

New CES RPG: Minority Business Development in Industrial Society*

1. Background and Problem Statement

Since World War II, the flow of immigrant labor to the industrial societies of the west has been linked to the emergence of labor shortages at the bottom of the job hierarchy. Initially, the orientations of the immigrants and the characteristics of the jobs appeared congruent, because the immigrants first came as temporary migrants and the jobs were so simple they were easily filled by a succession of unskilled sojourners. Over time, however, the immigrant population settled down; with permanence, the liabilities connected to the initial entry-level positions became more severe. Entry-level positions are often disconnected from the main lines of structured mobility within the primary sector of the labor market, where jobs are rationed on the basis of licenses or exams (See Boehning, 1974, and Piore, 1979 for elaborations of this argument). Immigrants have difficulty entering such positions because of poor language facility and inappropriate or inadequate skills.

Thus, the problem of economic adaptation and mobility is a central issue confronting the new ethnic populations of the industrial west. If immigrants and their children can find jobs that eventually lead to a stable and adequate income, then the social and political problems associated with poverty, unemployment, and political alienation are likely to be minimized. If they cannot find entry-level positions providing mobility opportunities, then the new ethnic minorities and their problems may well dominate the political agenda in Western Europe and North America for the next two decades.

The structure of the labor market and the characteristics of the new ethnic populations pose substantial obstacles to mobility, and the likelihood of their successful economic adaptation seems further clouded by recent economic trends. The new ethnic populations are heavily over-represented in precisely those industries most affected by economic stagnation, declining product demand, labor shedding following from technological innovations, and intensified world competition. Simultaneously, low educational levels and lack of technical and communi-

cation skills bar entry into those sectors of the economy — advanced services and high technology — that enjoy the most rapid growth rates.

As the economic environment of the new ethnic populations has changed, there is a sense, among both policy-makers and academic researchers, that ethnic small businesses may offer an alternative and possibly more viable route to social mobility. First, the attractions of a small business strategy are rooted in the historical experience and the changing economics of small business. In the United States, small business played an important role in the economic progress of several earlier immigrant groups — Jews, Chinese, Italians, Greeks, and others (see Light, 1972; Bonacich and Modell, 1980; Baron et al., 1973 for case studies). Their proportionately higher involvement in entrepreneurial activities continues to differentiate these groups from much of the native population (Goldscheider and Kobrin, 1980; Light, 1979; Ritterband and Cohen, 1984). Given Europe's more stable and ethnically homogeneous populations, the precedents for mobility through business are not so striking. Still, the experiences of British Jews, and to a lesser extent Italians and Cypriots (see the essays in Ward and Jenkins, 1984), point to a pattern that the more recent arrivals might emulate.

Second, the long-term decline of small business has finally turned around; while the current economic situation is damaging to large industry, it seems increasingly supportive of small business. In the U.S., for example, the small business population increased significantly during the 1970's for the first time in decades (Fain, 1980). Small firms accounted for the bulk of new jobs generated during the 1969-1976 period (Birch, 1982), and even in manufacturing, the past decade saw small firms succeed in maintaining a stable share of employment (Granovetter, 1984). The evidence for Britain and the continent also points to renewed viability among small firms, as noted by Boissevain (1984), Scase and Goffee (1982) and Berger (1980), among others.

Third, the revival of small businesses has been widely accompanied by the infusion of new ethnic owners into the ranks of petty proprietors. In the United States, Miami has a flourishing sector of Cuban-owned businesses that includes more than 150 manufacturing firms, 230 restaurants, 30 furniture factories, a shoe factory employing 3,000 people, and 30 trans-planted cigar factories (Time, 1978; Wilson and Martin, 1982). In New York, Chinese immigrants operate more than 500 garment factories employing over 20,000 Chinese workers (Chinatown Study, 1983). Newcomers from Asia and Latin America operate 60 percent of the city's restaurants (Bailey, forthcoming), and Koreans

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have virtually taken over the grocery store industry, much to the consternation of their competitors among the supermarket chains (Kim, 1981).

In Britain, the percentage of Indian and Pakistani males in self-employment increased from 6 percent in 1971 to 12 percent in 1982, with the equivalent figures for Caribbean males at 2 percent and 5 percent (Ward and Jenkins, 1984; Brown, 1984). Cypriots and East Asians have revived London's dying East End clothing trade (Khan, 1979) and created a new one in the West Midlands (Ward, Randall, and Krcmar, 1984), while Chinese immigrants in Manchester now dominate the traditional fish and chips trade, having driven native English owners out of the business (Watson, 1977). Indian and Pakistani entrepreneurs are now prominent in several other areas of retailing (chemists' shops, small grocery shops, discount airline tickets, and so forth), even in areas such as Glasgow where South Asian settlements have been on a small scale (Krcmar, 1984).

The expansion of ethnic business in continental Europe has been held back by a pattern of immigration quite different from that of the United Kingdom. In many areas, the terms of entry for migrant workers do not allow self employment and the legal/institutional arrangements for small business constitute a further barrier (Ward, Randall, and Krcmar, 1984). Despite this, Scholz has noted the expansion of Turkish businesses in Berlin and Blanc has observed business expansion among recent Vietnamese arrivals in France. Phizacklea and Morokvasic are researching the expansion of ethnic garment manufacturing in France and West Germany, and the work of Boissevain (1982) and Tap (1983) describes the re-introduction of clothing manufacturing to Amsterdam by Turkish immigrants. Boissevain, Choenni, and Grotenbreg (1984) noted that of the 183 Surinamese businesses they examined, 91 percent had started within the past five years.

Researchers on ethnic business are now seeking explanations for immigrants' abilities to exploit small business opportunities in economies dominated by large-scale technologically advanced firms. Their research has used diverse working frameworks, each of which comes to quite different conclusions regarding the determinants and implications of ethnic business.

The Cultural Approach

One major approach contends that entrepreneurial success is culturally bound. Cultural explanations of ethnic business often suggest that marginalized immigrant groups bring with them traits and behaviors that have an "elective affinity" with the

qualities required for small business success. Nathan Glazer argued that the historical experience of being a "stranger" combined with the traditions of "Jewish Puritanism" to give American Jewish immigrants a crucial entrepreneurial bent (Glazer, 1955). More recently, Illsoo Kim (1981) offered a particularly insightful formulation of the character structure of Korean immigrants to the United States. Arguing that state centralism in pre-industrial and contemporary Korean bred marginality and individualism among a class of first generation urbanites, Kim suggested that the value structure common to Confucianism and Protestantism — which both emphasize self-abnegation and self-control — reinforced the drive for small business gain among Korean newcomers to the United States, who indeed have moved into small business positions in disproportionate numbers (see also Light, 1980).

A currently more popular alternative approach suggests that it is not so much individualism, but rather an array of solidaristic traditions that prove crucial in organizing the collective resources needed to attain small business success. Examining Chinese, Japanese, and West Indians immigrants in the first half of the 20th Century, Light documented the role that kinship and place-of-origin groups played in capitalizing and organizing ethnic businesses. Bonnett (1981) and Laguerre (1983) showed how rotating credit associations continue to funnel capital to neophyte West Indians and Haitian businesses. Similarly, Bernard Wong's (1979) study of contemporary Chinese immigrant-owned firms demonstrated the continued importance of traditional concepts of obligation, face and honor. Werbner (1984) explained the emergence of a high level of entrepreneurship among Pakistanis in the Manchester garment trade by their ability to draw on cultural resources unavailable to longer established minorities or the host society.

A common objection to cultural analysis is that it lacks an analysis of the economic environment in which immigrant entrepreneurs function. Critics argue that group solidarity or a willingness to take risks may be a necessary condition of entrepreneurship, but neither is a sufficient condition for business success. To grow and prosper the immigrant owner needs (1) a niche in which the small firm is viable, and (2) access to ownership opportunities and the resources needed to exploit them. While agreeing on the importance of opportunity structures, researchers still differ in their assessment of its role as a condition of, or constraint on, immigrant small business.

The Interactive Approach

The interactive approach argues that ethnic busi-

nesses proliferate in industries where there is a congruence between the demands of the economic environment and the informal resources of the ethnic population; consequently, ethnic business-owners have a favorable position in competition with native proprietors. Alternatively, ecological theories maintain that opportunity structures create the demand for ethnic enterprise and sharply limit the potential for ethnic business success.

The interactive approach derives from a series of industry case studies conducted primarily in New York (Bailey, forthcoming; Freedman and Korazim, 1983; Gallo, 1983; Waldinger, 1984a, 1984b; but also see Mars and Ward, 1984, and Ward, 1983, for a very similar formulation emerging out of a series of ethnic group studies in England and Western Europe). In this framework, the demand for small business activities and the supply of existing and potential business owners interact to generate immigrant entrepreneurship. The demand for small business activities emanates from markets whose small size, heterogeneity, and susceptibility to flux and instability limit the potential for mass production and mass distribution. Such conditions favor small-scale enterprise, thus lowering the capital barriers to immigrants with limited capital resources. Instability, however, makes it difficult to secure a strongly attached labor force and breeds dissatisfaction and conflict within the workforce. Consequently, small firms confront a chronic problem in organizing the labor force and developing a mechanism for the transmission and maintenance of skills.

On the supply side, immigrant owners have informal resources that provide a competitive resolution to some of the organizational problems of the small firm. These informal resources consist of connections to a supply of family and ethnic labor, as well as a set of understandings about the appropriate behavior and expectations within the work setting. They provide a conduit for the flow of labor market information and create a normative climate conducive to stable employment relationships. Informal ties not only provide immigrant owners with privileged access to a cheaper source of labor — a crucial advantage in the competition against non-immigrant firms — but also stabilize work relationships in a context of loosely defined work roles. Stable work relations allow immigrant workers to acquire managerial and production skills which permit them to move into entrepreneurial positions. Thus, once in place, informal mechanisms of recruitment and skill transmission facilitate the creation and proliferation of immigrant firms beyond the original market base.

For example, Boissevain et al. (1984) have shown that the cultural resources of the Hindustani Surinamese in Amsterdam which give them an advantage over the Creole Surinamese are embedded in their

historical experience and economic circumstances. However, other factors reduce the “entrepreneurship gap” between the Creoles and the Hindustanis, based on differences in raising capital and in using non-family labor resources. The more casual style of entrepreneurship of the Creoles helps them build up a large network of loyal clients. Moreover, because Creole families mobilize capital in different ways than Hindustanis and lack access to a large pool of cheap labor, as do the more patriarchal Hindustani families, Creoles are forced to come to terms with the Dutch capital and labor markets to a greater extent than Hindustanis. This has helped them to integrate more rapidly into the maze of Dutch regulations governing small businesses, resulting in more Creole than Hindustani businesses complying with the regulations. Thus, more Hindustani than Creole businesses operate in the so-called “informal” sector.

The Ecological Approach

The ecological approach, by contrast, argues that the structure of modern economies sharply constrains the size of the small business sector. Openings for ethnic business owners only emerge as vacancies arise in the existing small business population. The crucial factor in this process is the pattern of succession by which one ethnic group succeeds another, first among a neighborhood’s residents, and then in its small business class (Aldrich, 1975). As the native group in a residential area no longer replaces itself, native entrepreneurs seek out business opportunities outside the local area. Given a naturally high rate of failure among all small businesses, the absence of members from the older established group willing to open up new firms in “changed” neighborhoods creates vacancies for potential immigrant entrepreneurs. Lacking alternative opportunities for mobility, immigrants pursue these new possibilities.

Additional growth is generated by the demand for special ethnic products — servicing these special ethnic consumer tastes provides ethnic owners with a protected market (Aldrich, Cater, Jones, McEvoy, and Velleman, 1985). However, the limits of the ethnic trade are quickly reached, and in competing in the open market, human ecologists argue, immigrants enjoy no significant advantages. Because the small business niche is a powerful selection factor, leaving only those potential entrepreneurs prepared to work extremely long hours (aided by their spouse, children, and extended family members), immigrant owners rarely differ from their native competitors.

Need for Comparative Research

Thus, while the evidence on ethnic enterprise is growing and impressive, and the existing scholarly

work has generated a series of insightful research frameworks, there remains little consensus on the determinants and implications of ethnic enterprise. Research within the interactive framework, for example, suggests that small business plays an important role in promoting upward mobility, while work in the ecological framework sees immigrant business owners confined to peripheral positions offering low returns and little potential for further growth. Research that emphasizes the importance of opportunity structures succeeds fairly well in explaining ethnic business as a general phenomenon, but does considerably less well in elucidating why certain ethnic groups achieve greater business success than others — precisely the strong point of the cultural approach.

Regardless of theoretical approach, much of the comparative work on ethnic business remains exploratory. Until recently, many of the studies were designed to generate, not test, hypotheses. Indeed, some of the case studies were accidental by-products of labor market studies, in which immigrant enterprise became an object of attention only when it appeared that competition between native and immigrant workers was mediated by the competition between native and immigrant firms. The reports produced by Aldrich et al. provide the only instances to date in which hypotheses latent in the theoretical literature have been rigorously operationalized and tested.

Furthermore, the different approaches yield greatly varying policy implications. Cultural analysis suggests that business success is a product of immigrants' original endowments, and thus leaves relatively little scope for public intervention. At best, it suggests that government should be discriminating in its approach, possibly offering incentives to facilitate business activity among those groups with the appropriate cultural endowments, while focusing on training, job creation, or anti-discrimination measures for those groups less inclined towards entrepreneurial success. The implications of the ecological framework are not dissimilar: given the constraints on small business, it would make more sense to emphasize direct means of job creation, whether in the public or private sectors. Only the interactive approach suggests that government might possess instruments that could affect ethnic business success. The implication is that public authorities should (1) target those industries where immigrants' informal resources might provide significant competitive advantages, and then (2) create programs that would ease credit barriers, improve marketing mechanisms, and provide training in business skills (e.g., accounting).

Scholarly research, then, has so far provided neither

a clear rationale for government activity nor explicit recommendations as to how government could best maximize its resources, but public authorities have nonetheless stepped into the fray. In the United States, the response of the Reagan administration has been not only to exempt minority business development from the cuts imposed elsewhere in equal opportunity programs, but also to make a public commitment of increased support. In Britain, the Conservative government has given similar verbal support, and after a Select Committee of Parliament commissioned a review of the progress minorities have been making in business, several practical initiatives emerged. Local bodies have also moved to promote ethnic business development. In New York, a Garment Industry Development Corporation, with a budget of \$100,000 per annum, has been formed to promote immigrant business in the clothing trade. In England, the West Midlands County Council is considering ways to spur growth in garments as well, as immigrant clothing firms have provided virtually the only source of growth in the area's otherwise stagnant economy.

Developments of this kind are much less in evidence in continental Europe, where terms of entry, occupational background, and the legal/institutional framework for business all militate against ethnic business development. In West Germany, for example, the government apparently still refuses to accept that minority groups have become a permanent part of the population, and because of this it makes no distinction between indigenous and migrant enterprises. However, policy makers in other EEC countries have increasingly come to recognize the need to take initiatives in this area; the growing competition for jobs between migrant workers and the local population in countries such as France is underlining growing political interest in encouraging minority business as a way of responding to the need for economic restructuring.

In Holland, until very recently, the Dutch government paid virtually no attention to the problems of migrant businesses, in part because of the very considerable pressure exerted by the powerful associations of indigenous small businesses. In September, 1983, the Ministry of Economic Affairs organized a study to examine some of the problems of migrant businesses. It recently translated a brochure on starting up small businesses into a number of the immigrant languages. So, the situation is changing, but very slowly.

Given an increasing interest in minority business development as a means of promoting economic mobility on both sides of the Atlantic, it seems particularly appropriate that the academic community respond to this opportunity. To some extent, academics have already done so, as indicated by the proliferation of research reports and publications,

only some of which are mentioned above. The research is still in a preliminary phase, however: there are multiple paradigms, only partly fleshed-out, and none has been fully subjected to careful scrutiny and serious hypothesis-testing. Moreover, coming from diverse fields — economics, sociology, political science — as well as business schools and policy departments — researchers are insufficiently aware of one another's activities. Even though European and American scholars often share similar approaches and concerns, there has as yet been no comprehensive comparative analysis.

How can the academic community respond to this opportunity? Scholars are already engaged in research on minority business, much of it bearing on questions of policy. In the United States the Minority Business Development Agency regularly funds research on this topic, and in Britain the Department of the Environment has also shown itself willing to do so (Wilson, 1983). However, there is rather little contact between those working in business schools and departments of economics and those working in social science departments applying paradigms drawn from sociology, social anthropology, politics and geography. Furthermore, while there is increasing recognition among American scholars of a relevant body of literature in Europe and vice versa, creating the conditions in which scholars from many disciplines on both sides of the Atlantic can meet to develop common insights and agree on research priorities has so far not proved possible.

Priorities for Consideration

- (1) Analysis of the applicability of policies developed in the Minority Business Development Agency and the Small Business Administration in the U.S.A. to the economic situation in which minorities are found in Western Europe. This would reveal the importance of differences in institutional and political arrangements, differences in economic context and differences in the characteristics of minorities. We hope to identify approaches to minority business development which take account of such factors. An important feature of this work would be an emphasis on the degree of transferability of research findings.
- (2) Analysis of the life history of businesses among different minorities in different contexts. This would examine patterns of business development among comparable minorities in different contexts (e.g. Blacks in U.S.A. compared to West Indians in Britain and Creoles in Amsterdam); among different minorities in the same location (e.g. Blacks and Hispanics in Miami; Turks and Surinamese in Netherlands); among the same minority in different locations (e.g. Blacks in New York, London and

Paris; Turks in Berlin and Amsterdam). Qualitative analysis of business careers would give insights into how minority businesses are managed, as well as helping to distinguish elements of business performance attributable to cultural capital within entrepreneurs from those reflecting the local structure of opportunities. This would point towards more effective ways of raising the level of business performance in minorities not traditionally associated with entrepreneurship.

- (3) Analysis of the relationship between minority businesspeople and the wider ethnic communities from which they come. How narrowly distributed are the resources accumulated within firms? Is there a consistent relationship between the degree of profitability of a business and the extent and range of benefits flowing into the minority? What are the policy implications of the relationship found?

CES RPG on Industrial Restructuring and Labor Union Strategy*

The first conference of this Research Planning Group was held in July, 1984. The project is designed to assess the impact of industrial restructuring on contemporary industrial relations and to gauge the direction and effectiveness of labor union strategies in this context. The project will focus on changes in and strategies towards such micro-institutional industrial relations features as workplace governance, sex segregation of jobs, introduction of technology, works councils, and local bargaining mechanisms.

Participants, each of whom presented an invited paper, included Lennart Svensson (Sweden), Paolo Garonna and Elena Pisani (Italy), Franz Tödting and Helga Duda (Austria), Jill Rubery (U.K.), Jean-Jacques Sylvestre (France), and Richard Edwards and Michael Podgursky (U.S.). (The papers are not yet available for general distribution.)

Among the hypotheses and themes to emerge from this initial conference were the following. First, industrial restructuring, in combination with a

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