



FACILITATING NEW MIGRANT BUSINESS DEVELOPMENT: A COLLABORATIVE APPROACH



A joint briefing by the Centre for Research in Ethnic Minority Entrepreneurship and Ashley Community Housing

SYNOPSIS

The West Midlands has recently seen a wave of migration from countries such as Somalia and Poland. This is sometimes called new migration, in contrast to established patterns from countries in the Caribbean and South Asia. Many new migrants establish their own businesses, a process of great importance for their economic integration. Yet there is little research on their enterprises or experiences of business support. *The Centre for Research in Ethnic Minority Entrepreneurship (CREME)* and *Ashley Community Housing (ACH)* are collaborating on a long-term programme of knowledge exchange and research to develop the evidence base and practical support for migrants in business. This briefing summarises the findings of a major detailed qualitative investigation of new migrants who run, or aspire to own, small businesses in the West Midlands.

CONTEXT

INSIGHTS FROM PREVIOUS STUDIES

Previous research by CREME on migrant enterprise highlights a number of themes that shape the context of new arrivals to the country who want to start their own business. It reveals:

- An alarming dearth of information on the scale and nature of new migrant business activity
- Considerable interest in entrepreneurship as a career option amongst new migrants
- A tendency to concentrate in low-value sectors
- Unacknowledged human capital within many businesses
- A lack of awareness of the existence and role of 'mainstream' business support agencies
- Active interest in pursuing appropriate support to develop and their businesses
- A willingness to engage with business support professionals

OUR APPROACH

Our perspective on this project is guided by Sen's *capabilities approach (CA)*¹, whose central concern is that human development should be a process of self-realisation, in which its beneficiaries are active



participants rather than passive aid recipients. Hence the projects emphasises on facilitation and collaboration as a means on development. Even though CA was originally applied to socio-economic development in developing countries, it is equally apt in situations such as enterprise support for migrants in advanced economies like the UK. For us, this means reinforcing the enterprise supporters' normal wish to recognise the entrepreneurial potential of all clients, irrespective of geographical or cultural origin and then to strengthen and develop that capacity. Aspiration is often the vital first stage on the path to entrepreneurial or any other form of self-realisation. This ambition for self-expression is a near-universal human trait, a rejection of the passive acceptance of one's lot. Accordingly it can be virtually assumed that aspiration will be a widespread feature of our sample, though there may be some scope for guidance in order to gain clarity and focus.

METHOD

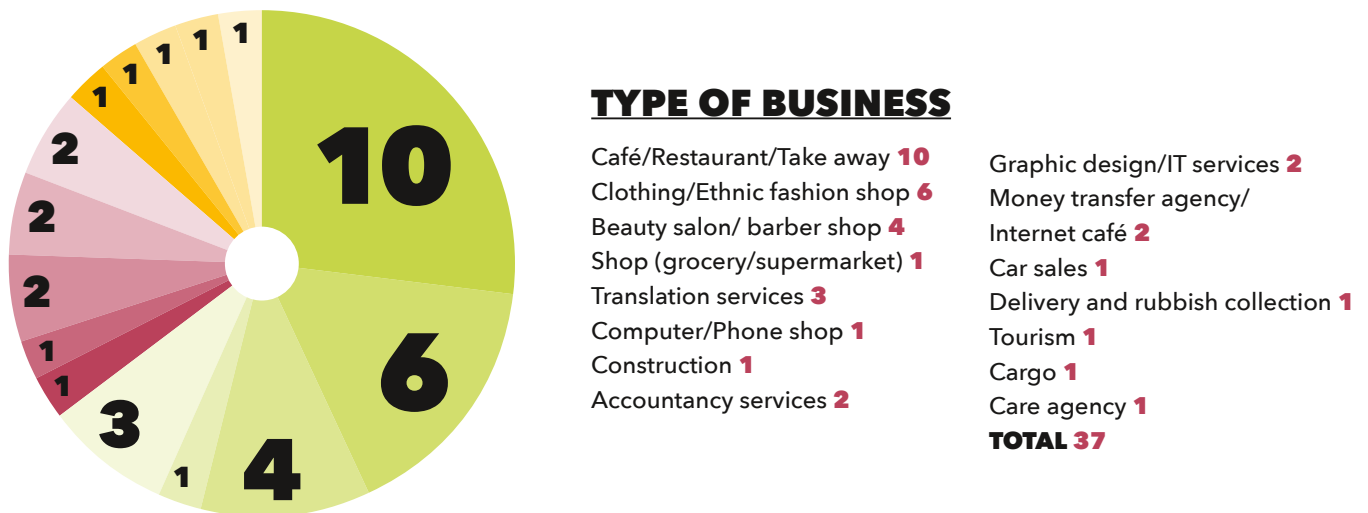
The researchers conducted detailed qualitative interviews with 44 migrant in the West Midlands. The criteria for selection of interviewees were:

- Aspiring entrepreneur; or failed entrepreneur; or business owner
- Less than 8 years in the UK
- Born abroad from any nationality and/or country of origin

Of the total of our 44 interviewees, seven were aspiring entrepreneurs and 37 ran their own businesses. The sample comprised migrants mainly from Eritrea, Somalia, Iran and Sudan.

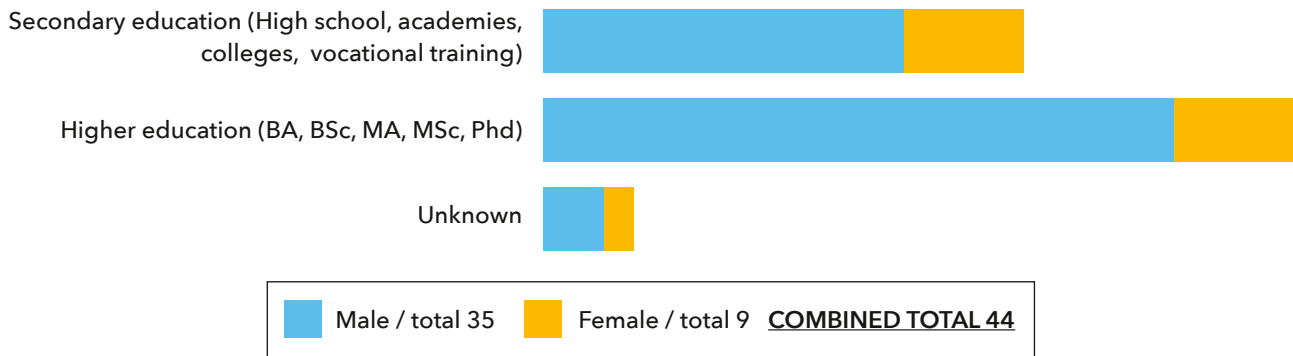
1. A Sen, A. (1990). Development as capability expansion. *Human development and the international development strategy for the 1990s*.

2. Ha Joon Chang (2014) *Economics: The User's Guide: A Pelican Introduction*, London: Pelican.



Graph 1. Prospective businesses for aspiring entrepreneurs and business owners

LEVEL OF EDUCATION



Graph 2. Migrants interviewed by level of education completed and gender (absolute numbers)

Most business owners operated (or aspire to operate) in the service sector, with catering and retail as the most significant categories of business entry, with café/restaurant/take away as the most popular options, followed by clothing shops. This is consistent with CREME’s research on the characteristics of migrant entrepreneurs and their sectoral distribution.

KEY FINDINGS ENTREPRENEURIAL AND RESILIENT COMMUNITIES

For each of the 44 case studies, we have constructed a rounded narrative, what amounts to an abridged personal history from arrival in the West Midlands area to business entry (or in a few cases preparatory pre-entry), taking in qualifications and experience as factors helping to shape this narrative. In essence, these case studies tell a perhaps unexpected story of a highly capable set of migrants bringing with them an impressive array of qualifications and

previous entrepreneurial experience. They also display strong and in some cases creative business aspirations. Indeed we would see many of them as the very embodiment of Sen’s ideas about the role of self-willed autonomous agency needing to be enabled rather than spoon fed. Less unexpectedly much of this potential is being thwarted by external blockages ranging from poor pre-entrepreneurial work experience to grave difficulties in raising start-up capital.

IMPRESSIVE QUALIFICATIONS AND BUSINESS CREDENTIALS

If there should be any prior assumptions about lack of capability, these are immediately dispelled by our findings on the sample’s educational background and occupational experience. Immediately striking is that no fewer than 24 of the total 44 hold graduate and post-graduate qualifications, a rate of academic attainment in excess of the entrepreneurial norm

and having the potential to fit them out for truly high end business ownership. Alongside this, several respondents tell of previous entrepreneurial experience in their homelands, often as part of growing up in a business family. In addition to this stock of human capital, this group of migrants displays much optimistic future aspiration, with many of the new business owners contemplating growth and expansion. At the summit of these ambitions is the Egyptian restaurateur who visualises owning “five or six restaurants... and employing 30-50 people”.

A MISMATCH BETWEEN HOPE AND REALITY

Yet, running through the entire narrative is a disappointing disconnection between hope and reality. Far from high end entrepreneurship, the vast majority of those who have started firms are concentrated in the classic low level immigrant activities of catering and retail. A similar gap hits home when we contemplate business entry motivations. While there is certainly a widespread wish for independence and freedom, there is an equally common wish to escape from the toils and humiliations of the labour market, typified by the Moroccan tailor's happiness that he doesn't “need to go to the job centre”; or the Somali café owner escaping from “the problems with my warehouse job”. Unhappily it seems that successful achievement of refugee status is only the prelude to job market dissatisfaction, a factor we elaborate below.

PRE-ENTREPRENEURIAL 3D JOBS

Recently, radical economists like Ha Joon Chang² have begun to refer to the undesirable occupations classically reserved for immigrants as “3D jobs” – dirty, demeaning and dangerous. Consistent with this, many of our respondents have endured lengthy periods in low level manual work, as for example the Eritrean owner of a hair salon, compelled at the outset to work in a warehouse because her previous qualification in hair care was not recognised in Britain. Such mismatches between credentials and occupation are widespread. For present purposes this matters mostly because time spent in lowly paid labour makes it acutely difficult to raise the financial capital to fund a business start-up. Under-capitalisation is a chronic problem for migrant entrepreneurs and in the present case support professionals might note that people entering

as asylum-seekers are likely to be additionally vulnerable.

BARRIERS TO BUSINESS ENTRY

If pre-entry is beset with pitfalls, business start-up itself is if anything even more hazardous. Replicating the disadvantages of countless migrant entrepreneurs before them, the present migrants are presented with the challenge of raising sufficient start-up capital. As observed above, onerously accumulated personal savings are seriously inadequate and an even greater stumbling block is the unavailability of bank credit. This stems partly from unfamiliarity with the UK banking system and partly from the feelings of intimidation common to all small business owners but all the more acute for outsiders. Taking the place of formal credit providers is the social capital network of family and friends, the source of informal loans and pooled savings. This classic migrant funding source plays a pivotal role in supporting micro-level family firms but is insufficient to support anything more ambitious. As a consequence the present sample is found to be surviving (sometimes precariously) in micro-scale marginal enterprises only kept afloat by a great deal of self-exploitation in the form of meagre returns for long working hours.

RECOMMENDATIONS

We offer a number of recommendations on the basis of our findings.

ENABLEMENT

Practitioners involved in business need to recognise the considerable capabilities of many migrants. Extra emphasis is given to this by the interviewees' own misgivings that their skills, knowledge and credentials are either unacknowledged or undervalued by mainstream support bodies. Almost by default, this valuable human capital is not taken as seriously as it should be, even though a thorough evaluation of the total stock of personal resources available to the present sample would suggest that the best entrepreneurial results would be achieved through their active participation.

RESOURCE ENHANCEMENT

To suggest this is by no means to say that these aspiring entrepreneurs can be entirely self-starting and left to their own devices. While enablement certainly must be the guiding principle for such



“MIGRANTS ARRIVING TO THE UK SEEM TO DISPLAY IMPORTANT ENTREPRENEURIAL ASPIRATIONS, DUE TO THEIR EXPERIENCES IN THE LABOUR MARKET”

ambitious well-equipped individuals, nevertheless it can never be forgotten that these are geographically and culturally dislocated people attempting to negotiate an alien – even hostile – environment. However entrepreneurially savvy they may be, at the most rudimentary cultural level they need a great deal of support. For the most part this would take the form of education and training.

Striking us as the most urgent requirement here is language training, given that a majority lacks English language fluency due to recent arrival in the UK. Linguistic communication is of course the most basic of all essentials, its absence limiting access to the labour market and every other essential requirement of existence. In addition, prospective entrepreneurs will need to be thoroughly equipped to navigate an entirely unknown environment. They must be familiarised with the legal requirements of business including employment and planning regulations; and advice about negotiating with various essential business gatekeepers – banks and finance providers especially – is of pivotal importance. Encouragingly several respondents expressed interest in involvement in training courses and mentoring programmes. There was also some desire for contact with enterprise support bodies, whose assistance might supplement the support they receive from organisations like ACH; when we consider the vulnerability of this group, we are bound to say that the wider the range of help sources the better.

CREDIT ACCESS

It can hardly be repeated too often that the most serious of all disadvantages for migrant entrepreneurs is under-capitalisation, with banks and other mainstream credit providers perceived as intimidating institutions. In the absence of bank loans, prospective business owners turn to informal sources supplied by family/community networks – often loans

from relatives, occasionally pooled savings from co-ethnics. Certainly we find the present sample have been heavily reliant on friends and family, in a few cases benefitting from international money transfer from family members in the homeland or elsewhere in the transnational diaspora. In the past this informal financing has been commended as a major strength of migrant communities but against this it must be regretted that the sums raised by this method are usually far too small to start up any firm beyond the smallest and least sophisticated end of the spectrum.

In the light of all this we would recommend that clients be given encouragement to access formal mainstream funding. We suggest that one-to-one discussions be arranged to outline the advantages and to frankly admit that the advantages of a commercial loan come at a greater cost than informal borrowing.

CUSTOMERS

In addition to under-capitalisation, most migrant firms suffer from concentration in the least profitable sectors, and surviving fierce competition by working long hours. In the present case, many of the respondents are over-reliant on members of their own ethnic group and on impoverished run-down local neighbourhoods. Advice about diversification or relocation is a considerable priority and all possible assistance needs to be offered towards these ends. Inevitably this merges with the message of the previous section, since lack of funding is often the main barrier to securing new premises, advertising and all the other conditions essential for diversification.

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