

## Ethnic business failure: A Scarcity mind-set perspective

We integrate insights from the psychological concept of scarcity mind-set with research on mix-embeddedness to theorize ethnic venture failure. Empirically, we draw on field interviews with UK based ethnic entrepreneurs to theorise the “cause-of-death” of their failed business ventures. Providing discursive interpretations of the feelings, beliefs, cognitions and choices of ethnic entrepreneurs in reconciling mutually constituting entrepreneurial demands in organizing, our study adds to previous work by finding that having ‘too little resources’ stymies the conversion of potentialities and limits into productive outcomes. The scarcity mindset which emerges from our study suggest that the constraints of ‘having too little’ could lead four salient organizing tensions faced by ethnic entrepreneurs’ (spatial spawning, ethnic embeddedness, dispositional optimism, and service nepotism), which may operate in combination or serially, and in turn precipitate the demise of their businesses.

**David Sapong:**

**Maria Maclean**

**Emeka Smart Oruh**

**David Botchie**

### 1. Introduction

At heart there’s nothing, not the dread of death.  
I know too many dead. They’re all familiar,  
all in characters, even how they died.  
Derek Walcott (1948-2013)

Ethnic-owned business ventures are now a characteristic feature of the small business sector of many industrialized countries. It therefore comes as no surprise that ethnic entrepreneurship – ethnic minorities setting up businesses, managing and assuming the risk and reward of such ventures (Beckers and Blumberg, 2013; Jones et al., 2018) – has attracted growing scholarly attention. Studies have examined the historical and intellectual context within which ethnic entrepreneurs contribute to socio-economic development (Parker, 2018), their mixed embeddedness (Jones et al., 2014), entrepreneurial strategies (Oliveira, 2007), capital mobilization and capacity building (Light and Dana, 2013). In celebrating the achievements of ethnic entrepreneurs and their ventures, scholars have increasingly emphasized the contribution of ethnic ventures to the broader urban socio-economic performance of cities, nations, and regions (Aliaga-Isla and Rialp, 2013; Piperopoulos, 2010). Several studies have also made important contributions to the literature by highlighting ethnic venture failure – defined as the ‘cessation of an [ethnic] entrepreneur’s involvement in a venture as it has not met a minimum threshold

for economic viability' (Corner et al., 2017, p.692) – as a distinctive challenge in industrialized countries. The above epigraph, a classic poem penned by Derek Walcott, the Saint Lucian poet and playwright, encapsulates the unfortunate fate of many ethnic businesses: they eventually die, and the causes of their demise are all too similar, pointing to resource constraints. Thus, previous studies have highlighted structural, cultural, and psychologically related reasons to explain why so many ethnic businesses fail (see Brenner et al., 2006; Ishaq et al., 2010; Robinson, 2014). While each venture failure has its own unique causes, studies have identified both endogenous and exogenous antecedents to the demise of ethnic businesses (Vorley, 2007). Cumulatively, these studies have extended our understanding of the 'why' of ethnic business failure, but what appears to have been overlooked is the 'how' – how those propounded antecedents that precipitate failure come to be intractably played out in organizing. Given that entrepreneurs learn more from failure than from their success (Cope, 2011; Mantere et al., 2013; Sarasvathy et al., 2013; Shepherd, 2003), we respond to the calls for more studies on failure among ethnic businesses (Kourtit and Nijkamp, 2012; Wang and Altinay, 2012) and the need for more ideographic-reflexive scholarship on entrepreneurship (Packard, 2017; Perchard et al., 2017) to deepen and refine our understanding as to why and how having limited resources might mean so much for the survival of ethnic business ventures.

We argue that the ethnic venture failure literature would benefit from greater consideration of the embodied narrative accounts of entrepreneurs in theorizing and explaining their demise. In this study, we build on a broad range of literature on ethnic business failure, but go beyond it at certain crucial points to theorize and develop an answer to the following research question: why and how do ethnic entrepreneurs' stories about their failed business ventures extend our understanding of the causes of the demise of their ventures? To answer this question, we draw on interviews with ethnic entrepreneurs who had to cease their involvement in a venture since it failed to meet a minimum threshold for economic viability. Specifically, we draw on the psychological concept of 'scarcity' (Mullainathan and Shafir, 2013) as a meta-theoretical lens to explore what led to the demise of these ventures. Analysing 'cause-of-death' stories through the reflective gaze of verbal autopsy, we unravel

a kaleidoscopic perspective on ethnic business failure to unveil a set of contradictions or discursive struggles – proximity, embeddedness, dispositional optimism, and service nepotism – which may operate in combination or serially to precipitate the demise of ethnic business ventures. Our central purpose in this paper, therefore, is to depart from the ‘anaesthetic of familiarity’ and the ‘sedative ordinariness’ (Dawkins, 1988) of ethnic venture failure to inductively explore the world of the ‘failed’ ethnic entrepreneur in unfamiliar ways. In this regard, our paper and the empirical study it discusses make two contributions. First, we position the cause of the recurrent demise of many ethnic ventures as a paucity of material resources and ancillary support to enable them to seize, explore, and exploit opportunities and limits overlooked by their competitors. Second, we contribute to the ethnic entrepreneurship literature by developing a scarcity mindset perspective of ethnic venture failure to apprehend how discursive struggles played out in everyday organizing may operate in combination or serially, and thereby instigate the demise of ethnic ventures. Related to this, we explore how a scarcity mindset brings to the fore the counter-intuitive logic and challenge of reconciling competing and contradictory organizing demands on ethnic entrepreneurs. In doing so, we extend understanding of the vicissitudes and contextual challenges faced by ethnic entrepreneurs in initiating and building successful businesses in the context of shifting industry structures and competitive dynamics (Baker and Welter, 2018).

Our paper is structured as follows. In the next section, we review studies on ethnic venture failures, discuss their key differences and highlight the contradictory yet interrelated causes of ethnic business failure. Following this, we delineate our scarcity mindset approach to ethnic venture failure, after which we explain our research methodology. Next, we present the findings from our empirical inquiry. We conclude our paper with a discussion of these and their implications for the theory and practice of ethnic entrepreneurship, together with suggestions for further research.

## **1. Literature review and theoretical lenses**

## *2.1 Ethnic business venture failure*

Ethnic business venture failure can either be sudden, triggered by unpredictable events, or protracted, punctuated by events and false starts which ultimately lead to failure (Amankwah-Amoah, 2016; Ucbasaran et al., 2012). Addressing why ethnic business ventures in industrialized societies fail has long been recognized as an key question that requires a complex answer. Earlier commitment to exploring the phenomenon adopted an ideological framing of ethnic enterprises (Bonacich, 1993), arguing that certain communities, such as Chinese and Gujaratis, have ethnic resources at their avail, including family values, asceticism, and deferred gratification, that lend them competitive advantage in running successful businesses (see Aldrich et al., 1990; Waldinger et al., 1985). As the study of ethnic ventures has become more mainstream, accounts regarding their failure have tended to fall under one of two broad headings. First are those studies that assume a material resource contingent perspective to argue that ethnic ventures are constrained by their often-limited resources which make it difficult for them to develop the competences and capabilities they require to compete successfully (Achidi et al., 2011; Yang et al., 2012). Contingent resources often cited by such studies include access to finance and credit (Lee and Black, 2017), market orientation (Jones et al., 2000), and management expertise and skills (Hutchinson, 2018). The second trend focuses on opportunity structure to explain failure (Hoang and Antoncic, 2003; Ley, 2006). The assumption here is that ethnic entrepreneurs, often disadvantaged in labour markets, struggle to mobilize the requisite boilerplate networks and relational and social capital to start and support their business ventures (Cope et al., 2007; Flap et al., 2000). Their lack of these fundamental resources also implies that their businesses tend to concentrate toward the lower end of opportunity structures and rely on an impoverished customer base (Barrett et al., 2002). Nevertheless, the derived theoretical implication of studies focusing on either resource constraints or opportunity structure points to acute contradictions or discursive struggles findings that defy easy explanation of failure. For example, while having 'too little resources' is a 'Catholicon' reason for ethnic venture failure, we also know that having 'too little resources' is what makes ethnic ventures creative, innovative, and resilient (Dana, 2007; Emmanuel-Jones, 2018; Masurel et al., 2002). In engaging with

this duality with contrasting assumptions, some studies have also highlighted 'hybrid entrepreneurship' (Raffiee and Feng, 2014), over-confidence (Koellinger et al., 2007), and entrepreneurial hubris (Urban, 2006) as potential precursors to ethnic venture failure.

Recent advances within the ethnic business literature have redirected attention to mixed embeddedness (Robert and Yan, 2000) – the relevance of both social and economic contexts in shaping outcomes in theorizing ethnic business failure. Serving as a point of convergence for many conceptual as well as empirical studies on small business enterprises, the notion of mixed embeddedness posits that business activities are embedded in social relations, and that it is the interaction of resources with the wider social and economic context that shapes outcomes. Thus, in emphasizing the sociocultural contexts within which ethnic businesses operate, this lens gives primacy to the wider economic context e.g. sector, regulatory regime, geography, and/or spatial distribution within which the firm competes (Jones et al., 2014; Phizacklea and Ram, 1996). While this approach has contributed significantly to extending our understanding about ethnic venture failure, recent calls have emphasized the need to re-orient the socio-economic determinants of embeddedness to embrace pervasive issues such as gender, identity, and agency which are frequently conflated with 'cultural' related factors that tend to precipitate failure (Cerderberg and Villares-Varela, 2018). To traverse the complications of attributing ethnic venture failure simply to embeddedness, extant research is opening new interpretive horizons to understand the influence and impact of information processing and strategic decision-making on ethnic entrepreneurs' failure. Taking the view that venture failure is a psycho-social 're-production' in practice (Goss, 2008; Shepherd et al., 2009), such studies largely examine psycho-social factors including feelings, beliefs, cognitions, emotions, and choices as antecedents to performance that culminate in ethnic venture failure (Byrne and Shepherd, 2015; Farashah, 2015; Singh et al., 2007).

Contributing to the psycho-social perspective in theorizing the causes of ethnic venture failure, we draw on the scarcity mindset as a meta-theoretical lens to explore how the cognitive choices of ethnic entrepreneurs and the contexts within which they operate could combine to precipitate venture failure. Our scarcity mindset approach offers an alternative interpretive lens to theorize and empirically

examine how and why having 'too little resources' might provoke ethnic business venture failure. We discern two main advantages of drawing on the scarcity mindset for the purposes of our inquiry. First, providing insight into the feelings, beliefs, cognitions and choices of entrepreneurs within the contingencies of organizing highlights the salient entrepreneurial organizing demands ethnic entrepreneurs face in their everyday organizing: a potentially blinkered view of organizing strategies that may appear to make them successful can serve as a source of their venture demise. Second, its emphasis on cognitive resources to managing limits and capture opportunities in organizing can serve as a response to the broader debate on the potential contribution of other 'ways of knowing' to understand venture failure (Ucbasaran et al., 2010; Zahra et al., 2001). In the following section, we present our scarcity mindset approach to ethnic venture failure.

## *2.2 Scarcity mindset approach to ethnic venture failure*

The limits on resources mean that scarcity is ubiquitous in everyday social life. In their seminal work on how scarcity defines our lives, Mullainathan and Shafir (2013, p.4) refer to scarcity as 'having less than you feel you need'. They conceptualize scarcity not merely as an economic issue but also as an individual psychological problem that shapes the choices and behaviours of individuals by directing their minds towards unfulfilled needs. First, scarcity helps to explain trade-offs as access to slack frees one from the need to make choices. These authors argue that while physical scarcity is pervasive in everyday life, the feeling of scarcity is aberrant due to individuals' subjective perception of what matters. From this perspective, scarcity is both a physical constraint and a mindset. Thus, when scarcity in any form captures one's attention, it changes modes of thinking, seeing, noticing, as well as choices and behaviour. Just as food arrests the attention of starving people, Mullainathan and Shafir (2013) argue that visceral forms of scarcity capture the mind's focus, thereby decreasing one's cognitive bandwidth (Schilback et al., 2016). 'Bandwidth' as used here refers to how preoccupied one's mind is, so in such situations, individuals begin to make decisions in less sure-footed fashion (Sleek, 2015). This might lead to what they refer to as a 'scarcity trap', where one is overwhelmed by doing more and

more, with correspondingly less time to think carefully about the next important step. At once less capable and distracted, the individual's capacity for self-management diminishes and his or her capacity to coordinate, control and make decisions is accordingly affected.

On the positive side, scarcity may help to prioritize the choices of ethnic entrepreneurs and their businesses, underpinning their creativity, ingenuity, frugality, and resourcefulness (Butler, 2012; Jones and Ram, 2015). Pondering anew ethnic venture failure through the prism of the scarcity mindset, we note pervasive resource constraint as a fundamental precursor to their demise. Thus, having 'too little' in terms of both social class and material resources signifies that many ethnic business ventures face existential opportunity costs in their everyday organizing. When it comes to managing the future, they are likely to adopt an instrumental approach to balancing their immediate short-term requirements at the expense of the overriding strategic goal of growing their business. Having to operate with very limited resources also means that ethnic entrepreneurs are not only forced to handle on their own discursive struggles associated with managing competitive pressures (Watson, 2013), they must also make trade-offs and sacrifices within the contingencies of creating and capturing sustainable value (Shepherd and Patzelt, 2011). In doing so, their minds become focused on present scarcity, e.g. accounts receivable, loans, and meeting the demands of today's customers, which in turn over-taxes their limited information-processing abilities to the extent that they lose sight of making relevant longer-term investments and choices that could benefit their ventures in the future. In this regard, we argue that limited resources stifle the potential of ethnic entrepreneurs and their businesses to identify, seize, and re-configure potentialities and limits into future resources and productive outcomes (Ocasio, 1997).

Prioritizing ethnic entrepreneurs' feelings, beliefs, cognitions and their choices within pervasive contingencies of organizing, our scarcity mindset approach to ethnic business venture failure places emphasis on the economic and social embeddedness serving to condition ethnic entrepreneurs' actions and behaviour in their daily situated organizing. Driven by these theoretical choices, we conceptualize scarcity in this study as *having to make do with limited material, social class and cognitive*

*resources*. We foreground our arguments on the discursive reproduction of agential dispositions, practical coping, and other salient factors including shared values and organizing relationships, around which scarcity may be understood within enterprise failure discourse. As a corollary, we transcend the individual subject to focus on discernible patterns of discursive practices by ‘giving primacy not just to consciousness, but also to internalized habits, skills, dispositions as well as reflexive awareness’ (Sarpong and Maclean 2014, p.18) in theorizing the why and how of ‘having too little’ resources might play out in precipitating the demise of ethnic business ventures.

## **2. Research methodology**

### *3.1 Research process, data and methods*

The study reported in this paper advances insight into how resource constraints may precipitate the demise of ethnic business ventures. We develop our contribution by drawing on ethnic entrepreneurs of West-African origin domiciled in an advanced industrialized society, namely the UK, where 7% of all small businesses are owned by ethnic minorities (HM Treasury, 2008). An estimated 15.4% of immigrants to the UK launch their own business, as against just 5.3% of the indigenous population (Burn-Callander, 2016). We chose to study this subgroup of entrepreneurs and their businesses because not only do they represent one of the growing and distinct minority subgroups operating businesses in urban areas of the developed world (Mendy and Hack-Polay, 2018; Nwanko, 2005), they also comprise one of the few significant ethnic groups in industrialized societies whose entrepreneurs and their businesses have seldom been the focus of traditional small business research (Fadahunsi et al., 2000; Levi and Hart, 2013; Ojo, 2012). We conducted our study in the Greater London area, whose cosmopolitan outlook offers a particularly rich context to identify and study ethnic entrepreneurs and their business ventures. Our choice of Greater London was also based on the premise that it is home to Britain’s most concentrated Black African population and, hence, their small businesses (Economist, 2016).



Owing to the particularity of the subgroup of entrepreneurs we studied and the paucity of research drawing on our chosen theoretical lens to examine ethnic venture failure, we adopted an exploratory qualitative research approach for our study. In addition, we had no access to any database on failed ethnic entrepreneurs of West African origin and their businesses. Hence, we relied on a preliminary list of three potential participants we obtained from a London-based business advisor of African origin. Referrals from two of our initial participants, and subsequent snowballing (Geddes et al., 2018; Robinson, 2014) enabled us to reach the hidden population of the remaining entrepreneurs that took part in our study. To be included in the study, participants needed to satisfy the following purposeful sampling criteria (Gentles et al., 2015; Suri, 2011). First, participants needed to be first-generation entrepreneurs of West African origin. Second, they needed to have ceased their involvement in a business venture that did not meet a minimum threshold for economic viability in the past ten years. Third, details of their business venture should be verifiable on the UK company house publicly available database of closed businesses. In all, 25 entrepreneurs, mainly male (n=22), and their diverse businesses ranging from cleaning services to recruitment agencies met our sampling criteria. Aged between 31 and 59, the average age of our participants was 46.9 years old. Except for two businesses that had broad competitive focus, the majority of businesses we studied were very narrowly focused on ethnic customers or operated in ethnic enclaves. Apart from two businesses (one going into compulsory liquidation and the other forced to close), voluntary liquidation characterized the failure events of the remaining 23 businesses. We did not have access to any meaningful documentary evidence of accounts or financial circumstances of the failed ventures we studied. We therefore followed Corner et al. (2016) to estimate our respondents' investments and the potential financial loss deriving from the failure of their individual ventures from our interview data. Reporting losses between £1,000 and £230,000, the average financial losses our entrepreneurs claimed to have incurred at the time of their respective business closure is estimated at £22,300. We provide a biographical sketch of our research participants and their business ventures in Table 1.

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**Insert Table 1 about here**

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Data for the inquiry were chiefly collected through semi-structured interviews extending over a six-month period. Following Antaki's (1994, p.187) assertion that 'it is only in the participants' own ways of organizing themselves... that we shall find solid ground for our analytical claim', we approached our interview data collection through the reflective gaze of *Verbal autopsy* (VA), a World Health Organization approved method employed by health authorities to garner cause-of-death information from relatives and carers in places where many deaths occur outside of health facilities and where death certification is weak or absent (Gouda et al., 2017; Thomas et al., 2018). In VAs, a non-medic external to a health facility interviews a carer or a relative of a deceased person to gather relevant information on the signs and symptoms exhibited by the deceased person prior to death. The information gleaned is reviewed by an expert to determine the potential cause-of-death to inform public health policy. Applied to our study, our entrepreneurs represent the 'parents' of a 'deceased offspring' – a business they founded and nurtured, our interviews focusing on the would-be parents' narrating the signs and symptoms displayed by the 'offspring' prior to decease. Our methodological approach encouraged us to show compassion to our entrepreneurs (Kibler et al., 2017), which in turn encouraged them to narrate their stories to us in unexpurgated fashion (Hollinshead and Maclean, 2007). This approach, we observed, also afforded reflection, facilitated our conversation, and offered us the opportunity to gently challenge the thoughts of our entrepreneurs' in ways that helped us to arrive at meanings determining their actions and ultimate failure (Hu et al., 2017; Mantere et al., 2013).

We began each interview with assurances of confidentiality and the collection of participants' socio-demographic data. We then invited interviewees to tell us the story of their business and what led to its collapse. Based on this story, we probed for explanations as to how they came to conceive the opportunity of starting the business; their motives and desires in pursuing it; how the business took off; and what actions they took when they realized their business was failing. We made conscious efforts to zoom in and out with respect to concrete instances of their decision-making processes, using

discursive devices such as footing and forward-pointing to encourage our respondents to speak the 'language of interest' (Whittle and Mueller, 2011) in relation to their venture strategy, resources, capabilities, and the idealized visions they had cultivated for their ventures. Each interview was digitally recorded and lasted between 55 and 90 minutes. The recorded interviews were then transcribed, and interviewees accorded pseudonyms to ensure confidentiality.

Our data analysis, which involved a three-stage process, followed grounded theory guidelines since we had not elaborated a priori hypotheses to guide our empirical inquiry (Corbin et al., 2014; Locke, 2010). First, we engaged in open coding by reading and re-reading the textual data to make sure they matched correctly with what we heard from our entrepreneurs and their descriptions of the events and circumstances that precipitated the demise of their business. This process allowed us to engage in reflexive debates as we shared our intuitive beliefs about what might have caused the demise of the businesses. Akin to 'sweeping the sky for new comets', we probed the raw data to develop a 'checklist' of words (e.g. resources, rivalry, location, regulation, business plan, threats, bias, and learning) relating to how the entrepreneurs thought and acted in managing their ventures. Probing further the meanings our entrepreneurs ascribed to these words and their actions, we developed our descriptive categories to capture their 'doings' and 'sayings' in practice (Saldaña, 2015).

The second stage focused on developing our theoretical categories. This involved an inductive analysis of the data against the backdrop of key responses, the existing literature and our chosen theoretical lens (Gioia et al., 2013). We did this by iteratively probing and interpreting the resulting data until the emerging common themes became saturated (Bernard et al., 2016; Suddaby, 2006). We further iterated between the raw data, emerging themes, and the existing literature until we could develop meaningful groupings of the themes and their conceptual linkages between the groups and the descriptive categories. Table 2 summarizes our analysis.

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In the third stage, we coded the emerging categories, their descriptions and relevance to our theoretical lens (Edmondson and McManus, 2007) to converge on overarching aggregate theoretical categories from which we inferred our four distinct mutually constituting entrepreneurial organizing demands. Next, we applied the themes to the entire dataset. We did this by annotating the data with numerical codes. Each code was backed-up with a short descriptor that particularized and elaborated the various headings. Following this, we built up our understanding of how the tensions generated by having 'little resources' may have taxed the entrepreneurs' cognition and attention, and in turn, their behaviour and choices, to explore viable conceptual linkages and theoretical explanations as to how they might precipitate failure.

### 3.2 Data analysis: disentangling ethnic business venture failure

Analysis of our data revealed insightful findings regarding how the pervasive resource constraints experienced by ethnic business ventures could precipitate their failure. In unpacking how this might play out in practice, we identify four salient entrepreneurial organizing demands that appear not only appear contradictory in form but also challenging to reconcile into productive value creation. We concede that while, in practice, these organizing demands may have some atavistic resemblance to obvious and general causes of venture failure in competitive environments, their catalytic contribution to the potential demise of ethnic ventures is thrown into stark relief when analysed through the reflective gaze of scarcity mindset.

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We delineate these entrepreneurial organizing demands to show how they may constitutively lead to the precipitation of ethnic venture failure around four specific lines of attention: (i) ethnic embeddedness; (ii) spatial spawning; (iii) dispositional optimism; and (iv) service nepotism. In what follows, we present the fine details of our findings.

### 3. Empirical findings

#### 3.1 *Ethnic embeddedness*

Ethnic embeddedness as used in organizing our findings refers to how our entrepreneurs' ethnic identities, relations with their customers, and even competitors may simultaneously enable (or impede) their ability to create and capture value. The dialectical tensions characterizing embeddedness, we observed, encouraged some of our entrepreneurs to rely extensively on local co-ethnic clientele, suppliers and/or locate their businesses in ethnic enclaves and neighbourhood markets. As argued by Patrice:

I would have loved to diversify, but I narrowed my target to the African Caribbean customers, because my bank manager advised me to focus first on my community – after which I can then proceed to other communities. (Patrice)

Nevertheless, by contrivance, our data analysis suggests that the choice to exploit opportunities inherent in embeddedness results in entrepreneurs becoming tied to a network of customers whose relational actions, contextual demands, and expectations tend to dissipate the entrepreneurs' ability to capture sustainable value from their economic transactions. Karly and Ramel lamented the behaviour of some of their ethnic customers in this regard:

Brothers and sisters used to come into my shop just to do things they will never do in a white man's shop – they ask for discounts. They see the price tags but still try to haggle. (Karly)

You need to facilitate credit – to make more sales, but this can be dangerous with Africans, once they accumulate debt, they will move to a different dealer, just to avoid paying up their debts. (Ramel)

Emphasizing the potentiality of migrants to import their particularistic values as part of their cultural practices into the marketplaces of pluralistic industrialized societies (Omar et al., 2003), such accounts revealed much about how 'seen, but unnoticed' (Garfinkel, 1964, p.226) practices could act as a brake on ability of the 'embedded' ethnic entrepreneurs to create and capture value: bestowing discounts and credit to attract customers and, in the process, lose money. The upshot of such contradictory demands on entrepreneurs with limited options, we surmise, is a precarious balancing act on accounts receivable in which the entrepreneur is expected to sacrifice the needs of his or her business to help others. To tackle such problems, Barry, who previously ran a boutique, told us if he

had the chance to restart his business, he would not show his face much in his shop. Rather, he would spend his time in the backroom watching the CCTV while his sales assistants met customers because 'they will start haggling immediately they see my face'. Evidence from our analysis further suggests that while the networks generated from 'embeddedness' provide opportunities to recruit ethnic employees at lower cost, their work commitment sometimes becomes refracted by the social relations and context within which they secured their job, to the extent that they can become a drag on the business. As Danny explained:

My employees and customers were mostly Africans. They always feel 'he's my man' so I can play up. They are not always punctual; they just take life easy with the job. (Danny)

In a related development, two interviewees (Azam and Uchenna) who had formerly run off-licences both explained to us that they struggled to compete with Chinese and Indian shop owners in their respective boroughs because these particular ethnic groups were able to pool resources to buy some of their goods in bulk from industrial retailers.

The Chinese and Indians were getting cheaper supplies which enabled them to sell far cheaper than we were doing, and so, they kind of put us out of business. (Uchenna)

Our interpretation of our retailers' stories is that, while not directly engaged in conflict with Indian shop owners, they were nevertheless impacted by what can be described as an inert 'intercultural disharmony' (Chua, 2013) between minority groups, that made it impossible for them to access analogous networks so they too could reap the economies of scale exploited by their competitors belonging to different ethnic groups. In this regard, the social identities and interpersonal ties connecting other ethnic entrepreneurs (Fisher, 2015; Achidi et al., 2011), we argue, constitute the social settings within which ethnic businesses survive or fail.

### *3.2 Spatial spawning*

We used the label 'spatial spawning' to describe our entrepreneurs' ability, as inferred from their narratives, to access, prise open and capture opportunities and value from customers within and beyond their ethnic enclaves. The challenge our entrepreneurs faced, we found, pertained to choosing

an optimal location for their businesses. As most participants operated in low-order sectors where customers are more likely to value, say, proximity over brands (Barrett et al., 2002), they tended to locate their businesses in ethnic enclaves. In such contexts, the locational choices our entrepreneurs made were frequently tied to their business models and plans. Nevertheless, the strategic advantage of being near customers appeared to be regularly eroded by fierce rivalry and competition.

There was too much competition – I think the restaurants and clubs owned by Africans in London are not really profitable. We were all selling the same products and targeting the same customers, all heading for a car crash. (Tyrone)

Tyrone recounts how he attempted to avoid becoming one of the ethnic neighbourhood ‘sardines’ by relocating his business away from the prime location he previously occupied. The upshot of this decision, he observed, was that he missed out on proximity-effect customer traffic, in his case high-street customer traffic, and the localized ties he had cultivated with his value network over the years. Our data evidence also suggests that some of our entrepreneurs who, in contrast, attempted to break out of their narrow ethnic enclave to locate elsewhere or made efforts to target ‘mainstream’ customers, often found themselves in market spaces where they were in direct competition with businesses with deep pockets, such as supermarkets, through pricing and opening hours *inter alia*.

I ended up in a dog fight with well-established businesses. They out-bargained me for contracts since they had money to bankroll their operations far better than me. (Ellis)

Ellis may have found himself in a venture context he is familiar with. Poorly endowed like many of the entrepreneurs we studied, Ellis considers he failed in his efforts to pursue and realize the opportunities located beyond his immediate locale, because he was out-competed by exceptionally resourced individuals and better-endowed companies who occupied those sectoral spaces. The story of Gabby is more instructive. Breaking out of an ethnic enclave confinement, he started his night club in the ‘less cosmopolitan’ borough of Greenwich. Reflecting on the demise of his business, he pointed to the specific regulatory constraints that stymied it as arising from bigoted processes:

If the club were to be located in another borough such as Southwark, Hackney, Lambert or central London, we wouldn’t have had the problem. But we were located in Greenwich, a borough that was lobbying to be made a Royal Borough. As far as they were concerned, there was the need to clean up the borough – in order to achieve the royal title. (Gabby)

Drawing on an evocative narrative about 'seen, but unnoticed' micro-aggressions against ethnic businesses, Gabby argued that local residents who objected to the number of black people coming into the area at weekends began to complain to the police about noise created by clubbers. Eventually, the local authority became involved and sent his business to court. The court acknowledged that Gabby did his utmost to handle neighbours' concerns and that he had acted within the law. This notwithstanding, the indicative hostile posture of the community eventually forced him to shut down. In short, the organizing trade-off faced by our entrepreneurs in terms of spatial spawning can be summarized as follows: locate too close to rivals and potentially ferocious competition may hit profits; move too far away and too large a share of the market may be foregone.

#### *4.3 Dispositional optimism in organizing*

Emerging from our entrepreneurs' narratives was a great sense of optimism regarding the potential sustainability of their individual business ventures. The high levels of optimism expressed by our entrepreneurs, we found, compensated for their deficits in financial and other forms of capital that they required to develop successful businesses. Analysed under the rubric of dispositional optimism (Crane and Crane, 2007; Hmieleski and Baron, 2009), we found that while this 'hard wired' optimism was important, and often propelled our respondents creatively to identify opportunities to start and build their businesses, it also had the ability to blind them to the chase – impeding their 'success during the different steps of the entrepreneurial process' (Kappes and Sharot, 2015, p.4). Such optimism became manifest in the narratives of our entrepreneurs when we asked them to reflect on their business models and explain what assistance they had received from the outside world.

You mean professional advice? Are you kidding me? I have never thought it's useful for a small company like mine to waste their resources on professional advice – something they can actually do by themselves. (Ramel)

While the existing literature suggests that the take-up of professional advisory services and business growth training schemes among ethnic entrepreneurs is very low, even when offered freely



by the state (Marlow, 1992; Wang and Altinay, 2012), Ramel concedes that beyond the potential cost involved, he did not seek professional advice because he was confident in his own abilities to reinvigorate his business. Rather, he insists that events occurring beyond the theoretical boundaries of his firm (which, we conclude, contradicted his preconceptions), were to blame for his failure. In a related development, Mina narrated how she devised the idea of starting her business.

I'm very spontaneous, I think – if I see something, if I want to do something, that's all I think about. I like to say, okay, this is a thought – put the idea into practice and conquer. That is how my business was born. (Mina)

Mina's reified representation of her start-up process reinforced her initial optimism to 'conquer' and capture opportunities otherwise neglected by others. Such optimism, we argue, may keep an entrepreneur going in the short-term until the overbearing competing demands of reality make themselves felt, turning them into what might be described as self-martyring entrepreneurial optimists (Hmieleski and Baron, 2009; Trevelyan, 2008). This arguably misplaced optimism frequently played out in the form of cognitive biases – our entrepreneurs' own perception and confidence in their own competences and business models (Navis and Ozbek, 2016) restricting their ability to sense fleeting opportunities, avoid strategic blunders, and anticipate changes in the business environment. As Barry mused:

I still think this business is worth pursuing. I love fashion, I think this is going to be my retirement business. I still believe I want to have a fashion business in my life. (Barry)

Barry's future expectations of 'making it' in the fashion business after losing his life savings doing the same type of business is not atypical. While Fraser and Greene (2006) argue that optimistic bias in talent beliefs diminish with experience, our ethnic entrepreneurs, particularly those operating in ethnic enclaves, tended to exhibit such biases even after failing; their dominant logic being simply to create and capture opportunities within their enclaves and ethnic economies. Over-focusing on such ethnic enclaves, we found, led to such ostensible advantages dissipating quickly due to non-linear disruptive technologies, social trends, and ignored warning signals, which frequently contradicted their own preconceptions. As observed by Percy:

The internet is one of the causes of my downfall. I could see customers going online to shop, but I didn't have the money to follow the trend and follow them online, do on-line promotion, and buy Google ads. (Percy)

In short, many of our ethnic entrepreneurs, driven by their biases, we conclude, became overly focused on nurturing narrow business models and market segments and ended up forgoing their 'peripheral vision'. As George Orwell put it, 'to see what is in front of one's nose needs a constant struggle', which in turn may precipitate the demise of their business ventures.

#### *4.4 Service nepotism in organizing*

Our data analysis also suggests that our entrepreneurs' struggles to manage the tensions between building customer loyalty and exploiting adaptive learning had serious implications for the survival of their businesses. This tension, we observed, manifests itself in the form of service nepotism – the practice whereby service providers cue customers of shared characteristics such as ethnicity on whom to bestow gifts and discounts (Sarpong and Maclean, 2015; 2017), frequently enacted by those entrepreneurs that operated within ethnic enclaves. The existing literature suggests that beneficiaries of service nepotism express loyalty and commitment and hence are likely to spread positive word of mouth concerning the entrepreneur and their business (Rosenbaum & Walsh, 2012). However, this assumed quid pro quo, we found, does not always hold in practice. Rather, we found that service nepotism can be antithetical to repeat value capture, especially when beneficiary customers fail to deliver their side of the bargain. The challenge here lies in the competing tensions between entrepreneurs' efforts to cultivate customer loyalty on the one hand and benefit from adaptive learning on the other. As Azam put it:

You are nice to them because you feel they are Africans. You give them discounts on their purchases, yet they don't return to your shop. (Azam)

While Azam gave his ethnic customers unsolicited discounts to enhance their customer experience and loyalty, it may be that they failed to return to his shop because they felt embarrassed. Related to this,

Felix complained about customers not returning to pay for goods because they claimed the products they had bought on credit were defective:

For instance, I used to give women credit on a hair product called the Brazilian hair, because they need a lot of the packs to do certain hairstyles. I usually allow them to pay for two-thirds and the rest later. Some never come back, and it was hard to get the money back. One or two of them later said the product was poor, that's why they are not paying. (Felix)

Here, we surmise that customers did not return to lodge complaints or place an urgent request for a refund for the supposedly defective products because they had benefited from unsolicited credit. The problem faced by the entrepreneur goes beyond capturing value from repeated exchanges to embrace engaging with potential consumer complaints and feedback on their products and services. Thus, they miss out on second-order learning that could potentially help them to improve on their products and services.

#### **4. Discussion and conclusions**

Ethnic-minority-owned businesses have been thriving for decades. However, changes in industry structures and competitive dynamics mean their cessation due to failing to meet a minimum threshold for economic viability is now a distinct challenge for many industrialized countries. In this paper, we drew on the psychological concept of scarcity mindset as a lens to explore how the often-limited resources available to ethnic entrepreneurs may contribute to their failure in practice. Building on existing work on ethnic business failure and transcending this at certain crucial points, our study highlights important oversights and oversimplifications in the understanding the role of resource constraints in precipitating ethnic business failure. At its core, our research suggests that 'having too little' means that many ethnic business ventures struggle to reconcile a set of contradictory, albeit interdependent organizing demands imposed on them and thereby shape these into productive outcomes. Emphasizing how resource constraints might precipitate ethnic venture failure in practice, we identify four contradictory entrepreneurial organizing demands: ethnic embeddedness, spatial spawning, dispositional optimism, and service nepotism, which may operate in combination or serially

to precipitate ethnic business venture failure. By providing a discursive interpretation of our entrepreneurs' feelings, beliefs, cognitions, and choices (Barton, 1997; Zilber, 2007) in managing these organizing demands, the struggles of ethnic entrepreneurs in making do with their often very limited resources to create and capture sustainable value become far more apparent. Clearly, while our entrepreneurs' experiences and the circumstances of their defunct businesses may vary, their narratives were very much connected in terms of their struggles and efforts required to keep their now defunct businesses afloat. Significantly, their perceptions of the causes of their venture demise were generative, throwing insights about ethnic venture failure into salient relief (Mantere et al., 2013). Subverting the stereotypical image of ethnic entrepreneurs as dream chasers endowed with a 'Midas' touch, the stories recounted by our entrepreneurs provide important pointers while bringing a finer level of granularity to our understanding as to how 'having too little resources' might serve as a precursor for failure.

Our study has implications for the theory of ethnic business venture failure. First, emphasizing how antithetical entrepreneurial demands faced by entrepreneurs in their everyday organizing might be reconciled and leveraged into productive outcomes, our study contributes to recent research on conflicting demands in entrepreneurship (Nielsen et al., 2017; Ramoglou and Tsang, 2016; Volery, 2015) by illuminating how contradictory demands and everyday tensions within the contingencies of organizing could precipitate the demise of ethnic businesses. These paradoxes raise interesting questions about the building and management of ethnic ventures and challenge the assumptions and boundary conditions that underpin entrepreneurial concepts such as mixed embeddedness, social capital and opportunity recognition (Griffin-EL and Olabisi, 2018). Ethnic entrepreneurs starting new ventures may face identical, similar or novel entrepreneurial organizing demands that vary significantly across locations, industries, or ethnic embeddedness. How individuals adapt to these variations, accommodating and challenging their own taken-for-granted local practices, can spark questions for entrepreneurial theory. Second, by focusing attention on psycho-social processes which conventional explanations of failure frequently ignore, employing the scarcity mindset as a theoretical lens elucidates contextual entrepreneurial organizing demands that must be reconciled to create or

capture value (Knight and Paroutis, 2016). Discussion of the pursuit of paradoxes as a recipe for failure is currently lacking in ethnic business failure research. Engaging in such a discussion creates the possibility of analysing stories of failure as narrated by ethnic entrepreneurs in ways that acknowledge, and in this way begin to address, broader inequalities and dysfunctions within markets and society-at-large. Beyond these theoretical contributions, our four entrepreneurial organizing demands of embeddedness, proximity, optimism and service nepotism forge exciting connections with the fast-burgeoning literatures on business failure and ethnic entrepreneurship and may spark further insightful links with other broader subjects.

Our study has implications for the practice of ethnic entrepreneurship. First, in the absence of business plans and balance sheets, the stories recounted by our ethnic entrepreneurs provide insight into how everyday factual fragments of characters, plots, and themes as contained in their renditions may come together in ways that enable the probing and uncovering of unfulfilled values, unrealized potential, and ethnic entrepreneurial dreams of the future. Constitutively, the organizing demands we identified simultaneously enable and constrain the potential of ethnic entrepreneurs to explore and exploit sustainable value for their businesses. In this regard, they provide context for the identification of potentialities and limits within the contingences of making and revising their judgments and strategies (Elfenbein et al., 2017). Consequently, we encourage ethnic entrepreneurs to embrace the paradoxes they experience as salient harbingers for the strategic transformation and renewal of their businesses. Embracing these paradoxes, we surmise, may enable entrepreneurs to recognize the limits of logic and representation to circumnavigate the tensions and contradictions they present in everyday organizing (Chia and Nayak, 2017). Second, while many entrepreneurs had not imagined the organizing tensions we identified could precipitate failure, our findings provide opportunities for ethnic entrepreneurs to engage in what Maslach et al. (2018) describe as vicarious learning from failure that can inform changes in day-to-day organizing and hence lead to fewer failures in practice.

Despite these insights, our study also has limitations which in turn provide opportunities for further research. First, we note that while the age, gender, level of education and enculturation, and

nationalities of our research participants were quite diverse, we did not capitalize on these variations in developing our theoretical contribution. Future research might investigate whether these dimensions could influence how ethnic entrepreneurs manage their failed businesses. Second, the paradoxes developed in this paper require further research before we can understand fully whether they are exhaustive, and how their intriguing, contradictory yet interrelated elements co-exist and persist to challenge the survival of ethnic businesses over their life course. Third, while our reliance on verbal autopsy as a reflective gaze to explore what led to the demise of our ethnic-owned business ventures enabled polyphonic voices often subjugated in entrepreneurial discourse to tell their own stories on failure, we would not presume to rule out the potential impact of egocentric biases, memory loss or embellishment in the retrospective accounts of our respondents (Chandler and Lyon, 2001; Golden, 1997). Moreover, a longitudinal study tracking how ethnic entrepreneurs cope with the paradoxes identified in this study over time would be better suited to document their variances and capture how ethnic entrepreneurs navigate the challenges they pose to the survival of their business ventures.

There is much to learn from ethnic business venture failures, as from their successes. We risk impoverished theorizing when we only celebrate the success of ethnic businesses and relegate their failures to silence. Enabling ethnic entrepreneurs to freely recount their own stories of failure not only opens up new possibilities for rethinking the ethnic entrepreneur's experience, but also challenges official categories and narratives on business failure in general. Observed through the reflective gaze of Walcott's poem, the cause of death of ethnic business ventures can be somehow identical, similar or expected; yet it can also be surprising, seen, but unnoticed.

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**Table1: Biographical sketch of the entrepreneurs' and their case ventures**

	Name, Age (Gender)	Venture type	Nature of business (SIC)*	Venture size	Venture Duration	Failure event	Financial Investment / Loss in GBP
1	Azam 53 (M)	Off-Licence retail shop	Retail sale in non-specialized stores with food, beverages or tobacco predominating (47110)	Employees: 0 Partners: 0	Started: 1997 Failed: 2002	Voluntary liquidation	Invested: £55,000 Loss: £32,000
2	Barry 45(M)	Fashion Wear	Retail sale of clothing in specialized stores (47710)	Employees: 6 Partners: 3	Started: 2006 Failed: 2014	Voluntary liquidation	Invested: £35,000 Loss: £15,000
3	Danny 50(M)	Security and Cleaning services	Security and commodity contracts dealing activities (66120)	Employees: 10 Partners: 0	Started: 2008 Failed: 2012	Voluntary liquidation	Invested: £5,000 Loss: £5,000
4	Ellis 51(M)	Cleaning services	General cleaning of buildings (81210)	Employees: 10 Partners: 0	Started: 2006 Failed: 2008	Voluntary liquidation	Invested: £7,000 Loss: £7,000
5	Felix 55(M)	Hair Beauty Salon	Hairdressing and other beauty treatment (96029)	Employees: 6 Partners: 0	Started: 2012 Failed: 2015	Voluntary liquidation	Invested: £9,000 Loss: £9,000
6	Gabby 55(M)	Afro-Night Club	Other entertainment activities (9234)	Employees: 20 Partners: 3	Started: 2006 Failed: 2014	Closed down business	Invested: £230,000 Loss: £230,000
7	Henry 51(M)	Used car and spare parts	Retail trade of motor vehicle parts and accessories (45320)	Employees: 3 Partners: 0	Started: 2008 Failed: 2012	Voluntary liquidation	Invested: £6,000 Loss: £6,000
8	Jacob 59(M)	Private Security Services	Investigation and security (7460)	Employees: 25 Partners: 2	Started: 2007 Failed: 2015	Voluntary liquidation	Invested: £25,000 Loss: £5,000
9	Karly 58(F)	Hair Beauty Salon	Hairdressing and other beauty treatment (96029)	Employees: 5 Partners: 0	Started: 2010 Failed: 2015	Voluntary liquidation	Invested: £17,000 Loss: £16,200

10	Laura 51(F)	Event catering Services	Event catering activities (56210)	Employees: 7 Partners: 0	Started: 2011 Failed: 2017	Voluntary liquidation	Invested: £10,000 Loss: £10,000
11	Mina 44 (F)	Recruitment Agency	Temporary employment agency activities (78200)	Employees: 3 Partners: 0	Started: 2009 Failed: 2011	Voluntary liquidation	Invested: £25,000 Loss: £24,000
12	Nasim 40(M)	Sale of Fine Arts	Artistic creation (90030)	Employees: 0 Partners: 0	Started: 2009 Failed: 2017	Voluntary liquidation	Invested: £30,000 Loss: £8,000
13	Otis 41(M)	Renewable Energy	Other specialized construction activities not elsewhere classified (43999)	Employees: 0 Partners: 1	Started: 2013 Failed: 2016	Involuntary liquidation	Invested: £5,000 Loss: £4,000
14	Patrice 51(M)	Estate Agency	Real estate agencies (68310)	Employees: 6 Partners: 1	Started: 1997 Failed: 2002	Voluntary liquidation	Invested: £100,000 Loss: £65,000
15	Percy 53(M)	Afro-cosmetic shop	Retail sale of cosmetic and toilet articles in specialized stores (47750)	Employees: 2 Partners: 0	Started: 2010 Failed: 2013	Voluntary liquidation	Invested: £16,000 Loss: £10,000
16	Quincy 47(M)	Business centre and internet cafe	Other business support service activities not elsewhere classified (82990)	Employees: 4 Partners: 0	Started: 2003 Failed: 2007	Voluntary liquidation	Invested: £40,000 Loss: £24,000
17	Ramel 47(M)	Food processing	Manufacture of other food products not elsewhere classified (10890)	Employees: 3 Partners: 0	Started: 2008 Failed: 2011	Voluntary liquidation	Invested: £40,000 Loss: £29,000
18	Sandy 46(M)	Recruitment Agency	Temporary employment agency activities (78200)	Employees: 2 Partners: 0	Started: 2016 Failed: 2018	Voluntary liquidation	Invested: £3,000 Loss: £3,000
19	Sowah 32(M)	Afro-Caribbean bar & Restaurant	Other business support service activities not elsewhere classified (82990)	Employees: 3 Partners: 0	Started: 2016 Failed: 2018	Voluntary liquidation	Invested: £18,000 Loss: £17,000
20	Trevor 47(M)	Takeaway Restaurant	Take-away food shops and mobile food stands (56103 )	Employees: 3 Partners: 1	Started: 2015 Failed: 2017	Voluntary liquidation	Invested: £5,000 Loss: £1,000

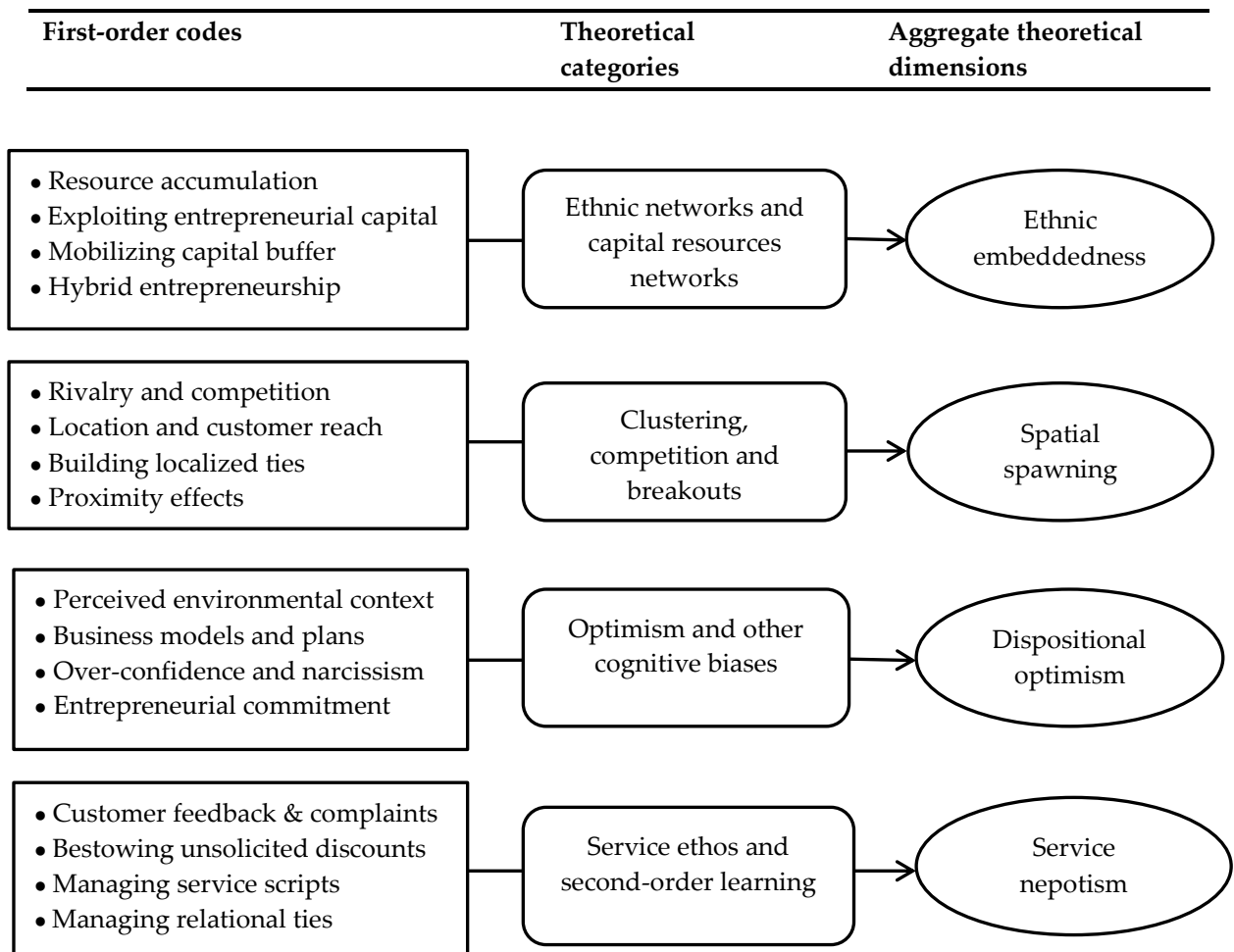


21	Tyrone 43 (M)	Private Security Services	Private security activities (80100)	Employees: 4 Partners: 0	Started: 2012 Failed: 2014	Voluntary liquidation	Invested: £4,500 Loss: £4,500
22	Uchenna 48 (M)	Off-Licence retail shop	Retail sale via stalls and markets of food, beverages and tobacco products (47810)	Employees: 1 Partners: 3	Started: 2014 Failed: 2017	Voluntary liquidation	Invested: £15,000 Loss: £10,000
23	Victor 48 (M)	Private Security Services	Private security activities (80100)	Employees: 12 Partners: 1	Started: 2012 Failed: 2014	Voluntary liquidation	Invested: £12,000 Loss: £8,000
24	Willy 38(M)	Private Security Services	Private security activities (80100)	Employees: 3 Partners: 0	Started: 2011 Failed: 2014	Voluntary liquidation	Invested: £14,000 Loss: £13,000
25	Yorkie 31(M)	HearingAid services	Other human health activities (86900)	Employees: 0 Partners: 0	Started: 2017 Failed: 2018	Voluntary liquidation	Invested: £5,000 Loss: £5,000

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\*A SIC code is a Standard Industrial Classification code. These are used by Companies House to classify the type of economic activity in which a company or other type of business is engaged

Table 2: Overview of data analysis



**Table 3: Entrepreneurial demands and their organizing tensions**

Entrepreneurial demands	Organizing tensions	Representative quotations
Ethnic embeddedness	Liquid capital	‘Dealing with customers of African origin is entirely a different kettle of fish. They expect you to run like a charity. They will not commit to payment plans, you persist, and they go elsewhere’. (Henry)
	External networks	
Spatial spawning	Clustering	‘My shop was in Camberwell, the central base of most Africans and Caribbean. Close to Brixton, close to Peckham, where the concentration of black people is high’. (Barry)
	Breaking out	
Dispositional optimism	Focusing	‘One thing I do really regret is failing to diversify, as opposed to broadening my customer base and employing staff from other ethnic groups; I relied mainly on my local community’. (Patrice)
	Peripheral vision	
Service nepotism	Customer loyalty	‘No matter how much discount you give them, even up to 40% discount, they will still go elsewhere to buy, that is who they are, you cannot change them, they are Africans’. (Barry)
	Adaptive learning	