America.⁽¹⁹⁾ Bonacich *et al.*'s study of Koreans in Los Angeles identified access to resources and informal support networks as two of the key factors that accounted for the success of this ethnic-minority group in entrepreneurship.⁽²⁰⁾ Some writers have pointed to the success of ethnic groups despite difficult trading conditions, with survival achieved through piecing together a living from semi-legal activities.^(21; 22) Light identified particularly the difficulties of black entrepreneurs in North America due to limited access to resources.⁽¹⁹⁾ Models of such ethnic enterprise development – for example, those of Waldinger, and Waldinger *et al.*^(23; 24) – reflect these issues and focus on how the entrepreneurial attributes of different ethnic groups determine their ability to access resources and markets to achieve entrepreneurial success.^(25; 26)

Accessing Resources

The first of the three issues has concerned the ability of ethnic-minority entrepreneurs to generate or access resources. In some cases, writers have claimed that the advantages of informal networks have given ethnic minorities in business an advantage due to access to sources of finance and family labour.^(27; 28; 29) Waldinger also pointed to the importance of informal networks as a key factor in successful entrepreneurial development of ethnic immigrants in New York.⁽²³⁾ Ethnic-minority entrepreneurs' relationship with banks has also attracted research. For example, Curran and Blackburn's study of Bangladeshis, Greek-Cypriots, and African and Caribbeans in the UK highlighted the problems of the latter ethnic group in accessing bank finance.⁽³⁰⁾

Previous research by the author has supported the findings of Curran and Blackburn,^(30; 31) which shows that small firms owned by ethnic-minority entrepreneurs are no different from white-owned small firms in being heavily dependent on the banks for external finance. However, they found that reliance on bank finance was much less significant for African and Caribbeans; a finding also confirmed by the author's research.⁽³²⁾ A Bank of England report,⁽³³⁾ which reviewed the previous research at the time, indicated that there was a perception by ethnic-minority entrepreneurs of prejudice by the banks, but concluded that problems perceived by ethnic-minority entrepreneurs may be due to sectoral concentration of ethnic groups rather than any discrimination, and called for more systematic research. For example, the report commented:

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

The largest UK study on ethnic-minority entrepreneurs and access to finance and business support, by Ram *et al.*,⁽³⁴⁾ was established as a result of the issues identified in the Bank of England report. This study suggests that reasons for differences in the pattern of access to finance are complex. For example, their report included in the conclusions that, 'The issue is complex, reflecting a preference for informal sources of finance in some cases, yet strong perceptions of discrimination on the part of the banks in others' (p. 116).

This study⁽³⁴⁾ involved a demand-side baseline survey of the five main ethnic groups with a white control group, longitudinal case studies and an extensive programme of

supply-side interviews with bank managers and support agencies. The demand-side research has confirmed particular problems of access to finance for African and Caribbeans.⁽³⁵⁾ The supply-side findings reflect variety in practice in bank managers' dealings with ethnic-minority applications, despite proactive policies towards ethnic-minority entrepreneurs by all the banks.⁽³⁶⁾

There is evidence of diversity of experience of the business owners from different minority ethnic groups. In the Ram *et al.* study,⁽³⁴⁾ comment was made on different experience: 'The survey evidence in particular clearly demonstrates the diversity of experience that exists between ethnic minority groups with respect to raising external finance' (p. 7).

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

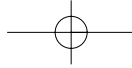
Diversity of experience is compounded by variety in practice with relationships between ethnic-minority entrepreneurs and their funders. Ram *et al.*⁽³⁴⁾ also comment that, 'There was variation in practice in the level and intensity of bank manager experience of ethnic-minority businesses' (p. 118). Good practice was evident where bank managers had built up trust through stable relationships and close involvement with their local minority community, leading to a better understanding of the way that ethnic-minority business owners conducted their business.

The importance to ethnic businesses of the use of family and co-ethnic labour has been highlighted by studies such as Wilson and Portes, whose research on Cubans in Miami pointed to the importance of ethnic preferences in hiring labour, which allowed this ethnic group to thrive where native whites did not; even where the native population had superior access to resources.⁽³⁷⁾

Accessing Markets

The second issue has stressed the reliance of ethnic minorities in business on co-ethnic markets.^(38; 39) While this may be a deliberate strategy,⁽²⁴⁾ Light has argued that, in the case of black Americans, their concentration in ethnic enclaves traps them in a potentially disadvantaged cycle from which it is difficult to break into the mainstream of officially registered businesses.⁽¹⁹⁾ UK studies have stressed the importance of the need for successful break-out into mainstream white-dominated markets,^(40; 41) an issue that we would expect to be more important where markets are limited and peripheral. The related issue of location and the geographical characteristic of concentration of ethnic businesses in inner-city areas has further highlighted problems of break-out.

In the UK, the success of ethnic-minority entrepreneurs has been officially recognised in the past – for example, with reports from the Ethnic Minority Business Initiative (EMBI)⁽⁴²⁾ – but the constraints that such entrepreneurs have overcome have not always received the same recognition. Their success has been achieved in marginal economic environments of the inner city and with limited access to either resources or mainstream markets. Debate on developing the need for break-out, following the EMBI report, led to the view that the success of ethnic-minority businesses can only be secured through the development of more diversification into different sectors with discussion about the best way to secure strategies to move away from dependence on ethnic market niches.^(30; 41) The ability of ethnic firms to achieve successful break-out has been shown to depend on successful integration of



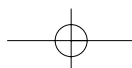
a holistic strategy involving marketing, finance, human resources and 'key' contacts with mainstream markets.⁽⁴³⁾

Motivation

Attempts in the literature to explain the importance of ethnic-minority entrepreneurs concentrate on the relative primacy of 'negative' or 'positive' factors in the motivations and development of ethnic-minority small firm owners – for example, Ward and Jenkins.⁽²⁵⁾ The debate surrounds whether or not the discrimination faced by ethnic minorities in the labour market was the predominant motivating factor in business ownership and entrepreneurship; or whether positive factors, such as a group's background experience of business ownership, were more important in the motivation decision. Although Curran and Blackburn⁽³⁰⁾ have indicated that motivational factors such as 'independence' were significant in entry to entrepreneurship, there is little doubt that a history of disadvantage and discrimination has led to the concentration of ethnic-minority firms and entrepreneurs in marginal areas of economic activity. At the time of writing, a study nearing completion by the author with colleagues, in Scotland, has found contrasting experience of ethnic-minority business owners, with some in growth businesses in global markets, but some were still trading in marginal economic environments, which were subject to particular problems associated with high crime rates, incidences of racism and high levels of insurance premiums.⁽⁴⁴⁾

Curran and Blackburn⁽³⁰⁾ found, in their study, perhaps surprisingly, that positive factors associated with the desire to be independent were higher than expected, and they claim that this was on similar levels to white-owned businesses. To some extent, the strong motivational factors were confirmed by our research with African and Caribbean entrepreneurs in UK cities, and with Asian entrepreneurs in Scotland.^(32; 45) Over 80 per cent of African-Caribbean and Asian entrepreneurs agreed with positive statements concerning ambition and control of their environment. Yet, for a significant minority, negative factors associated with the lack of opportunity elsewhere were also important. Over 40 per cent (for both groups) agreed that they had faced discrimination in previous employment. In such circumstances, discrimination and the lack of opportunities in the labour market are significant 'push' factors. Evidence from these studies showed that such entrepreneurs were often more highly qualified than equivalent white entrepreneurs, a result confirmed by the more recent UK study for the British Bankers' Association (BBA).⁽³⁴⁾ Analysis of motivation factors with African and Caribbean entrepreneurs showed that a 'mix' of positive and negative factors were important in start-up and motivation. Negative factors included the lack of employment opportunities (although this may also be a significant factor for white entrepreneurs) and the lack of career opportunities when in employment. It may be that African and Caribbean entrepreneurs have the characteristics we would expect of white entrepreneurs. However, evidence of discrimination and frustrated career ambitions was found to be a factor with some African and Caribbean entrepreneurs.

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



■ ■ ■ ■ Diversity in Entrepreneurship: Policy

In this section we return to the issue of policy and support, given the diversity discussed in the previous sections and the varying participation rates in entrepreneurship. Policy and support for ethnic minorities and for women entrepreneurs are issues that have risen up the policy agenda as attention has focused on the potential of Asian and ethnic-minority entrepreneurs for high levels of entrepreneurial activity and the need to ensure that women are well represented in entrepreneurial activity, a factor found to be significant by GEM reports in nations with high levels of entrepreneurial activity.⁽⁴⁶⁾

Women and Entrepreneurship: Policy

The importance of women's enterprise in the development of national economies and national economic growth has been highlighted by recent research from the Global Entrepreneurship Monitor (GEM) findings. For example, the 2001 GEM report⁽⁴⁶⁾ urged governments to take action on women's enterprise: 'There is perhaps no greater initiative a country can take to accelerate its pace of entrepreneurial activity than to encourage more of its women to participate' (p. 5).

This has provided the background for national enterprise support agencies, such as the Small Business Service (SBS) in England and the Enterprise Networks in Scotland, to intervene to strengthen the role of women in entrepreneurial activity. In England, a consultation exercise by the SBS⁽⁴⁷⁾ led to the launch of the Strategic Framework for Women's Enterprise in collaboration with Prowess (a national UK network to promote women's enterprise) in May 2003.⁽⁴⁸⁾ In Scotland, the author was involved in research that provided some of the context for the development of national policy. The research, for the Scottish Executive, examined the feasibility of a National Centre for Women's Enterprise (NCWE) for Scotland.⁽⁴⁹⁾ The study drew on a comprehensive mapping exercise of existing support and provision for women's enterprise in Scotland. The study recommended the establishment of a dedicated National Unit for Women's Enterprise (NUWE) (to be operated between Scottish Enterprise and Highlands and Islands Enterprise) rather than a separate NCWE. This recommendation was accepted by the Scottish Executive, leading to the launch of the NUWE in March 2003.⁽⁵⁰⁾

In our report for the Scottish Executive, we identified a number of key policy themes for the development of enterprise support for women.⁽⁴⁹⁾ These were categorised as: explicit support vs mainstreaming; direct vs indirect provision; diversity management and other issues.

Explicit Support vs Mainstreaming

This issue concerns whether enterprise support for women should be explicitly provided, for example as a separate programme, or 'mainstreamed' and provided as part of standard business programmes. Separate provision could be made in a number of support programme areas, including start-up, business development, innovation and funding; assuming a specific case could be made that support programmes for funding need to be separate and distinctive. Theoretically, however, there is an argument that it is better to ensure that mainstream programmes are sufficiently sensitive to women's needs, only making explicit women's support provision where there are specific needs (perhaps with separate funding requirements). The 'mainstreaming' approach has the advantage of avoiding duplication and ensuring that all enterprise support is sensitive to issues concerning women in business.

Direct vs Indirect Provision

It is arguable that an initiative for women's enterprise, such as a national unit or strategy, could take a number of different roles including advocacy, advice, support and training. In principle, these roles may be direct or indirect. A direct role would involve a unit engaged in providing direct support, advice and training. This may include a direct funding role and specialist assistance. In theory, the case for direct support provision of this nature relies upon the identification of deficiencies and gaps in the present provision of support that would allow such a role for a national unit/centre or for other forms of direct support provision. However, it also raises issues of proper integration with the existing delivery mechanisms.

The indirect role would require a national agency or initiative working alongside existing support providers such as Business Link Operators (BLOs) and other organisations such as Chambers of Commerce and banks to provide indirect advice and support, taking an advocacy and 'championing' role for women's enterprise. A national unit in this role is recognised as a centre of expertise, of information, and possibly takes a direct research role. The national launch (in the UK) of the Prowess initiative, a previously local model, in October 2002, reflects this model.⁽⁵¹⁾

Diversity Management

In undertaking our research for the Scottish Executive, it became apparent that there was a strong business case for the adoption of equal opportunities approaches to enterprise support, although it is also the case that there are obligations, legally to ensure that minority groups have access to enterprise support. It is clear that national policies should incorporate approaches that do not discriminate on the grounds of gender, race, sexual orientation, disability or age. Diversity management recognises individuals as 'different'.⁽⁵²⁾ A positive approach to managing diversity incorporates an approach that recognises and incorporates such diversity.

Other Policy Issues

Views of women's enterprise support can be affected by stereotypical perceptions of the nature of their business ownership and their associated needs. For example, as is the case with access to formal sources of finance, there is little research support for the view that women lack confidence, yet this can still be a feature of some stylised perceptions. For example, women do under-report or give a low estimation of their skill levels in surveys on entrepreneurship, which policy and programme designers can confuse with a general lack of confidence.⁽⁵³⁾ Issues discussed earlier, regarding the possible lack of engagement (to the same extent as men), with the support networks, the longer lead times in start-up and business development, and the access to resources, especially finance, do have enterprise support implications. Papers that focus on policy have recommended measures that could alleviate some of these issues, including improved access to micro-credit, a central women's business unit/centre to develop policy, regional business women's centres, improved access to networks and the co-ordination of support through a national unit for women's enterprise.⁽⁸⁾

The consultation, development and launch, in May 2003, of the SBS's Strategic Framework for Women's Enterprise,⁽⁴⁸⁾ could be seen as a welcome and significant step forward in the development of a cohesive, long-term and integrated policy on support for women's enterprise, in England. It could also be viewed as a significant attempt to draw together previously diverse, limited and local initiatives, focused on women's enterprise, into a strategic policy framework and guidelines for delivery by BLOs and RDAs. However, in a review paper, we concluded that the priorities and actions of the Strategic Framework were relatively low-key, localised and highly targeted initiatives

that were more about accessing micro-finance, start-up grants and social inclusion than they were about introducing significant changes to women's enterprise support.⁽⁵⁴⁾ Yet the main, primary objective of the Strategic Framework was to encourage more women to start businesses.⁽⁴⁸⁾ 'The overall objective is to increase significantly the numbers of women starting and growing businesses in the UK, to proportionately match or exceed the level achieved in the USA' (p. 4).

The initiatives outlined in the Framework, however, were relatively small and piecemeal. We concluded that such measures will never meet such an ambitious stated objective; instead it would probably require a complete structural overhaul of the education system and economy.⁽⁵⁴⁾

Ethnic Minority Entrepreneurship: Policy

It is arguable that similar principles to those of support for women's enterprise apply to support for ethnic-minority enterprise owners. For example, Ram and Smallbone, in their review,⁽⁵⁵⁾ considered good practice to include instruments or initiatives that are focused on the distinctive support needs of ethnic-minority businesses, or specific subgroups; delivery approaches that are based on engagement and interaction with ethnic-minority communities; culturally sensitive delivery methods; and approaches that include strategies for drawing ethnic-minority business owners into mainstream support. In a review of support for five cities, arising from the UK study for the British Bankers' Association,⁽⁵⁶⁾ it was found that each of the localities had a different pattern and mix of mainstream agencies, specialised ethnic business-focused enterprise agencies, intervention by local authorities and ethnic-minority business associations. In both England and Scotland, mainstream agencies have inclusivity as an important objective, yet the main issue has been a lack of engagement by ethnic-minority entrepreneurs with support agencies.⁽⁵⁶⁾

A Lack of Engagement

It is now well established, from previous research, that ethnic-minority entrepreneurs are reluctant to access mainstream enterprise support provision.⁽⁵⁷⁾ For example, in a survey for Humberside TEC of 292 EMBs, of which 45 per cent were Chinese-owned, only 4 per cent had used business support previously, compared with 66 per cent of all businesses. Moreover, nearly three-quarters of EMBs had never used any form of business support, compared with 32 per cent of all firms.⁽⁵⁸⁾ In London, one study suggested that the low level of use of mainstream support provision was related to the ethnic-minority business owner's general perception of the support environment, misgivings about the support that is offered, confusion caused by the continued fragmentation of the support infrastructure and a failure of agencies to deliver 'one-stop' support in practice.⁽⁵⁹⁾

The relative failure of mainstream support provision to reach ethnic-minority enterprise owners has contributed to the development of specialised enterprise support agencies, based on funding from a variety of sources and initiatives, which have tended to change over time, thereby contributing to changing fortunes for individual agencies. However, instead of being complementary and well co-ordinated with mainstream provision, many of these specialist agencies have operated alongside BLOs rather than working closely with them, although there are exceptions. For example, Ram reported a lack of integration between specialised and mainstream provision in his study of enterprise support for African-Caribbeans in different city locations in the UK.⁽⁶⁰⁾ In practice, the pattern of enterprise support for EMBs varies between cities, depending on the mix of mainstream and specialised agencies.

Another issue concerns the language and forms of communication used by mainstream business support providers to communicate with potential EMB clients, which could be improved through a greater use of ethnic-based media, such as radio and newsletters, to disseminate information on business support issues. In one study involving the author, we found that one of the gaps in enterprise support strategy in Glasgow, at the time, was limited use of ethnic-based media. Such factors help to explain the low level of use of formal sources of external advice and assistance by EMBs, particularly at start-up.⁽⁶¹⁾

It could be that the low take-up of business support from formal agencies reflects a low level of perceived need, or a lack of interest, by ethnic-minority entrepreneurs in receiving external assistance, which is a more extreme form of the apathy shown by many small business owners (regardless of their ethnicity) towards business support providers. However, there is evidence to suggest that the low level of use of mainstream business support agencies cannot be put down to the lack of interest on the part of the business owners^(62; 63) since both studies found their South Asian samples receptive to appropriate business support. The reliance on social networks, which are embedded in ethnic communities, may provide strong social capital but it may also militate against accessing mainstream sources of support and advice.⁽⁶⁴⁾

The principal obstacles for support agencies, therefore, can be associated with identifying and reaching ethnic-minority entrepreneurs. Ram and Smallbone suggest that when this is linked to often inadequate databases, together with the inappropriateness of the 'product-oriented' approaches used by support agencies, it may not be surprising that formal support is bypassed by ethnic-minority business owners.⁽⁵⁵⁾

Finally it has been suggested that ethnic-minority entrepreneurs' needs are different from those of other small businesses, which Ram and Jones have indicated are associated with their sector, size and geographic distributions.⁽⁵⁷⁾ In terms of sector, South Asians are strongly represented in the catering, clothing and food retailing sectors,⁽⁶⁵⁾ Chinese in catering,⁽⁶⁶⁾ and African and Caribbeans in construction.⁽⁶⁷⁾ Although our research has shown that new-generation EMB owners are favouring emergent sectors,⁽⁶¹⁾ traditional sectoral concentrations remain important and, therefore, have to be taken into consideration when formulating support policies for ethnic-minority entrepreneurs.

■ ■ ■ ■ Conclusions

This chapter has celebrated the diversity of entrepreneurship through a focus on women and ethnic-minority entrepreneurs. Even within these categories, however, diversity is a key theme. Diversity in entrepreneurship will always provide an issue for policy because it is not possible to treat any group of entrepreneurs as being homogeneous; the needs of business owners will vary and their needs will depend as much on the characteristics of their businesses (on their size, on their sector and on their location) as much as whether they are owned by women, men or ethnic minorities. However, from the evidence that has been reviewed in this chapter, it is possible to identify the distinctive experiences of ethnic-minority and women entrepreneurs. It is noticeable that the evidence does suggest that some ethnic-minority entrepreneurs – especially, for example, African and Caribbeans – do have very different experiences when accessing bank finance than do other entrepreneurs.

Ethnic-minority enterprise development has succeeded largely outside mainstream support and largely without access to special support. For example, in some areas,

success has been achieved through entrepreneurs and other community leaders taking individual action and setting up their own initiatives, using ethnic literature to ensure that firms and entrepreneurs are engaged.

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

Women are also increasing their participation in entrepreneurship, yet policies, such as the recently launched Strategic Framework,⁽⁴⁸⁾ still take a piecemeal approach to support and assume that women entrepreneurs have homogeneous needs, when, in practice, diversity characterises their experience. In the case of both women and ethnic-minority entrepreneurs policies continue to defy the variety of their experience, participation and activity.

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

CASE STUDY

Alternative Publishing Ltd (Part A)

Background

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

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

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

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

Motivating Factors Leading to Business Start-up

Putting Profits into Community Projects

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

The Desire to Empower Themselves

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

Family Background

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

Barriers to Entry

The Influence of the Ethnic Community

The two men experienced much cumulative pressure to continue with a professional career. In the Asian community a great deal of emphasis is placed upon the younger generation achieving a professional career, in contrast to their parents, who may not have had the same educational and career opportunities. Therefore they faced much opposition from members of the ethnic community, who were not able to appreciate why they

were motivated to start a business. Also, because of the value placed upon a professional career, to leave their jobs meant a consequent loss in status, which in addition resulted in a narrowing of their marriage prospects.

Loss of Professional Status

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

Planning and Implementing the Business Start-up

The Choice of Business

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

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

Planning and Initial Phase

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

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

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

Customers and Competition

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

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

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

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

Table 1: Financial Projections for AP Ltd Year 1

Expenditure

Insurance, electricity, rent & rates	£ 6,000
Wages	£ 4,800
Telephone	£ 1,500
Subscriptions (journals, etc)	£ 100
Consumables	£ 1,500
Legal & professional fees	£ 500
Advertising/publicity	£ 2,000
Equipment	£ 5,500
TOTAL	£21,900

Income

TOTAL from directors/investors	£15,600
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Sales

Turnover for first year	£25,000
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Assets

As equipment less 20% depreciation

Liabilities

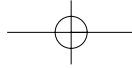
VAT

Directors loans

TOTAL EXPENDITURE	£21,900
TOTAL income	£40,600
NET profit before Tax	£18,700
NET profit margin	43%

Table 2: *AP Ltd Cash Flow Forecast*

	Oct M1	Nov M2	Dec M3	Jan M4	Feb M5	Mar M6	Apr M7	May M8	Jun M9	Jul M10	Aug M11	Sep M12	TOTAL
Expenditure													
Insurance, electricity, rent & rates	1500	0	0	500	500	500	500	500	500	500	500	500	£ 6000
Wages	400	400	400	400	400	400	400	400	400	400	400	400	£ 4800
Telephone/Postage			375			375			375			375	£ 1500
Subscriptions (journals etc)	75			25									£ 100
Consumables	100	20	20	50	150	160	160	160	160	170	170	180	£ 1500
Legal & professional fees		500											£ 500
Advertising/publicity	400	150	150	300	125	125	125	125	125	125	125	125	£ 2000
Equipment	700	200	200	4000			400						£ 5500
TOTAL expenditure	3175	1270	1145	5275	1175	1560	1585	1185	1560	1195	1195	1580	£21900
Income													
Directors/investors	12300	300	300	300	300	300	300	300	300	300	300	300	£15600
Sales		500	1000	1000	1500	2000	2000	3000	3000	3000	4000	4000	£25000
TOTAL income	12300	800	1300	1300	1800	2300	2300	3300	3300	3300	4300	4300	£40600
Cash flow													
	9125	-470	155	-3975	625	740	715	2115	1740	2105	3105	2720	£18700
Opening Balance													
	12300	9125	8655	8810	4835	5640	6200	6915	9030	10770	12875	15980	
Closing Balance													
	9125	8655	8810	4835	5640	6200	6915	9030	10770	12875	15980	18700	



Review Questions 3.1

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

Review Questions 3.2

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

Review Questions 3.3

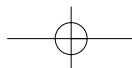
1. Give examples of factors that would be regarded as positive and negative motivations for ethnic-minority entrepreneurs?
2. How would you expect motivations to differ between new-start business owners in different ethnic-minority groups?
3. In the past, problems of accessing resources may have caused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

Review Questions 3.4

1. Why has policy on support for women in enterprise become important?
2. One policy support initiative for women's enterprise in the UK was the launch of the Strategic Framework by the SBS. What was its main objective?
3. Why is the issue of mainstream vs specialised support relevant to both ethnic-minority and women's enterprise support policies?
4. What factors may explain the lack of engagement and the low take-up of support by ethnic-minority entrepreneurs?

Suggested Assignments

1. Consider the case of Alternative Publishing Ltd. Should Majid and Suhail start the business? In your answer, consider the advantages and disadvantages of entrepreneurship for these two ethnic-minority entrepreneurs.



2. There has been considerable research effort into understanding characteristics of ethnic-minority entrepreneurs, the issues that they face, and their potential in economic regeneration and recovery. Using material from this chapter, discuss the potential reasons for this attention, focusing on Asian ethnic-minority entrepreneurs.
3. Why should black African and Caribbean entrepreneurs have been neglected as a focus of research on ethnic minorities?
4. Critically discuss the nature of recent support initiatives for women's enterprise in the UK.
5. You are a business adviser to a new women's enterprise, seeking to start in the UK:
 - (a) explain the relevance of recent policy initiatives, and recommend networks that they may consider joining as form of advice and information
 - (b) review and evaluate the following websites
 - www.prowess.org.uk
 - www.scottishbusinesswomen.com

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Internet resources

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