6 Breaking out of survival businesses

Managing labour, growth and development in the South Asian restaurant trade

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Introduction

Despite the statistical problems of cross-national comparison, it is safe to say that the rise of ethnic minority business ownership is an international trend, being especially strong in relatively deregulated Anglo-Saxon economies (see Light and Rosenstein, 1995, on the USA; Ram and Jones, 1998, on Britain; Razin and Langlois, 1996, on Canada), but also discernible in some mainland European nations such as the Netherlands (Rath and Kloosterman, 2000) and France (Ma Mung, 1999). Much of the recent literature endeavours to explain the presence of ethnic minority enterprise in particular sectors, localities and communities. For example, Werbner (1984, 1990), has demonstrated how Pakistani clothing manufacturers in Manchester (UK) draw on an array of ‘ethnic resources’ to initiate and sustain their businesses. These include: a supply of willing, flexible and cheap labour from the family and co-ethnic community; interest-free credit offered on trust by fellow Pakistani suppliers; and preferential outlets among co-ethnic wholesalers and retailers. From a radically different ‘mixed embeddedness’ perspective, Kloosterman et al. (1999) and Rath and Kloosterman (2000) locate immigrant entrepreneurship in its social, economic and institutional context rather than reducing it to a pure ‘ethno-cultural’ phenomenon.

Yet despite a burgeoning research interest, the concrete ways in which ethnic minorities attempt to grow and develop their business remains a neglected issue, with comparatively few attempts to identify what distinguishes the relative handful of fast trackers from the broad mass of survivalists.

Rarer still is any considered assessment of the ‘people-dimension’ of ethnic minority firms that have attempted the transition from survivalism to growth. While realism demands an insistence on the marginal nature of
many ethnic minority enterprises, greater attention now needs to be
directed at entrepreneurial success and the exceptional factors that under-
pin it. In comparison to the prevailing approaches in the field, the present
chapter is distinct in three respects. First, we directly address the experi-
ences of growing and developing firms, as well as survival-orientated
enterprises, using as a framework the concept of ‘break-out’ (Ram and
Hillin, 1991; Ram et al., 1998). This term was introduced to underline the
constricted nature of much ethnic minority enterprise within narrow and
highly competitive market segments and the need to escape into more
high yielding markets. Here, a key argument is that the success of such a
transition is contingent upon the availability of ‘class resources’ (Light and
Bonacich, 1988), together with a commitment on the part of the entre-
preneurs to modernisation, especially with regard to labour relations.
Informal working methods like the use of uncosted family labour and
paternalistic relations with co-ethnic employees work very well as an
insurance for survival but are less appropriate for expanding firms in main-
stream markets (Bates, 1993). As Scase (1995:584) argues, the study of
small business growth tends to focus on issues like the capacity to raise
finance and the nature of market opportunities. Yet, the substantive
growth of small enterprises often rests upon the capacity of entrepreneurs
to manage the altered dynamics to negotiated orders that are often neces-
sary in small organisations undergoing transition. In essence, the ‘human
dimension’ is often neglected in the prevailing discourse on small business
growth.

Second, we focus upon the sectoral as well as the ethnic context,
through an investigation of South Asians operating in Birmingham’s
independent restaurant sector. Such a focus is consistent with the recent
literature’s recognition of the social and economic embeddedness of ethnic
minority business activity, its determination by external forces as well as
by its internal family and community dynamics (Kloosterman et al., 1999;
Rath, 1999; Rath and Kloosterman, 2000). This perspective is also in line
with the firm-in-sector approach to the study of employment relations. In
the context of small firms, this requires an acknowledgement of the
importance of market relations, which at its most extreme has been advoc-
ated by Rainnie (1989; see also Barrett and Rainnie, 2002). Importantly
though, market relations are not accorded a determinate role in shaping
shop floor dynamics; of greater significance is the way in which the market
is actually interpreted in the workplace. A key aim of the present study is
to demonstrate a wide range of responses to market pressures, even in a
comparatively narrow sectoral and spatial milieu.

Finally, our preference is for a qualitative methodology, drawing in this
instance on 23 case histories to illuminate the processes involved in growth
and development. Arguably, this approach is more conducive to an explo-
ration of the meaning and content of business development than the quan-
titative orientation hitherto dominant in this field (Aldrich et al., 1981;
McGoldrick and Reeve, 1989; Jones et al., 1992; Metcalf et al., 1996; Basu, 1998). Further, as the broader literature on industrial relations suggests, more subtle forms of control will emerge only through intensive methods (Edwards, 2001).

**Breaking out: the development of ethnic minority businesses**

For all its rapid quantitative proliferation, it remains almost universally true that ethnic enterprise remains qualitatively limited, its scope largely restricted to a narrow range of activities in the least rewarding areas of the economy. Numerous British studies remark on the pronounced over-representation of South Asian firms in low order retailing and catering, and their under-representation elsewhere in the economy (Rafiq, 1985; Jones et al., 1989, 1992; McGoldrick and Reeve, 1989). Essentially, the new wave of self-employed South Asians, many of them displaced from manual labour, have gravitated towards sectors with low entry thresholds, usually those requiring little start-up capital, specialised expertise or formal credentials. Moreover, the low returns intrinsic to these sectors are often compounded by over-dependence on a limited South Asian clientele and by all the classic disadvantages of operating in an inner city location (Jones et al., 1989; Rafiq, 1985, 1992). Significantly, this sectoral skewedness, far from an isolated British instance, is widely reported internationally. In Germany, for example, 20 per cent of ‘foreign’ entrepreneurs are in retail businesses and a further 26 per cent in catering, ‘an example of an area that has become unattractive for Germans because of the long hours involved and the small profit in exchange’ (Wilpert, 1999:10). Here, Wilpert echoes the long-running theme of racialised minorities as replacement entrepreneurs, moving into the void created by the exodus of mainstream business owners from markets increasingly seen as undesirable (Aldrich et al., 1984; Light, 1984). In cases such as Italy, where for cultural and economic reasons, independent retailing and catering continue to be highly valued activities, even this low quality market space is largely absent and immigrant entrepreneurs are driven to the extreme margins of irregular street trading and hawking (Quassoli, 1999). Strictly speaking, however, these international variations are a matter of degree rather than kind, and it would seem that the ubiquitous processes of racialised exclusion, so well documented in other spheres of life, extend also into the realm of enterprise.

However, in the British case at least, these unpromising market circumstances have to be set against two complementary developments, which presage an interest in the potential of more economically sustainable and viable ethnic minority firms. First, as a small number of empirical studies indicate, there are signs that some well established entrepreneurial minorities such as South Asians are gradually diversifying into the kinds of
economic sectors that can support flourishing businesses above the micro-
scale (Jones et al., 1989; Ward, 1991; Basu, 1998; Ram et al., 2003). Operat-
ing in these fields also represents a move away from the
labour-intensiveness and the arduous toil to which so many owners are
subject. While such businesses continue to represent only a tiny minority
of the total, they might be taken as role models for some of the broad mass
of micro-scale ‘trundlers’ and ‘strugglers’ (to use Storey’s, 1994 terminol-
ogy). Second, at a more conceptual level, there has been some theoretical
interest in the general processes by which some ethnic minority firms
emerge from their often-straitened market circumstances. For example,
Ram and Hillin (1991) have coined the term ‘break-out’ to capture the
need to escape from the stereotypical activities in which most businesses
are confined and the need for an outward reorientation towards new and
more expansive market space. Building upon this, Jones et al. (2000) argue
that such repositioning ought to take the form of a shift away both from
dependence on fellow South Asian customers and from corner shop retail-
ning and other activities aimed at a local neighbourhood clientele. Where
possible, Asian entrepreneurs need to aim at higher-level activities – man-
ufacturing, wholesaling, producer services and high order retailing and
consumer services – whose markets are in principle spatially and ethnically
unbounded.

By the use of such strategies, the South Asian firm can release itself
from overcrowded and hyper-competitive niches, where labour-intensive
toil usually provides only lean pickings. Where this hypothesis has been
applied to real world conditions as in Jones et al.’s (2000) study of two sets
of South Asian firms in Britain and Canada, it has tested positive, with
those firms operating in higher order sectors with expansive market poten-
tial clearly performing better than those operating in low level bounded
markets.

Having the will to break new ground, however, is not the same as
having the wherewithal, and whether or not the ethnic minority firm can
tap into such market potential depends upon three further considerations.
First, it is likely that any significant re-orientation of the firm’s market
position will require radical changes in the management process, particu-
larly with regard to management roles and the use of labour. At a
minimum, it is likely to require a redirection of the proprietors’ efforts, if
not a more substantial change in their role, a significant undertaking since
many ethnic minority businesses operate on a tight budget with little paid
assistance. As Jones et al. (1994:195) point out,

one of the major weaknesses of the ethnic minority enterprise
economy is the great preponderance of micro-firms, taking onerous
toll of the owner’s own labour and further impeding efficiency by
leaving little opportunity for planning, information-gathering or any
other activity which might be designated ‘managerial’.
The widely noted characteristic of utilising predominantly co-ethnic labour may further inhibit break-out since such workers are in effect recruited on the basis of ethnic loyalty and other paternalistic considerations rather than for their skills, qualifications and experience. Although family/co-ethnic labour is conventionally portrayed as a crucial resource, whether the presentation has emphasised consensus (Werbner, 1990), or exploitation (Hoel, 1984), the reluctance to enlist ‘outside’ labour (Jones et al., 1994; Ram, 1992; 1994) works directly against all rational management principles. Highly functional in the corner shop context, such ethnic informalism becomes increasingly uneconomic past a certain level of scale and sophistication.

Second, although the discourse of promoting ‘growth’ firms or ‘picking winners’ is well established in the small business field (Hakim, 1989; Storey, 1994; Freel, 1998), it is vital to recognise that most small businesses do not have such aspirations. ‘Fast-trackers’ driven by goals of profit maximisation and expansion are in a very small minority, irrespective of their ethnic origin. For the most part, small business owners are guided more by a cluster of values related to a desire for independence (Bechoffer and Elliott, 1978; Scase and Goffee, 1982; Curran, 1986, 1991; Storey, 1994; Baines and Wheelock, 1998), an outlook that cannot be dismissed as irrational or backward. Equally, it should be recognised that break-out can be a risky and daunting option. To penetrate the more fruitful markets of the mainstream is by definition to venture out into contested territory. This highly desirable market space is the preserve of firms owned by the majority population, in fields where demands on capital, management, technology, knowledge, expertise, information, labour skills and customer relations are likely to be much greater than in the abandoned niches, where ethnic minority businesses generally reside. Ram’s (1994) investigation of small South Asian-owned clothing firms underlines this point and warns that, in certain circumstances, such reorientation can be positively misplaced. The owners in Ram’s study, who relied heavily on very basic machinery, family and co-ethnic labour and ‘informal’ working practices, were exhorted by local business support agencies to ‘go up-market’, a course requiring investment in new machinery, adopting ‘enlightened’ labour management policies, and utilising more ‘efficient’ production methods. However, many firms following this advice became victims of fierce competition; whilst the seemingly ‘irrational’ firms remained sufficiently flexible to cope with the vagaries of a turbulent marketplace.

Finally, the growth and restructuring capabilities of ethnic minority firms and indeed small businesses per se (Storey, 1994) will be contingent upon their access to class resources. In their extensive treatment of this concept, Light and Rosenstein (1995) observe that ‘a defining feature of class resources is universality’. Unlike ethnic resources, which derive very specifically from membership of an ethno-cultural fraternity, they emanate from an individual’s class position, occurring irrespective of national or
ethnic origin. In practice, of course, the two categories are by no means mutually exclusive and one fairly common pathway for ‘rags-to-riches’ South Asian entrepreneurs in Britain (still a comparatively rare category) has been to start by using ethnic resources, such as family labour or a loan from community religious and cultural organisations. Subsequently, sufficient class resources in the form of wealth, property and credit-worthiness are accumulated to launch out into higher-level spheres (Jones et al., 1994). Often class resource accumulation is an intergenerational process, as when the business generates sufficient income to support the owner’s offspring through advanced education and training to acquire vocationally relevant expertise and credentials (Ram, 1994). This fits well with Light and Rosenstein’s (1995) definition of class resources, which they see as including both tangible financial wealth and intangible assets such as human capital in the form of educational credentials.

From this we can appreciate that, even where ethnic minority businesses are in a position to pursue growth, rather than survival, they still nonetheless face major obstacles. Apart from the organisational implications and the need for ‘class’ as well as ‘ethnic’ resources, the growth option is almost always a high-risk proposition. Moreover, there are other key entrepreneurial decisions to be taken about such considerations as the location of the enterprise (Rekers and van Kempen, 2000) and the negotiation of official regulations, an issue normally ignored in the informal economy. These issues will now be explored in the case of South Asians operating in Birmingham’s independent restaurant sector.

Methodology, rationale and context

The methodology for the current research was informed by three key guiding principles: a sectoral emphasis; an exclusive focus on the experiences of South Asians; and a qualitative orientation. Since, as we have seen, growth opportunities for small firms are decisively influenced by economic sector (Storey, 1994; Smallbone et al., 1995; Rath and Kloosterman, 1999), a sectoral focus must be central. Our choice of the independent restaurant sector is influenced, among other criteria, by its potential for growth, which stands in sharp contrast to most other historic Asian entrepreneurial specialisms. There is a long-term trend for consumers to spend more on eating out which has continued in recent years, with turnover in the British restaurant market (including takeaways) reaching £11.71 billion in 1996, an increase of 5.1 per cent at current prices on the previous year. With the increasing popularity of eating out and a widening choice of outlets and menus, it is estimated that the restaurant market is likely to achieve £15.11 billion sales by 2001 (MINTEL, 1997).

Within the restaurant industry, South Asian businesses providing South Asian cuisine are a growing presence, expanding even more rapidly than the total sector itself. Throughout advanced western society, the independ-
ent restaurant sector is a highly popular activity for ethnic minority entrepreneurs (see for example Bailey, 1985, on the case of New York; Herman, 1979, on Toronto; Kesteloot and Mistiaen, 1997, on Brussels; Kloosterman et al., 1999, on Amsterdam), and Britain is no exception with an ethnic restaurant market valued at around £3 billion in 1997, thus accounting for over a quarter of total sales. Within this highly diverse ethnic sub-total, South Asian (Indian, Pakistani, Bangladeshi) outlets accounted for 55 per cent of sales (MINTEL, 1998).

The qualitative orientation of the study is the third principle underpinning the current research. There were two dimensions to this, which stem from the multiple case logic outlined by Eisenhardt (1991) and Eisenhardt and Bourgeois (1988). First, in order to develop a picture of how South Asian firms were faring in the restaurant sector, it was important to involve a broad range of businesses and to this end the participation of 23 restaurants was secured from the Bangladeshi (eight), Pakistani (eight) and Indian (seven) communities. Second, we were anxious to avoid the occasional misconceptions and the superficiality that sometimes results from the use of the standard questionnaire method. The questionnaire approach has tended to reduce complex and often convoluted entrepreneurial decision-making to rigid one-dimensionality (see Ram and Jones, 1998 for critique). By contrast, in recent years a small but growing number of studies have gained deeper insights into the processes of ethnic business development through an in-depth case history approach (Jones et al., 1989; Ram, 1994; Dhaliwal and Amin, 1995). Following this method, our respondents were tape-recorded and encouraged to discourse at length on a comprehensive range of issues relating to entrepreneurial attitudes and behaviour, the interviews consisting in effect of lengthy and detailed conversations prompted by a check list rather than confined by a questionnaire format. To ensure thoroughness of coverage this procedure was used with each business owner on at least two separate occasions, while to achieve a more rounded coverage at least two employees from each firm were also interviewed. As intended, this form of investigation has generated a rich accumulation of findings across a broad spectrum, but for the purposes of the present paper it is the respondents’ relationship to the market and their strategies to negotiate this which form the core of the analysis.

Essentially then, this study is predicated upon a methodologically distinct case history approach, with sufficient participants to be broadly representative of South Asians in the sector and multiple interactions with multiple respondents in each firm to permit qualitative assessment of business development processes, taking into account their full complexity. Although we include sufficient firms to capture the breadth of South Asian involvement in the restaurant sector, the canons of statistical notions of representation and generalisation are not of primary significance here. Of more importance is an interest in the illumination of processes in action,
and analytical modes of generalisation (Stake, 1994; Yin, 1994). The qualitative case history approach permits scrutiny of the processes by which restaurants survive and develop and, in so doing, highlights the integration of social and economic forms of embeddedness (Rath, 1999).

Research setting

In Birmingham, there are 23,599 service sector companies, of which 16,176 are service sector businesses with fewer than 10 employees (Birmingham Economic Information Centre, 1998:92). Of these, approximately 350 are both licensed and unlicensed restaurants with less than 10 employees. Precise figures on ethnic minority firms are not recorded; but in the case of South Asian restaurants, as many as 70 are to be found in the Sparkhill and Sparkbrook areas of inner city Birmingham. A concentration which has led the area to be dubbed the ‘Balti Quarter’, after the special version of South Asian cuisine prevalent in this area. As Table 6.1 indicates, this area has a significant South Asian (particularly Pakistani) presence.

A familiar pattern of disadvantage accompanies the minority ethnic community concentrated in this area. For example, unemployment in the ‘Balti Quarter’ is higher than the city average (Table 6.1). High unemployment levels are exacerbated by the general dilapidation of the local environment, a widespread fear of crime, and the often-hazardous traffic flow in and out of the area. Ten of the outlets (eight Pakistani and two

Table 6.1 Composition of South Asians and total unemployment in the ‘Balti Quarter’

<table>
<thead>
<tr>
<th>Population</th>
<th>Small Heath</th>
<th>Sparkbrook</th>
<th>Sparkhill</th>
</tr>
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<tbody>
<tr>
<td>Ward population</td>
<td>31,617</td>
<td>25,896</td>
<td>26,251</td>
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<tr>
<td>Indian (No.)</td>
<td>1,832</td>
<td>1,969</td>
<td>3,796</td>
</tr>
<tr>
<td>Indian (%)</td>
<td>6</td>
<td>8</td>
<td>15</td>
</tr>
<tr>
<td>Pakistani (No.)</td>
<td>11,764</td>
<td>7,926</td>
<td>9,145</td>
</tr>
<tr>
<td>Pakistani (%)</td>
<td>37</td>
<td>31</td>
<td>35</td>
</tr>
<tr>
<td>Bangladeshi (No.)</td>
<td>1,846</td>
<td>2,136</td>
<td>594</td>
</tr>
<tr>
<td>Bangladeshi (%)</td>
<td>6</td>
<td>8</td>
<td>2</td>
</tr>
</tbody>
</table>

Unemployment rates*

| Male (No.) | 1,339 | 1,693 | 1,242 |
| Male (%)   | 20    | 31    | 20    |
| Female (No.) | 359   | 413   | 342   |
| Female (%) | 10    | 14    | 9     |
| Total (No.) | 1,698 | 2,106 | 1,584 |
| Total (%)  | 16    | 25    | 16    |


Note

a These unemployment rates easily exceed that for Birmingham as a whole, where rates of male, female and total unemployment are, respectively, 13%, 5% and 9%.
Indian) investigated in the current research were located in the ‘Balti Quarter’. Promisingly at first sight, the customer base for these restaurants is predominantly white young professionals with high disposable incomes (Warde et al., 1999) and students, the professionals of tomorrow. As we shall see, however, the prevailing problem of operating in the ‘Balti Quarter’ is market saturation, an over-supply of restaurant outlets leading to intense competition, in itself the archetypal condition of Asian business in Britain in general and a perfect demonstration of the commercial trap from which they need to escape. By contrast the remainder of our sample represent those who have escaped, spatially at least. All eight Bangladeshi-owned restaurants, and three with Indian proprietors, were geographically dispersed, presenting themselves as ‘up-market’ establishments with a largely white middle-aged and middle-class clientele.

The following sections examine how the sampled restaurants have adapted to the distinctive market environment of Birmingham’s independent restaurant sector.¹ Four approaches are discussed: survival, which essentially refers to those unwilling or unable to break out and hence compelled to come to terms with an unsatisfactory market environment; and three versions of proactive breakout strategy—multiple business ownership; product differentiation; and geographical relocation. As Table 6.2 reveals, these ostensibly different modes of operating and developing restaurant businesses are not necessarily mutually exclusive. For example, it is possible for a business owner who is intent on survival to have more than one food outlet; and restaurateurs who are located in ‘up-market’ settings may similarly stress the ‘authenticity’ of their cuisine. Rather, case comparison logic has been followed, which involves an assessment of the similarities and differences between the firms. Hence, on the basis of a detailed reading of respondents’ transcripts, firms have been assigned to categories that best capture their market approach.

**Survivalists**

During the 1980s, the pervasive discourse of ‘enterprise’ fuelled an interest in small business ownership as a means of promoting economic prosperity, both for the nation and for the individuals involved. Empirical studies, however, have noted that the outcome is often more akin to ‘survival self-employment’ than dynamic enterprises capable of significant growth (Macdonald, 1996; see also Storey, 1994; Baines and Wheelock, 1998). Even the ostensibly buoyant market conditions enjoyed by the restaurant trade offer no cast-iron guarantee of success and, in the current research, eight of the 23 firms could be described as survival- rather than growth-orientated. One of the most notable features of these eight restaurateurs was their almost uniform lament of the spiralling competition from other South Asian restaurants based in the same locality. As noted earlier, these restaurants were located in the city’s ‘Balti Quarter’, where supply outlets
<table>
<thead>
<tr>
<th><strong>Table 6.2 Typology of break-out</strong></th>
</tr>
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<tbody>
<tr>
<td><strong>Survival (8 firms)</strong></td>
</tr>
<tr>
<td><strong>Multiple business ownership (6 firms)</strong></td>
</tr>
<tr>
<td><strong>Product differentiation (2 firms)</strong></td>
</tr>
<tr>
<td><strong>Geographical relocation (7 firms)</strong></td>
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</table>

**Start-up**
- Low status entry into already over-supplied market. Used only family and co-ethnic support. Lack of start-up resources evolves into short-term survivalist outlook.
- Early entry into emerging market. Well educated, starts entrepreneurial career younger. Use of ethnic and class resources.
- Well-educated, start-up dependent on co-ethnic resources. Early specialisation of products and services. Early focus on changing customer preferences retained as business develops.
- Educated in business. Start-up dependent on class resources. High levels of start-up investment, some from external as well as family sources.

**Management**
- Mistrustful of outsiders. Senior positions given only to family members. No formal training, some informal learning. Lax regard for regulations.
- Response to market intensification is to spread risk: move to multi-outlet ownership and diversify into other businesses. Prefers co-ethnic labour, but open to competent personnel. Specialised division of labour. Continued investment in business.
- Response to market intensification is to specialise by product/service differentiation. Formalised staff recruitment of trained and specialised personnel. Specialised division of labour. Emphasis on valued employees.
- Response to market intensification is to (re)locate into affluent areas. Employment of specialised personnel, and formalised recruitment and employment practices.

**Market relations**
- Relationship to market is passive. Respond to intense competition by price-cutting. Strong use of informal off-the-books employment. Below minimum wage payments.
- Attention to market position. Maximises protection of niche market, while moving into diverse business sectors. Awareness of changing customer preferences, focus on NPD.
- Attention to changing customer preferences, moves beyond retail into specialised production and supply to other restaurants. Ethnic product, underpinned by ‘western’ management reputation.
- Deliberate market positioning to gain quality premium. Focus on reputation and word-of-mouth marketing. Awareness of their customer demands for high quality product, service and reputation.

**Aspirations**
- Limited: survival only, no growth.
- On-going process of capital accumulation. Growth seen in wider business interests and moves out of sector. Growth fuelled by continued investment of earned resources. Moves away from ethnic resource base.
- Signs of diversification into new markets and new locations, but lacks resources. Growth dependent on ethnic and class resources, but open to external investment.
- Identify themselves as high-flyers. Strong growth aspirations fuelled by capital investment at start-up. Focus on maintaining quality premium and market position.
have multiplied even faster than growing consumer demand; resulting in the over-population of this market niche (Ram et al., 2003).

Extreme price-cutting was a common means of coping with this competition, as one owner commented,

Well, there are too many. People ... get a business and they try and make a go of it and if they can’t make a go of it they get cornered … So what they do is drop their prices down, so they kill the market. You know, they have got 20 per cent off, or 50 per cent off or have one free. You buy one and get one free, you know, its just killing the market.

(Javed, Punjab Delight, Pakistani)

This business owner was clearly aware of the contradictory forces operating in this market. On the one hand, a concentrated swarm of ‘Balti-houses’ had beneficial cluster effects, ‘because you are getting more people into the area’ and picking up passing trade, but past a certain threshold, diminishing returns set in. Alongside this were complaints about the alleged laxity of planning regulations, with many owners berating local authority officials for granting permission for the establishment of excessive numbers of Balti-houses.

Consistent with previous studies of immigrant restaurants (Herman, 1979; Bailey, 1987), family and co-ethnic support was crucial in initiating and sustaining the business, especially through intensive use of familial labour. Family members tended to occupy senior positions within the firm, primarily because they could be ‘trusted’ and the fear of losing staff in these pivotal roles was removed. In such family-oriented firms, informality is the keynote throughout, with face-to-face personalised relationships prevailing over textbook management practices. Accordingly, recruitment of workers is almost entirely via word of mouth and formal training is almost non-existent, the preference being for on-the-job coaching by experienced employees. Similarly informal is pay determination, with many interviewed workers disclosing significant ‘off the books’ working and pay levels well below the National Minimum Wage. In a labour market offering pitifully few openings for unqualified workers, these arrangements provided workers with an opportunity for employment, while employers benefited from the ‘flexibility’ of these work methods, which was often vital to their own competitiveness. As is so often the case, meaning depends upon context and in this instance ‘mutual benefits’ must be judged against the employees’ utter lack of choice.

In the light of labour-intensive working methods and the harshly competitive market environment, the notion of ‘success’ was viewed in a modest way by most respondents in this category. As one commented, ‘if you can … pay the bills and make a living and that’s it. That’s a success’. This same respondent had to bring in at least ‘£600 a month’ in order to
‘cover the debt’ incurred in an earlier failed business venture. Employers enmeshed in such a hostile trading milieu were often cautious about further expansion. A second-generation respondent stated,

My father said, ‘Did I want to [expand]?’ But I said to him, ‘Listen, you are going to take out that loan for £40,000, £50,000 for another shop, you have got to do it up, it is going to cost you at least £25,000–£30,000 to do the place up, right. It just makes it awkward; you are going to end up paying seven or eight hundred pounds for over three years or four years to pay the mortgage off. What’s the point. And you are going to have to get more staff.’

(Jamil, Desi Cuisine, Pakistani)

In summary then, survivalists are characterised by limited aspirations and short-termism, a present rather than a future orientation. Their approach to market relations is largely passive, with few proactive strategies to counter hyper-competition apart from self-destructive price competition. As is widely characteristic of small Asian firms throughout Britain, their operating methods are highly traditional, with an intense reliance on family members and low cost labour-intensive practices to cushion their survival (cf. Jones et al., 1994). While family/co-ethnic labour has been repeatedly presented as a highly advantageous competitive asset for ethnic minority business, it ought more properly to be viewed as a safety net for low-level survival rather than a developmental resource.

**Multiple business ownership**

Despite the barriers, however, other restaurants are deploying a variety of strategies designed to elevate them above the survivalist basement. One of the striking features of the sample is the comparatively high incidence of multiple business ownership, with eight employers owning more than one outlet. One of our Bangladeshi respondents perfectly exemplifies the benefits of this multi-outlet approach. A highly successful and self-fulfilled operator, he confidently declared, ‘yes, my business has improved. I am quite happy with the way things are going’. This respondent was the sole owner of a restaurant in a relatively affluent part of the city, and a partner in another three others dispersed over the West Midlands, in prosperous small town locations. To a certain extent, the key to success in this case was the owner’s very early entry into the field before its eventual saturation. Arriving in Manchester in 1967 as a student, the respondent supplemented his income by working for fellow Bangladeshis in the restaurant trade, developed an interest in the business, abandoned his studies and started his own ‘curry house’. At that time, competition was minimal, ‘people were queuing outside, but not any more you know, this does not happen now’, virtually guaranteeing the success of his initial venture.
As competition increased, he kept ahead of the field by buying up and maintaining a string of restaurants, thereby spreading his risks, diversifying and geographically expanding his customer base, and in some cases selling them off as valuable going concerns. It was an on-going process of capital accumulation over a thirty-year period and a classic example of the important role of class resources in ethnic business development. From another perspective, he might be seen as exemplifying the principle of self-sustaining growth, with continually increasing scale and diversity permitting ever more plough-back investment. Pertinently for the present argument, this expansion has obliged him to dispense with time-honoured working practice and to shift towards a more modern approach, central to which is a specialised division of labour. Even though his preference is for co-ethnic workers because, ‘I can trust them’, practical requirements have required a preparedness to recruit any suitable candidates via job agencies and advertising. Unlike the more typical hands-on South Asian firm, relying as it does on the owner’s own heavy work load (Jones et al., 1994), this respondent was a genuine owner-manager (Scase and Goffee, 1982), whose headquarters restaurant is managed by his nephew and whose own role is defined as customer care, ‘I personally welcome most of my customers and they love it’.

Another illuminating example of multiple business ownership was provided by the manager of an Indian-owned restaurant, who commented on how the proprietor, an economics graduate from Cambridge, expanded from one outlet in 1966 to the current number of five. He had observed the shortage of ‘authentic Indian restaurants’, and duly opened up his first establishment in London, subsequently seizing the opportunity to expand his operations. The manager from the restaurant described how

he looked at about seven or eight sites all over the country. He wanted to expand in a big way and he started off with Cheltenham … Cheltenham was chosen because of his brother-in-law and his sisters. His two sisters were married and he had manpower. So, he arranged all the finance with the bank. He had a huge house in London which he put down as collateral to raise the finance and he had two brother in laws who were there to sort of help him and that did very well.

(Mohinder, Raj Palace, Indian)

The managers employed in this chain of restaurants were either relatives or ‘recruited through the ranks’. It was clear from this account that growth was largely contingent upon the interplay of a variety of factors: educational credentials, financial resources, familial and co-ethnic networks.

These respondents demonstrate the importance of a number of factors which have been documented in broader debates on ‘growth’ in small firms: attention to market position, appropriate niches, new product development, and the management of human resources (Smallbone et al., 1992;
Interestingly, the characteristics of these respondents, such as their relative youth at start-up, also replicate characteristics found in other studies of multiple business owners (Kolvereid and Bullvag, 1992). However, the extent to which this model of growth is feasible for others is highly questionable. Given the expense of acquiring and equipping premises, the multi-outlet strategy noted above is virtually impossible without access to class resources, particularly financial capital. The paucity of financial resources necessary for expansion has often been highlighted as a major barrier for many ethnic minority businesses (Jones et al., 1992; Deakins et al., 1994; Ram and Jones, 1998). Hence, for two of the firms in the category of multiple business owners, the development of their enterprises had been a much more incremental, ad hoc and prosaic process.

For example, one respondent owned a commercial property that was currently up for sale. In the case of his own restaurant, it was clear that his wife’s income from a full-time job, and her informal labour in the restaurant was vital to the survival of the business,

My wife has got a full time job. She works during the day time and helps us whenever she can in the evening … To tell you the truth I am struggling now more than I was struggling seventeen years ago … I am keeping afloat by working seven days a week with no days off.

(Kalvinder, Seven Spices, Indian)

In a discussion on the changes and developments in the business, the respondent commented,

We have not been able to do any changes … because you need a lot of money for that … I am just paying my bills … debts and things like that, just trying to survive … You can only change the décor when you are making a lot of money.

(Kalvinder, Seven Spices, Indian)

**Product and service differentiation**

By its very nature a creative activity, the restaurant trade offers obvious opportunities for any individual firm to blunt the hard edge of competition by promoting its own uniqueness through product and service differentiation. This is a theme exemplified in the current research by the Sikh owner of a sweet centre also offering restaurant and takeaway services. This respondent had consciously based his appeal on the ‘rediscovery’ of a genuine regional cuisine, with no concessions to what is assumed to be the European palate, ‘we only do traditional Punjabi dishes … anybody who comes through that door and comes out with a fancy name, we tell them we don’t do it’. Uncompromisingly traditional and ethnic though his product may be, his working methods are at odds with the labour-intensive
practices commonly associated with ethnic minority firms. He pointedly eschewed familial and co-ethnic approaches to business, and attributed his business approach to his westernised upbringing (he had been in England since the age of five),

Well we are changing pretty dramatically, I would say, because a lot of the things we are tending to do are more westernised than anything else … we don’t employ family members … I couldn’t work with them all day … [my children] are not involved in the business … they have a choice, they can do what they want.

(Baljit, Eastern Delight, Indian)

Significantly, this firm also operates a distinct division of labour, with ownership and management functionally separated from employees. At the time of interview, the restaurant employed four staff, including two highly trained chefs cooking to the specifications of the two partners, husband and wife, both of whom are able to devote their entire energies to supervisory functions and customer care. His wife’s status and contribution were formally acknowledged in the form of a legal partnership, which contrasts sharply with many accounts of the unrecognised role of women in ethnic minority firms (Phizacklea, 1990; Ram, 1992). Equally significant was the formalised method of staff recruitment through advertising and the job centre rather than the ethnic network.

Differentiating products based on ‘authenticity’, however, was not the only way in which respondents attempted to create a niche in a competitive marketplace. For instance, a Pakistani owner operating in the crowded ‘Balti quarter’ saw little scope for development in the existing business. Rather, he was actively pursuing a franchise arrangement with a fast-food company specialising in fried chicken,

We are concentrating on the Southern fried side, on the franchise … It is working out very well for us … for the whole of Birmingham … With that we are going to do Southern fried chickens and things like that so we are going to give it a … brand new concept.

(Bilal, Mogul Palace, Pakistani)

In another case, a Pakistani restaurateur was attempting to develop a supplementary trade by supplying neighbouring restaurants with starter dishes. According to the owner this sideline was ‘picking up gradually’, but it also entailed the kind of labour-intensive practice and small margins which are part of the ethnic minority business trap and as such can hardly be considered as an example of successful growth at this stage. Significantly, this respondent continued to operate on the back of traditional practices such as a heavy personal workload with a close hands-on approach, exclusive use of family and co-ethnic workers, and little external funding.
Attention to customer care and direct engagement with customers, a key feature of this group, enabled these restaurant owners to become quickly aware of ongoing and incremental changes in their customer preferences. This, in turn, enabled this group to offer enhanced levels of service, which provided an element of differentiation, as well as make amendments in their product offerings.

**Locational break-out**

Locational break-out refers to conscious (re)location in potentially rewarding areas, such as middle class suburbs and affluent city centre spaces not yet colonised by competitors (there were seven firms in this category). Often, this form of business development went hand-in-hand with the kind of discourse of ‘exclusivity’ and ‘authenticity’ noted in product differentiation. Highlighting this point, a Bangladeshi respondent, the owner of a very high class restaurant had chosen to distinguish himself by going ‘up-market’, placing a premium on ‘quality’ and the salubrious nature of the surroundings. He combined this with a highly distinctive cuisine and asserted, ‘I don’t copy anyone at all. Therefore, I don’t see anybody as my competitor’. Yet, once again the acquisition and fitting out of this restaurant had been extremely capital-intensive, ‘a few hundred thousand pounds’, and was heavily dependent on his class resources; an entrepreneurial father, who was both a mentor and a financial backer for his initial entry into the trade; and a business studies degree which attuned him in a formal way to the world of enterprise.

Two Indian-owned restaurants were also to be found in this niche of spatial and product exclusivity. Both were located in expensive parts of the city centre, and both claimed to have developed ‘national’ reputations for the quality of their cuisine. For example, one of these proprietors commented,

> if people come to [my restaurant], it’s because we are very innovative. We don’t take things for granted, we are very experimental in the restaurant and it shows in the way the word has grown in the last 20 years … It’s a small restaurant but we have won national recommendations many, many times.

*(Kalra, Taj Mahal, Indian)*

The nature of work relations was a revealing feature in both restaurants. In each case, the proprietors had recruited highly experienced chefs from India; they had been with the firms for over fifteen years. These chefs had developed their own reputations; as one commented, ‘in this career you can go very high in this job. You can make your own future’. Perhaps reflecting the discretion that these highly skilled operators enjoyed in their work, employees in these firms enjoyed considerable autonomy, as stated
by one chef, ‘I control the kitchen area ... I am left alone ... [The manager] is not worried about the kitchen’. Moreover, owners in both establishments appeared to exhibit the kind of management style revealed in the more benign depictions of ‘human resource management’; illustrating this point, one employee commented,

In industry in general, ... staff are regarded as ... expendable commodities, not valued or appreciated. Here I think it is different ... The proprietor of the restaurant he regards us and customers more as friends and family as opposed to employees and he doesn’t look at the staff as expendable. He values the staff and I am sure he likes to have his staff value the establishment, so people do stay on.

(Bovinder, Kohinoor, Indian)

Both owners made a point of stressing their ‘on the books’ employment practices; and compared this with the more informal modus operandi of the ‘Balti’ restaurants. However, it is important to look again at the wider context, particularly the market relationships, to explain this apparent contrast. For example, one of the respondents was a manager of a restaurant that was part of a chain of five establishments. He elaborated,

Because we’re part of a large organisation ... [The owner] has put a system in ... Everything has to go through the till; everything is registered ... We only do 15 per cent cash turnover ... the rest is through credit cards ... There is no scope [for informal practices] ... How can they [Balti restaurants] survive on those prices ... Their biggest overhead is staff. They compromise on VAT, PAYE, and anything else that they can get away with.

(Nirinder, Raj Palace, Indian)

**Discussion and conclusions**

The continuing proliferation of ethnic minority businesses in advanced industrial economies reflects these ethnic groups’ resilient mining of fringe economic activities. Extant studies have drawn upon different theoretical traditions to document the presence of ethnic minorities in business; these range from cultural approaches (Hardill and Raghuram, 1998; Werbner 1990), to the recent articulation of a ‘mixed embeddedness’ perspective (Kloosterman et al., 1999). Still neglected though, is an appreciation of the ways in which ethnic minority businesses may be developing, and the dynamics that underpin the growth of such enterprises. Working within a contextualist approach to ethnic minority enterprise, this chapter has sought to shed light on the actual process of ‘break-out’ and especially the entrepreneurial strategies employed to this end. A key aim has been to demonstrate the importance of employment relations to the management
of growth in South Asian firms operating in a particular sectoral spatial setting. A variety of responses were evident, even in firms operating in a comparatively narrow segment of the market. The variation in patterns of response owed much to the external context as well as the particular ‘informal’ characteristics of employment relations in the restaurants. An important lesson is that the pressures stemming from the product and labour market are not easily predictable in advance; they are mediated internal dynamics within the firm.

Using the empirical context of South Asian in Birmingham, a number of other propositions may be advanced that might apply more broadly to small family firms aiming to move beyond traditional business practices.

**Excessive reliance on social networks can inhibit the capacity of firms to break-out**

The experiences of the survivalists highlight both the opportunities and constraints of relying primarily on informal insider social networks. Such networks (in the form of family and co-ethnic ties) were important to the processes of business start-up, recruitment and management. Moreover, the ensuing nature of social relations within the enterprise provided employers with an important means of coping with fierce competition, with social networks utilised to operate ‘flexibly’, which often means operating informally (and on the margins of legality) by avoiding regulations. Yet, although this provided employers with room for manoeuvre in highly pressurised circumstances, it also limited the scope for more substantial development of the enterprise, since over-reliance on social networks is likely to place serious limitations on access to financial and human capital. In addition, the circulation of new information and material resources is also limited in tight groups and so consequently are the chances of business success (Rath, 2002). Having said this, we should also reiterate that lack of capability is often compounded by lack of will. As suggested previously, entrepreneurs of this type tend to define success less in terms of growth and more in terms of economically ‘irrational’ criteria such as personal autonomy and self-satisfaction. In line with the mass of the entrepreneurial petty bourgeoisie irrespective of ethnicity they are ‘steady state survivalists’ (Blackburn et al., 1990), whose agenda is dominated by staving off threats to their very existence rather than by prospects of dynamic expansion.

**Economic sector has an influential, but not determinate, effect on the capacity of firms to break-out**

On the face of it, there are good reasons for arguing that ethnic minority firms’ prospects are decisively shaped by their sectoral location (Jones et al., 1994). In Britain, the great bulk of Asian businesses are concentrated
in retailing, a conspicuously unpromising area, where the number of independent operators has been shrinking throughout the entire post-war period and declining with particular rapidity in the last two decades, their markets largely wiped out by the invasion of super- and hyper-markets (Jones et al., 2000). By complete contrast, the restaurant sector could hardly be more buoyant, with ethnic restaurants taking an increasing share of rapidly increasing consumer expenditure (Mawson and Fearne, 1997). Yet, as the present research insists, this has to be severely qualified, since in many localised cases such as Birmingham, the perceived attractiveness of the restaurant trade has caused the supply of Asian entrepreneurs to out-run even a vigorously expanding demand, resulting in market saturation. In consequence, our respondent firms face intense competitive pressures, mostly from fellow Asians. Even so, simply because the city-wide and regional markets are expansive, entrepreneurs are granted some scope to shape the trajectory of the business. As we have seen, some developed new markets, adapted existing niches, and re-oriented working practices. This clearly illustrates that markets are not given, but are the products of human actions, and that their emergence involves economic and social determinants (Rath, 2002:15). Even in the highly competitive ethnic restaurant market, the findings illustrate that there is scope for business growth and development. The market relationships documented in the firms that had grown, through multiple business ownership, product differentiation, and locational breakout, highlight the variety of strategic responses open to these operators. Overall then we can conclude that, although nothing can be simply ‘read off’ from sectoral location, nevertheless some sectors certainly do offer ethnic entrepreneurs a more favourable opportunity/constraint mix than others. What appears to be decisive is the way in which individual firms adapt to this and the way their strategic response is conditions by access to business resources (see below).

**Effective break-out requires a combination of financial, human and cultural resources**

Essentially it is the possession and proactive deployment of financial, human and cultural resources (or class resources) that distinguishes the break-out businesses in our sample from the survivalists. Such resources were crucial in helping to acquire additional businesses, locate in more auspicious market settings and invest in work relations that would produce the ‘authenticity’ required to differentiate the business from its competitors. Enterprises with locational and multiple outlet strategies were better endowed with these resources than other firms. Hence they were in a position to pay much closer attention to market trends, have more ‘open’ practices to recruitment and management, observe employment regulations, and adopt more innovative approaches to new product development.
Firms in the product differentiation category tended not to have as many of these resources; but nonetheless, they possessed sufficient human and social capital to engage in a selective re-working of their ethnic resources. Hence rather than investing in new premises, these firms concentrated their efforts on refining their products and developing relationships with key staff that would nurture ‘authenticity’.

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Note

1 In addition to the market environment, the city of Birmingham also provides an important setting for the study. With a very significant ethnic minority population (21.5 per cent), the city is seen as an important, test case for the future of race relations in British society (Back and Solomos, 1992:329). Of the city’s ethnic minority population, South Asians represent a substantial component, with Bangladeshis comprising 1.3 per cent of the city’s population, Indians 5.3 per cent, and Pakistanis 6.9 per cent (Birmingham Economic Information Centre, 1992). Settling mainly from the late 1950s to the early 1970s, Birmingham’s ethnic minority communities have tended to form distinct spatial clusters; ‘Sparkbrook became a largely Pakistani area, the Handsworth area became the Caribbean centre of Birmingham, alongside the Soho area which was overwhelmingly Indian’ (Rex, 1987:104).

References

Breaking out of survival businesses

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