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FROM 'BREAK OUT' TO 'BREAKTHROUGH': SUCCESSFUL MARKET STRATEGIES OF IMMIGRANT ENTREPRENEURS IN THE UK

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ABSTRACT

This paper explores the strategies that enable ethnic minority immigrant entrepreneurs to 'break out' of local ethnic markets and 'break through' into more promising markets with greater opportunities. It analyzes the contextual and personal characteristics of the entrepreneurs that implement those strategies, based on a primary survey of South Asian entrepreneurs in the UK. The analysis suggests that breaking out of co-ethnic customer markets is neither necessary nor sufficient for entrepreneurial expansion. The critical factor is the entrepreneur's ability to break through into customer markets that are larger, by geographical reach or profit margins and value added. Many successful immigrant entrepreneurs leverage market knowledge of their home countries. At the same time, the more successful entrepreneurs break out of ethnic labor markets by hiring non-ethnic employees. The capacity to 'break out' and 'break through' into larger, global markets, is strengthened by the entrepreneur's education, experience, access and ability to leverage international business networks, and agility to move into more promising markets.

INTRODUCTION

It is, by now, widely acknowledged that ethnic minority immigrants have a high propensity towards entrepreneurship and contribute positively to economic development. Recent studies have highlighted the significant contribution made by immigrant entrepreneurs from India, China, and other countries, to innovation and job creation in the US (Anderson & Platzer, 2006; Fairlie, 2008; Wadhwa, Saxenian, Rissing, & Gereffi, 2008). Ethnic minority entrepreneurs, many of whom are immigrants, are overrepresented among the population of entrepreneurs in the Netherlands (Kloosterman, 2003) and the UK (Levie, 2007). Although entrepreneurship has been the route to upward economic and social mobility for some ethnic minority immigrant entrepreneurs, for others it has been an economic dead end (Barrett et al., 2001). Much of the literature on ethnic minority immigrant business owners, especially in Europe, focuses on the disadvantages faced by them and the small average size of the firms they own, and neglects to analyze how and why a significant number of ethnic minority immigrant entrepreneurs have succeeded in expanding their businesses. In recent years, the term 'break out' has been used in the context of ethnic entrepreneurs who break

with the exclusive reliance on ethnic markets (Ram & Jones, 1998). However, there are few scholarly accounts of the process of 'break out', the nature of marketing strategies developed by successful immigrant entrepreneurs and the underlying factors that enable some immigrant entrepreneurs to implement these strategies and overcome existing market barriers.

What are the market barriers and opportunities facing ethnic minority immigrant entrepreneurs? How do they negotiate those market conditions? How and why do entrepreneurs facing similar market structures adopt different market strategies? What are the key features of 'break out' strategies and do they relate to product markets or factor markets? What are the factors that support or obstruct entrepreneurs in adopting 'break out' strategies? Is 'break out' necessary or sufficient or is 'breaking through' into new markets equally important?

This paper aims to shed light on the above questions. It also attempts to provide a taxonomy of the alternative market strategies that immigrant entrepreneurs might adopt. It goes on to explore the characteristics of 'break out' and 'breakthrough' strategies, and the personal and contextual characteristics of the entrepreneurs that implement them.

LITERATURE REVIEW: SOME KEY ISSUES

Many of the market barriers facing ethnic minority immigrant entrepreneurs are similar to those facing small businesses in general. These include the difficulties of attracting initial customers, competing with entrenched competitors and building a reputation in the marketplace. Securing formal financing is also a challenge for a newly started small business (Storey, 1994).

While the foregoing challenges are common to all small and newly started businesses regardless of ethnicity, they are likely to be exacerbated in the case of immigrant entrepreneurs who are less familiar with the host country market in terms of prevailing supply and demand conditions, the nature of competition, business culture and business practices, and government regulations. The lack of fluency in the host country's language among some ethnic minority immigrants adds to their difficulties of negotiating market barriers. These problems are captured by the concept of ethnic disadvantage, which asserts that immigrants are at a relative disadvantage in the labor market since they often lack language and career-related skills, which blocks their market opportunities (Mason, 2003). Due to their lack of appropriate educational qualifications and lack of capital, immigrants tend to establish businesses at the lower end of the opportunity structure. Previous research suggests that ethnic minority entrepreneurs face greater market barriers because they tend to be located in inner city areas characterized by low effective demand, poor infrastructure and above-average crime rates (Aldrich et al., 1984; Barrett et al., 2001). It also suggests that ethnic minority entrepreneurs face greater financial barriers, compared with small firms in general, to accessing credit at business start-up in the UK (Bank of England, 1999). The latter may be related to, arguably, the main barrier faced by ethnic minority businesses, namely, hostility and suspicion from the host community, and racism (Ram & Jones, 1998).

It is traditionally assumed that immigrants begin in occupational and residential clusters in which proximity to co-ethnics promotes continued interaction within the co-ethnic community. The tendency for ethnic minority immigrant entrepreneurs to be concentrated in certain business sectors and niche markets may be at least partly a consequence of the informational, linguistic, spatial and financial barriers described above. Kloosterman et al. (1999) advance the notion of 'mixed embeddedness' to emphasize the interaction of socio-economic and ethno-cultural factors in shaping the nature of immigrant entrepreneurship.

Although ethnic market niches catering to the demands of the ethnic population have enabled ethnic minority entrepreneurs to establish businesses, there is some dispute about the nature and sustainability of market opportunities offered by ethnic enclave economies and ethnic niches. The terms ethnic enclave and ethnic niche are frequently used interchangeably and refer to a geographical cluster of immigrants from the same ethnic minority community. The cluster is residential and occupational, implying that immigrants from the same community not only live in close proximity to each other but also work in the same sector, often for each other. Most scholars agree that the ethnic economy offers initial opportunities created by markets that are abandoned or underserved by the host community. Ethnic residential areas offer a 'protected market' and 'captive prices' for ethnic goods and services (Aldrich & Waldinger, 1990). However, there are two alternative views regarding the future trajectory of immigrant businesses operating within ethnic economies.

One view, which is rapidly gaining popularity, emphasizes the opportunities of continuing to operate within the ethnic economy. These opportunities stem from the resources available to immigrant entrepreneurs through their ethnic community networks and ties. These ties represent social capital based on mutual trust and solidarity stemming from a common ethnic origin, and provide access to valuable resources such as a reliable pool of labor, information about market opportunities and financial support (Coleman, 1988; Werbner, 1990). The immigrant entrepreneur's location within the ethnic enclave is therefore beneficial and creates opportunities for social mobility that may not be available outside the enclave (Loury, 1998; Portes & Bach, 1985). An implication of this argument is that breaking out of the ethnic enclave is unnecessary for entrepreneurial success. However, empirical research provides only limited support for this view. In the case of the US, while some groups like the Cubans in Miami and the Chinese in San Francisco and New York display ethnic enclave characteristics of immigrant entrepreneurs employing co-ethnic workers, other groups like the Koreans, Asian Indians, Greeks, Israelis and Russians do not rely on co-ethnic labor and are much more likely to display middleman minority characteristics of selling to customers outside their own community (Waldinger and Der-Martirosian, 2001). Bates (1994) finds that heavy reliance on social support networks is more common amongst less successful Asian small businesses in the US. In Europe, research in the Netherlands suggests that ethnic minority businesses operating within ethnic enclaves are severely constrained by the need to cut costs to survive in highly price-competitive markets (Kloosterman et al., 1999). In the UK, research suggests that entrepreneurs who

lower their reliance on co-ethnic labor and co-ethnic customers, and instead serve larger markets are more likely to own faster growing businesses (Basu & Goswami, 1999).

A contrasting set of arguments is that the capacity of entrepreneurs operating in the ethnic economy to expand their businesses is limited by the size of the ethnic minority population. This is the essence of the ‘break out’ argument, namely, that “the unwillingness or inability of minority entrepreneurs to attract custom from outside of the local ethnic minority community is a key constraint on the viability of ethnic businesses” (Ram & Jones, 1998:40). The best way to ‘break out’ of local ethnic market niches is to pursue a non-ethnic and non-local market strategy. This implicitly assumes that breaking out of serving co-ethnic and local customers is both necessary and sufficient for the long-term viability of ethnic minority businesses. It neglects the entrepreneur’s behavior in factor markets, specifically, their reliance on co-ethnic labor, co-ethnic sources of capital, and co-ethnic suppliers. Moreover, it assumes that ethnic entrepreneurs start out by serving the local ethnic market, so that ‘breaking out’ of those markets is always necessary.

Waldinger, Aldrich, Ward, & Associates (1990) provide a more sophisticated version of the ‘break out’ argument, even though they do not explicitly use the term ‘break out’. According to them, immigrant entrepreneurs have two options for branching out of the ethnic economy. Either the immigrant entrepreneur can pursue a middleman minority strategy of supplying goods and services to the wider community while relying as before on co-ethnic networks for resources. Or the entrepreneur could begin to assimilate by weakening co-ethnic ties, offering goods and services typical of an indigenous business and running the business in the same way as the majority community. As Waldinger (2001:16) notes, “the search for opportunity soon leads to dispersion, along one dimension if not several, lowering exposure to ethnic insiders”. Even though Waldinger et al. (1990) offer an insight into how ethnic entrepreneurs might break out of ethnically focused market niches, their ability to do so is acknowledged to be “a continuing source of debate” (Ram & Smallbone, 2003: 153). An important aspect ignored both by Waldinger et al. and Ram & Smallbone is the role of socio-economic resources like the educational levels of migrants, emphasized by Light (1984), in stimulating entrepreneurial expansion. Nor do these arguments adequately emphasize the role of managerial ability in influencing market break out.

‘BREAK OUT’ AND ‘BREAKTHROUGH’ MARKET STRATEGIES

The concept of ‘break out’, as already stated, refers to ethnic minority entrepreneurs breaking out of exclusive reliance on the co-ethnic market (Drori & Lerner, 2002; Ram & Jones, 1998). Ram & Jones (1998) try to explain market ‘break out’ strategies using two dimensions: local versus non-local and ethnic versus non-ethnic customers. They conclude that entrepreneurs adopting a non-local, non-ethnic customer market strategy have the best chance of achieving successful break out. Several issues need further clarification. What are the critical success factors that allow ethnic entrepreneurs to ‘break out’ of local ethnic markets, and moreover, to ‘break through’ into more

promising markets with greater opportunities? Prior research highlights the role of financial resources and human resources in enabling ethnic entrepreneurs to break out of less promising markets (Drori & Lerner, 2002; Ram & Jones, 1998). However, as Drori & Lerner (2002: 140) note, “portraying breaking out as a clash of two ‘cultures’ (ethnic-local and non-ethnic, non-local) reflects an underestimation of the ethnic enterprise’s agility and flexibility”.

The concept of market ‘breakthrough’ asserts that ethnic minority entrepreneurs can target and serve national or global ethnic markets right from business inception, instead of starting out in local markets and gradually breaking into non-local markets. Recent technological developments in internet communication and wireless connectivity make it feasible for ethnic entrepreneurs to reach a much larger customer base across multiple countries, while operating at relatively low cost. Moreover, breaking through into larger markets may not necessitate breaking out of ethnic customer markets, as posited by Ram & Jones (1998), provided the entrepreneur can reach out to co-ethnic customers in diverse geographies. Thus, the concept of market ‘break through’ asserts that immigrant entrepreneurs can serve larger, national or international, markets soon after business start-up, and do not necessarily have to ‘break out’ into larger markets at a later stage.

A distinction can be drawn between breaking out of local ethnic customer markets, as suggested by the concept of ‘break out’, and breaking out of local ethnic factor markets and co-ethnic networks. While ethnic entrepreneurs have tended to rely on co-ethnic labor (Waldinger et al., 1990), that can also hinder growth when more skilled employees are needed to meet market demand (Drori & Lerner, 2002). It is possible to distinguish between two dimensions of labor: ethnic, non-ethnic and local, non-local, where ethnic, non-ethnic refers to the strategy of establishing offshore operations in the ethnic entrepreneur’s country of origin, and non-ethnic, non-local refers to establishing offshore operations in a third country. Successful transnational entrepreneurs are increasingly adopting the latter strategies, as noted by Saxenian (2006).

Finally, the question remains as to what extent market ‘break out’ and ‘breakthrough’ are attributable to external factors like the local economic environment and government policy as opposed to internal factors such as the entrepreneur’s own competencies and experience.

This paper aims to address the above issues while focusing on the experience of entrepreneurs of South Asian origin located in London and south-east England. The analysis is based on a report on the contribution of Asian businesses prepared by the author for the London Chamber of Commerce and the Mayor of London (henceforth referred to as LCC, 2001) and a primary survey of 195 immigrant entrepreneurs of South Asian origin operating in the UK. Although the data were gathered some years ago, it is believed that the lessons drawn from the analysis are just as relevant today as they were a decade ago.

SOUTH ASIAN ENTREPRENEURSHIP IN THE UK

The historical connection between Great Britain and the Indian sub-continent led to a tradition of South Asian immigration to Britain, although the size of the British Asian population remained relatively small until 1950. The number of people arriving from the Indian sub-continent increased after the Second World War, motivated in part by employment opportunities created by the labor shortage in post-war Britain.

The 1991 Census of Britain was the first Census to provide economic information by ethnicity. Indians, Pakistanis, and Bangladeshis, were three of the categories identified by the Census. The data on self-employment indicated that South Asians had a higher propensity towards self-employment than the average for the total British population. They accounted for just over 2% of Britain's working age population but formed nearly 4% of its population of self-employed with employees (Basu, 1998). In other words, working age South Asians were twice as likely to be employers than their average British counterparts. A decade later, data showed that 15% Indians and 19% Pakistanis/Bangladeshis were self-employed compared with 7% Blacks and 12% Whites (ONS, 2002). According to latest available figures, the trend remained unchanged, except that Pakistani self-employment increased to 21% (ONS, 2005). The relatively higher propensity for self-employment among South Asians was supported by estimates of business ownership. For instance, South Asians accounted for 9.3% of London's population but owned around 11% of London's private sector businesses (LCC, 2001). These estimates highlight the significance of South Asian entrepreneurship in the UK.

South Asians in Britain have traditionally focused on sole trader retail and restaurant sectors, and remain concentrated in the retail, wholesale and business services sectors (LCC, 2001). Nationally, Asian retailers accounted for three-quarters of all independently owned retail outlets (*ibid.*). There are several reasons for this concentration. Firstly, the propensity to enter the food sector and establish ethnic groceries and restaurants is common among most immigrant communities. This is because immigrants commonly feel nostalgic about the food from their home country and desire the same items that they consumed prior to migration, which creates a market niche for selling food products that were consumed in the home country, through the establishment of ethnic catering and retail outlets as well as import and wholesaling businesses. As with the ethnic food sector, the increase in South Asian migration to the UK also led to the demand for traditional ethnic clothes and the creation of a small market niche to cater to this need. Secondly, many of the South Asians who migrated to Britain from East Africa in the early 1970s had been traders and shopkeepers in East Africa and therefore had prior experience of retailing and distribution. It was only logical for them to establish the same types of businesses in Britain. Thirdly, many of the South Asians who migrated to the UK from the Indian sub-continent in the 1950s and 1960s came to work in factories in the north of England. When these factories and mills started to close down, they became self-employed in sectors like retail, distribution, catering and small-scale garment

manufacture that offered lower entry barriers. Finally, since entrepreneurs tend to establish businesses that draw on their prior work experience and since many South Asian immigrants initially worked for co-ethnic employers in the catering or retail sectors, their decision to enter these sectors may be regarded as path dependent on their prior experience. This relates to the concept of the ethnic economy or ethnic enclave discussed in the previous section.

Although most self-employed South Asians in Britain owned micro- or small businesses with less than 10 employees, evidence has pointed to the emergence of a small but significant number of affluent South Asian entrepreneurs whose names appear in annual Rich Lists compiled by mainstream newspapers (LCC, 2001). Since these successful entrepreneurs form only a small proportion of the total population of British South Asian entrepreneurs, it is important to understand the factors that contributed to their success.

METHODOLOGY AND SAMPLE PROFILE

Given the difficulties of identifying a population of entrepreneurs based on their ethnic origin, the entrepreneurs interviewed for the primary survey were chosen from a database of 835 entrepreneurs constructed by the author using a range of published databases like Dun and Bradstreet, FAME and ICC directories and from unpublished sources including lists of entrepreneurs prepared by the High Commissions of Bangladesh, India, and Pakistan, and the use of snowballing techniques. The sample was unique in that it focused on owners of relatively larger businesses, with sales of £2 million or more per annum or a minimum of 10 employees. The author and her research assistants carried out in-depth interviews with 195 entrepreneurs during 1996-98 (28 of them were re-interviewed in 2001-02 for a related study) to understand their motives for migration and business entry and the way in which they had succeeded in expanding their businesses in the UK. The entrepreneurs interviewed migrated to the UK from Bangladesh (22), India (82), Pakistan (37), and East Africa (54), and were located predominantly in South East England, in and around London.

The 195 entrepreneurs were engaged in a variety of sectors, including manufacturing (25.1%), wholesale (39%), retail (14.4%), catering (14.9%), international trade (36.9%) and other business services (26.2%). They worked in a wide range of industries, including food (27.2%), clothing (18.4%), consumer products (16.9%), electronics and information technology (10.2%), machinery and industrial products (13.8%), pharmaceuticals (2.5%), hotels, travel and tourism (10.4%), car dealerships (2.1%), medical care and insurance (2%), commodity brokerage (3.6%) and property (9.1%). This highlights the diversity of businesses in which they were engaged, spanning not only food and retail distribution but also knowledge-intensive, high technology sectors, which contrasts with the conventional wisdom that South Asians in the UK operate only in marginal, low technology sectors characterized by low entry barriers.

A majority (115 entrepreneurs, 59% of the sample) had fathers who were in business, implying that they belonged to a business family. Over half (54.5%) were graduates and just over half (50.3%) obtained business experience prior to setting up their own business.

Nearly three-quarters invested their personal savings in the venture at start-up. By contrast, only slightly over one-third used family funds at start-up. They started with relatively small amounts of capital, a majority with £10,000 or less. This suggests that they entered markets where entry barriers, in terms of the financial capital required, were low. On average, they worked around 80 hours a week at business start-up.

Most (over 90%) of the entrepreneurs had been in business for at least 10 years at the time of our interviews and only one business was less than 4 years old. Thus, most of these entrepreneurs owned well-established businesses that were viable in the sense that they had survived over a reasonable period of time. A majority recorded annual sales of between £2 million and £10 million at the time of our interviews, while a quarter recorded sales above or below this range, respectively. This was consistent with the intended focus of the research on relatively larger businesses. The same pattern was reflected by employment data: 17 entrepreneurs had fewer than 10 employees while a majority had between 10 and 50 employees (median value: 35 employees) and 17 entrepreneurs owned significantly large businesses with over 300 employees. For the purpose of investigating our research questions, we used a stricter criterion for long-term business viability by equating it to the rate of growth in sales since start-up (at constant prices).

A majority (55%) of the entrepreneurs interviewed had at least some business links with their home country at the time of interview. A high proportion (70%) of those who had business links with their home country had self-employed relatives living abroad. This suggests that many of the entrepreneurs interviewed had family or social networks that crossed national boundaries.

To understand the key features of market 'break out' or 'breakthrough', we examined the client market characteristics of the entrepreneurs surveyed, the nature of their factor markets, primarily the reliance on co-ethnic labor, and their market strategies. Based on the ethnic business literature, we would expect a negative relationship between the reliance on co-ethnic customers and growth in sales, the latter being a proxy for long-term viability of the business. This relationship was investigated in three ways: by evaluating the experience of entrepreneurs who relied exclusively on co-ethnic customers, the experience of the fastest growing entrepreneurs in the sample, and using econometric analysis. A similar line of investigation was pursued with regard to the reliance on co-ethnic labor. The determinants or critical factors that allowed entrepreneurs to break out were evaluated primarily by analyzing the experience of the entrepreneurs owning the fastest growing businesses in our sample. Where possible, the findings were compared with those emerging from econometric analysis conducted on the sample as a whole.

FINDINGS – CLIENT MARKET CHARACTERISTICS

On average, the reliance on co-ethnic customers was limited. The mean proportion of co-ethnic customers for the sample as a whole was 30%. Half of the 195 entrepreneurs had 12% or fewer South Asian customers and a quarter (51 entrepreneurs) had no South Asian customers at all. This suggests that a majority of the entrepreneurs included in our survey had achieved at least partial break out from the ethnic market. Nevertheless, 10 entrepreneurs catered exclusively to South Asian customers and 66 entrepreneurs (one-third of those interviewed) had 50% or more co-ethnic clients. Of these 66 entrepreneurs who catered largely to the co-ethnic community, a majority (53% or 35 entrepreneurs) were engaged in wholesaling activities. In fact, an analysis of variance of the mean share of co-ethnic customers by industry and sector using our sample data suggested that those in wholesaling were significantly more likely to have a higher proportion of co-ethnic customers (mean: 41%) than those in other sectors (mean: 24%). No significant variations were found in the ethnicity of clientele for the other sectors or by industry.

On examining the characteristics of the ten entrepreneurs who relied exclusively on co-ethnic customers, we found that none fits the traditional stereotype of the ethnically disadvantaged immigrant entrepreneur operating in a narrow ethnic niche market. None of those 10 entrepreneurs was engaged in retailing. A majority (7) were in wholesaling or international trade, which implies that they operated business-to-business (B2B) rather than business-to-consumer (B2C) businesses. Four were in the food industry. They included a leading importer and wholesale distributor of ethnic (Indian) and British food products and spices to Asian ‘cash and carry’ stores and groceries around the UK, a producer and distributor of beverages who supplied Indian restaurants across the UK and also ran a publishing business, a confectioner of Indian sweets, and a restaurateur who also owned a real estate agency. A further four were involved in the import and distribution of consumer products like shoes, toys, and electronic products. One owned a travel agency located in the Bangladeshi-dominated area of Tower Hamlets in East London and was also engaged in international trading. Lastly, one entrepreneur owned a property business. All except the confectioner and the property owner-manager had diversified their businesses in terms of the products or services that they offered. Moreover, while they focused on co-ethnic customers, partly due to the nature of their businesses, their market was not geographically restricted to the locality in which they were based, except in the case of the property owner-manager. The mean growth rate in sales since start-up recorded by these 10 entrepreneurs’ businesses was 23.3%, which is significantly higher than the mean of 16.8% recorded by the entire sample of 195 entrepreneurs. Except for the property owner who experienced negative growth, all the others performed well, with some like the beverage supplier achieving remarkable rates of growth (his case is evaluated in detail subsequently, when investigating the fastest growing businesses).

The experience of these entrepreneurs suggests that heavy reliance on co-ethnic community clientele need not jeopardize an entrepreneur’s chances of achieving business growth, especially,

if the client base is not restricted to the firm's immediate neighborhood and is composed of co-ethnic business owners rather than individual consumers. Thus, breaking out of co-ethnic market niches may not be essential for ensuring the viability of an ethnic business so long as entrepreneurs are able to break through into a wider market niche (on a national or international scale) albeit ethnically defined. Breakthrough into a wider market is achieved both via geographical expansion as well as diversification of the product (or service) portfolio offered to the co-ethnic market.

FACTOR MARKET CHARACTERISTICS

The reliance on co-ethnic labor was more evident than the reliance on co-ethnic customers, with the mean proportion of co-ethnic labor being 48% (compared with 30% for co-ethnic customers). Further analysis revealed that there was a significant positive correlation between the reliance on co-ethnic customers and co-ethnic employees (Pearson correlation coefficient = 0.212, $P = 0.003$). This implies that entrepreneurs who employed a high proportion of co-ethnic labor tended to cater to co-ethnic customers. Nevertheless, there was significant variation among entrepreneurs, with 20 employing no co-ethnic workers and a quarter having 10% or fewer co-ethnic employees, whereas another quarter relied heavily on them, with 80% or more co-ethnic employees, and 18 entrepreneurs employed only co-ethnic workers. This variation appears to be linked to the nature of business and also to the location of the business, whether or not in an ethnic population-dominated area, as mentioned by some of the respondents.

Entrepreneurs engaged in catering relied significantly more on co-ethnic labor (mean: 77%) than those in other sectors (mean: 43%), which may be due to the fact that since most caterers operated 'Indian' restaurants or take-aways, they employed chefs from their own community to ensure that their food was authentic. Many hired South Asian waiters, to retain the ethnic ambience of their outlets. In contrast, entrepreneurs in 'other business services' relied significantly less on co-ethnic labor, which could be attributed to two main factors. Firstly, entrepreneurs in professional businesses like consultancies and IT services had to employ people with suitable qualifications and could not simply employ their community friends and relatives unless they had the requisite skills and qualifications. Secondly, many owners of professional businesses that targeted the wider, host community believed that their customers preferred to interact with individuals from the host community. It therefore made business sense for them to hire employees from the host community.

The survey data indicated some reliance on ethnic sources of supply, in the form of co-ethnic suppliers and business links with the home country. While one-third (65 of 194) of the entrepreneurs interviewed had no Asian suppliers, the remaining relied at least to some extent on co-ethnic suppliers, the mean share of reliance being 26%. Again, there was a significant positive correlation between the reliance on co-ethnic customers and co-ethnic suppliers (Pearson correlation coefficient = 0.202, $P = 0.005$). This implies that entrepreneurs who relied heavily on co-ethnic customers also tended to rely on co-ethnic suppliers.

An analysis by sector and industry indicated that restaurateurs and caterers were significantly more likely to purchase from co-ethnic suppliers (mean reliance: 42%) compared with other groups (mean: 24%). As with the reliance on co-ethnic labor, this behavior is explained by the fact that in order to serve authentic ethnic cuisine these entrepreneurs required authentic ingredients and spices, which were mostly supplied by co-ethnic wholesalers. At the other extreme, entrepreneurs in 'other business services' were least likely to have co-ethnic suppliers and a majority had no co-ethnic suppliers. This is not surprising given the nature of their business. Of the 15 entrepreneurs who relied exclusively on co-ethnic suppliers, 8 were engaged in international trade and imported products from their home country, 5 were in food retail or catering and relied on co-ethnic suppliers and 2 were garment producers who sourced fabrics from their home country. When asked whether their buying behavior reflected positive discrimination in favor of co-ethnic suppliers, all the entrepreneurs denied adopting any form of discrimination and stated that their buying decisions were driven ultimately by the quality and type of products they required, and cost considerations.

As already mentioned, over half of all the entrepreneurs interviewed had buying or selling links with their home countries. Interestingly, half (26) of the 51 entrepreneurs who claimed to have no Asian customers had trading or other business links with their home country, and a majority (15) of the 26 that had such links also had self-employed relatives living abroad, mostly in their home country. Thus, even entrepreneurs who did not sell to South Asian customers, utilized their connections, knowledge of products and, in some cases, cheaper production costs in their home countries to gain competitive advantage in the British market.

MARKET STRATEGIES OF HIGH GROWTH ENTREPRENEURS

An analysis of the market strategies and competitive advantage of the ten entrepreneurs whose businesses recorded the fastest rates of growth in our sample, and who had been in business for at least five years at the time of our interviews, contributed towards an understanding of the key features and determinants of break-out.

Table 1. Market strategies of entrepreneurs owning fastest growing businesses (listed in descending order of their average annual sales growth rates)					
CODE	Nature of Business	Years in business	Average annual sales growth since start-up*	Growth strategy	Competitive advantage
A	Food processing & catering	7	96%	Replication (1 to 3 restaurants); extension into production & retail of pickles, bulk catering to new market segments.	High quality, innovative Indian cuisine; investment in staff training; multi-media publicity

Table 1. Market strategies of entrepreneurs owning fastest growing businesses (listed in descending order of their average annual sales growth rates)					
CODE	Nature of Business	Years in business	Average annual sales growth since start-up*	Growth strategy	Competitive advantage
B	Shipping, air cargo, offshore oil, oil transport, restaurants	13	73%	Product/service diversification (from shipping to other business) & market breakthrough (India to Middle East, UK, Europe and China)	Low cost sourcing from home/other countries and new country markets.
C	Design, manufacture, servicing of parts & machines, e.g., dust control equipment, steel fabrication	16	54%	Focus on one business sector; breakthrough into new client markets	Customer care “at the right time”, constant search for new market segments; stable partnership
D	Beverage producer & distributor	8	54%	Focus on ethnic niche market at national level; backward integration into production; diversification into publishing	Low cost sourcing from home country; emphasis on marketing, advertising, building brand name
E	Cloth wholesaler	12	53%	New client markets through backward integration (retail to wholesale: B2C to B2B); change in product line	Low cost sourcing from home country; emphasis on fabric quality
F	Electronic components & connectivity products distributor	5	51%	Focus on one business sector; acquisition of businesses in similar line	Low cost sourcing from home and other countries; supplier relations Partnership with British professional; customer service
G	Shipping, international freight forwarding import/export	10	46%	Focus on one type of business; extension of services offered (land, sea and air freight)	Trade links with home & other countries; efficient, reliable customer service, value for money
H	Import & distribution of diesel engine parts	12	46%	Focus on one business and niche market	Low cost sourcing from home country; emphasis on customer service

CODE	Nature of Business	Years in business	Average annual sales growth since start-up*	Growth strategy	Competitive advantage
I	Commodity trader	8	45%	Diversification of products (metals to chemicals, energy products), markets (W. Europe to C. & E. Europe, Middle East)	Low cost sourcing and responsiveness to market demand in developed and developing countries
J	Production of ethnic chilled food, frozen and ready meals	9	44%	Break out from ethnic market to national, mainstream market; extension from snacks to meals, perishable to long-life (frozen) foods, Indian to other ethnic foods	Authentic food; investment in food processing technology

* At 1990 prices.
Source: All information provided at the time of interview.

As Table 1 indicates, all but two of the entrepreneurs owning the ten fastest growing businesses in our sample broadly focused on one main business sector. However, all displayed ingenuity in breaking through into new market segments both nationally (in the UK) and internationally through product line extensions, diversification of products and services, and by identifying new users of their products and services.

For instance, Entrepreneur A who trained as a chef with a leading Indian hotel and catering group before setting up his own business, not only replicated his business concept of a trendy Indian restaurant by establishing a chain of three restaurants but also branched out into producing pickles and chutneys retailed through his restaurants and undertook bulk catering of frozen meals to outlets in London and Brussels, sandwiches for hospitals, offices and retail outlets and snacks for pubs, parties and office lunches in London. The move into bulk catering enabled him to reduce his reliance on individual consumers (B2C) towards organizational buyers (B2B market). He subsequently published an Indian recipe book and appeared on several radio and TV programs, which gave him much needed publicity in a market that grew rapidly in the 1980s and early 1990s, and was fast approaching saturation with approximately 8,300 'Indian' restaurants as of 2001 (Basu, 2002). He won numerous awards for the culinary standard of his restaurants and for his emphasis on staff training. He received an MBE in 2000 'in recognition of his knowledge, skill, commitment and expertise in the restaurant and catering industry'. His experience illustrates how an entrepreneur

operating in a highly competitive, crowded and increasingly mature market can nevertheless be successful by identifying new customer segments and doing something different compared with competitors' offerings. It shows that market breakthrough can occur even if the entrepreneur focuses on 'ethnic' products, provided the products are valued by multiple or larger market segments. The latter requires that the products meet, if not exceed, industry standards. Entrepreneur A's example highlights the importance of investing in high quality products and in employee training to build a first-rate reputation in a competitive market.

Entrepreneur C studied mechanical engineering at a further education college in England and worked as an apprentice in an engineering company before starting his own business with a former colleague who belonged to the same ethnic community as himself. Their new venture focused on products in C's field of expertise but the partners succeeded in finding and developing new market segments for their dust control equipment and other services ranging from bakeries to coal mines. C also obtained a vocational diploma in management. His example highlights the fact that ethnic minority entrepreneurs can 'break through' into mainstream markets right at the start by acquiring educational qualifications and technical skills that equip them to work in non-traditional businesses. Thus, it is not necessary for ethnic entrepreneurs to move sequentially from co-ethnic to non-ethnic markets. More generally, C's example illustrates the benefits of being focused on one core sector but not being too narrowly focused on one target market.

Entrepreneur D, who graduated with a law degree from one of Britain's most prestigious universities, initially subcontracted the production of his branded beer to a producer in his home country, India. He also started a trade magazine for Indian restaurateurs in Britain, which was a clever means of promoting his beer brand to these restaurateurs who were his main clientele. In 1997, he moved production to the UK. Although the brand was initially positioned as an ideal accompaniment to Indian curry, and continued to be marketed on this basis not only in the UK but also exported on a smaller scale to several European countries, D later repositioned the brand (with the help of a new advertising agency) as a non-gassy beer ideal for any food. Gradually, his marketing efforts were directed towards all restaurants, pubs, and national supermarket chains in Britain. The main rationale for this change was D's belief that an ethnically defined market segment, even on a national scale, would constrain growth. In the long run, the key to the brand's success would be determined by its ability to break through into wider, mainstream markets. D's example suggests that while a focus on ethnic business customers can lead to a viable business in the short-term, in the long-term it may be necessary to seek wider market opportunities, either in international markets or by targeting mainstream customer segments in the host country market.

Entrepreneur F obtained an MBA from a leading business school in the UK and worked in London for 10 years before setting up his own business for the import and distribution of electronic components with two of his British colleagues. Some of the components were imported from his home country (India) while most other products were imported from the Far East. He later expanded the business by first acquiring a company that imported and distributed connectivity products and

later acquired a second company engaged in distributing integrated circuits and related products. The acquisitions, which were made possible because of the involvement of a business angel, meant that F had to cede part ownership of the business to the angel investor, but it enabled him to diversify into several related market segments. Thus, by acquiring human capital in the form of higher education and prior experience, Entrepreneur F was able to pursue a market breakthrough strategy.

Entrepreneur G expanded his business by moving from shipping into all modes of international forwarding and international trade. In 1999, his company won the Queen's award for export achievement in the UK.

Entrepreneur J began by supplying Indian snacks prepared in her kitchen to a local Indian take-away. The products proved so popular that orders began to increase and soon J employed a couple of staff to help her and had five product lines producing hundreds of items a week. To expand her business, she decided to approach a major supermarket chain to distribute her products. As she explained, "I managed to persuade [two national supermarket chains] to trial my products in their blind tastings. Shortly afterwards, we won our very first contract with [one of the largest chains]". In order to obtain additional financial backing to expand the business, J joined a larger British-owned food business group, which allowed her to invest in a new purpose-built factory. When the group went into receivership a year later, she bought a controlling share of the business and continued to prosper. As competition increased and the market became more crowded, innovation and new product development became critical to success. By 2002, the company had four factories in Britain and had diversified their product line from Indian food to Chinese, Japanese, Thai as well as Mediterranean, Middle Eastern and European food by employing talented chefs who could prepare these different types of cuisine.

Entrepreneurs B and I pursued an unrelated diversification strategy, which evolved out of their international trading and transport experience. Both entrepreneurs leveraged their business networks in different countries around the world, developed through their business experience, to access low cost sources of supply and serve growing markets in numerous developed and developing countries.

Thus, all these successful entrepreneurs demonstrated the agility to move from smaller market segments with narrower or declining opportunities into newer and larger markets with wider and growing opportunities. All tended to focus on business customers rather than individual consumers.

Again, all but one (the exception being C) of these ten entrepreneurs drew on their ethnic minority origin, either to gain access to low cost sources of supply from their home countries, or to produce high quality, unique food and beverages for consumers in the host country by using their knowledge of their home country cuisine. These successful immigrant entrepreneurs leveraged their market knowledge and connections in different countries and cultures to gain cost advantages by engaging in international distribution, investment and trading activities, or gained competitive

advantage in the form of product differentiation by producing high quality 'ethnic' products while focusing on a wider, national market segment.

When asked about the main strengths of their business, all ten of these successful entrepreneurs emphasized the critical importance of being innovative and creative in understanding and responding to customer needs. A majority stressed the role of hard work, the personal commitment to excel and the will to succeed. They also emphasized the role of entrepreneurial vision as a success factor. In addition, all these entrepreneurs displayed the ability to recognize promising market opportunities and to effectively execute their ideas.

Entrepreneur J was the only one who displayed 'break out' in the conventional sense of moving from a local, co-ethnic customer base into mainstream markets. The rest 'broke through' right from the start by targeting wider, national, and in some cases, international, market niches. This suggests that ethnic minority immigrant entrepreneurs can successfully adopt a strategy of 'breakthrough' into larger, high growth, markets right from the founding of their business venture.

The question remains as to why these entrepreneurs were able to recognize opportunities and exploit them more successfully than the average entrepreneur in our sample. It is possible to identify three factors that affected their ability to successfully 'break out' or break through into larger, mainstream or global markets.

One factor was their personal competency, as measured by their skills, background and experience. Of these 10 entrepreneurs, 8 were graduates and 5 had post-graduate or professional qualifications. Their educational attainment was therefore higher than that of the sample as a whole. The two exceptions were entrepreneurs E and J, of whom E belonged to a business family. Although only two of the 10 entrepreneurs had a family business background in the sense that their fathers had been in business (E and I), six others had work experience in the UK prior to starting their own business and one (Entrepreneur B) had gained business experience in the Middle East. Thus, most of these successful entrepreneurs had either direct experience of business or an early exposure and tacit knowledge of business before they started their own business ventures. The only exception was Entrepreneur J who made up for this gap in her background by starting out on a very small scale and expanding her business incrementally at first. As already observed, all ten entrepreneurs displayed personal characteristics such as entrepreneurial drive and the determination to succeed.

A second determinant was the presence and exploitation of wider connections and networks. While the stereotypical immigrant entrepreneur relies on local co-ethnic networks, these successful immigrant entrepreneurs had geographically wider or ethnically diverse business and professional networks. Thus, they developed and leveraged international business connections within their own ethnic community (through international trade, outsourcing and other activities), or developed business connections with the host community and other ethnic groups. Some operated as transnational entrepreneurs, leveraging their co-ethnic and inter-ethnic (outside community) connections to exploit market opportunities around the world. This distinction between local and

cross-national ethnic networks was overlooked by Waldinger et al (1990) but has since been highlighted in the case of Indian entrepreneurs in Silicon Valley (Saxenian 2002; Saxenian 2006).

A third factor was the pattern of organization followed by the entrepreneur, which involved breaking out of co-ethnic labor markets. Most of these 10 successful entrepreneurs employed a multi-ethnic work force with around a quarter of their employees belonging to their own community. The reliance on co-ethnic employees varied from 5% or less in four cases to 80% in the case of Entrepreneur I, most of whose employees were in India and who employed only eight people in the UK. Most of these high growth entrepreneurs delegated responsibilities to professional managers. Entrepreneur B said he strongly believed in delegation, which was the basis for his operating an international business. Likewise, Entrepreneur J emphasized the importance of recruiting the best staff and empowering managers. She observed in the interview, “I oversee everything (but) employees of managerial rank are responsible for their work”.

RESULTS OF ECONOMETRIC ANALYSIS

The above results were corroborated by econometric analysis to the extent that suitable proxies could be used to measure the dynamics of ‘break out’ and ‘breakthrough’. An investigation of the relationship between annual sales growth at constant 1990 prices and a range of proxy variables for, and determinants of, break out (and breakthrough) yielded several interesting results. Firstly, although sales growth was negatively related to the reliance on co-ethnic customers, as would be expected in accordance with the break out argument, the relationship was not statistically significant as indicated in Table 2. This suggests that breaking out of co-ethnic customer markets may not be necessary for business growth.

Break out measures	Direction of relationship	Statistical test results
% co-ethnic customers	Negative but not significant	Pearson correlation coeff.= -0.118, P = 0.114
Industry/sector diversification (Yes=1;else 0)	Positive but not significant	ANOVA F = 2.334, P = 0.128
Education (Graduate=1;else 0)	Positive and significant	ANOVA F = 6.338, P = 0.013
Business training (Yes=1;else 0)	Positive and significant	ANOVA F = 6.296, P = 0.013
Business links with home country (Yes=1;else 0)	Positive but not significant	ANOVA F = 1.876, P = 0.173
International trade activities (Yes=1;else 0)	Positive, significant at 10% level	ANOVA F = 2.992, P = 0.085
Retail business (Yes=1;else 0)	Negative and significant	ANOVA F = 5.825, P = 0.017
% co-ethnic employees	Negative and significant	Pearson correlation coeff. = -0.154, P = 0.04
Delegation to employees (Yes=1;else 0)	Positive and significant	ANOVA F = 4.110, P = 0.044
% co-ethnic suppliers	Negative but not significant	Pearson correlation coeff. = -0.070 P = 0.353
Source of data: Primary sample survey		

The entrepreneurs who diversified into more than one sector or industry recorded a slightly higher sales growth on average, but the difference is not statistically significant. This supports our finding in the case of the ten fastest growing businesses since they displayed a diversity of approaches to business expansion with some focusing on one sector or industry and others operating in unrelated sectors.

Turning to the determinants of growth, it appears that entrepreneurs who possessed higher levels of educational attainment and business training were more likely to achieve faster growth. This strongly suggests that education helps immigrants to overcome internal barriers and thereby become more successful in negotiating external market barriers. The results for international trading and business links provided some support for the argument that international networks enable immigrant entrepreneurs to expand their businesses. The importance of market conditions in determining growth was underlined by the finding that entrepreneurs engaged in retail activities were significantly more likely than others to record lower growth rates. It is a well-known fact that the rising power of supermarket chains and the change in Sunday trading laws placed intense pressure on the viability of independent retail outlets in Britain. This implies that in order to be successful, entrepreneurs need to be aware of the growth prospects of the sector or industry in which they operate and need to be sufficiently agile to move out of declining sectors. It is unsurprising, therefore, to find that none of the 10 fastest growing entrepreneurs operated in the retail sector.

As regards the management style of ethnic businesses, there was significant negative correlation between sales growth since start-up and the extent of reliance on co-ethnic employees. Thus, the faster growing businesses in our sample were less likely to rely on co-ethnic labor. This seems logical since as a business expands it becomes more difficult to rely exclusively on one's co-ethnic community and family to fill all the vacancies, hence, the entrepreneur is compelled to involve and employ outsiders. Furthermore, our index for delegation was positively related to growth. In other words, entrepreneurs who employed fewer of their own-community members and were more willing to delegate responsibilities to their employees were also more likely to record higher rates of growth. Similarly, those who relied less on co-ethnic suppliers recorded higher growth rates. Thus, breaking out of the traditional ethnic enclave in labor markets and factor markets seems to have a beneficial effect on entrepreneurial performance.

CONCLUSION: CONTRIBUTION TO THEORY AND PRACTICE

Our results suggest that immigrant entrepreneurs who expand their businesses grasp opportunities to break out of geographically proximate market boundaries. They adapt and, if necessary, re-position their product offerings in order to attract a wider market nationally or internationally. This usually means that they have to look beyond their co-ethnic community clientele to the host community market or to markets around the world. In cases where entrepreneurs continue to serve primarily co-ethnic customers, they identify and target national or even

international market segments that are ethnically defined and composed of business (organizational) rather than individual consumers. Thus, our analysis suggests that business expansion does not necessarily require moving away from serving co-ethnic customers, so long as entrepreneurs break out of the confines of their geographical neighborhood. Entrepreneurs who rely on co-ethnic clientele can run viable, successful businesses provided their customer base is national or global. The latter is feasible in today's environment where the Asian diaspora consists of over 20 million people spread around the world.

Hence, there are three dimensions that immigrant entrepreneurs need to consider in evaluating their customer profile and identifying promising market segment(s) as well as defining their strategy. These are:

- * Ethnicity: co-ethnic → all ethnic groups
- * Geography: local → national → international
- * Size/Buying power: individual consumers → organizational buyers

While the focus on co-ethnic, local, individual customers epitomized the plight of the traditional ethnic enclave-based immigrant entrepreneur, other variants along the three dimensions are more likely to result in viable businesses, as suggested by the findings in this paper. The move from left to right along these three dimensions might require entrepreneurs to extend or diversify their product (or service) offering or reposition their products (or services) to meet the requirements of wider and more promising market segments.

In evaluating their product strategy, immigrant entrepreneurs might consider three further dimensions:

- * Ethnicity positioning: 'ethnic' → mainstream or universal
- * Price/quality positioning: low price, low quality → high price, high quality
- * Geography of sourcing: local → international (country of origin or all countries)

The focus on 'ethnic' products at the low price/quality end, produced by local co-ethnic labor is characteristic of the typical ethnic minority small business owner, who survives in price competitive ethnic enclave markets by exploiting co-ethnic labor. A more sophisticated strategy would involve moving to the right along any of the three dimensions of product strategy identified above. Thus, some ethnic minority immigrant entrepreneurs of fast growing businesses have focused on 'ethnic' products but have tried to position these as exclusive, fashionable and high-value products meant for the discerning, sophisticated customer. This product positioning has enabled the ethnic minority entrepreneurs to break out of co-ethnic customer markets and target a wealthier, albeit more demanding, segment of customers. A necessary pre-condition for this strategy is the entrepreneurs' investment in quality control systems and in employee training to ensure consistently

high quality. The focus on high quality while exercising cost control has necessitated a change in sourcing decisions, and has stimulated entrepreneurs to search for ways of outsourcing both business processes and supply of materials. Many immigrant entrepreneurs have leveraged their home country networks to secure better value-for-money sources from their home countries.

Finally, in evaluating factor markets, ethnic minority immigrants can consider the following dimensions:

- * Ethnicity: ethnic labor (or ethnic business networks) → non-ethnic labor (or networks)
- * Geography: local labor (or networks) → offshore labor (or global networks)

Our results imply that entrepreneurs with fast growing businesses break out of co-ethnic factor markets and reduce their reliance on co-ethnic labor. At the same time, many successful immigrant entrepreneurs continue to leverage their access to co-ethnic social networks that may cross national boundaries. These networks provide access to information about different markets and cheaper sources of production or raw materials and contribute towards reducing production as well as transaction costs. Thus, while they weaken their reliance on co-ethnic resources in one respect (in terms of the reliance on co-ethnic labor), immigrant entrepreneurs may continue to maintain and benefit from co-ethnic ties especially if these are geographically widespread.

While industry and sector characteristics affect entrepreneurs' capacity to break out, the ability to break out and achieve breakthrough into larger, more promising markets is strengthened by the quality of entrepreneurs' human capital. Human capital, in the form of higher education, host country language skills, and business experience, enables entrepreneurs to alleviate 'internal' barriers by improving their ability to communicate with customers, bankers and others in the host community, and thereby overcome market barriers. The immigrant entrepreneur's knowledge of different country markets potentially helps to break out of the confines of a local, ethnic market strategy. The entrepreneur's access to social capital, in the form of interactions with family and other own-community members who are also in business and are located in the host country as well as the immigrant's home country, may help to leverage that knowledge although the link between growth and social networks is not statistically significant in our analysis.

In the context of the ethnic entrepreneurship literature, our analysis highlights the complexity of the concept of market 'break out' in the case of immigrant entrepreneurs. The main challenge facing immigrant entrepreneurs is to break out of situations where they only serve local individual consumers, usually belonging to their co-ethnic community, and hire locally based, mostly co-ethnic workers. Entrepreneurs rooted in such situations have to pull themselves out by changing or widening the scope of the customers they target, as indicated above, and if necessary, by extending or repositioning the products they market and changing the way in which they manage their business by becoming more assimilationist in the business arena. The latter might be achieved by relying less

on co-ethnic employees. The entrepreneur's ability to introduce all these changes is enhanced by his or her human capital skills gained from higher education, business training and prior experience.

While business success is undoubtedly influenced by external, macroeconomic and market factors, this paper has attempted to show that the decisions and strategies pursued by entrepreneurs also influence the trajectory of their businesses. The market strategies they pursue depend in part on background factors like their educational attainment and skill levels as well as previous experience of and exposure to business, which may help to alleviate entrepreneurs' internal constraints, thereby enabling them to negotiate external constraints. These are some of the critical success factors that allow entrepreneurs to break through into markets with wider opportunities.

Our study contributes to the immigrant business literature by highlighting the diversity among immigrant entrepreneurs in terms of the market strategies they follow and the underlying factors that explain that diversity. In the practical domain, it is hoped that the results of this paper will help business support agencies to assess the market strategies of ethnic minority immigrant entrepreneurs and advise them on how to adopt appropriate strategies to break into new or wider markets.

In the context of marketing theory, this study has emphasized the special case of immigrant entrepreneurs and the unique contextual factors that affect their market strategies. These contextual factors include ethnic group affiliation, demands from within the entrepreneur's own ethnic community and the extent to which these are met, the entrepreneur's relationship with the ethnic enclave economy in the host country and ethnic ties with his or her home country, his or her knowledge of market conditions in the home country and host country and the entrepreneur's human capital endowment. An understanding of the market behavior of immigrant entrepreneurs requires that we take into account contextual factors such as these, since marketing strategies cannot be developed or evaluated in isolation of these factors.

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