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MINORITY ENTERPRISE IN THE CLOTHING INDUSTRY: AN ANALYSIS  
OF ASIAN JEANS MANUFACTURERS IN BIRMINGHAM

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## THE UNIVERSITY OF ASTON IN BIRMINGHAM

"MINORITY ENTERPRISE IN THE CLOTHING INDUSTRY: AN ANALYSIS  
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Karisa M. Krčmář. PhD. 1987

## SUMMARY

This thesis discusses and assesses the resources available to Asian entrepreneurs in the West Midlands' clothing industry and how they are used by these small businessmen in order to address opportunities in the market economy within the constraints imposed. The fashion industry is volatile and is dependent upon flexible firms which can respond quickly to shortrun production schedules. Small firms are best able to respond to this market environment.

Production of jeans presents an interesting departure from the mainstream fashion industry. It is traditionally geared towards longrun production schedules where multinational enterprises have artificially diversified the market, promoting the 'right' brand name and have established control of the upper end of the market, whilst imports from Newly Developing Countries have catered for cheap copies at the lower end of the market. In recent years, a fashion element to jeans has emerged, thus opening a market gap for U.K. manufacturers to respond in the same way as for other fashion articles.

A large immigrant population, previously serving the now declining factories and foundries of the West Midlands but, through redundancy, no longer a part of this employment sector, has responded to economic constraints and market opportunities by drawing on ethnic network resources for competitive access to labour, finance and contacts, to attack the emergent market gap.

Two models of these Asian entrepreneurs are developed. One being someone who has professionally and actively tackled the market gap and become established. These entrepreneurs are usually educated and have personal experience in business and were amongst the first to perceive opportunities to enter the industry, actively utilising their ethnicity as a resource upon which to draw for favourable access to cheap, flexible labour and capital. The second model is composed of later entrants to jeans manufacturing. They have less formal education and experience and have been pushed into self-employment by constraints of unemployment. Their ethnicity is passively used as a resource. They are more likely confined to the marginal activity of 'cut make and trim' and have little opportunity to increase profit margins, become established or expand.

ETHNIC BUSINESS

ASIAN ENTREPRENEURS

SMALL FIRMS

JEANS

CLOTHING INDUSTRY

DEDICATION

I DEDICATE THIS THESIS TO MY PARENTS WHO HAVE ALWAYS ENCOURAGED,  
BUT NEVER PUSHED ME. THANK YOU, BOTH OF YOU.

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## CHAPTER 1

### INTRODUCTION

This thesis is concerned with minority enterprise - more specifically with the small local jeans manufacturer in Birmingham. This industry in Birmingham is dominated by Sikh businessmen. Indeed, the clothing trade in the UK, as in most western countries (see for example Waldinger 1982; Tapp 1983), has been dominated by immigrant labour and immigrant entrepreneurs. In London, Huguenots who had taken refuge from the politics of France, made their living in the clothing trade. They were replaced by Jewish emigrants from Eastern Europe and in recent decades, as the second generation Jews moved into the professions, the trade has been passed onto immigrants from poorer countries of South Asia and the Mediterranean.

The West Midlands, however, does not have a tradition of involvement in the industry. It is only during the last decade that the centre of the British engineering industry has become actively involved in clothing manufacturing. The opportunities for self-employment in the clothing industry which have emerged in recent years and the resources upon which immigrant entrepreneurs may draw in order to trade competitively are the questions with which this thesis is concerned.

Various approaches have been taken to the understanding of the presence and development of ethnic business. Given that cultural specificity is one of the defining characteristics of an ethnic minority, it is not surprising that one approach to ethnic business should have focussed on cultural explanations. Light (1972) was one of the first proponents of the cultural approach. He was particularly interested in the use of such cultural practices as the system of credit rotation found among members of the Chinese community in the USA; he saw this as contributing to their success in business. Werbner (1984), described the use of cultural resources made by Pakistanis in the rag trade in Manchester. Other research has analysed such cultural features as paternalistic attitudes, culturally determined information flows and relations among family and community members at work, which may be advantageous for the ethnic small businessman. Baker (1981), in her study of Asian retailers, argued that ethnic businessmen draw on some (but not necessarily all) of these resources

The ecological approach developed by Aldrich and his colleagues (see McEvoy 1982) and based on a population ecology (Aldrich 1979) looks at ethnic business formation in terms of the opportunities to start businesses created by such factors as residential patterns. Ethnic residential enclaves have grown in inner city areas as the indigenous population vacated the area. Ethnic enterprises developed particularly in the distributive and service industries to cater particularly for consumers within the ethnic group. Traditional marginal businesses began to vacate the area also leaving opportunities for ethnic businesses to succeed them. Other research (Nowikowski 1984) has used a class analysis to focus on the structural

constraints experienced by many ethnic groups while seeking access to employment, thus forcing the move into marginal business activity.

Whilst all these approaches have their advantages and give insights into the pattern of ethnic business, taken on their own they would suggest a greater prevalence for entrepreneurship amongst ethnic groups than is actually the case. One approach emphasises the resources brought into this business, whilst others stress market opportunities and constraints. These factors are not mutually exclusive; indeed, it is the interaction of opportunities and resources which needs to be examined for a fuller understanding of ethnic business in western society. The term Ethnic Enclave is used to describe concentrations of ethnic firms in particular places and particular industries which are supported by features of community structures (see Wilson and Martin 1982).

#### Minority Groups in the Clothing Trade

Of particular interest to this research was the fact that in Birmingham the clothing industry is almost entirely a new business activity. Werbner (1984) in Manchester and Ladbury (1984) and Shah (1976) in London, have been able to study the clothing industry using an interactive approach combining the emphasis on ecological succession within the industry with the stress on the use of cultural resources to address opportunities. But in the Midlands, it was not a case of first or second generation immigrants moving into an existing industry vacated by the indigenous population, but rather a new industry introduced and manned largely by an Asian population. It was with this problem that the research was largely concerned.

Birmingham's economy has traditionally been based on metal manufacturing and engineering. The foundries were one of the industries seeking to expand in the 1960s, which called for manning from immigrant groups from the New Commonwealth countries. Given the nature of immigration from the New Commonwealth and Pakistan (NCWP), the foundries of Birmingham were staffed largely by Sikhs coming from the Punjab region of northern India. More recently massive redundancies have given rise to high unemployment amongst this ethnic population and a search for alternative ways of making a living. The history of the clothing industry shows that the nature of segmentation in the industry is such that there are various opportunities for ethnic minorities. The emergence of a new sector taking advantage of such opportunities is the focus of this thesis. Whilst it suggests developments in theory, it also has important implications for local authority economic policies and industrial development.

Technological developments and market trends in the retail sector have led to changes in strategy, particularly in the use of flexible specialisation to combine differentiation with economies of scale. Retailers emphasis upon design and innovation, and the shorter lead times that result affect the way in which manufacturers organise production and market their output. Thus, the fashion industry achieves flexibility and a quick response through a highly segmented production system, as large orders are subcontracted out to smaller cut-make-trim (CMT) firms. The capital assets required by these firms are limited to basic sewing and pressing equipment which is easily bought and sold. The vertically fragmented structure also calls for a network of contacts. It will be argued that Asians, with their tight knit community structure providing a network of contacts for

finance, supply, distribution and labour, have the necessary resources to give an advantage in addressing particular market segments.

A study made by Waldinger (1982) of the New York apparel industry developed the perspective described above as the 'interactive approach' based on the use of ethnic resources to address the market opportunities. This arose out of his examination of Chinese immigrants involved in the industry. The volatility of the fashion industry and the instability of the wider economy led to risk-averse strategies being adopted by large firms. This created a spot-market for items of clothing needed at short notice, opening the way for small scale contractors.

The West Midlands is not a centre of fashion design like New York, Paris or London and so the type of market opportunities available is somewhat different. This suggests a different emphasis from Waldinger in explaining the emergence of the Asian clothing industry in the Birmingham area.

#### Selection of a Market Segment for Analysis

A West Midlands County Council study of clothing manufacturing (Leigh and North 1983) gave a descriptive review of the size of the industry and the type of production undertaken and provided a good base from which to start.



Preliminary enquiries made with fashion producers were somewhat unproductive. These firms were, by their very nature, small and flexible in their production and employment patterns. Owners were frequently unaware of or unconcerned about legal requirements for trading. In addition, the West Midlands County Council (1986) had recently undertaken a study of low pay and poor working conditions. As a result, many entrepreneurs were very suspicious and hostile towards the request for an interview and declined to participate.

Jeans, because of their lower fashion content, allow longer production schedules and thus appeared to be manufactured by larger firms who were more established and had a more professional attitude and thus offered easier access. It was, therefore, decided to concentrate the research around jeans manufacturing. However, this segment of the industry was recognised as being of great interest as well as more accessible. The exclusion of jeans from mainstream fashion has meant this sector is traditionally geared towards longrun production schedules. However, Multi-National Enterprises (MNEs) have artificially diversified the market, promoting the "right" brand name and have established control of the upper end of the market. Meanwhile, imports from Newly Developing Countries (NDCs) have catered for cheap copies at the lower end of the market. Finally, the recent fashion element emerging in jeans has opened a new market niche, and one in which UK manufacturers could be expected to respond in the same way as for other fashion articles, where they have the necessary flexibility and responsiveness to cope with changes in demand.

There are thus seen to be two potential market opportunities for small, local manufacturers - that for fashion jeans and that for the lower quality article - since small companies are effectively barred from the capital intensive, longrun production of MNEs.

### Content of the Thesis

The initial chapters of the thesis address the issue of opportunities for small businesses and the way ethnic minorities have responded to these. The theoretical perspective to be adopted is presented in this section.

The following chapters analyse the development of the clothing industry in the UK and its present competitive position in the world. The present structure and position of the industry is considered in different regions in the UK in order to assess the opportunities which are available to small businesses. The importance of fashion is not ignored since the need for speed of production to provide a small number of varied fashion items for immediate consumption presents opportunities for firms which are able to be flexible in terms of their response to demand. Entrepreneurs need to have access to a labour supply which is reliable, flexible and cost effective, since shortrun fashions restrict the use of high technology capital in favour of a labour intensive system.

The remaining chapters assess how ethnic minority groups have responded to opportunities in the clothing trade and the particular resources they have been able to call upon in order to tackle problems and opportunities. The post-war economy of Birmingham is considered specifically, since the clothing industry is a striking example of new business responding to the decline of traditional industries in the West Midlands. The final chapters assess implications of the research undertaken and discuss the kind of entrepreneur who is best able to respond to these opportunities in Birmingham. It reviews two emerging patterns and compares these with the entrepreneurial types outlined by other authors. Finally, it considers the implications of the models used and sets out two entrepreneurial types for use in future comparative research in other areas of industry which are increasingly being manned by ethnic minorities in terms of both business founders and labour.

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## CHAPTER 2

## THEORETICAL APPROACHES TO SMALL BUSINESS

This chapter considers theories which have been developed to explain the existence and development of small firms. Part I focuses on the development of general theories of entrepreneurship whilst Part II looks at theoretical approaches to ethnic entrepreneurship.

## I THE SMALL BUSINESS SECTOR IN THE UK &amp; ITS CHANGING ROLE

Introduction

In the decades following the 2nd World War, the UK along with the rest of the western world, experienced an expanding post-war economy. "Big" was beautiful, as an increasingly affluent society demanded consumer goods in increasing quantities. The small firm sector of the manufacturing industry decreased as it was unable to compete with cost-cutting production techniques of large firms in the manufacture of standard items.

The Bolton Committee Report (1971) argued that the prevailing environment for technology, management techniques, communication, marketing, government intervention and business concentration was unhealthy for small businesses.

Boissevain (1984 : 26) has suggested, however, that this decline has halted, and has even been reversing. Reports from the European Economic Community countries show a slight increase in the ratio of self-employment to the general working population. Bannock (1981) believes the principal economic importance of small firms lies in their responsiveness to change, Waldinger et al. (1985 : 591) have argued that

the demand for small business activities emanates from markets whose small size, heterogeneity, or susceptibility to flux and instability limit the potential for mass production and mass distribution.

Traditionally, the health of the small firm sector has been considered by economists in terms of the individual characteristics and tasks of the entrepreneur who heads the firm. Later research suggested that the problem of entrepreneurship depended on the social/political/economic environment. This, however, provides a rather passive, over-socialised view of the entrepreneur and small business sector. In response, academics have developed an interactive approach to the development of the small firm in the 1980s. The analysis in this thesis focuses on the opportunities presented in a certain environment and the way individuals react to these opportunities, drawing upon resources they may possess or acquire depending on their social backgrounds.

### Economic Approaches

Harbison (1956) shows that economists have traditionally stressed three major entrepreneurial functions: bearing risk and uncertainty; innovation; and organisation and management.

A major influence in economic thought in the 20th century has been Schumpeter (1971). He stressed the role of the entrepreneur as innovator and stated that both interest and profit arise from progressive change and would not exist in a static society. Change, in turn, is seen as the work of innovating businessmen. Schumpeter argues that a person is an entrepreneur only when he actually carries out new combinations. He loses that character as soon as he has built up a business and therefore it is not a lasting condition. He saw the development of entrepreneurs as a continual change and adaptation with innovation disturbing the status quo of an economic system.

The basis of economic theory for new firms is the static, perfect competition model where the entrepreneur has a rather passive role with profit being his only objective. This model, as in all classic economic thinking, is based on the premises of:

- (1) scarce means and resources;
- (2) unlimited ends and wants;
- (3) perfect knowledge;
- (4) utilities maximised;
- (5) ceteris paribus.

This is an inadequate model, however. It deals with aggregates, but since the entrepreneur is concerned with innovation and change, it is not really applicable to look at modal behaviour. Since the entrepreneur has what Schumpeter called a "creative" approach, he is not predictable nor can his behaviour be explained in terms of relations between inputs.

Oxenfeldt (1943 : 65) argues that, because there are "search costs", an individual does not necessarily choose to start businesses where profits are highest, but rather establishes in

the industry which is most accessible and to which his prior business experience is related.

Storey (1982) argues that an individual today chooses between unemployment, self-employment and paid employment according to their relative prices. Scott (1976) analysed three recurring themes emerging from economic historians' writings on entrepreneurship:

- (1) the need to show entrepreneurship in its social content;
- (2) the concern with associations of individuals and the need to study the relationship between the association and the society in which it functions;
- (3) an aspect of organization that was developing in the 19th century.

We begin to see an interactive picture emerge, then, of the entrepreneur being, not merely an economic unit responding to a profit motive, but also an individual whose personal, social and cultural make-up has a bearing on his response to a perceived economic demand.



Max Weber was one of the first to attempt to place entrepreneurship in a wider social and historical context. Weber's study of the relationship between protestantism and capitalism showed that, even in the case of economic entrepreneurship, real change and innovation are greatly dependent, not only on objective, external forces of market and production, but also on what he termed "personal charismatic reformulation of meaning of economic activities" (in Scott : 47).

Deeks (1973 : 30-32) refers to an American study which found that of 81 firms newly established over two years, only six conformed to the capitalist entrepreneurial stereotype, seeking a maximum money reward. Others had no clear goal in mind - they had rationalisations rather than motives, such as "I like to be independent". Some 25% of them were in need of income since they had become unemployed. This, and other recent studies in the UK, (e.g. Krčmář 1984), show a concern with survival rather than growth and a minimum level of profit as opposed to profit maximisation. Deeks (op. cit.) argues that it is important to destroy the myth of the entrepreneur as risk-taker, profit maximiser, independent, competitive, materialistic and single minded in the pursuit of wealth.

### Approaches From Other Disciplines

Psychologists have isolated various personal elements which arise with significant regularity amongst entrepreneurial studies. Psychological theories are not directly relevant to the argument of this thesis and so a fuller account of these may be read in Appendix B but it is sufficient here to present a brief summary.

Papanek (1962) outlined a distinct personality type possessed by a limited number of individuals who will be actual (or potential) entrepreneurs. Newcomer (1961) found a positive relationship between entrepreneurs and an entrepreneurial family background, thus suggesting the possibility that entrepreneurial patterns can become a way of life - clearly the relationship could be interpreted through a variety of perspectives: for example, one would expect to find such an association in applying more sociological approaches too, such as those emphasising the role of networks and resources. McClelland (1961) developed the psychological concept of "Need for Achievement" (nAch). Those he defined as having high nAch were suited to entrepreneurial roles; this aspect of personality, he argued, was derived from early child rearing practices. He also found the level of nAch to be strongly related to social class, since individual behaviour is influenced by the social structure and culture in which the individual lives. Cochran (1965) developed the idea of the entrepreneur playing a social role and responding to positive and negative sanctions.

Smith (1967) identified two entrepreneurial types with distinctive firm types. These he called the "Craftsman Entrepreneur" and the "Opportunistic Entrepreneur". These are described more fully in Appendix B.

### Social Networks Approach

As seen above, traditionally the entrepreneur has been studied either from the viewpoint of being a free agent and taking no account of the environment in which he lived, or from the opposite stance of placing too much emphasis on the environment, leading to an over-socialised model of the entrepreneur.

Aldrich (1986) argues that the lists of entrepreneurial characteristics presented by the "entrepreneur as free agent theories" (like those of McClelland) are not supported by empirical evidence. They also underpredict entry into self-employment and overstate differences between entrepreneurs and non-entrepreneurs. The economists' theories which took this approach (like those of Cole), Aldrich continues, do not acknowledge that environmental influences are significant in accounting for behaviour.

The "over-socialised" models recognise the propensity to entrepreneurship as based on group membership (Weber and Tawney - in Lipman 1975). However, empirical evidence has shown that entrepreneurship is displayed in only a limited range of conditions. For example, an immigrant group may display high levels of self-employment amongst its members in the country of settlement, whilst there had been no indication of this potential in their home country (see the discussion later in this chapter).

This shows that it is not a cultural trait per se, Aldrich argues but must be studied within its social setting (see also the analysis developed by Werbner (1984)).

Following from dissatisfaction with earlier theories, Aldrich has developed a "social networks" approach to the study of entrepreneurship. He sees the entrepreneur as being embedded in a network of continuing relationships both within, and between, groups.

Those individuals with the greatest probability of successful entrepreneurship are those who (i) have developed many strong relationships within a network (because of their position in the social hierarchy), and who can reach many contacts with the least effort and time (advantages may be gained here from being a member of a tight-knit community), and (ii) have established strong contacts outside of that particular group with which to gain new information and establish new contacts and exchange relations. They have the most resources upon which to draw in order to exploit economic opportunities, which themselves will vary between environments and time.

#### Small is Beautiful

The Bolton Report on small firms (op. cit.) took a positive approach to small firms. It challenged the attitude held at the end of the war when small firms were equated with technical backwardness and incompetent management. Government policy in those days was to create large, international, competitive companies. However, the effects of recession in the mid-1970s highlighted the inability of these companies to adapt and respond and Schumacher's (1973) philosophy of "small is beautiful" gained considerable credence amongst politicians, academics and the population at large.

Boissevain (op. cit.) sketches out an emerging trend towards a halt in the decline in this sector and shows that the contribution of smaller manufacturing enterprises to employment in the UK appears to be growing. Saifullah Khan (1979) suggests that this is related to the prevailing economic recession as those made redundant struggle for income by moving into self-employment. Some firms have increased the number of homeworkers and new outwork firms have been established in response to the current economic recession. This is particularly apparent in the clothing industry and will be discussed later in the thesis along with an analysis of the way ethnic businesses fit into the pattern.

Goffee and Scase (1985) suggest that over the past decade there have been a number of inter-related trends conducive to the formation and growth of small scale enterprises in Europe.

These include:

- (1) move towards decentralised production and subcontracting of work from larger to smaller units which has led to the emergence of a 'dual economy';
- (2) an increase in demand for localised, personalised services and small scale manufacture of craft goods;
- (3) growth in informal, domestic-based production of goods/services for exchange and/or private sale;

- (4) severe contraction in employment opportunities and an increased incidence of redundancy (often with monetary compensation for business start up);
- (5) heightened experience of marginality amongst ethnic and minority groups and an associated increase in ethnic/subcultural goods and services;
- (6) cultural/ideological retreat from employment in large scale organisations and a growing preference of work within more 'satisfying' small scale environments;
- (7) increased participation of women in various forms of paid work including self-employment;
- (8) renewed interest in small scale co-operative enterprise as a 'socialist alternative' to large scale business;
- (9) growth in deliberate sponsorship of small business by the state and by large scale enterprises.

Boissevain (1984) notes that the increase in the number of manufacturing firms was apparent before the current recession and therefore might be related to other structural shifts affecting the very nature of post-industrial society. He posits at least five long term developments which help explain why the number of small entrepreneurs and their enterprises is increasing:

- (1) increased company taxation;
- (2) growth of the service sector;
- (3) decentralisation;
- (4) immigration;
- (5) concern for the quality of life.

Shutt and Whittington (1987 : 13) explain the growth in the number of small firms as a result of large firm fragmentation strategies. They argue that the growth in small firms:

can partly be understood as the result of large firm fragmentation strategies in response to increasing demand and innovation risk and crisis over the control of the labour process.

Other authors also emphasise the link between the recent world recession causing high unemployment, especially in industry sectors where demand has become unpredictable, and the increase in small firm formation. For example, Rainnie (1984) argues that large firms no longer wish to carry the risk of uncertainty of demand and use a plethora of newly formed small firms to supply them. While this socio-economic setting may lead to an increase in the number of small firms, it may do nothing to enhance their stability. In the four year period 1980-1983, for example, there was an increase of 110,000 in the number of firms registered for VAT to Britain. But this occurred as a result of 650,000 start-ups and 540,000 deregistrations during the period (Ganguly and Bannock 1985 : 26). It has to be recognised, however, that ex-employees who choose to supply their previous employing companies in an attempt at self-employment in preference to unemployment represent one of the significant new elements in the population of small firms.

Birley writes that:

although government policies have tried to create new small firm communities in economically devastated areas, most will be still-born, for experience has already shown that the firms which have started in such areas, are usually the artisan or no-growth firm, not a significant group (Birley 1980 : 23).

She concludes that if small firms are going to be the "saviours" of British industry (i.e. are going to take the vital role in the restructuring of the economy, (that the Conservative government appears to envisage) it is important that potential growth firms are recognised and encouraged, by being considered a major element in the medium term planning of the larger organisation (see also Storey 1987).

In fact, Birley argues that the growth and development of both large and small firms are inextricably linked, and that large firms need

healthy small firms in order to survive in the long term (ibid. : 23).

Indeed there may be few small industrial firms which are independent in the sense of being able to determine their own destiny. The flexibility a small business owner may desire may well be constrained by dependence on at least one other, usually large organisation.

It is almost certainly true that the small firm will look to large organisations, whether they be government or industry, for orders. (Birley op. cit. : 23).



A fuller discussion on this dependence may be read in Appendix C.

## II ETHNIC BUSINESS

### Introduction

Anthropologists, have for many years been interested in ethnic entrepreneurship in emerging economies but of more concern for this thesis is the academic study of ethnic enterprise in western modern capitalist economies. Light (1972) was the first to make a concerted analysis of ethnic business when he compared the role of indigenous blacks in the USA with non-European immigrants (i.e. those with distinct racial features). He concluded that it was not the individualistic characteristics of these groups, but rather their ethnic solidarity which gave non-European immigrants an "elective affinity" for the requirements of small business (Waldinger et al. 1985 : 586).

Shapiro and Sokol (1982) have demonstrated a variation between different ethnic minority groups' propensity for self-employment stemming from the circumstances of their migration. They state that new ventures are likely to be formed where life was dislocated through forced migration - like that of refugees. They see the USA as a haven for refugees and this accounts for its high levels of entrepreneurship. They also note the importance of family groups, which, when combined with forced migration, create strongly entrepreneurial cultural groups and they cite Koreans, Cubans and Vietnamese as examples. African Asians in the UK have been a strongly entrepreneurial force and taken simply, their expulsion from Kenya and Uganda, along with strong extended family responsibilities could explain this phenomenon. However, it must also be taken into account that many of these migrants came from a petit

bourgeois background and, despite protestations of having no wealth, most had maintained strong financial resources with family still in India, or even in Canada and the United States (Adams et al. 1978).

Shapiro and Sokol's analysis may also be criticised in that they have taken no real account of the economic environment which these migrants have entered. As Waldinger et al. (op. cit.) have stated, recent economic trends have clouded the likelihood of long term success. Immigrant businesses are over-represented in declining industries - those most affected by

economic stagnation, declining product demand, labour shedding following technological innovations and intensified competition (Waldinger et al. *ibid.* : 587).

This section of Chapter 2 examines the models of ethnic business which have been developed in recent years and then considers how post-war economic trends (as discussed in Part I) have opened opportunities for ethnic entrepreneurs. Empirical evidence is used to illustrate how ethnic groups have responded to these different market opportunities in various western capitalist economies (for a fuller discussion of empirical work in this area see Appendix D). Three theoretical approaches have dominated academic analysis : cultural, economic and interactive. These will now be examined.

## Theoretical Approaches

### Cultural

Many studies have attempted to demonstrate how cultural values, like those pertaining to family and cultural ties, help to secure a competitive advantage in small business through the availability of a flexible labour supply, (see the discussion below).

Recently, however, Light has refined his approach in response to further empirical evidence and consequent analysis of the problem. In an article in *ETHNIC AND RACIAL STUDIES* (1984), his analysis distinguishes between reactive and orthodox cultural contexts of entrepreneurship. He derives these models from the following analysis.

Aronowitz (in Light, *ibid.*) suggested that entrepreneurship's protracted decline provided a neat illustration of cultural lag: the belated adjustment of superstructure to changes in production relations. A small business economy needs entrepreneurial motivations in its labour force. When the economic base of small business deteriorated and self-employment in the modern United States appeared to be in the process of decline, socialisation lagged behind. Ultimately, the market's surplus of aspiring entrepreneurs reached back into the socialisation system, which resulted in the reallocation of motivational resources. As salaried workers corrected their aspirations for realistic prospects, there was a corresponding increase in the number of small business owners from lower socio-economic groups.

Light objects to this discreet analysis of "cultural lag" on two counts. Firstly, he argues that empirical evidence does not support the position of Aronowitz et al., in that Giddens (in Light op. cit.) observed that the rate of decline in self-employment was not so rapid as expected. Between 1972 and 1979, the number of self-employed Americans rose by more than 1.1 million (Light *ibid.* : 197), and, as we have seen above, Boissevain (op. cit. : 26) stated that in 1978 EEC countries registered a net increase in the number of entrepreneurs.

Light also has objections of a conceptual nature, in that this "cultural lag" approach requires an assumption of homogeneity in the economy and labour force, but in practice a dual market exists. Consequently, some business sectors will retain a compatibility with entrepreneurial activities while some working populations retain atavistic aspirations for self-employment. As discussed above, immigrant and non-white workers cluster heavily in the economy's competitive sectors within which a small business milieu persists (Waldinger op. cit.). Therefore Light concludes that on structural grounds, immigrant groups are likely to retain entrepreneurial ideology since they remain in those sectors.

In fact, Light (op. cit.) showed that the foreign born have been over-represented in American small businesses since 1880 and refers to two possible explanations:

- (1) A possible labour market disadvantage. BUT, given equal disadvantage, why do some immigrants have higher self-employment rates than others?

Given this question, there is a possible second explanation:

- (2) Transplanted cultural endowments - based on Max Weber's model in which a group's values and motivations will produce socialised adults who prosper in business.

Light agrees that this analysis has merit, but believes it to be inadequate. He says, alternatively, that in reality immigration and alien status release latent facilitators which promote entrepreneurship independently of cultural endowments. He isolates three facilitators he observed to be especially important:

- (1) psychological satisfaction - coming from a low wage country to a high wage one and therefore being willing to accept low money returns, long hours of labour, job related danger and domestic penury in order to maintain business self-employment;
- (2) enhanced social solidarity attendant upon cultural minority status - the structure of chain migration meant the construction of social networks with resultant resources upon which to draw. Insofar as reactive solidarity encourages immigrant entrepreneurship the situation has brought out a collective response which is not cultural in the orthodox sense.

- (3) the third endowment is that of sojourning - which occurs when the immigrant intends to repatriate. Bonacich (1973) believes such an attitude provides entrepreneurial motivations which give middleman minorities an advantage in business competition (to be discussed later).

Thus Light sees post-war immigrant entrepreneurship in terms of reactions arising from relative satisfaction and immigrant solidarity as well as from culturally transmitted institutions/resources, (he also stresses that ethnic resources should be distinguished from class resources such as property, money, skills, bourgeois values, etc).

Alternative opportunity structures for first generation immigrants are limited, but Ward (1986c) refers to evidence of strong preference for the children of ethnic entrepreneurs to continue in education and enter professional employment.

Ward (1987a) suggests that those groups with a strong sense of loyalty to and from an employer, along with a preparedness to recognise inequalities of power and a willingness to take risks, have a greater potential for the development of business.

### Examples of Cultural Approaches

As discussed above, Light (1972) was one of the first proponents of the cultural approach to the explanation of ethnic business. He was particularly interested in the deployment of a cultural system of credit rotation provided for, and by, members of the Chinese community in the USA, which is an economic expression of the group solidarity. Bonnett (1981) and Laguerre (1983) (both in Waldinger et al. op. cit.) have also documented the provision of rotating credit associations amongst West Indian and Haitian businesses in New York City. (There has, to date, been no empirical evidence of such systems operating amongst the main ethnic minority groups in the UK).

However, Kim (1977) questions the general relevance of Light's hypothesis of cultural resources. In his study amongst Korean immigrants in America, only one firm indicated a use of "kye" (rotating credit system) as a source of capital. For Light's proposal to be valid, Kim holds that two major conditions must be practised:

- (1) Korean immigrants must have acquired entrepreneurial skills either in Korea or in the USA;
- (2) Koreans must have brought to the USA an economic institution for use to create business capital.

In point of fact, Kim (ibid. : 85) argues, most of those immigrants who settled in the USA between 1903 and 1905 had no special entrepreneurial skills (in fact 65% were illiterate). The second wave of immigration brought educated Koreans, but these had come from professional, managerial and technical positions. They did not use "kye", but followed a typically western method of capitalisation. Kim argues that Light ignored the fact that Japanese and Chinese had access to their homelands for sources of capital (in contrast to native Blacks and Koreans).

The cultural ethos of immigrants led Bonacich (in Bonacich and Modell 1980) to develop the term "middleman minority" for immigrant groups whose business ownership provides a major source of income for group members. Krčmář (op. cit.) points out that the model was first set out by Blalock in 1967. The commercial success of such a group, Bonacich argues, is characterised by a 'sojourner' orientation, with no long term identification or commitment as a resident or businessman; thus there is a requirement for 'portability' of the wealth created by business activity. This attitude influences the type of business activity undertaken, in that it leads to low fixed capital intensity but high labour intensity, thereby satisfying the requirement that capital should be easily realised. This orientation elicits a hostile reaction from the host society which in turn strengthens solidaristic behaviour and in-group economic ties such (as those described by Light on the part of the Japanese in the United States in the first half of the 20th century).



Ward (1987b) argues that data on Asian settlement in Britain do not support Bonacich's explanation of the middleman minority model. Nor did Krčmář (op. cit.) find any evidence to support the sojourner attitude amongst her sample of Asian retailers in Glasgow. Ward (1983) also points to the importance of low barriers to entry, rather than low barriers to exit, in accounting for patterns of minority business.

However, Werbner (1984), writing about relations between Pakistanis in Manchester working within the rag trade (see Chapter 5), confirms the importance of cultural resources in Asian business. Also, Baker's study (1982) of Asian retail activity in London suggests that ethnicity is a resource available to an ethnic entrepreneur on which he may wish to draw for some (but not necessarily all) aspects of his business.

The importance of resources was highlighted strongly in this research sample as most interviewees spoke of the continued help of family members - especially wives. There was also an assumption that children would come into the business. One interviewee at a warehouse had a degree in bio-chemistry but after graduation the family required him to join the business; and so he did not follow his personal choice of career. He accepted totally his cultural ethos that family well-being is an integral part of individual well-being.

Family capital, at start-up particularly, was important since banks have been loathe to provide unguaranteed capital. Also, in times of cash flow problems, or more serious financial crisis, the extended family is able to pull in the manual and financial resources of its members. Several respondents stressed the social degradation of "failing". Where most indigenous firms may go into voluntary liquidation without any great "loss of face", this would be too much for an Asian entrepreneur who would "never be able to face the talk behind my back at the Temple". The social consequences are dire in this tight knit community.

Within the modern British context, there are two opposing views concerning the middleman minority role. Dahya (1974) provides evidence to support its significance. The approach adopted is one which recognises the reality of social mobility and a considerable degree of self-determination and freedom from many of the constraints imposed by a racist society. This autonomy is drawn from an ethnic solidarity, an

exclusive self-isolating brotherhood (where) Asians set themselves goals separate from those of the majority society and are largely successful in achieving them (Tomlinson cited by Krčmář *op. cit* : 62)

An alternative approach stresses racial disadvantage and exclusion with real barriers preventing free access to employment, housing and other social resources (Nowikowski 1980). The limited and marginal autonomy experienced by a few is dangled as the carrot to the minority population and as the souleuse to the indigenous population.

### Ecological Model

The ecological approach builds on the work of Burgess (1928) and Park (1936) which emphasises the constraining structure of modern economies, so that there is a finite amount of production facility. This means that openings for ethnic minority owners only emerge as vacancies arise in the existing small business population.

There is a pattern of succession, first amongst neighbourhood residents and, subsequently, the small business population. McEvoy et al. (op. cit.) were the first to chart and present a model of ecological succession in their study of Bradford, Ealing and Leicester. They described a process whereby older, less desirable areas of the city were abandoned by successful residents and businesses, leaving niches for immigrant entrepreneurs. This was illustrated again by Krčmář's population in the inner city wards of Glasgow. She found that

the indigenous retailer seems to have moved into the more specialised markets of 'card shops' or 'bakeries' (Krčmář op. cit. : 95).

Thus a niche is vacated in the "downbeat emergency-cornershops" in the declining and depressed inner city, which the immigrant population (mostly from the Punjab) filled.

How does this approach relate to the idea of a protected market where ethnic minority businesses provide ethnic products for their local consumer population? The McEvoy (1982) study found that their sample population of firms did not operate consistently within a protected ethnic market. They found that Asian penetration of the indigenous market varied by market sector. Ethnic segmentation was most complete for clothing shops and restaurants, and least amongst grocery stores and newsagents, tobacconists and confectioners, although the high concentration of Asian residents provided opportunities for Asian shopkeepers to specialise in services which white shopkeepers did not provide. In Glasgow, most Asian shops in the questionnaire population (87%) had a majority of white customers, thus questioning the range of applicability of the protected market theory (Krčmář op. cit. : 106). McEvoy et al. (op. cit.) argue that with the limits in ethnic minority trade to its community, any advantage is soon lost. Only those willing to work long hours with a strong family contribution to labour will succeed and in this, minorities differ little from natives who are prepared to do the same.

### Interactive Model

Dissatisfaction with the above two models as they stand alone led to the formulation of an interactive model. This model draws on aspects of all the aforementioned theory but focuses on the use of resources in relation to opportunities present in the market place and in the economy. The approach suggests that ethnic minority firms will proliferate where there is a congruence between the opportunities and constraints of the economic environment and the formal and informal resources of a minority population which leads to ethnic minority businesses holding a favourable market position. The interactive model is derived from the empirical work of, for example, Waldinger

(1987) who studied the participation of ethnic minorities in the clothing industry of New York City and also work by Mars and Ward in the UK (1984).

The demand for small business activity emanates from markets whose small size, heterogeneity or susceptibility to flux and instability, limits the potential for mass production and mass distribution. This results in small scale enterprises with low capital entry barriers.

Waldinger's study of the garment manufacturing industry in New York (1987) outlines a typical structure, in which the volatility of the fashion industry and the instability of the wider economy has led to risk-averse strategies being adopted by large firms. This has created a spot-market where manufacturers are reluctant to make permanent commitments (and thereby increase the importance of external economies of scale), thus opening the way for small scale contractors because capital requirements are low.

Instability created by the fluctuating demand has the potential to cause dissatisfaction and conflict with the labour force which could result in difficulty in organising labour and developing a mechanism for the transmission and maintainance of skills. Waldinger (1987) describes the informal resources and organisation of ethnic firms which allow a competitive resolution of such problems. Ethnic firms have a pool of labour from their own community and generally recruit from the grapevine so that employment will often have a social component that extends beyond the cash nexus. This allows them to pay the costs associated with secondary market jobs, but receive the characteristics of the primary market labour force.

Obligations are understood to be informal and reciprocal, which discourages unionisation. Along with this is wide scale use of family labour and family managerial controls and supervision. This will stabilise work relationships in a context of loosely defined work roles. Stable work relations allow immigrant workers to acquire those managerial and production skills which will permit them to move into entrepreneurial positions. Therefore, once entrepreneurship amongst a community is established, there exists a fertile environment for the transmission and growth of the skills required. This results ultimately in a proliferation of immigrant firms.

### Enclave Economies

Wilson and Martin (1982) describe how ethnic enclaves give rise to a form of economic structuring which is distinct from the mainstream industrial pattern. It gives enclosed ethnic economies an advantage because of the integrated network of business relationships.

Their model is developed from traditional economic theories of the "dual economy". This theory accounts for the co-existence of a central economy comprised of large, healthy firms which are monopolistic in character and a peripheral economy of economically backward firms with little growth and limited cash flow.

In their model, two key characteristics of monopolistic firms distinguish them from peripheral firms:

- (i) Vertical integration, i.e. there is a control of supply and distribution outlets among industries.
- (ii) Horizontal integration, i.e. co-operative levels of production and pricing strategies within industries.

Their theory of ethnic enclaves states that those structures which have a unified system of vertical and horizontal integration resemble the central economy and hold the corresponding advantages. This implies that a cluster of small ethnic businesses may become so arranged as to reflect the main characteristics (functions) of the central economy. A third alternative is thus defined - the vertical and horizontal integration, not of one large firm, but a co-ordination of a cluster of firms - an ethnic enclave. These collectives of independent firms are inherently more flexible in their ability to respond to market fluctuations.

This compliments the social networks approach adopted by Aldrich discussed next.

### Ethnic Networks

Traditional theories of entrepreneurship were discussed in the previous section. The view of the entrepreneur as opportunity seeker is not in question; but personality theories ignore environmental influences on behaviour and have been shown to under-predict entrepreneurial behaviour. Aldrich (1986) comments that it is almost impossible to identify leadership outside of its contextual position. By contrast, the simple social model of entrepreneurship produces an over-socialised view of the entrepreneur, since it displays entrepreneurship in limited conditions. For example, many of the immigrant entrepreneurs studied in the USA or UK had not exhibited any distinguishing entrepreneurial behaviour prior to immigration.

As an alternative to these two approaches, Aldrich (1986) has developed a social networks approach to entrepreneurship. An entrepreneur may be seen to be at the centre of a role set of bankers, suppliers, customers, family etc. An increase in the density of this network can increase access to external resources. Aldrich has applied this approach to the question of the organising capacity of ethnic firms. In a similar fashion, Werbner (1984), in her work amongst Pakistanis in the rag trade in Manchester, analysed the way in which dependence on other Pakistanis made ties stronger and developed the bonds of trust between entrepreneurs and others in their networks. But the network can be too dense and thus introverted and self-limiting - information flows are caught within the network and outside help, advice and information are barred (see Granovetter (1973) on the strength of weak ties). This tends to produce a captive market to which too many people have too easy access, with the result that no-one will be able to compete effectively (as discussed above). Khan (unpublished manuscript) has been considering this problem amongst ethnic milk round businesses in Birmingham. This is a cut-throat affair in which Sikhs are competing with fellow countrymen to service the Sikh community and Muslim Pakistanis are doing likewise. At the time of writing it appears that no-one was servicing the Gujarati community in the area. Thus, if one had links with members of that community, even weak ties, it would open a new market. Where there is a link with another different set of networks, there is an opportunity to acquire new information and use it to one's competitive advantage.



Entrepreneurs who are members of an ethnic group may share an advantage in belonging to a tight network allowing mutual trust, but within this tight role set there is plenty of opportunity for contacts with other role sets within the ethnic community, and those who have a British education and are aware of British cultural norms are able to establish contacts outside of their ethnic group. They thus benefit both from ties within an ethnic network and links with others in the indigenous population.

### Post-War Economic Trends

In Part I of this chapter, the process of decentralisation and the subcontracting of work which allows a major company to minimise risk was discussed. Attention was drawn to the changing life styles of a progressively richer stratum of the population which sought more distinctive and specialised goods and services and stimulated a demand for products in niches in the economy where small size may be an advantage. The chapter also touched on government policy which may encourage, or discourage, a certain scale of enterprise within the formal economy.

The implication of this analysis for opportunities for immigrants to enter self-employment are three-fold. Firstly, as Mars and Ward (1984) point out, ethnic firms tend to be small firms. Secondly, employment within large firms tend to carry more attractive terms and good conditions and so is generally preferred by the indigenous population. Krčmář (1984), in her study in Glasgow, found that the indigenous Scottish population had almost entirely vacated the niche of the small corner store owners. Lastly, the highly centralised nature of the economy in many industry sectors because there were fewer protected niches which nourished them (Auster and Aldrich 1984). This process of centralisation and standardisation may,

unwittingly, have given an advantage to minority entrepreneurs who could benefit from a specialised ethnic market. High levels of self-employment have been noted for all Asian communities in Britain with the highest rates being amongst African Asians (Ward 1987a).

Boissevain (1984) suggests that the growing activity of ethnic entrepreneurs in the UK is part of a wider groundswell among small businessmen throughout Europe. Reference was made in the previous chapter to the halt in the long term decline in small firms. In 1978, EEC countries registered a net increase in the number of entrepreneurs and family workers. Even in Britain, which has the smallest proportion of entrepreneurs and small firms in the Common Market, nearly 10% of the population run their own enterprise (ibid. : 27).

As the economic environment has changed with a corresponding decline in employment, there has been increasing evidence that small firms may offer an alternative and possibly more viable route for the social and economic mobility of members of ethnic minority groups. The current economic situation is said to be supportive of small firms. Goffe and Scase (op. cit.) have presented evidence from Great Britain for the renewed viability amongst small firms. This revival has been accompanied by the entry of ethnic minority owners. Ward (1984) argues that there are clear examples of Asian communities who settled in particular areas as wage labour but have successfully switched to entrepreneurship when jobs have disappeared. The movement of Indians in Birmingham out of employment in metal manufacturing and into setting up business in the clothing industry is one such example. Ward also showed that the number of Indian and Pakistani males in self-employment doubled between 1971 and 1982 (with

equivalent figures for Caribbean males). Indian and Pakistani entrepreneurs are now widely distributed over this retail trade, even in areas like Glasgow where South Asian settlement has been on a fairly small scale (Krčmář op. cit.). Ward (1987c) estimates that half of the retailers of convenience goods in inner city areas are of Asian origin.

In many sectors small firms are likely to require minimal start-up capital and opportunities to run firms have increased in the context of having often been born from a situation of product differentiation and market instability which has reduced economies of scale. This product segmentation has affected opportunities for entrepreneurship in that the optimal scale will be small with low capital barriers to entry; this size minimises problems of delegation and administration and resulting production techniques draw on traditional methods requiring little expertise (Waldinger 1987). There are also fewer bureaucratic obstacles to business start-up than on the continent, where more restrictions are imposed by government regulations (Ward 1987a).

## CHAPTER 3

## THE CLOTHING INDUSTRY IN THE UK

Introduction

This chapter looks at the general structure of the clothing industry in the UK and, in effect, sets the scene for Chapter 4 which examines industry subsectors and the manner in which localities in the UK have responded to opportunities in the industry.

Here, then, the development of the industry is traced along with changes in retailing which have resulted in an unbalanced relationship between manufacturer and retailer, to the detriment of the former. This dependency is discussed together with its implications for manufacturers. The chapter ends with a discussion of foreign trade in clothing, competitiveness in the UK industry and the effects of the Multi-Fibre Arrangement (MFA).

The mass production of relatively inexpensive good quality ladies' dresses in attractive fabrics has caused one of the biggest changes in consumer habits. This was accompanied by generally rising living standards which stimulated the massive expansion of the clothing industry since the 1950s. This expansion itself generated intense competition on the world market, such that the last decade has been particularly difficult for Europe's clothing and textile industries. As Islam expressed it,

Competition has come from the Third World, where clothing and textile manufacture requires only modest capital investment and is labour intensive. This has prompted the development of highly competitive textile and clothing industries, particularly in South-East Asia (Islam 1981 : 90).

Even recent developments involving a move towards the use of more expensive technology still allows a competitive advantage in labour costs to be maintained.

The UK industry was hit particularly hard by the recession of the late 1970s/early 80s, but trade journals write now with more optimism for the future

Industry has beaten the recession years and faces the future in a much slicker, more efficient state (Taylor 1984(a) : 13).

This new confidence has been explained by the industry's reorganisation and rationalisation in response to the change in demand. The advantages of using modern technology have also been recognised; this has allowed the industry "improved ability to service (its) retail customers" (Taylor 1984(b) : 13). In the May 1984 issue of MANUFACTURING CLOTHIER, Sebastian Taylor, argued that

the revival of perception of a more favourable market environment stems from developments on financial markets generally - retailers are having to turn to home markets because of volatile foreign currency (Taylor 1984(d) : 9).

Technology and foreign exchange rates together with government and EEC legislation have recently reduced the pressure of competition caused by imports from NDCs; but two-thirds of exports to developed countries still come from NDCs (especially Hong Kong and South Korea) and the UK is experiencing greater import penetration from developed countries, too. However, a drop in demand from consumers has led to intense retail competition on the High Street and this prevents the widening of margins for the manufacturer.

We will return to these points later in the chapter, but to be able to understand these recent experiences of the industry and its various sectors, it is necessary to consider the development of the industry.

### The Birth and Growth of the UK Clothing Industry

The introduction of the first sewing machines in the middle of the 19th century led to the transformation of the clothing manufacturer. Prior to this, garments were ordered to specification and were hand-made. The first small, hand-operated machine was patented by Elias Howe of Massachusetts, USA in 1846 and, later, an improved version was developed by Isaac Singer in 1851. (Plant op. cit.). This heralded the birth of the industry and two simultaneous developments occurred (Barham 1976 : 45):

- (1) the patenting of the sewing machine made available the technology of mass production;
- (2) the first couture designer presented model garments to customers in Paris - this provided the main fashion ideas for mass production.

The development of the sewing machine and mass production meant the setting up of production lines and factories. There is some controversy as to the location of the very first English factory - London or Leeds - but, it is known that by 1856 John Barran was producing ready-made clothes under factory conditions in Leeds (Barham 1976). Production, however, remained relatively small and dispersed. In 1881 Leeds, which was one of the centres of the clothing industry, still had only eight factories (Plant op. cit.). Plant explains this slow take-up of mechanisation by:

the relatively complex nature of garment production, with its many different operations (Plant *ibid.* : 56).

The number of factories, however, increased to 54 in only 10 years. This increase, though, was unevenly spread through the sectors. Advances in technology were really only suitable for heavy clothing manufacture and therefore men's suits and overcoats were the principal product at this time. This explains the increasing dependency of Leeds on this sector of the industry, as will be discussed in Chapter 4. By contrast, women's and childrenswear was still largely handmade.

This era saw the development of a classic feature of the rag trade - the sweatshop. Master tailors set up as middlemen subcontracting work from established businesses. This was further subcontracted to women and children working in their homes or, perhaps, in a room provided.

Factories began to emerge at the turn of the century. There was greater demand and consequently, larger establishments were needed. Also, these establishments needed pictures - models for customers to choose from - and this, in turn, both demanded and encouraged standardisation. At the same time, there was a proliferation of peripheral businesses - like warehousing. Larger scale production emerged. Manufacturers no longer needed to wait for a customer's order but produced ready-made, off-the-peg garments for lower income groups. Large stores entered into competition with the traditional "madame" dress-making establishments.

The First World War created a demand for uniforms which initiated further developments for the industry. In the menswear sector, Burtons developed selling direct to the consumer whilst women's apparel continued to be made by smaller units and sold to retailers. Here, therefore,

changes occurred in retailing rather than manufacturing. Multiple and variety chains emerged.

Rainnie (1983 : 196) points out, however, that despite the influences of demand created by the 1914-18 War, the pattern of decline had already begun. By 1911 employment in clothing as a percentage of employment in all manufacturing had dropped to 20% from the 1891 figure of almost 25% (as shown in Figure 3:1).

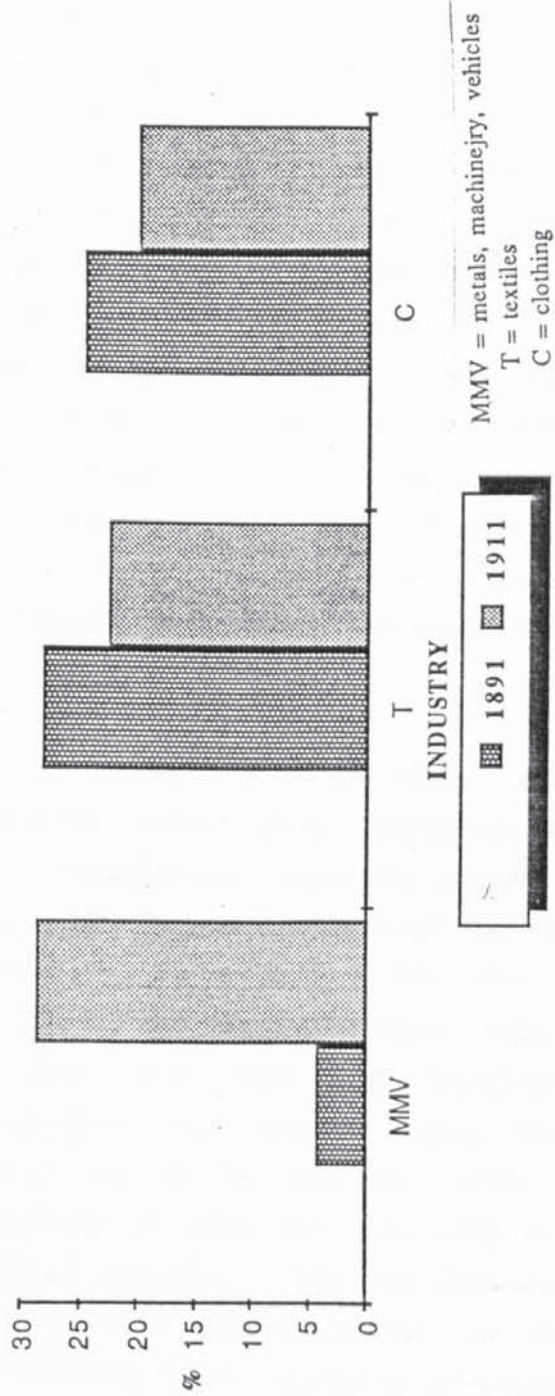
A specialised form of intermediary firm emerged in the post war years. This was the manufacturer who presented designs to a retailer, purchased cloth from the mills and subcontracted to a firm who made up the garments for return to the manufacturer (i.e. Cut Make and Trim firm - CMT). Barham (op. cit. : 51) suggests that the emergence of these occurred simultaneously with the disappearance of tailoring units. The former therefore emerged to find their market in the higher quality, more individualised business of a growing middle class.

Despite mass production, individuality was still of importance. The small retail units therefore needed to offer enormous variety. These small intermediary firms were able to offer this since they had no factory units to maintain.

Coyle (1982) elucidates one of the factors that led to the different structures in the various sectors, by discussing the changes in labour availability and skill. She argues that technical changes and rationalisation occurred at a time of a reduction in available, cheap labour (the introduction of the Trades Boards set minimum wage rates and also restrictions were beginning to be imposed on migration from Eastern Europe) as well as market stability. Changes in production methods, she continues, were most notable in



FIGURE 3:1 DISTRIBUTION OF THE LABOUR FORCE IN SELECTED INDUSTRIES (as a percentage of totals in manufacturing group) (1891 & 1911)



SOURCE: Rainnie (1983:196)

menswear, since they had employed a high proportion of skilled male labour and were less subject to fashion change.

After the Second World War, ready-to-wear clothes increased in consumer popularity (helped by the development of standard sizing). Increased purchasing power was accompanied by changes in retail organisation which brought a marked seasonality in clothing manufacture. Variety chains began contracting directly with factories (though not in fashion until Marks and Spencer began to do this in the late 1960s/early 1970s) (Barham op. cit. : 51). In this way a retailer could virtually control the entire process of manufacturing and retailing. Outside the haute couture, clothing sales are not closely related to designer names (with the possible exception of jeans - see Chapter 6), with the result that manufacturers have so far remained in this subordinate power position. They do not have the strategic option of, for example, small firms in the food industry which, when they found themselves in a similar position, responded by producing 'own brand' products (Greater London Council 1985 : 73).

Barham argues that mergers of shops with the accompanying economies of buying power (large quantities of the same garment from one manufacturer) were the primary force behind the emergence of leading manufacturers of women's outerwear and of the forward order system. The first large orders went to firms geared to long production runs. These in practice, were firms with their own factories which had produced cheap garments and uniforms during the war years. Quality necessarily had to be improved since these stores serviced the consumers of what had previously been "madame" shops and provincial drapers. The manufacturers who had been supplying these were geared neither for long runs nor for fashion. Therefore large factories previously producing

cheap copies of fashion improved their quality. Brand names became known. Shops encouraged advertising to attract customers and continued to buy from large, well-known manufacturers.

Barham (ibid. : 59) outlines four major trends in the retail sector in the post-war years which have affected manufacturers:

- (1) 1950-66, multiples increased their share of the market from 27% to 48% of total sales;
- (2) since 1961, mail order firms increased by approximately 12% per annum;
- (3) there has been a growth in boutiques;
- (4) all growth sectors expanded at the expense of madame shops, which changed to become specialist shops catering to the middle aged lady.

Manufacturers needed to respond to these trends and Barham discussed alternative courses of action faced by the small manufacturer at that time:

- (1) continue with madame shops, selling basic durable clothes;
- (2) sell exclusively to multiple shops and department store chains - in this way sales and production costs are kept to a minimum. Production is best managed with the use of CMT firms. The latest fashion/cloth is needed;
- (3) mix trade - using long runs for department stores counterbalanced by short runs for madame shops.

### Towards an Understanding of the Manufacturers' Position

We have seen how advances in production occurred alongside the expansion of retail outlets and how both consequently fuelled each other's development. Large department stores provided reliable markets, thus allowing manufacturers long and consistent runs enabling them to increase their scale of operations.

Mechanisation of production really only affected outerwear greatly. Light clothing has a different story. As Campbell (1979) commented

what still counts in the fashion trade is the hand that guides the pieces of limp cloth through the classically simple sewing machines (in Rainnie op. cit. : 200).

Whilst this may still hold true today, it does not mean that there have been no structural changes. Developments in fabrics and machinery have meant that

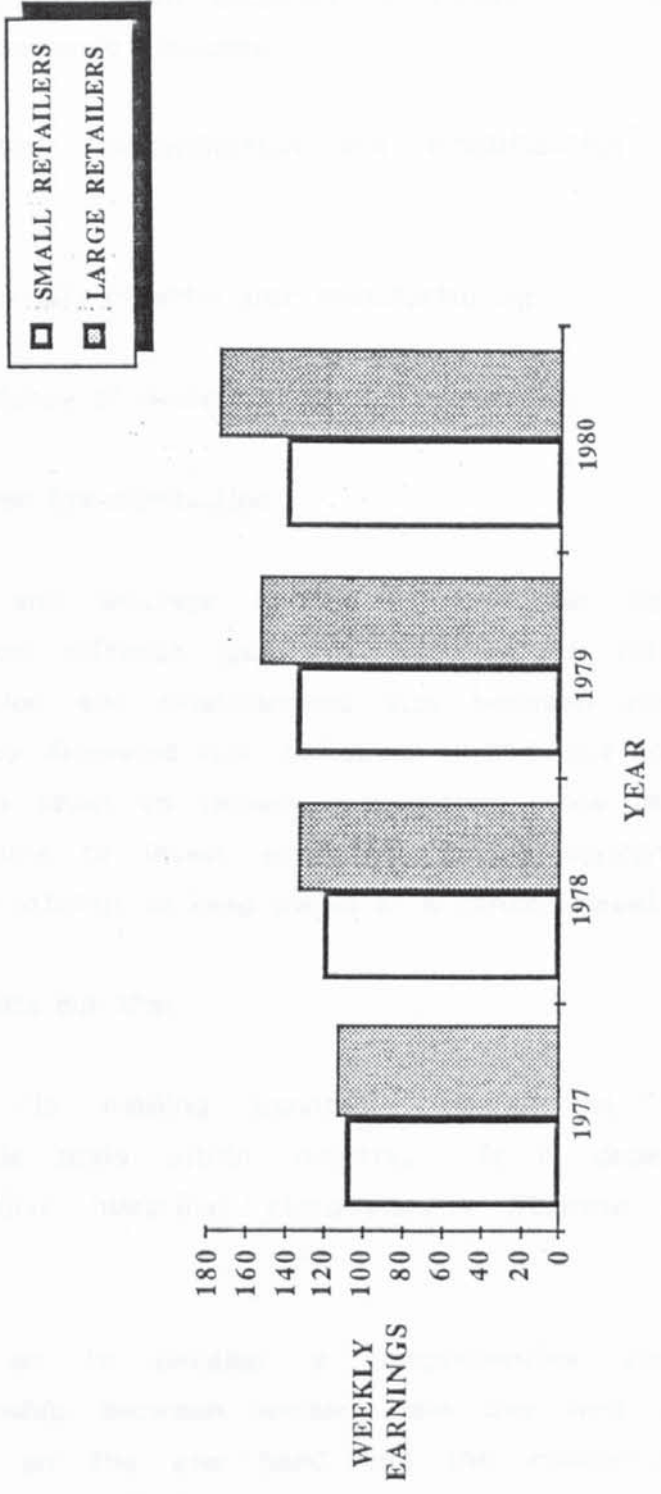
the mass production of relatively inexpensive, good quality, ladies dresses .... has caused one of the biggest changes in consumer habits (Plant op. cit. : 60).

Moreover, Plant indicates that the clothing trade has really been affected by the

revolution in the distributive trades which has transformed our shopping habits (ibid. : 60).

As illustrated in Figure 3:2, between 1977 and 1980 weekly average retail sales by large retailers for clothing and footwear increased by some 55% whilst small retailers managed an increase of less than 30%.

FIGURE 3:2 WEEKLY EARNINGS IN U.K. CLOTHING RETAIL TRADE  
(1976=100)



SOURCE: RAINNIE (1983:201)

The effect that this change in retail structure has had on investment in technology for the clothing industry in general, and the light clothing sector in particular, is complicated, but Plant attempts to unravel the pattern. He outlines three basic elements:

- (1) increased standardisation and simplification of garment design;
- (2) low barriers of entry into manufacturing;
- (3) dependency of manufacturer on the retailer.

#### 1. Increased Standardisation

The soft and delicate nature of lightwear fabric makes mechanisation difficult and this has led to differences in standardisation and establishment size between sectors. We have already discussed how menswear mechanised and increased in scale in order to remain competitive, since manufacturers had a choice to invest in labour saving machinery (where possible) or attempt to keep wages at a minimal level.

Rainnie points out that

there is nothing inevitable about the development towards scale within industry. It is dependent upon particular historical circumstances (Rainnie op. cit. : 203).

He goes on to develop a comprehensive view of the interrelationship between women, low pay and low capital investment on the one hand and the connection between retailer and manufacturer on the other. He suggests that Marx argued that:

since the actual wage of the worker sometimes sinks below the value of his labour power ... it is possible for the difference between the price of the machinery and the price of the labour power replaced by the machinery to undergo great variations, while the difference between the quantity of labour needed to produce the machine and the total quantity of labour replaced by it remains constant. But it is only the former difference that determines the cost to the capitalist producing a commodity, and influences his actions through the pressure of competition (Marx in Rainnie *ibid.* : 203-204).

Since he argues that women's wages are below the value of their labour power (and can be kept so), there is consequently no particular incentive to replace cheap labour with expensive machinery. Thus working with difficult material in a volatile market means the producer needs a readily adaptable labour process - and humans are more adaptable than machinery.

## (2) Barriers to Entry

The ease of entry (and exit) at the ground level further militates against investment in technology. The clothing industry's Economic Development Council (1971) summed up the situation:

... entry to the industry has been, and still is, easy, a few hundred pounds of capital being sufficient to purchase second-hand machines and the necessary raw materials and to make a profit if a market could be found (NEDO 1971 : 6).

Consequently, 95% of the sewing machinery and 90% of the pressing equipment is still of the straight forward single operator-controlled type. Therefore, NEDO (1979 : ix) points out, there is a strong correlation between company size and investment in technology

### (3) Dependency on the Retailer

A further factor which inhibits development in the industry is the squeeze that clothing manufacturers suffer between raw material suppliers on the one hand and retail outlets on the other. Rainnie argues that the rise of large multiple retailers coincided with the possibility of introducing a mechanised labour process, but that the relationship between retailers and producers was influential in limiting the possibilities (Rainnie op. cit.). It is worth taking time at this point to outline more fully Rainnie's arguments on dependency in the clothing industry.

#### Dependency of Manufacturers on Retailers

Rainnie asserts that the major retailers have an important determining effect on the performance of the British clothing industry. The Clothing Industry Productivity Resources Agency noted that

From the firms visited it was clear that this sector (ladies and childrens light outerwear) of the industry is typified by numerous small entrepreneurial businesses each working hard to satisfy their customers' needs whilst squeezed between, on the one hand, large fabric suppliers, and on the other powerful retail groups (CIPRA 1980:8).



Table 3:1 shows that half the retail sales in the UK are handled by no more than a dozen chains. By 1982 multiples held a market share of 60% (Gibbs, 1987 personal communication). But the influence of retailers is much greater than represented by ownership alone (Cable and Baker 1983 : 41). Table 3:2 shows how retailers, whose gross margins may range from 40% to 50%, get the greater proportion of the end price. Multiple retailers maintain two basic approaches to manufacturers - that of direct control or, what may be termed, arms length approach.

Marks and Spencer is a good example of the "direct control approach". They specify cloth, cut, stitching time and price. They also inspect factory conditions and allow no subcontracting of work.

Marks and Spencer plays a forceful role in the UK clothing trade, more than 600 companies supply them (Sussman 1982 : 7), amounting to the employment of some 200,000 people (Lambert 1982 : 4) and about 20% of the annual output of the British clothing industry (Rainnie op. cit. : 206).

Not only is there prestige accompanied to supplying Marks and Spencer, but there is the predictability of having long production runs and not needing to scratch around for a number of small orders. Rainnie also quotes Norman Sussman, managing director of a company two-thirds of whose turnover is with Marks and Spencer, who experiences this positive side of being an M and S supplier

.. we have succesfully ridden out all the economic storms which have blown with monotonous regularity ... (Rainnie ibid. : 207).

TABLE 3:1 CLOTHING AND TEXTILE OUTLETS (PERCENT) (1977)

	MULTIPLES	DEPARTMENT & VARIETY STORES	CO-OPS	MAIL ORDER	INDEPENDENTS	OTHER	TOTAL
U.K. (clothing only)	53.2	16.9	6.3	8	8.7	6.9	100
U.S.A	31.4	38	-	3.9	-	27.7	100
NETHERLANDS	22.3	10.7	-	2	48.5	16.5	100
SWITZERLAND	19.7	9.9	11.4	2.5	32.5	24	100
BELGIUM	13.5	11	0.5	3	72	-	100
GERMANY	12.9	20	5.2	7.3	25.8	28.8	100
ITALY	7.5	8	0.4	1.3	80.8	2	100
FRANCE	5.2	9.8	0.7	4.2	70.3	9.8	100

SOURCE: WORLD TEXTILE TRADE AND PRODUCTION TRENDS (1983:42) BASED ON UNCTAD 1977 DATA

TABLE 3:2 BREAKDOWN OF PRICE OF A PAIR OF JEANS (PERCENT)  
1980

	<u>JEANS</u>
RAW MATERIAL COST TO MANUFACTURER	8.4
TEXTILE MANUFACTURER & APPAREL MANUFACTURER	48.6
WHOLESALE/RETAILER	<u>43</u>
	<u>100</u>

*SOURCE: WORLD TEXTILE TRADE AND PRODUCTION TRENDS (1983: 42)*

There are also economies of scale for administration and distribution costs

...(we) do not make any money out of distributing 1,000 garments to about 100 customers. Administration, together with packing and carriage costs, for such small orders, are so high that there is hardly any profit left (Conidis 1982 : 14).

However, a manufacturer also is very dependent on this one outlet. As one manufacturer in Rainnie's study put it,

when you've got all your eggs in one basket, and they pull out, you've lost your contracts. They've got you and they know it (Rainnie op. cit. : 208).

Not all large retailers exercise so much control over their suppliers. C & A are a good example of the "arms length approach". Provided that the price is right and quality is maintained, they are not concerned where and how a garment is actually made up. This type of relationship between retailer and manufacturer, then, allows an opportunity for subcontracting the make-up of garments by CMT firms.

On occasions when a major retailer may have a change in policy as they adapt to a changing market then "... the losers are the small companies" as retailers concentrate on getting the best quality at the best price from suppliers (SUNDAY TIMES in Rainnie ibid. : 209). This not only results in contracts not being renewed, but those companies where contracts were retained have been faced with drastic reductions on their margins.



The ever increasing battle for market share both among the High Street outlets and between these and independents has

.. often wiped out profit margins at a time of demand depressed by the destocking recession (ibid. : 212).

As Rainnie put it

shaved net margins for the retailers translates into this year's goods at last year's prices for the manufacturers. In this situation, it is not only the short term policy changes or medium term recession but also the long term process of dependency that go a long way to explain the 'backward' nature of the labour process in small firms. Long runs can, and do, exist, but are open to the changes in fashion, policy changes by retailers, recession reduced consumer expenditure and so on".

The picture that emerges therefore, is one of a myriad of small, technologically backward companies, dependent on one or two major retailers for their survival and coming increasingly under pressure as the recession deepens.

## Foreign Trade

World trade in textile and clothing products recently became an extremely important issue in international commercial policy. This was partly because of its size - in 1981 textile and clothing accounted for 4% of world trade and 9% of world manufacturing trade (excluding textiles, fibres, machinery and dyes) - but also because its products are one of the few cases in international trade where manufactured items are subject to comprehensive regulations by governments (Cable and Baker op. cit. : 59). The Multi Fibre Arrangement (MFA) has had an important impact on the clothing industry in the UK. In order to be able to understand the arguments for and against import control in the clothing industry we will look more closely at the foreign trade figures, as laid out by Cable and Baker in the World Textile Trade and Production Trends Report (1983).

According to Table 3:3, in 1980 55% of all clothing exports originated in industrialised countries (and these countries accounted for 86% of all imports).

Most of this trade was accounted for by trade between industrialised countries, especially within the EEC. But this dominance is declining. In 1970, industrial countries accounted for 73% of all world exports (and 77% of imports). Newly Developing Countries have increased their share of world exports from 24% in 1970 to 39% in 1980. Once intra-EEC trade is excluded this significance of NDCs can be more readily appreciated (Table 3:4).

TABLE 3:3 WORLD CLOTHING TRADE (1980-1981)

TRADE FLOWS FROM	TRADE FLOWS TO									
	Industrial Areas	OPEC % of total	Non-Oil Developing Countries	Eastern Bloc % of total	World	% of Total				
Industrial Areas	17.25	55	0.75	41	1.35	44	0.7	22	20.15	51
Non-Oil Developing Countries	12	39	0.95	51	1.15	38	0.2	6	14.55	37
Eastern Bloc	1.9	6	0.15	8	0.55	18	2.3	72	4.95	12
World	31.25	100	2	100	3.2	100	3.2	100	40.2	100

N.B. World Totals May Not Exactly Sum To Regional Totals Definition of Country Groups May Differ Slightly Between Tables

Source: adapted from *World Textile Trade & Production Trends (1983:60)* based on *Gatt Annual Reports 1980/81*

TABLE 3:4 AREA DISTRIBUTION OF WORLD TRADE IN CLOTHING (PERCENT SHARE) (1981-1982)

	EXPORTS			IMPORTS		
	1979	1980	1981	1979	1980	1981
DEVELOPED AREA*	30	30	27	74	72	69
DEVELOPING AREA	56	56	59	16	18	19
EASTERN TRADING AREA	14	14	14	10	10	12

\* EXCLUDING INTRA-EEC TRADE

SOURCE: WORLD TEXTILE TRADE AND PRODUCTION TRENDS (1983:61) BASED ON GATT INTERNATIONAL TRADE 1981/82



Table 3:5 shows the share of imports to different areas by various suppliers. It shows a halt of imports from NDCs since the freeze in 1976 (discussed below) and the share held by the MFA members can be seen to have declined. The main gainers from this situation have been the southern European countries, non-member NDCs and Eastern trading areas. This is particularly striking in the EEC where other developed countries have recovered at the expense of MFA member NDCs - especially so in textiles.

Table 3:6 shows that imports have been highest in smaller western economies like Holland and lowest in Japan and the USA. The largest caput importer from NDCs is West Germany. When considering imports in relation to GNP, the table shows how some smaller economies (like Canada, Italy) have relatively little penetration in relation to West Germany and the UK.

Figure 3:3 illustrates the market penetration by NDCs into industrial countries in 1970 and 1979. There has been particularly striking growth of import penetration of clothing in all main industrial countries, especially from the developing countries and particularly high rates may be observed for the UK.

As industrialised countries felt the increasing competitive impact from NDCs upon their home trade, there was a call for control of imports. Table 3:7 shows the UK's growing clothing deficit with imports coming from low cost countries. The MFA was set up as a single agreement which intended to provide a relatively liberal basis for developing countries to increase their textile and clothing sales at a general rate of 6% per annum. This rate was designed to allow developed countries which were importers to adjust their own industries to the extra competition. In exchange for this general level of increase, developed

TABLE 3:5 SHARE OF IMPORTS BY VARIOUS SUPPLIERS (PERCENT) 1973-1981

	1973	1976	1977	1978	1979	1980	1981
<u>ALL DC MEMBERS</u>							
DCs	31	25	26	25	25	25	22
LDCs	63	70	68	69	68	68	70
of which:							
MFA members	47	55	53	52	51	51	53
Eastern Trading Area	6	5	6	6	7	7	8
<u>EC (\$bn)</u>	2.15	4.2	4.69	5.58	7.56	9	8.46
Developed area	15	13	14	14	14	15	14
Developing area:	73	78	77	76	76	75	77
Members	58	63	60	57	57	56	58
Non-members	15	15	17	19	19	19	19
Eastern Trading Area	11	9	9	9	9	9	9
<u>USA (\$bn)</u>	1.97	3.26	3.7	5.31	5.54	6.27	7.41
Developed area	27	16	16	15	12	10	10
Developing area:	73	82	82	83	84	85	84
Members	53	63	62	63	64	63	64
Non-members	20	19	20	20	20	22	20
Eastern Trading Bloc	-	1	2	2	4	5	6
<u>JAPAN (\$bn)</u>	0.55	0.71	0.77	1.06	1.54	1.32	1.49
Developed area	17	18	22	22	23	27	23
Developing area:	74	76	71	70	66	56	61
Members	53	60	57	55	49	42	46
Non-members	21	16	14	15	17	14	15
Eastern Trading Area	9	6	7	8	11	17	16
<u>CANADA (\$bn)</u>	0.3	0.69	0.57	0.55	0.68	0.65	0.78
Developed area	44	31	35	30	28	27	25
Developing area:	49	62	59	64	61	64	68
Members	33	46	42	43	42	45	50
Non-members	16	16	17	21	19	19	18
Eastern Trading Area	7	7	6	6	11	9	7

Source: World Textile Trade & Production Trends (1983:61) based on Gatt International Trade 1981/82

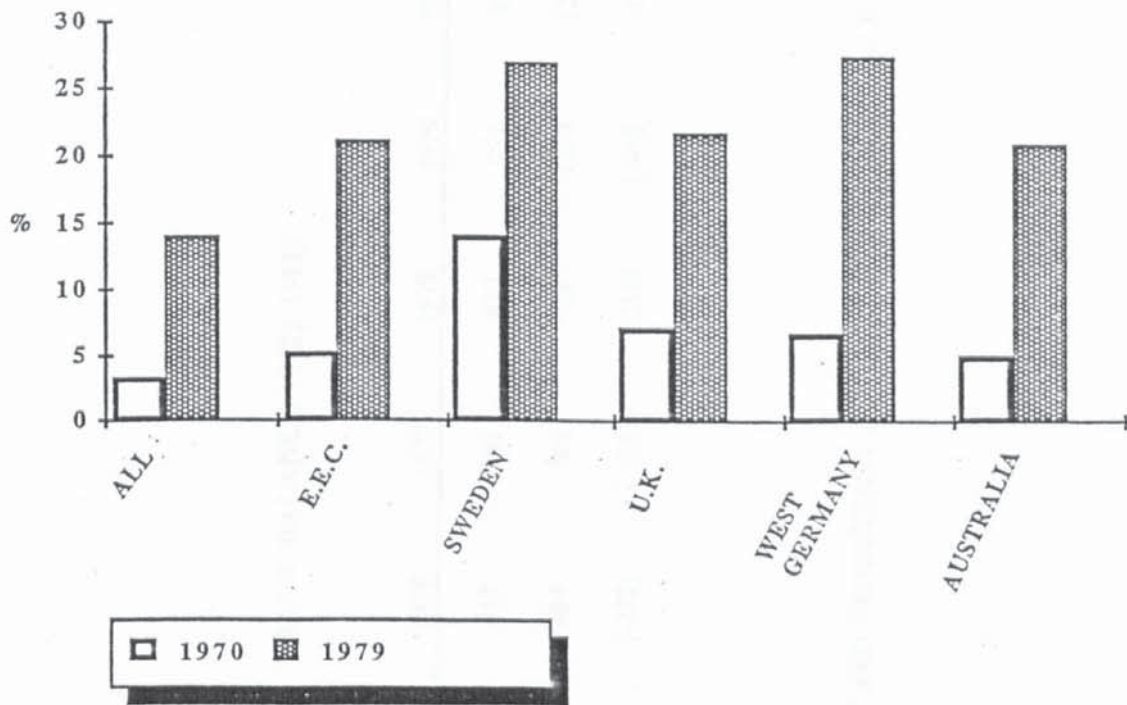
**TABLE 3:6 PER CAPUT IMPORT AND IMPORT PER U.S.\$1,000 OF G.N.P.  
(TEXTILE & CLOTHING) (1979)**

	PER CAPUT ALL SOURCES	IMPORTS NDCs	IMPORTS PER ALL SOURCE	US\$1,000 GNP NDCs
U.S.A	31.7	23.4	2.85	2.16
CANADA	84.7	24.7	8.75	2.52
JAPAN	26.2	15	2.98	1.7
AUSTRALIA	90.8	41.8	10	4.62
NEW ZEALAND	112.5	45.1	18.7	7.51
WEST GERMANY	223.8	64.8	19.08	5.51
U.K.	109.4	32.8	18.89	5.67
FRANCE	113.5	25.1	11.41	2.53
BELGIUM/LUXEMBURG	203.4	25.8	27.68	2.35
ITALY	50.3	9.4	9.6	1.75
DENMARK	272.5	52	22.86	4.38
HOLLAND	342.8	53.4	33.63	5.05
AUSTRIA	230.4	25.8	26.7	2.99
FINLAND	140.6	20.8	16.92	2.42
SWEDEN	230.5	60.4	19.4	5.08
SWITZERLAND	328.2	49.2	23.01	3.45

N.B. SITC includes non-MFA items

*SOURCE: WORLD TEXTILE TRADE AND PRODUCTION TRENDS (1983:71)*

FIGURE 3:3 PERCENT MARKET PENETRATION (CLOTHING)  
BY NDCs INTO INDUSTRIAL COUNTRIES



SOURCE: SILBERSTON (1984:73)

TABLE 3:7 U.K.'S CLOTHING TRADE BALANCE (1973-1982)

	1973	1975	1976	1977	1978	1979	1980	1981	1982*
EXPORT	179	266	412	598	670	751	808	807	840
IMPORT	333	505	684	766	921	1194	1231	1439	1501
BALANCE	(-154)	(-239)	(-272)	(-168)	(-251)	(-443)	(-424)	(-592)	(-660)

\* BASED ON FIRST QUARTER

SOURCE: WORLD TEXTILE TRADE AND PRODUCTION TRENDS (1983: 120) BASED ON U.K. TRADE ACCOUNTS

countries were allowed to negotiate more specific restrictions on products classified as sensitive. This led to a series of bilateral agreements, voluntary and under the supervision of the GATT Textile Committee.

### UK's Competitive Position

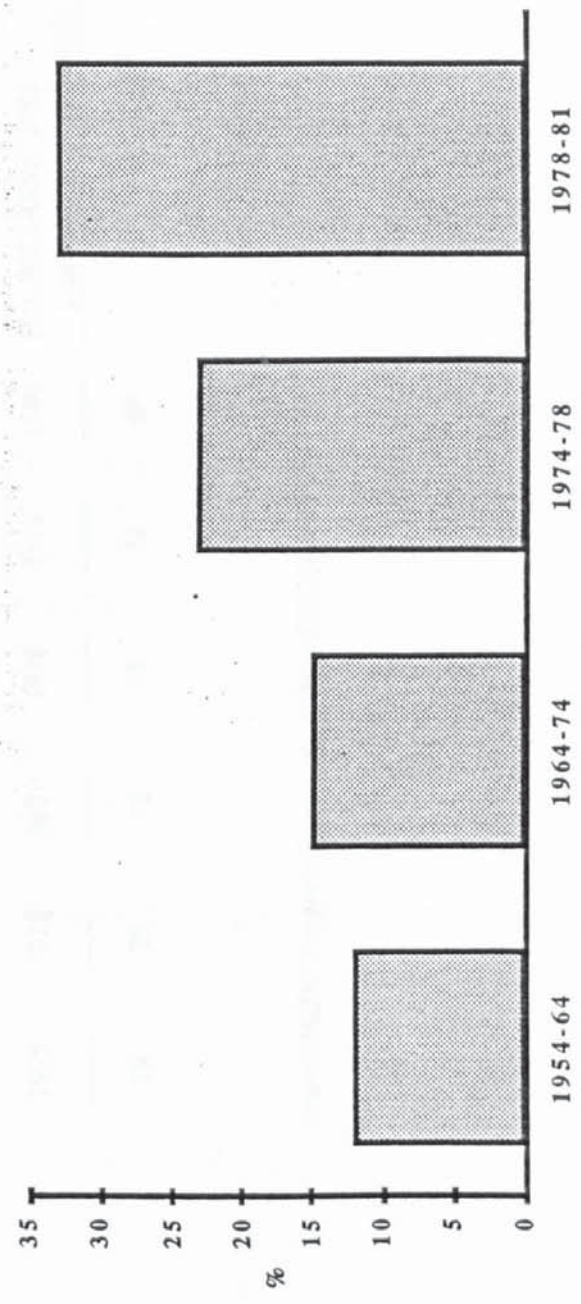
Figure 3:4 shows that import penetration more than doubled between 1970 and 1980. A report published by Leeds County Council (1983) showed that for the first six months of 1982, the UK had a total deficit of £427m. for the clothing trade. Almost 90% of this was due to a trade deficit to NDCs, excluding the Middle East and North Africa, which showed a surplus of £27m. The only other trade surplus was £11m. to Developed Countries other than Europe and the USA. This included countries like Australia which do not have a developed clothing industry (in world terms). A further indication of the competitive decline of UK manufacturers against imports, was shown by the EDC Progress Report (1981(b)). Table 3:8 indicates how UK manufacturers experienced a decline in the domestic market share between 1975 and 1980 and projected further reductions for 1982.

When output is considered in relation to the size of the UK market, it can be seen that clothing retail sales increased at a time when output decreased, thus creating a market gap which was filled by imports (Figure 3:5).

### Multi-Fibre Arrangement - Theory and Practice

A chronological development of MFA regulations is given in Appendix E.

FIGURE 3:4 CLOTHING IMPORTS (U.K. AS A PERCENT OF CONSUMPTION (1954-1981)



(SOURCE : SILBERSTON 1984)

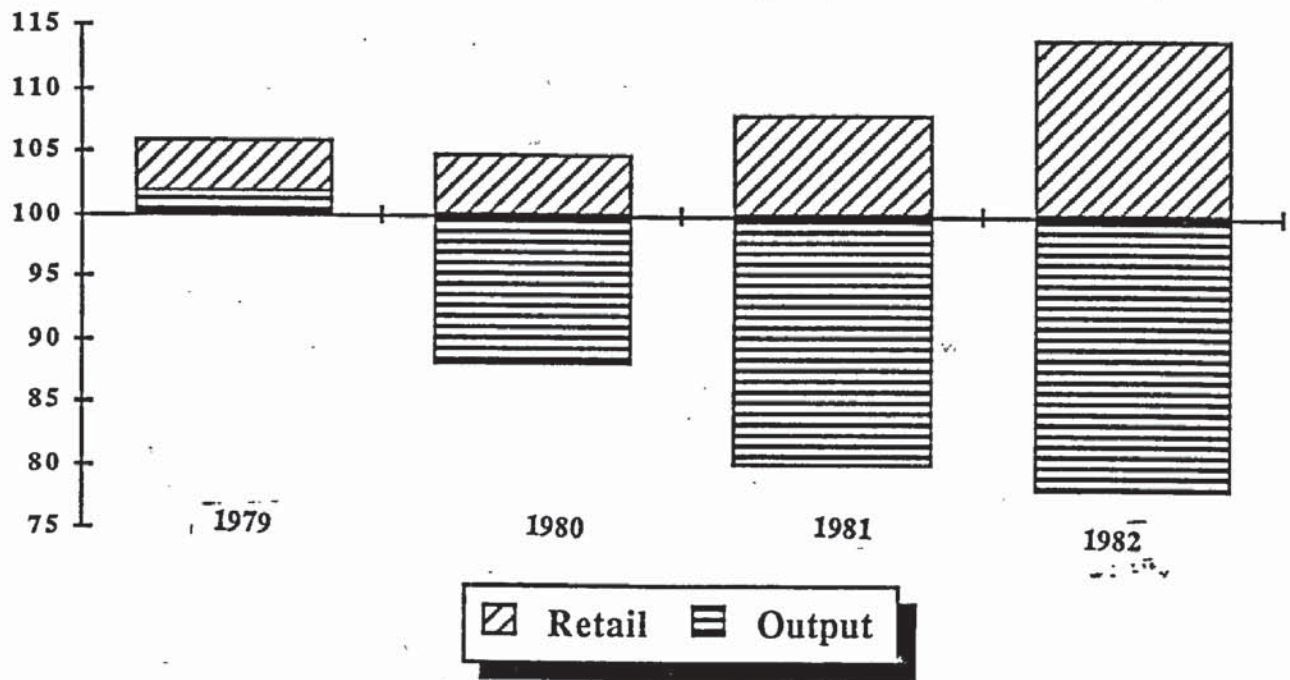
TABLE 3:6 U.K. MANUFACTURERS' SHARE OF U.K. CLOTHING MARKET

1975	1976	1977	1978	1979	1980	PROJECTIONS 1982	
						pessimistic	optimistic
79	75	78	75	72	69	61	67

Source: NEDC Progress Report of Clothing EDC (1979-80:7)



**FIGURE 3:5 U.K. CLOTHING INDEX RETAIL SALES  
AND OUTPUT (1979 - 1982) (1978 = 100)**



SOURCE: ADAPTED FROM LEIGH & NORTH (1983:14, 20)

The objectives of the MFA as laid out in Article 1(2) are:

to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalisation of world trade in textile products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in industrial markets and on individual lines of production in both importing and exporting countries (Cable and Baker op. cit. : 76).

MFA I which was in force from 1974 to 1977 was relatively liberal but coincided with a deterioration in the world economic climate. Industrialised countries entering a recession felt their home demand reduced such that there was zero growth in their clothing markets together with an increased pressure from new suppliers building up. They therefore felt the MFA gave them insufficient protection. MFA II was consequently more restrictive, which greatly reflected the demands of the EEC countries. The new agreements either (a) covered a larger number of products or (b) annual growth rates were reduced to below the 6% laid down by the initial MFA.

The industrialised countries, harshly hit by recession and decline of their own textile and clothing industries, felt that MFA II had been a success. The EEC particularly stressed the stability that it had brought to international trade in textiles and clothing since 1978. On the opposing side, the low cost exporting countries advocated greater liberalisation.

In 1977, the MFA II defined categories of sensitive products so tightly that they were directed against specific countries so as to produce very low growth imports. The EEC had "evolved an expertise in managing the MFA" (Farrands 1985). In the MFA framework, the workings of the EEC cause a number of latent effects. Firstly, its requirement to work together creates a bureaucracy and causes delays. It operates under close supervision of member governments and continuous active influences from pressure groups. There are also common restraints, procedures and requirements for information exchange which governments largely observe.

In his paper prepared for the conference on Local Authority Action for Textile and Clothing in Nottingham in 1985, Farrands suggests that national idiosyncracies in bureaucracy are an important and not merely a marginal factor in explaining the different ways in which textiles and clothing import controls are actually managed in Europe.

For the UK working within the EEC has certain definite advantages. Most important is the benefit of negotiating in common and therefore from a stronger position. But there are also disadvantages. The structure of the British industry is different from that of other EEC member states. The UK is a major exporter of yarns and textiles; it does not have the same amount of outward processing as does, for example, West Germany. It is also more diverse than other member countries and therefore cannot protect all sectors otherwise it would be a 'demandeur' on every question with no concessions to offer others.

Secondly, the British Civil Service is relatively efficient in its enforcement of Community trade. Policy is competently managed. In other countries (like France) administrative inefficiency can be a powerful form of protection.

Finally, as a member, the UK must share the Community's political priorities - for example, when Portugal was to enter the EEC, it sought to safeguard the UK clothing industry.

Farrands points out that Britain has normally shared a protectionist stance with the French, Belgians and Irish who have all collaborated against the more liberal approach of the Germans, Dutch and Danes (see Figure 3:6).

FIGURE 3:6 NATIONAL ATTITUDE TOWARDS PROTECTIONISM

<u>PROTECTIONIST</u>	<u>LIBERAL</u>
U.K.	DENMARK
FRANCE	NETHERLANDS
BELGIUM	WEST GERMANY
IRELAND	

Source: Farrands (1985)

## CHAPTER 4

## REGIONAL VARIATIONS IN THE CLOTHING INDUSTRY

Introduction

In the last chapter, the development of the clothing industry was considered to date. We now turn to examine the present structure of the UK clothing industry, in terms of particular market sectors and localities.

The UK structure is different from that of other EEC countries. It is the largest EEC textile industry in employment terms, but by 1982 it was flagging. It was exposed to low labour cost competition earlier than the rest of Europe and faced (in the post-war years) a policy issue of how much market adjustment there should be in relation to protection. Despite sectoral programmes, it failed to achieve enough rationalisation, streamlining or specialisation, unlike West Germany which made the adjustment by resorting to speciality, high quality goods. Italy also gained exports from design quality in the high fashion area. France already had a reputation for high quality fashion goods. The British industry continued to depend on direct and indirect protection - starting with voluntary export restraints from Hong Kong and the Commonwealth. Silberston (op. cit.) isolates several weaknesses inherent in this strategy:

- (1) UK was unable to protect its domestic market against competition from other EEC and FTA countries. Germany, for example, developed offshore processing to reduce labour costs;

- (2) inadequate product development in fabrics and bad marketing and fashion performance of the clothing industry led to the loss of profitable markets both at home and abroad. These were taken first by Italian, French and West German producers and later by US competitors;
- (3) the bias to hardware and productivity in contradiction to government's efforts to maintain employment led to excess capacity;
- (4) the UK was unable to take advantage of EEC trade policies that discriminate in favour of Mediterranean producers and against Asian suppliers, whilst France benefitted by their recent investment in these countries and outward processing kept wages bills down.

Also the UK's retail structure militated against the production industry, since (as shown in Table 3:1) it is dominated by a few major retailers. This has resulted in small manufacturers being dependent on retailers, but also makes import penetration easier. In contrast, the French retail network (portrayed in the same table) is more fragmented and less efficiently organised than in the UK which makes import penetration more difficult and expensive.

Different regions of the country make different contributions with respect to the UK clothing industry. This chapter will consider the regional patterns and how they make up the national industry. First, however, a brief analysis of "fashion" will be presented so that its importance to the structure of the industry and the influence it has on the way manufacturers respond can be appreciated.

### The Importance of Fashion to Local Manufacturers

The concept of fashion is very important to the structure of the UK clothing industry. The high standards of living of today's western countries, along with technical advances in production, communication and transportation, have accelerated fashion change. Films, television, videos and the press give immediate and repeated information on what is "new" and "in fashion". Since clothes may be mass produced, new styles are offered regularly to stimulate buying. High priced merchandise is quickly copied by manufacturers of popular, lower priced merchandise, until the volume eventually destroys the market and only the classic fashions survive.

This puts a premium on efficiency of response rather than economy of scale. Imports from the Far East may satisfy large orders which may be placed several months in advance, but when orders have to be produced and distributed quickly, UK small organisations have the flexibility and are in the right place to respond.

Reynolds (1968) argues that fashion trends can be detected fairly easily if the marketer is aware of factors which help determine whether a particular innovation will go on to become an accepted fashion. Trends may be said to be of two types which facilitate the prediction of peaks in fashion popularity and the point in time when the trend is likely to die out. The most frequent is the horizontal trend where a fashion is adopted progressively by more and more people, but does not change a great deal in the process. A vertical trend is not so common. Here, a fashion does not spread through the general population. It remains restricted, but changes progressively in a specifiable direction. Most trends exhibit an element of both movements - e.g. mini skirts became shorter as they became more popular. This



element of predictability, Reynolds argues, is because fashion is necessarily public and tends to persist much longer than most people think.

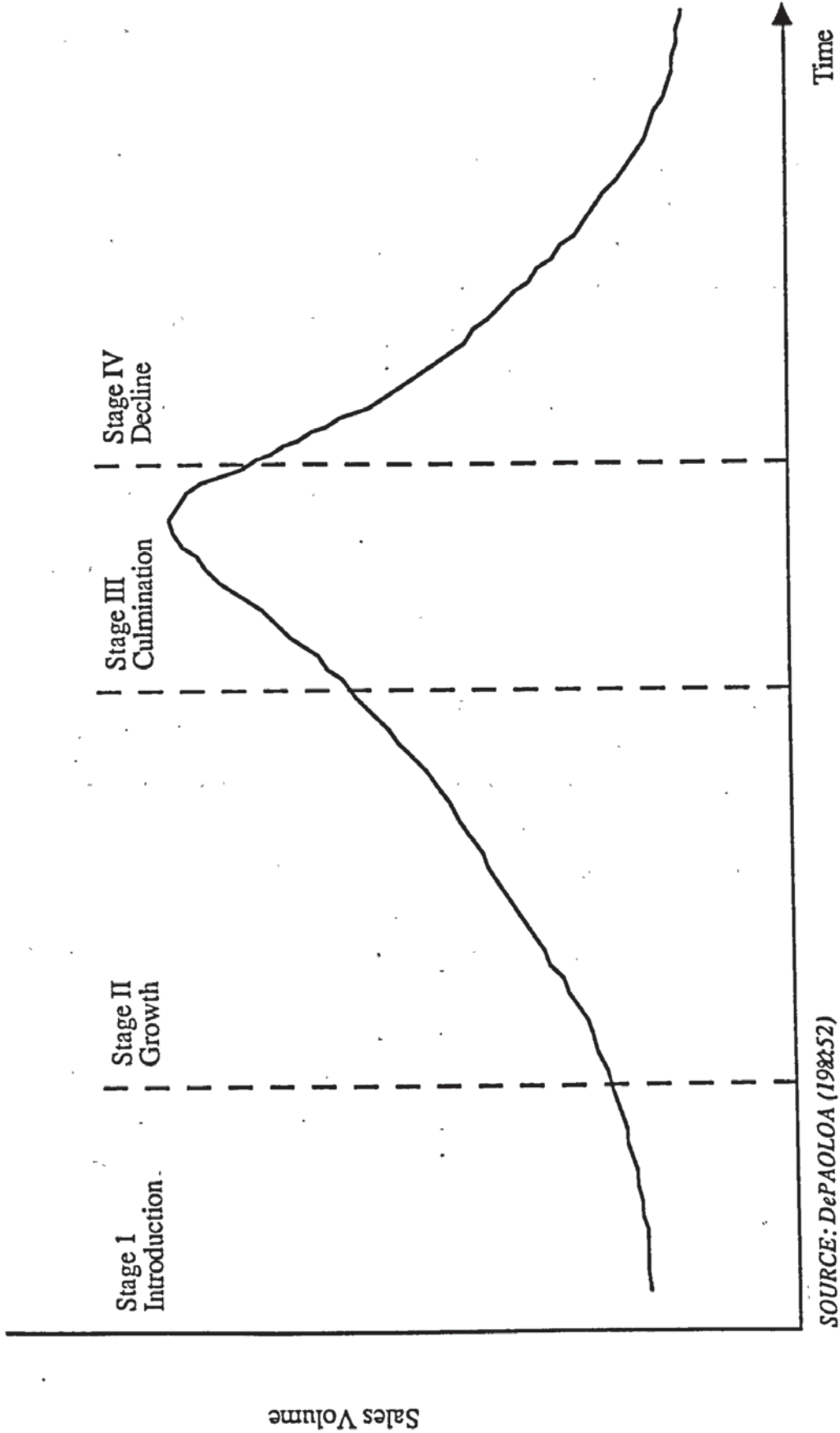
McJimsey (1973 : 43) also argues that the change in fashion trends is always gradual, unless there is an abrupt dislocation of economic conditions or social values. She defines three elements of design:

- (1) STYLE - a characteristic mode of expression, distinguishing style of life in a particular culture;
- (2) FASHION - a widely accepted current version of a style with seasonal fluctuations, variations and interpretations;
- (3) FADS - tiny, short-lived fashions, often exaggerated versions of fashion.

As long ago as the 1920s a "Fashion Cycle" was defined as featuring the Rise, Culmination and Decline of consumer purchasing (Nystrom (1928) as shown in Figure 4:1). The length of the cycle may last from a few weeks to many years. The customer buying cycle declines much more rapidly than the use cycle.

Initial enquiries with retailers in the UK suggest that the retailers concerned with Stage 1 of the cycle are the large department stores or fashion houses, who plan their range a season ahead and frequently import their entire range of fashion merchandise. Preparations for styles begin months in advance. Samples must be made, costed and their saleability assessed and then textile mills contacted to reserve yardage. Dyers must begin even before this, so that the season's 'colours' must be anticipated.

FIGURE 4-1 THE FASHION CYCLE



SOURCE: DePAOLOA (1982:52)

Sales Volume

Time

We suggest that Stage II may be where UK manufacturers are able to compete most effectively, supplying smaller, independent retail stores with copies of fashion goods. These small stores, along with some chain stores which have recently extended their sales to include clothing (i.e. those like Asda who were not originally established as clothing chain stores in the same way as, for example, Debenhams or C & A), are less able to plan a range in advance (e.g. they do not have the resources to send buyers abroad, or commit a budget) and so order goods on much shorter leadtimes. They are also more able to be flexible and bring into stock items which "catch on" - again requiring local manufacturers with speed of delivery.

#### Implications for Manufacturers

Manufacturers, both large and small, need to be constantly abreast of the direction of trends and changes in fashion, in order to be able to produce and sell their merchandise. If a wrong decision is made and production is centred on a fashion which turns out to be shortlived - a fad - then almost a whole season's production may be lost, along with the company's 'good name' for future orders. A large company may have the financial reserves and established name to be able to outlive such an event for one season, but for the small manufacturer, it could be disastrous.

Reynolds (op. cit.) argues that the real benefits of trend reading lie in their early detection. The firm which sets a fashion, or is early to exploit it, can follow a skimming price policy. At the same time, the firm which catches on to a new fashion in its early growth can often carve out a niche in the market which is more or less impregnable by the time competitors arrive on the scene. He suggests a few rules of thumb for manufacturers to follow in order to

minimise risks. By consideration of such questions, a manufacturer may consider it wise not to jump in too soon on a style which may turn out to be a fad or may decide not to wait too long and thus be left to supply only the residual, cheaper end of the market:

- (1) does the new design meet some genuine need or have some functional reason for being? - i.e. in the case of sportswear or leisurewear;
- (2) what is the nature of the long term trend in which the particular fashion under consideration happens to exist?
- (3) look at past fashion cycles;
- (4) are there concurrent trends in other industries? - i.e. look at the general position of art;
- (5) are there self-limiting factors? - e.g. in present terms, consider the width and looseness of clothes;
- (6) inspect the curve;
- (7) consider the dicta of sociologists and anthropologists on the factors influencing the adoption of a new product or practice;
- (8) is there any inside information available?

The target for the marketer of fashion has, in the past few years, returned to the teenager. Towards the end of the 1970s and early 1980s, the principal purchaser was female, between 24 and 32 years old. But this consumer became increasingly hard to target as she did not constitute a discreet group. She could be spinster, wife, divorcee or single parent. She was more likely to spend her money on a mortgage, rent or school fees. Now, the teenager (even unemployed) who pays a token rent at home, has the means and desire to be a major consumer of fashions (Perrock 1985).

The recession, as discussed, has resulted in a dual economy, in which those in employment have greater disposable income to spend on clothing and require a fashion, quality element in their purchases.

Those manufacturers who aim for higher-priced merchandise must plan and produce correctly but are often able to use longer term planning procedures. Those manufacturers able to produce quality apparel are the larger, better established firms. Small and new firms do not have the experience or skill and will often move into the niche where, when a style has been set by larger companies to sell at established High Street chain retailers, small firms will produce a copy of this style at speed and lower quality to supply small independent retailers.

In April, 1984, the MANUFACTURING CLOTHIER observed that "fashion is back in business", with a swing away from competitive pricing on greater volume, towards shorter runs with higher fashion content (Taylor 1984(c) : 17). Fashion is available to everyone and the 16-30 year olds are the consumers who demand fashion wear and provide the market to which manufacturers respond with fashion merchandise aimed at price-conscious consumers. The retailers on the High Street, however, are putting an emphasis on classical

fashions rather than the volatile end of fashion. They are developing a closer liaison with manufacturers, which gives them greater control over production requirements. The retail structure, as seen in Chapter 3 is dominated by chains and as these shops have moved into supplying a whole range of co-ordinated items they are in a position of greater strength, being able to dictate fabric, style, quality, etc, and most important of all, price, to the manufacturer. In his article, Taylor predicts a reduced emphasis on volume at the cost of margins:

as the industry seeks to make prices stick on shorter run business with greater fashion content (ibid.).

In the September issue of the journal of the same year, Taylor reports an increased pressure on margins as sales growth had declined, at the same time as costs increased. He reported that input prices were 5% up at the beginning of 1983 but had increased to more than 10% (Taylor 1984(e) : 61).

The investment in technology in the industry has aided manufacturers. The employment of robots and computers has enabled British manufacturers to compete with cheap Third World imports of (for example) T-shirts and jeans. Automation has been able to contribute substantial savings and a reduction of up to 50% of time. This is despite the fact that the principle raw material of the industry is soft and floppy fabric and the fact that the industry is by nature fashion sensitive, thus requiring a wide capability and adaptability of machines. Japan has invested USD60m into technology and its first fully automated clothing factory is due to be completed in 1989 (THE ECONOMIST 1984:93). Strangely, the very same new technology that has enabled volume output in the UK to become internationally competitive is also reducing the risks inherent in the

business (small firms are still able to provide the economic flexibility required since much of the production of fashion merchandise requires manual methods). It has enabled the price to remain constant for the first time since 1979 and may even restore a modicum of profitability to flexible firms able to survive retailers' growing demands for short runs (MANUFACTURING CLOTHIER : 18). However, Taylor (op. cit.) argued against the belief that new prosperity was due entirely to this new technology. He suggested that greater sales were at the time equally responsible, and now that offtake appears to have slowed, it provides the first real test of the industry's "much vaunted renaissance". He believes that productivity growth will have to continue and improve during the period of decelerating growth if bottom line profitability is to continue its improvement. At the same time, the effect of the recession in the western world has made demand volatile and created the need for flexible production. This, together with product differentiation and the need for speed of production created by today's fashion, has decreased the advantages held by large companies, whose production is geared to long runs and the advantages possessed by imports and created a market gap for the small firm, as discussed in Chapter 2.

The move towards a more co-ordinated approach to fashion clothes where retailers present the choice of co-ordinated "look" for the consumer to "mix and match" his/her clothes has implications for the structure of supplying firms. There is a corresponding need for co-ordination in manufacturing of all clothing. One manufacturer alone may not be able to make up all items of clothing - i.e. skirts, blouses, pants, jackets etc., and so may subcontract the differing articles to different CMT firms. This product differentiation of co-ordinated items, then, provides opportunities for a number of small firms.

This analysis was confirmed by the present research. The market aimed for was the fashion and price-oriented consumer, supplying differentiated products at speed to small distribution outlets rather than producing large numbers of the same article. MNEs were not viewed by Birmingham manufacturers as a competitive threat, since these manufacturers believed they catered for the status-conscious consumer and also did not "bother with fashion" since they have been production-oriented rather than 'market-oriented'.

Estelle Hamburger suggests the business of fashion is change (in Jarnow and Judelle op. cit. : 215). This is reflected in higher turnover (through increases in supermarkets, shopping centres and mail order) along with the speed of dissemination of fashion information, changes in life style and increased use of credit cards. She suggests that fashion starts with ideas, and hence can never be obsolescent. Whole industries and skills can prosper or perish with the birth or demise of a fashion idea. Therefore, firms within the industry must be adaptable and flexible in their management and production skills. This fact has been visible recently within the jeans industry (which is dominated by the multinationals). Its customers came from the baby boom generation who are now ageing. Jeanswear manufacturers became complacent as they were accustomed to a 10-15% annual sales increase throughout the 1970s. Now, the big companies are scrambling to adjust to a new market which has gone flat.



The face of retailing is changing and this needs to be remembered by manufacturers in their planning. The approach to casual wear is anything but casual. Manufacturers are matching this with better packaging and presentation. The trend is towards keeping a limited colour range, but having it related across many items of clothing. On the High Street, stores like Next are developing specific target retailing. Their aim is to provide a realistically priced haute couture collection. A style of design and a certain style of service is affecting buying habits.

This market development towards co-ordinated styles within retailers, together with the wide range of styles simultaneously available (as noted above) between retailers, along with the trend for retailers to work more closely with manufacturers may lead to greater opportunities for small UK manufacturers, who have the flexibility and are in the right place to respond to these demands.

### UK Product Markets

Within the context of the influence of fashion trends, it is important to bear in mind that in the clothing industry there are highly differentiated product markets and as, Munby writes:

there is .... no such thing as the clothing trade, but only a series of different trades (Munby in Dicken 1968 : 7).

These subsectors possess their own distinctive characteristics and experience varying opportunities, threats, strengths and weaknesses. The subsectors which are given particular attention are the following (each having a Standard Industrial Classification Number):

No. 441	Weatherproof Outerwear.
442	Men's and Boys' Tailored Outerwear.
443	Women's & Girls' Tailored Outerwear.
444	Overalls, Shirts, Underwear.
445	Dresses, Lingerie, Infants Wear.
449	Dress Industries Not Elsewhere Specified.

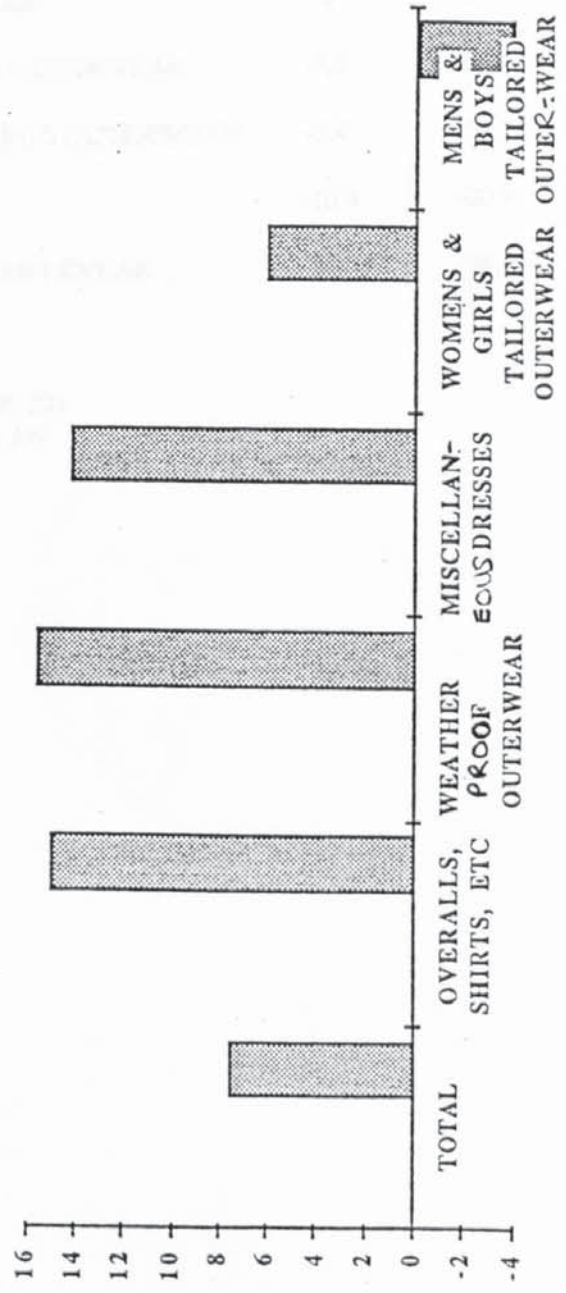
Figure 4:2 shows how the total market for the industry increased almost 8% between 1978 and 1980, but illustrates how the industry is product-differentiated by the apparent decline in tailored clothes, particular for Men's and Boys' Tailored Outerwear, whilst the markets for more casual dresses and shirts continued to increase.

This differentiated market can be highlighted by considering employment figures in different subsectors; Table 4:1 shows further the effect this had on employment in Men's and Boys' Tailored Outerwear. Women's Casual Dresses, Lingerie and Childrenswear appeared consistently to be the most buoyant sector, as indicated by the 0.3% increase in employment between 1959 and 1966 and the trend towards a (relatively) slow decline between 1980 and 1982. The employment figures for 1982 showed this sector to be over twice the size of Men's and Boys' Tailored Outerwear or Men's Shirts (Figure 4:3).

#### The Small Firm in the Clothing Industry

The clothing industry can be seen as two almost separate structures. Firstly, there are a small number of very large establishments. Statistics for 1985 demonstrated that a small number of firms (4%) employed 100 persons or more, accounting for 65% of total employment and approximately 61% of total sales and work done. The second structure is composed of a large number of small firms, with 96% of organisations employing less than 100 persons but

FIGURE 4:2  
 PERCENT CHANGE OF U.K. CLOTHING MARKET SIZE BY  
 INDUSTRY SUBSECTOR (1978-1980) (1978 = 100)



SOURCE: IMAC RESEARCH (1979-80:7)

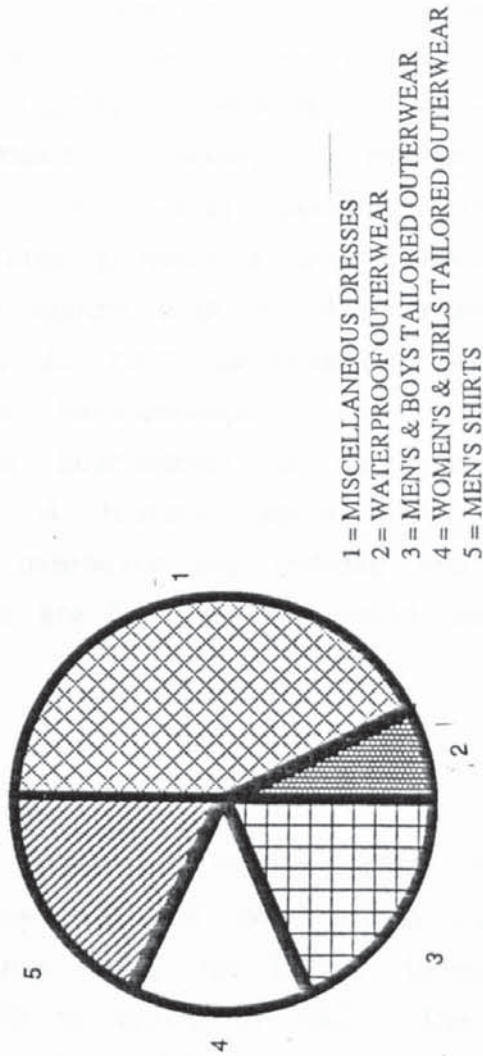
TABLE 4:1 SECTOR EMPLOYMENT CHANGE IN THE U.K.  
CLOTHING INDUSTRY 1959-1966\* AND 1970-1982\*\*

	1959-1966 (%)	1970-1982 (%)	1982 (thousands)
WATERPROOF OUTERWEAR	-1	-53.1	12
MENS & BOYS TAILORED OUTERWEAR	-7.2	-68.1	33.8
WOMENS & GIRLS TAILORED OUTERWEAR	-5.4	-54.9	26.2
SHIRTS, ETC.	-10.4	-20.9	31.4
DRESSES, LINGERIE, INFANTSWEAR	0.3	-28.9	76.4

SOURCES: \* DICKEN (1968: 22)

\*\* LEIGH & NORTH (1983: 19)

**FIGURE 4-3 U.K.EMPLOYMENT (CLOTHING) BY  
INDUSTRY SUBSECTOR (1982)**



SOURCE: LEIGH & NORTH (1983:19)

representing only 24% of gross output (based on figures from Table 4:2).

The former structure utilizes more developed technology and produces long run, standardised products. The latter is labour-intensive and is comprised of a vertically fragmented structure creating an interdependence among its components. Product differentiation, market instability and opportunities for flexibility present a market gap for the small enterprise. A typical pattern arises where a manufacturer negotiates a contract with retailers, then buys fabric and provides designs with which to subcontract all or part of the work to CMT organisations who may again subcontract out to homeworkers. The subcontracting of orders enables the businessman to minimise risks in a volatile industry. A fulltime labour force need not be employed, so that overheads are reduced and the costs of seasonal fluctuations are born by the workforce and not the company.

### Employment

Figures from the Silberston Report (1984) (as shown in Figure 4:4) illustrate that the 1983 employment figures are drastically lower than those for 1972. Unemployment rose from 23,000 in 1978 to 42,000 in 1982. The report states that in 1982, more than 70% of the unemployed in the clothing industry were women; what is more, the industry is regionally concentrated and 40% of employment is held in three regions only (Silberston op. cit. : 18).

Employment statistics need to be treated with care, since the scope for inaccuracy is considerable. However, the 1978 figures suggested that, while 10% of larger firms accounted for some 55% of employment, the remaining 90% officially employing under 100 persons may well have had a greater

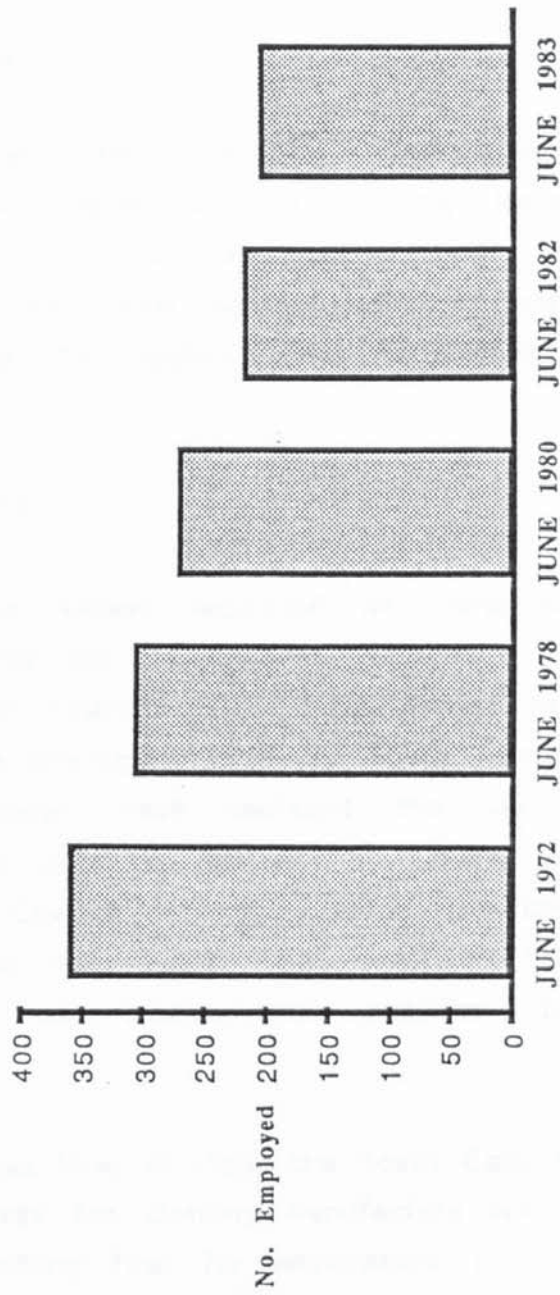
TABLE 4:2 : ANALYSIS OF UK CLOTHING INDUSTRY (1985)

Size Group	Establishments No.	Employment No. (,000)	Total Sales & Work Done fm	Gross Output fm	Net Output fm
1 - 9	6,898	28.3 )			
10 - 19	1,193	16.5 )	1,604.2	1,622.9	773.1
20 - 49	747	23.2 )			
50 - 99	366	25.5 )			
100 - 199	196	27.9	438.8	488.9	242.0
200 - 299	81	19.9	338.8	339.5	164.6
300 - 399	51	18.1	323.5	328.6	155.5
400 - 499	23	10.2	172.3	175.9	80.5
500 - 999	53	34.2	653.6	653.9	322.4
1,000 - 1,499	9	10.8	182.9	187.2	94.3
1,500	8	22.1	369.2	391.1	202.3

N.B. Establishments employing fewer than 20 persons are not required to complete census returns. Therefore, data for these establishments are estimates only.

(SOURCE : Business Monitor PA 453)

FIGURE 4:4 U.K. EMPLOYMENT IN THE CLOTHING INDUSTRY 1972-1983  
(in thousands)



SOURCE : SILBERSTON (1984:18)



number of employees. Leigh and North (1983 : 15), in their report on the trade for the West Midlands County Council, suggested that official figures were more pessimistic, since official data fails to include many small newly formed firms created by immigrant entrepreneurs. They also do not adequately reflect the large amount of part-time, unofficial and homeworking which contribute to the industry.

### Regional Patterns

Local authorities have recently been taking an active interest in the state of the clothing industry in their regions, with the aim to create policy proposals for intervention. This next section considers aspects of such reports produced for London, Leeds, Nottingham and the West Midlands.

#### (1) SOUTH EAST

This area has always depended on immigrant labour and entrepreneurs to run its garment industry. First were the Huguenots from France; later came Jewish refugees and in recent decades immigrants from the South Asian Continent and the Mediterranean have replaced the second generation, professionalised Jews (as discussed in Chapter 2 Part II). A tightly knit Cypriot community, along with communities from Bangladesh and other South Asian countries, has provided the entrepreneurial and labour skills required (see Chapter 2 and 5).

Table 4:3 shows how, in 1966, the South East of England was the leading area for clothing manufacture with Yorkshire and Humberside ranking first for employment in Men's and Boys' Tailored Outerwear (a sector showing rapid decline since 1968, as seen above).

TABLE 4:3 RANKING OF REGIONS IN U.K. ACCORDING TO PERCENT EMPLOYED (CLOTHING) (1966)

	NORTH WEST YORKSHIRE & SOUTHEAST				EAST MIDLANDS
	HUMBERSIDE	MIDLANDS	WEST MIDLANDS	EAST MIDLANDS	
WATERPROOF OUTERWEAR	1	4	2	-	-
MENS & BOYS TAILORED OUTERWEAR	4	1	2	6	7
WOMENS & GIRLS TAILORED OUTERWEAR	2	7	1	-	7
SHIRTS, ETC	1	4	2	8	5
DRESSES, LINGERIE, INFANTSWEAR	2	5	1	6	3
ALL	2	3	1	7	5

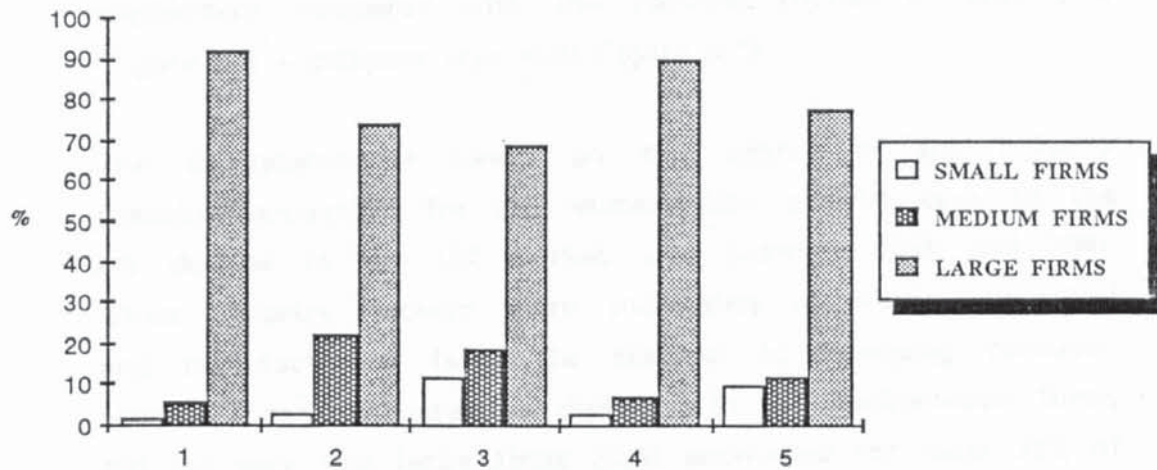
SOURCE: ADAPTED FROM DICKEN (1968: 25)

The South East of England is the traditional centre for Women's Dresses, Lingerie and for Women's Tailored Outerwear. In 1971, 51% of Women's Outerwear came from this region and 41% of the British total of Women's Outerwear came from London itself (Birnbaum et al. 1981 : 7-8). The area appears to have been least hit by changes in employment and their loss has been under the national figure. This may partly be explained by a traditional extensive use of homeworkers which has not appeared in the statistics in times of industry retraction. Also the region has always had a high fashion sector.

Figure 4:5 illustrated the size of firms in the different regions. The figures from the Hackney and Islington Partnership Industry Sector Study (Ward 1980 : 7) suggests that the proportion of small firms in this areas was some 15% above the national average; in fact, 63% of establishments in the clothing and footwear industry employed ten or fewer persons (compared with only 20% for the same category nationally).

The London area experienced substantial decline in employment between 1971 and 1976. Nationally, decline was only 15% but in areas within greater London the decrease in employment reached up to 40%. This was the result of the closure and shrinkage of existing firms owing to pressures from overseas competition and also the result of firms moving out of London to assisted areas (Birnbaum et al. op. cit.).

FIGURE 4:5 REGIONAL SIZE OF U.K. CLOTHING PLANTS (employment percent) (1983)



1 = Hackney & Islington

2 = Leeds

3 = Nottingham

4 = West Midlands

5 = National

SOURCE: DATA ADAPTED FROM LOCAL AUTHORITY SECTOR REPORTS

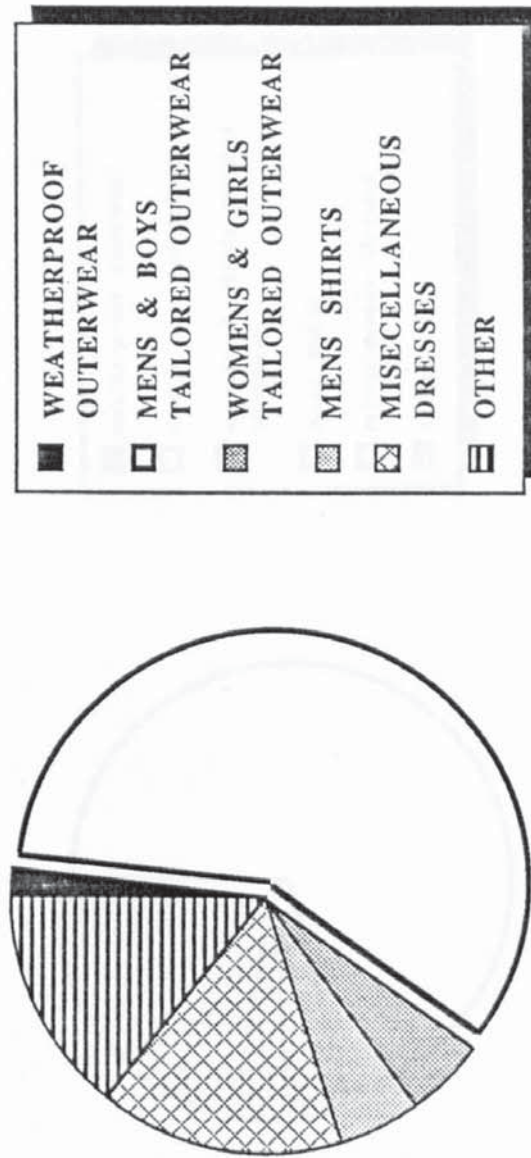
## (2) LEEDS

Leeds is a traditional northern area of manufacture and remains a major centre for the UK clothing industry outside London, but it has also recently been facing a decline in employment in the industry (46% from 1971 to 1978) (Leeds City Council op. cit.).

As discussed in the previous chapter, the major sector of importance for Leeds has been in Men's and Boys' Tailored Outerwear. In recent years employment in this sector has declined but in 1982 it still accounted for 70% of employment compared with the national figures of only 25% (Figure 4:6 - compare this with Figure 4:3).

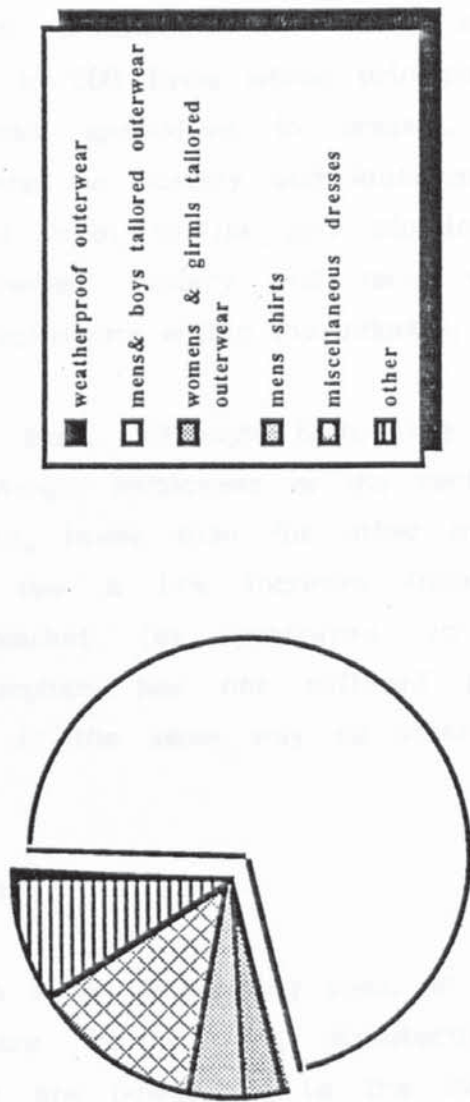
The dependence of Leeds on this sector of the industry probably accounted for the vulnerability of the area to the 4% decline in the UK market size between 1978 and 1980. Other industry sectors were increasing in market potential and manufacturers failed to respond to changing consumer wants. Leeds appeared to dominate in the medium-size firms, but its very few large firms (14%) accounted for some 32% of employment, making the workforce in that area dependent on the well-being of a few organisations. It had slightly below the national average for small firms. This reflects the market sector it dominated, in that Men's and Boys' Tailored Outerwear is a sector of standardised items (benefiting from economies of scale through long runs and greater mechanisation), but within a small market segment.

FIGURE 4.2(a) LEEDS EMPLOYMENT IN CLOTHING BY INDUSTRY  
SUBSECTOR (1982) - ESTABLISHMENTS



SOURCE: LEEDS CITY COUNCIL (1983)

FIGURE 4:6(b) LEEDS EMPLOYMENT IN CLOTHING BY INDUSTRY SUBSECTOR  
(1982) - EMPLOYEES



SOURCE: LEEDS CITY COUNCIL (1983)

### (3) NOTTINGHAM

Although highly fragmented, Nottingham (like Leeds) had a higher-than-national percentage (19%) of firms employing between 50-100 persons and a lower-than-national figure (68%) of small firms (Totterdill et. al. 1983). It had approximately three times the proportion of large firms compared to regions discussed here. The areas employed about 12,000 people in 200 firms whose principal produce was clothing. Nottingham specialises in dresses, lingerie etc., but is also a centre for hosiery and knitwear (Figure 4:7). Nearly 60% of all local textile and clothing firms were concentrated in dresses, hosiery and lace, accounting for more than 60% of employment within the industry.

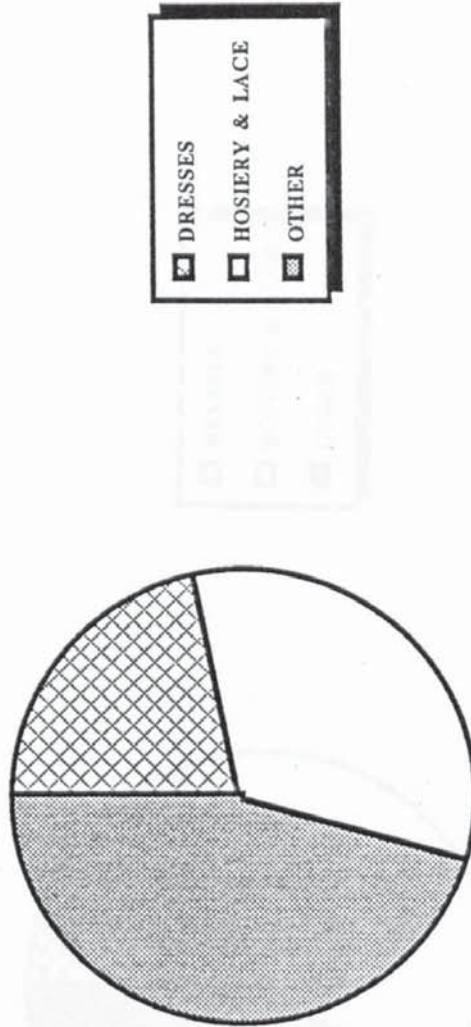
Table 4:1 showed that, although high, the level of job losses nationally amongst employees in the sector of women's dresses was in fact, lower than for other industry sectors. Furthermore, 1980 saw a 14% increase from 1978 in the women's dress market (as portrayed in Figure 4:1). Consequently, Nottingham has not suffered the impact of economic recession in the same way as other counties (e.g. Leeds).

### (4) WEST MIDLANDS

The West Midlands is an interesting case, in that it is not a traditional centre for clothing manufacture. Garment manufacturers here are newcomers to the industry and are showing themselves to be using new resources to take over from traditional centres of the industry.

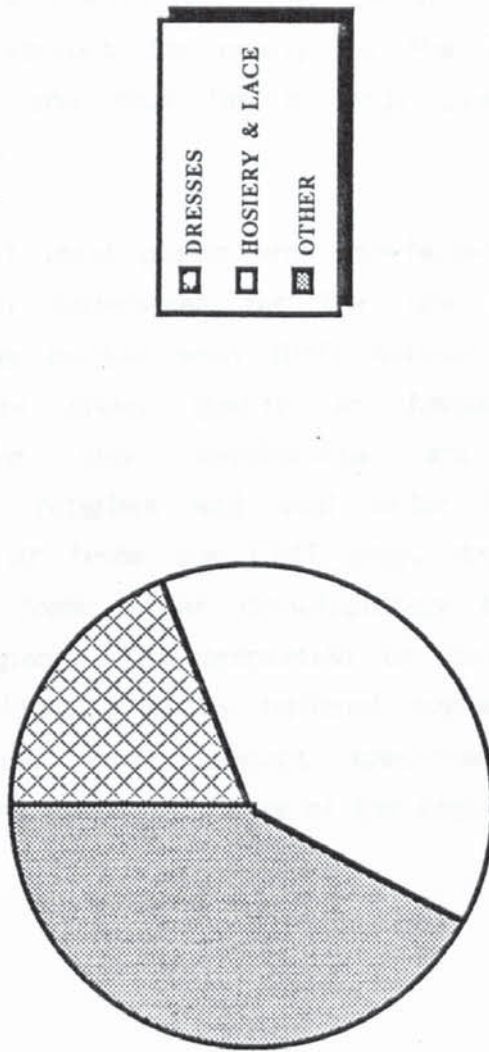


FIGURE 4.7(a) CLOTHING SECTOR EMPLOYMENT IN NOTTINGHAM (1981)  
ESTABLISHMENTS



SOURCE: TOTTERDILL ET AL. (1983:1)

FIGURE 4-7(b) - SECTOR EMPLOYMENT IN NOTTINGHAM (1981) - EMPLOYEES



SOURCE: TOTTERDILL ET AL. (1983:1)

Three points stand out about the industry in Birmingham (Leigh and North 1983):

- (1) larger plants in the region are predominantly in Men's and Boys' Tailored Outerwear and the manufacture of jeans at high volume. These plants are normally owned by indigenous, well established firms. Although not nationally a centre for this industry subsector, these businesses account for nearly all the largest plants in the region and thus for a large proportion of total employment;
  
- (2) the bulk of local plants are manufacturing Women's and Girls' Light Outerwear for the low price/low quality part of the market with little attempt to differentiate products by style, quality or fashion. The main outlets for this merchandise are market stalls, independent retailers and mail order firms. A large proportion of firms are CMT only, dependent on work originating from larger manufacturers both in and out of the region. The proportion of local plants in this sector is high, even by national norms, thus indicating a distinctive local product specialisation among the small and medium sized plants of the region;

- (3) there is a local subsectoral specialisation in Weatherproof Outerwear and Workclothing. Again, it is mainly small firms manufacturing and these are mainly new entry Asian owned firms.

Leigh and North (ibid.) suggest that these small, low volume producers have developed since the late 1970s to fill a market gap resulting from the slow response to market changes by the existing manufacturers. The former differ from larger, established firms in that they produce low quality, low price merchandise, but maintain a flexibility necessary for the manufacture of fashion goods.

In contrast to the industry as a whole, this region has recently experienced a growth in the small firm sector which, as Figure 4:5 showed, accounted for 89% of establishments with only 4% of firms (less than half the national figure) having more than 100 employees. These small firms cater for the low quality, low price market sector, concentrating on ladies' outerwear, dresses, blouses and skirts (Figure 4:8).

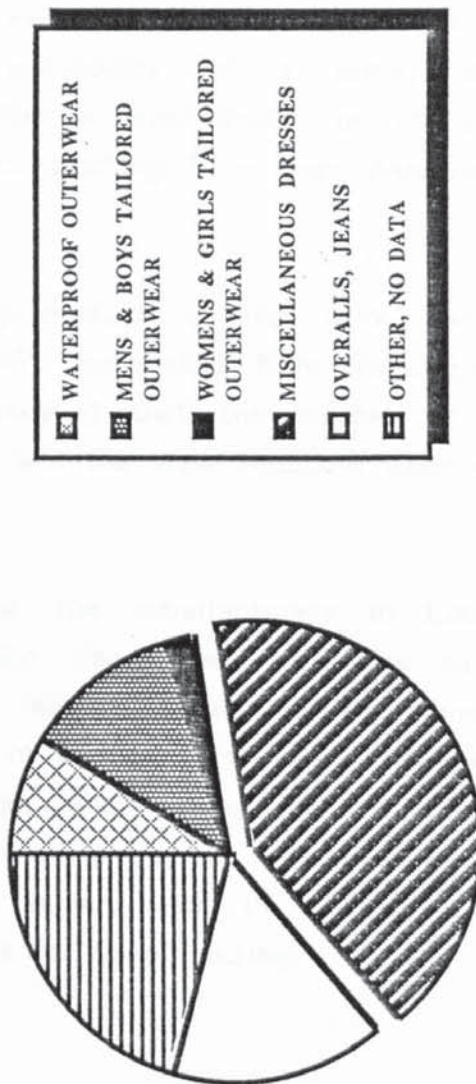
In their report, Leith and North (1983) suggested that these small, low volume firms have developed since 1978 to fill a market gap resulting from a slow response to market changes by existing manufacturers. The needs for greater flexibility and the change of consumer habits calling for cheaper, lower quality merchandise were highlighted.

TABLE 4:4 SECTOR DISTRIBUTION OF CLOTHING PLANTS  
IN WEST MIDLANDS AND NATIONAL (1983)(%)

	<u>WEST MIDLANDS NATIONAL</u>	
WEATHERPROOF OUTERWEAR	9	3
MENS & BOYS TAILORED OUTERWEAR	11	17
WOMENS & GIRLS TAILORED OUTERWEAR	2	9
OVERALLS, JEANS	16	11
DRESSES, ETC.	42	38
OTHER & NO DATA	19	22

SOURCE: LEIGH & NORTH (1983: 40)

FIGURE 4.3 CLOTHING SECTOR EMPLOYMENT IN THE WEST MIDLANDS (1983)



SOURCE: LEIGH & NORTH (1983:40)

They suggested that this region was in the process of becoming a major centre of small clothing firms for three main reasons. Firstly, the recession hit the industrial West Midlands hard, causing depressed earnings and redundancies, but also supplying a large number of empty industrial premises. Secondly, the region's central location was said to facilitate the movement of goods. Thirdly, the availability of a large, closely-knit Asian community has had a great impact on the industry since 62% of West Midlands clothing firms were Asian-owned by mid-1983 (ibid. : 47).

A significant proportion of the work undertaken in these factories is CMT, contracted from manufacturers in London. The report estimated that the number of garments moving between London and the West Midlands each week could be as high as 100,000.

We suggest that the manufacturers in London provide the marketing function since they are close to the market, as most national fashion retail chains maintain a central buying function in London. However, the cost of premises in London is high and, along with increased congestion, changing residential patterns, and the ease of access to Birmingham, the latter, with its cheaper available premises, is more attractive for manufacturing.

A significant majority of owners of small clothing firms in Birmingham are Sikh. The Sikhs were among the first of immigrants from the New Commonwealth countries and Pakistan to emigrate to the UK after the Second World War (see Chapter 2 Part II). The majority of Sikhs in this country come from three districts in the Punjab region of northern India and have concentrated in industrial areas of the UK, particularly in London and the West Midlands. They have strong extended community links in this country which provide business contacts and aid trust in business and employer/employee relations.

These interlinking factors of recession, Sikh community links, central location, proximity to London and available premises are important factors allowing the West Midlands to develop a 'new' clothing industry, taking over from traditional centres such as Nottingham and Leeds.

#### Local Authority Initiatives

One of the first innovative experiments came from the London Borough of Hackney which established a Fashion Centre to act as a central marketing agency. It was funded mainly by central government (75%) with the remaining contribution coming from local government. The Centre saw the industry as facing four major problems. The first concerning the dissemination of information about pricing policies, the consumer markets, design and fashion trends, new technology, legislation, etc; next appeared to be a need for improved business relations between buyers and manufacturers. Third - the problem of recruitment and training and last, the question of the general image of both the industry and the product.



The Centre provided showroom facilities to bring retailers and manufacturers together. It maintained a register of CMT organisations and gave technical and design support along with business advice. It also aimed to stimulate and improve the environment for employees.

Unfortunately, interest soon waned as it was seen as nothing but an exhibition centre. New designers used it to show their fashions, but there was little contact between major retailers and manufacturers. It managed to do little to help with training of either production skills or business matters.

Nottingham followed the lead of Hackney and established a Fashion and Knitwear Centre close to the city centre. Its function is to market and promote a range of products for the local textile and fashion trade. It acts as a exhibition hall, a training centre for local manufacturers and a business advice centre.

The Centre was initially financed through the Government Inner Area Programme, but aims soon to be self-supporting by attracting members from the industry it serves. Once they are associated member firms can rent space in the showroom; participate in fashion shows; attend seminars and lectures and rent rooms for entertaining buyers or producing private shows. Members may receive advice on modern production techniques, quality control and also sourcing. They may also tap into the Centre's register of manufacturing capacity, design services, CMT and major buyers and retailers both in, and outside of, the UK. Unfortunately local firms are losing interest in this Centre. It was set up to serve, particularly, middle-size, local firms, but the firms using the Centre as exhibition space appear to be mainly large and multinational firms who are able to "pull" the interest. Local firms have found that potential

customers will not come to Nottingham. Firms need to move out to meet their customers and so, the Centre as a display area has not been utilised and local firms have not benefitted.

The West Midlands has identified the need for training and retraining at all levels of employment. A Clothing Resource Centre (as opposed merely to a Fashion Centre) has been established in Handsworth. This Centre has facilities for Computer Aided Design, grading, pattern making and cloth planning which are all available along with advice and training, and provide the means for increasing the efficiency in the use of cloth. Counselling on sources of financial aid and on the appropriate selection of equipment and other investments will be available. Specific short courses and seminars are run at the local college design for both owner and technician; "skill training" here means more than merely teaching machinists how to work more quickly.

The policy of the Centre is that while access to these facilities will demonstrably improve their business, entrepreneurs must show their commitment to training and to using their enhanced profitability to improve their conditions of employment and pay.

Leeds City Council has not yet established a specific intervention policy for its clothing industry, but their report outlined two major areas for action. Firstly it recommended a policy whereby small firms are able to develop skills and expertise, in both business and employment arenas. They suggested that existing resource agencies should be encouraged to assist further and groups be identified for appropriate action to develop resources available for in-company assistance and learning of business skills, etc. This may be achieved by holding 'surgeries', seminars, etc. about marketing and technology and firms should be encouraged to pool their resources. The second area of policy making involves industry in Leeds as a whole and would aim at encouraging it to promote itself by means of an orchestrated promotional campaign.

## CHAPTER 5

## MINORITY ENTERPRISE IN THE CLOTHING INDUSTRY

Introduction

The clothing industry has long been an industry sector open to minority enterprise and Asian involvement in the industry is becoming increasingly dominant in areas like London, Manchester and Birmingham, as mentioned in the previous chapter. This chapter looks more closely at that involvement and discusses comparative involvement abroad.

The earliest studies of Asian ethnic entrepreneurs in Britain examined them in relation to the 'protected market hypothesis', i.e. the benefits to be derived from serving protected minority markets (McEvoy et al. 1982). Issues of small business emergence have been discussed in previous chapters and more recent investigations have shown that the protected market is only one factor affecting the opportunity structure for ethnic minority entrepreneurs. An ecological model was discussed in Chapter 2 Part II, based on a pattern of ethnic minority succession in residence and business. This, together with the cultural approach, led to the development of an interactive framework for ethnic minority business, where there is a congruence between opportunities available in the economy and ethnic resources which may be utilised. The rag trade emerged as a response to large scale unemployment, as well as to opportunities available in a protected market. Following Bannock's (1981) point that there is a correlation in western capitalist nations between high levels of unemployment and high levels of small business activity, and given that there is a higher level of unemployment amongst ethnic minorities, it is likely that the latter will exhibit a greater tendency to move into self-employment.

In western economies, the clothing trade can be seen to be dependent on immigrant entrepreneurs and labour. This chapter will consider specifically the resources available to ethnic minorities, the opportunities available for small business within the industry having been discussed in previous chapters.

### Empirical Evidence

The fashion trade needs to be close to its market since it is dynamic and manufacturers need to be sensitive and responsive to market changes. For businesses in this sector of trade, the important issue is no longer a question of economies of scale, but rather effective response. Against this background we now review empirical studies in order to assess how immigrants have identified a market segment where there are opportunities and consider the resources they have used to address the market.

### Pakistanis in the Manchester Rag Trade (Werbner 1984)

Manchester has traditionally been the business and commercial focus for a wide northern area. Its economic structure has provided opportunities for ethnic enterprise. In particular, it has a long history of the manufacture and distribution of clothing, much of it in the hands of Jewish firms. Pakistanis therefore followed other immigrants before them into the manufacturing and distribution of ready-made garments. Chains of Pakistani migration were relatively short as job vacancies occurred intermittently and Pakistanis came from widely separate parts of Pakistan. Relatively small clusters of kinsmen and friends overlapped to provide an extensive communication network across the immigrant population. This, together with the relatively large number of skilled and educated people, has influenced the migrants' perceptions of work opportunities. Werbner

also suggests that this pattern led to extensive contacts between urban and rural immigrants which has provided an exchange of ideas, skills and opportunities to venture into business (see Aldrich's work on networks which builds on this understanding (Chapter 2)). The nature of their industrial employment, too, allowed them to earn more money (factory work was relatively well paid in Manchester) and working alongside the indigenous population gave the opportunity to learn the language.

Since market traders are always in search of special prices and usually try to get at least some of their supplies directly from manufactures, cutting out the middle man, Manchester has become a viable alternative to London for market traders operating in the north of England, Scotland and Ireland.

Werbner argues that the rag trade is a typical immigrant niche with its requirement for a pool of cheap labour and its fragmented structure producing firms at different stages of the fabrication and distribution cycle whose activities are mediated by agents and subcontractors. Pakistanis conceive of their immediate family as constituting a joint enterprise having corporate aims and strategies in which

absolute trust ... is primarily located within this unit, functioning jointly from common goals (ibid. : 169).

She argues that the main importance of ethnicity lies in the availability of credit facilities, although it is not ethnicity per se that confers trust. Reputation builds up in the community over time. This is then valued and preserved. Most of the entrepreneurs in her sample had previously worked as tailors or cutters in Manchester for English firms and most relied on homeworkers for machining.

Werbner notes an interesting historical process amongst Pakistanis in Manchester whereby in the 1970s it had been usual for fathers to give their sons a capital grant to start up in the business on their own. They lived at home and were therefore able to trade despite low profit and small turnover in the early stages until they had established themselves. This has led to a breakdown of the sometimes exclusive immigrant clusters of their fathers. They are thus able to cut across "sets" based on origins and kinship and are able to reach Pakistanis from other areas. Women in the family working as machinists were able to make similar valuable connections.

Werbner (ibid. : 187) concludes that the "encroachment into a new economic niche" has taken the form of an "entrepreneurial chain", as early successful entrepreneurs provide sponsorship and support to relatives and friends. Their focal role enables them to venture into "more ambitious economic enterprises once again assuming a pioneering role". This has led to an escalation in the numbers of immigrants within the niche. A "culture of entrepreneurship" develops, "informing the actions and dreams as well as attitudes and beliefs" of the population (ibid. : 187).

#### Cypriots in the London Clothing Trade (Ladbury 1984)

Werbner considered the opportunities available in Manchester and how Pakistanis responded with the use and development of resources, Ladbury, whilst considering the participation of Turkish Cypriots in the clothing trade in London, argues that:

if one is to explain why an ethnic group has developed a particular economic specialisation, it is important to consider the factors which limit their choices, as well as those which encourage members of the groups to enter the type of work in question (ibid. : 123)

Most Turks in Britain emigrated from Cyprus to England in the early 1960s and they have settled almost exclusively in London. They were dispersed throughout Greater London as a whole, but comprised discreet enclaves in areas both north and south of London, and in these, ethnic businesses flourished. In 1966, 20% of Turkish Cypriots were self-employed, mostly in the service sector, with clothing being a notable exception within manufacturing (ibid. : 187). These clothing firms are small (averaging 10-30 employees) with the majority situated in the womens' light outerwear sector. Ladbury notes that the operation of business is very much on an ethnic basis. Most Cypriots not self-employed are employed by fellow countrymen. Most of the machinists employed are Cypriot women. Ladbury found that half of the Turkish Cypriot women who had been economically active prior to emigration had been machinists.

Ladbury emphasises the structural constraints within the British economic system which have pushed Cypriots into the clothing trade. They were barred from high status employment due to their lack of language ability and formal qualifications and due to prejudice from the host community. Those working for English firms found promotion barred. It was therefore common for men to hold a factory job as a secure source of income, but to simultaneously become involved in self-employment with relatives. The clothing industry was easily entered since machinist jobs had been vacated by English girls seeking better paid and more pleasant opportunities in offices. As mentioned above, these places were filled by Cypriot women who were experienced machinists and barred from other work (for the



same reasons as their men) and thus provided a source of cheap labour. The small premises required kept the industry to the inner city and thus close to where the Cypriots remained residentially concentrated.

Separate elements with both structural and cultural dimensions derived from the nature of the sending society. There were advantages in that tailoring and dressmaking was traditionally a Turkish Cypriot occupation. Skills could be learnt by demonstration without the need for language ability or formal qualifications. Further, women could choose to work at the factory or at home - either meant a 'safe' environment if the plant was close to home and owned by a compatriot.

Ladbury concludes by commenting that

the continuing association of Turkish Cypriot young people with traditional ethnic occupations is not due to their desire to become small business owners (let alone small business employees) like their parents, but due to the fact that there are often no alternatives (ibid. : 123).

#### Asians in the London Clothing Trade (Shah 1976)

Immigrants tend to settle in inner cities, where there is available floor space for small manufacturing units. Shah notes that in the East End of London this population is not associated with the two major economic activities of the East End, namely breweries and dock work; but it is found in the service sector and the rag trade which is closely linked with distribution. Shah's analysis shows that this is a classic example of immigrant labour responding to an ailing industry as discussed by Waldinger et al. (1985) (see Chapter 2 Part II) - ailing through import competition and

lack of workers from the home labour market because of the poor physical conditions, piece-rate systems of pay and low wage rates (see Chapters 3 and 4).

The Asian community includes enclaves of Punjabis, Gujaratis, South Indians, Pakistanis, Bangladeshis and African Asians. They form spatial concentrations throughout the East End. But there are particular enclaves of Bangladeshis and Pakistanis (both mostly being Muslim) in Tower Hamlets, whilst Hindu and Sikh Indians live further east and north, around Hackney and Islington.

This spatial patterning is important to the clothing industry, producing social networks as described by Aldrich (1986) and explained in Chapter 2. It strengthens their own cultural norms, which indirectly affects work behaviour and by this self-identification and consequent generation of a closed system, the development of sub-employment structures is strengthened and maintained. This is especially seen in the behaviour and role of women. For example, the young, unmarried women of the indigenous population are among the most economically mobile, whilst the complete opposite is true amongst (especially Muslim) Asian women.

Homeworking should have diminished as vertical and horizontal integration followed innovations, but it was consolidated, along with the use of subcontracted labour. Shah notes two factors which affected its use in the East End of London:

- (1) the growth of London as centre of the world market for commerce and finance;

- (2) LCC regulations - Building Acts and Factory Inspection - therefore, factories tended to move out leaving high unemployment amongst their female workers. The fashion industry needs to be close to its market and the hardware is relatively cheap and therefore it gave work to these women.

Shah argues that the involvement of Asians is because of their colour and language. West Indians in the UK suffer colour barriers whilst Cypriots face language difficulties. Asians, he argues, are inhibited by both factors. Their only way out is by self-employment in an industry which is sufficiently disintegrated to enable individuals with limited capital but access to sources of labour to start an economically viable business - the rag trade is the classic example. It requires little capital; an individual needs to know only a few machinists and the African Asians were mostly in business previously. Their entry has been the result of ability to respond to certain problems facing the East End trade and by efficiently solving them, they have consolidated and strengthened their position.

#### Comparative Examples from Abroad

In Amsterdam (Tapp 1983), as well as London, Turkish entrepreneurs have filled the market gap for contractors in the city's clothing industry as large scale production declined. Price competition rose because of cheap imports at the same time as the importance of fashion affected the turnaround within the industry; and retailers bought small quantities of clothes at any one time and used a wider variety of sourcing. In the same way as in the USA, there was a demand for small-scale production for a fast and flexible supply.

Turkish entrepreneurs are partially professional since they have been working in all kinds of clothing trades in Turkey. Entrepreneurship is highly esteemed amongst the Turks and Tapp notes that it is used to circumvent their detrimental position in the labour market. Capital can be easily raised without incurring interest and labourers, who accept overtime and irregular payments, can be hired within their community.

This form of clothing trade is again characterised by low entry barriers. There is a large turnaround of ownership. Tapp notes that some 70% of firms change hands within one year of their existence, although the overall numbers remain static. By Dutch law, hourly wage rates must be paid; it is thus better to close down when orders are low. A further institutional factor which helps to explain this high turnaround is the fact that deferred tax payments make it lucrative to close a business and to start again under a new name. A fellow-Turk who is willing to buy can always be found and a plant is easily set up. There are no protected skills kept by competitors and no legal restrictions. Work is easily found in high production periods and machinery is easy to sell when no longer wanted. Tapp notes that the Turks in Amsterdam hold very much a sojourner attitude to their employment. They are willing to make quick profits and savings for a return to Turkey. Consequently profits are not re-invested and the entrepreneurs are little concerned with the flow of cash in the medium term. In fact, the Turks concentrate completely on production issues and have no skill or interest in planning.

Waldinger (1983) found a similar situation in his study of the clothing industry of New York. He observed that since 1980 the industry's workforce was composed almost entirely of immigrants to the USA (see Chapter 2). There has been a long term decline in employment in this industry sector, with an especially steep drop in the 1970s. The trade has kept to New York even though, he suggests, it is no longer the obvious centre in economic terms, but it does hold the traditional skills. It is the centre of the spot market where production facilities enable a quick response to short-lived fashions. Standardised and planned apparel is manufactured in the Far East due to the availability of a long lead-time. Non fashion items are also produced in other states within the USA. For example, the states bordering onto Mexico have the opportunity to function in a similar way to NDCs, as they make use of cheap Mexican labour. However, manufacturers in New York come into their own, when there is a sudden need for supplies.

### Conclusions

The above empirical work has shown that in order to compete within this kind of structure (where low entry barriers encourage entry into the trade, thus increasing competition which keeps margins low and requires costs to be kept to a minimum), ethnic small firm entrepreneurs have been able to seek out and use factors particular to them in order to gain a competitive advantage. As mentioned above, Ward et al. (op. cit.) have identified four areas where ethnic minorities may be able to respond to structural opportunities and limitations:

## Labour

Ward et al. argues that the most important potential advantage possessed by ethnic entrepreneurs is likely to be their access to labour. Ethnic groups who possess a strong sense of family (as discussed in Chapter 2) may draw upon family labour on favourable terms (as Werbner showed). This may be especially useful when female members of the family have experience of working in the trade. Family ownership and management allows delegation of responsibility to be kept tightly under control. In a contractors dealing with manufacturers when frequent visits have to be made, someone else has to be responsible for managing production and distribution. Family members can also compensate for shortfalls of production (in terms of both fill-in labour and back-up capital).

They are also likely to have privileged access to groups outside the family, but within their close social network, who are prepared to work in less-than-favourable conditions and over whom the entrepreneur may have some kind of control. In a closed community 'gossip' spreads around very quickly and when one is seen each week at, say, the Temple, one does not like to have a reputation of being 'difficult' or inept, especially when you may be exempt from alternative employment because of lack of mobility or discrimination in the primary labour market. As a result there is a basis for obtaining a competitive advantage in the cost of labour, either by paying secondary market wage rates for duties associated with the primary sector or by paying higher wage rates than those outside the ethnic enclave receive in return for higher level of responsibilities (see Portes and Bach 1985).

Homeworking is an example of a competitive use of labour when confined to an ethnic group. It is a cost effective means of production since it cuts overheads and is applicable to small batch production and the seasonality of production. Trade is fragmented - there is neither space for development nor a need for economies of scale. Increased competition has led to factories becoming less viable as units of production. Homeworking is both informal and flexible. Employers have no responsibilities. Up to half of the fashion trade production is estimated to be homeworked - almost exclusively by married women with young children (Shah op. cit.). Asian and Turkish women particularly are pulled into this employment because of their poverty and their culture which allows few alternatives (Ladbury 1984 and Shah 19876).

### Market

The retail market has played an especially important part in the role of fashion, which has affected the nature of demand. Small quantities of high fashion items may be planned in advance, followed by a speedy production of large quantities of that merchandise which appears to sell. This type of demand filters right down the chain of suppliers creating a requirement for a large number of small businesses with flexible capacity.

Although the ultimate market served is unlikely to be an ethnic market, the rag trade distribution network has a high proportion of ethnic traders. That is, there is an ethnic network of market traders, wholesalers and small retailers providing an almost protected market. Werbner also notes the advantages of common language and trust in dealing with members of your own ethnic group in terms of the advice that may be passed on.

## Finance

There are low capital barriers. The plant is small and may be fitted into any available space. A tightly-knit ethnic community is able to make capital available at low cost and supply equipment. Cheap and flexible access to working capital is critical, given the intense competitive environment. In many cases ethnic entrepreneurs have moved into manufacturing out of distribution and the profits from retail or wholesale outlets are used to provide working capital. Once again, a strong family system allows a joint use of capital resources within an extended family network.

## Technology

Investment in technology is normally viewed as a direct substitute for the cost of labour. Once again, the unpredictable demands of fashion require flexibility of production. This has led to the development of two distinct segments in clothing manufacture - a 'high tech' segment producing chiefly non-fashion long runs and a 'low tech' segment able to offer a quick response to orders.



## CHAPTER 6

## JEANS

Introduction

Since the mid-1960s, when the counter-culture adopted blue denims as uniform dress, the jeans industry has catapulted into a multi-billion dollar business. Traditionally in the trade jeans have been defined as

a pair of unlined trousers with a riser at the back and double stitched seams down the leg.

and since their adoption by the fashion industry, their styling is form-fitting between waist and thigh - in the words of Martin Walker in the Guardian of January 1982

jeans have a tight hug that squeezes (in Crowther 1983 : 11)

This chapter will consider the development of jeans as a form of clothing and, lately as fashion clothing. With this development came a change in the market necessitating a re-think by the major companies of their production methods and opening up a market opportunity for small, flexible firms. A brief case study follows which exemplifies the way in which companies have adapted to meet these new demands and this chapter concludes with an analysis of implication for manufacturers.

### The Birth and Growth of Jeans

Jeans were born in the Gold Fever years of the American West, although even earlier than that, Genoese sailors are said to have lent their name in the 16th century to the tough cotton cloth which has become the customary garb of western working men ever since. The name given to the fabric - denim - is said to be a corruption of 'serge de Nimes' (after the French city) (Blakstad and Foster 1981 : 67).

Levi Strauss, however, must be accredited as the originator of the jeans industry. This German-Jewish pedlar with a slight ability as a seamster followed the California gold rush and sold (amongst other merchandise) tent canvas to the panhandlers. He found, however, less demand for his tents than for his roughly stitched trousers with pockets riveted to support the weight of miners' tools. They soon became famous for this strength and he duly established a factory. It is, therefore, not surprising that several of today's major manufacturers began as producers of workwear, since it was not until after the Second World War that jeans began to lose their workwear image to emerge and blossom as a 'trendy' garment.

The emerging youth culture sought outward symbols in their dress to express their separateness from mainstream respectability, and it was the

causeless, inarticulate jeans-clad rebellion of James Dean and Marlon Brando in the 1950s (ibid : 68)

which caught the imagination and heralded the initial phase of the jeans boom. Crowther (op. cit.) suggests that America's short involvement in the Second World War enabled its faster economic recovery and a free flow of American

customs and ideas to the UK which led to British youths' reaction against 'established' dress and the idolisation of the 'masculine' image of Hollywood. Men no longer wore suits as a mark of 'status' to attract women, as visible class barriers relaxed. Women, also, were seeking a new status and passed from feminine dress to more masculine jeans whilst still being able to choose a flattering style if they so wished. Johnson comments that

Jeans therefore symbolised greater social equality and their tendency to fade was a direct and dishevelled challenge to the impeccable dress of the establishment (1972 : 6).

The rebelliousness of Brando was replaced by the macho all-American image of the John Wayne cowboy who continued to wear jeans. By the mid-1970s, this badge of young protest grew into middle-aged conformity, epitomised by (the then President) Jimmy Carter and denim had become a mass market, selling over 31 million pairs in the UK by 1977 (Musgrave 1984 : 29).

Initially, a number of mutually supportive factors combined to keep the industry in the west (Blakstad and Foster op. cit.). The area was already established as the centre for the production of work clothes and volume growth strengthened the relationship between manufacturers and suppliers (suppliers being the makers of the difficult-to-weave denim and the makers of the vital indigo dye which was produced by only a few industrial giants). The American West had long exerted a romantic fascination on the whole of the western world and the incessant plugging of brand names leading to ever greater volume helped to fuel the growth of Levi and the few other major manufacturers.

The number of companies involved in the industry leapt dramatically as the boom developed. Designer Calvin Klein produced stylish, form-fitting blue denims making jeans chic and trendy with the result that the basic jeans manufacturers suddenly encountered an army of new competitors and too many labels began to battle for increasingly scarce shelf space in a limited market. Derek Mottershead (managing director of Lee Cooper) noted that

... after 1975 everyone was into jeans. Unfortunately it got to a point where they could sell anything. A lot of people made a lot of money in a very short space of time (Clark 1982 : 23).

The characteristics of hungry markets and high volume production of standard products led to production in the Far East where attributes of hard work, long hours, low pay and a capacity for imitation enabled countries like Taiwan and Hong Kong to secure a foothold in the West. This has led people like Levy to pass comment that

the jeans business has become the victim of its own success (Levy op. cit. : 76).

### The Jeans Scene Today

The jeans industry continued to expand through the late 1970s and into the 1980s. An article in MANAGEMENT TODAY (Blakstad and Foster 1981) noted that in the USA alone 16 pairs of jeans were sold every second, meaning that every US citizen bought more than two pairs of jeans a year, with a sales value of over USD5b p.a.

Despite some expansion, company figures in recent years indicate that the industry has entered a period of hard times, reflecting the change in consumption patterns. Strains began to show at the beginning of the 1980s as reflected in Tables 6:1a and 6:1b. Retailers began paring stocks at a dramatic rate, which has affected all the major companies. The evidence from Extel points to declining order books, factories on short time and the bringing in-house of previously contracted-out work (ibid.).

Some experts in the industry, however, remain optimistic and some retailers feel that the market has not been fully exploited. Paul Caplan (managing director of Jeanery Chain) commented that jeans that "were £12.99 two years ago are £15.99 now", thus believing that retailers are, and have been able to, continue raising prices as long as the market would stand it (Musgrave op. cit. : 31).

Prescott (1985d) argues that changes in fashion are the main cause for the decline of major jeans companies like Levi. The demise of jeans has often been predicted, following the collapse of some cheaper jeans companies. A few years ago people talked of the end of blue jeans, but companies have looked to their marketing practices to reassess their policy. Until recently, jeans manufacturers have claimed the traditional denim 5-pocket western garment as their bread and butter. Today, there is a new situation.

The jeans scene, Musgrave (1984) advises, is not dying. It has merely become more complex. The market has currently so diversified that the trade now classes 'jeans' with other informal trousers all under the 'casual bottoms' title. But jeans sales are still around 45 million pairs per annum in the UK while prices (and margins for the retailer) are steadily increasing (ibid.). The market is moving away from the traditional style of jean founded by Levi Strauss, and

TABLE 6:1(a) COMPANY INFORMATION - BLUE BELL INC  
(WRANGLER JEANS)

	NET SALES (historic cost) £	PERCENT CHANGE
1976	730360	-
1979	1029453	41
1980	1397760	36
1981	1427164	2
1982	1292220	-9
1983	1228973	-5
1984	1181680	-4

SOURCE: EXTEL BI-BN-8

TABLE 6.1(b) COMPANY INFORMATION - LEE COOPER PLC

	TURNOVER	PERCENT CHANGE
1978	8748	-
1980	15245	74
1981	13113	-14
1982	10042	-23
1983	8024	-20
1984	9696	21

SOURCE: EXTEL LE-LH-53

towards a multitude of designs. The major companies like Levi have now realised they must break away from their traditional blue jeans. The new fashionably cut varieties come in an equal variety of fabrics. Despite this fact, denim continues to be the leading fabric - the industry estimates denim still has 60% of the market (Harper in *ibid.* : 29). Greater leisure has led to a rapid growth in the market for smarter, co-ordinated casual wear for which blue denim has given ground and until recently, manufacturers have lost out at this point. Critics of large firms argue that small firms reacted more quickly and sensitively to these changes, thus being able to attack the traditional stranglehold of multinationals. Their consequent decline in market share and sales has been interpreted as a declining market. In defence, the industry has had to develop its line of production and large companies, while being hampered by production geared for large runs of single items, have also had the advantage of their quality image, market share, know-how and skills to adapt production towards extended co-ordinated ranges of leisurewear. As Prescott (1985) writes

Far from being a design extra, the casual ranges are now the main focus of sales strategy - with the dependable nature of their label established in the past by their quality denim goods (*op. cit.* : 20).

Wrangler have benefitted from the swing back towards quality products in the past few years. This has occurred after the days of the mid-1970s, when large numbers of shortlived brands and unbranded jeans appeared and took a substantial share of the market:

a lot of people made quick profits at a time when almost anything made of denim would sell.

explained Richard Webzell (managing director of Blue Bell apparel in the UK),

but there has been a definite trend over the past three years towards well-made branded jeans that people can rely on ... (the) consumer doesn't see price as first priority. Style, fit and durability are more important now and our research shows that Wranglers' great advantage is the fact that people see it as a company which produces quality merchandise (in Roter 1980 : 19).

There is a demand for denim, but this has to be related to the current fashion scene which includes crinkly, crepe, heavy weave, quilting and textured details. The cut too, is important and styles range from the skintight tapered look of the '50s' to the very baggy oversized shapes. As Miles Templeman (Levi's marketing director for North Europe) put it,

.. people no longer want to buy a uniform, their approach is more individualistic .... Different styling, finishing and types of fabric have all complicated the picture. Even denim is no longer homogenous - (it includes) bleached, stonewashed, patterned and lightweights (in Musgrave op. cit. : 29).

### Brands

The UK is an important market as well as a major production centre for jeans. All the major multinational jeans manufacturers have operations here - many use the country as a production centre for export to markets in North Europe where there is a demand for high quality merchandise.



Levi claims itself as the indisputable market leader. In most, if not all, consumer surveys, the company holds the dominant position (Musgrave *ibid.*). Levi's sales and profits multiplied five times between 1962 and 1970 and in the following decade, sales increased another five times whilst profits rose by 700%. It is estimated that close by Levi in the market, Blue Bell (based in North Carolina) holds ground with their "Wrangler" brand. Their world sales were just under USD1.4b in 1980. These two companies are closely followed by Lee (the UF Corporation of Pennsylvania) which is number three in the USA and the world, although it is a fairly minor company in the UK and recently pulled out of production in Scotland. Lois (the label of the Spanish company Saez Marino) in less than four years shot to fourth position in the world market. Holding a similar market share is Lee Cooper, the international company based in the UK, which claims to be the largest manufacturer of branded jeans outside the United States. Interestingly, this company (which has been the only one in the industry with a London quotation) has its centre of gravity on the Continent. It anticipated entry into the EEC in the early 1960s by starting production in Northern France. By 1970 it had established a factory in Denmark and then in Tunisia and Greece. During the 1970s, the turnover rose twelve times to reach £70m which produced more than £9m, of pre-tax profit. In 1979 more than 80% of Lee Cooper's sales and 90% of their profit were generated abroad (Blakstad and Foster *op. cit.* : 67). Falmer is the leading UK producer of primarily up-market garments, the bulk of which is for export. Table 6:2 presents brand share analyses.

TABLE 6:2 BRAND SHARES OF JEANS COMPANIES (U.K.)  
(1978, 1981, 1984)

	A 1978	B 1981	C 1984
LEVI	19	19-20	23
WRANGLER	17	19-20	14
BRUTUS	7	12	-
FALMER	7	7	-
MARKS & SPENCER	6	6	16
LEE COOPER	4	5	7
H.D. LEE	1	3	3
LOIS	-	6	-
SMAK	-	-	12
JINGLES	-	-	13
F.U.s	-	-	12
OTHER BRANDS	28	15	-
UNBRANDED	11	7	-

SOURCES:

A & B - CROWTHER (1983:18)

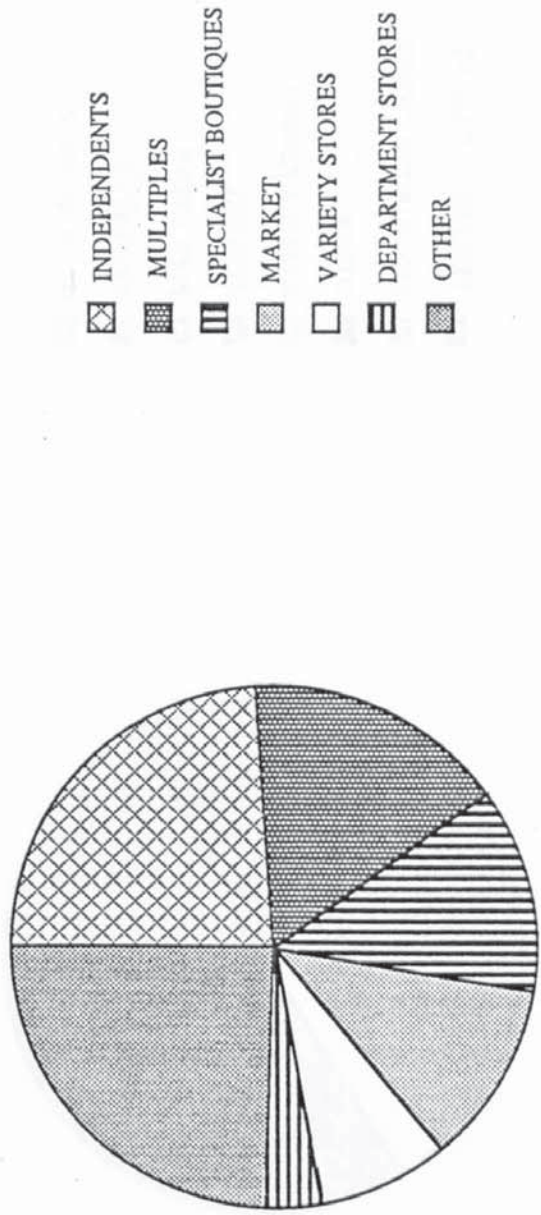
C - BOSTOCK & KRČMÁŘ (1984 MARKET RESEARCH, UNPUBLISHED)

These major jeans companies have not only to contend with a more demanding market with greater diversification of products, but they have also to face competition from the growing upsurge in retailers' own brands. The structure of fashion retailing has changed in recent years and is still developing in the trend noted in the previous chapter, whereby retail outlets are offering consumers a complete image via their co-ordinated range of clothes, so that today the image of a particular retail chain is becoming as important as the images built for themselves by large jeans companies like Levi.

It is indicative of the way the market is moving, that 60% of jeans sales by Fosters men's store was made up of their own brand 'Lopez' (made in the Far East). Similarly, Collier's own brand 'Studs' accounts for close on 60% of their sales. Whilst multiples like Fosters and Top Shop account for some 16% of volume sales, Marks and Spencer alone is estimated to account for as much as 10% of total UK sales, with an even higher proportion of sales to women. In line with others, Marks and Spencer say traditional jeans sales are steady whilst fashion jeans are increasing (Musgrave op. cit.). Figures 6:1a, 6:1b and 6:1c indicate the distribution of jeans retail sales.

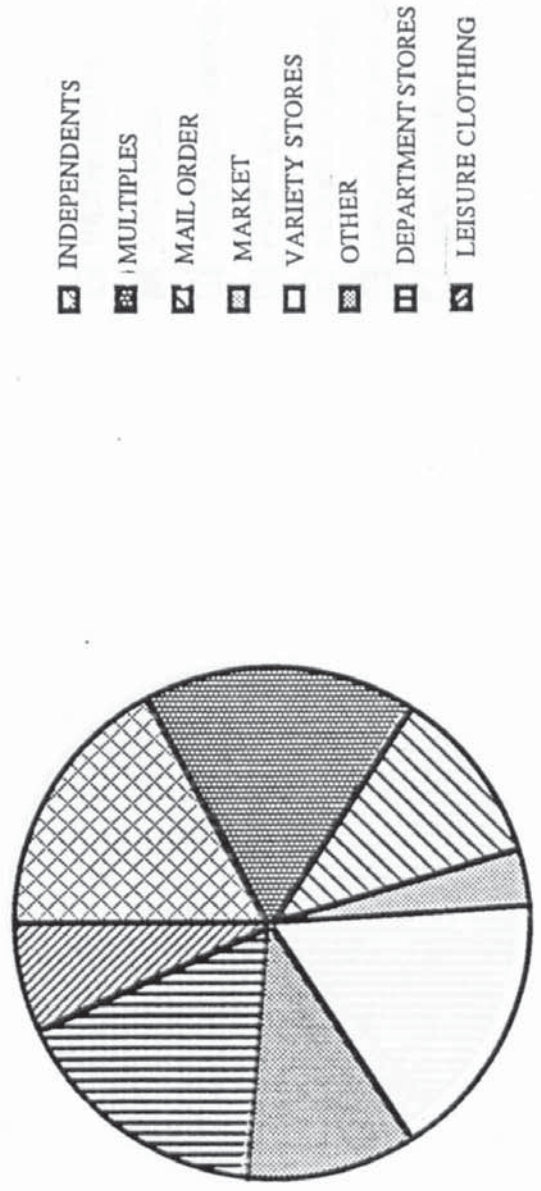
The concept of designer jeans marketing introduced by Mohan Murjani did much to break the stranglehold of the major jeans companies.

FIGURE 6:1(a) DISTRIBUTION OF JEANS RETAIL SALES (OBSERVER)



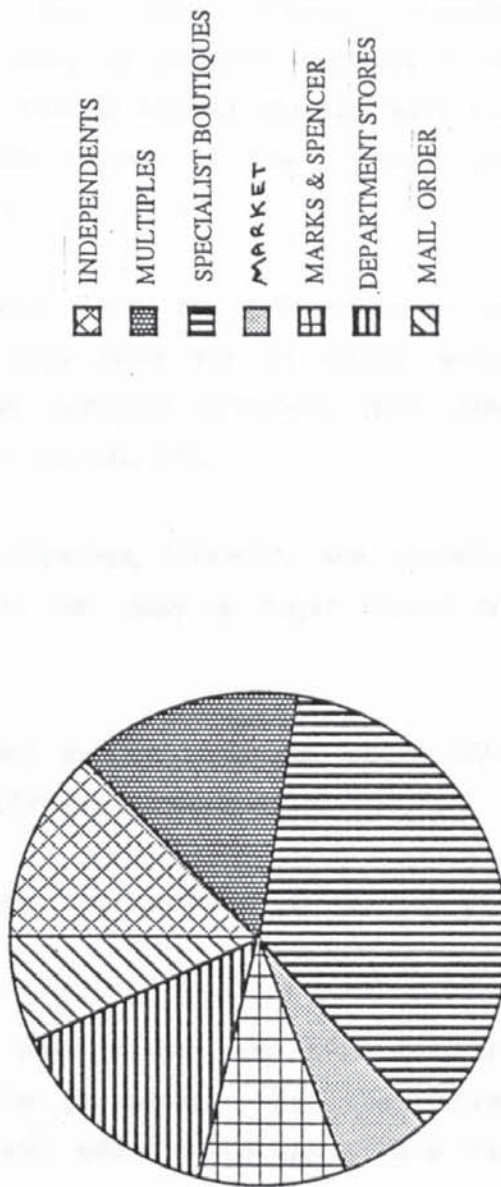
SOURCE: MUSGRAVE (1984)

FIGURE 6:1(b) DISTRIBUTION OF JEANS RETAIL SALES (1981)



SOURCE: MARKET RESEARCH G.B. (1981:4)

FIGURE 6:1 (c) DISTRIBUTION OF JEANS RETAIL SALES (1984)



SOURCE: BOSTOCK & KRČMÁŘ (UNPUBLISHED)

Designer jeans have not had the same impact in the UK as they did in America. This may partly reflect their limited distribution; but also Gloria Vanderbilt and other personalities used in America did not have the same appeal in the UK. Textile Market Studies have shown that they hold less than 30% volume of the womens' jeans market, Mintel (1981) suggests

presumably since the UK consumer is unwilling to pay such a high price for an article which is not perceived as being radically different from other, cheaper brands (in Clark op. cit. 25).

The major companies, however, are grateful to designer jeans since they do not pose a major threat on brand share, but have

raised awareness among women 20-30. That's helped us (Templeman ibid. : 25).

Similarly, Derek Mottershead is quoted in the same article as saying

I don't believe they can ever become part of the mass market in jeanswear. But they have put in a lot of money and added some perceptible value to jeans (ibid. : 25).

A representative who spoke to us from Pepe Jeans commented that

people now think in terms of fashion (Mr Paresh of Pepe Jeans, personal communication).

Another shake up for the big jeans manufacturers came in the shape of Dickie Dirt's retail outlets. In these shops consumers were able to purchase branded jeans for half the price of those offered at other outlets. As Mitin Shah (managing director of Pepe Jeans) complained,

.. when Dickie Dirt's was selling jeans at £9.99, it spoiled the market for everybody else (Shah in Musgrave op. cit. : 31).

It changed the British market in other ways. For example, Jean Genie halved their Levi purchases and switched to their own brands. FUs, Rebs and Genie - and managed to maintain their 42% profit margin as a result.

The face of distribution began to change as jeans moved into concessionary stores in department stores and away from the High Street shops, which may reflect partly the changing consumer profile. Traditionally, jeans (along with hosiery) have been the exception in the UK clothing market. Normally the market is dominated by the retailers and manufacturer branding is rare. With jeans, however, strong manufacturer brands have had the power to dictate prices and margins. Consequently, the large manufacturers tried to fight Dickie Dirts where identical Levis could be purchased for £10 compared to £17 in most stores, since they have had to tighten their margins by offering their 'authorised' retailers better competitive terms. Meanwhile, the consumer is able to purchase a 'named' pair of jeans at the same prices as cheaper, un-banded goods which has forced down the price of the latter.



### Production

Compared with almost all other types of everyday-wear, jeans are relatively cheap to produce since they are unique in the clothing industry in being manufactured traditionally in enormous volume, using mass production techniques. Michael Cooper (director of Lee Cooper) describes jeans as ".. very much an engineered product" (Cooper in Blakstad and Foster op. cit. : 59). A typical production unit in a large manufacturing company would consist of over thirty operators working in line using fairly advanced machinery. Computerised pattern equipment and Gerber cutters are common. The basics of the jeans business are therefore worlds away from the high fashion dress house. Yet jeans must nowadays present themselves in fashion terms. Within limits this is not too difficult. Whether the consumer wants flared, baggy, drainpipe, high waist or hipsters, it is all the same to production managers - similarly with different fabrics and different sizing designed exclusively for women.

Large companies are geared to standardised longrun production schedules. The attempt to meet the trend towards fashion jeans decreases their efficiency as rapid changes push up costs dramatically. In this way, small companies may have the ability to respond more efficiently. As Richard Webzell put it

we cannot compete with a company with 20 machinists who are going to knock out what someone wants in a couple of days. We are mass producers (in Musgrave op. cit. : 31).

This fact was re-iterated by interviews with small firms in the West Midlands where multinationals were not considered as a competitive threat, since it was believed that they catered for the status-conscious consumer and also did not "bother with fashion" since they had been production - rather than market-oriented. This, however, might be changing due to new technology and the growing importance of fabric and colour in fashion jeans rather than style per se.

Also, large manufacturers have the advantage of resources upon which to draw to accommodate changing styles. A large company would therefore be able to maintain its quality and fashion image for the cost of a machine. Table 6:3 gives a pricing breakdown for a pair of jeans.

#### Home or Foreign Production

Proximity to the market as well as to large scale denim producers originally kept the industry in the country. Inside the plants, productivity levels were generally high and companies purposefully structured the wage system so as to put a premium on incentive payments (Blakstad and Foster op. cit.).

However, in recent years world communication systems have improved so that times and distances have, in effect, contracted. A company may employ a representative in Hong Kong in order to ensure standard quality. Designs and orders can be telexed through to an office there. Cheap, fast and efficient labour may have the necessary production schedule completed in half the time of an English factory, whilst still maintaining the expected quality and the merchandise is flown back to England.

TABLE 6:3 PRICING A PAIR OF JEANS

	% SHARE OF COST	ON LEVI'S WHOLESALE FIGURES (£)
COTTON GROWER	6.4	0.6
GINNING	2.0	0.2
DENIM MANUFACTURER	19.6	1.8
JEANS MANUFACTURER	30.0	2.6
WHOLESALE PROFIT	42.0	2.9
	<hr/> 100.0	8.1
RETAIL PROFIT		7.9
RETAIL PRICE		16.0

SOURCE: ROTER (1980:9)

Grant Casey (owner of Jean Genie) also considered that

the British just cannot compete on quality. The Far East factories are using the latest equipment, their finishing is much better, their zips are much better. This is a competitive business. You have to go shopping everyday on the telex, looking at prices, availability, quality and credit terms (in Walker 1982).

The UK market has been quoted as being more than fifty million pairs per annum. British teenagers are world leaders in that they have been buying three pairs of jeans a year and yet only one of those is actually produced in the UK (ibid.). Some critics claim that our labour costs are too high to compete with newly developing countries, but also too low to justify the mammoth investment necessary for new labour saving machinery.

#### A Successful Company - "Inega"

The multinationals have provided standardised quality jeans with the use of technology for long runs, whilst imports from NDCs draw upon their flexibility of labour for competitive advantages, to service another part of the jeans market. There are, however, UK manufacturers who have started small scale production, but with the employment of a skilled and flexible workforce and the selective use of machinery, have been able to carve out a market niche for themselves.

An example comes from the MANUFACTURING CLOTHIER (1982 : 10-11) who described the development of Inega, a popular jeans company (whose popularity increased when Princess Diana was seen wearing jeans with the Inega logo) which is unusual in that it has always specialised in womenswear and maintained its twin strategies of fashion and flexibility.

Initially, the company kept production within its own factory, thus favouring a manufacturing bias. The company projected a strong jeans image and built a reputation of quality. Later came the decision to expand the collection and introduce greater flexibility and with it, the decision to switch to outside production. The company's managing director, Ian Banks, believes that the UK can offer quality and cost to compete with imports and argues that being a home based manufacturer gives the advantage of being close to the market for early delivery and ability to iron out any snags which arise easily and quickly.

A new factory was set up to furnish Inega's requirements. It now employs about sixty people and works entirely for Inega, thus giving the latter flexibility and the ability to utilise experienced machinists used to their type of production. The factory itself, however, bears all the risks of reduced market demand. But it is the switch from in-company manufacturing to the more flexible way of using outside experienced units to produce particular items in their collection which Ian Banks attributes to the change from a manufacturing bias to a marketing one. Again, he argues that retailers want more and more ranges of merchandise. 'Name' enables them to achieve higher prices than if they were serving a mass produced market. They are fashionable and styled on an individual basis.

The UK jeans market is one of the more important in the world, but the product's penetration of the UK (at less than one per head), in 1980 has meant 52 million pairs of adult jeans or £600m at retail prices) is not great compared with some other countries (Musgrave op. cit.). Scandinavia, for example, has sales of greater than one pair per head per year.

Jeans manufacturers have two major target groups -

- (1) image target group - 13-20 years old
- (2) general consumers.

The image group is not the biggest segment, but it forms the segment that contains the image makers and the rest of the market relates to what these youngsters are wearing (Roter op. cit. : 20).

The main marketing problem is how to pitch the image to the innovatory group without alienating other target groups (for example, the need to show a straightleg jean with four inch bottoms for the innovatory group, while consumers over the age of 35 can still relate to the fashion and wear straightleg jeans but would buy a pair with eight inch bottoms). This latter group is composed of the original jeans generation who grew up wearing jeans and continue to do so. Children under the age of fifteen are becoming increasingly important. Pepe told the author that they are expanding their co-ordinated range in this age group where there is still a vast potential market.

In order to assess how a small jeans company fits into the overall jigsaw, we must not only consider market shares held by major companies, but also assess the trends in production and sales in the UK over the past few years. Data is not abundant in this matter. There are problems of product definition, whilst the enterprises themselves are loathe to publish or pass on any data which they feel may jeopardise their hold on the market.

However, Table 6:4 indicates that, since the turn of the decade, jeans appear to be being produced in the UK for export rather than serving specifically the home market. Although production decreased, exports increased by some 30%, whilst imports increased only by the same proportion as production decreased.

Similarly, volume retail sales, as mentioned above, have been plateauing off as indicated in Table 6:5 and Figure 6:2.

Both ends of the jeans market have been supplied by imports and the UK would suffer far more from cheap, quality imports from the Far East were it not for the quotas imposed by the Multi Fibre Arrangement (as discussed in Chapter 4). Figure 6:3 shows that about three-quarters of our imported jeans are from Hong Kong.

A survey was undertaken in Birmingham city centre during the Spring of 1984 in which 437 individual interviews were conducted amongst a random sample of females between the ages of 18 years and 35 years. The sample was skewed towards the lower age groups (survey undertaken by Bostock Marketing Agency. Data analysis by Krčmář). It was found that over half (67%) of respondents had purchased a pair of jeans within the previous twelve months, whilst 12% had made a purchase within the previous four weeks. This pattern suggests a slightly higher propensity to purchase than that found by a Market Intelligence Survey in 1981. Table 6:6a shows that under 30% of all women interviewed had made a purchase or received jeans. However, this figure doubles when this sample is adjusted to represent more closely that of the above survey.

TABLE 6:4 STRUCTURE OF THE U.K. JEANS INDUSTRY (1976-1978)

	1976 (thousands)	1977 (thousands)	1978 (thousands)	1979 (thousands)	1980 (thousands)
PRODUCTION	18,897	15,505	21,408	25,766	24,466
IMPORTS	22,363	26,001	34,176	36,920	38,627
EXPORTS	5,198	9,434	7,962	8,843	11,495
CONSUMPTION	34,062	34,132	47,622	53,843	51,598

SOURCE: A-Z OF MARKETING DATA (1982:95)

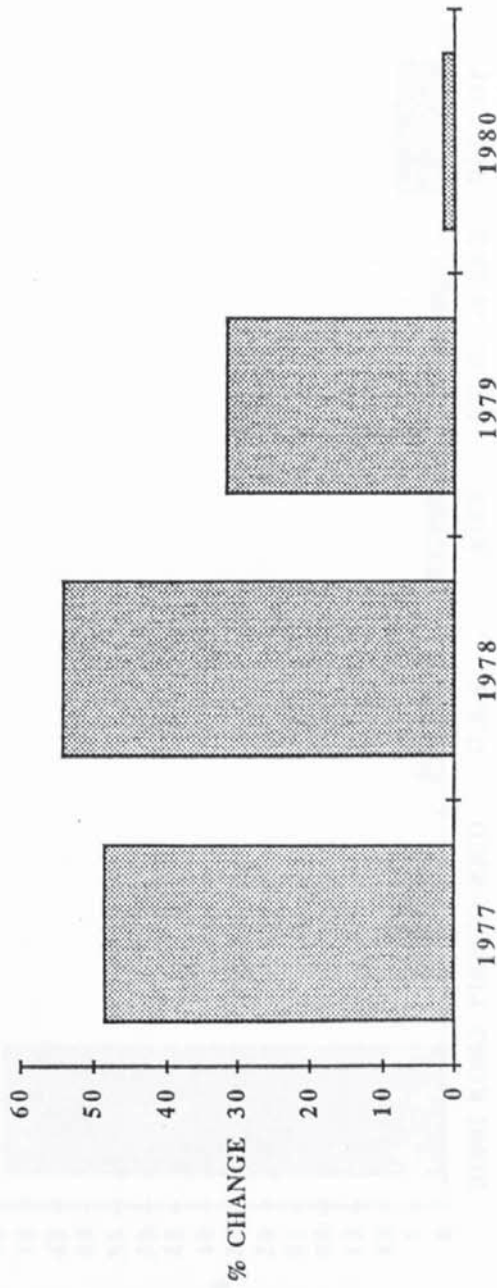


TABLE 4:5 RETAIL SALES OF JEANS (1976 - 1980)

	RETAIL SALES (£m)	AT CONSTANT PRICES (£m)	VOLUME SALES (thousand units)
1976	175	175	30.8
1977	260	230	34.1
1978	402	321	47.6
1979	530	377	53.8
1980	540	333	51.6

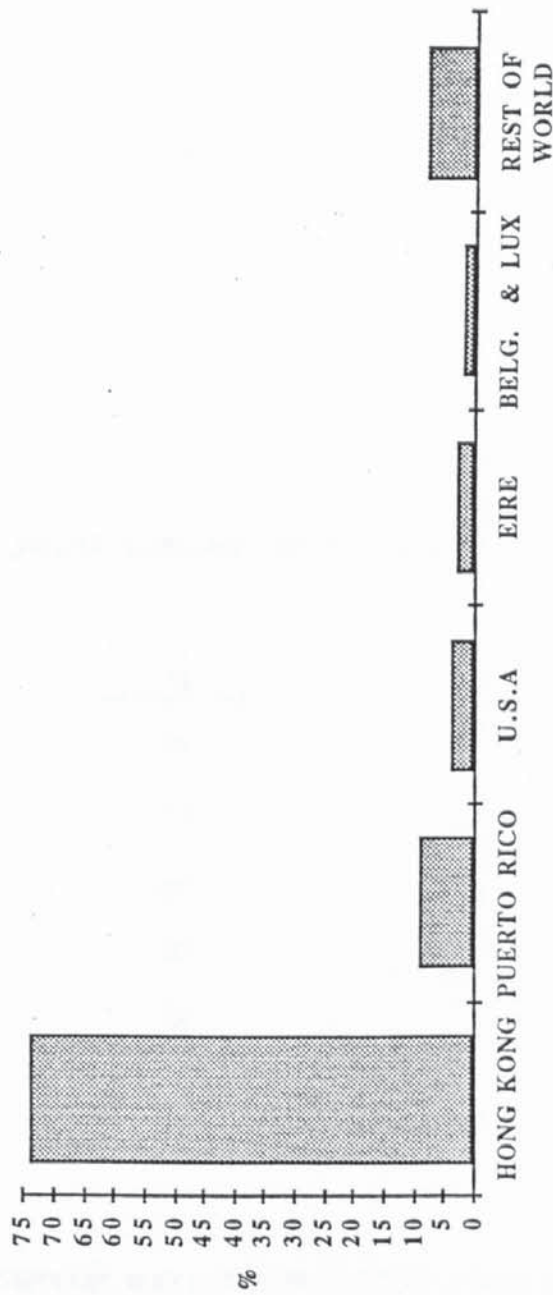
SOURCE: MARKET RESEARCH G.B.

FIGURE 6:2 PERCENT CHANGE IN JEANS  
RETAIL SALES IN U.K. (1977-1980)



SOURCE: A-Z MARKETING DATA (1982:95)

FIGURE 6:3 COUNTRY OF ORIGIN OF JEANS  
IMPORTS INTO U.K. (1977)



Source : Market Research (1981:20)

TABLE 6:6(a) JEANS BOUGHT OR RECEIVED (1981) (FEMALE)

	<u>%</u>
15 - 19 YEARS	60
20 - 34	49
35 - 54	19
55 - 64	3
65 YEARS +	0
ALL WOMEN	29

TABLE 6:6(b) JEANS BOUGHT OR RECEIVED (1981) (MALES)

	<u>%</u>
15 - 19 YEARS	77
20 - 24	73
25 - 34	63
35 - 44	43
45 - 54	20
55 64	7
65 YEARS +	3

SOURCE: BMRB/MINTEL MARKET INTELLIGENCE (1981a:40; 1981b:21)

These figures are different for male purchasing (Table 6:6b). Over half of the interviewees in the categories up to age 35 had jeans purchased in 1981. The middle-aged man continued to make purchases when women's wearing of jeans tailed off at this age.

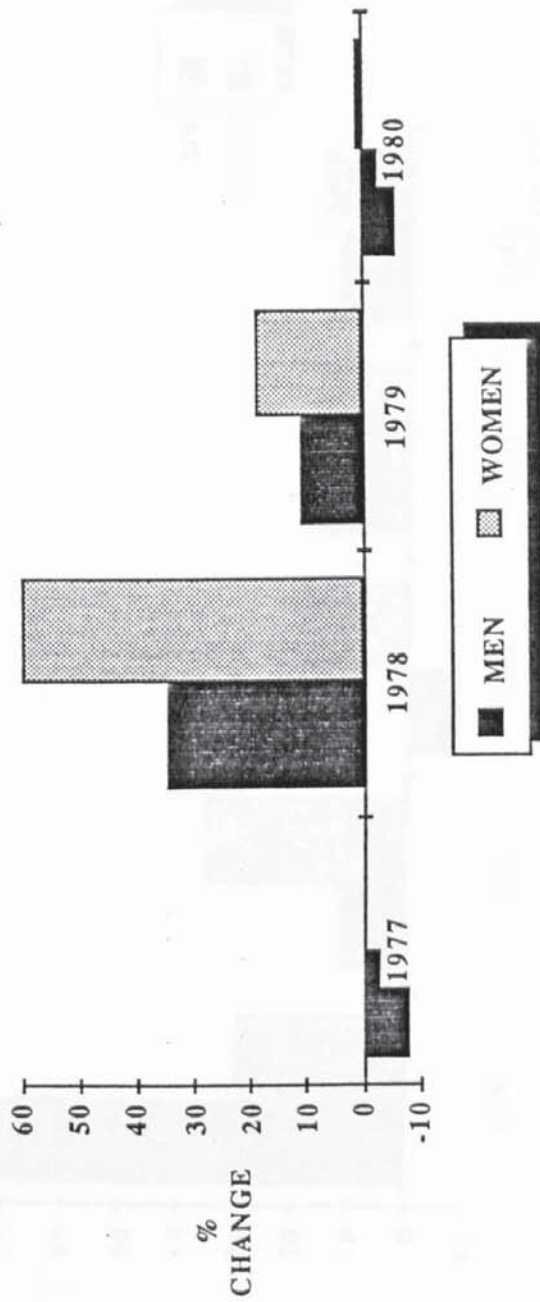
Whilst consumption of jeans appeared to level off, when data is broken down into consumption by sex, it suggests the female purchasing has not decreased in the same way as that for men. As the young woman gets older, she will continue to wear jeans, thus suggesting the market gap for ladies fashion jeans specially designed for the maturing figure as seen by Wrangler, Pepe, etc. Market projections made for 1982 by Euromonitor showed a continuing growth in female purchasing with slightly less for men.

Figures 6:4 and 6:5 show a change in jeans retail sales between 1977 and 1980 and between 1978 and 1982.

#### Implications for Manufacturers

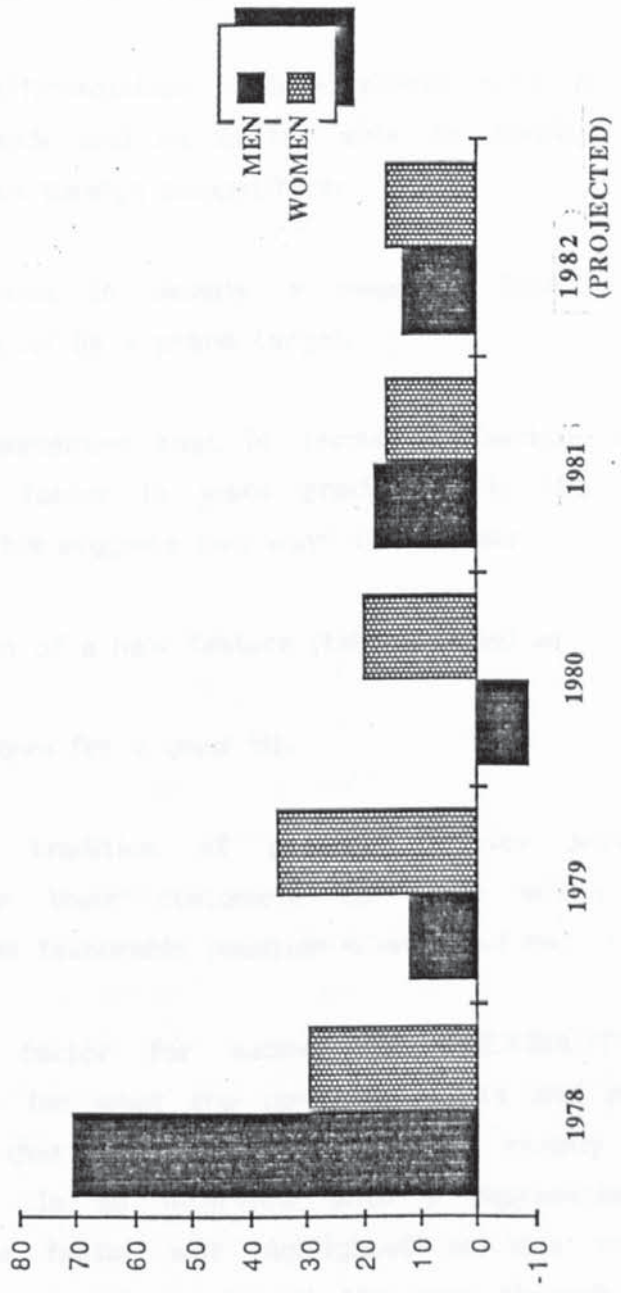
The above analysis shows that manufacturers should nowadays have a sound marketing approach to their policies, rather than the production-oriented thoughts seen in the 1960s. The manufacturers must have a good knowledge of the retail buyers' requirements and a good understanding of the factors they must consider when taking buying decisions. Reaction time is crucial and more effective ways should be found and developed to improve this speed of reaction.

FIGURE 6:4 PERCENT CHANGE IN U.K. JEANS CONSUMPTION (1976 - 1980)



SOURCE: A-Z OF MARKETING DATA (1982:95)

FIGURE 6:5 JEANS RETAIL SALES  
PERCENT CHANGE 1978 - 1982



SOURCE: A-Z OF MARKETING (1982:95)

APPAREL INTERNATIONAL makes recommendations for British shoe manufacturers, but the advice stands good for fashion manufacturers and jeans producers (Butlin 1982 : 20). They suggest that three major factors emerge:

- (1) Service - domestic manufacturers have speed of reaction on their side if they will exploit it;
- (2) Product Differentiation - they should have a 'feel' for market trends and be better able to develop the right product than foreign competitors;
- (3) Costs - this is usually a negative factor and cost reduction must be a prime target.

Early (1978) commented that in terms of fashion, the single most important factor in jeans production is fit. For the manufacturers, this suggests two ways to success:

- (1) introduction of a new feature (fabric, style) or
- (2) become known for a good fit.

In retail the tradition of personal service survives and assistants steer their customers to jeans which tend to produce the most favourable reaction when tried on.

The essential factor for success is FLEXIBILITY - the ability to look for what the consumer wants and produce it. This requires that the manufacturer work closely with the retail sector. In an interview with a representative from Debenhams, this factor was highlighted as this store works closely with its manufacturers all the way through and likes the manufacturer who comes to them to ask how sales have been.



## CHAPTER 7

THE LOCAL OPPORTUNITY STRUCTURE FOR JEANS  
MANUFACTURINGIntroduction

The previous chapters have shown that clearly different opportunities exist in different segments of the clothing trade. These opportunities are not static; there are continual changes in the type of opportunity available and new, different opportunities emerge into the market place as the economy itself is dynamic. There are corresponding differences in the type of resources which ethnic minorities in the UK possess.

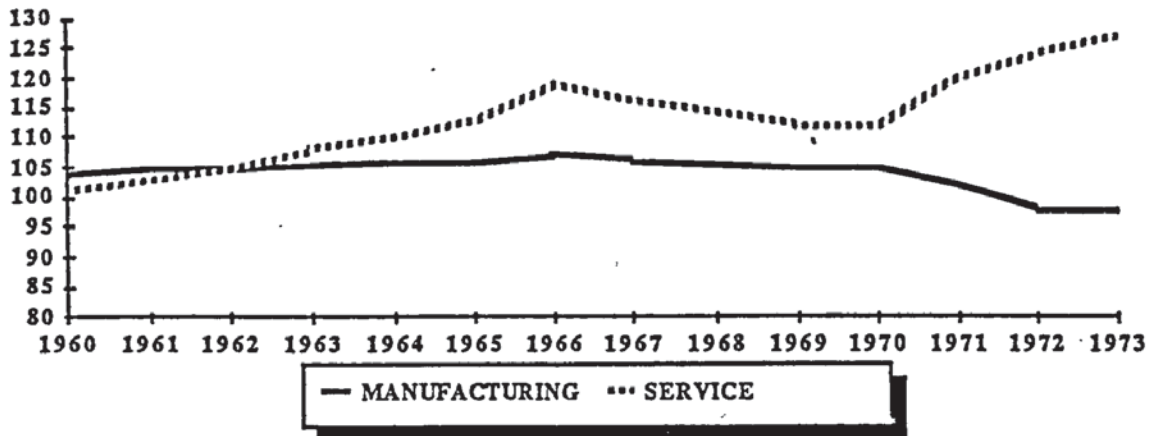
Chapters 2(ii) and 5 considered the varying skills, education, knowledge, community links, etc., which these entrepreneurs bring to the market place. We may conclude, therefore, that a viable business depends on a good fit between particular opportunities and particular resources. The next chapter will consider a segment of industry in Birmingham - i.e. the jeans industry - in which minorities are extensively involved; but first the kinds of opportunities available in Birmingham must be assessed. This chapter, then, assesses how the changes in the nature of structure of demand for jeans fits with the changes in the nature of the local economy. It looks at how the economy has been traditionally heavily concentrated in, and thus dependent on, manufacturing. The decline in manufacturing has had a great affect on employment and economic well-being in the West Midlands.

The interwar years saw Birmingham prosper as an area of engineering and metal working. The industries of the city were closely linked with the growth of the foundries. Prosperity in the West Midlands reached its peak during the 1950s. With an 80% concentration on the metal industries, this region can be seen as one of the most specialised in the world (Wood 1976). In the early 1970s, however, manufacturing declined significantly, as indicated in Figure 7:1. A small number of large firms have been serviced by a large number of small firms (as discussed in previous chapters). Large firms have tended to be unresponsive to economic changes, resulting in closures and contraction, not only for themselves but for the myriad of small subcontracts. With the local dependency on manufacturing, this decline had a catastrophic effect on business activity, employment and hence poverty.

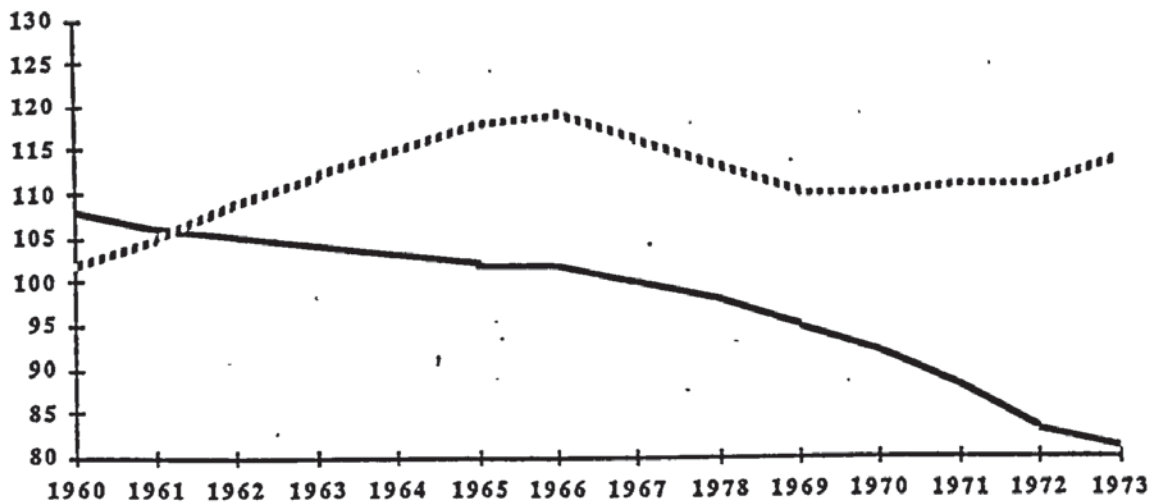
### Unemployment

As a result of the large number of plant closures and contractions in practically every West Midland manufacturing sector, in the first five years of this decade there has been more than 135,000 redundancies (West Midlands County Council Economic Development Unit 1985a : 1). By September 1985, unemployment had reached almost 20% in the County. Unemployment rates are particularly high in areas of immigrant settlement - many of them populated largely by Asians. For example, Sparkbrook suffered an unemployment rate of 43.2% with nine other wards in the County having unemployment rates in excess of 30% (WMCC EDU 1985b).

FIGURE 7:1 TRENDS IN MANUFACTURING AND SERVICE EMPLOYMENT  
1960 - 1973 (1959=100)  
(a) GREAT BRITAIN



(b) BIRMINGHAM



SOURCE: WEST MIDLANDS COUNTY COUNCIL (1975:21)

Female unemployment in the area continued to rise steadily. Within manufacturing industries, women have suffered a disproportionately adverse effect since the mid-1970s. Between 1978-1981, women's employment in West Midlands manufacturing has fallen by some 25% compared with 20% for men (West Midlands Low Pay Unit 1984 : 5). Their work is concentrated in a narrow range of industries and occupations and often takes the form of unskilled and/or part-time work where women are particularly vulnerable to exploitation and low pay. The extreme example of this is homeworking in the clothing trade in which many women from ethnic minorities are employed. Table 7:1 gives a break down of unemployment in the West Midlands as of September 1985.

The unemployment to vacancy (U:V) ratio is one way of measuring the pressure of demand for jobs. The higher the ratio, the more people there are chasing each vacancy. In September 1985 the County's U:V ratio was 22.4:1 compared with that for the UK of 16.1:1 (West Midlands County Council Economic Development Unit 1985(b)). The ratio is a general one and does not take account of factors like workers' skills or location, race or sex.

TABLE 7:1. WEST MIDLANDS UNEMPLOYMENT SEPTEMBER, 1985

	MA LE		FEM ALE		TO TAL	
	NO.	%	NO.	%	NO.	%
WEST MIDLANDS COUNTY	158,014	19.9	065,765	12.9	223,779	17.1
WEST MIDLANDS REGION	246,375	18.2	114,424	12.7	360,799	16.0
U.K.	2,268,512	16.2	1,077,686	10.5	3,346,198	13.8

SOURCE: WMCC EDU (1985)

### Poverty

Unemployment is accompanied by poverty, but to be on, or below, the official poverty line does not necessarily mean to be without a job. The West Midlands County Council Economic Development Unit (1984) noted that wage rates in the County have been seriously depressed. West Midlands manual workers fell from top of the pay hierarchy in the ten regions in 1974 to 8th in 1983 (West Midlands County Council Economic Development Unit 1984(b):1). It is estimated that one third of the County's residents live on or below the official poverty line (i.e. with incomes less than 40% above the supplementary benefits level), whilst the number of persons claiming supplementary benefit in 1985 was 58% higher than in 1980 (West Midlands Economic Development Unit 1984(a)).

The problems of low pay have particularly affected disadvantaged groups of workers such as women and ethnic minorities. These problems are often highlighted by the small firm sector, in which organisations are seldom unionised and frequently pay wages below the (then) legal minimum rate (especially in clothing firms). The West Midlands County Council Report on low pay (1984) suggests that a typical wage for clothing workers in small firms is around £1 per hour and can be as low as 62p. Their, predominantly female, workforce are also expected to work long hours in poor environmental conditions.

### Business Decline

Small firms operate in an increasingly competitive environment, often working on profit margins that in the long term necessarily result in liquidation. The year of 1983 was the worst on record for business failures in the West Midlands. Over 1,200 local businesses collapsed, accounting for nearly 10% of the national total (West Midlands County Council Economic Development Unit 1984(a):1). The same report estimates that the County has some 30 million square feet of unused industrial floor space (ibid. :2 ).

Apart from the overly heavy dependence upon a narrow range of metal-based manufacturing industries which are in long term structural decline, three other major factors may be seen to be causally linked with the economic decline - regional policies, exported investments and interest and exchange rate policies (ibid.).

Regional policies have had the effect of diverting investment and job opportunities away from the area preventing the local economy from diversifying into new growth industries (such as those in Telford New Town).

There has been an over-emphasis in companies, during the 1950s and 1960s on profit distribution at the expense of investments. West Midlands-based MNEs have also exported new investments and jobs overseas, particularly to NDCs, at the expense of their home operations.

Simultaneously, government policies pushed up interest rates and maintained artificially high sterling exchange rates, resulting in even lower levels of manufacturing investment in new plant and machinery together with a loss of domestic and overseas markets to foreign competitors.

### Birmingham's New Industry

The clothing industry is not seen as a "traditional" West Midlands industry; but in recent years it has increased in importance relative to other local industries and the clothing industry nationally. This trend is due to the fairly rapid growth of the small firm sector of the industry (as discussed in previous chapters). It is larger and employs more people than official statistics indicate - especially in the womens' light outerwear and casualwear subsectors (Leigh and North 1983).

A rapid rise in unemployment, abundant cheap, empty premises and a central location are all relevant factors. Perhaps the most important factor is the large Asian community. Redundancy money, savings and money borrowed from within the community (as discussed in Chapter 8) would prove sufficient to provide the relatively small amount of capital needed to start a business.



These firms are operating in a highly competitive industry. Profit margins are low. Little is invested in either improved machinery or human skills and therefore any potential opportunity for increased efficiency is very much reduced. To ensure a cheap labour force, recruitment is confined to immigrant communities where a lack of trade union membership, limited understanding of personal rights, limited mobility and limited opportunities for alternative work, leave the average immigrant vulnerable and dependent on employment within their own ethnic group.

As discussed in Chapter 4, the clothing industry of the West Midlands is divided into two unequal groups of firms, from the point of view of the technical basis of production and the labour process employed - i.e. there are high volume producers using relatively high capitalisation and manufacturing long run production merchandise like jeans and men's shirts and low-to-medium volume producers who employ a labour-intensive mode of production and manufacture women's light outerwear. Firms of the former type account for nearly all the largest plants in the region. The bulk of the local plants, however, conform to the latter group, in that they produce low quality, low price merchandise, but maintain flexibility necessary for the manufacture of fashion goods.

The West Midlands County Council sector study (ibid.) on the industry highlights three main opportunities for potential businesses. Firstly, the national recession, and the contracting of manufacturing in Birmingham, have created a supply of cheap industrial premises in the city. Secondly, since emigrants from South Asia were attracted by Birmingham's traditional industries which are no longer, there has been a rapid rise in unemployment and thus there is a pool of cheap labour upon which the competitive position of the clothing industry is based; and since

immigrants tend to live in inner city areas, this labour is centred in the area of production. Asians also provide the "dynamic entrepreneurs" for the industry as discussed in Chapter 5. Finally, Birmingham's central location provides it with a special advantage through distribution links - especially with London where a large number of these small companies obtain their contracts.

A fourth area of opportunity was highlighted by this present research i.e. the different market segments of the jeans industry. As discussed in Chapter 6 production of jeans presents an interesting departure from the mainstream fashion industry. It is traditionally geared towards long run production schedules where multinationals have artificially diversified the market, promoting the 'right' brand name and have established control of the upper end of the market. In recent years, a fashion element to jeans has emerged, thus opening a market gap for UK manufacturers to respond in the same way as for other fashion articles. There continues to be a market for cheap copies of 'brand' jeans which has traditionally been supplied by imports from Newly Developing Countries. There are thus three niches in the jeans market;

- (1) a high volume, high quality niche catered for by the multinationals;
- (2) a fashion element, characterised by the need for flexibility;
- (3) a cheap, low quality end of the market.

In terms of the needs for volume and quality, local small manufacturers may be barred from the market niche which is controlled by MNEs. Therefore, there are effectively two kinds of market opportunities for Birmingham entrepreneurs - fashion merchandise and cheap jeans. These two niches operate in the same way as for other clothing markets, as discussed previously. The following chapter looks at how local Asian firms have addressed these two market niches.

## CHAPTER 8

## RESULTS

Introduction

In earlier chapters of this thesis, ethnic business was discussed in terms of a variety of theories - cultural, ecological and interactive. It was concluded that the interactive approach is most useful to describe the pattern of ethnic business in western capitalist economies. This approach links the resources available to the entrepreneur with the economic opportunities in a particular context. Not all industries have the same opportunities and not all ethnic groups have the same resources. Both are variables. The ways in which these variables interacted in this study will be discussed later in this chapter.

The typical clustering of ethnic business organisations was discussed in the section on ethnic enclaves. This explanation is compatible with the interactive approach in explaining at one level why there are so many Asian firms manufacturing jeans and at another level why the pattern of business behaviour observed is as it is.

We have seen that with jeans manufacturing, there is more than one kind of market opportunity. There are three segments : high technology, long run production; fashion jeans which respond to the market in the same way as other fashion merchandise and cheap jeans manufacture. The resources needed to compete in these three segments differ. For small Asian manufacturers the first segment is not available (the technology needed, for example, is prohibitively expensive). This leaves the last two segments as areas of opportunity for potential entrepreneurs.

This chapter will show how there is a significant relationship between two different types of entrepreneur, termed the Pro-active Entrepreneur and the Re-active Entrepreneur, and the two different market segments. But before that, an indication of how other companies have operated within the first market sector is given through three case studies.

#### Comparative Case Studies

##### VF Corporation (Smith 1981) and Levi Strauss Inc. (Pitt 1984)

VF Corporation and Levi Strauss are both multinational enterprises with their parents in the USA.

The VF Corporation - or Lee Jeans as it is better known in the UK - operates some 44 plants, 34 of which are in the United States. At the end of 1979 the corporation employed 18,500 workers. Their net income for 1980 was almost USD46million. This company is an example of how this niche does not need the flexibility afforded by production close to the market, but may locate wherever the company can gain a cost advantage. Thus, most of the corporation's American plants are located where they can gain maximum public financing and incur minimum labour costs.

Lee Jeans followed UK government grants and subsidies by first starting operations in Greenock, Scotland in the 1970s. The local authority there provided a factory rent and rates free for the first three years and half rent and rates for the following three. Accompanying this was an investment grant from central government of 40% of the cost of plant and machinery along with payments for employees. In January 1981, redundancy notices were handed out to Greenock employees as the company moved its facilities to Northern Ireland where additional incentives operated, with

cash grants of up to 50% towards the cost of new buildings, machinery and equipment along with other special grants, even to the point of paying management salaries during the building up years.

Levi Strauss Inc. of San Francisco employs some 40,000 people in 70 different countries and has worldwide sales of USD3,000m. Levi Strauss (UK) Limited (LSUK) is a wholly owned subsidiary and, in 1984, employed 2,000 people in Great Britain. It has five factories in Britain, four of which specialise in jeans. All the plants are modern but keep within a maximum of 500 employees, there not being many scale economies above this size.

LSUK operates in a mature market, employing high cost local labour and has turned increasingly to automation of certain of its manufacturing operations in order to contain costs and increase flexibility. LSUK exploited the 'uniform collective' of youth culture, but by 1982 fashion called for more differentiated consumer tastes with a highly fragmented market and a multiplicity of styles and fits. Historically, the company has achieved both high volume and premium prices, but Pitt commented that this is most unusual within the industry and was not likely to continue. Changes in fashion caught Levis, like other multinationals, rather unawares and they lost ground to newer, smaller companies who were, from their inception, responsive to fashion changes in style, fabric and colour.

### Pepe Jeans (personal communication)

Pepe, a company which has grown rapidly and is still expanding, attributes its success to the flair for design of the managing director, Mitin Shah, and his skill in keeping his finger on the pulse of fashion demands. He also takes particular care over his merchandising and sourcing.

Shah, the son of a Nairobi-based Gujarati merchant, came to England in the 1960s when he was 18 year old. His first job was as a window dresser for a London tailoring company. He was young and ambitious and in London at the time when it was the exciting world centre of youth. So, gradually he branched out on his own, selling merchandise to retailers on commission from manufacturers.

In 1973 he opened up a weekend market stall in Portobello Road along with one in Kings Road. Later he was joined in the UK by two brothers which enabled him to take on four shops in Oxford Street and Kings Road. They also rented space within other shops. By this time, he and his brothers had gained skills and knowledge of the trade and decided there was a market gap for well-priced, good quality and stylish clothing. By 1975 their own designs for a range of clothing for men and women were being manufactured for them. These they wholesaled. As their wholesale activities expanded, they moved out of retailing to devote their energies to establishing production in the Far East and promoting their 'PEPE' label as a brandleader in jeans and co-ordinated casual separates. They see the distinction between casual trousers and jeans disappearing. Since formal wear is looking more casual and conversely, casual wear is looking more formal, people want styled jeans. Therefore Pepe produces a fully co-ordinated fashion range (in various colours and fabrics).

As the early years of the 1980s got underway, Pepe expanded quickly into export markets, establishing offices in Ireland and the USA. They now have their main office and warehouse in London, with another office in Dublin. Their warehouse in America, where they see a market of potentially ten times the size of that in the UK, was established in 1984 and they have just begun to expand into Europe by establishing a warehouse in Belgium.

The company maintains its production facilities in the Far East, because it believes that the quality and standard is not available in Britain for the same machinery and (particularly) labour costs. Also, quality denim is known to be available there. Their contacts were made when they served as a warehouse for imports and they see no reason to change to English suppliers. Shah does not believe it to be a disadvantage to produce far away from the consumer since he does not believe that fashion changes quickly, but rather it is a matter of keeping an eye on trends so as to be able to make accurate predictions. In recent years world communication systems have improved so that times and distances have, in effect, contracted. Designs and orders can be telexed through to an office in Hong Kong. He claimed that cheap, fast and efficient labour may have the necessary production schedule complete in half the time of an English factory, whilst still maintaining the expected quality and the merchandise is flown back to England. Such a procedure, Shah claims, is just as cheap, speedy and efficient as production in Birmingham and since contacts have already been established, he is unwilling to risk a change in quality, not only in the stitching, but also in the production and washing of denim which is an important part of the process. He saw the secret of success not on producing quickly for short-lived fads, which he said "are not worth bothering with", but on the director's personality, enthusiasm and ideas.



### Birmingham-Based Firms

The previous chapter discussed the opportunities available in Birmingham and questioned the way the resources of the Asian population fit these opportunities. The three case studies outlined above have shown how the small manufacturer is unlikely to move into the sector of large scale production, which leaves the two other segments. The case studies of typical firms in Birmingham set out below show how the characteristics of owners do match each of these two types of opportunities.

Vaughan (1985) indicated that some 39% of clothing manufacturers in Birmingham produce jeans and trousers (as defined in Chapter 6). Of these, only 28% manufacture under their own label whilst almost three-quarters are involved in CMT production. For this thesis manufacturers of jeans and CMT firm owners in Birmingham were interviewed. Questions were asked concerning the personal history and experience of the proprietor or senior director, the resources upon which the entrepreneur drew in starting up the company and in the continuing running of the firm and the competitive advantages he believed he held. An assessment of business issues was made, including the distribution of products and product market category, competition faced and the strategic placement of the firm in relation to the competition.

As discussed in the account of the methodology used in the research (Appendix A), the small firms interviewed were nervous about my enquiries, which made the interviews difficult. It was impossible to administer a pre-coded structured interview schedule. It was therefore decided to concentrate on topics in which they were interested and which they felt comfortable talking about. As a result, little hard statistical data is available. Certain trends and issues did, however, emerge from the interviews and some generalisations can be made.

### Ethnic Issues

#### (a) Personal

Most of the entrepreneurs interviewed came from rural Punjab to fill the unwanted jobs in British cities. Most respondents had worked in a foundry, in the transport industry or in a factory. One had come to the UK to study accountancy and had worked as a trainee accountant in a clothing warehouse. Manufacturers, we found, had a longer formal education than CMT operators.

It was interesting to note that many interviewees had previously been in self-employment in clothing related businesses. Most had worked at, or owned, market stalls prior to entering manufacturing. One had been trained as a tailor in India and set up a shop almost on arrival in the UK. CMT operators were generally seen to have had market experience only and relied heavily on their wives' previous employment experiences as machinists.

The length of time the firms had been in operation seemed to fall into two categories - those operating for ten years or more and those established in/ the past three years. Predictably, the more recently self-employed had been made redundant and were CMT traders. Those having entered self-employment more than a decade previously gave reasons of "independence" more aligned to conventional entrepreneurial studies and had also come from middle class or entrepreneurial families.

(b) Resources

All extolled the virtues of their families and had used (or continued to use) the labour of wives, sisters and/or children. Those who had been pushed into self-employment by redundancy all mentioned that their wives had experience in the trade working as machinists for others. This was the factor influencing and enabling their entry into the trade. Manufacturers who were long established explained that at the beginning all the family pulled together.

Most of the respondents had begun manufacturing on a very small scale, using only family machinists and gradually expanding by bringing in friends. Nearly all of them continued to use exclusively Asian women machinists who were found by word of mouth. This may be one advantage the Sikh community in Birmingham holds over predominantly Muslim businessmen - i.e. the women of the community are not so religiously-tied to the home and although bound by the norms of their culture, this does not restrict their participation in business run by family or other community members.

All respondents told us that at the time of start-up of their first business, little capital was needed - the amount required was found from their own savings and contributions from the family. Those who had begun their rag trade career as market traders had worked the markets at weekends alongside their regular jobs in the foundry or factory. They then used their accumulated profit and, importantly, the contacts they had made, to set up in manufacturing.

Contacts are important in any business and personalities play a vital role in concluding business contracts. In an Asian dominated trade, to be Asian is an important asset, since our respondents personally knew many of the other businessmen, came from the same cultural background and shared the same language. This facilitated access to supplies and distribution of merchandise, credit facilities, advice and labour (as discussed in Chapter 2-ii).

Some respondents thought that their competitive advantage stemmed (amongst other things) from the flexibility of their labour and one explicitly stated that since he lived in a close-knit community, it was easy for him to find:

ladies who will work occasionally - at home or even come into here - for short periods of time,

if he suddenly needed machinists for a rush order. This meant that he did not have to maintain a large permanent staff.

Many interviewees were emphatic about the contribution of family members in terms of skill, time and advice. The knowledge that family members could be relied upon to work at any time, at anything, if needed, allowed them to take rush contracts and keep costs down.

One interviewee stated explicitly that coming from an Asian culture gave a definite advantage to the businessmen

Asians came here (to the UK) to make money ... There are lazy people in all nationalities, it's just that Asians aren't used to being lazy so we don't sit back if we don't have a job or don't have enough work. We find things to do. We're not used to coming to a nightclub or to the pub or taking our wives out to dinner. Of course, it will be different for our children.

Another mentioned that

The rag trade is run by Asians. Our (Sikh) women will work with their husbands, brother and fathers. We're used to doing this sort of thing in agriculture.

### Business Issues

#### (a) Reasons for self-employment

Respondents tended to fall into two categories in the reasons for entering the manufacturing of jeans: those who specifically stated that they spotted a market gap (discovered whilst already working in the trade) and those who were influenced into it by a friend or family member, either in the sense of "a friend in the trade suggested it" or "my cousin went into it and he made a lot of money, so I thought 'if he can do it, I can'".

As one respondent said,

When one (Asian) goes into business, out of ten friends, two will follow.

### (b) Competition

Those who had been in business for a decade or more stated that there was no competition in Birmingham when they started. Warehouses and independent stores went to London for merchandise and were therefore pleased to have local manufacturers. They were thus able to become established in the trade when margins were at a reasonable level.

Imports provided for the cheap, low quality end of the market; MNEs aimed at image-conscious consumers and so there was a gap for reasonably-priced, quality jeans.

### (c) Competitive advantages

As the fashion industry developed, and jeans took on a fashion content in the 1980s, these firms were in an established position which allowed them to adapt to changing fashions. Manufacturers stated that style has not changed as much as fabric and colour, which affects management decisions on purchasing rather than production. They already were able to provide quality merchandise, but had the added competitive advantage of being flexible in terms of production runs. They were geared to shorter runs than were MNEs and so did not have to spend time adapting management and production techniques to deal with fashion batches.

One manufacturer pointed out that large manufacturers did have the financial advantage of resources upon which to draw to accommodate changing styles. Some fashion styles have required special equipment which a larger company would be able to buy and absorb the cost of; but for smaller firms, the purchase price would be prohibitive. A large company would therefore be able to maintain its quality and image by producing the necessary fashion items.

These long-established firms, therefore, saw their present competitive advantage in terms of quality and the reputation they had built up along with their knowledge of the market and their ability to predict, and respond to, the fashion requirements of the market.

The new companies put price-competitiveness high on their list of strengths. As mentioned above, flexible labour and family help aided the entrepreneur in keeping costs down. Many, though, are also taking drastic cuts in their profit margins. This, and its consequences, will be discussed below.

Having skilled, reliable staff was an asset frequently mentioned, along with the ability to see small orders at speed.

#### (d) Distribution

Most of the manufacturers had geographically wide distribution with merchandise selling ultimately all over England and South Wales. They sold 'own label' merchandise mainly to wholesalers and independent shops along with market traders. A few held contracts to produce their own labels for department stores or for multiples' own labels. These latter were the better quality jeans and sold at a greater profit margin.

### (e) Problems

Paradoxically, it seems, whilst skilled labour came high on the businessmen's list of their advantages, this was also the most-mentioned cause for worry. Many complained that there was a high turnover of machinists as women left work due to marriage and pregnancy. Such a transient labour force may be flexible, but can stop a company up-grading its quality and thus prevent better profit margins. There can therefore be said to be different labour requirements for different types of production. If a company is producing quality merchandise for a high net profit, then it requires reliable, skilled labour. Where speed is of the essence rather than quality, the need for a labour force with primary characteristics (as discussed in Chapter 2) is not so pressing.

Like all businessmen, there were numerous complaints of costs, lack of government incentives and too many "bureaucratic hassles".

Whilst advanced technology has made available new machinery to give increased productivity, the price of such specialised equipment is often prohibitive to the small firm and some respondents complained about their inability to maintain a hold on this technology (as discussed above).

### (f) Changes

All the manufacturers interviewed believe that the major changes in the past few years have been in terms of increased competition from small, local companies together with an increased fashion content in the merchandise, leading to greater product differentiation. The former, they saw as a distinct threat as it threatened profit margins and required an analysis of costs in order to



minimise these; the latter was the fulcrum on which they pivotted as they aimed to make their product special - by promotion of label or a specific design element.

One company stated that out of 80,000 jeans contracted, only 3,000 were the traditional five-pocket western. Their biggest sales were for ladies' jeans in the 14-24 years age group.

Another, major Birmingham manufacturer said that they aimed for a specific market - 15-20 year olds who bought in boutiques. They thus aimed for the fashion - but also price - oriented consumer.

The Birmingham area alone provides many outlets and thus, being in the locality allows these manufacturers to supply the independent shops and boutiques with fashion jeans when a selling trend has been established by the larger, exclusive stores who sell at high prices. One store with whom we spoke employs full time buyers to predict fashion details well in advance and puts orders to the Far East a season-and-a-half ahead of time. Smaller establishments cannot afford these measures (and, indeed, do not have the turnover or image) and so watch sales and then depend on steady production from local manufacturers.

This gives local manufacturers an advantage, but also gives them the problem of obtaining fabrics, etc. In fact, since the time this research was begun, style has not changed so much as fabric and colour of merchandise. Since this does not affect production runs so much as a change in style, this has allowed larger manufacturers to regain some of their competitive advantage and given smaller companies another problem of knowing which fabric to order.

A common system which has evolved, as described by one manufacturer, is to order three months supply of fabric in a base colour, whilst initially receiving only one week's supply in each colour. Repeat orders are then made in the colour which is selling. Large manufacturers, however, can also take advantage of this system, thus turning competitive advantage back to price (as opposed to flexibility). Local manufacturers are then again pushed into either the medium quality but price conscious (versus image conscious) market or the low end of the market where price, along with a fashion content element, is the selling point.

In the light of the opportunities and resources discussed above, a matrix can be constructed in which to locate the firms in the sample (some of them are discussed below in the form of case studies).

Figure 8:1 displays the skeleton of a matrix for jeans manufacturers in Birmingham. The matrix shows how the two types of entrepreneur identified in this thesis, which we call here the "Pro-active" and the "Re-active" may enter the two market sectors available for local manufacturers (fashion jeans and low quality/low cost jeans). The case studies will be entered into the matrix later in the chapter.

The Pro-active Entrepreneur is generally one who may also be termed an "opportunity-seeking" entrepreneur. He always wanted self-employment and was actively looking for market opportunities to address. The Re-active Entrepreneur is more likely to have come from redundancy; having shown little interest in self-employment previously.

FIGURE 8:1 MATRIX OF JEANS  
MANUFACTURERS IN BIRMINGHAM

	FASHION JEANS MANUFACTURERS	LOW QUALITY/ LOW COST JEANS CMT
PRO-ACTIVE ENTREPRENEURS		
RE-ACTIVE ENTREPRENEURS		

Smith (1967) also identified two types of owners - the Opportunistic and the Craftsman Entrepreneur. Behaviour during the survival and establishment stage of manufacturing businesses of these two types is documented by Dussault and Dussault (1987). These types are discussed more fully in Appendix B. Some characteristics of Smith's typology correspond to these outlined in this thesis, but there are important variations which are discussed in the next chapter.

### Case Studies

S.N. Limited

Proprietor : Mr Singh S.

Established : 1975

This company was established by Mr. S and his wife. It manufactures jeans and all kinds of trousers and produces under its own two labels. The company employs only seven or eight machinists and sells to wholesalers, independent shops and market traders.

Mr S. came to England from the Punjab in 1961. He holds a degree from the University of Punjab. He is very articulate and has a professional image.

He initially worked as a laboratory assistant with a small company in Smethwick. He gained promotion to work in the technical department doing chemical analysis.

He stated that he always wanted to be self-employed and was waiting for the right moment and opportunity - when he had earned enough money, gained enough experience of "English ways and business matters to take the plunge". He started with a little cafe in a "rough workman's area", then sold this to buy a "corner store shop". From this he moved into

the publican business when he managed a public house. All the time he kept these businesses for just a few months, always wanting more profitable work for "less time and bother". For example, his social life was disturbed by the pub

the hours weren't worth it ... I wanted something like this - 9 to 5.30.

So he bought a drapery shop which gradually moved into selling ready made clothes. It was with this that he "developed instincts for clothing and manufacturing". He gained more of "a feel for the market" by visiting and helping out at a friend's warehouse.

He started off manufacturing in a small way, with second hand machinery and a couple of outworkers (who were personal contacts). But he also insisted on the constant practical work and support of his wife in all his business activities. He had Asian friends in the business and he used these along with contacts he had made when running the drapery store. This way he acquired his staff and his contracts.

Although Mr S. mentioned the difficulty people faced in finding skilled labour, he did not find it a problem himself since his staff was long standing. If he did need somebody, he would employ a machinist's friend or relative.

In 1975, when he started, there was a definite market gap:

It was quite easy to get orders. Nowadays it's terrible. There are hardly any orders. It's cut throat.

He sees his competition coming from the increased number of small, Asian-owned firms in Birmingham created "because of the job losses". He believes that Asians, made redundant,

won't sit back .. with a partnership, they encourage each other. They follow others. You see, we are very good at copying. They see their friends doing O.K. and decide to join them. It's easy to get premises. There are so many vacant, they're selling for half of the market value of ten years ago.

Mr. S. stated that

Jeans aren't selling like they used to ... they'll always be here, but they'll have different styles and fabrics.

His company produces traditional five-pocket westerns at a weekly output of only 2,000. This market, he stated, had definitely declined; but he considered that it was not an economic venture at this point to change into manufacturing fashion merchandise. Although he knew his production facility would have accommodated such a strategy, he considered the market too saturated and the problems too great - "It's not worth it now".

Instead, he is moving into fabric wholesale, which he sees as requiring organisation skills rather than labour:

You need to know the market and have a feel for the fashions ... keep an eye on trade journals and exhibitions. You need to order fashion fabrics well in advance and this way I can make a large profit - or, if I get it wrong, a big loss. I need to take the risks but mostly believe in myself to get it right. You need experience for that - but you don't have to work such long hours as in manufacturing and you don't have to rely on so many other people.

Mr. S. and his company represent the attitudes of the classic 'entrepreneur' in the literature. He felt a need for independence and has sufficient confidence in himself to believe that he could spot a market gap and move into it in order to make better profits. But money is not his only goal. His aims are for a better life style, too. His long term strategy is not for a single particular company, but he is far-sighted enough to move out of one market into another. He is able to draw on his own personality as well as his ethnic resources for labour, capital, contracts, etc. His previous business experience and easy adaptation to British styles have enabled him to break out of a limited ethnic network to gain strengths from other sources.

P.N. Limited

Proprietor : Mr. Singh P.

Established : 1970. Became a limited company : 1982

This is a family-run company, with Mr. P. undertaking the design and cutting function, two sons taking care of marketing and a third son taking care of administration and stock control. A nephew works in administration and accounts. All the women of the family are involved in production - normally in a supervisory capacity - and they will man the machines as and when necessary.

When Mr. P. first established his business, his wife took a full role; now she is officially retired but she "still comes in and supervises".

The company is large. It has produced its own label since it became a limited company and now employs fifty-five machinists - the vast majority of whom are Asian. Three Asian men are also employed in the pressing room. The firm operates from buildings which are old but airy and well laid out.

Mr. P. grew up in Delhi where he became a tailor and thus gained skill and experience in the clothing industry. He came to England in the late 1950s and, after working only a few months in a factory, he opened a clothes shop in Birmingham which he kept as his sons grew up and helped. He complained that with his wife and sons working "there was not enough to do" and so he bought premises and made anoraks to sell in his shop. Then they expanded and the anoraks were sold in other shops too. This market became saturated and about nine years ago, they changed to manufacturing jeans, for which there was an open market. The shop was sold to concentrate on manufacturing.



Mr. P. did not need to obtain capital to establish this company since he moved into it slowly, using profits from his previous enterprises. His original venture in self-employment required a minimal capital input which he provided himself. It required more his personal expertise in tailoring and business.

His move into production was a conscious decision to utilise the surplus labour of his family. No assumption was made that his sons would move away into their own careers, but it was expected that they should join their father in the business. His daughters-in-law were able to offer their labour as machinists. His sons have minimal academic education - Mr. P. believed that they could learn more by working in the business. However, his nephew has a business degree and is currently studying management accounting. This expertise is invaluable to the company.

Traditional jeans used to be 50% of their production, but now contribute only about 10%. They are no longer manufactured at these premises but are sub-contracted to a company in Wolverhampton which produces solely for P.N. Limited. P.N. Limited itself makes only what Mr. P. called

fashion trouser ... it's a bigger market these days.

However, upon examination of these styles, it was ascertained that they would be classified as 'jeans' because of their method of construction (as defined in Chapter 6).

Mr. P. explained

Trousers vary three or four times a year. It's more challenging ... (they) present a more realistic competitive potential.

Styles change about twice a year, but fabric will vary according to the season as well as fashion. His staff is able to cope with a change in style since there are only minor changes and he has recently re-designed his production system to 'on-line'. This is the system which works like an assembly belt where machinists sew one part of the garment and pass it on, instead of machining the whole article. This is more productive and accommodates a change in styles since only a few machinists need to learn a new stitch.

Previously, the company had sub-contracted much of their production to CMT firms. This was useful when orders were irregular, but as business became bigger and more regular, this method ceased to be so cost-effective. Now they produce on the premises and have only one CMT firm.

Their strategy is to watch the market closely:

Get in at the beginning, make money and then get out of the style as others copy the following year.

Mr. P. thinks fashion starts abroad:

In terms of fabric, they are more 'with it'. Fashion fabrics come from Italy, Sweden and France.

P.N. Limited produces for boutiques, market traders and multiples. They also export. Each outlet they see as a different market. Mr. P. stated that shops are more concerned with quality than price but market traders look for price competitiveness. These latter use the company as a warehouse.

Coming in and choosing individual pairs to suit themselves as and when they want.

Shops, on the other hand, take "job lots". Multiples require quality, but give large orders in advance:

That's good, but they want both quality and price ..... I don't like it when I see how much they sell my trousers for ... but what can you do? I would never sell at a loss, but my profit is reduced per pair.

Export allows product differentiation at no extra cost because they manufacture:

the same style in different fabric ... check trousers wouldn't sell here, but they were very popular in Sweden.

This export market also helps them to keep an eye on fashion trends as mentioned above.

Mr. P. mentioned overheads as a big problem. Initially contracts with multiples were refused - not on quality grounds, but for reasons of price. The company purchased new machines and changed its production system with the aim of increasing production by 50%:

Where a woman made 100, she will now make 150.

Thus their greater production will also be cheaper in terms of fixed costs.

In this business you've got to take risks to get anywhere.

emphasised Mr. P.:

... sometimes a style or a fabric doesn't sell so you're stuck with trousers you have to sell cheap ..... There are companies to buy job-clearing lines.

Of course, these risks are calculated carefully and backed up by years of experience and careful watching of the market.

P.N. Limited also represents a company which is professionally run and successful. It is not bound to a certain idea of production but Mr. P. is flexible in his strategy and confident in his own expertise to follow a fashion market. He came to England with an established profession in the clothing industry and used this when he perceived the opportunities in manufacturing, first anoraks, and later jeans when the original market became saturated. As competition grew in the jeans market, he has managed to diversify into wider production.

G.S.N. Limited

Partners : Mr. G. Singh N. ) cousins by marriage  
                   Mr. P. Singh N. )  
                   Mr. G. Singh B.

Established : 1973

This company was originally set up on Coventry since that was where they were living. The company was established as a partnership between two of the men whose wives were cousins and the two families were living together. Mr P.S.N. knew people who were in the clothing business and he persuaded Mr. G.S.N. (with whom the interview was conducted) to join him.

They decided that they needed a third person who knew something about the business, so they included a friend whose father-in-law had been a professional tailor in India and who was, at that time, in a small business making anoraks in his garage.

Mr. G.S.N. had been a teacher in the Punjab region of India. He came to England in 1963 and worked at the Ford factory in Leamington. Later he worked on the buses in Coventry since there was more opportunity to earn overtime. A mutual friend who was manufacturing clothing suggested that he too set up in business; and so he and his cousin-in-law decided on it. This friend promised to help them by putting work their way. As it turned out, he was unable to do so, since his own partnership broke up.

The partners originally tried to make pullovers, made in cloth, as leisurewear, but they were unable to obtain the right cloth and so, after a few months, they decided on anoraks since Mr. S.B's. father-in-law manufactured anoraks and also had a market staff outlet where merchandise could be sold.

In their first year, Mr. G.S.N. explained, they had a lot of problems and made many mistakes in making-up and selling. They had not understood properly the process of costing. They were unable to sell at the price necessary to make a profit. That's when they decided to produce jeans. He could not remember exactly what made them decide to try jeans. He said that it:

just seemed that there was a market for it - and the one for anoraks was done

The machinists (all family) adapted easily. In fact, trousers were easier to make than anoraks - anoraks have quilting.

Their strategy, at this stage was to produce first and then try to sell whatever their production was. They all did whatever work was necessary - at whatever hours were necessary. Mr G.B's father-in-law knew the trade and his mother-in-law could use a machine. Mr. G.B. and Mr. P.S.Ns'. wives also "knew sewing" and worked as machinists - and continue to do so. Mr G.S.N's. wife worked for G.E.C., but learned to use a machine and came when she could, if needed.

After six months of being in operation they applied for their first bank loan for expansion, but they were told they did not have a long enough business history, nor did they have any collateral. So they had to continue in a small way. Then after one year, they were "thinking of packing it all in", they were lucky to "get a good contact". This was a friend of a cousin of Mr. G.B's. wife, who bought all that they could produce for his warehouse. This way they were able to begin to plan production and gradually expand.

They "got lucky" with workers. A local plant (Asian) closed down because of a fine and they were able to take on four of the machinists who were skilled.

They currently employ 45 machinists (mainly married women but of mixed ethnicity). They have six men (all Sikh Punjabis), of whom one is supervisor and one looks after distribution. There are two cutters one of whom is also skilled in the design process - and two pressers. The company also employs a Punjabi girl to undertake administrative and clerical work. Mr. G.N. said he thought it was important to have an Asian person at reception since

so many of his customers and general contacts were Sikh and he wanted somebody who could speak Punjabi as well as English. The girl concerned is a daughter of a friend of his. She is a Sikh girl, brought up in England and so is "modern" and yet still very much a part of her culture.

Today, the company manufactures under its own label as well as for multiple retailers. They manufacture five basic styles, which strategy, Mr. G.N. believes, spreads the risks:-

- (1) 5 pocket-western (traditional)
- (2) drainpipes
- (3) straighlegs
- (4) stretch
- (5) baggies.

These varying styles sell to different market sectors. "Baggies" are the only ones they see as being very fashionable jeans and subject to sudden change. These they make in a canvas fabric, as well as denim. Mr G.S.N. sees fabric as an element of fashion just as much as style. He believes that "style" stayed longer than "fabric" and it was this latter element where a manufacturer could lose money if he had not read trends correctly.

They currently sell to a number of warehouses and small independent shops under their own label. They also manufacture jeans for multiples under the retailer's label. This is a definite strategy of diversification they have worked hard to achieve, since Mr. G.S.N. believed it necessary for development and security.

He sees their major source of competition coming from imports. This had not previously been a threat since imports were lower quality than this company's merchandise; but now he saw that imports were improving in quality - hence the need to supply retailer brands to multiples. Here Mr. G.S.N. believed they had built up a reputation of quality and reliability. This had been developed on the advantage of being a British company - in that it is close to distributors for personal contacts.

Other advantages of being a local manufacturer, he saw as allowing a smaller shop to be able to buy exactly what they wanted. If a shop buys from importers, they have to purchase one-two dozen articles. Also, he explained, imports work in advance which means greater risk for the retailer.

The success of the company was put down to hard work and long hours for small reward at the beginning. Income from the extended family helped support them at the beginning. It was imperative, Mr. G.S.N. stressed, to have "a feel for cloth and fashion". He also considered that the manner of start-up, reflected the later success of a company. Partnership he believed, was important - it allowed the load to be shared. However, he could see that it could run into problems if an elder relative was a partner and :

wanted to be boss and yet had no idea of the true nature of this modern business ... It is difficult for us (Asian culture) because we must respect our elders and do as they say. The oldest is always the head. But you can't in business if they don't understand. It causes far too many problems.



Mr. G.S.N. was also adamant about the importance of having friends in the same industry. They were able to share knowledge and contacts:

we help each other if we can. English businessmen are jealous about their business. Maybe we should be.

Maybe individuals would do better if they didn't help each other. But it's unthinkable, most of us would never work that way.

Mr. G.S.N. is typical of many of the Asian businessmen with whom interviews were conducted in that he did not express a long-time desire for self-employment; but rather moved into it as if almost by accident. Mr. P.S.N. had also never previously expressed a wish for entrepreneurship, but saw it as a way of making a better life.

Mr. G.S.N. had a professional background and a good command of English. Despite the involvement of partners' wives in the production process, none of them had children who worked - or were expected to work - in the business. Mr. G.S.N. expressed the wish for his children to have an education and to choose their career. He expressed no preference for his children to join the firm or not.

The partners had a "marketing" approach to the business, although he admitted that this had not been the case initially, but an approach learned from early mistakes. The company now exhibits the characteristics of an entrepreneurial business. The partners are very aware of the needs of the market and attempt to address those needs. They are aware of the need to develop a range of merchandise and to work within the conventional "British" business style and community whilst maintaining and using ethnic contacts and resources where it benefits them.

A.S.S. Company

Partnership : Brothers - Mr. S.A. and Mr. S.B. and  
Cousin - Mr. S.C.

Established : 1982.

This company works as CMT production for an Asian manufacturing company in Birmingham. They employ four full-time machinists and the wives of Mr. S.A. and Mr. S.C. Mr. S.B. is not yet married. They produce traditional five-pocket western jeans and their fabric is given to them along with the order.

This plant was in old, dreary, upstairs premises and appeared to be in some disorder compared to other premises visited. Mr. S.A. and Mr. S.C. were together for the interview and both had stilted English and appeared to be uncomfortable with the language.

Mr. S.C. came to England in 1961 with Mr. S.A. following a year later. Mr. S.B. emigrated a few years later. The two brothers both worked in a foundry and then Mr. S.B. took a job with the transport corporation because the opportunity for overtime was greater. When Mr. S.A. was made redundant from the foundry, Mr. S.C. persuaded him and his younger brother to join him in setting up a business. Mr. S.C.'s wife had been working making anoraks and he had set up his own business manufacturing on CMT contracts in his garage with his wife and two neighbours working. This did not go too well and he wanted to get out. Friends were manufacturing jeans and he thought this would be better. But he also saw the advantages of a partnership: this spreads capital and spreads risks. The two men both professed that they would not go into partnership with anybody outside of the family: "You can't trust them".

This company relied totally on ethnicity for labour and contracts (as discussed in Chapters 2(ii)). Further to the discussion above in this chapter, the requirement here was not for quality merchandise, so a flexible and cheap, rather than skilled, labour force was required. Their only competitive advantages were price and speed of response. The partners had no real understanding of or feel for the market and no company strategy. They took their contracts at the price offered to them and did not really consider costing further than immediate variable costs.

The company showed no entrepreneurial innovation or ability to adapt to a changing market. Apart from Mr. S.C.'s venture into self-employment, the partners had shown no great desire to be self-employed. They watched intently what fellow Asians were doing and leant heavily on them for advice. The business was really seen as a way out of unemployment - or potential unemployment - a way they had seen other people take successfully.

#### O.T. Traders

Partnership : Cousins - Mr. S.P., Mr. S.J. and Mr. S.B.

Established : 1983

This company also worked on a CMT basis. Both Mr. S.J. and Mr. S.B. had worked on clothing stalls in markets. But these had not been their own.

The wives of the three men worked as machinists on the premises and also the sister of Mr. S.B. They did "call in" other women when and if it was necessary. They had no other machines so I could only guess that this was on an outwork basis, although they were reluctant to discuss this (probably because of the 'informal' nature of the arrangements and the recent enquiries into sweated work made by the West Midlands County Council).

Mr. S.J. (the interviewee) had come to England from rural Indian Punjab in 1963 and had worked in a local foundry until he was made redundant in 1982 when he joined a cousin's market stall in Birmingham and Derby. These stalls sold jeans and it was whilst talking to suppliers that he thought he could do better. His first contract came from his wife's previous employer. She was working as a machinist for a Sikh CMT producer and he subcontracted some work to Mr. S.J. and his cousins.

This company had quality problems with putting their product together. They had no idea of costing, but were price-takers, whatever was quoted by their contractor, since Mr. S.J. thought that

you've got to take business if it's offered, at whatever price ... you've got to work.

It is suspected that this company will very soon move into liquidation.

T.T. Company

Partnership : Mr. Singh S ) related, but not closely.

Mr. Singh T )

Established : 1980

C.M.T.

Mr. S.S. came to England as a child. His father came to England in 1950 and worked as a self-employed pedlar (clothes; hosiery, etc.). Mr. S.S. left school when he was 15 years old and went into an apprenticeship in an engineering company. Then his father bought a drapery shop and Mr. S.S. joined him to work there. Friends often advised them to set up in manufacturing, but his father never wanted to. Then, after his father died, he sold the shop and went into the present partnership.

The company works on a CMT Basis making mostly traditional non-fashion jeans to the requirements of one warehouse, but Mr. S.S. told me that they also sell some jeans direct to market traders. These latter people are friends who will buy from them whatever they have to sell.

Sometimes the company will produce fashion jeans if these are required by the warehouse. These they manufacture:

when a style is already selling in the expensive shops  
... Then the cheaper stores want copies.

Some fashion merchandise the company has been unable to provide - for example, they lost out on a large order of jeans needed in a hurry because the fashion element required a special addition to the sewing machines in order to sew elasticated stitching around the waist and bottoms. Mr. S.S. did not have this equipment and did not consider it "worth it" to buy especially for this, most likely, one-off assignment.

All of the family members work in the business and there are some 20 women whom they can call upon as, and when, necessary to work for them - normally these women will work from their own homes. They are all Punjabi Asians - but not all Sikh. Mr. S.S. believed that in England, to be Punjabi is more important than being Hindu, Sikh or Muslim.

In India we live apart - Sikhs in one street, Hindus in another and Muslims in a different part. Here we all live together, but separate from the English. You see us as being all the same. We are all "Pakkies". Funny, that does bring us together! My close friends are Sikh, but I have many Muslim business friends.

Mr. S.S. saw his biggest problems as being unable to obtain skilled machinists to upgrade the quality of the jeans. He would like to move into making "a company label", but needs to be able to produce quality goods for the same price as the CMT goods. Even using home producers, there is a high turnover of the workforce. He explained this:

many men have moved from here - there is no work, so no reason to be away from the rest of the family. So they move away to be together - at London or Preston or somewhere else. So of course, their wives move too.

He estimated it takes about three months to become a competent machinist and at least one year to become highly skilled.

Mr. S.S. could think of no particular special advantage the company holds at the present time, but stressed the importance of the family at the time of the business start-up - all of whom worked long hours. Now he believes the warehouse continues to use them because they know them and they are used to them and know that the company will produce what is wanted, when it is wanted. It worried him that he was unable to produce the fashion order mentioned above, because it meant the warehouse had to look elsewhere and he was concerned that if they found someone who would make those jeans, then the warehouse might not come back to him since the other firm might also offer to do traditional jeans at a cheaper price.

T.T. Company, although working on a CMT basis, appears to be different from other CMT firms visited in that it appeared to be well-organised, although trapped in a market sector since it is a price-taker rather than price-maker. It is over-dependent on one distributor. Mr. S.S. was aware of these problems, but seemed unable to plan an alternative strategy.

This kind of CMT company may well benefit from public intervention in the form of a fashion centre offering marketing advice, training facilities and shared equipment.

#### Characteristics of the Two Entrepreneurial Types

These case studies illustrate the ways in which entrepreneurs were addressing the two available niches. They also exemplify the differences in orientation of the owners which led us to refer to two entrepreneurial types as "Pro-active and "Re-active". Table 8:1 summarises the characteristics which may be attributed to these two entrepreneurial types. The characteristics may be divided into four categories:

- (i) Background Factors
- (ii) Resources
- (iii) Opportunities
- (iv) Business Strategies

TABLE 8:1 CHARACTERISTICS OF ASIAN ENTREPRENEURS -  
TYPES

Characteristics	Type of Entrepreneur	
	Pro-Active	Re-Active
<u>Background Factors</u>		
Heritage	Rural Punjab	Rural Punjab
Education	Educated	Uneducated
Previous UK Employment	Varied	Varied
Confidence with English Culture	Confident	Unconfident
Reason for Self-Employment	Positive orientation towards Entrepreneurship	Redundancy
<u>Resources</u>		
Finance	Savings (profits)	Family
Family	Used	Needed
Use of Ethnicity	Selective	Passive
Networks	Multi-ethnic	Ethnic only
Experience	In Clothing Industry	Wife machinist
<u>Opportunities</u>		
Entry into Business	Selective Choice	Passive Acceptance of nearest opportunity
Segment	Quality/Fashion	Low Cost
Time of Establishment	10 years or more	Recent
Distribution Outlets	UK-Wide. Multiples & Chains	Local. Markets & Independents
<u>Business Strategies</u>		
Type	manufacturer	CMT
Legal Structure	Limited company	Partnership
Strategy	Selective	Undiscriminating
Style	Innovative	Copying
Orientation	Management	Product
Competitive Advantage	Quality	Price



The following section describes the particular sets of characteristics within the four categories which cluster together to form the two entrepreneurial types. This is followed by a review of the empirical support for the two types.

(1) Background Factors

(a) Heritage

There was found to be no real difference between place of birth and upbringing. Respondents came from rural Punjab.

(b) Education

There did appear to be a distinct divergence in educational background. The Pro-active Entrepreneurs were found to have had longer formal education than Re-active Entrepreneurs and were more likely to have paper qualifications.

(c) Previous UK Employment

Most respondents had come to England to work in the industries requiring manpower in the 1960s - i.e. foundries, public transport or factories. There was no noticeable difference between the two types of entrepreneurs in this respect.

(d) Confidence with English Culture

Pro-active Entrepreneurs were found to be more articulate in the English language and generally more knowledgeable and confident with British norms and culture than were Re-active Entrepreneurs. Some had had some years of education in England and socialised with members of the indigenous population as well as members of their own ethnic group.

(e) Reason for Self-employment

Pro-active Entrepreneurs expressed a desire for independence and suggested that self-employment had always been a goal and that they would take any opportunity in the market if it seemed a viable project. Re-active Entrepreneurs, alternatively remembered more often that they had taken self-employment as an alternative to unemployment. They had made little assessment of market opportunities or viable proposals.

(2) Resources

(a) Finance

Re-active Entrepreneurs were more likely to be under-capitalised and relied heavily on family members contributing to start-up and running costs. Pro-active Entrepreneurs were more likely to use their own savings, topped-up by family contributions for start-up. Working capital was met by their own money and finance generated by business activity. Profits were put back into the firm and later collateral was put up for conventional bank loans for development.

(b) Family

Pro-active Entrepreneurs were in full praise of the work of their family at the start of their enterprise, but once established, this was not generally relied upon. Machinists were employed from the wider community although family members were sometimes called upon if necessary. Re-active Entrepreneurs continued to rely heavily on the labour of the extended family - this was reliable but often not highly skilled.

(c) Use of Ethnicity

In a similar way to the use of family, Pro-active Entrepreneurs made selective use of their ethnicity and ethnic contacts when they deemed it beneficial, whereas Re-active Entrepreneurs saw ethnic contacts as normal and, in fact, needed them as the mainstay.

(d) Networks

Following on from the use of ethnicity, Re-active Entrepreneurs had contacts within the ethnic enclave only. Pro-active Entrepreneurs, on the other hand, had an ethnic network, but also moved outside of that set and had developed contacts within other networks which were actively utilised.

(e) Experience

Pro-active Entrepreneurs were generally found to have had extensive experience in different aspects of the clothing industry before their current business enterprise. Re-active entrepreneurs tended to rely heavily on the experience of their wives (or other female family members) as machinists. If the entrepreneurs themselves had had experience, it was normally only on market stalls.

### (3) Opportunities

#### (a) Entry into Business

Re-active Entrepreneurs tended to start in self-employment by taking CMT work from their wives' previous employers. They merely copied the behaviour of people they know who were already self-employed in the clothing trade; whilst Pro-active Entrepreneurs were more selective in their timing and market segment.

#### (b) Segment

Pro-active Entrepreneurs were generally working within the quality, fashion segment of the jeans industry. Re-active Entrepreneurs were producing low quality fashion articles or cheap standard jeans.

#### (c) Time of Establishment

Pro-active Entrepreneurs were likely to have started their business venture in the 1970s when the jeans industry was developing and there was a large market gap in the Midlands. Re-active Entrepreneurs were recent entrants to the market when it was becoming saturated.

#### (d) Distribution Outlets

The ultimate outlets for Pro-active Entrepreneurs' merchandise were widely spread, covering much of the country. The retail stores purchasing this clothing tended to be the multiples and chain stores. By contrast Re-active Entrepreneurs had a limited sales outlet with most merchandise being sold in local market stalls and small independent shops (owned by fellow-Asians).

#### (4) Business Strategies

##### (a) Type

Pro-active Entrepreneurs were more likely to have their "own label" jeans; they were, at least, manufacturers often subcontracting work to Re-active type entrepreneurs who were generally found to be CMT operators.

##### (b) Legal Structure

Although not all Pro-active Entrepreneurs operated within a limited company structure, no Re-active Entrepreneur did so. All the companies classified here as Re-active were partnerships.

##### (c) Strategy

Pro-active Entrepreneurs had a selective strategy for their merchandise. They considered costs and were well versed in fashion trends. Re-active Entrepreneurs, however, were indiscriminate in their acceptance of contracts. They were hardly aware of their costs or breakeven point and generally took any contract offered to them.

##### (d) Style

Pro-active Entrepreneurs were more likely to employ designers and develop their own styles and ways of business. Re-active Entrepreneurs could only copy what was given to them.

(e) Orientation

Pro-active Entrepreneurs studied the market and followed fashion trends. They stressed effective management and planned their product, designing and manufacturing to market requirements - i.e. they were market oriented. Re-active Entrepreneurs were product oriented. They stressed production rather than sales.

(f) Competitive Advantage

Re-active Entrepreneurs relied on their price in order to sell. They would undercut other businesses in order to gain an order. Pro-active Entrepreneurs used quality as an advantage with which to bargain prices which covered their costs and allowed at least a modest, profit margin.

These characteristics, then, may be fitted into the matrix outlined above. Figure 8:2 identifies the qualities of each box and Figure 8:3 locates in the matrix the firms cited in the above case studies. G.S.N. Limited, S.N. Limited and P.N. Limited, are identified as Pro-active Entrepreneurs addressing the fashion jeans market as manufacturers. A.S.S. Company, O.T. Traders and T.T. Company are located in the bottom right hand of the matrix, trading as CMT producers of lower quality, low cost jeans and described as Re-active Entrepreneurs.

FIGURE 8:2 MATRIX OF RESOURCES  
AND OPPORTUNITIES

	Quality Jeans	Low Quality/Low Cost Jeans
Pro-Active Entrepreneur	<p>Educated. Confident with British mores</p> <p>Entrepreneurial orientation</p> <p>Selective use of family</p> <p>Active use of ethnicity</p> <p>Linked into wider networks</p> <p>Experience in clothing industry</p> <p>Well-established</p> <p>Wide distribution outlets</p> <p>Manufacturer</p> <p>Selective strategy</p> <p>Innovative style of management</p> <p>Management oriented</p>	
Re-Active Entrepreneur		<p>Uneducated. Inarticulate in English</p> <p>Redundancy-pushed</p> <p>Family needed for business survival</p> <p>Passive use of ethnicity</p> <p>Linked into ethnic network only</p> <p>Limited knowledge of clothing industry</p> <p>Recent business start-up</p> <p>Local distribution outlets. Market stalls</p> <p>CMT</p> <p>Undiscriminating acceptance of contracts</p> <p>Copying ability only</p> <p>Product-oriented</p>

FIGURE 8:3 CASE STUDY FIRMS LOCATED IN  
MATRIX OF JEANS MANUFACTURERS IN BIRMINGHAM .

	Fashion Jeans Manufacturers	Low Quality/Low Cost Jeans - CMT
Pro-Active Entrepreneurs	GSN Ltd. SN Ltd. PN Ltd.	
Re-Active Entrepreneurs		ASS Co. OT Traders TT Co.



Table 8:2 summarises the number of entrepreneurs in the sample which held the particular characteristics discussed above. A total of 20 interviews were conducted. Eight were defined as Pro-active Entrepreneurs and twelve as Re-active Entrepreneurs. This table shows clearly the differences between the two.

The Pro-active Entrepreneurs are heavily biased towards having a wider range of resources which they actively utilised. Just over half (five) had, at least, further education (none of the Re-active Entrepreneurs had), and most (six) had always expressed the desire for self-employment, whereas ten Re-active Entrepreneurs went into self-employment after redundancy. All of the Pro-active Entrepreneurs were confident with the English language and culture and made positive use of their ethnicity - in contrast with the other entrepreneurial type where ten were classified as accepting their ethnic contacts passively. Only one had a network of contacts restricted to the Asian culture and not moving into the indigenous business environment; only two of the Re-active Entrepreneurs had a wide network. Most (five) had had some kind of previous experience in the clothing trade. One quarter of the Re-active Entrepreneurs also had worked previously in the rag trade, but three-quarters of these people were obliged to come into the trade through utilising their wives' experience as machinists.

TABLE 8:2 CHARACTERISTICS OF ASIAN ENTREPRENEURS -  
VALUES

Characteristics	No. of Firm Owners		
	Pro-Active (n=8)	Re-Active (n=12)	Total (n=20)
<u>Background Factors</u>			
Further/Higher Education	5	0	5
Confident with English Culture	8	3	11
Always Intended Self-Employment	6	2	8
Redundancy-Pushed	2	10	12
<u>Resources</u>			
Selective Use of Ethnicity	8	2	10
Passive Use of Ethnicity	0	10	10
Multi-Ethnic Network	7	2	9
Ethnic Network Only	1	10	11
Experience in the Clothing Trade	5	4	9
Only Experience via Wife as Machinist	3	8	11
<u>Opportunities</u>			
Quality/Fashion Market	8	2	10
Low Quality/Low Cost Market	0	10	10
Established for Several Years	6	0	6
Recently Established	2	12	14
Wide Distribution Outlets	5	1	6
Local Markets/Independents Only	3	11	14
<u>Business Strategy</u>			
Manufacturer	5	0	5
CMT only	3	12	15
Limited Company	5	0	5
Partnership/Sole Trader	3	12	15
Selective Strategy	7	1	8
Innovative Style	5	0	5
Copying Style	3	12	15
Management Oriented	7	2	9
Product Oriented	1	10	11
Quality Advantage	6	1	7
Price Advantage Only	2	11	13

All eight of the Pro-active Entrepreneurs produced quality and/or fashion jeans and most (five) manufactured, though some also were involved in CMT at times. Only two Re-active Entrepreneurs produced quality, fashion merchandise; all of them were CMT producers. The table shows how the longer-established firms fit into the Pro-active category. The shorter time in business may help explain why eleven of the Re-active entrepreneurs had very limited, local distribution, though their other characteristics show they were less well equipped to follow the path of the Pro-active Entrepreneurs. None of the Re-active firms held limited liability status. These firms did not produce their own designs nor were they likely to take a strategic stance towards planning the company's marketing strategy. Ten of them could be categorised as being product-oriented; compared with seven out of the eight Pro-active firms which were categorised as management-oriented. Eleven out of twelve Re-active Entrepreneurs saw the firm's advantage as stemming from price only, whereas three-quarters of the Pro-active entrepreneurs stressed their quality as the basis of their competitiveness.

From this table, the matrix may be further completed as shown in Figure 8:4. Eight firms are located in the box of Pro-active fashion manufactures; none of this type of entrepreneur is identified as a low quality, low cost producer. Most of the Re-active Entrepreneurs (ten) are located as low cost producers, but two are found to be fashion, quality producers. There was also some evidence - as can be seen in Table 8:2 - to suggest there may be some movement of firms in a clockwise direction from the bottom right hand box through the bottom left hand box up to the top left hand box as some of the firms are trying to move out of the trap of cheap, low quality production with small profit margins and are able to move towards quality production with larger profit margins and hence develop and sustain a successful business.

FIGURE 8:4 NUMBER OF FIRMS LOCATED IN  
EACH BOS OF THE MATRIX

	Fashion Jeans Manufacturers	Low Quality/Low Cost Jeans - CMT
PRO-ACTIVE ENTREPRENEUR	8 ↑ ↑	
RE-ACTIVE ENTREPRENEUR	2 ←	← ← ← ← 10

## CHAPTER 9

## DISCUSSION

Previous research has explained ethnic business in terms of the ecological succession of one ethnic group replacing another. McEvoy et al. (1982) considered ethnic business formation in terms of residential enclaves in inner city areas. Traditional marginal businesses begin to vacate an area as part of a general process of succession in the neighbourhood, leaving opportunities for ethnic businesses to move in. Werbner showed how Manchester, with its long history of the manufacture and distribution of clothing, has provided an opportunity for Pakistanis to fill the market gap left in the clothing industry by the vacating Jewish entrepreneurs.

This theory, however, is not a satisfactory explanation for the jeans industry in Birmingham - or indeed for the clothing industry as a whole in the West Midlands. Birmingham's clothing industry is new. There has been no succession of first or second generation migrants into an existing activity vacated by the indigenous population or by an immigrant minority group. Birmingham's declining foundry-based industries have created pockets of unemployment amongst the Asian population, but bear no structural relation to the clothing or textile industry.

The segmentation of the clothing industry has provided some appropriate opportunities for ethnic minority entrepreneurs in Birmingham. Technological developments and changes in strategy in the retail sector have created a climate of change, particularly towards flexible specialisation. Retailers' emphasis upon design, innovation and shorter leadtimes have affected the way manufacturers organise their production and market their output. Thus, the fashion

industry has a highly segmented production system in which large contracts are sub-contracted to smaller CMT firms.

As seen in Chapter 4, traditional areas of clothing have been slow to respond to these changes. Leeds, for example, was overly dependent on the production of Mens' and Boys' Tailored Outerwear. A few large companies employed a large proportion of the workforce and their failure to respond to the development of new market segments has led to a declining share of the clothing market and opportunity gaps left available for others to respond to.

Large jeans manufacturers, too, find their production system inherently inflexible and unable to address the fashion market. Their consequent inability to cope with new market demands has resulted in a market gap, unfilled by imports which (until recently) have been unable to supply quality fashion articles to the requirements of retailers.

This market gap has left opportunities for production systems not tied by traditional methods and attitudes which have small flexible units which are easily linked in a structure of subcontracting, so that vertical integration, effectively, is achieved. Thus the interactive approach (as developed by Waldinger et al. 1985) is seen to be the most appropriate in explaining the emergence of Asians in the clothing industry in Birmingham. The matrix and tables of the previous chapter identified the interaction of a particular set of characteristics (resources of the Asian entrepreneurs) with a particular set of opportunities in the market place (segmentation of the jeans market and the decline of Birmingham's traditional industries). The ethnic enclave model of Wilson and Martin (1982) is compatible with, and complementary to, this approach since it explains in particular how Re-active Entrepreneurs utilise their membership of a particular community of businesses (similar

to the firms discussed by Werbner (1984) in Manchester). Pro-active Entrepreneurs do not need this economic enclave in order to survive. They have other strengths. This complements the social networks approach adopted by Aldrich whereby many strong relationships are developed within a network as well as relevant contacts outside that particular group which allows new information and resources to be exploited.

The case studies presented above bear witness to the applicability of network/ethnic enclave models. Supplies and distribution were strongly bound within an ethnic framework - particularly for those engaged in CMT activities. Only those manufacturers who manufactured for major retailers opted out of the final link in the chain of integration, but even these manufacturers also had business contacts with retailers and wholesalers within this economic enclave and the warehouses or importers utilised for their supplier were generally also seen to be located within an ethnic economic and social network.

The social networks described by Aldrich and the economic enclaves of Wilson and Martin are threaded together by cultural and historical influences. Werbner discussed the importance of cultural norms within the network of Pakistani entrepreneurs in Manchester. A plethora of studies have identified the importance of cultural factors within an enclave economy - be they religious beliefs, political ideals, family practices, etc. As discussed in Chapter 2, cultural influences may help in gaining access to a wide variety of resources, including finance, information and labour. The conclusions in this thesis are that cultural resources are actively exploited by successful manufacturers, but are not rigidly adhered to when they are of no benefit to the company. Family contributions are important (as, indeed, they are in any small, new business)

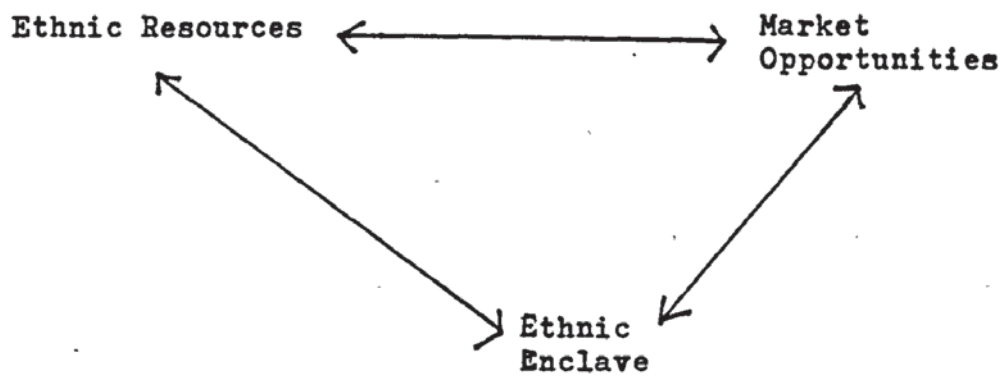


and the cultural attitudes of family responsibility and interdependence are advanced here as being one important contribution to the development of Asian entrepreneurs in the clothing industry. But successful firms were less dependent on them for competitive advantage.

As discussed in earlier chapters, however, cultural factors, although important, do not stand alone as an explanation of the development of the Asian entrepreneurs in the jeans industry in Birmingham. It is these resources of ethnic labour, networks, attitudes and mores, in conjunction with constraints from the economy and the structure of segmentation of the market and the market need for small, low-capital firms which have enabled and encouraged Asians to address market opportunities created by factors like the need for flexibility in fashion, the lack of adaptability on the part of traditional firms and the central location of Birmingham with its motorway communication links and supply of suitable premises. Thus, the interactive approach develops into a triangular structural relationship as depicted in Figure 9:1.

The Pro-active businessman is an entrepreneurially motivated professional. He may be found in any cultural group or economic setting. He enjoys self-employment for itself and seeks market openings in any economic situation. He uses whichever resources are available to him and beneficial to that setting. He is a classic example of Waldinger et al.'s Interactive Approach to ethnic business. But all too often, he is taken as the only example of the ethnic entrepreneur.

FIGURE 9:1     STRUCTURAL RELATIONSHIP OF  
RESOURCES AND OPPORTUNITIES FOR  
ETHNIC ENTREPRENEURS



There is, however, a growing number making up the second model - a man who has been pushed into self-employment by redundancy and relies totally on his ethnicity to give him an advantage. He was influenced into entering the clothing industry, not by perceiving a market gap, but because he saw a member of his family or community in the business; and, with their encouragement, advice and contacts, he has played "follow the leader" and wandered into the industry with his eyes closed and not too much idea of his reasons, motivations or aspirations.

This type of small firm is increasingly posing a competitive threat to the more established firms who will not substitute quality entirely for price and who see the long term pitfalls of continued undercutting. It is the former sector of the industry in Birmingham which appears to be growing.

Laissez-faire theorists might argue that, if left alone, these small, weak and unprofessional firms will quickly go out of business, leaving the market open for the professional manufacturers. At times of recession where there is a large community facing increasing unemployment levels, there is a large supply of people willing to "have a go". The turnover of small firms is very high, but when one does go under, another new firm is there to take its place and maintain the system of price cutting.

This thesis would suggest that these firms should not be indiscriminately encouraged if they continue to function in this manner. They are not "entrepreneurs" but are merely "self-employed" often putting redundancy money and family capital into a concern which is unlikely to establish and grow.

For a CMT firm to upgrade its market position to establish a firm hold and expand, it needs to have the contacts to gain an order, but it needs, more importantly, to take the risks of an immediate loss of revenue in order to improve quality which, when once established, can call higher margins. Some of these firms have a greater capacity to play a stable and active role in the market place than others. As the results in the previous chapter showed, there are firms who will not only be able to maintain their position, but are able to consolidate it and provide the necessary link in the manufacturing chain. The ethnic enclave provides a fertile environment in which such Re-active firms may develop.

This analysis could be applied to other areas of ethnic business. The clothing industry in Birmingham is a new industry stemming not only from an ethnic culture and diversified jeans market, but also from the particular economic history of the area. But the interpretation discussed, together with the ecological approach, could apply to long established clothing industries like those in London, Manchester or Leeds. The clothing industry has been an industry traditionally manned by immigrants. As each wave of immigrants becomes more settled into the host economy, they find the industry increasingly unpromising since other economic opportunities become available, thus leaving openings in the market place for newer immigrants. Other sectors of the clothing trade have a similar pattern of segmentation to that of the jeans market. The only segment of jeans manufacturing which is not consistent with the fashion industry pattern is that of the long-run production schedules used by the multinationals. This segment does not, in effect, apply to the Birmingham situation and so leaves opportunities to choose from in the same way as other fashion items.

### Future Research

It is evident in the development of the UK economy that large firms are becoming increasingly fragmented into more and more individual sectors which are inter-linked. Williamson and Ouchi (1981) describe how there are fewer huge, vertically integrated enterprises, but rather a network of a large number of small firms involved in co-operative relations. It seems likely, therefore, that the ethnic enclave phenomenon has an increasing part to play in the wider pattern of economic organisation as its features correspond closely to common elements of the emerging business structure. Future research should, therefore, look at the ethnic dimension of economic organisation in relation to the more general analysis of changes in industrial structure. This would lead to the identification of other emerging opportunities for firms that can relate to each other in the way that was found amongst jeans manufacturers and secure a competitive advantage by doing so.

Any future work in this area must take into account that there is not one homogeneous group of businessmen who can be really labelled "ethnic entrepreneurs". Dussault and Dussault (1987) building on Smith's account of Craftsmen and Opportunistic entrepreneurs, found that entrepreneurs used different types of management which affected the pattern and evolution rates of the businesses. Of the two entrepreneurial types emerging from this research, the Pro-active Entrepreneur relates closely to Smith's Opportunistic Entrepreneur in that the latter had a higher level of education together with diverse professional experience and was involved in management functions and business planning. There is a divergence, however, between the characteristics of Smith's Craftsman Entrepreneur and the Re-active Entrepreneur. It would be interesting to

discern how far this difference is a feature of the ethnic context or of the context of the jeans industry. The Craftsman has limited education and behaves in a similar way to the Re-active Entrepreneur in that he is concerned with the operational dimension of business and does not spend a large amount of time on planning. He is less experienced in management techniques and therefore is less competent in business management. The Craftsman, however, has a particular skill which he uses as an individual to perform a particular task which is saleable - normally to the end user. The Re-active Entrepreneur, whilst being production-oriented did not normally possess any real skill, but used his ethnicity to work in co-ordination with other firms in a subcontracting network, where trust is needed between participants. This works in an industry like that for jeans but future research may apply both Craftsman and Re-active types to other industries to find the best fit. The catering industry, for example, may be a case where the Craftsman is more easily identified. An ethnic entrepreneur here may have a skill which he sells as an individual. On the other hand, research may show that in this industry, too, ethnic networks are at least in part a substitute for craft skills and the model of Re-active entrepreneurship set out here is more widely applicable.

Such questions then lead to a further area of inquiry - that of the pattern of entrepreneurship in other industries in which minorities are extensively involved. These industries, which present interesting opportunities for comparative research using the models set out in this thesis include laundry, furniture and furnishing, jewellery and the hotel industry, all of which provide different opportunities in the various segments of the particular industry market.

The food industry is one which would lend itself to useful research. There is an interesting chain of relationships here from food manufacturing and processing through to wholesaling, retailing and restaurants. It is an area where the ethnic enclave phenomenon is apparent and may provide shelter and nursery conditions for emerging firms which are then able to move into a wider market. The Budget Food Guide for 1987, for example, has a section on Indian Restaurants in Sparkbrook and Sparkhill (areas of low status Asian Residential settlement in Birmingham).

The restaurant trade is also an interesting parallel to the clothing trade, in that there are the same differences in the types of markets to be exploited. Both Re-active and Pro-active Entrepreneurs may be identified, as restaurants range from the quality, expensive market, down to basic "back street" arrangements which rely totally on an ethnic community for both its labour and its custom. This industry would make an interesting comparative study both in terms of the interaction between resources and opportunities and in terms of entrepreneurial types.

From such research it might become more clear how far the involvement of Asians in the British economy is one of replacement as the indigenous entrepreneurs move out of declining industries into more profitable areas leaving vacant those unwanted niches, and how far the pattern of Asian business development reflects their particular resources. However, the fact that Asian immigrants in Britain are able to survive in niches such as jeans manufacturing does not necessarily imply that they are achieving a position of economic advantage. It may be argued that they are merely representing the same role that Asians have been playing for over a century within a relationship of interdependence and inequality that can be traced from the indentured labour sent to the Mauritian

plants via the East India Company, which followed the emancipation of black slaves in 1834, to the employment in British foundries, rubber works and textile mills, to the self-employment in British declining and highly competitive industries.



APPENDIX AMETHODOLOGYNATURAL HISTORY

Social research is generally concerned with gathering data to enable us to understand society. Problems may be specific or general, of theoretical or applied interest; but the implicit assumption is that research method is a means to an end.

The end of this research was to understand more about the nature of ethnic business activity within the setting of a modern, western capitalist economy. From the broad issue of small businesses in the UK run by Asians of the Indian Sub-continent, the area of interest was centred around Asian activity in the clothing trade of the West Midlands: how the changing economic environment has made such a niche available and how Asian entrepreneurs have addressed the opportunities to form businesses in this sector.

Similar questions were addressed by Waldinger (1982) in his study in New York of Asian immigrants to the USA. The present research was inspired by this study. A direct

comparison with Waldinger's analysis is not appropriate since there are different kinds of opportunities for the different kinds of manufacturers in the two locations. Waldinger popularised the topic in academic literature, but talked about a city which was at the centre of fashion. Had I been undertaking a study of Paris or London, I would have compared data with his, but given Birmingham's location and lack of historical involvement in the clothing trade, direct comparison is not useful.

This research considered the Birmingham-based manufacturers of jeans. It was intended initially to explore and analyse the competitive position of Asian clothing manufacturers in Birmingham, focusing on the nature of segmentation in the clothing industry, the particular market position of Asian manufacturers and the resources which they bring to this niche. In the West Midlands County Council Sector Report, Leigh and North (1983) described a new industry created around the specialisation in Birmingham for leisurewear. This has developed with firms producing fashion merchandise filling the market gap for cheaper versions of high fashion to be sold in independent retail stores.

The development of the industry in Birmingham is new and, as has been discussed in the thesis, its very presence leads us to question the existing theories of ethnic business based on purely cultural attributes and

ecological succession. The research, then, was aimed at analysing the interaction of resources and opportunities among Asian entrepreneurs.

Some preliminary enquiries made with fashion producers were somewhat unproductive. Leigh and North described how most of the clothing firms in Birmingham were involved in CMT work for London fashion manufacturers. As explained in the thesis, these firms are by nature small and flexible in their production and employment pattern. They are situated often in garages or other small and unorganised workspace. Owners are frequently unaware of, or unconcerned with, legal requirements. This made firms difficult to locate and, once located, difficult to gain entry and permission for interview. The West Midlands County Council has recently been undertaking a study of low pay and poor environmental working conditions. Many entrepreneurs were therefore very suspicious and even hostile of my motives for interview and declined to participate in the research.

It should be mentioned here that the American apparel industry has a strong union base. Indeed, Waldinger undertook his study from a background in the International Ladies Garment Workers Union (ILGWU). However, this is largely lacking in the UK, so this avenue of introduction could not be exploited for this present research.

Included in my initial sample for a pilot study were jeans manufacturers. These companies were larger and more organised than many of the clothing manufacturers. This was due to their use of the longer-run production schedules available to jeans manufacturers; though fabric may vary, they are not subject to the same amount of segmentation and variation as is found in other areas of fashion apparel. These considerations led me to concentrate on jeans manufacturers since they appeared to be larger, more professionally established organisations who were more amenable to research.

Interviews with 20 Asian manufacturers were conducted between November 1984 and September 1985. In order to gain a better overview of the market niche which is served by the Asian jeans manufacturers in Birmingham, towards the end of the research I also talked with one Asian manufacturer of accessories, two Asian warehouse owners and three major retailers, of whom one was Asian.

#### PILOT STUDY

To begin with, 20 companies were drawn randomly from a list of clothing manufacturers in Birmingham with 50 or fewer employees (the list being obtained from the WMCC sector study). The owners of these companies were contacted for interview. Fourteen declined to be interviewed or could not be contacted. Those visited were interviewed following the use of a structured questionnaire.

This questionnaire was abandoned for later research in favour of an unstructured interview approach. It was found to be cumbersome and did not allow for detailed discussion. Respondents gave one word answers and quickly became bored with the exercise. The low positive response rate for interviews - especially amongst those who were listed as having five or fewer employees - led to a re-assessment of the research. Of the six firms which agreed to interview, three were Asians involved in the manufacture of jeans, two of which took contract CMT work. Of the remaining three, one (Asian) acted as a wholesaler for trimmings - buttons, zips, etc., one (Asian) manufactured ladies light outerwear and one turned out to be an English manufacturer of jackets.

#### RESEARCH SAMPLE

The research used a list of addresses already collated by Leigh and North for their West Midlands sector study of 1984 (omitting those contacted for the pilot study), together with additional firms identified from the current Yellow Pages. It is acknowledged that the Yellow Pages do not give a definitive list of all firms which have set up since Leigh and North's study. In fact, most firms who will advertise in the Yellow Pages must be assumed to be reasonably established. Despite these constraints, a few new firms were added to the general universe. From these, those

companies who manufactured jeans were selected and those outside of the Birmingham area were discarded.

Some 34 firms were left. These 34 were chosen purely on the knowledge that they were involved in the manufacturing or CMT of jeans; and that they were located in Birmingham. No other information was available about most of them at that time. They could not be classified by ethnicity, number of employees, type of production or turnover. Letters were written and sent to all the firms, introducing myself and the research. These were followed up within two weeks by a telephone call to arrange a time for interview at the plant.

Of the firms contacted only 20 interviews were secured. Fourteen were not interviewed for the following reasons:

- 4 telephone numbers were disconnected, thus suggesting the firm had gone out of business;
- 2 telephone numbers had been taken over by a different firm which knew nothing of the previous company;
- 3 no longer manufactured jeans; 2 of these had moved into wholesaling explaining that there were better profits and fewer problems; 1 had moved into general fashionwear CMT because, he explained, opportunities were greater. The person with whom I spoke (the owner) declined to be more explicit. It was felt - but not substantiated - that this company depended on CMT work being put their way and would take any contract at any price;

- 4 declined outright to be interviewed, saying that they were too busy;
- one agreed to an interview but on three occasions was not available on the premises when I arrived for my appointment. I declined to press the point further.

This left 20 firms which were interviewed. These firms varied between manufacturers (8) and CMT producers (12) but all were Asian. They were geographically clustered in two areas (not specific to production) of Smethwick and Walsall.

Only five were outside of these two areas. One was on Soho Road, on the way into Smethwick, but closer to the city centre. One was on a new industrial estate in Dudley. Two were on the south side of the city centre - around Digbeth and one was in Moseley.

The interviews conducted with wholesalers were chosen at random but were also under the constraint of being limited to those proprietors willing to co-operate. Interviews with department stores and a large London-based ethnic jeans manufacturer were specifically chosen.

Despite the problem of proprietors declining interview or consistently not being on the premises as arranged, those who did agree to offer their time gave very thoughtful and considered answers and explanations. Only once did I have to draw an interview to a premature close

because a respondent became offended by questions on ethnicity; and once an interview was discarded, not because of lack of intention on the behalf of the respondent, but due to lack of a mutual language inability between myself and the respondent. It is interesting to note here, that this plant was very run down and I understand that this was a CMT operation very dependent on occasional subcontracts from a single manufacturer.

#### RESEARCH METHOD

The working sample population drawn up within economic and time constraints was not intended to be a representative sample of all clothing manufacturing firms in the West Midlands, and the size of the population of jeans manufacturers was not large enough to allow a conventional quantitative approach to data analysis. In any case, the focus of the research was on understanding processes of business development based on an interaction between ethnic resources and market opportunities at the level of the individual firm. Much of the data sought, therefore, was aimed at building up a series of case studies showing the main patterns of business development and essentially qualitative. Hence I spent, on average, one hour with each respondent using in-depth interview techniques, ensuring the same basic issues of history, production, marketing, etc. were covered, but allowing the respondent to discuss issues of specific importance to him.



INTERVIEW SCHEDULE

Respondents were encouraged to talk as they wanted but all interviews covered the same topics. Questions were asked in roughly the order shown in Table A(i) although often elements emerged naturally together. It was considered, however, that details of money and personal history may be sensitive and these were kept to the end of the interview unless the respondent brought them up earlier, in which case he was encouraged to talk as he wanted.

Financial matters are of particular sensitivity amongst businesses and especially among those which are small and flexible and in a position to undertake a certain amount of work which may be unreforded. Issues of race may be viewed as sensitive by many people, too, and I considered it was best to approach these questions with particular sensitivity. It was important to make a conscious attempt not to interpret explanations of business decisions which any entrepreneur of any culture would make, in terms of a particular ethnic trait.

An advantage of the use of interviews is that they are flexible, so that the interviewer can probe for specific answers; this allows spontaneity of response from an interviewee, thus providing more information than a

response to a questionnaire. The interviewer can ensure that all questions are answered and complex issues may be explored in more depth than allowed for by a questionnaire.

Notes were written during the interview. It was decided not to use a tape recorder in case this made respondents nervous, bearing in mind the suspicion which was encountered initially. Since the interviewer had previously learnt Pitman shorthand techniques, all discussions were well documented at the time and taken away and transcribed fully within 12 hours of the interview.

This type of research method, however, is time consuming and costly. There is always an element of interviewer bias along with less standardised question wording and recording

It did not seem appropriate to use mailed questionnaires to a large number of firms to supplement the data from respondents since it was believed that the response rate would be very low.

#### DATA ANALYSIS

Analysis did not commence until all interviews had been completed. Each interview transcription was taken individually and separate pieces of information were

extracted and written in note form on a card headed by the issue of interest resulting in, for example, all respondents' views on major competitive problems being indexed together as indicated by Figure A.(i). Card headings were identical to those used in the interview schedule and information was often recorded under more than one heading since issues overlap.

Four manufacturers were interviewed over the telephone. These interviews were conducted when the manufacturer was contacted in order to arrange a time for an interview and he himself suggested he was willing to answer questions then and there over the telephone, but was unwilling to give time for a visit. These interviews were necessarily shorter and less expansive and lasted, on average, 20 minutes.

TABLE A(i) INTERVIEW SCHEDULE

- (B) Company type
- (B) Length of time of operation
- (B) Market - fashion/locality
- (E) Competition - advantages - reasons
- (E) Suppliers/distributors
- (B) Changes
- (B/E) Problems
- (E) Contacts - employment/business
- (B) Costing
- (B/E) Capital
- (E) Employment
- (E) Personal details
- (E) Reasons for self-employment

KEY

- (B) means of particular business interest
- (E) means of particular ethnic interest

FIGURE A(1) EXAMPLE OF DATA  
ANALYSIS CARD

PROBLEMS

- Co. 1 - Labour. Premises. Competition from small local firms.
- Co. 2 - Scarcity of skilled labour.  
Change of Fashion - fabric. Need to import. Garments move around (London to Birmingham). General economy. Quality.

APPENDIX BENTREPRENEURSHIPTHE ENTREPRENEUR

The entrepreneur has a substantial history. The word was first used in 16th century France, when it was applied to a man who led a military expedition and was later extended to include an "adventurer" (Scott 1976:5). Richard Cantillon was the first to suggest an economic use for the term when, in his essay on commerce written in 1775, he suggested that it may be used to refer to a man who bore the risk of uncertainty when he acted as an agent who buys the means of production at certain prices - combines them into a product - then sells at uncertain prices (Schumpeter 1965:46).

In 1816 Jean Baptiste Say formulated his classic definition of the entrepreneur as an agent who unites all the means of production (Cole 1965:32).

A PERSPECTIVE FROM PSYCHOLOGY

Psychologists have isolated various personal elements which arise with significant regularity in studies of entrepreneurs.

Papanek (1962) stresses psychological rather than economic factors which account for the emergence of entrepreneurs. He believes that the individual entrepreneur is a distinct personality type and only a limited number of individuals have sufficient attributes to be actual (or potential) entrepreneurs. Papanek continues that the entrepreneur does not act entirely, or even primarily, from pecuniary motives. But he does acknowledge environmental effects which an individual will respond to, in that he argues that actual entrepreneurs emerge only when non-economic obstacles are not too severe.

McClelland (1961) has written widely on the effects of family background on the personality make-up of entrepreneurs and developed the concept of a clearly defined psychological variable of 'Need for Achievement' (nAch). He suggested that individuals with what he defined as a "high nAch" were suited for entrepreneurial roles and that this aspect of personality was derived from early child-rearing practices - particularly early self-mastering or independence training with the absence of a stable father figure and compensating strong mother figure.

McClelland (ibid.) showed how Winterbottom had earlier discussed his findings that mothers of sons with high nAch expected their sons to master certain activities earlier than mothers of boys who scored a low nAch. Figure B(1) shows how McClelland tied this together with Weber's theory of the protestant ethic.

McClelland (ibid.) identified those aspects of behaviour (of those with high nAch) which are generally considered to be an integral part of the entrepreneurial role :

- (1) moderate risk taker
  - (2) energetic, innovating activity
  - (3) individual responsibility
  - (4) knowledge of results of actions
  - (5) long range planning
  - (6) organizational abilities
  - (7) organizing human activities of the firm
- } treated together  
by McClelland

Gilmore (1971) discussed how Novack and LeKackman found a high nAch for their sample and commented on the indication that entrepreneurs work harder at certain tasks and learn faster whilst they choose experts over friends as working partners.



Collins et al. (1964) submit that the entrepreneurial personality is characterised by an unwillingness to acquiesce in authority and an inability to work with, and a consequent need to escape from, it. Even though he is 'his own boss' in his own establishment and devoted to business, the entrepreneur does not obtain a lasting sense of satisfaction.

Large (1980:10-13) comes up with some eight characteristics comprising the entrepreneur which include some psychological variables:

- (1) perseverance, determination and belief in self and the firm despite setbacks;
- (2) ability to work hard;
- (3) ability to change, adapt, cope with problems and occasionally to change course in order to survive;
- (4) common reasons for starting included a 'crisis', either externally imposed or merely perceived;
- (5) fear of loss of control;
- (6) family/friends support;
- (7) help from beneficial contacts, alliances, partnerships, talent of recognising beneficial relationships;
- (8) have a will to use their natural drive.

Newcomer (1961) found strong tendencies for entrepreneurs to come from entrepreneurial families, thus suggesting the possibility that entrepreneurial patterns

can become a way of life for some families. Almost two-thirds of the sample of entrepreneurs described their family life as poor and underprivileged, their history emphasises drive and motivation and also is consonant with McClelland's study where the father provides a limited and inadequate model for a son.

Timmons argues that despite the considerable amount of research about personal qualities and behaviour .... precise identification of entrepreneurial talent remains elusive (Timmons 1978:5).

He points out that there is a wide range in the nature of the businesses and entrepreneurs who have started and run them which makes generalisations about their characteristics risky and even misleading.

#### ENVIRONMENTAL INFLUENCES

McClelland (op. cit.) found that high nAch scores were not necessarily limited to successful business entrepreneurs, but that entry into the entrepreneurial role was also associated with social indicators - factors like the prestige given to business activity in relation to other occupations. He suggested occupational

preference was a function of the level of nAch as well as the difficulty of achieving success in the occupation. This latter was strongly related to social class. Kilby (1971) also cites Cochran as believing that changes in values transform the performance of businessmen and Kunkel who argued that changes in the structure of social incentives attract more (or less) individuals into business.

However, it must be recalled that individual behaviour is conditioned by the social structure in which the individual lives. Entrepreneurial behaviour and the role of small firms in a society is influenced by (as well as influencing) the structure of social relations and the culture of the environment. Johannisson (1987) points out that in a one-company-dominated-town where employee, working class values dominate, there are few cases of entrepreneurship. He concludes that the firm and the community must be mutually supportive.

Aitken (1965:11-12) points out how the historian, Leland Jenks, rejected the economic theory of entrepreneurship in favour of viewing the matter as a social role - played out not only in the business unit, but also in society. He was therefore concerned with values, perceptions, social sanctions and social definitions. Cochran (1965) applied Jenks' concepts and developed the

idea of the entrepreneur as playing a social role and responding to positive and negative sanctions. Cochran (1971) argues that the businessman plays a social role partly shaped by the modal type of personality that comes from the social conditioning of his generation. He isolated three factors affecting the entrepreneur:

- (1) new items in a culture must be not only physically, but also psychologically available. Subjective constructions of the items must be made and these will depend on the value orientations of the culture. While unusual characters will depart from the norm - in general invention and innovation tends along lines congenial to the type of conditioning;
- (2) entrepreneurial roles are also defined by the ideas of those important to the success of the actor (not necessarily connected with the industrial operation per se);
- (3) operational needs of the function to be performed.

He stresses that if a personality trait exists at a given time it should be treated as a cultural factor and not accounted for historically.

Barth (in Scott op. cit.) took the idea of the entrepreneur in a social role, and made an analysis of the

place of the entrepreneur in a wider social context of interaction by relating entrepreneurial activity with general features of the social life of the community.

He rejects a structural analysis in favour of the dynamic 'game theory' of interaction. Relationships between the entrepreneur and his community are represented by a series of transactions between the actors. The differences between the entrepreneur and others are limited to a few crucial features and are largely, Barth argues, a question of emphasis and degree. The essence of the entrepreneurial act, he therefore suggests, is to discover new possible channels of economic activity and exploit them.

Dahrendorf (1981) also wrote that

economic performance and cultural values are linked ... an effective economic strategy for Britain will probably have to begin in the cultural sphere (quoted from Wiener 1981:4).

Wiener notes that this is evident in Japanese societal values which are said to have aided economic renewal since small firms have played a major part in their

post-war economy. Wiener talks of

... characteristics of Japanese society and culture - the 'tribal' character of work relationships and the inner discipline that makes possible remarkable adaptability (Wiener *ibid.*:6).

Britain, on the other hand, Wiener suggests, does not have a cultural history which promotes entrepreneurship. He holds that people of modern history have held sentiments and ideas that served to restrain rather than stimulate economic growth.

#### FIRM TYPOLOGIES

Bechhofer and Elliott (1985:188) define the small firm sector as comprising

... all those men and women who use their own (typically modest) capital to take over or establish an enterprise, who invest in it their own labour, supplementing that with the efforts of family or kin. The goods or services they produce are disposed of in diverse markets with the object of making profit.

Norman Smith (1967) used data collected by Collins et al. and developed typologies for both entrepreneurs and their firms. He established two 'pure' types of entrepreneur - the Craftsman Entrepreneur and the Opportunistic Entrepreneur. These are typified by four broad groups of attributes which Smith identifies as :

- (1) breadth in education and training;
- (2) social awareness and involvement;
- (3) ability to deal with economic and social environment;
- (4) time orientation.

Figures B(ii)a and B(ii)b show a concise analysis of these two types.

Smith then developed two polar types of firms (constructed on the basis of certain strategic behaviour which alters the character of a firm) which correspond to his entrepreneurs as mentioned above. His 'Rigid Firm' was found under the charge of the Craftsman Entrepreneur, whilst the Opportunistic Entrepreneur was found to run the 'Flexible Firm'. The criteria he used to distinguish the firms were:

- (1) customer mix - changing or static;
- (2) product mix - number of different products - in order to analyse, one must first distinguish between (a) only consumer goods and (b) industrial goods;

- (3) production methods - a) custom made (b) standard, produced after an order (c) standard, produced for stock;
- (4) concentration of production facilities;
- (5) concentration of markets;
- (6) concrete plans for change.

Dussault and Dussault (1987) in their study of 70 new manufacturing businesses (less than one year old) were able to divide them into these two categories as defined by Smith. The study looked at the importance of management behaviour during the vital stages of survival and establishment. Their results showed that both types of entrepreneurs use different kinds of management which are summarised in Table B(1). This suggests that the different types of management used will affect the pattern and evolution rate of a business.



**FIGURE 8(i) THE DEVELOPMENT OF**  
**ENTREPRENEURIAL BEHAVIOUR**



*SOURCE: McCLELLAND (1961: 47)*

FIGURE 8.0.1 FIRM TYPOLOGIES - CRAFTSMAN ENTREPRENEUR



Source: Gilmore (1971:58-73)

FIGURE 8.6 FIRM TYPOLOGIES - OPPORTUNISTIC ENTREPRENEUR



Source: Gilmer (1971:58-72)

TABLE B(i) MANAGEMENT STYLES OF CRAFTSMAN ENTREPRENEUR  
AND OPPORTUNISTIC ENTREPRENEUR

CRAFTSMAN ENTREPRENEUR

Personal objectives

Not much involved in  
management

Will not delegate tasks

Over concerned with  
operational dimension

Does not spend a large  
amount of time on  
planning

A small number of  
employees

Keeps control of the  
business

Less experienced in  
management techniques  
& therefore is less  
competent

OPPORTUNISTIC ENTREPRENEUR

Plans for the business

Personally involved in  
management

Delegates tasks

More balanced management

Is pre-occupied by  
strategic, administrative  
and operational aspects

Has more employees

Likely to have more  
structural elements - e.g.  
board of directors

More experienced, has  
acquired more abilities &  
knows management techniques  
better

(SOURCE: Dussault & Dussault 1987)

APPENDIX CMIGRATION -

Nowikowski (1984) presented a model of ethnic enterprise in the UK based on the macro-structure of the British political economy and the prevailing relationships of power. Power, she points out,

is not nationally bound .... Britain and the Indian sub-continent have been historically locked in ... global relationships of interdependence and inequality (Nowikowski 1984:150).

Hiro traces the development of this relationship as he describes the indentured labour sent to the Mauritian plants via the East India Company, which followed the emancipation of the black slaves in 1834. More than a century later, the Asians once again were required to play this role, this time, in the British foundries, rubber works and textile mills. Their

hardwork, docility and reliability (were qualities ... as much valued by the British industrialists today as they were by the British planter in the 1830s (Hiro 1971:16).

Nowikowski, however, analyses migration flows in more depth and identifies three sections of South Asian society that have been the source of the migration. Firstly, she isolates the Asian business bourgeoisie who were vociferous in the 20th century struggles for independence, but who became aware of the implied dependence on the west for industrial development. They have expanded their capitalist activity internationally with an orientation towards the metropolis.

Secondly, she describes the emergence of a class that was ideologically and economically dependent on the colonial power and unevenly recruited from Indian society - the western-educated, professional and administrative class. There is, she claims, a manifest disjunction between their training and aspirations and the economic opportunities and demands of the economy. The severity of competition for employment has encouraged many highly skilled Asians to migrate towards potential opportunities in the West. This has paralleled the migration of white British professionals (e.g. medical doctors) who have emigrated from the UK to countries like the United States.

Lastly, are the urban lower middle class non-agricultural and non-industrial workers along with the middle strata of a large rural sector. British colonialism had meant a re-definition of traditional land rights as the poor found themselves forced from their traditional

status. Indigenous investment in the land remained low since the peasantry were often deep in debt, while absentee landlords looked to the urban sector for self advancement. The middle strata of the peasantry were in a particularly contradictory situation, aspiring to social and economic improvement, but constrained by the limited opportunities in the rural sector. The urban sector, particularly the lower middle class, were vulnerable to downward pressure on their standard of living and security in the post-war years. This generated flows of migration towards metropolitan centres of power, drawing from the rural middle strata and the urban lower middle class.

Post-war migrants, then, are clearly distinctive in their access to class resources. They have, additionally, complemented specific structural demands of the British economy in its post-war reconstruction, when industry demanded cheap and flexible, unskilled labour. Coloured immigrants were recruited as unskilled and semi-skilled labour to fill the less popular and poorly paid unskilled service posts. Nowikowski also explains the establishment of the Asian business class in terms of the structural adjustment of British capitalism. The decline of the textile sector meant that export markets declined with post-war competition in manufactured goods from NDCs, along with a decline in the home market stemming from an inability to compete effectively with imports. This, Nowikowski argues, underlies the 'pull' of immigration from the bourgeois classes of South Asia. Traders

established themselves in Britain and promoted textile imports alongside the expanding trade in other manufactured goods from NDCs. Certain sectors of manufacturing industry have been developed in the hands of Asian entrepreneurs, while Asian businessmen have also engaged in the more diversified import/export trade in manufactured goods between Britain and the MDCs.



APPENDIX DEMPIRICAL STUDIES OF ETHNIC BUSINESS

Interest in ethnicity and entrepreneurship is developing amongst academics and policy makers throughout Europe. The structural make-up of different groups in different countries vary for several reasons. The various countries have a range of policies towards small business and hence it may be easier to set up in business in one country than in another. The UK, for example, applies fewer bureaucratic restrictions than the Netherlands. The position of an immigrant group within the legal framework of a nation will necessarily affect its propensity to self-employment or the type of small business set up. For instance, Turks are guest workers and have no legal claim as nationals of Germany, whilst Asians are members of the Commonwealth of Great Britain and have legal citizenship. But Boissevain and Grotenbreg (1986) show that Chinese and Hindustani immigrants into Amsterdam from Surinam differ substantially in their entrepreneurial activity from Surinamese Creoles. That these groups emigrated from the same place is cause for the search for an explanation

SURINAMESE IN AMSTERDAM (Boissevain and Grotenbreg 1986)

During the 1950s and 1960s, Surinamese immigration into the Netherlands came from the middle classes who emigrated for "work, study and a better life for the children" (Budike quoted in Boissevain and Grotenbreg:9). Political unrest arising from the independence of Surinam in 1975 resulted in a greater influx of lower class Surinamese. Boissevain and Grotenbreg suggest that the entrepreneurial activity of Surinamese in Amsterdam reflects their migration history.

Initially 'tropica' shops were established selling a variety of Surinamese fruit, vegetables and groceries. Thus it could be seen that early entrepreneurs were in a protected niche, serving only their own ethnic demand. This demand expanded along with the increased Surinamese population, and restaurants and other specific service activities were soon established. In 1983, there were approximately 250 Surinamese enterprises in Amsterdam (Boissevain and Grotenbreg:10). Most are located in older sections of the city where real estate is relatively inexpensive.

Differences in experience, socialisation, work ethic, savings and access to networks of contacts are clearly seen between the three groups (Hindustani, Chinese and Creole) which comprise the majority of Surinamese in Amsterdam. The Chinese conform most closely

to the ideal type of middleman-minority described in the thesis. Chinese associations had been active in Surinam, along with important patronage and kinship links. Thus, like the Chinese working the apparel industry in New York City, they have advantaged access to reliable and flexible labour. They left Surinam late and found their traditional economic niche in retail already filled in Amsterdam by the Hindustanis. They therefore turned to the restaurant trade.

The Hindustani history is different. They were originally imported to Surinam as contract labourers for the plantations, but the first Hindustanis to become active in trade were British Indians who migrated to Surinam as traders. They then began to produce vegetables and fruit for markets and organised transport between rural areas and the city. Their activity in Amsterdam is merely an extension of their activities in Surinam.

The Creoles, by contrast, came from a heritage of slavery and became increasingly involved in wage labour and crafts. They became active in the civil service and as white collar workers, as well as skilled and unskilled wage labourers. In Amsterdam they give greater emphasis to the mobility of their children via education rather than self-employment. Boissevain and Grotenbreg believe that the socio-economic background of these

ethnic groups in Surinam, helps to explain their different experience with, and knowledge of, self-employment as well as the questions of cultural attributes discussed.

Although the ideology and values relating to kinsmen are among the most important cultural baggage an immigrant brings along, they are values which change slowly, Boissevain and Grotenbreg (:23) argue that it is not coincidental that "soberness, hard work, saving, future orientation and patriarchal leadership" are associated with Chinese and Hindustanis. These values are essential for the survival of small scale peasants and farmers - which is what they were for centuries in Surinam. The culture of an ethnic group is, in large measure, an adaptation to existing economic constraints. Likewise, they suggest the "generous, ebullient, more hedonistic orientation" of Creoles is rooted in their past experience (:23).

Above all, they state

it is clear that the sharp distinction between culture and structures ... is problematic. Culture and structure, when viewed historically, are intricately interwoven (:24).

Ward is developing a theory to explain this different pattern of self-employment between different

ethnic groups in terms of the types of resources needed to establish a competitive advantage in different kinds of business and the variations in access to these resources among different groups (personal communication). For example, an industry which relies on cost-cutting or which has an erratic demand, needs cheap and reliable labour. Thus the patriarchal culture of the Chinese gives them access to family labour which will accept long hours of work and be trustworthy in dealing with the financial side of a shop. By contrast, certain forms of self-employment depend heavily on the skill of the entrepreneur rather than the cost of labour. Here members of a patriarchal society would not necessarily have a competitive advantage.

#### ETHNIC ENTREPRENEURS IN THE UK

Whilst it is true to say that business activity may be present a means for escaping minority status, McEvoy et al. (1982) found no evidence in their study in the UK to suggest that the increase in entrepreneurial activity is necessarily equated with increased socio-economic benefits for the group as a whole. It is important to note here that this study was confined to inner city retailing in areas of high Asian population density. Thus it had a very distinct population.

The typical firm in their study was one where the proprietor earned less than the wage he would have received on the open labour market. Other research has suggested almost a duality amongst ethnic entrepreneurs (Werbner 1984:181). Werbner talks of a "group of old-time traders who form a 'set'", who are "quite exclusive". These are established, wealthy businessmen. Some later arrivals have been included, but there is a large proportion of newly formed firms which would fit more into McEvoy's findings.

Jones (1982:467), drawing on the results of McEvoy et al., suggested that Asian business activity in the UK is overwhelmingly concentrated in retail. Of the 793 self-employed in the sample, 71% were shopkeepers; thus they were largely confined to a sector which has experienced unbroken decline since 1945.

A national survey carried out in 1982 similarly found that retail and service activities dominated the sample (Brown 1984:210). 67% of Asian firms were in distribution and catering - forms of business which require a commitment from the labour force - since Asians have a strongly patriarchal hierarchy, this conforms to Ward's theory. A study in the London Borough of Brent (Wilson 1983) found that, like the Creole Surinamese in Amsterdam, the West Indian population of small businessmen was small and highly dependent on customers from their

own ethnic group. Many considered such dependence a threat to survival. By contrast, the Asian firms hardly depended on sales to Asians customers at all.

Possibly the most comprehensive local survey undertaken in the UK concerning ethnic business activity has been that conducted by McEvoy et al. (op. cit.) concerning retailing and service businesses amongst the Asian community in the UK. This study took three inner city areas with high Asian population - Ealing, Bradford and Leicester.

Their study supported the concept of ecological succession, whereby the host population has abandoned housing areas in the unpopular inner city to be succeeded by the immigrant population. The replacement ethnic minority resident enclave supports an economic niche for entrepreneurs from the community to supply goods and services. The results of their study provide further evidence for the way in which group business resources and competitive practices are aided by cultural endowments. They conclude that Asian businesses are not in a uniform position and that constraints within the British system have greater effects than do Asian cultural variables in explaining their business development. Their sources of commercial strengths have failed to give them a definite advantage when faced with the unfavourable structure of opportunities to run businesses in the host community.

From this research, Jones (op. cit.) drew up five characteristics of an Asian business. It is in retailing of the lowest order and marginal profitability. It is so positioned through lack of choice. This position of self-employment for the few has not circulated outward; nor does this kind of business provide abundant, good employment for the ethnic population.

In these areas, McEvoy et al. showed that the Asian shopkeeper does work within a sub-economy, servicing and depending on his own ethnic community. In such places the Asian shopkeeper does not appear to be operating within the same market. Krčmář (1983) found that in Glasgow, too, Asians did not appear to be operating within the same market as the indigenous population - but Glasgow was different from the larger British conurbations in that the Asians served the white population in a market which the whites had vacated.

Despite the fact that many studies show ethnic business to be concentrated in the retail and service industries, Werbner points out that

such retail outlets are merely the tip of what may be conceived of as an economic and cultural iceberg (Werbner 1984:166).



She made an anthropological study of Pakistanis working within the Manchester rag trade. She argues that

an assessment of immigrant entrepreneurship must necessarily examine the full network of connected businesses and jobs generated within a niche: the importers, wholesalers and manufacturers, the salesmen, transporters, accountants, travel agents, insurance agents and lawyers ... who all intermesh in the organisation of trader (Werbner *ibid.*:166).

Hence, Werbner points out, entrepreneurs deal on a personal basis with each other, supplying a number of different firms with small orders and thus minimising the risks of complete failure. Small firm size allows greater flexibility to respond to changes in market fluctuations. In such an industry and market structure, Asians in England may draw on their social networks for contacts and control in the same way as has been found by Waldinger and others in America.

APPENDIX EHISTORY OF MULTI FIBRE ARRANGEMENT

- 1950s Rapid revival of Japanese textile industry produced increased exports particularly to UK and USA.
- 1956 Japanese agreed to limit export to USA of 20 products (all cotton textiles).
- 1957 Above agreement formalised in a 5 year agreement. UK reached a similar agreement with Hong Kong, India & Pakistan.
- 1959 USA initiative - GATT attempts to define what its importing members had begun to call "market disruption" by Japan & other low cost exporters.
- 1962 These discussions led to Long Term Arrangement on-Cotton Textiles (LTA) for 5 years. Main objectives = (a) bring all measures under one multilateral GATT surveillance rules & procedures (b) establish a balance between exporting and importing country interests.

- 1967 Above renewed.
- 1972 GATT Council set up Working Party on Textiles.
- 1973 LTA expired.
- 1973 April - GATT Council instructed Working Party to identify and examine problems and to seek multilateral solutions July - on basis of progress report submitted in June, GATT Council decided to reconstitute the Working Party on Textiles into a negotiating group with mutually satisfactory arrangement on trade in textiles by the end of the year.  
December - final agreement on text by 50 governments which had participated in the negotiations.
- 1974 January 1st - Arrangement Regarding International Trade in Textiles (MFA) came into force - MFA I.
- 1977 December - MFA renewed - MFA II.
- 1980 October - GATT Textile Committee met to examine functioning of MFA II with a view to deciding whether it should be abolished, renewed or amended.

- 1981      April - EC Commission had suggested a 5-year renewal of MFA instead of normal 4 years. Also had proposed a cut in annual import growth rates from 6% required by MFA and provisions that would allow discrimination against the more competitive low cost textile and clothing exporters.
- July - GATT Multifibre talks begin in Geneva against a background of world recession. EC member countries not in agreement. Even when an agreement was reached, their position remained if the bilaterals (to be negotiated in 1982) were not satisfactory in their view, the Community might leave the MFA.
- December - a compromise renewal agreement was initiated in Geneva. It fully satisfied none of the main participants.
- 1982      January - MFA III.
- 1984      Silberston Report.
- 1986      MFA III renegotiated.

APPENDIX FTHE STORY BEHIND FASHION

Brockman (1965), in the preface to her book about fashion design describes fashion as

... the product of a unique combination of designer and consumer ... and buyer who acts as their two-way interpreter, reflecting consumer taste for the designer's guidance and offering new fashion trends for the consumer's selection. Unless the designer can present new fashion that the buyer believes in and the consumer is willing to accept, all three partners suffer a loss (Brockman 1965:ix).

In contrast, other commentators have declared fashion as a "despot whom the wise ridicule - and obey" (Biere in Jarnow and Judelle 1968:13).

Oscar Wilde's wit was turned against the industry as he declared

Fashion is a form of ugliness so intolerable that we have to alter it every six months (in *ibid.*:13).

Marx, more seriously, comments upon the  
murderous, meaningless caprices of fashion  
which  
consort so badly with the system of modern  
industry (Marx 1958:516).

But what is 'fashion' - this mysterious force  
which makes a particular style of dress or fabric  
acceptable in one year, but quite the reverse in another?  
It is described differently by different people. An  
economist would expound it as an element of artificial  
obsolescence that impels people to replace articles which  
still retain much of their original usefulness even though  
the new ones may not differ greatly. Sociologists see it  
as an expression of status-seeking whilst psychologists  
explain it as expressing sex impulses in pattern of dress  
and a way of creating identity. Anthropologists are  
interested in its cultural symbolism.

It has a history long surpassing other major  
industries of our time; and every style has seemed  
appropriate to its epoch. Peasant clothes changed from  
place to place and, until around the fourteenth century,  
that was how all fashion changed. Today, in the  
twentieth century, it is the other way round - the world  
over, women are dressed the same, but if you were to stay  
in one geographic site, fashion would change over time.

FASHION'S HISTORY

Archaeology indicates that for ancient Egypt, changes in dress were minimal for 3,000 years. Changes in style began occurring really only after the Middle Ages. The Age of Renaissance, with its discovery of new lands, brought a new restlessness and an accompanying dissatisfaction with conventional dress styles. As new things became available, so were more new things desired.

By the middle of the 17th century, King Louis XIV of France and his court established France as the chief political power in Europe and Paris as the world's fashion capital.

The French court became the epitome of all that was 'in fashion' (Brockman op. cit.:31).

Wealthy industrial classes of Europe emerged from the industrial revolution and fashion became a status symbol. Paris had long been the centre of fashion and so it remained. The submissive dressmaker sewing to the designs required by empresses, however, was replaced by the creative couturier (the forerunner of today's entrepreneur), who had a good head for business and flair for showmanship.

The creator of the French Couture was, however, an Englishman - Charles Frederick Worth - who started out as a clerk in an establishment in Paris, selling mens' coats and womens' accessories. He married a model and designed dresses for her which attracted customers. Eventually he went into self-employment in 1860. The Empress Eugenie wore his clothes and other European royalty followed suit. Those styles, designed for the most exclusive clients, were copied for the wives of wealthy businessmen; and in this way fashion filtered down the social hierarchy. Later, actresses began to replace royals as the fashion leaders.

The latter half of the 19th century saw the beginnings of export since innovations had occurred to revolutionise the fashion business. There were two simultaneous developments. The first couture designers presented model garments to customers in Paris at the same time as the sewing machine made its debut. The machine was patented by Singer in 1851. The use of a machine led to possibilities for mass production, whilst couture designers provided the main fashion ideas. Gowns were made for dolls and shipped abroad for show. Orders were then placed and apparel was made to the customer's measurements.



Fashion magazines began to emerge during the Victorian era. These were the only source of fashion information to the middle class women not able to travel to Paris. In New York, in 1894, the first edition of "VOGUE" was published; and in 1906 a report of Paris fashion became a regular feature, although advertising was still not considered. It was not until 1910 that fashion houses allowed their collections to be viewed by the fashion press.

At the turn of the century, the Paris haute couture was established in the guise of Poiret who introduced a 'new look' and a unique design personality.

Poiret was called up to join the forces of World War 1, and it was inevitable that someone should replace him. Premet stepped into his place by shortening hemlines to a daring eight inches above the floor! This trend was suited to the growing liberation of women, but by the end of the War, she was replaced by Chanel, who popularised the fabric of jersey. The key to her designs was the simplicity which expressed the new freedom of women and reflected the 'new look' of the cubist movement which was popular in the art of that time. Her simplified clothes lent themselves to mass production. This was needed since the most rigid of the barriers of the class system were being somewhat eroded by the (now well documented) effects of the War, international trade and the

influence of America with its different type of hierarchy. The year 1923 saw the beginnings of a new trend initiated by Jean Patou. The waistline dropped to present a sharper, stronger silhouette, and so Chanel dropped from being the top designer until 1954, when Dior introduced his A-line silhouette, and fashion once again fitted into Chanel's theory, allowing her to make a comeback at the age of 64. By 1960, she was considered to be one of the three great forces in Paris couture (the other two designers being Balenciaga and St. Laurent).

Schiaparelli influenced by the Surrealistic art of that time, popularised by painters like Dali and Vertes, originated a tailored, masculine, but chic, look. Women wanted to look smart rather than pretty. She established the first 'boutique' to display accessories and developed the idea of co-ordinated accessories. Her inspiration came more from the working classes with a belief that clothes should be suited to a way of life, occupation and purse.

The years leading towards World War 2 saw actresses being replaced as fashion leaders by the small, socially elite, international set. Mainbocher (favoured by Mrs. Wallis Simpson) began a return to a more feminine look with tight midriff and a fuller hemline requiring shorter skirts. But the onset of the War cut short this trend in the same way as the First World War stopped Poiret.

Owing to the regulations of war, peacetime came with no change in silhouette when the Paris couture reopened. There was a desperate need for a 'new look' ... "a universal change of feeling, of atmosphere" and Dior's new collection released the floodgates (Dior in Brockman *ibid.*:55). He argued that it was because women wanted to look like 'women' again.

St. Laurent followed Dior with a new era of young elegance symbolised by Jackie Kennedy, as he developed more wearable, but still elegant, clothes.

The 1960s gave birth to a generation of youth, when economic well-being allowed freedom of expression and independence in ways never before experienced. Silhouettes of dress continued to become simpler and straighter and hemlines shrank. Mary Quant was the first to design fashion clothes aimed specifically at the medium-price market. This coincided with the increased spending power of teenagers. An affluent working class allowed more women to adopt fashion and this accelerated changes.

At this time, jeans achieved a greater fashion status than in the earlier 1950s when they were considered to be worn simply as workwear. They began this era as the uniform of the rebellious youth, as popularised by James Dean and Marlon Brando. Later, John Wayne and other "movie cowboys" stimulated their wider popularity. By the

mid 1970s, they had developed a mark of conformity and respectability and even the president of the USA wore them! They were accepted wear in most places.

The youth of the 1950s only had films to influence them; today there is a steady stream of repeated music videos conveying the "look of the moment". Prescott (1985c) believes young fashion is moving "up-market" and suggests that the number of clothes bought may be fewer, but (despite the recession) quality and cut are the main criterion. There is a new formality in casualwear and the trend towards a co-ordinated range of wear has strengthened since the jobs which a few years ago would have accepted jeans and sweater, now require a smarter fashion element in cloth and cut. Women at work in more professional jobs wish to look smart and functional, yet more feminine without being labelled 'frumpy' as depicted by classical style suits. They thus appear to be still seeking the female equivalent of a man's suit (Prescott *ibid.*:19-21).

In the 1985 February issue of MANUFACTURING CLOTHIER, Prescott writes that today most UK fashion starts on the streets and is only eventually picked up by designers and manufacturers (Prescott 1985b:21).

What makes people create and follow a particular fashion of dress? Is it a case of big business forcing the

masses to buy unnecessary goods? In fact the industry is composed of small firms producing short turns for quick turnover. Then why would multinationals (those with power in the market) aim for speedy change and constant product differentiation if they cannot cope with the flexibility of shortrun production? James Laver said that if it were as simple as

half a dozen men in Paris (getting) together and (deciding) to change the fashion. They want to sell their goods, (then it would be) arbitrary and meaningless. Fashion is never that (Laver in Jarnow and Judelle 1965:16-17).

#### BEHAVIOURAL ASPECTS OF FASHION

Humans have always had a need for some form of dress. Dress does serve to satisfy a basic need of warmth and protection, but it also serves to satisfy some specific human wants and needs. De Paola and Stewart Mueller (1980) point to three basic theories on the origins of clothing :

- (1) Protection Theory - clothes not only offer a certain amount of physical protection, but also some psychological protection. But clothes are not all solely protective in design;

- (2) Modesty Theory - clothes are used as a result of personal shame. This may be inherent or learned within a culture. On the other side of the coin of covering for shame, is covering for display;
- (3) Adornment Theory - clothes may enhance self-concept and self-image in terms of (a) self-beautification (b) sexual and (c) to derive social status.

Sapir (1931) saw fashion in terms of a desire for social acceptability which leads to conformity of dress between members of a social group. The desire to demonstrate wealth and position provokes emulation and exhibition of expensive clothes.

Simmel (1957) was one of the first to attempt a serious sociological analysis of fashion. He developed the concept of fashion as a form of class differentiation necessary in a relatively open class society - where the elite seek to set themselves apart by observable insignia. Close social classes adopt the same styles as a means of satisfying a drive to identify with superior status. So eventually elites lose these marks of separate identity and devise new distinguishing criteria.

In this sense, fashion is merely a product of social demand. The very character of fashion demands it should be held at one time only by a portion of a given group. Once universally adopted, it is no longer seen as a fashion.

The adoption process is the flow of fashion from one class or group to another. The oldest process, as described above in relation to the Court of France, is the 'trickle down' from top society to lower classes. This still has some effect (take for example, the fashion trends started by Princess Diana in the UK). There are also new groups and individuals which make up the fashion elite - these include the creators, reporters and wearers of high fashion.

There is today a second type of fashion information flow - that is, from the 'bottom-up'. Its movement seems to follow a distinct pattern from the lower classes to the upper classes of the fashion elite and then to the middle classes.

A third process of fashion adoption is termed the 'horizontal perspective'. This recognises that adoption of a fashion by individuals or groups with the same social status does not occur at the same rate in time or space - i.e. the idea of peer group fashion (De Paola and Stewart Mueller op. cit.).

Blumer (1969:278-279) argues that this type of traditional analysis shows that fashion requires a certain type of society; it demonstrates the importance of prestige and shows that the essence of fashion lies in change.

However, he argues that the analysis has failed to catch the character of fashion as a social happening, and that three matters provide clues for understanding fashion in general :

- (1) determination of fashion takes place through an intense process of selection - and there is an uncanny similarity of buyers' choices;
- (2) buyers are immersed in a common world of intense stimulation - they are involved in a "common apperception mass";
- (3) designers derive their ideas from (a) former fashions (b) current and recent styles and (c) most recent expressions of modernity - translated themes from general arts and media into dress designs.

McJimsey (1973:9-10) cites studies by sociologists and social psychologists of Iowa State University, which attempt a description of the way different socio-economic groups of America view the apparel they wear. The conclusions drawn are that :

- (1) Upper class families use clothing as a way to demonstrate superior wealth. Their status is secure and therefore their clothes need not be ostentatious. It appears that really good outfits are preferred for use over a period of years;



- (2) Semi-upper class families and upper middle class families lay more emphasis on variety in their wardrobes;
- (3) The lower middle classes use clothing as an external expression of their aspirations to the upper classes - i.e. clothes are used to impress;
- (4) The lower status groups see their wardrobe in functional terms.

Fashion changes take place within fashion movements - i.e. the overall direction of fashion. Most movements emerge with a predictable regularity and (often) sequence. There are no rapid changes and attempts by the industry to impose 'unwanted fashion' have failed significantly. Blumer cites an example where the fashion elites of the 1920s attempted (in vain) to dictate against the trend (Blumer op. cit.:281). In 1922 the industry tried to stop the trend to shorter skirts which had started in 1919. Manufacturers co-opted the help of fashion houses, journals, commentators, actresses and fashion leaders, who all declared long dresses were returning. But all their efforts ended in failure and the trend towards shorter skirts continued until 1929.

The fashion mechanism appears, not merely in response to a felt need for class differentiation and class emulation, but in response to a wish to be in fashion, to be abreast of what has good standing, to

express new tastes which are emerging in a changing world. Therefore it is a process of collective selection (not simple class differentiation of Simmel as discussed above).

Trends in clothes fashion are not separate from social trends (as seen above) and from trends in other areas of taste and art. For example, in the Middle Ages, the dominant architectural shape was the pointed lancet arch. Similarly mens' shoes were long and womens' head-dress (the hennin) was pointed (Laver op. cit.:17). During the 16th century the lancet arch blunted to become the Tudor Arch. Henry VIII wore blunted shoes and ladies' headdresses altered adjacently. As Hawes wrote

'Style' does not change every month ... it only changes as often as there is a real change in the point of view and lives of the people for whom it is produced (Hawes in McJimsey op. cit.:22).

Blumer (op. cit.:283-285) outlines what he considers to be four important features of the fashion mechanism - historical continuity, modernity, collective taste and psychological motives.

- (1) Historical Continuity - styles grow out of immediate predecessors so there is a line of continuity. Fashion trends signify a convergence and marshalling of collective taste in a given direction and thus

pertain to one of the most significant, yet obscure, features in group life. Terminal points (excess) are of interest. Marked by a wider latitude of experimentation in the new fashion models that are advanced for adoption, they show the groping character of collective choice;

- (2) Modernity - fashion is always modern. In dress it is responsive to its own trends, to developments in fabrics and ornamentation, to developments in fine arts, to public events and major social shifts;
- (3) Collective Taste - 'taste' is made up of three elements -
- (a) it seeks positive satisfaction
  - (b) it acts as a sensitive selector
  - (c) it is a formative agent.

Thus it appears as a subjective mechanism, giving orientation to individuals, structuring activity and moulding the world of experience. Tastes are themselves a product of experience and are formed in the context of social interaction;

- (4) Psychological Motives - fashion may be ascribed to efforts to escape from boredom, especially among members of the leisure class. It may be viewed as arising from playful impulses and 'pep up' the

routine of life or as an adventurous spirit impelling individuals to rebel against the confinement of prevailing social norms. It may be seen with today's unemployment that many fashions are coming from the bottom - up. Some see fashion as a symbolic expression of hidden sexual interest. Sapir (1931) held that it was an effort to increase attractiveness of self.

### THE ECONOMICS OF FASHION

The 'economists' concept of utility is the measure of satisfaction related to consumption. They view consumption in terms of maximisation of a utility function subject to budget constraints (i.e. the set of maximum attainable goods with a given income and relative price of goods).

Houthakker and Taylor (1970) argue that utility was a function of the level of stocks a consumer held of a good. Therefore they see it as a dynamic model where current decisions are influenced by past behaviour.

The individual's current demand is a function of her current income plus her clothing stock. This idea is supported by the Tavistock Institute (NEDO 1970) who suggest that differentiation of clothes into categories will produce slightly higher purchases in the wardrobe building stage, but with no greater replacement purchasing later (even, possibly, slightly less).

The demand for womens' clothing is subject to habit formation, although the effect is fairly short lasting. The depreciation rate is higher for womens' clothing which suggest short term effect of habit - it is not that a woman acquires the habit of clothing per se, but if she is to keep fashionable, she must buy new clothes each season. Therefore, the higher the stock in the previous year, the higher will be the levels of current consumption. Thus we have a dynamic view of consumption.

#### DEMAND FOR INDIVIDUAL PRODUCTS

Utility is assumed to be a unique real number assigned to the consumption of each good by the consumer. A demand function contains relative prices of goods and the income and tastes of the consumer. With a normal demand curve, the demand for a good varies in proportion to the consumer's income and inversely with the good's price relative to that of other goods. However, with clothing these simple relationships do not hold ture. Demand may not always increase as income increases and the effect upom demand of an increase in real income depends on the particular garment.

Generally, there is a high degree of substitution both in case of the individual and demand as a whole. This may lead to a higher quantity of some clothes being bought and/or demand for new types of clothes (e.g. increased leisure and emphasis on health has led to

increased sportswear and to a fashion design element being incorporated into the product). Therefore, income elasticity of demand fluctuates substantially between different types of clothing, since this includes both basic necessities (cheap, functional trousers) and luxuries (fashionable styled jeans).

## PRICE

Conventional theory gives a direct linear relationship between price and demand, but several authors have suggested that price itself may have a positive effect upon utility or may be used to convey information about the product (e.g. quality).

Veblen (1912) developed the concept of the 'luxury good', which had a backward sloping demand curve (Figure F(i)). Scitovsky (1944) shows how the idea of conspicuous consumption - a good with prestige and a high price developed. Here, the consumer is concerned with the 'correct' attitude and a demonstration of social position. Therefore, there is a greater concern with price. As discussed above, this type of consumption pattern, sociologists would argue, is very relevant in terms of clothing purchases.

Cox (1962) suggests that consumers use price as a source of information in their evaluation of a product's quality, since it is 'concrete' and therefore more often trusted than other cues.

The perception of quality is an important factor in clothing purchases. There are several possible explanations for this. Firstly, an article of clothing may be sufficiently expensive to merit attention and yet a particular garment may not be bought sufficiently frequently for a learning process to be established. Also, there is a concern to buy the 'right' product. Finally, since clothes are semi-durable, much of their quality may be manifest only after they have been worn for some time.

Granger and Gabor (1966) and Gabor (1977) (both in Watkins 1981:114) developed the concept of 'Buyer-Response' curve - i.e. that consumers approach an intended purchase with two price limits (high quality but too expensive - suspect quality of too cheap). Since this Buyer-Response curve is mathematically on two others - the 'too cheap curve' and the 'too expensive' curve, which are theoretically log-normal distribution functions, the Buyer-Response curve should be bell-shaped - this is, in fact, the case.

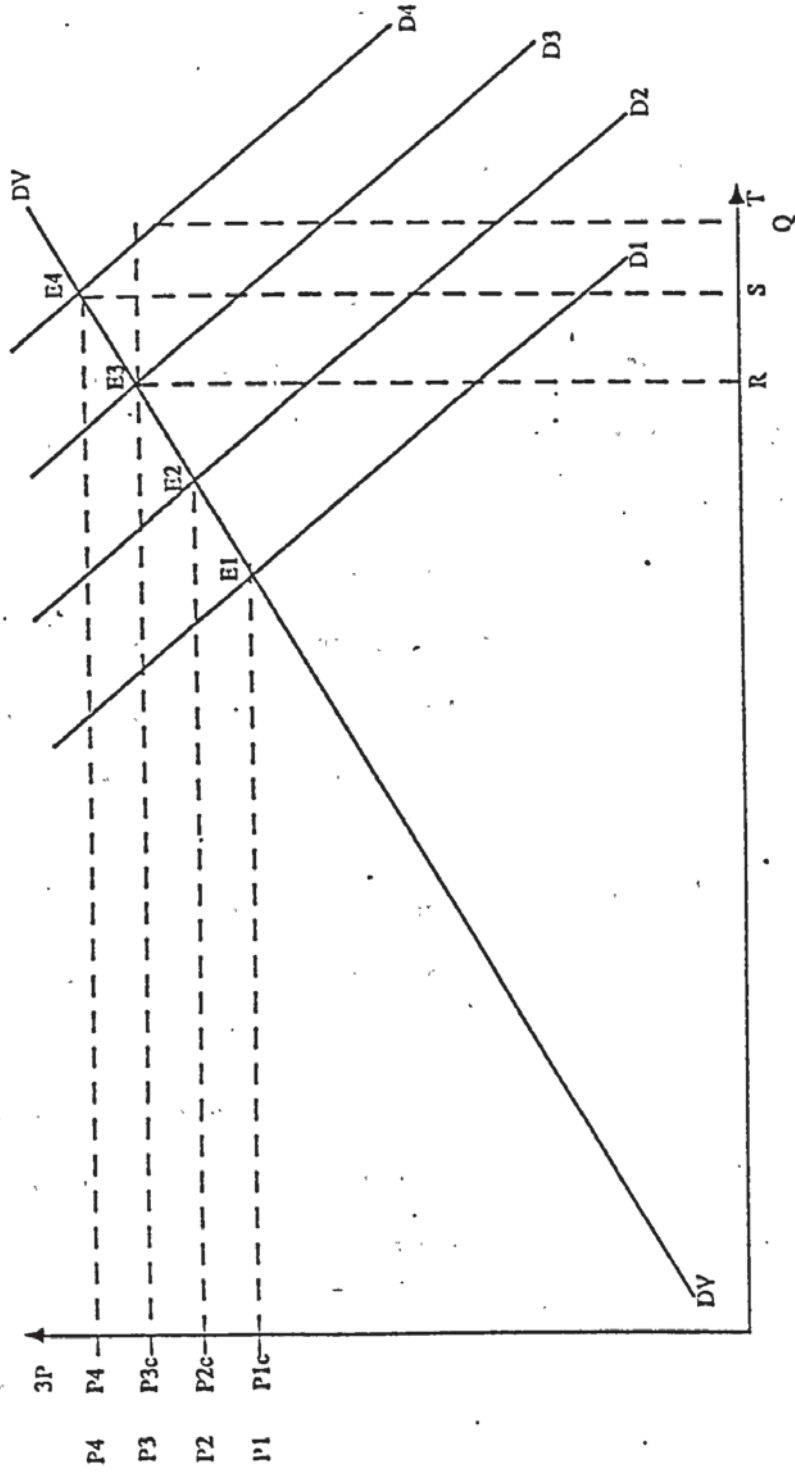
Studies have, in fact, found evidence for this theory of twin markets - i.e. the low priced market versus the exclusive higher priced, upper market (Granger and Gabor op. cit. and NEDO 1970).

Leavitt (1954) saw connotations of quality implicit in price - a higher price would be chosen due to subjects doubt about lower priced brands. This has direct

implications for the manufacturer and more so for the .  
retailer who must choose which market he is willing (or  
able) to supply.



FIGURE F(1) VEBLEN EFFECT



SOURCE: RAINNIE (1933:120)

APPENDIX GA BRIEF HISTORY OF BIRMINGHAM

The first knowledge of Birmingham comes from the time of William the Conqueror, when about fifty inhabitants worked strips of land in the hamlet of Richard de Brevingeham (Skipp 1980). By Tudor times Birmingham as a town, was a centre for manufacturing. Although a small amount of iron and coal had been extracted in the 13th century, it was not until the 16th century that extensive coal measures were discovered and the rise of Staffordshire iron industry distinguished Birmingham from the average urban centre.

Technical advances, rising living standards and a developing European and Colonial trade in the 18th century meant a steady development of new manufactures. Birmingham's central location and lack of navigable waterways led to the maximisation of skills until the development of the canal network in the early 19th century facilitating cheap and convenient movement of supplies for the manufacturing district. Later in the century railways replaced canals and brought an increased demand for iron goods.

Birmingham's ability to change from hardware based industries to engineering was of major significance for survival as the city entered the 20th century (Wood 1976). During the inter-war years, the Midlands prospered and became the area of most rapid economic growth resulting from the increasing demand for bicycles, cars and motor-bikes. During the 1930s, unemployment was lower than for most parts of England. By the end of this depression, the transition from iron and steel making to metal working was complete and provided the base for the future economic profile of Birmingham. Since that time, the industries of the city have been closely linked with growth of the foundries and press and machine shops.

#### POST-WAR BOOM

During the 1950s, prosperity in the West Midlands reached its peak and this time was known as the period of "economic miracle" (ibid.:50). The industrial goods required by the country were products which Birmingham was equipped to make and a great variety of metal-based trades developed. Growth was marked in female employment in manufacturing (which increased by almost 30% between 1951 and 1963); but most striking was the expansion of male employment - 50% above the national average. This explosion was led by the engineering industries which increased their employment by some 22% between 1951 and 1961. During the same decade, the motor vehicle industry

and metal goods production increased by 20% and metal manufacturing by 12% (ibid.:51).

The West Midlands continued to be one of the most prosperous regions of the country, as it increased its share of national employment from approximately 9.8% in 1960 to some 10.4% by 1973 (ibid.:56). This was mainly due to the fact that a large proportion of the City's population was of working age. Wood suggests that the manufacturing industries were the key to this prosperity. In the first five years of the 1960s, manufacturing employment grew at twice the rate of the national average. He suggests, however, that this creates a somewhat over-positive impression since, considering the potential for growth, a rate of 4.2% (as opposed to the actual 2.6%) would have been expected (ibid.:58). He indicates that this 'under-achievement' was possibly due to government policies to transfer jobs to other regions. Planning policies meant that the major growth was confined to the Staffordshire area north of Birmingham and south of the city in Redditch, Bromsgrove and Stratford. Post-1966 planning resulted in an accelerated growth of industry in the Telford area. But the main growth continued to be in south east Staffordshire and north Warwickshire. Losses continued in the old conurbation and Birmingham. There was also an acute labour shortage in the area.

RECESSION

The decline of the West Midlands County economy has been evident since the early 1970s. A large number of redundancies occurred across the full range of industry through the later 1960s and early 1970s. Only ferrous and non-ferrous metal manufactures, electrical and electronic apparatus and textile and clothing were able to maintain steady employment levels. Where growth did occur - in 'mainstream' engineering and metal and vehicle industries - this was consistently less than expected from national trends.

This general decline in economic health was put succinctly in a report from the West Midlands County Council (1984)

Since the onset of the recession in 1979, no region has suffered a more dramatic reversal of its economic fortunes than the West Midlands. In the past, the region was one of the most prosperous in the country with very low unemployment levels and high earnings giving its people above average standards of living. However, since the start of the 1980s the West Midlands has experienced a series of profound economic shifts. The underlying weaknesses of the region's dependence upon a narrow band of long-established metal-based

engineering industries, like foundries, machine tool and automative products, became starkly evident from 1979 onwards through the combination of economic recession and adverse government policies (West Midlands County Council EDU 1984b:2).

This decay has been evident in all indicators of of social and economic health. The West Midlands County Council Economic Development Unit (1984a) outlines four basic areas of concern - namely, manufacturing industries, unemployment, poverty and business activity.

#### MANUFACTURING INDUSTRY

Rowlands (1977) differentiated between national and local trends in recent times. The general, national trends have been towards a decrease in manufacturing employment, but an increase in the service sector. Birmingham had always had above-average employment in manufacturing and this now declined whilst the service sector did not grow at a balancing rate. There was an accompanying change from heavy to lighter types of industry. Local trends saw the decline of the motorcycle industry, which was further aggravated by a decline in the car industry in the West Midlands as a whole - but particularly at British Leyland in Longbridge. Manufacturing of motor vehicles was probably the single most important UK assembly

industry and the West Midlands could well claim to be the centre. The industry also occupied a crucial position in the West Midlands economy itself.

#### INITIATIVES TO COMBAT DECLINE

The West Midlands County Council EDU Report (1984a) outlines some ten initiatives designed to combat the accelerating social and economic decline. These aim to provide advice, financial and practical assistance to companies, community groups, trade unions, etc. and include :

- (1) the establishment of the West Midlands Enterprise Board which provides development capital for medium and large local companies employing more than 100 workers;
- (2) the formation of a co-operative development network across the county to provide practical assistance and advice to help the formation of co-operatives;
- (3) the launch of an interest relief scheme in conjunction with the Industrial and Commercial Finance Corporation, which helps local companies seeking loans to buy fixed assets which lead to job creation;
- (4) local welfare benefits campaigns encouraging the worst-off residents to claim benefits to which they are entitled;
- (5) investment in training projects;

- (6) formation of a Task Force in conjunction with the MSC, recruited from the county's long term unemployed carrying out building and other work for the community;
- (7) a re-orientation of inner city schemes designed to directly improve the job prospects of the county's inner area residents;
- (8) the provision of financial backing, in conjunction with other local authorities, for the development of science parks for high-tech companies;
- (9) finance for the Birmingham Trade Union Resource Centre which provides campaigning support to trade unionists;
- (10) support for the Unit for the Development of Alternative Products which conducts research on socially useful production.



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