

The interaction between culture and entrepreneurship in London's immigrant businesses

by
Anuradha Basu and Eser Altinay

**2002
432**

Henley Business School
University of Reading
Whiteknights
Reading
RG6 6AA
United Kingdom

www.henley.reading.ac.uk

**THE INTERACTION BETWEEN CULTURE AND
ENTREPRENEURSHIP IN LONDON'S IMMIGRANT BUSINESSES**

Dr Anuradha Basu

Director, Centre for Entrepreneurship
University Lecturer in Management Studies
Department of Economics
University of Reading
P.O Box: 218,
Reading RG6 6AA

Telephone: 01189875123 Ext: 4344

Fax: 01189316229

Email: a.basu@reading.ac.uk

Eser Altinay

Research Officer
Department of Economics
University of Reading
P.O Box: 218,
Reading RG6 6AA

Telephone: 01189875123 Ext: 4435

Fax: 01189750236

Email: e.altinay@reading.ac.uk

THE INTERACTION BETWEEN CULTURE AND ENTREPRENEURSHIP IN LONDON'S IMMIGRANT BUSINESSES

ABSTRACT

This paper examines the interaction between culture and immigrant entrepreneurship with reference to London's ethnic minorities. It compares the cultural attributes of different ethnic groups and how those affect their entrepreneurial behaviour. The paper reports and analyses the results of 163 interviews with entrepreneurs from six different immigrant communities in London: Indian, East African Asian, Pakistani, Bangladeshi, Turkish Cypriot and Turkish. The findings indicate diversity in business entry motives, patterns of start-up finance, the nature of businesses, and the degree of reliance on co-ethnic labour and customers among the different ethnic groups. These may be explained by differences in family background, migration motives, religion, family links, business experience, educational attainment and other factors. The evidence suggests that the interaction between culture and entrepreneurship is stronger in the case of some ethnic groups than others.

INTRODUCTION

The number of ethnic minority-owned businesses has grown rapidly in the UK over the last two decades (NatWest 2000; ONS 2001). Ethnic minorities are believed to be responsible for about 10% of business start-ups (Bank of England 1999), while comprising approximately 6.4% of the total population of Great Britain (ONS, 1999). It is also estimated that Britain's ethnic communities have an income of £10 billion per year (Natwest, 2000), which indicates their economic significance. Nearly half of Britain's ethnic minorities live in Greater London (ONS, 1999). According to one estimate, there are 1.8 million residents of ethnic minority origin in London and they own 62,000 businesses, which represents 19% of all businesses in London (LSFU, 1999). Ethnic entrepreneurs are estimated to own over 50% of new business start-ups and 7% of all small businesses in London (Natwest, 2000).

An analysis of the latest self-employment data reveals that the self-employment rate for Whites is around 12% compared with 19% for Bangladeshis and Pakistanis, 15% for Indians and 18% for the Chinese (ONS, 2001). The self-employment rate is estimated to be 20% for Turkish and Turkish Cypriots (Basu & Altinay, 2000). These figures indicate that ethnic minorities have a greater propensity towards self-employment compared with their White counterparts. An economically active South Asian is twice as likely to be an employer than his or her average British counterpart (Basu, 1998). The self-employment statistics together with comparisons of national data on educational achievement, occupation types, and unemployment, point to the existence of noticeable differences among ethnic minority groups. Data on educational achievement show

that 25% of working age Indians possess higher educational qualifications, compared with 12% Pakistanis and Bangladeshis, and 29% Chinese. Similarly, the unemployment rate among Indians is 7.6%, compared with 17.1% for Bangladeshis and Pakistanis (ONS, 2001). Do these differences extend to the entrepreneurial behaviour of these different ethnic groups? And if so, to what extent are they a reflection of cultural diversity?

This paper attempts to answer these questions, with specific reference to London's ethnic minorities. It examines how the cultural attributes of different ethnic groups affect their entrepreneurial behaviour and aims to contribute to our understanding of the interaction between culture and entrepreneurship. It does so by analysing and comparing the entrepreneurial behaviour of six different immigrant communities: Indians, East African Asians, Bangladeshis, Pakistanis, Turkish and Turkish Cypriots. The paper is structured as follows. The next section briefly reviews the literature on the concepts of entrepreneurship and culture and the interaction between the two. It goes on to provide the analytical framework of the present study. The sections that follow describe the composition and main characteristics of our sample; the diversity in cultural background; and the diversity in business entry and other entrepreneurial characteristics. The final section summarises our findings and points to the implications for further research.

ENTREPRENEURSHIP AND CULTURE

Entrepreneurship or self-employment normally involves setting up a new business or buying an existing business. Why are some people more entrepreneurial than others? What motivates people towards business entry and

self-employment? Profit may be one motive, as emphasised by several economists, notably, Cantillon and Marx. The desire to take risk and a spirit of adventure may be another (Knight, 1921). Some have greater access to information or knowledge and wish to exploit that advantage (Kirzner, 1973). The entrepreneur may be driven not only by economic motives but also by psychological motives like the desire to innovate and create new products (Schumpeter, 1934). However, positive reasons alone may not motivate entrepreneurship. Some individuals may have no other option but to choose self-employment. This is an argument that is frequently advanced in the context of immigrant entrepreneurship. It is argued that immigrants opt for self-employment in order to avoid racial discrimination in the host country's labour market, which forces them to accept low-paid jobs and blocks upward mobility (Jones et al., 1992; Ram, 1994). This approach ignores the fact that some ethnic groups may have a cultural propensity towards entrepreneurship.

The influence of culture on entrepreneurship was first emphasised by Max Weber at the beginning of this century. As Weber famously argued, Protestantism encouraged a culture that emphasised individualism, achievement motivation, legitimisation of entrepreneurial vocations, rationality, asceticism, and self-reliance. This ethic was a fundamental element of the spirit of modern capitalism (Weber, 1976). However, Weber felt that this ethos of rational individualism was absent in other spiritual traditions. For instance, he argued that a rational economic ethic would not develop in Hinduism owing to its belief in the caste system, fate and rebirth, excessive ritualism and reliance on magic (Weber, 1958). Culture is greatly influenced by religion since religion determines a person's basic values

and beliefs. Hofstede (1991), on the other hand, argues that religion alone does not shape culture.

Culture may be defined as a set of shared values, beliefs and norms of a group or community. Hofstede (1991, p.5) defines culture as “a collective programming of the mind which distinguishes the members of one group or category of people from another”. In other words, he regards culture as a collective phenomenon that is shaped by individuals’ social environment, not their genes. Cultural differences are the result of national, regional, ethnic, social class, religious, gender, and language variations. Values are held to be a critical feature of culture and cultural distinctiveness. Hofstede’s research shows how national culture affects workplace values across a range of countries. However, his study ignores the existence of different cultural groups within a country.

In the context of immigrant entrepreneurship, several scholars have highlighted the impact of different ethnic group cultures on entrepreneurship. They emphasise the importance of values like thrift, close family and religious ties and trust, which enable some immigrant groups to compete successfully in business (Bonacich 1973; Ward 1983; Werbner, 1990; Waldinger et al., 1990). Bonacich (1973) asserts that sojourners (temporary migrants) are more likely than settlers (permanent migrants) to be entrepreneurs since sojourning encourages thrift and hard work, in order to reach the long run goal of returning to one’s home country. There is also a high degree of internal solidarity among sojourners, which helps them to compete with the rest of society. Bonacich recognises that all sojourner communities are not equally entrepreneurial or unified and points out that some immigrant groups like the Jews, Armenians, Chinese and East African Asians are very similar to each other in terms of their economic role in host

countries because wherever these groups migrate they enter entrepreneurship and occupy intermediate or middlemen positions. In a similar vein, Herman (1979) argues that Macedonians in Canada were in low-level occupations because they did not have the cultural tradition or appropriate knowledge required to be in high-level occupations. Ward (1983) emphasises the interaction between ethnic resources, like cheap co-ethnic labour and cheap finance from the extended family, and opportunities offered by abandoned and forgotten ethnic markets, in stimulating entrepreneurship. However, these studies tend to ignore the influence of religion on entrepreneurship.

Until the 1990s, studies of ethnic minorities, especially Asians, in Britain treated them as a homogeneous group (Aldrich et al., 1981; Cater & Jones, 1978), or focused on a single community like the Gujarati Patels (Lyon, 1972), Pakistanis (Werbner, 1990). More recent studies on ethnic minorities have compared the entrepreneurial activities of different groups in the UK (Modood, 1992; Rafiq, 1992; Metcalf et al., 1996; Basu 1998; Basu & Goswami 1999; Borooah and Hart 1999; Smallbone et al., 1999; Brown, 2000). Modood (1992) asserts that Asian business success in Britain is really an Indian success story. This is corroborated by Metcalf et al., (1996) who find that Pakistanis are less successful than Indians in self-employment because of socio-economic and cultural factors, for example, the lack of formal skills, education, and savings, lack of family loans on favourable terms and the influence of religion, which prohibits the payment interest on (bank) loans. Similarly, Smallbone et al., (1999) argue that Pakistanis face more discrimination in the labour market compared to Sikhs because they wish to live according to Islamic values and are less willing to integrate with Western culture. This is supported by other studies like that of

Rafiq (1992), which emphasises that Asian Muslim businesses have not performed as well as non-Muslim businesses. Rafiq attributes this difference in performance to the fact that the Bradford Muslims he studied belong to a lower socio-economic class than the non-Muslims and this class difference may be traced to cultural differences. However, Rafiq's study ignores the existence of diversity among Muslim businesses, as noticed by Brown (2000) who emphasises the diversity between Indian Muslims and Pakistani/Bangladeshi Muslims (with the former in higher income bands than the latter) and between Indian Sikhs and Hindus. In addition, Brown alleges, as does Rafiq, that Muslims are under-represented in entrepreneurship because of their conservative attitude towards women working outside the home, resulting in the lower contribution of Muslim women to the family budget, which hinders capital accumulation. This view may be challenged on its assumptions and logic. First, a reading of the Quran shows that there is no rule that forbids women from seeking employment if it is a necessity (Badawi, 2000). This suggests that the main reason for the lack of female participation is family tradition rather than religious restrictions. Secondly, even if their wives are economically inactive, Muslim businessmen may not have any difficulty raising start-up capital, due to the strength of extended family ties as Werbner (1990) highlights in the case of Pakistanis in Manchester.

Framework of Analysis

This paper aims to demonstrate the extent to which the cultural attributes of different immigrant groups affect their entrepreneurial behaviour. It considers several elements of culture, namely:

- the country of previous residence of the immigrant, since that contributes to shared historical memories within the immigrant group;
 - religion, since it helps to shape values and beliefs;
 - language, since it creates a bond within the immigrant group;
 - the attitude to education, since education may help to shape values and beliefs;
- and
- family tradition in business, since this inculcates a business culture and may provide greater access to capital and information from within the family.

All the above elements of culture create a sense of identity and a bond within an immigrant ethnic minority group and also help to draw boundary lines between different groups. We use these criteria to distinguish between six ethnic minority immigrant groups: Indians, East African Asians, Bangladeshis, Pakistanis, Turkish and Turkish Cypriots. In this paper, entrepreneurial behaviour is analysed in terms of the motives for business entry and its mode of financing, the type of business activities, participation of women in business, and the reliance on co-ethnic labour and co-ethnic markets.

In terms of business entry motives, it is possible to hypothesise that the six groups may be motivated by different sets of factors, by virtue of differences in cultural tradition. Thus, if all groups are not equally entrepreneurial in terms of family tradition in business, their motives for business entry are likely to differ. Similarly, if the groups differ in terms of educational attainment, their reasons for choosing self-employment may not be identical, since the potential to secure paid employment may vary. It is once again possible to hypothesise the existence of differences in the case of financing at business start-up. This may be due to

religious differences across the groups. Since Islam prohibits usury, we would expect that Muslims would not borrow money from banks and would instead rely on their own savings or on family funds.

The nature of business may be influenced by historical regional or family tradition. For example, the Indians who went to East Africa from Gujarat were mainly traders and hence it is not surprising if they engage in trade. The Bangladeshis from Sylhet, on the other hand, have a tradition of working as *lascars* (cooks) on ships and may therefore like to exploit these culinary skills when choosing their nature of business. The type of business may also be influenced by religion. Since Islam prohibits the consumption of alcohol and pork but encourages the consumption of halal meat, we would expect Muslims not to enter businesses that involve the marketing of alcohol or pork but to set up halal meat shops. Since Jains are vegetarians, they are unlikely to own shops selling meat.

Women's participation in business may be influenced by religion and family tradition. Since Muslims are traditionally more conservative than other religious groups, in their attitude towards women working outside the home, we would expect fewer wives to work in Muslim businesses than in non-Muslim businesses. The reliance on family and co-ethnic labour and co-ethnic markets may reflect an immigrant ethnic group's attempt either to strengthen bonds within their own community or to remain insulated from the host community. A high reliance on co-ethnic resources and opportunities may therefore imply that the entrepreneurs belonging to that ethnic group have a strong cultural identity that they wish to preserve, perhaps because they see themselves as "sojourners" in the foreign country.

COMPOSITION OF SAMPLE

This paper is based on a detailed survey of 163 entrepreneurs of Bangladeshi, East African Asians, Indian, Pakistani, Turkish Cypriot and Turkish origin who are all located in London. The survey was conducted by means of face-to-face interviews with the entrepreneurs using a detailed questionnaire to investigate various aspects of entrepreneurship in the UK. The first four groups were surveyed between 1996 and 1998, and focused on small and medium-sized businesses (see Basu & Goswami 1999 for further details on sample selection and method). The last two groups were surveyed in 1999-2000 and although they included micro businesses (see Basu & Altinay 2000 for methodological details), these have been excluded for the purposes of the present paper. Similarly, businesses located outside London in the first survey have been excluded, in order to make the two sets of survey data comparable. It should be emphasised that this paper is based on an analysis of those questions that are identically framed in the two surveys. Hence, we believe that despite some variation in the time frame of the two surveys, the comparison across these six groups is meaningful in the context of our focus on culture and entrepreneurial behaviour. Responses for business entry motives are analysed by factor analysis, and analysis of variance (ANOVA) and chi-square tests measure the degree of diversity across groups.

All the businesses considered in the present paper have 10 or more employees. Two thirds have between 10 and 49 employees, and a third have 50 or more employees. Three-quarters of the businesses have annual sales exceeding £1 million. This indicates that the sample is composed predominantly of small and medium-sized business owners rather than micro businesses, which contrasts with

the sample profile of other surveys in this field (Jones et al., 1992; Metcalf et al., 1996, Ram 1994; Smallbone et al., 1999). In terms of the nature of business, 18% are in manufacturing, 24% in retailing, 34% in international trade, 30% in wholesaling, 22% in catering and restaurants, and 28% in other services like hotels, medical care, transport (shipping), travel, property development and commodity brokerage. Thus, a higher proportion of the entrepreneurs surveyed are in wholesaling and international trade rather than retailing, which again differs from previous surveys of ethnic minorities in Britain (like Metcalf et al., 1996).

Most respondents migrated to Britain at a young age, a majority before the age of 20, and only 7 respondents are British born. Most respondents migrated between the mid-1960s and mid-1970s, which was the peak period of migration of the East African Asian, South Asian and Turkish Cypriot communities to Britain (Ladbury, 1977; Peach, 1996;). A majority started their businesses in the late 1970s or early 1980s, the only exceptions being the Turkish respondents who started their businesses in the early 1990s. The respondents are all men who are now in their mid- or late-40s. A sizeable proportion (41%) of respondents do not intend to return to their home country or equally (42%) say they *may* return to their home country at some unspecified future date. Comparatively few (17%) say they definitely intend to return to their country of origin. This suggests that many regard themselves as ‘settlers’ rather than ‘sojourners’ – and this is especially true for the East African Asians.

EVIDENCE OF CULTURAL DIVERSITY

The country of previous residence of the immigrant forms the basis for distinguishing between the six ethnic groups considered in this paper. Thus,

although East African Asians are originally Indians, their forefathers migrated from India to East Africa and they now share common historical memories and a common migration experience with other Asian migrants from East Africa, most of whom came to Britain with their families in the early 1970s as political refugees from Uganda and Kenya. It is therefore appropriate to consider them separately from the Indians who migrated directly from India for educational or business reasons. Although the Turks and Turkish Cypriots are both Muslim, the migration experience of the Turks in Turkey differs from that of the Muslims from Turkish-occupied North Cyprus. Most of the Turkish respondents came to Britain as political refugees in the early 1980s, leaving their families behind in Turkey. Turkish Cypriots migrated primarily because of harsh economic conditions, and political instability on the island. The pre-migration experience of the Bangladeshis, Indians and Pakistanis also differ. On the basis of their country of previous residence, we find that our sample is composed of 14 Bangladeshi (BA), 36 East African Asian (EA), 45 Indian (IN), 19 Pakistani (PA), 27 Turkish Cypriot (TC) and 22 Turkish (TR) respondents.

Few would dispute the role of religion as a key component of culture and ethnic identity. Our sample is characterised by considerable diversity in the religious background of the entrepreneurs surveyed. A majority of respondents are Muslim. All the BA, PA, TR and TC respondents are Muslim. However, the religious affiliation of the other three groups is more diverse. Among the IN respondents, a majority are Hindus (64.4%), 17.8% are Sikh, and the remaining are Parsi, Jain, and Muslim. Among the EA respondents 61.1% are Hindus, 13.9% Jain, 16.7% Muslim, and the remaining are Christian and Sikh.

There are differences in the languages spoken by the respondents. All the BAs speak Sylheti, which is a dialect of Bengali. Nearly all the PA respondents speak Punjabi or Urdu. The East African Hindus, Jains, and Muslims are predominantly Gujarati speaking. The IN respondents are very mixed. A majority speaks Punjabi while one fifth speak Gujarati. The remaining INs are primarily Hindi speaking. All the TR and TC respondents speak TR and some of the TCs speak Greek. The bonds of a common language seem to be stronger within some groups like the BA, TR, TC and Gujarati-speaking EAs, compared with the IN respondents.

Table 1: Diversity in Educational attainment (Number of respondents, N=162)

	BA	EA	IN	TC	PA	TR	All Groups	Test for inter group variance
'O' Levels or below	2 (14)	8 (22)	7 (16)	11 (42)	4 (21)	11 (50)	43 (27)	Chi-square= 14.026 P=.015*
'A' Levels or above	12 (86)	28 (78)	38 (84)	15 (58)	15 (79)	11 (50)	119 (74)	Chi-square=14.026 P=.015*
Graduates	11 (79)	21 (58)	29 (64)	6 (23)	10 (53)	4 (18)	81 (50)	Chi-square= 25.827 P=.000***
Masters Degree	1 (7)	6 (17)	14 (31)	1 (4)	3 (16)	0 (0)	25 (15)	Chi-square= 15.946 P=.007**

Note: Figures in parentheses refer to percentage share by ethnic origin and have been rounded up to whole numbers.
* = significant at the 5% level; ** = significant at 1% level; *** = significant at 0.1% level

In terms of educational attainment, the IN and BA respondents are most qualified while TC and TR respondents are least well educated (See table 1). The high proportion of graduates amongst INs is consistent with national patterns of educational attainment (Peach, 1996; ONS, 2001), and reflects the value placed on higher education as a route to social and economic advancement by INs in Britain. A comparatively higher proportion of IN respondents also hold Master's degrees or higher-level professional qualifications. The low proportion of graduates amongst TR and TCs reflects their cultural values and attitude towards education, as found by previous studies (Ladbury 1977). Although a majority of

BA respondents are graduates, some were educated in Bangladesh and lack higher educational experience in Britain.

It seems fair to argue that a family background in business offers aspiring entrepreneurs an initial advantage, in the form of exposure to business practices and a tacit knowledge of business by inculcating a business culture prior to business entry. In terms of family background, all but two EA respondents belong to a trading background. On the other hand only a small proportion of TCs and TR have fathers who were traders, shopkeepers or businessmen compared with the other four groups. These variations are statistically significant (See Table 2). Furthermore, the fathers of most TR and TC respondents were in low status jobs like farming and factory work compared to other groups. These findings imply that the TR and TC entrepreneurs surveyed began with a comparative disadvantage relative to the EA in that they could not draw on business-specific knowledge, acquired through their immediate family prior to business, nor on family loans from their parents. In terms of family links in the UK, a majority of the EAs and TCs have most of their families in the UK, unlike the remaining groups. This may be due to the fact that both these groups migrated with their families, many as political refugees, unlike the TR who came on their own. A significantly higher proportion of these two groups (compared to other groups) also have relatives who are self-employed in the UK. For the EAs, many of these relatives are in the same line of business as themselves. Around two-thirds of INs, EAs and BAs have self-employed relatives abroad, compared with only one-third of the TC and half the TR, which suggests the existence of social and business networks on an international scale.

Table 2: Diversity in family business tradition and ties (Number of responses)

BA	EA	IN	TC	PA	TR	All	Test for inter group variance
----	----	----	----	----	----	-----	-------------------------------

	Groups							
<i>Father's occupation</i>								
Father in Business	7 (50)	34 (94)	21 (44)	6 (24)	13 (58)	7 (37)	88 (54)	Chi-square=37.738 P=.000***
Father in high status job (Professional & businessman)	8 (57)	36 (100)	28 (65)	7 (28)	14 (74)	7 (37)	100 (64)	Chi-square=41.528 P=.000***
Father in low status job (factory worker & farmer)	4 (29)	0 (0)	9 (21)	17 (68)	2 (11)	10 (53)	42 (27)	Chi-square=44.487 P=.000***
<i>Presence of extended family in the UK</i>								
Presence of self-employed relatives in the UK	3 (21)	23 (64)	11 (24)	23 (85)	8 (42)	7 (32)	75 (46)	Chi-square=35.044 P=.000***
<i>Self-employed family links</i>								
Presence of self-employed relatives in the UK	11 (79)	32 (91)	31 (80)	24 (89)	13 (77)	11 (50)	122 (79)	Chi-square=16.197 P=.006**
Of whom, those in same line of business	6 (55)	21 (66)	18 (58)	13 (48)	6 (46)	7 (32)	71 (52)	Chi-square=6.794 P=.236
Presence of self-employed relatives in home country	5 (36)	23 (64)	30 (67)	9 (33)	13 (68)	11 (50)	91 (56)	Chi-square=12.454 P=.029*

Note: Figures in parentheses refer to percentage share by ethnic origin and have been rounded up to whole numbers.

DIVERSITY IN BUSINESS ENTRY MOTIVES AND FINANCE

In order to understand how culture affects entrepreneurship, the respondents were asked to explain their motivations for entering self-employment. The results of factor analysis, shown in Table 3, indicate the complexity of motives driving entrepreneurship.

Table 3: Motives for Business entry

Rotated component Matrix	Component			
	1	2	3	4
To be independent	.766	-8.21E-02	4.964E-02	-2.55E-02
Greater control of life	.698	-.235	-.171	2.912E-02
Family tradition	2.875E-02	6.680E-02	-1.33E-03	.859
Family members in business already	-7.61E-02	2.274E-02	1.248E-02	.856
To improve social status	.626	.182	.262	-3.91E-02
Financial betterment	.670	1.975E-03	5.687E-02	-2.91E-02
Could not find salaried work	-.122	.740	-.181	5.142E-02
Salaried work was underpaid	2.648E-02	.743	-.169	-5.04E-02
Discrimination	.251	.515	-.293	-3.14E-02
Redundant	-.215	.653	.163	.174
Previous business experience	-7.95E-03	-7.22E-02	.703	3.312E-03
Best use of expertise	5.954E-02	-9.62E-02	.706	3.747E-03
Market research	9.207E-02	-.125	.656	7.564E-03

Note: Extraction Method is Principal Component Analysis and Rotation Method is Varimax with Kaiser Normalization. Rotation converged in 6 iterations.

Factor analysis demonstrates that there are four different types of entrepreneurs in our sample, as presented in Table 3 (and Appendix 1). The first group of entrepreneurs are driven primarily by positive motives, both economic (the desire to make money) as emphasised by Cantillon and Marx, and non-economic (independence, status) as emphasised by Schumpeter. A second group enters business mainly for negative reasons, like labour market discrimination, underpaid salaried work, unemployment and redundancy, emphasised by some scholars working on ethnic entrepreneurship (Modood 1997; Ram 1994; Kloosterman et al., 2000). The third group of entrepreneurs' business entry decision is shaped by their previous experience and market knowledge, factors emphasised by Kirzner. The final group of entrepreneurs is motivated primarily by a family tradition in business. These results show the diversity of business entry motives among the entrepreneurs surveyed. They also show that business

entry motives cannot be explained by one set of factors alone but by a combination of factors and theories.

Analyses of variance indicate both unity and diversity amongst the six groups. Thus, the desire for independence as a motive for business entry is equally strong among all ethnic groups, as is their desire to have greater control over their lives, improve their social status in the eyes of their own community members and make best use of their expertise. This suggests that there may be some cultural values and beliefs that are common to all immigrant entrepreneurs. In a sense, our sample is self-selective since it consists of people who left their home country to search for better opportunities elsewhere.

Table 4: Motives for Business entry
(Mean scores, on a scale of 1= great deal of influence to 5 = no influence)

	BA	EA	IN	TC	PA	TR	All Group	Test for inter group variance
To be independent	1.07	1.81	2.05	2.26	2.21	1.91	1.94	ANOVA F= 1.436, p = .214
Greater control of life	1.36	2.46	2.38	2.52	2.50	2.86	2.43	ANOVA F= 1.178, p = .323
Family tradition	4.79	2.00	3.09	3.41	3.11	3.55	3.12	ANOVA F= 6.001, p = .000***
Family members in business already	4.33	2.56	3.34	2.59	4.11	3.82	3.30	ANOVA F= 3.844, p = .003**
To improve social status	2.71	3.03	3.60	3.85	3.17	3.41	3.37	ANOVA F= 1.316, p = .260
Financial betterment	1.29	1.77	2.20	1.52	2.84	1.68	1.92	ANOVA F= 3.187, p = .009**
Could not find salaried work	4.71	4.65	4.77	4.30	4.72	4.64	4.64	ANOVA F= .783, p = .563
Salaried work was underpaid	4.86	4.56	4.33	4.11	4.61	3.36	4.28	ANOVA F= 3.457, p = .005**
Discrimination	4.69	4.68	4.44	4.67	4.89	4.82	4.65	ANOVA F=.743, p = .592
Redundant	4.77	4.76	4.68	5.00	4.71	4.95	4.80	ANOVA F=.571, p = .722
Previous business experience	2.50	3.25	3.40	1.96	3.32	2.32	2.90	ANOVA F= 3.217, p = .009**
Best use of expertise	1.09	2.50	2.63	2.44	2.39	2.82	2.46	ANOVA F= 1.757, p = .125
Market research	2.36	3.42	3.53	2.96	3.11	2.59	3.14	ANOVA F= 1.540, p = .181

As table 4 shows, family tradition in business is a much more important business entry motive for EAs than for the other groups, which is consistent with their cultural tradition. This result is corroborated by a statistically significant association between the importance of a family business tradition as a business entry motive and whether the respondents' fathers are in business or not. The

presence of family members already in business is also significantly more important as a business entry motive among EAs than other groups. To quote a typical respondent's answer to why he chose self-employment, "Business is in my blood... it is the only thing I knew I could do..."

In general, very few respondents said that they chose self-employment because they were made redundant or could not find a salaried job. This need not necessarily imply that they were able to find well-paid jobs, as is borne out by the response of the TR group, most of whom said that they chose self-employment because their salaried jobs were underpaid. One typical TR respondent said: "I came here in 1990 alone, I left my wife and children in Turkey, I knew only my best-friend and started to work for him at his Kebab Takeaway shop in North London. First, I did not know the market going wages. I did not have any idea what my wages should be and to tell the truth I did not know English and did not know where to go and how to find another job.... but once I learnt the job and realised that he was paying me half of the normal wage then I told myself that's enough working for him and let's go and buy a shop for myself."

The desire for financial betterment is an important motive for all groups but is more important for TR, TC and BAs, than for the other groups, which suggests that financial incentives are more critical for those from poorer families. It may also reflect the comparatively lower educational levels amongst the TR and TC respondents, which limited their opportunity to secure financially attractive employment.

There is significant variation across the groups in respect of their reliance on different sources of start-up finance (see Table 5). The IN and PA respondents relied more heavily on personal savings at start-up than the other groups. This is

consistent with the relatively small capital (of £10,000) with which a majority of the PA and IN respondents started their business. The EA respondents relied less heavily on personal savings but used more family capital. More interestingly, one EA said “There is no difference between family money and personal savings.”

Table 5: Sources of finance at start-up

	BA	EA	IN	TC	PA	TR	All Groups	Tests for inter group variance
<i>Respondents who relied on:</i>								
Personal savings	11 (79)	15 (47)	33 (81)	27 (100)	16 (84)	18 (82)	120 (77)	Chi-square= 25.929 p = 0.000***
Bank Loan	10 (71)	15 (46)	14 (34)	18 (67)	6 (31)	11 (50)	74 (47)	Chi-square= 12.167 p = 0.033**
Family Funds	6 (43)	19 (59)	10 (24)	11 (41)	5 (26)	15 (68)	66 (43)	Chi-square= 17.231 p = 0.004**
<i>Mean share of alternative sources</i>								
Personal Saving	38.2	28.7	56.1	43.8	63.1	37.0	44.8	ANOVA F= 3.051, p = .012*
Bank Loan	32.1	26.0	21.0	40.5	17.3	24.0	26.4	ANOVA F= 1.733, p = .130
Family funds	23.5	44.8	16.1	15.5	15.7	33.8	25.1	ANOVA F= 3.701, p = .003**

The EAs relied more on family loans than the other groups, which reflects the strength of their family networks in providing access to long-term capital. The lower reliance on family capital of the BA, TR and TC respondents may reflect the fact that they belong to relatively poorer families.

BA and TC respondents relied relatively more on bank borrowing, than the other groups, perhaps because they did not have access to family loans and also because a majority of them started with relatively large amounts of capital (£21,000 and £50,000 respectively). This finding contrasts with previous studies (like Metcalf et al., 1996) that argue that Muslims are traditionally reluctant to use bank finance since it requires the payment of interest, which is frowned upon by Islam. On the contrary, we find that 45% of Muslim respondent used bank finance at start-up compared to 39% non-Muslim respondents. This suggests that the Muslim entrepreneurs surveyed are pragmatic businessmen who realise that they

have to rely on bank borrowing if they wish to start a business and if alternatives modes of finance are unavailable.

DIVERSITY IN THE NATURE OF BUSINESS:

An analysis of the type of business run by the six groups indicates that a much higher proportion of INs and EAs are engaged in wholesale and international trading activities, compared with the other groups. This finding is not surprising in the case of the EAs since most of them belong to a trading background. Their involvement in international trading activities suggests that these two groups either have greater access to information in different country markets perhaps through their family networks, or have exploited their knowledge of their home country more effectively for business purposes. Again, proportionately more TR and TCs are in retailing which reflects their socio-economic status prior to business entry since entry into retailing does not require technical skills or very large capital outlays. A much higher than average proportion of BAs and TCs operate in the restaurant and catering sector, compared to the other groups. This is consistent with the previous experience and skills of these two groups of migrants.

Table 6: Nature of business (N= 163)

	BA	EA	IN	TC	PA	TR	All Groups	Test for inter group variance
Manufacturing:	3 (21)	7 (19)	11 (24)	4 (15)	2 (11)	3 (14)	30 (18)	Chi-square= 2.554 p = .768
Wholesaling:	2 (14)	12 (33)	19 (42)	4 (15)	6 (32)	6 (27)	49 (30)	Chi-square= 8.093 p = .151
International Trade:	4 (29)	14 (39)	20 (44)	7 (26)	2 (11)	8 (36)	55 (34)	Chi-square= 8.285 p = .141
Retailing:	0 (0)	8 (22)	10 (22)	9 (33)	3 (16)	9 (41)	39 (24)	Chi-square= 10.022 p = .075
Catering:	8 (57)	1 (3)	2 (4)	15 (56)	5 (26)	5 (23)	36 (22)	Chi-square= 43.716 p = .000***

Note: Percentages for each group (in parenthesis) may add up to more than 100, since some businesses operate in more than one sector

Details regarding the type of food handled by businesses engaged in food retail, wholesale, catering or manufacturing show that the two Gujarati Jains restaurateurs in our sample do not serve non-vegetarian food or alcohol. On the other hand, BA and TC-owned restaurants serve alcohol since they find it essential to do so for competitive reasons. Thus, religion plays some role in influencing the nature of business but the influence is fairly limited. One BA restaurateur said “I serve Indian beer, which is very popular with my customers who like to eat Indian food along with imported Indian beer.”

RELIANCE ON ETHNIC LABOUR AND ETHNIC MARKETS

All groups relied on at least some family participation in the business. A majority of BA and TC respondents have wives who work in their businesses, which contrasts with the generally held view that Muslim women do not work outside the home and may be attributed to several factors. Firstly, it may be because these businesses cannot afford outside employees. Secondly, husbands may prefer their wives to work with them, instead of working for outside employers, for reasons of family tradition rather than religion. Thirdly, the nature of spouse participation, usually in the form of clerical assistance, does not require interacting with customers or employees or exerting physical effort. Fourthly, the spouses may not be qualified enough to get jobs in the mainstream market or may not speak fluent English. Spouse participation is comparatively much lower amongst the Turks, probably because most of them are either single or have left their wives behind in Turkey. In some well-established EA and IN businesses, the

wife used to initially work in the business but no longer participates actively since the business can now afford to employ outsiders.

Table 7: Reliance on family/co-ethnic labour and co-ethnic customers

	BA	EA	IN	TC	PA	TR	All Group	Test for inter group variance
<i>Respondents who employ following:</i>								
Spouse	8 (57)	12 (34)	18 (40)	14 (52)	5 (28)	6 (27)	63 (39)	Chi-square= 6.373 p = .272
Children	1 (7)	10 (29)	18 (41)	8 (30)	5 (26)	3 (14)	45 (28)	Chi-square= 8.987 p = .110
Siblings	3 (21)	15 (43)	15 (34)	11 (41)	3 (16)	7 (32)	54 (34)	Chi-square= 5.633 p = .344
Cousins	1 (7)	9 (26)	8 (18)	17 (63)	5 (26)	11 (50)	51 (32)	Chi-square= 24.047 p = .000***
Co-ethnic labour	12 (86)	16 (46)	22 (49)	18 (67)	11 (58)	22 (100)	101 (62)	Chi-square= 24.514 p = .000***
Mean % of co-ethnic employees	77.5	39.2	45.0	63.3	48.5	89.0	56.0	ANOVA F= 8.543, p = .000***
Mean % of co-ethnic customers	24.2	31.8	24.5	21.7	38.9	54.0	31.3	ANOVA F= 3.151, p = .010*

BA and TR respondents employ the highest proportion of co-ethnic labour while EA and IN employ the lowest proportion of such workers. This diversity may be explained by several factors. First, most BA and TR respondents own ethnic restaurants or take-aways, which they believe are more appropriately staffed by co-ethnic employees who are knowledgeable about the food being served and are prepared to work long hours when required. For TR, a further factor is that most of the respondents are located in areas with a high concentration of TR immigrants, many of whom are refugees and prepared to work on an informal basis at below market wages. For the BA, the high reliance on co-ethnic labour is offset by a very low reliance on extended family labour (cousins). Conversely, there may be several reasons why EAs and INs rely less on co-ethnic labour. Firstly, they may find it difficult to recruit their own community members, (who prefer to establish their own businesses), so they often employ other Asians, like Sri Lankan and Nepalese immigrants. Secondly, since they

employ larger numbers of people (median values of 65 and 38 respectively) than other respondents, it is not feasible for them to rely heavily on co-ethnic labour. Thirdly, the predominantly mainstream nature of their businesses, does not necessitate a reliance on co-ethnic labour, and may in fact benefit from white employees. Finally, it may be that due to their experiences in East Africa, the EAs are reluctant to exercise any form of obvious discrimination against their host community. This suggests that the reliance on co-ethnic labour stems from a combination of cultural, economic and spatial factors.

An analysis of the customer profile across the six groups shows that the reliance on co-ethnic customers is reasonably low for all except the TR and PA respondents. For the TR respondents, more than half their customers are from their own ethnic group. This is not surprising given the location of their businesses in areas with a high concentration of Turks (North London's "Turkotown"). The EAs, INs and TC respondents have, on average, low proportions of co-ethnic customers, which is consistent with the 'middleman' nature of their businesses. TR respondents display the highest degree of reliance on co-ethnic labour and markets amongst the groups.

CONCLUSION

This paper has attempted to explore the interaction between culture and entrepreneurship by comparing the cultural attributes and entrepreneurial behaviour of six different immigrant ethnic groups, namely, BAs, INs, EAs, PA, TR and TC. The entrepreneurs surveyed own small and medium-sized businesses based in London. Our survey highlights the cultural diversity of these six groups

of entrepreneurs. They differ in terms of their reasons for migration, their religious affiliations, the languages they speak, their educational attainment, their family background (whether in business or not) and their access to family business networks. The main religious divide is between Muslims (BAs, PAs, Turks, TCs, plus a few INs and EAs) and non-Muslims.

An analysis of the entrepreneurial behaviour of these six groups points to differences in business entry motives, patterns of finance, the nature of businesses, women's participation in business and the reliance on co-ethnic labour and customers. Some of these differences reflect cultural diversity across the groups. Culture, in the form of a family tradition in business and strong family ties, has an impact on business entry motives, on the financing of new start-ups and on the nature of business chosen. Thus, the East African Asian entrepreneurs, most of whom have a family tradition in trading, chose self-employment because of this family business tradition, tended to rely heavily on family finance at start-up and own businesses engaged in domestic or international trade. On the other hand, comparatively few Turkish Cypriots had fathers in business, they chose self-employment for financial gain, relied little on family finance at start-up (mainly due to lack of access to it) and established catering businesses after a few years' work experience in this sector in London. The tendency towards insularity seems stronger among the Turks who rely heavily on co-ethnic labour and markets, compared to other groups.

Culture, as manifested by religion, does not exert as important an influence, as might be expected, on entrepreneurial behaviour. Thus, Muslim-owned businesses seem just as likely to borrow from banks as non-Muslims. They are also willing to make other concessions like serving alcohol if necessitated by their

business and employing their wives in the business if required. There is no conclusive evidence to suggest that Muslim respondents are more likely than non-Muslims to be pushed into self-employment because of unemployment, or that they concentrate on ethnic markets. Nor is there any evidence to support Weber's claim that Hinduism does not stimulate entrepreneurship.

The evidence suggests that entrepreneurial behaviour is affected not only by culture but by other factors as well. A range of motives, some of which are common to all entrepreneurs, affects business entry. Thus, all those surveyed said that they were driven by the desire for independence and greater control over their lives. The reliance on bank finance is dependent on financial circumstances rather than cultural likes or dislikes. The reliance on co-ethnic labour seems to be due not only family background or cultural preferences but also to the nature and location of businesses.

The findings in this paper highlight the complexity of the interaction between culture and entrepreneurship. Some aspects of culture like family tradition seem to have greater impact on entrepreneurship than others like religion. The reasons for this need to be explored further, specially, since the findings on the impact of Islam on entrepreneurship are contrary to conventional wisdom. Our findings also suggest that the interaction between culture and entrepreneurship is stronger in the case of some ethnic groups like the East African than others. Furthermore, the evidence suggests that the interaction between culture and entrepreneurship may change with time, that is, between business entry and later business operation. Thus, although family ties and resources play a crucial role at business start-up for East African entrepreneurs, cultural factors are not as important for the subsequent operation of the business, as reflected in the low propensity of spouses

working in the business, the low reliance on co-ethnic labour and co-ethnic markets. The reasons for this need further exploration as does the question of whether or not these results can be generalised for a larger sample of entrepreneurs across a range of different ethnic groups.

REFERENCES

Aldrich, H. E., Cater, J., Jones, T. P., & McEvoy, D. (1981). Business Development and Self-Segregation: Asian Enterprise in Three British Cities. In *Ethnic Segregation in Cities*, ed. Peach, C., Robinson, V., & Smith, S. London: Croom Helm.

Badawi, J.A. (2000). *The Status of Woman*. Coventry: IPCI.

Bank of England (1999). *The Financing of Ethnic Minority Firms in the United Kingdom: A special Report*. London: Bank of England.

Barrett, A. G., Jones, T. P., & McEvoy, D. (1996). Ethnic Minority Business: Theoretical Discourse in Britain and North America. *Urban Studies*, 33 (4-5), 783-809.

Basu, A. & Altinay, E. (2000). *An exploratory study of Turkish Cypriot small businesses in London*. Paper presented at the Third International Congress on Cyprus Studies, Gazimagusa, November 13-17.

Basu, A. & Goswami, A. (1999). South Asian entrepreneurship in Great Britain: factors influencing growth. *International Journal of Entrepreneurial Behaviour & Research*, 5 (5), 251-275.

Basu, A. (1998). An Exploration of Entrepreneurial Activity among Asian Small Businesses in Britain. *Small Business Economics*, 10 (4), 313-326.

Bonacich, E. (1973). A Theory of Middleman Minorities. *American Sociological Review*, 38, 583-594.

Borooah, K. V., & Mark, H. (1999). Factors Affecting Self-Employment among Indian and Black Caribbean Men in Britain. *Small Business Economics*, 13 (2), 111-129.

Brown, S. M., (2000). Religion and economic activity in the South Asian population. *Ethnic and Racial Studies* 23 (6), 1035-1061.

Cater, J., & Jones, T. (1978). Asians in Bradford. *New Society*, 13 April, 81-82.

Herman, H. V. (1979). Dishwashers and Proprietors: Macedonians in Toronto's restaurant trade. In *Ethnicity at Work*, ed. S. Wallman, 37-71. London: Macmillan Press.

Hofstede, G. (1991). *Cultures and Organizations: Software of the Mind: Intercultural Cooperation And Its Importance For Survival*. Great Britain: McGraw-Hill.

Jones, T., McEvoy, D., & Barratt, G. (1992). *Ethnic Identity and Entrepreneurial Predisposition: Business Entry Motives of Asians, Afro-Caribbeans and Whites*. Paper presented at the ESRC Small Business Initiative, University of Warwick: February 4.

Kirzner, I. M. (1973). *Competition and Entrepreneurship*. Chicago: University of Chicago Press.

Kloosterman, R., Leun, J., & Rath, J. (2000). Mixed Embeddedness: (In)formal Economic Activities and Immigrant Businesses in the Netherlands. *International Journal of Urban and Regional Research*, 23 (2), 253-267.

Knight, F. H. (1921). *Risk, Uncertainty and Profit*. New York: Houghton Mifflin.

Ladbury, S. (1977). The Turkish Cypriots: Ethnic Relations in London & Cyprus. In *Between Two Cultures*, ed J.L. Watson, 301-331. London: Basil Blackwell.

London Skills Forecasting Unit (1999). *Strength through Diversity: Ethnic Minorities in London's Economy*. London: LSFU.

Lyon, M. (1972). Ethnicity in Britain: The Gujarati Tradition. *New Community*, 2 (1), 1-12.

Metcalf, H., Modood, T., & Virdee, S. (1996). *Asian Self-Employment: The interaction of Culture and Economics in England*. London: Policy Studies Institute.

Modood, T. (1992). *Not easy Being British: Colour, Culture and Citizenship*. London: Runnymede Trust and Trentham Books.

NatWest (2000). *Ethnic Minority Businesses*. London: National Westminster Bank.

Office for National Statistics (2001). *Labour Market Trends*, 109 (1). London: Office for National Statistics.

Office for National Statistics (1999). *The Ethnic minority populations of Great Britain-latest estimates*. London: Office For National Statistics.

Peach, C. (1996). *Ethnicity in the 1991 Census: The Ethnic Minority Population of Great Britain*. London: HMSO.

Rafiq, M. (1992). Ethnicity and enterprise: A comparison of Muslim and-Muslim owned Asian businesses in Britain. *New Community*, 19 (1), 43-60.

Ram, M. (1994). *Managing to Survive: Working Lives in Small Firms*. Oxford: Blackwell.

Schumpeter, J. A. (1934). *The Theory of Economic Development*. Translated by R. Opie from the second German edition [1926]. Cambridge: Harvard University Press.

Smallbone, D., Fadahunsi, A., Supri, S., & Paddison, A. (1999). *The Diversity of Ethnic Minority Enterprises*. Paper presented at the RENT XIII, London, November 25-26.

Waldinger, R., Aldrich, H., Ward, R., & Associates. (1990). *Ethnic Entrepreneurs*. London: Sage.

Ward, R. (1983). Ethnic Communities and Ethnic Business: An Overview. *New Community*, 11 (1/2), 1-9.

Weber, M. (1976). *The Protestant Ethic and the Spirit of Capitalism*. London: Allen & Unwin.

Weber, M. (1958). *The Religion of India the sociology of Hinduism and Buddhism*. New York: Free Press.

Werbner, P. (1990). Renewing an Industrial Past: British Pakistani Entrepreneurship in Manchester. *Migration*, 8, 7-41.

APPENDIX

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.442	18.783	18.783	2.442	18.783	18.783
2	1.900	14.615	33.398	1.900	14.615	33.398
3	1.554	11.953	45.351	1.554	11.953	45.351
4	1.293	9.945	55.296	1.293	9.945	55.296
5	.932	7.168	62.464			
6	.855	6.575	69.040			
7	.842	6.475	75.514			
8	.698	5.371	80.885			
9	.630	4.848	85.733			
10	.610	4.696	90.429			
11	.438	3.370	93.800			
12	.421	3.241	97.041			
13	.385	2.959	100.000			

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	2.057	15.823	15.823
2	1.921	14.779	30.602
3	1.699	13.072	43.674
4	1.511	11.623	55.296

Note: Extraction Method is Principal Component Analysis