

## **ABSTRACT**

### **ISBA Conference 2002**

#### **Working Title: The Needs of New Generations of Ethnic Minority Entrepreneurs – Is it Time for a Policy Change?**

This paper intends to examine

1. The needs of younger generations of businessmen/women from ethnic minorities in an urban setting
2. Their role in the local business community
3. How these needs differ from those of their earlier generations
4. Whether current levels of business support, both in the private and the public sector, meet these new needs
5. Recommendations on initiatives to fill any support lacunae that appear.

### **Methodology**

20 business people below 40 yrs of age from ethnic minorities will fill out a questionnaire on a one to one basis and three in-depth case studies will be carried out – these will be part of the paper and the findings will provide the platform for the recommendations.

One of the anomalous features of this study is that Asians play the most active role of all ethnic minorities in business life – this is further distorted by the prevalence of Chinese and Bangla Deshis in the restaurant trade, and Pakistanis and Indians in the small retail trade. In order to prevent a distortion of the true picture, only one Chinese and one Bangla Deshi restaurateur each has been included in the study.

Further, the recent paper ‘Ethnic Minority Enterprise: Policy in Practice’ by Professors Smallbone and Monder Ram demonstrates that distortions can also occur in areas with low percentages of ethnic minority residents. It was therefore resolved that the study should have two centres viz South Wales (Cardiff) with a low ethnic minority population and the North West (Manchester) with a high ethnic minority population.

### **Findings**

Early findings show that older generations of Asian business people did not take up public sector business support as offered by various Government bodies under various names mainly because a) they did not maintain standard bookkeeping procedures and other management accounts and therefore could /would not supply the requisite business plans and b) they mistrusted anybody who wanted to know too many details about their private business affairs – particularly any government official as the general attitude to such officials in their own countries was one of extreme (and well-founded) suspicion.

This tradition has been passed on to younger generations, who not only have no reason to be suspicious of British officialdom, but who are well versed in modern business practice, maintain exemplary financial records and are computer literate enough to produce a business plan at the drop of an Excel hat. Yet the take-up of business support services, both in the private (Chamber of Commerce, Institute of Directors, local networking groups) and public sector (Business Link, Regional Development Agencies) remains low.

### **Conclusion**

This paper examines why younger generations of ethnic minority business people still

remain on the periphery of the business community and suggests changes in policy /new initiatives that would draw them into the mainstream of business life.

## **THE NEEDS OF NEW GENERATIONS OF ETHNIC MINORITY ENTREPRENEURS – IS IT TIME FOR A POLICY CHANGE ?**

by

SARLA LANGDON presented at 2002 ISBA CONFERENCE

### **0. Introduction**

In attempting to accomplish the methodology laid out in the abstract, clear evidence of the difference in attitude between ethnic minority business people and white native business people was found. When carrying out an earlier survey of microbusinesses (The Influence of Information Technology on the Growth of the Microbusiness. ISBA 2001) we encountered a lively group of respondents who despite time constraints were eager to talk about themselves and their problems. We had more respondents than we could cope with even though the interviews were being carried out on a one to one basis. It was a very different picture with the EMBs.

- Most were not comfortable being interviewed
- Many preferred to do the interview on the phone or by email
- Answers were restricted to the questions put. No opinions or information was volunteered. If the interviewer could have used the EMB's mother tongue the situation might have been different. As our small sample spanned at least 8 languages it would have required a polyglot of consummate skill.
- In two cases we managed to get responses from both generations and therefore have divided the responses into over 40yrs and under 40yrs.
- Easy access to the microbusiness had been provided by local business support clubs and agencies. This was not so in the case of EMBs. Officials (white) were as helpful as before, but were paranoid about political correctness – some were defensive and not willing to volunteer any information beyond answering direct questions. The Institute of Directors Manchester branch (who know me well as an IOD member and as an EMB ) stated that they did not ask ethnicity questions on membership application forms and therefore had no idea how many EMBs were members. Similarly the Manchester Chamber of Commerce stated that there was no problem about EMBs – they had plenty of EMB members. This is doubtless true, but equally true is the fact is that I have attended -as a member- at least 5 Chamber and IOD functions over 1 year and have usually been one of two, at the most three ethnic minority faces present in gatherings from 300 to 500 attendees
- I myself, despite being an EMB ,developed a 'prejudice paranoia' when talking to ethnic minorities other than my own – particularly when talking to Muslim respondents
- I am certain that other scholars in the field have met with the same reactions of inhibition and fear and am concerned about the validity of the data collected by traditional methodology. Cardiff-based economic consultancy Newyddiem

Cyf who are in the throes of conducting a 2000-sample survey of EMBs in Wales are already facing difficulties in dealing with respondents

- One graduate researcher who failed to get a single response from a list of 10 EMBs in Cardiff recorded his reasons for his failure :

"Although none of the questioned were rude and refused to participate in the questionnaire out right, most gave the excuse of being too busy and said it was ok ring back, but when followed up were again too busy. A few of the questioned maintained they probably wouldn't ever have enough time to fill in the questionnaire. Although all of the questioned gave reasonable excuses such as meetings and deadlines, when they were followed up for the 3rd or 4th time it began to seem like they were simply giving excuses. After a few follow-ups a number became slightly annoyed but never became rude. A number of the list also seemed impossible to get hold of and even though messages had been left they were un-reachable."

Two interesting papers that have come to my attention are Dr Spinder Dhaliwal's 'Assessing the Support Needs of Ethnic Minority Businesses' and Dr Monder Ram/ Dr Smallbone's 'Ethnic Minority Enterprise : Policy in Practice.' Both papers offer useful insight into the issue, raising the question of whether there is any point in writing yet another treatise on the subject; a reservation further compounded by the difficulty of extracting information from the subject group. I press on in the hope of presenting a different spin, a realistic view with no academic pretensions – just telling it like it is.

### **0.1 In-depth interviews.**

The in-depth interviews so confidently promised in the abstract simply did not materialise. However we did get permission to record the experience of Mr A, a middle-aged (over 45) English businessman who went into business with Mr B, a young Asian MBA.

### **0.2 Report 1**

This report is pertinent to the issue under discussion and quite revealing though by no means conclusive. Some of A's observations are borne out by our survey findings. Essentially, A's experience points out that education alone is not enough to bring young EMBs into the mainstream – cultural changes will have to take place as well. A felt that the young man was English in every way and expected that B would do business like any highly educated English person. If anything A feared that his Asian partner would want to do everything by the book and put into practice business school acquired theories that simply wouldn't work in real life.

The reality of what transpired is as follows:

- B was extremely hardworking and committed. He worked all hours with evident enjoyment and seemed to have no personal life at all. He was invariably good tempered, pleasant and willing
- B did not keep his word about matching A's investment and to date has still not paid in his full investment amount
- B had difficulty accepting that a limited company was a better option than a partnership. He seemed uneasy about the need for an external audit

- B's father C now came into play. C attended a meeting with the new company's solicitors and distinguished himself by raising inane objections and pointless suggestions and arguments
- B was reluctant to sign the share certificates (which is a standard requirement for an incorporated company) Neither B nor C could be convinced that this was standard procedure and this has not been done to date
- C has influenced B to cut corners by purchasing low quality raw materials
- B now refers back to his father for every business decision. Their attitude is one of suspicion
- B disregards other standard trade requirements
- B does not pay suppliers on time even if funds are available

A now feels that the MBA makes no difference. B's behaviour is exactly like that of the lowest level of untutored white trader – the sort that A would never have done business with. A regrets entering into this situation and is now looking for a tactful way of dissolving the company. A still has a liking for B and respect for his capacity for uncomplaining hard work.

### **0.3 Report 2**

This report is the result of a totally unofficial chat with the (white) manager of a branch of a well-known High St bank. This manager's remit is local business including all EMBs. The EMBs are mainly Asian from Bangla Desh, Pakistan and the Philippines. His experience is that younger generations of EMBs are very frustrated by their parents' constant interference in the way they do business. The younger generations do not want to perpetuate the parents' 'black economy' methods; they are looking to operate their businesses in an open manner to improve their opportunities for growth on a par with any other local business – a luxury denied to them as long as their VAT and Tax records cannot bear scrutiny.

This bank manager is a member of several EM support groups and is on the bank's national EMB advisory panel. He is in a position to confirm that these problems are experienced by his colleagues across the country

#### **1. The needs**

Finance for business growth and expansion was the prime need of the EMBs surveyed, sharing top place with wanting to learn more about marketing the business. Next in importance was wanting to be better informed about the latest trends in their line of business – clear evidence of feeling left out of the mainstream.. More information on grants and soft loans was next on the wish list as was assistance with Income Tax and Self assessment. A desire to learn more about unsecured bank loans took third place along with wanting to know more about business management and how to make advertising work. Lower on the wish list figured networking skills and sales techniques. Very little interest was shown in websites (most Asians already have one), learning about press releases (possibly reflecting a language problem), VAT and building relationships with the bank manager (possibly the reason why finance is the most pressing need of the EMB)

These findings are easy to come by and rather glib. Policy is not based simply on what a sector wants - policy must be built equally on what the sector needs. These needs are frequently not articulated, in this case because the EMB is not a very

articulate entity and business support agencies are chary of displaying too much concern for fear of being labelled patronising, politically incorrect or even racist. It would appear that the only way to ascertain what these needs are is to change research methodology by using researchers who can speak the mother tongue of each EMB group over a larger sample ( 1000 respondents) and to conduct additional research amongst people at the cutting edge viz bank managers, business support advisers from Business Link/Connect etc

Clearly the issues listed above would be of interest to all business, white or EMB .The question here is whether a resulting policy change for all small businesses will reach the EMB. Even with so small a sample, the evidence that official help is bypassing the EMB is undeniable.

## **2. The EMB role in the local business community**

This year, both the president of the Cardiff Chamber of Commerce and the Manchester Chamber of Commerce are Asians. Does this mean that at last EMBs are playing an active role in their local business communities? Unfortunately the answer is no. It only means that two very able and popular men (who happen to be Asian) have been elected to this prestigious office and preside over large predominantly white memberships. I am an active member of both Chambers and am usually the only EMB present – it is easy to spot a brown or black face in a sea of white faces! Till recently I was the only EMB member of CBI Wales and certainly the only CBI Wales Council member. I can vouch personally for the realities of the situation.

### **2.1 Survey responses:**

#### **2.11 Getting Started:**

The majority of respondents got started in business by means of finance from father/family. This of course makes the interference of the father in the son/daughter's business easier to understand. The rest said they either worked with relatives in the family business or bought a business that was a going concern using their own capital. One had unsecured bank finance, one had a bank loan with collateral and one had an overdraft facility.

The strength of family influence is certain to affect the EMB's role in the local business community – the family unit appears to be taking the place of business support clubs.

#### **2.12 Previous experience of business:**

The majority had been employees in a business or had owned other businesses. Four had worked in the family business and only three had a business degree/qualification. One was self taught and one had had no previous experience of business at all.

#### **2.13 Belonging to a business support group or networking organisation:**

12 respondents did not belong to any business club. One was a Chamber member, one belonged to the Business Network Northwest and one was an IOD member.

Of the 12, four felt their business was too small to mix with those people, the fathers of three respondents told them joining was pointless, two respondents felt the clubs were too expensive, two respondents felt inhibited because they did not know anybody and one respondent did not join because people from his/her community were not members. One respondent wrote 'Not bothered. Family connections enough'

### **2.14 Contact with people outside the EMB group:**

The majority of respondents knew 5-10 business people outside their EMB group, six respondents knew very many. The majority knew very many business people in their own ethnic group.

Almost all respondents said they had received advice/support from white business people while eight said they had had advice/support from their own EMB group

The majority said that their customers and suppliers were a mix of white and ethnic minority groups.

EMBs do not play an active or visible role in the local business community hampered by strong family pressure to restrict contact to the EMB community except when necessary for business purposes

## **3. How their needs differ from previous generations**

### **3.1 The EMBs were asked what they thought a business support club should provide to members and what they would personally hope to gain from being a member. The responses were as follows**

- A comprehensive friendly and very visible bundle of real services for their membership. I would wish to become the President!
- Benefits of bulk-buying
- Information. Business Trends. Advertising. Expertise. Support. Trouble shooting from experts
- Advice and financial support. Information etc
- Know about other businesses .Networking. Referrals
- More clients
- Advice, help, networking opportunities. Meet new contacts
- Networking, motivation, learn new skills, inspiration
- Ways of improving business and how to maximise profits. Information from other businesses
- Education. Market knowledge. How to become successful
- A forum through which members can speak to other members about opportunities to work together and to also provide potential business leads in an informal environment. A good network of contacts ultimately leading to business

### **3.2 Almost all respondents agreed that the problems and opportunities facing younger EMB businesses are different from those faced by older generations. These were some of the observations offered:**

- More opportunities now. Focus on education
- More opportunities and networking nowadays
- More opportunities due to internationalisation, use of the Internet, better education and a more competitive market
- Problems today are being faced by all businesses not just EMBs. Our father's generation had an ethnic minority problem
- Yes. The older generation inherited their businesses and their money. That is why they have no ambition and don't do any work and insist on voting for communist (sic) governments who tax the hell out of all enterprises and

entrepreneurship. The world particularly the business world would be better off without them.

- Greater opportunities now and more support groups. More information.
- Younger generation need to show detailed knowledge of business. Older generation started business with less know how. Now banks not willing to give loan unless you have a management team with track record. More facilities now but more difficult to get loans etc
- Yes. Cultural gap may be an advantage to younger generation.

The EMBs, most of whom are not members of any business club, seem to have very decided views on what a business club should offer. As it happens most business clubs do offer exactly what the respondents have asked for. Why then are they not members? Are the business clubs failing to communicate the benefits of membership to this group? Is that spectre of parental approval still so strong? Are they not satisfied that the family unit could never take the place of a business support club in providing what they themselves are seeking?

Nonetheless, there is an optimistic note shown here with a clear-eyed element of blame allocated to earlier generations for messing things up so that younger generations have to work harder to establish credibility particularly with reference to relationships with banks.

There seems to be a consensus with all generations of EMBs that the present economic climate is full of promise for their sector.

#### **4 Current levels of support – do they meet the needs?**

##### **4.1 Survey results:**

Business advice was received from the following sources

- 9 respondents received business advice from the father or family and 6 found this advice useful.
- 5 respondents received business advice from the bank and four found this advice useful
- 8 respondents received business advice from friends and colleagues and four found this advice useful
- 2 respondents received business advice from Business Link and one found it useful
- One respondent received business advice from the Prince's Youth Business Trust and found it useful

The father and family rear their heads again. It would not be unreasonable to conclude that the younger generations of EMBs do not venture into the mainstream because they are encouraged to believe that the family fills the need that business support agencies are designed to meet. Many are aware that this is holding them back, but are unable to change the situation without causing major family rows. There is also the question of the family providing a comfort zone where the blame for any mistakes is equally shared. The younger generations fear the exposure of full responsibility for their actions should they take an independent stance.

In these circumstances why not leave well enough alone? Why interfere with a situation that seems to work, to have its own energy? The reasons are manifold and are often not expressed for fear of being patronising or politically incorrect or even

worse, racist. Only another EMB could make these comments without incurring the wrath of all ethnic minorities:

Perpetuating family interference in young EMBs perpetuates hidebound methods of doing business which has resulted in the ghettoisation of all EMBs. Bank managers expect less than transparency from EMBs and expect them all to be a bigger risk. Suppliers expect to have difficulty extracting payment from EMBs – credit facilities are rarely extended. The experiences of VAT and Tax officials make them suspicious of all EMBs. Successful integration with all the attendant benefits can only take place when the young EMBs start to think for themselves and act for themselves, independently of father and family.

#### **4.2 Survey results**

- 7 respondents had heard of Business Connect/Business Link and one had used them
- 4 respondents had heard of the local government Economic Development Unit and none had used them
- 7 respondents had heard of the Prince's Youth Business trust and 2 had used them
- 4 respondents had heard of the DTI Innovation grant/Regional Selective Assistance grant and none had used them
- 3 respondents had heard of the DTI Innovation Counsellor – none had used this service
- 7 respondents had heard of the Confederation of British Industry – none were members
- 6 respondents had heard of the Chamber of Commerce – One was a member
- 5 respondents had heard of Objective 1 – none had any more information
- 5 respondents had heard of NWDA and WDA grants – none had used them
- 3 respondents had heard of the Enterprise rehearsal programme –none had used it

Awareness of business support mechanisms seem to be quite high but there seems to be very low take-up of the services offered

In 2.13 above, respondents explained why they did not join business support clubs – the underlying attitude was of diffidence and lack of confidence. Certainly some major inhibitions are on display here. This is definitely not a native EMB characteristic. In Bombay I was responsible for the marketing of the Small Scale Industrial Development Corporation and at no time did we have any problem with take-up of grants, soft loans and premises. Business support clubs had five-figure memberships Here in the UK this barrier clearly is an EMB phenomenon. Business support clubs and agencies need to be more honest about the whole situation as well There is no point being defensive and denying the existence of the problem. But finding solutions is going to take more than a few standard academic studies. It is impossible to create a strategy for action when the root of the problem is not clearly defined.

Take for example a neat little newsletter published in Wales titled 'Ethnic Enterprise.' It bears no imprint but appears to be the newsletter of the Ethnic Business Support Programme. The lead story is headlined 'Ethnic businesses vital to Welsh prosperity.' This is a pretty sentiment and obviously well-meaning - but it stretches credulity to imagine that EMBs make any difference to Welsh business. The number of EMBs in

Wales is so small and their collective turnover so negligible that it is unlikely that Wales would even notice if they all disappeared overnight. Far more realistic would be a headline that says 'EMBs encouraged to join mainstream business activity'

What we would all wish for the EMB (and indeed for all UK micropreneurs) is that each one – no matter how small or humble- aims for excellence, aiming to operate to the highest international management /productivity benchmarks. And we would wish that the EMB would achieve this aim by taking full advantage of all the networking, training, funding and business advice offered by business support groups. We would wish to see all of them awarded quality accreditations, held up as exemplars of best practice worldwide, running robust, sturdy little businesses that meet their full potential.

## **5. Recommendations**

- Any future research carried out with EMB groups should use researchers who can speak the mother tongue of respondents colloquially and comfortably if any level of accuracy is to result.
- Business Support Clubs and Agencies are in denial about the whole issue of EMB participation . They must accept that they are committing sins of omission resulting in EMBs keeping their distance. Clubs and Agencies need to do their own research to find out why EMB participation is so low both in areas of high and low ethnic minority populations. The Clubs and Agencies need to do some soul-searching and mend some fences to make sure they communicate successfully with EMBs – it is simply no good pretending that everything is all right as the Manchester Chamber of Commerce does. Incidentally, earlier this year the Manchester Chamber held an Asian evening celebrating EMB achievement achieving an attendance level of 400 members and their guests – 90% of whom were Asian. So it is possible to attract EMBs, but the ideal situation would have been an attendance that mirrored the true demographic situation ie 70% white and 30% EMBs. Ghettoisation is certainly not the objective and this unfortunately was the result of the Asian Evening.
- A cultural change needs to be wrought with highly educated young generations of EMBs or the expensive degrees will have been a total waste. The establishment needs to have a better understanding of how the young EMBs play as well as work. I personally was shocked to discover that ethnic minority communities lead completely ghettoised personal lives – all social intercourse for young and old is strictly within their own communities . This is very shocking because it is entirely an exiled ethnic minority syndrome. In big Indian cities for example evenings and weekends are spent in completely mixed social groups with origins thousands of miles apart – this sort of huddling according to language and caste is considered backward and bucolic. The suffocating influence of father and family can only be shaken off if this ghettoisation is reduced.
- There are very few EMBs that are big businesses or even SMEs (employing less than 250 staff ) The majority are microbusinesses employing less than 10 staff – and we know that the microbusiness is ignored and bypassed by all business support agencies starting with the DTI and ending with the saddest little Business Link office in some backwater. Ergo the EMB suffers the same fate. To help the EMB is to help the microbusiness and vice versa. All the ills

that beset the micropreneur are the same suffered by the EMB – only with added pressures of family and community.

- It had struck me while dealing with young EMBs in Manchester that what they needed was a sort of transition camp –an EMB Business Club affiliated to the Chamber, IOD and CBI. This club should cut into family time with instructive meetings/training sessions at attractive venues held in the evenings, weekends and bank holidays – never in the course of the working day as is the case with the Chamber, CBI, IOD and others. The club needs to physically replace the family with the advantage of offering self-improvement – which no EMB can resist.
- I was delighted to learn that the Welsh Development Agency is conducting research at the moment on the feasibility of starting such a club in Wales. If properly controlled with strategic aims it should do wonders. Manchester has had disappointing experiences with starting such clubs, but it was easy to find out the reasons for their failure: The running of the failed clubs was left to the EMBs; there was no strategic intent or content, and no input from the NWDA except funding. Corruption and factionalism raised their ugly heads and the clubs died.
- Hopefully the WDA realises that the running of a business club needs to be done by those with experience and expertise and certainly not by EMBs. I would recommend a steering committee made up of officials from the CBI, IOD and the Chamber with a couple of seriously able EMBs with proven track records in efficient and sustained management skills. This club could have a profound effect in bringing EMBs into mainstream business activity and in softening the hard cultural divide between minority and mainstream. It is absolutely vital that the judgement of the organisers is not clouded by fears of political incorrectness
- I am aware that an Asian women’s club started in Cardiff a few years ago soon became a battleground between Hindu and Moslem women and disappeared as a result. Great care must be taken to avoid factionalism - ethnic minorities seem to either loathe or despise each other. The club needs to firmly establish itself strictly as a business club with no political, religious or sociological distractions. Such considerations should be nipped in the bud and stern reminders issued of the purpose of the club.
- Every second meeting should be held jointly with a mainstream club so that the EMBs get used to the business-like atmosphere and in the long term are comfortable as members in both milieus. The club would provide an ideal opportunity for business support groups to socialise and establish communications pathways with EMBs resulting in a better understanding of what makes them tick – which in its turn could lead to a better take up of business support services.

## **6. References**

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## **7. Acknowledgements**

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