

**Transnational Family Networks and Ethnic Minority Business Development:  
The Case of Vietnamese Nail-shops in the UK**  
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**ABSTRACT**

**Purpose**

To understand the role played by transnational family networks in ethnic minority business development.

**Methodology/Approach**

The Vietnamese nail care sector is taken as a case study. The research involved interviews with 10 owner-managers and 4 key informants involved in this industry in London. The analysis draws on concepts of 'strong' and 'weak' network ties (Granovetter, 1973) and 'mixed embeddedness' (Kloosterman et al, 1999) to explain why the Vietnamese continue to enter such a competitive sector.

**Findings**

The results highlight the importance of transnational family networks within all aspects of the business and suggest that these links can sometimes provide a fertile source of new business ideas, but can equally limit innovation. The presence of innovative and well-educated members within the entrepreneurs' 'strong-tie' network appeared to encourage more successful business development and diversification.

**Research limitations/implications**

The research challenges the traditional 'strong/weak' ties thesis and suggests that while it has some general value, in the context of groups from more collectivist societies and with family links overseas, it is necessary to take account of the human and social capital resources of the extended family rather than just those of the individual entrepreneur.

**Practical implications**

To maximize the potential of these links it suggests that business advisors need to undertake a comprehensive audit of entrepreneur's networks and assist them in assessing how their family ties can best contribute to the development of the business.

**Originality/value**

This paper focuses on a new community (the Vietnamese), and sector of study (transnational family networks) both of which have received little attention in the entrepreneurship literature.

**KEYWORDS:** entrepreneurship, Vietnamese, networks, break-out

# **Transnational Family Networks and Ethnic Minority Business Development: The Case Vietnamese Nail-shops in the UK**

## **INTRODUCTION**

Social and business networks are generally thought to be good for the economy and policy has frequently sought to 'implant a culture of competitiveness through co-operation' (Huggins 1998 p.814). Networks are seen as a 'resource' through which small business owners gain access to important social and cultural resources, information and capital (Aldrich and Zimmer, 1986; Birley 1985; Curran and Blackburn, 1991). Research has confirmed the importance of personal networks for company performance (Ostgaard and Birley, 1996). Activities designed to facilitate business networking feature regularly in the portfolio of events organised by many enterprise support agencies. Whilst a study for the UK government's Small Business Service has further emphasised the importance of networks and recommended that business advisers would benefit from a greater understanding of them (Blundel and Smith, 2002).

Ram (1993) notes that it is the family and the community which lie at the heart of ethnic firms' social networks. Family and community resources provide the ethnic minority entrepreneur with a unique form of 'social capital' that has been shown to be important to the establishment, development and 'competitive advantage' of ethnic minority businesses (EMBs) (Coleman, 1988; Waldinger, 1995). With globalisation there is an increasing tendency for families to be widely dispersed and this has led to an increasing number of EMBs with a transnational economic organisation and networks. However, research in this area has tended to focus on larger and more established communities such as the Chinese and those who have migrated out of choice or chosen to operate as transnationals (Li, 1998; Tseng, 2002). The role transnational networks play in the development of micro businesses run by smaller, ethnic groups, and in particular refugee entrepreneurs, has been largely neglected in the literature. Similarly, few researchers have explored the role of the family in the networks of those starting a business (Greve and Salaff, 2003).

A particular concern with respect to ethnic minority enterprises in the UK is their continuing concentration in a few, generally lower order sectors (Ram and Jones, 1998; Smallbone et al, 2007). The concern of policy makers and enterprise support programmes has been to encourage such businesses and new entrepreneurs from these communities to 'break-out' of traditional sectors and diversify or move into more profitable areas where markets are not so competitive and economic returns for the entrepreneur and the local economy can be improved. This issue is particularly important given the current interest in the perceived link between diversity and city competitiveness and the potential for enterprise to offer a route out of social exclusion by creating employment for disadvantaged communities. This paper is particularly concerned with the role played by the entrepreneur's transnational family networks in this process although it also acknowledges that the economic and institutional context has an equally important influence on business development.

The paper focuses on the UK Vietnamese business community, a relatively new group of ethnic minority entrepreneurs, from a refugee community who have only been establishing businesses in significant numbers during the last five or so years. The nail-shop sector is chosen to provide a case study of a new type of ethnic minority business that is emerging in the UK. Unlike traditional EMBs it does not serve the local ethnic niche market and has emerged with the support of transnational family networks. The Vietnamese have owned nail-shops in the US for over 10 years, having taken over businesses from the Koreans, but it is only during the last 4-5 years that a sizeable number have been established in the UK. As the fastest growing UK Vietnamese business sector it was recently found to account for over half of all Vietnamese businesses in London (Bagwell *et al*, 2003). This paper explores how family networks, both within the UK and abroad, influence business ideas, the start-up, operation and development of the business. It draws on theories of social capital and mixed

embeddedness to explain why the Vietnamese continue to enter such a competitive market. The paper addresses two key questions:

- *How do Vietnamese businesses in the nail-shop sector make use of their networks?*
- *What role might these networks play in facilitating or hindering break-out?*

The first question aims to ascertain the extent to which transnational family networks contribute to start-up and business development by developing a better understanding of the way in which they are used by the entrepreneur. Whilst the second question seeks insight into the circumstances in which networks can contribute to the development of more innovative business ideas. As well as the circumstances in which they may actually constrain the process of innovation and diversification. By better understanding the role networks play in ethnic minority business development policy makers and enterprise support agencies will be better able to develop initiatives which both support the exploitation of transnational links where these can offer a competitive advantage. They will also encourage the development of a more diverse range of links where necessary to encourage business diversification and 'break-out'. In the conclusion, suggestions regarding the shape these interventions should take are discussed.

## **SOCIAL NETWORKS AND BREAKOUT**

### Social Networks and Social Capital

Networks refer to the relationship between the firm or the individual and the myriad of links with organisations and other individuals in the wider environment. Networks have been studied at the firm level, for example, business clusters and industrial districts and the level of the individual entrepreneur (see Blundel and Smith, 2002 for an overview). Networks may also be formal, defined as intentionally formed groups of companies, generally operating in close proximity to each other, or consist of an informal collection of organisations and individuals who have an interest in or links with the firm and/or its owner (Kingsley and Malecki, 2004). The network approach to entrepreneurship is based on the hypothesis that founders use their personal network of private and business contacts to acquire resources and information they would not (or not as cheaply) be able to acquire on markets (Witt, 2004). Several studies have highlighted the importance of networks to business development (Witt, 2004). For example Davidsson and Honig (2003) found that nascent entrepreneurs who were members of a business network such as a Chamber of Commerce were likely to have more rapid start-up.

Social or personal networks, defined as being made up of the family, friends and personal contacts of the entrepreneur have also been found to have an important influence on the business by providing access to resources not available internally (Ostgaard and Birley, 1996). These personal networks are important not only for providing information and access to important physical and financial resources, but also for accessing human and social capital (Johannisson, 2000; Rath, 2002). The central proposition in the social capital literature is that networks of relationships constitute or lead to resources that can be used for the good of the individual or the collective (Dakhli and de Clercq, 2004). However not all network ties are of equal value to the entrepreneur. Granovetter (1973) developed a model of strong and weak ties within the network. Family and friends are defined as strong ties, which were seen as being reliable, but not able to offer such useful information as weak ties. Ultimately friends and family are likely to hold similar views, beliefs and problems solving techniques. In contrast Granovetter (1973 p.1367) claims that weak ties act as 'bridges' to information sources not necessarily contained within an entrepreneur's immediate (strong-tie) network. Thus dependence on family members may restrict the network from which the entrepreneur seeks a wide range of complementary resources when planning or establishing a business (Greve and

Salaff, 2003). A network of loosely-coupled acquaintance offering skills, knowledge and insights will reduce the importance of family members (Renzulli *et al*, 2000).

### Family Networks And Ethnic Minority Enterprise

People 'do not start businesses in a vacuum' and families in particular play an important role in business development, although this is rarely acknowledged in the literature (Aldrich and Cliff, 2003 p.577). Aldrich and Cliff, (2003) suggest that a family embeddedness perspective that acknowledges that people are part of networks of social relations is more appropriate in the context of entrepreneurship research. Such an approach is particularly important in the context of ethnic minority enterprise where social and family networks have been found to be particularly important. (Light *et al*, 1993; Waldinger, 1995). These networks enable ethnic minority entrepreneurs to draw on unique cultural resources or social capital not generally available to the mainstream. For example, cheap family labour, pooled savings and access to trusted networks which facilitate trade and provide access to information, thus providing a particular competitive advantage (Coleman, 1988). Such informal networks have also been found to be important as a means of mobilising resources and generating sales (Fadahunsi *et al*, 2000).

However research has also suggested that an over-reliance on the family and co-ethnic community can be a constraint on business development (Flap *et al*, 2000). In a study of a number of different EMB groups in north London, Bieler (2000) found that whilst social capital provided some advantages, it could also be limiting as the co-ethnic group is not necessarily the best source of information, and the social constraints of the community could inhibit 'break-out'. Groups with the strongest co-ethnic ties tend to be weakly connected with outside agencies thus missing out on the information and support such agencies could provide. Similarly cross cultural-studies suggest that certain cultures tend to be characterised by networks with stronger ties than others. In nations with a highly collectivist perspective strong tie networks are likely to be based exclusively on kinship and friendship ties (Dodd and Patra 2002 p.12). Whilst these tight knit networks offer benefits of resource leverage and strong levels of support and trust, their lack of diversity limits access to information and advice, and can inhibit innovation (Tiessen, 1972). Differences in the networking behaviour of entrepreneurs from different countries have also been found, with entrepreneurs from more collectivist family orientated cultures such as Greece tending to spend longer on maintaining their strong-tie network (Dodd and Patra, 2002). Finally, it would appear that social capital might be less important where the entrepreneur can draw on human capital, in the form of skills and educational resources, instead. In a study of immigrant entrepreneurs to Canada, Marger (2001), found that those with demonstrable business and managerial skills, a critical form of human capital, had a minimal reliance on social capital in establishing their firms.

### Transnational Networks And Enterprises

Most studies have assumed that networks are based on relationships with those in close proximity, but as Light and Gold (2000) note the transnational social ties of migrant families can play an important role in shaping ethnic economic arrangements. Links to family members overseas provide resources for importing or exporting goods and/or capital and networks bring in workers with needed skills as well as those willing to accept low-level jobs. McEwan *et al*, (2005) cite examples of the successful exploitation of links with countries of origin by UK Chinese and Asian businesses in the ethnic food market and Asians in the Bhangra music industry. They argue that in multi-cultural cities such as Birmingham the use of such networks should not be seen as out of the ordinary but increasingly '*business as usual*'. The competitive advantages such transnational links may offer should not disguise the fact however, that they may sometimes be used for the exploitation of co-ethnic labour (Jones *et al*, 2006). Smallbone *et al* (2007), in a study of the competitive advantage of diversity in London, concluded that that some businesses do gain competitive advantage by exploiting Diaspora networks and these linkages can be a potential asset for a city provided more can

be channelled into higher value added activity. More research is required, however in order to clarify the circumstances in which such linkages are most likely to be positively exploited (Smallbone *et al*, 2007).

Globalisation, and in particular the availability of cheaper air travel, long-distance telephone, fax and electronic mail has led to an increasing number of EMBs with a transnational economic organisation and networks. Transnational businesses have been defined as those with locations in more than one country and the transmigration of the owner in order to operate it (Wong and Ng, 2002). 'Transnationals can be very innovative, introducing new products and ways of doing business in countries of origin and settlement' (Light and Gold, 2000 p.52). The Chinese are frequently cited as an example of an ethnic group with strong global networks in which shared ethnic, linguistic and cultural ties underpin the development of transnational economic links (Douw and Huang, 2000; Tseng, 2002). For example Wong and Ng (2002) describe the transnational actors of small Chinese firms in Canada who rely on the extended family networks of Chinese families straddling different societies. Sometimes one member of the family runs the operation of the business in Canada whilst another spends several months of the year overseeing operations in China. However, research in this area has tended to focus on larger and more established communities such as the Chinese, and on economic migrants rather than refugees.

### Break-Out And Mixed Embeddedness

The term 'break-out' has traditionally been used in the ethnic minority entrepreneurship literature to describe the ethnic entrepreneurs move from co-ethnic to mainstream markets serving the white majority (Waldinger *et al*, 1990; Jones *et al*, 2000). Co-ethnic markets tend to be associated with low value added goods and an inability to attract customers from outside the ethnic market is seen as being a key constraint on growth (Barrett *et al*, 2002). However this analysis has been criticised as being over simplistic and focusing exclusively on the extent of the market. 'Break-out' is treated as being, 'identical to any strategy that enables entrepreneurs to enter markets that are either non-co-ethnic, non-local or preferably – both'. (Engelen, 2001, p.212). Ethnic minority entrepreneurs operating disproportionately in low threshold markets must place greater emphasis on the ease with which others can enter the marketplace (Engelen, 2001). If for example, capital requirements are low, existing distribution channels can easily be used, or government regulation is limited, then it will be easy for others to enter the market and the level of competition will be high. Thus 'rather than simply acquiring a white clientele, effective break-out requires attention to market position, appropriate niches, new product development and the management of human resources' (Curran and Blackburn 1993, quoted in Ram, 1997, p151). For the purposes of this paper therefore 'break-out' is interpreted as being the process of successfully being able to move out of business areas or marketplaces which are crowded-out by other ethnic minority entrepreneurs, into more high value areas of business.

Whilst ethnic minority enterprises are still predominantly concentrated in low value areas several studies have noted a tendency for a growing number of second-generation ethnic minority entrepreneurs to enter more profitable markets (Ram, 2003; Smallbone *et al*, 2007). Smallbone *et al* (2005) for example, identified the distinct contribution made by Asians working in the cultural industries. Others note a gradual increase in those entering professions such as business services and accountancy (Ram, 2003). However an observation of any major urban area with a significant ethnic minority population is likely to reveal a number of low-value added industries that have become dominated by certain ethnic minority groups. A recent review of the available evidence in the UK suggests that Indians and Pakistanis are still principally involved in retailing, especially convenience grocery stores and newsagents. The Chinese are more prominent in the restaurant trade, whilst Pakistanis are strongly represented in transport and communication, in particular taxi driving (McEvoy and Hafeez, 2006). These businesses are all serving mainstream markets but have become dominated by a specific ethnic group.

This tendency, for ethnic minority businesses to be concentrated in a few key sectors, is suggested by some to be related to ethnic resources such as the willingness to work long hours and the availability of cheap family or co-ethnic labour (Waldinger, 1995; Basru, 1998). Others have argued that this masks the influence of the external political and economic environment (Barrett et al 2001, Ram 1993). Racism and lack of alternative sources of employment it is argued account for the greater propensity for many ethnic groups to enter self-employment and their concentration in a few key sectors of the economy. Whilst breaking-out into mainstream markets and moving into higher value-added markets has been found to be hindered by the difficulties many EMBs face in accessing sufficient capital and suitable premises. (Ram et al 2007).

Recent theories have advocated a more interactive framework of ‘mixed embeddedness’ in which the internal ethnic resources and cultural milieu of the ethnic entrepreneur interact with the external influences of the wider economic and institutional environment (Kloosterman et al, 1999). For example, Rath (2002) suggests that the reason why entrepreneurs enter some sectors and not others is due to factors such as government regulation which limits the sectors which many new immigrants are legally allowed to trade in. Thus immigrants are rarely found in the clothing sector in Germany because producers are required to be qualified as Meister and registered in the Handwerksrolle, which is too high a barrier for most immigrants. It is a sector specific configuration of social, economic and institutional processes that accounts for the current situation (Rath, 2002).

In the case of the UK Vietnamese, their history of migration as refugees, their skills, resources, and experience, and the economic context in the UK determined the job and business opportunities that were available to them. Whilst cultural influences such as strong collectivist and family values interact with the former to influence business practice. This is likely to have influenced the business sectors they enter and constrain the ease with which they may or may not be able to ‘break-out’ into new more profitable areas. Thus whilst the focus of this paper is on the role family networks play in business start-up and development an attempt is also made to understand the wider context which also contributes to the business entry decision.

## **RESEARCH METHODS**

The research approach involved a mixture of qualitative methods including interviews, discussions and observation of all aspects of the Vietnamese nail-shop sector in operation. A qualitative approach is thought to be more appropriate when researching the family and its role in entrepreneurship particularly within entrepreneurship research areas that are not well advanced theoretically (Kirkwood, 2007 p.43). It is better able to identify issues such as roles, relationships, tendencies, and interactions, all of which may be important to the operation of the business. Furthermore by focusing on one key sector as a case study, and investigating the various businesses and agencies within it, it is possible to build up a picture of how it operates a whole.

Developing a sample for a study such as this presents a number of challenges. There is no general database of Vietnamese businesses, or indeed EMB enterprises in the UK, and the lack of available data on EMB enterprises has been identified as a major constraint on research and policy development in this area (Dassler *et al*, 2007; Deakins et al 2003). However an earlier mapping study of Vietnamese businesses in London conducted by the author (Bagwell et al, 2003) provided the population from which the individual interviews were selected. This survey identified 284 businesses run by Vietnamese owner managers in the Greater London area of which 108 were nail-shops. Although interviews with key informants and in particular a nail-shop supplier suggested that there might be a further 300 or more nail-shop owners operating in the capital, mainly trading informally

from just a table in a hairdressing salon. This study focused solely on those that were trading legally from formal business premises. Nail-shops can now be found in every borough in London, but tend to be concentrated in areas such as the London boroughs of Hackney and Southwark where the Vietnamese community itself resides. The sample selected was designed to be broadly representative of the geographical distribution of nail-shops in London and was designed to include a mixture of men and women and first and second generation businesses as well as those involved in the supply chain, previous owners and those involved in providing advice to the community. By selecting a number of different businesses and entrepreneurs from different backgrounds the study aimed to identify the range of relationships that might be important to the businesses.

Negotiating access to ethnic minority businesses, and refugee businesses in particular, presents a further challenge. Businesses are naturally reluctant to provide information on what are sometimes informal activities (Masurel and Nijkamp, 2004: Williams, 2007). While refugees' experience of harsh government regimes in their country of origin leads to a natural suspicion of any type of survey or activity which might be associated with officialdom. In this situation a trusted intermediary is required to help negotiate access. For the purposes of this study two Vietnamese-speaking research assistants helped with the recruitment of business participants and enabled the interviews to be conducted in Vietnamese where necessary or preferred by the owner manager. They and their contacts in the community provided vital access to the businesses which would have otherwise been difficult to secure.

The methodology involved in-depth, face-to-face interviews with eight nail-shop owner-managers, a former nail-shop owner now running a Japanese restaurant, and the main Vietnamese nail-shop supplier in London. Interviews were also held with a Vietnamese business advisor and three key informants from the Vietnamese community in order to obtain an overview of the Vietnamese business community as a whole and the key issues (cultural and structural) facing it. The interviews with the owner managers took place in the nail-shops, enabling observations of the business to be made. By interviewing and observing these different aspects of the supply chain it was possible to cross check and triangulate data from different sources and thereby build up a picture of how the sector operated.

The interviews concentrated on the key stages of business development: start-up, operation and development of the business, and who had provided support and information at each stage. A semi-structured checklist was used to ensure that key data was collected about the owner manager, the age of the business, number of employees etc. but otherwise the owner manager was encouraged to tell his or her own 'story' about how the business was established and run. Storytelling is considered less likely to distort the interview process and can provide a 'colourful understanding of how individual entrepreneurs are motivated and how they learn and gain experience' (Johansson, 2004 p. 285). The interviews were taped and the transcripts were analysed using a grounded theory approach (Strauss and Corbin, 1990) and with the help of NVivo software to identify emergent themes. Grounded theory allows a researcher to approach an organisation with a broad inquiring research agenda and subsequently focus upon deeper levels of examination and emergent themes. (Douglas, 2005 p426) It can be used to develop a broader theoretical and practical agenda and can become a foundation for a better understanding of broader entrepreneurship questions.

## **RESEARCH FINDINGS**

### **The opportunity structure**

It is important to place the business entry decision within the context of the wider economic environment in which the Vietnamese community were operating. Many of the older nail-shop owners arrived as refugees in the 1980s, with few skills or qualifications relevant to the UK job

market. Most came from rural areas in North Vietnam and had little prior experience of business, in contrast to the US Vietnamese who tended to be from the more business orientated South. These UK Vietnamese eventually found work in the clothing or catering sector. The clothing sector was a major source of employment for the Vietnamese community in London until its demise in the mid 1990s. As work in this sector diminished alternative sources of employment were sought. The success of the Vietnamese in the nail care sector in the United States, where the fashion for manicures and false nails was already well established, provided the inspiration. The willingness of the Vietnamese to work long hours for low wages and the use of a faster more automated process enabled them to provide the service more quickly and cheaply than traditional beauty parlours thereby making it affordable to a much larger customer base. A further attraction of the nail sector was its low entry costs. Basic equipment and supplies can be brought for about £7,000, an amount that is relatively easy to raise from the extended family. A special 'start-up kit' for new nail-shop owners, together with advice on licensing requirements, which were both available from the supplier, also facilitated start-up.

At the same time the market for nail care services in the UK has also been growing at a phenomenal rate. Over 70% of those responding to a UK wide survey of the nail services sector in 2005 reported a significant growth in sales over the previous 12 months [Hairdressing and Beauty Industry Authority (Habia, 2006)]. It is not surprising therefore that so many Vietnamese perceived nail-shops as being an attractive business proposition. The sector has also attracted a number of recently arrived undocumented migrants who have been able to operate on an informal basis from tables in hairdressing salons. The introduction of Doi Moi or market liberalisation in Vietnam in 1986 has led to a more market orientated economy in which people are freer to travel and trade with the West resulting in a large influx of Vietnamese to the UK. A recent study by the Runnymede Trust (2006 p.8) reported that 'Community organisations have estimated that there may be up to 20,000 undocumented Vietnamese migrants living in the UK'. In addition Vietnamese overseas students are estimated to number over 5,000. No figures are available on the size and nature of the market, but it was clear from our observation of the industry and discussions with owner managers that their customers included women from a range of different cultural backgrounds and income groups, but did not generally include members of the co-ethnic community. As one interviewee pointed out, 'The Vietnamese have many friends doing it for them.'

### Networks and Support for Start-up

A key theme to emerge from the analysis of the interview data was the important role of family members in the United States where nailcare services were well established. Three of the businesses interviewed – the supplier, one nail-shop owner and the former nail-shop owner had learnt the trade working in the United States and had run businesses there for some time before spotting the market opportunity in the UK and bringing the business idea over. As the niece of the nail-shop owners explained:

'My aunt and uncle used to live in California and it was them that set up this business. They had two over there but she got homesick and they came back and set up here. ... I manage it. They are back and forth all the time.'

The nail-shop supplier had worked for suppliers in the US before setting up his own business firstly in Seattle and then in London. His siblings helped run the business in Seattle. He was also in the process of establishing a French market and had assisted about 20 members of the Vietnamese community in Paris to come to London to learn nailcare techniques. These two businesses were the early pioneers who displayed many of the characteristics of transnational businesses. They maintained strong family and economic ties in more than one country, which they relied on for running various aspects of the business. They travelled regularly during the course of their business and tended to be more open to new ideas.



The other businesses interviewed, having observed the success of these early pioneers decided to copy them. The availability of relatives already running nail-shops in the US meant that they could learn the trade in salons there before returning to start-up their own business in the UK. The following scenario was fairly typical.

‘Nearly 5 years ago I went there to see my family over there. I’ve got a cousin there and I heard about nails over there and I stayed there for a year and went to college, I was there for about a month. After that I worked in a salon over there to get experience.’

With this group the presence of relatives in the US provided a useful source of training at the start-up phase, and one or two went back to learn new techniques once their business was established, but the family networks of these businesses tended not to incorporate economic arrangements in the same way as those operating on a more transnational basis. With the increasing number of nail-shops being set up in London later entrants to the market were able to learn the trade from friends and family running nail-shops in the capital rather than travelling to the US. Thus the importance of transnational networks diminished as local networks could provide most of the support required.

As research with other ethnic groups has found (Fadahunsi, 2000; Ram and Smallbone, 2003), the Vietnamese tend to rely on their own social and trusted community networks for business advice in preference to mainstream business advice agencies. With a couple of notable exceptions, which are discussed later, advice for start-up was mainly obtained from family or friends working in the sector or the Vietnamese nail-shop supplier. The latter played a pivotal role providing advice on licensing arrangements, new designs, and brokering on the job training arrangements with existing businesses for those wanting to enter the industry. He claimed to have 900 Vietnamese customers who had all found him through word of mouth – demonstrating the strength of the community network. The interviews confirmed the importance of informal networks based on tight-knit family and community ties. There are no Vietnamese business associations, although attempts have been made recently to set up a Vietnamese Business Association, and none of the businesses belonged to Chambers of Commerce or other business associations. The long hours worked by the businesses, often 10-12 hours a day, 7 days a week, coupled with a lack of trust of outsiders, meant that there was little spare time or inclination for developing new contacts outside their existing network. Thus those businesses with strong overseas family networks had access to a pool of new business ideas that could potentially offer their businesses a competitive advantage. Where others could easily copy the business idea, as is the case in the nailcare sector, this competitive advantage was likely to be short-term.

### Employing Staff

Family networks tended to be used initially for staffing the business and a number of nail-shops had sponsored various members of their family to come over from Vietnam to work for them. One owner explained that his staff were:

‘All family members, cousins, nieces, nephews. .. I want to offer the opportunities to members of the family first. If there is still vacancies I would offer it to other people. ..There is an obligation to do it. I have a responsibility to find them work’ (male nail-shop owner).

This sense of responsibility towards the family is deeply embedded within Vietnamese culture and has been shown to still have a strong influence on the business practice of younger, UK educated business managers (Bagwell, 2006). Thus a reciprocal arrangement operated within the family network in which businesses could obtain cheap loyal labour, and employees obtain work that they might have found difficult to secure elsewhere. However the strength of these network ties sometimes prevented the family members involved in the business from entering more profitable business or employment areas. It was often easier and less risky to stay employed in the family

business than start up on your own. The manager of one business, a 29-year-old woman, who was the owner's niece, and who had grown up and been educated in the UK, explained her dilemma:

‘... people have asked me to go and work for them or set up on my own...European as well. But because it's family I have to be quite loyal to them. They'd probably feel betrayed if I left them. Because it's family you are inclined to put 110% into what you are doing. If everything comes down to you, you sort out all the problems and sort out all the paperwork, but I'm quite lucky in that I have a stable job where I know the people, you are quite flexible if you need time off.’

Where family members were not available or had moved on to establish other nail-shops, local community networks provided a source of employees. As one nail-shop owner explained:

‘It's all Vietnamese people, they get together in one place and they know each other. There is one famous pub in Mare St, full of Vietnamese people...and you get employees from that.’

Most employees worked on a part-time self-employed basis handing over a commission from their earnings to the nail-shop owner. This highly flexible employment arrangement was ideally suited to the growing pool of informal Vietnamese labour entering the UK as students, tourists, or by other means. Other studies have suggested that the availability of illegal migrant workers willing to accept lower wages and poorer working conditions than their legal counterparts offered firms working in certain marginal sectors ‘a lifeline for sheer survival’ (Jones et al, 2006 p134). Similarly, it was evident that the profitability of some Vietnamese nail-shops was dependent on this form of labour and that their transnational family links, in this case with their home country could provide relatively easy access to it. The limited regulation of employees and premises was a further factor. In response to several reports of dangerous practices a code of practice for the industry has been introduced by Habia (2007) but this has yet to be actively enforced. Those operating from properly licensed premises and complying with employment regulations complained that the huge rise in the number of illegal immigrants working in the sector, particularly the growing number working informally from tables in hairdressing salons, was driving down prices and forcing them out of business. Thus on the one hand family networks can provide a cheap source of labour, but on the other hand it can inhibit the introduction of new staff to the business that may bring with them new and possibly more innovative ideas and management practices.

### Diversification and Development

Five of the businesses interviewed had expanded by opening up new branches in other areas with different family members taking responsibility for their management. For example one business owned three nail-shops and the owners' friends and family had a further seven trading under the same name. For these businesses the ability to expand depended partly on the availability of members within the close-knit network who could be trusted to run the new branch.

Two of the businesses interviewed had diversified into new business areas. The female owner of two nail-shops, who was of Chinese Vietnamese ethnic origin, had branched out into Chinese medicine, a trade that she had learnt from her grandfather and uncles in Vietnam. A former nail-shop owner had tried unsuccessfully to run a nail-shop before nail treatments became popular. He then learnt to cook Japanese food from his siblings in the US and cousins in Germany, and decided to open his own Japanese restaurant in London, in partnership with two Vietnamese friends. The daughter of his ‘adopted mother’ provided a lot of business advice as she was, ‘a professional – she has been working in England for 10 years – a lot of the big companies – so she knows about the finances, the council and everything’. He had also enlisted the help of specialist market research consultants in locating a suitable area for his latest venture. Significantly, none of his nuclear family was directly involved in the operation of the restaurant, perhaps leaving him freer to pursue his personal ambitions than some of the other business owners who may have been more constrained by family

loyalties. Thus these two entrepreneurs, whilst still relying on their family for business ideas and training, appeared to have a more diverse range of more innovative and better educated family members within their network than the others. They were also more likely to seek advice and information from sources outside the family and community network, and were less dependent on family members for the operation of their businesses. Crucially they had identified an innovative new business proposition and had researched it thoroughly before launching the business.

The role of education in providing the entrepreneur with a wider range of resources to call on was also apparent in the case of some of the younger nail-shop owners. For example, two of these had studied Health and Beauty at college in the UK and as a result were planning to offer beauty treatments in their salon. One regularly attended beauty shows as a means of seeking out new ideas and had tried a range of suppliers, whilst the other was actively researching the market and had a number of contacts – both English and Vietnamese working in this field. Both showed a greater tendency to rely on the human capital acquired as a result of their training, and, having been educated in the UK had a wider range of weak-ties in their networks.

The newly appointed Vietnamese business advisor, who was attached to an enterprise agency in the London Borough of Hackney, was trying to encourage new business start-ups to enter new and less competitive sectors. As a well-educated woman of Vietnamese origin, with experience of working for both UK and Vietnamese businesses, she had the necessary trust and respect of the community to be able to offer advice and helped her Vietnamese business clients develop links with the wider community. An example of this was the facilitation of a partnership between a Vietnamese start-up business and a UK farmer who was keen to grow traditional Vietnamese vegetables in the UK. Business ideas such as this enable ethnic resources and transnational networks to be exploited, but links to the host community can support their development into viable business propositions.

## **DISCUSSION AND CONCLUSIONS**

This small-scale exploratory study has attempted to provide some insight into how Vietnamese nail shop owners in London use their informal networks to support the development of their business. Two key research questions were posed:

- *How do Vietnamese businesses in the nail-shop sector make use of their networks?*
- *What role might these networks play in facilitating or hindering break-out?*

In response to the first of these questions, the findings emphasize a heavy reliance on strong family network ties for almost everything related to the development and operation of the business. This is in contrast to studies of the general business population, which have tended to suggest that family members' involvement varies depending on the phase of the entrepreneurial process (Greve and Salaff, 2003; Klyver, 2007). The extensive use of family networks is common to many different EMB groups in the UK. In the case of the Vietnamese nail sector however, it is the international family links with relatives in America, which have played a key role, particularly with respect to the development of the business idea and training. Some of these transnational network ties also have an economic basis, in a similar way to transnational enterprises run by the Chinese community. But unlike the Chinese, who have been found to make use of much larger trusted networks or *guanxi*, the networks of the Vietnamese tend to be more tightly confined to a smaller group of family and friends.

In addressing the second question, it is clear that the heavy concentration of the Vietnamese in the nail sector is due in part to the influence of these networks, but not exclusively so, as a range of economic and cultural factors have also been important; thereby endorsing the 'mixed embeddedness approach'. Economic restructuring has provided the push, whilst a growing market for nail care, and co-ethnic ties with the know-how provided the 'pull'. The relative lack of regulation together with low start-up costs has further facilitated entry to the market. Cultural values, which encourage family needs to be considered before individual desires, and even sometimes the best interests of the

business, place an obligation on the individual to help the rest of his or her family. This tends to encourage family members to enter similar business sectors, as information about the business can easily be provided, training given and start-up costs are affordable. The result is the current situation in which the marketplace, in London at least, is saturated and characterised by ruthless competition. The growing number of Vietnamese nail technicians working informally from unlicensed premises and undercutting the properly licensed establishments is creating additional friction within the sector. This is forcing many new and existing businesses to move out of London to seek less competitive markets, but has led one of the more established businesses interviewed to work with Habia to campaign for more stringent regulation of the sector.

This study found that the more innovative businesses tended to have a more diverse range of strong family ties than others, or were younger and better educated and more integrated into mainstream society. The presence of well-educated and more innovative members within the family network appeared to be particularly important for encouraging business diversity and thus 'break-out'. With the younger UK educated businesses, greater exposure to a wider network of loose ties, including sources of information such as the internet, is as one might expect, encouraging them to consider entering other business areas but there remains a tendency to fall back on traditional sectors in which family support is more readily available.

Thus the findings provide some support for previous research, which has highlighted the benefits of a more diversified mix of strong and weak-ties (Davidsson and Honig, 2003) and emphasised the importance of human capital to successful enterprise development (Marger, 2001). However, the study has also identified the limitations of the strong/weak ties thesis when applied to cultures with extended family networks and a more collectivist value system. With such groups strong family ties can exist across a wider family grouping and transcend national boundaries. Where an entrepreneur's 'strong – ties' are situated in a completely different country and culture they can provide access to a wider range of ideas and information that may benefit the business and encourage innovation. The entrepreneur may also be able to draw on additional expertise or 'human capital' from within his/her family network and this may help compensate for his or her own limited knowledge or contacts. This suggests that in such situations it is necessary to look at the nature of the social and human capital within the extended family rather than just those of the individual entrepreneur.

This study has focused on a single business sector that is important to one particular ethnic minority group. There is a need to caution therefore against assumptions that the results of this study could be applicable to ethnic minority businesses as a whole. Further research is needed to look at other ethnic minority groups and different business sectors. The role of informal labour and its links to the transnational movement of migrant labour would also be interesting, although difficult, to explore further than has been possible in this study.

Despite its limitations this study does raise some important issues that policy and enterprise support programmes designed to assist groups such as the Vietnamese, need to take into account. First, it is important to understand the global influences that can affect even the most micro-level businesses serving a small-scale local market. As has been shown here, these can affect the flow of labour and the competitive nature of the marketplace. Second, there needs to be a greater level of awareness of the influence that the transnational Diaspora can have on business development. Strong transnational network ties can provide a fertile source of new business ideas and could be further exploited. In assisting entrepreneurs explore how they could use these network ties it is important to understand that in many cultures these links can include those of the extended family, thereby offering a much wider resource than is generally available to UK white entrepreneurs. These links need to be fully appraised to ascertain the competitive advantage they might bring to the business and to ensure that business ideas developed are not in areas that can be easily replicated by others. Whilst these 'strong' transnational extended family ties can provide a source of new ideas, a diverse network of local advisors who can facilitate access to the necessary human and financial capital is needed to

help translate these ideas into viable businesses in the UK. Thus new and existing entrepreneurs need to be encouraged to develop networks with a wider range of ‘weak-ties’/individuals outside the family network. Given the Vietnamese community’s lack of trust of outsiders it is suggested that trusted individuals from the community who can act as a ‘bridge’ to mainstream sources of support are vital to this process.

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