

## Final report

### **‘Socio-Cultural factors, ethnic minority entrepreneurial orientation and a firm's growth: A comparative study of Turkish and Chinese small firms in the UK’\***

This project was carried out from October 2006 to September 2008. We conducted 264 face to face interviews with Turkish and Chinese small business owners operating in various sectors including retailing, catering, professional services and manufacturing in different boroughs of London. Based on our researchers’ completed questionnaires, interview notes, fieldwork reports and databases the project investigators completed the final report.

#### **The research team:**

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#### **The final report consists of six parts:**

I. Descriptive statistics

II. General findings

III. Are their voice being heard?: Turkish and Chinese Businesses in London

IV. Learning from the successful Turkish and Chinese businessmen Business Start Ups

V. Small ethnic minority businesses’ battle for competition: Is labour shortage an issue?

VI. Chinese Businesses in London: An Evolving Business Landscape

#### **Dissemination**

We are invited by [China in Comparative Perspective Network \(CCPN\)](#) to give a joint seminar at LSE in October 2008. The seminar entitled ‘Social Embeddedness and Entrepreneurial Orientation in Ethnic Small Firms in the UK’. We also sent the final report to various media and websites of Turkish and Chinese communities in the UK.

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## **I. Descriptive statistics**

The study reports the findings of 264 face to face interviews with Turkish and Chinese small business owners operating in various sectors including retailing, catering, professional services and manufacturing in different boroughs of London. The research sample comprised 139 Turkish and 125 Chinese speaking business owners.

Of 139 Turkish speaking business owners, 51 % were born in Cyprus, 33 % were born in Turkey, 13% were born in the UK and 3% in other countries. Of 125 Chinese speaking business owners, 46 % were born in mainland China, 30 % in Hong Kong, 13 % in Malaysia, 7 % in Taiwan, 2 % in Singapore, 2 % in the UK and 1 % in other countries.

Of 141 Turkish speaking businesses, 28 % were in professional services, 28 % were in catering and hospitality, 21 % were in retailing, 5 % were in manufacturing and 18 % were in others. Of 125 Chinese speaking businesses, 48 % were in professional services, 24 % were in catering and hospitality, 14 % were in retailing, 2 % were in manufacturing and 12 % were in others.

Both Turkish and Chinese speaking small business owners exploited their experience and built their businesses on their previous experience either in the same or different lines of business. 35% of Turkish speaking respondents were employees in the same line of business before they started their business. 19% were employees in different lines of business. 42% of Chinese speaking respondents were employees in the same line of business before they started their business. 23% were employees in different lines of business.

As part of the wider research project, business owners were asked the following questions:

- i) What factors influenced your decision to start up your own business?
- ii) What were your sources of start up capital?
- iii) How frequently do you use various sources of advice for business?
- iv) How important are various sources of funds for your business expansion?
- v) Do you feel that you get support from various bodies including local authorities, training and enterprise councils, banks, family members, accountants and business associations?
- vi) What are the main constraints to the growth of your business?
- vii) What factors are important to your business success?

Drs Altinay and Wang believe that the project findings have implications for small business owners as they explore which socio-cultural attributes may facilitate or inhibit entrepreneurship. In addition, the findings may be adopted by the government and training enterprises to effectively target and support ethnic firms with growth potential as well as develop training programmes according to the needs of ethnic minority firms. Some snippets of the findings are outlined below:

i) What factors influenced your decision to start up your own business?

Findings indicated that there are various factors which influenced business owners' decisions to start up their own businesses.

*Turkish Speaking Business Owners:*

- 68 % of Turkish speaking small business owners were influenced by their previous business experience. They could put their expertise to use.
- 20 % of Turkish speaking small business owners were influenced by the family tradition. It was a family tradition to run a business of this particular type.
- 69 % of Turkish speaking small business owners indicated that they were influenced by the market research.
- 54 % of Turkish speaking small business owners stated that they identified a niche market.
- Only 7 % of Turkish speaking small business owners inherited their businesses.
- 94 % of Turkish speaking small business owners wanted to better themselves financially.
- 94 % of Turkish speaking small business owners wanted to be independent.
- 21 % of Turkish speaking business owners were in the business because other family members were in the same line of business.

*Chinese Speaking Business Owners:*

- 88 % of Chinese speaking small business owners were influenced by their previous business experience. They could put their expertise to use.
- 40 % of Chinese speaking small business owners were influenced by the family tradition. It was a family tradition to run a business of this particular type.
- 78 % of Chinese speaking small business owners indicated that they were influenced by the market research
- 83 % of Chinese speaking small business owners stated that they identified a niche market.
- Only 3 % of Chinese speaking small business owners inherited their businesses.

- 95 % of Chinese speaking small business owners wanted to better themselves financially.
- 92 % of Chinese speaking small business owners wanted to be independent.
- Only 18 % of Chinese speaking business owners were in the business because other family members were in the business.

ii) What were your sources of start up capital?

When respondents were asked questions about their sources of start up capital, it became apparent that there was a definite preference for personal savings. Bank Loans do not appear to be a major source for start up capital because of the owners' reluctance to pay interest.

*Turkish Speaking Business Owners:*

60 % of Turkish speaking business owners stated that more than 50 % of their start up capital was comprised of personal savings.

Only 12 % of Turkish speaking business owners stated that more than 50 % of their start up capital was comprised of capital from family.

99 % of Turkish speaking business owners stated that they did not use loans from Turkish Banks as start up capital at all.

34 % of Turkish speaking business owners stated that 50 % and more of their start up capital was comprised of loans from British Banks.

*Chinese Speaking Business Owners:*

61 % of Chinese speaking business owners stated that more than 50 % of their start up capital was comprised of personal savings.

Only 7 % of Chinese speaking business owners stated that more than 50 % of their start up capital was comprised of capital from family.

88 % of Chinese speaking business owners stated that they did not use loans from Chinese Banks as start up capital at all.

15 % of Chinese speaking business owners stated that 50 % and more of their start up capital was comprised of loans from British Banks.

iii) How frequently do you use various sources of advice for business?

It became apparent that neither Turkish nor Chinese speaking business owners have a clear preference for any source of advice for business. More importantly, formal channels of advice do not seem to be popular sources for advice among the business owners.

*Turkish Speaking Business Owners:*

- 19 % of Turkish speaking business owners use banks frequently for advice.
- 35 % of Turkish speaking business owners use fellow Turkish businessmen frequently for advice.
- 40 % of Turkish speaking business owners use family members frequently for advice.
- 95 % of Turkish speaking business owners DO NOT use local business units at all or they use them very rarely.
- 96 % of Turkish speaking business owners DO NOT use advice from training and enterprise councils or they use it very rarely.
- 96 % of Turkish speaking business owners DO NOT use advice from Turkish Business Associations or they use it very rarely.

*Chinese Speaking Business Owners:*

- 43 % of Chinese speaking business owners use banks frequently for advice.
- 52 % of Chinese speaking business owners use fellow Chinese businessmen frequently for advice.
- 41 % of Chinese speaking business owners use family members frequently for advice.
- 79 % of Chinese speaking business owners DO NOT use local business units at all or they use them very rarely.
- 82 % of Chinese speaking business owners DO NOT use advice from training and enterprise councils or they use it very rarely.
- 70 % of Chinese speaking business owners DO NOT use advice from Chinese Business Associations or they use it very rarely.

iv) How important are various sources of funds for your business expansion?

Findings indicated that main source of funds for business expansion for both Turkish and Chinese speaking business owners is cash flow from the business.

*Turkish Speaking Business Owners:*

- 98 % of Turkish speaking business owners use cash flow for business expansion frequently.
- Only 26 % of Turkish speaking business owners use loans from British banks for business expansion frequently.
- Only 3 % of Turkish speaking business owners use loans from Turkish banks for business expansion frequently.

*Chinese Speaking Business Owners:*

- 84 % of Chinese speaking business owners use cash flow for business expansion frequently.
  - Only 33 % of Chinese speaking business owners use loans from British banks for business expansion frequently.
  - Only 15 % of Chinese speaking business owners use loans from Chinese banks for business expansion frequently.
- v) Do you feel that you get support from various bodies including local authorities, training and enterprise councils, banks, family members, accountants and business associations?

Small business owners do not seem to get much support among the various sources for support through formal channels except from accountants. However, these accountants are usually ‘ethnic accountants’ with whom business owners have cultural closeness and strong ethnic bonds.

*Turkish Speaking Business Owners:*

- Only 6 % of Turkish speaking business owners indicated that they receive support from local authority business units.
- Only 7 % of Turkish speaking business owners indicated that they receive support from training and enterprise councils.
- 27 % of Turkish speaking business owners indicated that they receive support from banks.
- 45 % of Turkish speaking business owners indicated that they receive support from family members.
- 53 % of Turkish speaking business owners indicated that they receive support from accountants.
- 40 % of Turkish speaking business owners indicated that they receive support from friends in the community.
- 7% of Turkish speaking business owners indicated that they receive support from Turkish business associations.

*Chinese Speaking Business Owners:*

- Only 9 % of Chinese speaking business owners indicated that they receive support from local authority business units.
- Only 12 % of Chinese speaking business owners indicated that they receive support from training and enterprise councils.

- 37 % of Chinese speaking business owners indicated that they receive support from Banks.
- 47 % of Chinese speaking business owners indicated that they receive support from family members.
- 83 % of Chinese speaking business owners indicated that they receive support from accountants.
- 53 % of Chinese speaking business owners indicated that they receive support from friends in the community.
- 35 % of Chinese speaking business owners indicated that they receive support from Chinese business associations.

vi) What are the main constraints to the growth of your business?

Among many different factors, high rents and rates and heavy competition were rated as the main constraints to business growth.

*Turkish Speaking Business Owners:*

- 63 % of Turkish speaking small business owners indicated that high rents and rates are major constraints to business growth.
- 42 % of Turkish speaking small business owners indicated that high interest rates are a major constraint to business growth.
- 12 % of Turkish speaking small business owners indicated that lack of finance is a major constraint to business growth.
- 7 % of Turkish speaking small business owners indicated that inadequate information on finance is a major constraint to business growth.
- 23 % of Turkish speaking small business owners indicated that insufficient demand for products is a major constraint to business growth.
- 7 % of Turkish speaking small business owners indicated that inadequate information on markets is a major constraint to business growth.
- 16 % of Turkish speaking small business owners indicated that lack of marketing is a major constraint to business growth.
- 78 % of Turkish speaking small business owners indicated that heavy competition is a major constraint to business growth.

- 41 % of Turkish speaking small business owners indicated that shortage of labour is a major constraint to business growth.
- 21 % of Turkish speaking small business owners indicated that difficulty in achieving quality standards is a major constraint to business growth.
- 24 % of Turkish speaking small business owners indicated that management difficulty is a major constraint to business growth.
- 60 % of Turkish speaking small business owners indicated that local regulations (including parking restrictions) are a major constraint to business growth.
- 13 % of Turkish speaking small business owners indicated that legislation of banks is a major constraint to business growth.

*Chinese Speaking Business Owners:*

- 79 % of Chinese speaking small business owners indicated that high rents and rates are major constraints to business growth.
- 29 % of Chinese speaking small business owners indicated that high interest rates are a major constraint to business growth.
- 35 % of Chinese speaking small business owners indicated that lack of finance is a major constraint to business growth.
- 20 % of Chinese speaking small business owners indicated that inadequate information on finance is a major constraint to business growth.
- 48 % of Chinese speaking small business owners indicated that insufficient demand for the products is a major constraint to business growth.
- 27 % of Chinese speaking small business owners indicated that inadequate information on markets is a major constraint to business growth.
- 26 % of Chinese speaking small business owners indicated that lack of marketing is a major constraint to business growth.
- 82 % of Chinese speaking small business owners indicated that heavy competition is a major constraint to business growth.
- 48 % of Chinese speaking small business owners indicated that shortage of labour is a major constraint to business growth.
- 41 % of Chinese speaking small business owners indicated that difficulty in achieving quality standards is a major constraint to business growth.

- 29 % of Chinese speaking small business owners indicated that management difficulty is a major constraint to business growth.
- 48 % of Chinese speaking small business owners indicated that local regulations (including parking restrictions) are a major constraint to business growth.
- 15 % of Chinese speaking small business owners indicated that legislation of banks is a major constraint to business growth.

vii) What factors are important to your business success?

Findings revealed a number of internal as well as external factors to business success.

*Turkish Speaking Business Owners:*

- 71 % of Turkish speaking business owners think that possessing good language skills is important to business success.
- 60 % of Turkish speaking business owners think that having a good education is important to business success.
- 7 % of Turkish speaking business owners think that religious belief is important to business success.
- 73 % of Turkish speaking business owners think that using previous experience of working in the sector is important to business success.
- 56 % of Turkish speaking business owners think that seeking new market opportunities and acting to meet the emerging demand is important to business success.
- 50 % of Turkish speaking business owners think that entering new businesses or markets is important to business success.
- 53 % of Turkish speaking business owners think that focusing on a core line of business, rather than diluting their efforts on several different lines of business is important to business success.
- 75 % of Turkish speaking business owners think that beating competitors with better value for money for customers is important to business success.
- 53 % of Turkish speaking business owners think that taking calculated risks is important to business success.
- 53 % of Turkish speaking business owners think that constantly introducing new products and services to the market is important to business success.

- Only 36 % of Turkish speaking business owners think that encouraging every employee to suggest new ideas to improve the business is important to business success.
- 48 % of Turkish speaking business owners think that introducing new management practices (employee training, rewards, technology) is important to business success.
- 70 % of Turkish speaking business owners think that maintaining tight control of ownership is important to business success.
- Only 30 % of Turkish speaking business owners think that buying products and services from co-ethnic suppliers is important to business success.
- Only 15 % of Turkish speaking business owners think that borrowing money from co-ethnic sources such as close family members, friends and Turkish banks is important to business success.
- Only 25 % of Turkish speaking business owners think that seeking advice from co-ethnics is important to business success.

*Chinese Speaking Business Owners:*

- 94 % of Chinese speaking business owners think that possessing good language skills is important to business success.
- 92 % of Chinese speaking business owners think that having a good education is important to business success.
- 19 % of Chinese speaking business owners think that religious belief is important to business success.
- 98 % of Chinese speaking business owners think that using previous experience of working in the sector is important to business success.
- 84 % of Chinese speaking business owners think that seeking new market opportunities and acting to meet the emerging demand is important to business success.
- 68 % of Chinese speaking business owners think that entering new businesses or markets is important to business success.
- 85 % of Chinese speaking business owners think that focusing on a core line of business, rather than diluting their efforts on several different lines of business is important to business success.

- 68 % of Chinese speaking business owners think that beating competitors with better value for money for customers is important to business success.
- 77 % of Chinese speaking business owners think that taking calculated risks is important to business success.
- 83 % of Chinese speaking business owners think that constantly introducing new products and services to the market is important to business success.
- 85 % of Chinese speaking business owners think that encouraging every employee to suggest new ideas to improve the business is important to business success.
- 80 % of Chinese speaking business owners think that introducing new management practices (employee training, rewards, technology) is important to business success.
- 82 % of Chinese speaking business owners think that maintaining tight control of ownership is important to business success.
- 59 % of Chinese speaking business owners think that buying products and services from co-ethnic suppliers is important to business success.
- Only 18 % of Chinese speaking business owners think that borrowing money from co-ethnic sources such as close family members, friends and Chinese banks is important to business success.
- 57 % of Chinese speaking business owners think that seeking advice from co-ethnics is important to business success.

## **II. General findings**

### **Theme 1: The Relationship between entrepreneurs' socio-cultural attributes and the entrepreneurial orientation of their firms.**

#### **Summary:**

This theme seeks to examine the relationship between entrepreneurs' cultural characteristics (education, experience and religion) and the entrepreneurial orientation of their firms. The theme reports and analyses the findings of 139 face-to-face structured interviews with Turkish entrepreneurs in London, UK. This study illustrates that the educational attainment of an entrepreneur makes a positive impact on a firm's innovativeness, proactiveness and risk taking. Previous business experience also impacts positively upon a firm's ability to act proactively.

### **Findings:**

The results of the statistical analysis showed that among the three socio-cultural characteristics educational attainment and previous experience make a positive impact on the proactiveness of a firm. The qualitative data of the study also provides further evidence to support these arguments. It was found that the skills and knowledge with which managers have been equipped as a result of educational attainment help business owners to manage their organizations with a strong strategic forward looking vision. In particular, these skills enable them to systematically monitor customer needs and broader market trends and act upon them. One of the textile manufacturers explained the importance of educational attainment: *“My university degree helped me to develop the skills of being able to carry out market research and identify the customers’ needs and wants, evaluate my competitors’ offerings and set a long term oriented direction for my business”*. In addition, one of the food manufacturers explained the importance of educational attainment in developing his ability to synthesize the market intelligence: *“I read magazines, newspapers and watch tv programmes about the consumer eating habits. These give me an overall idea about what can work best but it is my educational background, being a university graduate which helps me to reflect on the information, think it through and take proactive actions”*. In contrast to these views, there was a widespread view among those business owners who were either primary or secondary school graduates that they always lacked the skills and confidence that a higher educational attainment would equip them with. This resulted in taking wrong strategic decisions about the market conditions. One retail shop owner illustrated: *“We had done market research before we bought this place. We realised that there were many Turkish people living around in this area. We interpreted this wrongly. We thought we would succeed by solely depending on Turkish customer market. We never thought and even realised that in the long term Turkish customers’ shopping habits could change and they could go and shop from big supermarkets. We could not identify the roots of the problem because our skills did not help us to foresee these changes”*.

Educational attainment helps to develop the skills of gathering market intelligence. Indeed, in the case of those entrepreneurs with higher educational attainment, there was evidence of both formal and informal approaches to monitoring the business environment. However, what was distinctive with these entrepreneurs was that educational attainment helped them to develop those skills that enable them not only to gather market intelligence and but also to synthesize the information and act upon it.

It was also found that there is relationship between previous experience of an owner and the entrepreneurial orientation of their firms. Qualitative data provided further insights about the nature of this relationship. The findings revealed that those business owners who acquired experience in the same line of business could exploit the accumulated knowledge in identifying customer needs and diagnosing market trends. Most of the informants who had experience in the same line of business stated that they do not undertake a systematic market research in order to identify the changing trends in the market. However, it was realized during the research process that they were well aware of broad issues and their likely impacts on their businesses. When they were asked how, it was found that most of them exploit their accumulated experience by actively engaging

with the customers and closely watching their competitors' moves. With regards to identifying customers' needs, one of the restaurant owners stated: *"Experience is very important. It helps you to develop communication skills especially with the customers. It helps you to sense what they want. I learnt to understand their mentality. It is not easy to understand what they want. You need to engage in a dialogue with them"*. A hairdresser also emphasized the importance of previous experience in understanding customer's expectations: *"Your experience makes your customers feel more comfortable, confident and they trust you and your service. Experience makes your communication easier with the customers. Experience helps you understand their expectations"*.

This study's qualitative findings clearly showed that previous experience enables business owners to utilize market information by being in regular touch with customers. The findings of the study also went further and identified that previous experience plays a mediating role between an SME and its ability to identify market trends and act proactively. During the research process, it also became apparent that previous experience contributed to SMEs' ability to respond to these needs and market trends by entering into new product markets. Those advocating the pivotal role of experience stated that their accumulated experience over the years equipped them with certain skills and gave them the courage to take certain decisions about the customers' needs and competitors' moves intuitively. One of a well established retail shop owners illustrated: *"One day I saw David Beckham was wearing certain ear ring, the following week I invested a lot of money in David Beckham style ear rings and made good money because of my alertness to the fashion. I seized the opportunity before everybody else in the sector. I can sense the expectations of customers because I am in this business for many years"*. Another one stated that accumulated experience can help them to interpret the global trends in the market: *"I follow the global as well as local trends carefully. For example, because of the climate change the weather was affected. We had flooding in the UK and the weather was very hot in Mediterranean countries. This meant that there would be no green products in either regions or parts of the world. The day after flooding I told my employees to store green products and groceries. I knew that the price for green products would go up. Look at the prices now. They have gone up. This is how the trends in the broader environment can affect your business and this is how you should take your pro cautions"*.

The results of the statistical analysis revealed that among the three socio-cultural attributes there is a relationship only between education and innovativeness. In particular, the primary findings of the study demonstrated that acquisition and exploitation of knowledge play an important role in innovating new products. In illustrating this, one university graduate meat manufacturer stated that market analysis and the use of information help him to introduce new products to the market on regular basis: *"We respond to the customers' needs. They demanded a 'Marinated product' and now we sell marinated chicken and meat. We are also responding to healthy eating habits – which is now a trend-. I told everyone long time ago that McDonald's would lose its popularity because of the Obesity and Salt issues. I was able to do that because I could read the trends"*. Another university graduate, fresh juice café owner, also explained how his university education helps him to innovate new products: *"Innovation is important,*

*innovation in terms of introducing new products to the market, changing your product range very often. My university degree equipped me with the skills of identifying my learning needs and being able to identify those sources that can help me to learn. I constantly do market research on the internet and identify new natural juices, follow and observe other juice bars their prices and actively follow them what they are doing. I learn from the others, combine my knowledge and innovate new mixes with the natural juices. I am now adding vitamin tablets in some of the juices and very much demanding".* In addition, another meat manufacturer highlighted the importance of identifying niche markets with niche and innovative products and explained how his university degree contributed to this success: *"My degree gave me the confidence and ability to foresee the opportunities in the market. I came up this idea of developing 'hallel meat' concept as a response to the market. I realised that Muslim community, teachers, professionals, they were all going home late like people from other communities. However, they could not buy hallel fast food products from the supermarkets so that they could cook quickly. I wanted to respond to this need by introducing 'hallel' packaged fast food to the supermarkets".*

The educational attainment of the business owners contributes to their ability to think creatively, be flexible and respond to widely different situations. The statistical analysis demonstrated no relationship between previous experience and innovation. Qualitative findings also revealed that although small business owners who exploited their experience to identify market trends were willing to enter in new markets, they were not prepared to develop new products/services.

The statistical analysis demonstrated that only educational attainment makes a positive impact on the risk taking behaviour of the firms. During the interviews informants who were university graduates and above stated that their ability and skills to analyse the market conditions and give them the privilege to take what some of them called 'calculated risks'. When explored further, it was found that they all had the confidence to predict the outcomes of their strategic decisions accurately such as decisions associated with investment, introducing new products to the market and targeting new market groups.

Religion did not appear as significant in any of the models which explain entrepreneurial orientation. During the interviews, informants stated that religion affects them very much at 'personal values' level and it encourages 'honesty' and strong work ethics rather than influencing their business practices. Even those business owners who practice their religion stated that their business practices should be in line with the realms of the UK.

### **Conclusions:**

This theme aimed to investigate the relationship between entrepreneurs' socio-cultural attributes and their firms' entrepreneurial orientations. A number of conclusions can be drawn from the study:

- Findings demonstrated that there is a relationship between educational attainment of an entrepreneur and firm's risk taking propensity and its ability to act

proactively and innovate. Findings also revealed that the previous experience of business owner and the firm's ability to act proactively is related. In other words, a small firm's proactiveness and ability to innovate are influenced by different inherent characteristics of an owner. The strategic posture of a SME reflects the inherent characteristics of a business owner.

- The findings of this study revealed that the inherent characteristics of business owners play a mediating role between different dimensions of entrepreneurial and market orientations of a firm. Educational attainment equips business owners with the skills and reflective mindsets of understanding customers and responding to their needs. Educational attainment also places market intelligence gathering and synthesizing and acting proactively very high on a business owner's agenda. These lead to both informal and formal approaches to environmental scanning and creative and flexible thinking of market conditions and consequently to the development of innovative products. Previous experience also equips small business owners with the skills of identifying and responding to customer needs and collecting market intelligence by intuition. However, it does not seem to contribute to a business owner's ability to reflect on and synthesize market intelligence. More importantly, it does not appear to contribute to creative and flexible thinking and therefore to the development of innovative products.
- Our study did not find a relationship between the religion of Turkish business owners and entrepreneurial orientation of their firms. This can be interpreted as Turkish business owners' ability to break out of their ethnic enclaves and integrate to the social and economic realms of the UK. The contribution of previous experience to a firm's proactiveness but not to innovativeness could be explained by the depth of ethnic networks that Turkish businesses created or were drawn into. Turkish business owners were traditionally pushed to self-employment because of their lack of skills and education. Before they started up their own businesses, most of them worked for someone else in the same line of business in order to develop the skills and understanding of running a business in a particular sector. However, most of these businesses were the businesses of co-ethnic business owners targeting co-ethnic Turkish customers without considering wider issues in broader environment such as responding to the needs of mainstream customers. Therefore, although previous experience in the same line of business equipped them with the skills and intuition of gathering market intelligence and responding to customer needs and other market trends, it did not seem to equip them with the skills of flexibility and creativity to innovate new products and services and thus achieve sustainable growth. It is educational attainment which plays an important role in this endeavor. Given this, first generation Turkish immigrants', in particular business men's, growing positive attitudes towards their children's education should not be seen as a surprise.

### **Managerial and Policy Implications:**

This theme also provides several practical implications:

- Firstly, it is important that business owners assess how their different inherent socio-cultural characteristics contribute to different dimensions of their firms' entrepreneurial orientations. Such an assessment could help them to diagnose their learning and training needs and attend relevant courses offered by business support units and community centers.
- Secondly, if they are reluctant to learn and improve because of their age and/or time constraints, they should be prepared to move away from the traditional centralized management style and empower those individuals who possess the experience and educational background.
- Thirdly, when it comes to developing succession plans, emphasis should be placed both on experience and educational attainment in terms of the development of their children's skills and competences.
- Finally, government, community groups and business advisers can offer training and short courses in order to help small business owners capitalize on their socio-cultural strengths in order to enhance the competitiveness of their firms and overcome those socio-cultural attributes that hinder their firm's entrepreneurial orientation.

## **Theme 2: The interface between ethnicity and customer relationship development**

### **Summary:**

This theme aims to evaluate the influence of ethnicity on customer relationship development in small ethnic firms. Based on 139 face to face structured interviews with Turkish origin business owners in London, the findings of this paper reveal that customer relationship development is well embedded in the culture of small firms which is an extension of a small business owner's inherent ethnic values. The relationship development practices are also moderated by the diverse culture of ethnic and mainstream customers in the host country.

### **Findings:**

The findings of the study revealed that Turkish ethnic minority business owners exploit different relationship marketing strategies in order to attract and/or retain customers. They stated that they try to make customers feel that they come to visit a place where there is a family atmosphere. Most of the business owners identified this as their competitive advantage over large counterparts. As one of the restaurant owners indicated: *"Customer relationship is very important and we have a lot to offer here from our culture. We are very generous when it comes to sharing food or offering food, offering things which would not cost a lot and customers love this. We offer more than enough"*. A small nut shop owner also emphasized the importance of small promotions: *"We offer side products such as popcorn as promotion. Customers value these gestures, a simple*

*offer such as popcorn makes a difference for customers here, especially foreigners, they become loyal to such small things. This does not cost us much but we gain customers support, trust". A retail shop owner emphasized the importance of initiating informal discussion with the customers: "Our biggest strength is that we have a lot to offer from our hospitable culture. When the customers go to the bigger stores, they do not know the employees very well. Employees do not talk to them properly. They sometimes do not even know the products well. Whereas with us, I talk to customers informally, I talk to them about football, traffic, weather, family and develop an informal relationship".*

At first sight these practices sound very similar to the ones employed by the other small firms regardless of the ethnicity. Indeed, this is to a certain extent the case. The value sets of the business owner determine the marketing orientation of these ethnic firms. Since relationship development is well embedded in the values of business owners and they see this as a competitive advantage over large counterparts, they equated customer relationship development to their firms' marketing philosophy. However, what was distinctive in the case of ethnic firms was that ethnic culture of the business owner played a determinant role in the way relationship development was perceived and practiced. During the research, most of the informants made reference to natural trust and a sense of friendship in business transactions and stated that they acquired these values either as a business owner or a customer back in their countries before they came to the UK and started up their businesses. They went further and claimed that this is a 'core value' that always inspires them in the UK in their relationship development activities with customers. One of them illustrated: *'Generosity and sharing things, welcoming with warmth are part of our culture but what is also interesting is if we recall where we came and what we used to do, you will understand where these practices come from. Back in Cyprus and Turkey in our towns and villages, we used to run our small retail shops or we have been the 'guests' of retail shops where we had our early morning coffee with the owner when we went to do our shopping, had our chat and also had a real laugh'.*

When informants were asked how different customer groups respond to these, what they called 'culturally bound', marketing stimuli, it was stated that they are all well received by all customer groups namely Turkish and English customers and customers from different ethnic groups. However, what was interesting is that according to the informants Turkish customers appreciate these but they see them as normal practice whereas other groups perceive them as a sign of special treatment. In the case of ethnic business owners who target ethnic customers, such culturally bound practices do not seem to contribute to the development of trust and relationship as much as it does with the mainstream customers.

What was interesting is that there was a widespread view among the Turkish business owners that being part of 'ethnic culture', in other words being part of an ethnic minority group themselves helps to build what they called a 'natural trust' between themselves and Turkish ethnic customers. After emphasizing the confidentiality issues in his business, an accountant expressed his views about his customers as: *"Most of my customers are Turkish. They trust me because I am Turkish too. They think they can express themselves better, feel confident with us. They think we can protect their rights better".* With regards

to Turkish customers, besides nationality, the common language and culture act as antecedents of trust: *“I have many Turkish customers because of the fact that I am Turkish. It makes them feel comfortable with me. This is a trust factor. Turkish comes to me because they can express themselves in Turkish language. Turkish customers can speak Turkish to me. In addition, Turkish customers are culturally very different they are very keen to have a style and get their hair done properly. Of course using the same language helps. Also, they know that we would understand them and be patient with their needs because we know the culture well”*.

Close ethnic ties help the development of trust and thus ease relationships between ethnic business owners and co-ethnic customers. Cultural ties give Turkish customers a belief that business owners are credible and will act in their interests even before the development of relationship. Cultural affinity gives ethnic minority business owners the ability to understand and identify the expectations of ethnic customers. What was also interesting is that the issues of empathy and cultural liking were also dominant in the case of other ethnic customer groups. Business owners also feel affiliated with the customers from other ethnic groups and the fact that they are both ethnics act as a binding factor. One of the retail shop owners stated this bluntly: *“Most of my customers are Chinese and Coloured. We are foreigners, they are foreigners therefore we get along well”*. However, in the case of these customers, ‘ethnic ties’ initiated relationship development is inspired more by emotional attachment manifested in the form of liking to develop trust and strengthen the relationship rather than as a direct antecedent of both trust and relationship development.

With regards to English customers, the sense of inclusion in the local community was more dominant in relationship development, particularly when English customers perceived Turkish business owners as ‘local’. Almost all the business owners who were well established in the local area talked about ‘being local’ with pride and regarded it as one of the key contributors to relationship development. One of the business owners stated: *“I am part of the community. I am local. We are in this business 32 years. There are mums who come here with their babies. They are residents of this area. I know their childhood. They call me ‘uncle’. We do not invest much in marketing. We have many of these local customers and we know that they have a certain perception before they come to us”*. Another one regarded ‘locality’ as a competitive advantage: *“Other hairdressers are our competitors. However, we are more established in the region. We are local. People in the area know us. We offer local people help for everything. We have good relationship with our customers”*. Another business owner stated that being local not only helps to develop a relationship but also makes customers emotionally loyal to the business: *“We have loyal customers because we are more established compared to the next door. We make the people feel that this is their local shop. We have customers who have been with us for ages, they come here until they die”*.

What was distinctive about the development of trust with the other ethnic and English customers compared to Turkish customers was that Turkish business owners had to engage in other activities and demonstrate other skills and competences in order to be able to build up trust. Relationship development with these groups of customers

appeared to go through an evolution and progression with an increase of resource commitment over long periods of time. Most of the business owners were in the opinion that unlike with Turkish customers trust and relationship formation between themselves and these customer groups cannot be developed solely on the basis of what were referred to 'soft elements' such as ethnicity. One also needs to demonstrate honesty and professionalism in order to be able to establish long lasting relationships. It was found that the business owners were paying particular attention to their own skills and competences, placing a lot of emphasis on the quality of raw materials and the ability of their workforce in order to be able to deliver these three dimensions of trust namely honesty, benevolence and competence. A restaurant owner emphasized the importance of quality in developing trust: *"We establish good standards by buying good quality raw materials from meat, burger, cheese suppliers. When customers eat their kebabs or burgers, they will know that we are not cheating on them, in fact we are doing our best to please them. This builds trust"*. When asked, how employees contribute to the development of trust, business owners emphasized the importance of organisation-wide positive attitude towards customers. One of the restaurant owners illustrated: *"Employees should not have 'eat and go attitude'. They should see themselves as part of the relationship culture. They should not see their roles as simply serving without initiating a dialogue with the customers, without making them feel comfortable with the ambiance"*. A retail shop owner explained how an organization wide relationship development culture helps: *"There are a number of factors which affect relationship development. One of them is your labour force. The quality of your staff gives confidence and helps you to build trust with your customers. It is important that they possess customer serving skills and relationship development skills"*. Informants also stated that the extent of professionalism influences the customers' perceptions of the expertise and thus contributes to the development of trust. One of the mechanical engineers illustrated: *"You have to have some sort of knowledge on the cars. Knowledge and experience are crucial in this business. You should not 'waffle' when you are talking to the customer. In this business, customers are knowledgeable and they can easily understand if you are 'waffling'. You have to make customers feel confident that you know the business. Sometimes my son and my brother who are not very experienced and knowledgeable cannot do it. In these cases, I intervene and put my expertise forward"*. An accountant emphasized the importance of expertise and competence as well: *"Doing business professionally is important. It influences how you are perceived by your customers, council, suppliers and the others"*.

These findings reveal that Turkish business owners have to demonstrate strong work ethics in their organisation wide approach to formation of trust with mainstream customers. Both owners and employees should possess certain skills and competences in order to be able complement their ethnic heritage with the honesty and benevolence in their attempts to form trust and develop relationships with customers. However, business owners stated that different customer groups attach different levels of importance to the various elements of trust; namely honesty, competence and benevolence. They stated that Turkish customers are relatively more tolerant if competence and benevolence were not delivered. However, with other ethnic and English customers, it is important that the businesses adopt an organization-wide strategy to fulfill the requirements of all three.

These findings clearly demonstrate that relationship development activities of business owners are moderated by socio-cultural circumstances in the UK. Turkish ethnic minority small business owners exploit their ethnic heritages in formation of trust with all customer groups and this seems to be influential in the development of relationships. However, it is equally important that they adapt themselves and their businesses to the socio-economic realms of the country and develop personal and organisation-specific competences in order to be able to address the expectations of diverse customer groups associated with all the elements of trust.

In addition, in the early stages of relationship development, common ethnic background, language and culture act as direct precursors of trust between Turkish business owners and Turkish customers. However, it was found that these factors can change the nature of relationship, result in unrealistic expectations from co-ethnic customers' point of view and could even lead to dissolution of relationship. One of the accountants explained how cultural ties could constitute a barrier in managing relationships: *"It is difficult to deal with Turkish customers. On one hand, personal relationship is an advantage but sometimes they take advantage of it. They do not pay on time and/or they negotiate the price. They turn up for a chat without any appointment"*. Another accountant compared Turkish and English customers to elucidate the complexities of relationship development: *"Turkish customers still need to understand the business culture and the system in the UK. They usually have a discussion with us about everything including social life here and politics back in our countries, family and social issues. It takes ages to get to the point, whereas with English customers you have good business relationships, you outline the options and they decide"*. One of the lawyers went further and explained how his understanding of trust and relationship development should be perceived by Turkish customers: *"I develop good relationship with English customers. I even give my mobile number but they know that they have a price to pay if they need advice and they understand that, but not all Turkish customers do"*. These findings demonstrate that the relationship development can move forward and backward or even stay in the same state. In the case of this study, there is a clear sign of backward development. In fact, what is interesting is that although cultural values and ties act as key contributors of trust which is an essential ingredient of relationship development, if not properly managed they can well constitute a barrier in further stages of relationship development.

### **Conclusions:**

Culture is seen as an important element of relationship marketing. This theme enables a deeper understanding of the influence of ethnic culture on the customer relationship development practices of small ethnic minority owned businesses.

Firstly, findings revealed that relationship development is well embedded in the culture of small ethnic firms which is an extension of owner's inherent values. In other words, since owners play a crucial role in determining the relationship philosophy of small firms, ethnic culture of the owners reflect themselves both on the philosophy and the practices of relationship development. Disregarding the cultural values of these key players in the context of small ethnic firms means ignoring the real life issues of relationship marketing.

Secondly, this theme clearly demonstrates that ethnic minority owned small firms operate within a strong surrounding socio-cultural environment. Not only small business owners bring their cultural value bound relationship marketing practices to a host country, but also both ethnic and host country origin customers have a bearing on the relationship marketing practices. Therefore, relationship marketing practices are the result of the interplay between the value sets of owners and diverse customer groups. Turkish ethnic business owners bring their culturally bound marketing practices into the UK and exploit them. However, since different customer groups respond differently to these relationship marketing stimuli due to the differences in their values, Turkish ethnic minority businesses have to adapt their practices.

Thirdly, the findings demonstrate how these culture-bound relationship development practices are implemented and in particular how trust is established in another country context where ethnic firms target consumers with diverse backgrounds. It appears that ethnic similarities and cultural affinity act direct precursors of trust and relationship development between ethnic businesses and ethnic consumers. In particular, they contribute to the development of an implicit trust and ease relationship development in the early stages of relationship formation. Cultural closeness and liking is an important element of relationship development between ethnic business owners and consumers. However, as the relationship grows, ethnic bond can act as an inhibitor if it is not properly managed. “Too close relationship” because of nationality, culture and language ties can create a ‘cultural trap’ which can overshadow the business transaction side of exchange. Therefore, Turkish business owners need to manage the opportunity cost of having privileged trust of co-ethnics when it comes to engaging in business transactions with them. Although culture bound relationship practices help to initiate the relationship in the case of English and other mainstream customers, they can not contribute to relationship development unless ethnic business owners demonstrate elements of trust, namely benevolence, honesty and competence through their activities and skills. Therefore, Turkish business owners have to respond to the realms of the host country and fulfill these ‘requirements’.

#### **Managerial and Policy Implications:**

The findings of the paper provide not only empirical insights of the influence of different cultural elements on relationship development but also managerial ‘take-away’. The customer relationship practices of the studied firms revealed that cultural differences and similarities between markets cannot be overlooked especially in those firms which pursue relationship marketing as the dominant marketing approach. In fact, since relationship marketing involves more interaction between people it is more culturally bound compared with the transactional marketing approaches such as pricing and promotion. Therefore, it requires special attention. In particular, it necessitates small ethnic minority business owners to challenge and modify their ethnic values to the unique cultural characteristics of host country and the customer groups targeted. Those ethnic minority business owners whose firms have competitive advantage over the other ethnic and large established firms need to develop their skills and competences as competitive advantage cannot be sustained based solely on culturally driven relationship marketing. Relationship

can only be fully developed if they demonstrate the expertise and ability to act in the interests of consumers. In contrast, large firms which have relied more on the competence and expertise based relationship development approaches can learn from the practices of small ethnic firms in their attempts to develop the 'soft' elements of relationship marketing.

### **III. Are their voice being heard?: Turkish and Chinese Businesses in London**

Small businesses are one of the customer groups of the Councils. Like all the other groups, they expect the Councils to respond to their need for support. Drs Altinay and Wang, from Oxford Brookes University and Royal Holloway University of London highlight the importance of the Councils in enabling small ethnic minority businesses to survive in a highly competitive environment. These scholars indicate that the question of 'how customer focused are London local councils?' deserves special attention.

Drs Altinay and Wang have completed a project commissioned by the Economic and Social Research Council. Overall, this research project aims to explore how an entrepreneur's socio-cultural background influences their firm's entrepreneurial orientation, which in turn influences the firm's growth, with reference to both Turkish and Chinese ethnic minority small firms in the UK. The project provides a comprehensive and detailed analysis of which socio-cultural attributes may facilitate or inhibit ethnic minority entrepreneurship in the process of firm growth and survival in different industries and how they will do so. The project will provide recommendations to ethnic minority firms on how to gain a competitive edge and sustain it during both the start-up and break-out stages of business development. This project will also promote knowledge and expertise and bring the community representatives and the ethnic minority entrepreneurs together to deepen ethnic minority entrepreneurs' knowledge and expertise in business development. In addition, the findings may be adopted by the government to effectively target and support firms with growth potential as well as develop training programmes according to the needs of ethnic minority firms.

The initial findings indicate that local Councils need to improve their services to the ethnic minority owned businesses. The results of the study revealed that Councils need to understand better the competences and skills of ethnic minority business owners as well as the extent of competition in the market when it comes to serving these individuals. Language and home-country ways of thinking (mindsets) (particularly among first generation immigrants) are still major issues for both Turkish and Chinese small business owners. Added to these are issues of thrift and hard work. This leaves only limited time for business owners to participate in other activities, which partly explains why business owners find it difficult to follow changing rules and regulations and to attend workshops organised by the councils. In terms of competition, ethnic minority owned businesses face fierce competition not only from their ethnic counterparts but also from well established large international brands.

The question here is how much the Councils do in order to help ease the burden of small businesses. The study reports the findings of 264 face to face interviews with Turkish and Chinese small business owners operating in various sectors including retailing, catering, professional services and manufacturing in different boroughs of London, and illustrates that there is still some way to go in terms of becoming more 'customer oriented' in service offerings. Some snippets of the findings are outlined below:

- The extent of the bureaucracy, in particular the paper work, in the Councils still appears to be tremendous. The Councils are not being seen as the facilitators of knowledge and advice or as collaborators. Instead, they are seen as creators of barriers to business owners' entrepreneurial activities.
- There are concerns about the amount of the business rate paid to the Councils. The widespread view is that small businesses do not earn as much as they used to because of the extent of competition and the slowdown of the economy. In addition, there is not enough transparency in terms of informing business owners what these business rates are paid for. The general view is that high business rates are being paid in return for a relatively unsatisfactory service offered by the councils.
- The Councils are being seen as the creators of 'excessive competition'. A3 licenses issued to the business owners in the same line of business within a very close geographical proximity (i.e. on the same street) do not offer diversified choice to the customers, do not seem to help to improve quality and more importantly lead to a major struggle for all small businesses (competitors in the same line of business) to survive.
- Parking restrictions and tight rules and regulations continue to impact upon the businesses negatively.
- Crime, in particular thief and anti-social behaviour, appears to be a major issue in London. This has created anxiety among the ethnic business owners. Given that the resources of the police are limited, they are unable to respond to the crime reported by the small business owners swiftly. Therefore, small business owners are concerned about their own safety as well as the safety of their employees and customers.

The research has also explored possible suggestions and recommendations. What can be done by the Councils and Turkish and Chinese small business owners?

- Policy makers and members of local Councils should establish the right mechanisms to help ethnic minority business owners so that these business owners can improve their skills in communication with different parties, most importantly with the Council representatives. For ethnic minority business owners, especially for the first generation immigrants, doing business in another country might mean a radical cultural shift in their business mentality. Specific

workshops on country and council regulations can be helpful for these business owners. Because of the different level of language proficiency of ethnic business owners, these workshops can be delivered in multiple languages. Given the time constraint of the business owners and therefore their inability to attend the workshops, these training workshops can be broadcast on ethnic radio channels and communicated through ethnic newspapers and bulletins.

- It is possible that owners of some ethnic minority business owners are still in the early stages of cultural adaptation, and therefore, they may need to have a better understanding of the UK culture and business environment before familiarising themselves with council rules and regulations. Councils should continue to work closely in collaboration with community-based organizations and in particular with ‘ethnic accountants’ to help integrate these business owners into the UK business environment. Ethnic accountants’ are a particularly appropriate channel since ethnic minority business owners are reluctant to attend the workshops organized by the local council and business development units because of ‘time constraints’. However, they do seem to spend a considerable amount of time (both on social and formal occasions) with their accountants.
- The Councils should try to find ways to reduce the extent of bureaucracy, and respond more to small business owners’ needs. One way of doing this would be to implement an effective customer focused ‘performance measurement system’ in the Councils, placing emphasis on service quality and customer satisfaction. Customer focused targets can be set for the Councils, council units and the representatives of the Councils in order to measure their performance against a number of criteria (i.e. availability, responsiveness, reliability, and speed of service) monthly and annually. Such a mechanism could bridge the gap between the expectations of the small business owners and the Councils.
- The Councils should be more responsive to the concerns of the small businesses. Business rates paid by small businesses in different boroughs should be monitored regularly and aligned with the changing economic conditions and earnings of the individual businesses. In addition, a thorough assessment of the different sectors should be carried out whilst monitoring and adjusting the business rates as it was found that different sectors are at different stages of development. For instance, it was found that small businesses in catering and retailing sectors are doing less well than the businesses in other sectors due to the extent of competition. Added to this is the problem of the lack of a skilled and committed workforce resulting in relatively poor service quality in these sectors. A stronger and more transparent justification for the business rates is a widely voiced request from Turkish and Chinese business owners.
- Turkish and Chinese entrepreneurs should minimise direct competition with their ethnic counterparts by not starting up new businesses in the same line (in the same sector with the same products and services) within close geographical proximity. They should be creative and innovative with their ideas when it comes to business start up and seek for differentiation even before the start up. We do not

recommend them to open a business without answering the questions: ‘How different is my business going to be from the others on the same street in terms of the products and services?’ ‘Who are my target customer groups?’. If they are not in the position to answer this question, they should seek advice from ‘Business Link’ or other business support bodies. The Councils should also play an important role in this endeavor and consider not issuing licenses to applicants unless they present a business plan addressing the issue of ‘differentiation’.

- The Councils should be more participative and inclusive when taking decisions about such issues as parking, roadwork and changes of rules and regulations which have likely impacts on businesses. Likewise, ‘Traders Committees’ can be formed by the small business owners in order to make stronger representations at the councils.
- Councils could set up risk/crisis management units and work collaboratively with the local police in order to help small businesses to reduce the risk of possible crimes affecting themselves, their employees and their customers. Given that a number of small business owners have lost their lives or suffered injuries whilst responding to crimes, a well coordinated risk management training scheme appears to be essential.

#### **IV. Learning from the successful Turkish and Chinese businessmen Business Start Ups**

##### **An assessment of the socio-cultural attributes of the business owners**

The results of the project suggest that the cultural attributes of the business owners in the form of skills (English language competency), prior business experience (in the same line of business) and educational attainment need to be considered and appraised by the Turkish and Chinese business owners because they are the antecedents of business survival and growth which they must possess prior to the start up of a business.

*English Language* - Success will still depend on a mastery of English language communication skills. Language fluency can facilitate communication with the customers, suppliers and other stakeholder groups and thus contribute to growth. Education alone cannot replace the benefits of communicating effectively with the customers, suppliers, other businesses, banks and councils and being accepted as part of the wider community.

*Previous Experience* - The findings revealed that those business owners who had already acquired experience in the same line of business could exploit this accumulated knowledge in identifying customer needs and diagnosing market trends. Most of the informants who had experience in the same line of business stated that they do not undertake systematic market research in order to identify changing trends in the market. However, it was realized during the research process that they were well aware of broad

issues and their likely impact on their businesses. When they were asked how, it was found that most of them exploit their accumulated experience by actively engaging with the customers and closely watching their competitors' moves. Accumulated experience over the years equipped them with certain skills and gave them the courage to take certain decisions about customers' needs and competitors' moves intuitively.

Previous experience also gives owners the confidence to interact and negotiate with the suppliers, and communicate with bank representatives and council authorities. In addition, previous experience equips owners with certain management skills such as budgeting, stock management and management of human resources.

*Educational Attainment* – The skills and knowledge with which managers have been equipped as a result of educational attainment help business owners to manage their organizations with a strong strategic forward looking vision. In particular, these skills enable them to systematically monitor customer needs and broader market trends and act upon them. In the case of those entrepreneurs with higher educational attainment, there was evidence of both formal and informal approaches to monitoring the business environment. However, what was distinctive with these entrepreneurs was that educational attainment helped them to develop those skills that enable them not only to gather market intelligence but also to synthesize such information and act upon it. The educational attainment of the business owners also contributes to their ability to think creatively, be flexible and introduce new products.

In addition, education equips them with the ability and skills to analyse the market conditions and gives them the privilege to take what some of them called 'calculated risks'. When explored further, it was found that all the successful businessmen had the confidence to accurately predict the outcomes of strategic decisions such as those associated with investment, introducing new products to the market and targeting new market groups.

The findings above have several implications for practice and policy markers:

- Firstly, it is important that business owners assess how their different inherent socio-cultural characteristics contribute to different dimensions of their firms' entrepreneurial orientations. Such an assessment could help them to diagnose their learning and training needs and attend relevant courses offered by business support units and community centers.
- Secondly, if they are reluctant to learn and improve because of their age and/or time constraints, they should be prepared to move away from the traditional centralized management style and empower those individuals who have the appropriate experience and educational background.
- Thirdly, when it comes to developing succession plans, emphasis should be placed both on experience and educational attainment in terms of the development of their children's skills and competences.

- Finally, government, community groups and business advisers can offer training and short courses in order to help small business owners capitalize on their socio-cultural strengths in order to enhance the competitiveness of their firms and overcome those socio-cultural attributes that hinder their firm's entrepreneurial orientation.

### **An assessment of the extent of competition**

*The extent of the competition in the sector* – It is advisable to evaluate the extent of competition in the sector of the business before start up. The catering and retailing sectors appeared to have reached the saturation stage with lots of competition among ethnic counterparts and also aggressive competition from large organisations (for example, large supermarkets incorporating retailing, catering as well as dry cleaning with convenience in terms of parking). Manufacturing has shifted to countries such as India and China where the workforce is cheaper.

*Location* – The location of the business appears to be an important determinant of success. Particular attention has been paid to choosing locations where there is a certain level of business transactions taking place and a 'busy flow of people'. Location wise ideal places for any kind of business were given as places close to the train/tube stations, universities and schools. It is also important to note that new business start ups should consider the spending power of the consumers in that location. Informants advise that new start ups should target upscale consumer markets in mainstream markets rather than solely depending upon the ethnic market in ethnic minority populated regions.

Recommendations for entrepreneurs and policy makers:

Turkish and Chinese entrepreneurs should minimize direct competition with their ethnic counterparts by not starting up new businesses in the same line (in the same sector with the same products and services) within close geographical proximity. They should be creative and innovative with their ideas when it comes to business start ups and seek for differentiation even before the start up. We do not recommend them to open a business without answering the question 'How different is my business going to be from the others on the same street in terms of the products and services and the likely target market group?'. If they are not in a position to answer this question, they should seek for advice from 'Business Link' or other business support bodies. Councils should also play an important role in this endeavor and consider not issuing licenses to applicants unless they present a business plan addressing the issue of 'differentiation'.

### **Management and Other Issues**

*Tight control of ownership* – Informants advised that it is important to tightly control ownership and management until one puts a process and system of management into place which ensures that the system works to its best ability. According to many Turkish

and Chinese businessmen, product and service quality can only be ensured through tight control of ownership at the start up stage.

*Reliance on ethnic networks* – The findings of the study demonstrated that both communities exploit their ‘informal ethnic networks’ in borrowing money, getting business advice and employing people at the start up. This management approach helps them to reduce the cost of their operations and overcome some of the possible management problems such as communication. For example, they avoid paying interest to banks if they borrow money from the relatives and friends. They ensure efficiency and productivity by employing an ethnic labour force prepared to work long hours.

In addition, they rely on ethnic customers and suppliers at the start up. Dealing with co-ethnic customers and co-ethnic suppliers increases the likelihood of success, because they believe that it is easier to transact business in a language that they are familiar with. With ethnic suppliers, there is always room for ‘negotiation’ and they offer better credit and payment conditions compared to mainstream suppliers.

*Long term orientated management approach* – There were many Turkish and Chinese business owners who started up their businesses with the intention of going back to their countries after a period of hard work and saving. This mindset led to short term oriented tactics and a management approach which hindered professionalism and thus growth in the long term. It is therefore advised that new start ups have a long term oriented vision and plans before they start up their businesses even if they have the intention to return home one day.

*UK rules and regulations* – The findings of the study revealed that the business behaviours of Turkish and Chinese businesses (in particular first generation owners) is an extension of the inherent values of their countries of origin. However, in order to succeed they need to acknowledge that they work within UK laws and regulations and have to fulfill the ‘requirements’ of those law and regulations. It is advisable therefore that they familiarize themselves with sector specific regulations before they start up a business. For example, if they start up a restaurant, they have to be familiar with hygiene and immigrant employability rules. Similarly, if they start up an insurance business, they have to familiarize themselves with insurance related rules and regulations.

### **Growth**

Drs Altinay and Wang advised Turkish and Chinese speaking entrepreneurs to embrace a ‘new way of’ doing things as they are at risk of being left behind in an increasingly competitive market place. They recommend that they break into mainstream markets and suggest adopting a more professional approach to human resources, marketing and strategic development.

*HRM Strategies to Consider*

Have you considered retaining your employees and helping them to increase their commitment by:

- Offering both formal and informal training opportunities?
- Having satisfactory rewarding and performance appraisal systems in place?
- Delegation of power to non-family members who have strong language skills, experience and also possess higher educational attainment?
- Creating a 'culture' of support and trust?

### *Marketing Strategies to Consider*

Have you considered gaining a competitive advantage by:

- Targeting both ethnic and mainstream customers?
- Marketing your products and services by using both ethnic and mainstream marketing channels?
- Adopting technology to increase the efficiency of operations and also reaching a wider audience through the internet?
- Exploiting your effective culture bound customer relationship management strategies further when engaging in business transactions with mainstream customers?
- Registering your 'know how' and branding your products and services?

### *Strategic Development*

Have you considered adopting a more strategic posture towards management and thus enhancing business growth by:

- Following changing market trends and identifying current and changing consumer needs and wants?
- Watching competitors' moves (both ethnic and mainstream competition) and constantly modifying your pricing, marketing and product/service development tactics?
- Developing innovative products and services and introducing new systems of operations and production in order to differentiate yourselves from your competitors and their offerings?
- Creating a team of experts (regardless of the sector of operations) who can offer high quality products and services at speed?
- Developing a good succession plan for your business by offering your children the opportunity to equip themselves with the necessary background and skills (for example education and previous experience)?
- Expanding overseas and offering your unique product and services in other countries' markets?

## **V. Small ethnic minority businesses' battle for competition: Is labour shortage an issue?**

Drs Altinay and Wang's ESRC (Economic and Social Research Council) funded research has now been completed and the research results indicate that competition amongst small ethnic firms has intensified and now has many fronts. Customer expectations are rising across the board and competition for a market share is intensifying. Furthermore, small businesses operating in different sectors of the industry are struggling with the general shortage of skilled and committed staff. It is now a great challenge for small businesses in the UK to recruit skilled labour, since different sectors are faced with labour shortages.

The study, which reports on the findings of 264 face to face interviews with Turkish and Chinese small business owners operating in various sectors including retailing, catering, professional services and manufacturing in different boroughs of London, shows that competition is no longer solely about gaining a market share, it is also about finding quality people who are equipped with the appropriate skills and knowledge and being able to retain them. Some snippets of the findings are outlined below:

- Turkish and Chinese small firms have traditionally relied on an ethnic labour force (co-ethnics and family members). This has been mainly for the purpose of cost reduction and for ease of communication with and management of co-ethnic employees without having cultural barriers.
- Turkish and Chinese small firms are now fully aware of the benefits of breaking into the mainstream market (and out of the ethnic community market) by recruiting people from outside their ethnic communities. It is a widely shared view that a competitive advantage and long term growth can only be sustained by recruiting people who have the skills and capabilities to do the job properly.

However, there is a widely shared concern that skilled employees prefer to work for larger companies that offer better payment and benefits, employee reward schemes and career opportunities. When Turkish and Chinese small business owners were asked to describe the ideal employee profile, the following characteristics emerged:

*Commitment of the employee to the job* – Lack of commitment of employees to the job is a major concern among the business owners. It affects both the quality of service and relationship development. The widespread view among a group of owners was that employees are not committed to their jobs and that lack of commitment can show itself in the way they communicate with customers and treat them.

*Work Ethics and Integrity* – This appears to be an important issue because ethnic minority business owners would not delegate responsibility to an employee unless they believe that the employee has strong work ethics and is reliable.

*Multi-skilled employee* – This appears crucial because it not only helps the owners to save on the cost of operations but also gives them an advantage over their competitors.

*Language* – Since most of these businesses have both ethnic and mainstream customers and suppliers, Turkish and Chinese business owners expect their employees to be competent with both Turkish and Chinese and English languages.

Although these sound like a ‘wish list’, there were many successful businesses among the 264 businesses which invested in training and developed the appropriate reward systems and thus increased the commitment and retention of employees. Among different training techniques, on-job training appears to be popular in the retailing and catering sectors and formal training (i.e. giving employees the opportunity to attend formal seminars and workshops) in the professional services. Commitment was also enhanced by creating a ‘family atmosphere’ and emotional bonds between the employees and the business owner. In addition, there were many successful business owners who ascribed their success in retaining their employees to their ‘democratic leadership/management style’ and to trusting people and empowering them.

On the other hand, there was also a widespread view among the business owners that ‘training’ does not always pay off. Employees either leave to work for competitors or start up their own businesses and create competition.

### **How could government respond to the shortage of labour force?**

Drs Altinay and Wang recommend that the government should loosen immigration policies for skilled workers in sectors which are strategic and have the potential to drive the economy in the future. Tight immigration policies will add an extra burden to the problems of small ethnic minority businesses which are currently suffering from the direct aggressive competition strategies of large established firms. It is also recommended that academia-policy/practitioner collaboration be developed further. In particular, apprenticeships supported and funded by businesses and the government could create job opportunities for the college and university graduates and at the same time offer access to a large skilled labour pool.

## **VI. Chinese Businesses in London: An Evolving Business Landscape**

Chinese entrepreneurship has drawn increasing attention. The UK’s prestigious Economic and Social Research Council commissioned a project to improve the understanding of the characteristics of Chinese entrepreneurs and their businesses in London and to identify their needs for business support. This project is led by Dr. Catherine Wang at the School of Management, Royal Holloway, University of London, and Dr. Levent Altinay at Oxford Brookes University Business School. Over the past two years, 126 Chinese entrepreneurs, each running a small business (with no more than 50 employees), were randomly selected for interviews from a list of 1,500 London-based Chinese businesses. Among the 126 small firms interviewed, 53.2% were operating in the traditional industries, including manufacturing, retailing, wholesale trade and commission trade, hotels and restaurants, takeaways, and others, while the remaining

were concentrated in professional services. About two-thirds of the Chinese businesses were micro firms, employing no more than 9 employees, whilst only one-third reported a total number of employees between 10 and 50. Moreover, 36.3% of the Chinese firms were relatively new and had been in business for no more than three years, and the average age of the firms was 7.9 years.

### ***Differences between the first- and the second-generation entrepreneurs***

The project findings revealed a striking difference between the first and the second-generation Chinese entrepreneurs. In particular, only 2% of our interviewees were second-generation British born Chinese. Among the first-generation Chinese entrepreneurs, 47% were originally from mainland China, 29% from Hong Kong and 24% from Taiwanese, Malaysian, Singaporean and other Chinese origins. The second-generation Chinese are well educated and highly skilled, and therefore choose to enter professional employment. This is likely to pose great challenge to the succession and continuity of family businesses as the first generation approaches retirement age. Nevertheless, there is also some anecdotal evidence that a small number of second-generation entrepreneurs, having led a successful professional career, decide to return to family businesses in pursuit of autonomy and ambition. In contrast, among the first-generation Chinese entrepreneurs operating in the traditional industry sectors, language skills and the traditional way of thinking are still major factors that influence the growth of their businesses.

There is a brighter side of the picture: the rise of Chinese professional services firms and, to a lesser extent, information technology-based firms has broadened the base of Chinese businesses. Among the Chinese entrepreneurs interviewed, 46.8% were operating in a professional service sector, including accountants, solicitors, consultants, medical doctors, information-technology based services, and other professional services. An interesting phenomenon is that an increasing number of first-generation young, highly skilled, newly arrived immigrants are joining the professional service sector. This has initiated a shift away from the traditional industry sectors.

### ***Business start-ups***

What drives the Chinese entrepreneurs to start and run their own businesses? Our findings reveal that the pursuit of better financial prospects, independence and being one's own boss were the most important motivations of new business start-ups, scoring an average of 6 on a scale of 1 (least important) to 7 (most important). Prior relevant work experience and expertise (with an average score of 5.5 out of 7) were also key drivers for Chinese entrepreneurs to start a new business.

In terms of start-up capital, personal and family savings were the main sources of investment. When asked what were the most important sources of advice on business start-up, the participant entrepreneurs reported that the three most useful sources of advice were accountants, friends and family, with an average score of 5.3, 4.3 and 3.8 (on a scale of 1 to 7), respectively. Local authority was least used as a source of advice.

### ***Entrepreneurial orientation and firm growth***

An important aspect of the project is to evaluate how entrepreneurial Chinese small businesses in London are. More specifically, three aspects of their entrepreneurial orientation were gauged: how proactive they were in the market in terms of introducing new products or services and coping with competition; how innovative they were in terms of seeking new solutions and encouraging employees to come out with new solutions; and how likely they were to take on highly risky projects with chances of very high return. The findings showed that the Chinese small firms that participated in this project seemed to be very proactive and innovative and scored an average of above 5 on a scale of 1 (least) to 7 (most). However, these firms were cautious and risk averse, scoring an average of 2.6.

In terms of growth, the pattern that emerged is rather mixed. The growth of Chinese small firms in our study seemed to be mainly reflected in the increase of the number of employees and the number of business premises, but it was not always reflected in profitability. Moreover, a general pattern is that bigger firms (with 10-50 employees) were more likely to have stronger sales growth and the employment growth than micro firms (with no more than 9 employees).

Business expansion often took place in the form of purchasing or renting more business premises to expand on the same line of business or diversify into different lines of business. Cash savings was an important source of business expansion, with an average score of 5.8 on a scale of 1 (least important) to 7 (most important). However, there is evidence that Chinese firms were starting to use loans from British banks as investment for business expansion.

### ***Constraints on growth and business support***

The most significant factors that influence business growth and expansion were reported as high rents and intensive competition. A considerable number of Chinese businesses were competing on price in the traditional industry sectors, such as restaurants, food retailing, and mobile phone accessories retailing. The second significant factors that constrain business growth and expansion were reported as the lack of quality labour and government regulations. Quality labour was referred to as people who not only have compatible skill sets but also have integrity and can fit in the firm culture. Finally, government regulations were considered equally important for business growth and expansion. The key issues were that the regulations were not communicated to the Chinese firms clearly and that some of the regulations did not take the ethnic culture into consideration.

In sum, the findings suggest that the business landscape of Chinese enterprises in London is evolving and diverse. Different Chinese entrepreneurs and businesses require different levels of support. For first-generation, traditional entrepreneurs who require up-skilling

and better integration into mainstream business networks, government support should be more accessible and targeted, using community-based media for communication.

Conversely, among second-generation Chinese entrepreneurs or first-generation highly skilled immigrants, there is a general demand for more opportunities for participation and engagement in mainstream business networks. For more information about the project, please contact Dr. Catherine Wang via email: [catherine.wang@rhul.ac.uk](mailto:catherine.wang@rhul.ac.uk)

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