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The Asian business sector and the dynamics of change: a story of growth, diversity and success in the UK

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The final, published version in Equal Opportunities International, 27 (3). pp. 221-236, 2008 is available at: <http://dx.doi.org/10.1108/02610150810860066>

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***The Asian Business Sector and The Dynamics Of Change: A Story Of Growth,
Diversity And Success In The UK***

by

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Key Search Words: SME, ethnic minority, Asian Business Sector.

Topic: Women and Minority Owned Enterprises

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The Asian Business Sector and the Dynamics of Change: A Story of Growth, Diversity and Success in the UK

Abstract

Purpose

The Asian business community has been noted for its contribution to the UK economy. This vibrant sector of the SME population serves to illustrate diversity in terms of the way it spans sectors, and its emerging strength and confidence with each new generation – including the emergence of female entrepreneurs. This paper attempts to highlight the success of the Asian business community within the overall context of the UK economy. The study also seeks to examine both individual case studies of success, but also to frame these within the context of an emerging and evolving Asian business community. An additional interest is to examine the kinds of sectoral changes taking place over time, and to explore the extent to which Asian business are moving from those business often associated with Asian entrepreneurship (for example, textiles), and newer, more innovative activities.

Methodology/Approach

This study reports on a research project which comprises the latest phase in a seven year, longitudinal, study of the richest 200 Asian business people in the UK.

Findings

The analysis suggests that the Asian business community has delivered significant and sustained growth which is higher than average growth in the UK. Over a period of seven years, the depth and authenticity of the study has revealed not only changing sectoral patterns, but how the family and community structures within the Asian community have made it more resilient to economic instability.

Research Limitations/Implications

The sample selected is not meant to be representative of all Asian wealth but is a representative sample of the most successful Asian entrepreneurs in order to illustrate the ingredients of success.

Originality/value of paper

For policy makers and the business support community, this paper offers a greater understanding of the dynamics behind the success stories. For academics it adds to the growing literature of minority ethnic businesses in the UK. It is also hoped that the study may contribute to a greater understanding of the processes and dynamics contributing to SME success in general.

*The Asian Business Sector and the Dynamics of Change: A Story of Growth,
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Introduction

This article reports on a research project which comprises the latest phase in a seven year, longitudinal, study of the richest 200 Asian business people in the UK. A number of factors underpinned the original reasons for this research. One motivator was a desire to highlight the success of the Asian business community within the overall context of the UK economy. Often from modest or even unpromising beginnings anecdotal evidence suggested a wide range of success stories. The study also sought to examine both individual case studies of success, but also to frame these within the context of an emerging and evolving Asian business community. It is worth noting that the pace and direction of ethnic minority businesses has also been of interest to the UK government and policy makers. An additional interest was to examine the kinds of sectoral changes taking place over time, and to explore the extent to which Asian business were moving from those business often associated with Asian entrepreneurship (for example, textiles), and newer, more innovative activities. It was also hoped that the study would contribute to a greater understanding of the processes and dynamics contributing to SME success in general.

The research (the Asian rich list) was first commissioned by the Ethnic Media Group, and has now become a flagship publication for the Asian community, its accompanying media events often supported by members of the royal family, politicians and leaders of industry. Over the seven years of the study, its depth and authenticity has revealed not only changing sectoral patterns, but how the family and

community structures within the Asian community have made it more resilient to economic instability. It has also shown that many of these businesses have grown faster than mainstream ones in the same sectors. This article, then, reports on the latest phase of the seven year study, revealing new and emerging trends.

Background

Ethnic minority businesses have been of academic interest since the late 1970s, many of the initial debates evolving around the disadvantages of belonging to a racial minority but also its entrepreneurial success, particularly amongst the Asian community (Jolly, 2004). Social unrest amongst the African/Caribbean community in the early 1980s, re-ignited this debate amongst academics and the government, leading to the Scarman Report (Barrett *et al* 1996). This report identified the underlying cause as economic dispossession. Consequently, promoting and facilitating self-employment within minority groups was proposed in order to alleviate racial and social disadvantage.

The Asian entrepreneur was held up as a role model and several studies (including Dhaliwal and Amin, 1995) emerged highlighting the 'rags to riches' story. Other research, however, has questioned the image of Asian entrepreneurs (Jones and McEvoy 1986). In reality, a few high fliers masked a proliferation of firms concentrated in sectors with low barriers to entry, and a struggle for survival. These firms were often dependent on long working hours, unpaid or poorly paid family labour and with an over-reliance on co-ethnic customers (Barrett *et al* 1996).

Subsequently, much of the academic literature was aimed at defining and explaining differences between ethnic minority small firms and those of the general

small business community (Ram and Smallbone 2001). Three main perspectives have gradually emerged (Jolly 2004):

- The *culturalist* perspective with its emphasis on cultural networks, dependence on family and co-ethnic resources. This approach largely ignored the socio-economic context in which the firms operated.
- The *structural materialist* perspective which stressed the role of external influences, and restricting opportunities such as racial discrimination, preventing labour market success and thus leading to high levels of self employment and enterprise.
- The *mixed embeddedness* approach where sector, location, markets and institutional support as well as cultural influences were considered (Kloosterman *et al* 1999; Ram and Smallbone, 2001).

Finally there were calls for diversity to be recognised in terms of specific ethnic groups, size, gender and generational differences (Dhaliwal, 1998; Ram and Smallbone, 2001).

However, times have moved on and new sectors are emerging, particularly within high growth, high technical areas as the Asian Rich List illustrates. These businesses are showing more robustness than the traditional micro business normally associated with the Asian community (as proved by their longevity in the Rich List). The businesses in our sample are showing global wealth across all sectors illustrating positive movement along the growth path. As will be shown, it is clear that the Asian business community has made a significant contribution to the SME sector in the UK. The following sections will examine the growth of the Asian business community

despite some of the problems it has faced. These include lack of access to support facilities and finance. The paper also explores an emerging and increasingly important (yet submerged) element – the growth of the female Asian entrepreneur.

The Asian Business Community

The Emergence of the Community

The first generation migrants of interest to this study arrived in the UK in the late 1960s and early 1970s. The countries of origin were India, Pakistan, Bangladesh, Sri Lanka, with the influx numbering about 1.5 million, together with some 50,000 who were expelled from Uganda in 1972 during Idi Amin's rule. In common with the general literature, they will be referred to as 'Asian', even though the expression may, occasionally, include immigrants from outside the countries listed above.

The first generation aimed primarily for economic comfort and security for the family through maintaining culture and traditions reminiscent of 'back home', whilst at the same time aiming to take advantage of the opportunities that the UK presented. Some businesses were set up in order to keep the family members together and in employment. Furthermore, participants enjoyed the status of being 'business' people, which carried some weight in the community. This was particularly the case with East African Asians trying to recapture some of the self-esteem lost when they were forced to leave their businesses behind, only to realise that they had become an unexpected minority in the UK. Success in business compensated, to some degree, for the initial lack of recognition from the wider community in their new host country (Gidoomal, 1997). This approach survived as the immigrant culture was heavily interwoven with rituals, traditions and religious beliefs and there was neither an immediate need nor necessarily the opportunity to integrate with the wider host

population. Families closed-in rather than opening-out. There was an intense relationship between first generation entrepreneurs and their business. The entrepreneur, in many cases, spent more time with the business than the family (Janjuha & Dickson, 1998), resulting in isolation from the rest of the world and the other happenings of life. This is why the above mentioned rituals provided a basic level of stability in what was a relatively unknown environment.

The older generation closed ranks, shielded from outsiders and relied heavily on advice from the community or co-ethnic professionals such as accountants and lawyers from the same Asian background. The elders sought to maintain a link with the community, albeit cautiously, but the youngsters were more resistant and even hostile (Gidoomal, 1997). The educated second generation often graduated from British universities and often achieved professional status. However, some have opted out of salaried employment and into self-employment.

Cultural characteristics contributing to the success of the first generation include thrift, hard work and reliance on family labour (Waldinger *et al*, 1990; Werbner, 1990). These traits gave Asian entrepreneurs some competitive edge over other businesses, but cultural factors also served to restrict growth by creating excessive reliance on the local ethnic community as a market and on informal sources of finance (Ram, 1994; Metcalf *et al*, 1996; Basu & Goswami, 1999). Basu and Goswami (1999) analysed the relationship between long-term growth and four categories of variables: cultural factors, socio-economic factors, background characteristics and expansion strategies. Working long hours, exploiting family labour and serving co-ethnic populations is a simplistic explanation of a much more complex reality. Undue reliance on family labour may have held back business growth.

Excessive reliance on serving co-ethnic markets may also have stunted expansion. Business growth appears to be related to the entrepreneur's educational attainment, prior business or professional experience and personal financial commitment in starting the business. There has been much discussion on the use of formal and informal networks by the Asian business community (Ram & Jones, 1998; Basu & Goswami, 1999) and its dependence on both community and family for custom, labour and decision making. Many business people have had aspirations for their children to become well educated professionals, and to have wider opportunities and choices and a better future (Dhaliwal, 2001).

There is, however, a paradox at the heart of much of the literature on Asian entrepreneurship. On the one hand are the quantitative studies that suggest a thriving and flourishing sector and, on the other, is the deeper evidence, often qualitative in nature, which suggests a largely unsupportive environment.

Asian Business Support and Performance

Despite two and a half decades of effort, from the Thatcherite promotion of an enterprise economy through to the multitude of development agencies, Business Links and so on, the attempts at generating a significant SME sector in the UK have been disappointing (Ram and Jones, 1998). For example, new start-ups have shown a generally flat trend over the past decade; in the early and mid 1990s there was some growth in the creation of new businesses but since the late 1990s numbers have fallen off significantly (Bank of England, 2002). In generating a thriving sector, the key issue is not just start-ups but how they measure up against closures and this is a far from balanced scorecard; since the early 1990s the stock of small businesses in the UK has fallen by upwards of 50,000 (Bank of England, 2002). However, whilst the overall

results for the sector have been disappointing, this is not the case with the Asian Business Community. The general figures suggest that this sector is significantly punching above its weight with the sector accounting for 8percent of the working population, but accounting for 10 of all new start-ups (Ram and Jones,1998).

The performance of the Asian Business Community has occurred, however, against a backdrop characterised by a lack of state support (Ram and Jones,1998; Dhaliwal, 2000a; Soar, 1991). Hence, the growth in the sector would seemed to have happened despite, rather than because of, the support mechanisms in place. Of concern is a lack of consistency and continuity in small business support for ethnic minority businesses even though their high presence has resulted in some recognition from government initiatives (Ram and Jones 1998). Even though the business support sector has evolved significantly from Enterprise Agencies to TECs through to the establishment of Business Links, these support structures have not proved popular with many Minority Ethnic Businessess (Curran and Blackburn, 1993). For example, African-Caribbean entrepreneurs were significantly more likely to use the support of an agency than either White or Asian owned businesses (Jones *et al* 1992; Ram and Deakins 1995). Whilst equal opportunity agendas and quotas suggest that there is a wide scale recognition of this poor take-up by Minority Ethnic Businessess of support services, there is, as yet, no national co-ordinated policy to address this issue. Activity tends to occur at the local level through support organisations exploring different avenues as to how to increase the take-up of their services by Minority Ethnic Businessess or to customise their services to meet the specific needs of Minority Ethnic Businessess. However, Ram (1996), suggests that this approach tends to focus on myopic target setting, such as a focus on a specific ethnic minority group each year, rather than the development of a cohesive long-term strategy. More recently

Smallbone *et al* (2003) conducted a large-scale survey into the accessing of finance which showed variation between ethnic minority groups. This research found that the Asian business community relied on extended family networks for finance. The more robust networks, however, have global access to an established capital resource.

The macro picture reinforces this view as take-up rates for these support services are universally very low. Typically only 4-5 percent of all new start-ups access the various support networks (Storey, 1994 and Barratt *et al.*, 1996) and, within the Minority Ethnic Businesses community, take up rates are even lower (Bank of England, May 1999). Fadahunsi *et al.* (2000) suggest that the two main causes of this are problems of cultural reluctance and wider issues of trust. This conclusion is further supported by Dhaliwal (2003) who argues that the main sources of business advice and support for the Asian Business Community are professional accountants followed by family and friends. Ram and Carter (2003) note the diversification of the Asian Business Community into the professions and explore the case of ethnic minority accountants operating as entrepreneurs. The most recent evidence (Bank of England, 2002) suggests that little has changed in the last few years and argues that official support agencies are not sufficiently tailored to the specific needs and demands of Minority Ethnic Businesses in general and the Asian Business Community in particular. The Small Business Service are keen to address this issue and have made it a part of their seven key policy themes (DTI 2003).

Despite all of these shortcomings in support structures and the resultant low take-up rates, ethnic minorities in the UK have, nevertheless, generally higher self-employment rates than the rest of the population (Barrett *et al.*, 1996). Although there is some disparity between the different groups, this move towards setting up in business

can be accounted for by both *push* and *pull* factors (Ram, 1996, Ram and Jones, 1998). The push factors which force individuals into entrepreneurship as a personal economic choice include prejudice found in employment and frustration at being overlooked for promotion. Pull factors include cohesive family structures and strategies, the desire for a greater degree of independence and keeping the rewards of your own efforts (Ram and Jones, 1998; Chavan and Agarwal, 2000; Dhaliwal, 2003).

Access to Finance

Asians tend to be risk averse, relying first on personal savings and then family money followed by community support before finally considering bank finance (Dhaliwal 2003; Shanmuganthan, 2003). The Asian Business Community is characterised as being more easily frustrated with bureaucracy thus preferring informal relationships and minimum paperwork. A common problem faced by new entrants into the Asian Business Community is over ambitious and poorly written business plans which, given the banks' reluctance to talk to potential business customers until they have produced viable business plans, serves to deter many serious business propositions.

Typically, first generation Asians have gone first to their own networks for funding, secondly to Asian banks and only as a last resort to British banks (Gidoomal, 1997). Traditionally, the quality of service, efficiency and specialist expertise were not important reasons for selecting British banks; the real hurdle was language. First generation entrepreneurs had difficulty communicating the needs of their enterprise and were unfamiliar with the way things were done in the UK. Yet the principle that '*We're from the same village*' is, on the whole, no longer enough to run or finance a business. British banks found it difficult to understand or facilitate expansion. In turn,

the first generation Asians did not understand the UK as a market-place and were impatient to achieve economic results. *'If you don't get the right support at the right time you miss the opportunity and these do not come back. Lenders in the UK could be more flexible. International banks understand you better because they are used to dealing with communities where trust and track record matters more than the specific figures on your bank balance.'* (Shami Ahmed, quoted in Gidoomal, 1997).

Many of the younger generation also have problems in accessing finance due to a breakdown of the 'family' business (Dhaliwal 2002). Asian women in particular face cultural and family barriers and do not enjoy easy access to family or community finance and support in the same way as the men (Dhaliwal 1998). In addition they tend to have less personal savings and many BMEB's are in deprived areas thus affecting their credit rating and thus disadvantaging them.

Asian entrepreneurs have received attention for their enormous contribution to the UK economy (Dhaliwal and Amin 1995, Ram and Jones 1998). Academics have focused on identifying the key success factors for this entrepreneurial minority. Much less prominent has been the role of Asian women in business. While traditionally, there has been some slight focus on the secondary role of women in business, a different sort of entrepreneurial female is now emerging. Some are now nationally well known.

The Female Entrepreneurs

Past research shows that Asian women are not strongly represented in self-employment. Various studies (e.g. Metcalf *et al* 1996) estimate that about 75 percent of Asian entrepreneurs are men. In an earlier investigation (Aldrich *et al*, 1981), no Asian self-employed women were found during the survey. Since, this suggests a

significant growth in female self-employment over a period of nearly 20 years. Jennings and Cohen (1993), however, claim that survey figures are misleadingly low because there is a tendency for some women entrepreneurs to be 'invisible' and their existence unacknowledged. This is certainly true of the 'hidden' women in Dhaliwal's study (1998), where those interviewed openly reported that it was a male member of the family, such as their husband, father or brother who ran the business, thus masking the extent of their true role (Phizacklea, 1990; Ram, 1992; Ram & Jones, 1998).

One of the main reasons given in writings on the subject is that many members of ethnic minorities go into self-employment as a response to 'blocked upward mobility' (Ram & Jones, 1998). This is more pertinent to women who, at times, may perceive that they are facing the double disadvantage of both race and gender. Motives for entry were the desire to avoid being confined at home and also to circumvent discrimination and the ensuing confinement to low status jobs (Aldrich *et al*, 1981). 'Push' factors include unemployment, underemployment, job dissatisfaction, blocked opportunities or no opportunities at all. The status argument is strong for men and family businesses (Srinivasan, 1992 & 1995), where entrepreneurs are seen as successful role-models within their community (Dhaliwal & Amin, 1995). The status argument appears to be stronger for women who despite their relatively low visible power-base within the enterprise, actually value the prestige of being part of an entrepreneurial family (Dhaliwal, 1998 & 2000a).

In the issues confronting Asian women, their families can help or hinder them. According to Dhaliwal, (1998; 2000a) family creation plays a crucial role for these women and is their first priority. A contributing factor to going into entrepreneurship was that more time became available as the children were growing up. The women

wanted to utilize their skills and have some worthwhile purpose in their lives. Yet, these women relied heavily on family members, normally the husband, for any key business decisions. Their independence as businesswomen is with the tacit '*consent*' of their families, particularly their husbands.

We can see then, that a boyant and vibrant Asian businesss community has emerged over the last 20 years, often based upon and supported by strong family ties. Yet, this growth has occurred despite rather than because of either government support or finance from the mainstream banking sector. In part at least, this growth may have been bolstered and sustained by the increasing involvement of women family members in entrepreneurial activities. The rest of this article goes on to describe the objectives and methodology for the study and to analyse the empirical findings.

Methodology

As in previous years, the current phase of the research study was concerned with identifying the top 200 Asian business people in the UK, tracking the changes to this top list over time, and with identifying the kinds of business sector the top 200 Asian business people were involved in. Specifically, the research questions comprised:

- Which industries or sectors are Asian entrepreneurs involved in?
- What are the performance changes to these sectors over time?
- In what ways, if any, are Asian businesses different to those within the same sector?
- What lessons can be learned from the study of the Asian business community?

In order to answer these questions, the study involved the collection of both secondary data and field data gathered via a survey. The survey was the seventh of its kind, giving the research a longitudinal focus. Longitudinal research is described by Bryman and Bell (2003) as a distinct form of research design that is typically used to map changes in business and management research.

The target population for the research comprised the richest cohort of Asians and their families who were resident in the UK, whose business headquarters were located in the UK, and whose main business activities were in the UK. To identify and collect longitudinal data on this population, the original sampling frame was constructed inductively, by identifying potential high profile figures from the Asian business community who were being reported in the business and other media. The wealth of each individual was investigated and the richest cohorts added to a database

that was then sorted in descending order of wealth. Once a list of 200 names had been reached, new names were added provided they were richer than the 200th name, with the former 200th name dropping off the list. However, the names of *all* individuals investigated were stored so that they could be researched in future years. Hence, each year the sampling frame for the project expanded as the net was cast wider.

The starting point for data sources mainly comprised company accounts filed at Companies House or holdings in quoted stock market companies. These included:

- The valuation of private companies, based upon valuations of the prevailing price/earnings ratio for a sector or an equivalent quoted company, using these sources as a kind of proxy. Since this figure is often deflated due to owners, legitimately, ploughing profits back into the company, this estimate often had to be calculated on a case by case basis through data gleaned at interview.
- Where assets had been held by a holding company or trust based in Jersey or other so-called tax havens, these had been assumed to be part of the controlling family stake and allocated to the family's wealth holding accordingly.
- Where family stakes were pooled, the main family members were listed along with the words 'and family' to identify family as opposed to individually owned businesses.

While every effort was made to compile as accurate a wealth profile as possible, it was recognised that these data could be prone to error or could be incomplete. Hence, it was felt important to use triangulation methods to improve the reliability of data.

According to Easterby-Smith et al. (1991), data triangulation is the process of

collecting data over different times or from different sources. The longitudinal design used in the research (seven years), therefore, represents triangulation over time. Triangulation of sources included supplementing the data using published articles in the grey literature, including broadsheet newspapers, magazines or reference works. The web was also used to locate the names of individuals and companies and to identify new products or services, new markets and any other changes to the company profile over the previous year. This was seen as an indication of company growth or potential growth resulting from reinvestment. These data were followed up and explored at interview (another triangulation source). The implications of changes in company strategy (particularly investment strategy) and aspirations were also discussed at interview.

For the interviews a total of 230 individuals were approached of whom 150 agreed to be interviewed. As a research method, the interview is a favoured approach where there is a need to attain highly personalized data, and where there are opportunities required for supplementary, probing questions (Gray, 2004). The interviews were conducted via the telephone using a semi-structured questionnaire. Telephone interviews are becoming one of the most widely used of all survey methods, partly because of the spread of telephone ownership, but also because most people are willing to be interviewed by telephone (Gray, 2004). In contrast to postal surveys, it becomes possible for interviewers to convince respondents about the significance of the research.

Before each interview, respondents were reassured about the confidential nature of the data. It was felt more appropriate to conduct this pre-interview protocol via telephone as formal letters, written in English, may not have always been understood

by all respondents due to language barriers. It was also felt that some respondents, given what was known about their business culture, might construe formal letters as a bureaucratic intrusion. This deliberate, personal, attempt to build rapport and trust can be important for strengthening the validity of the research (Arksey and Knight, 1999). For ethical and practical reasons, the research made no attempt to investigate wealth holdings in private bank accounts.

As indicated, calculating the wealth of individuals is prone to sources of error, and unreliability, partly because data are confidential and secret, or distributed across a web of different sources, including bank accounts, trust funds and accounts in various family names. To address this problem, an attempt was made to gather data from public sources, to use proxy sources, such as data from similar or equivalent companies, as well as directly interviewing the individual. Data given at interview could also be prone to error. On the one hand, it was clear that some respondents enjoyed discussing their wealth, seeing it as a source of status, and may have been prone to exaggerate its extent. On the other hand, some respondents admitted being in fear of the tax authorities, and, hence, may have tended to underplay their financial resources. However, overall, claims for the reliability of the data can, in part, be justified by the fact that the methodology adopted for collecting the data has remained unchanged. This argument is further supported by the consistency in the outcomes of the research over this time period.

Results

Bucking the Trend: The numbers behind Asian wealth creation

This section considers two key issues: first, how does the Asian sector of the economy perform in terms of the creation of wealth and, second, what are the main drivers behind that wealth creation? The analysis of Asian wealth creation which follows, rests on the *a priori* assumption that wealth must be created, it is not, for example, simply harvested. This is neither a new nor original idea. For example, as far back as the 1930s, Schumpeter (1934, 1939) argued for the central role of the entrepreneur in wealth creation and economic development and, more recently, Chaharbaghi and Newman (1997) have discussed a “*crisis of wealth creation*” which again places the entrepreneur in a central role. At the broader, macro-economic level, writers like Hutton (1996) discuss this issue of wealth creation in a wider economic context and draw attention to two central weaknesses in the UK economy. The first weakness is the inability of the economy to deliver sustained economic growth over the long term due to a lack of competitiveness. Whilst measures of international competitiveness are riddled with difficulty, when measured by simple comparative economic performance, the UK’s record against its cross-Channel and trans-Atlantic competitors is poor over the long term. The second structural weakness of the UK economy is its’ *top heavy* nature which means that when growth does occur, it tends to be concentrated in a few giant firms. In terms of overall wealth creation in the UK, the 600 biggest companies account for something in the region of 70 percent of total wealth (Froud et al. 1997). Our study, therefore, makes the general point that the performance of Asian wealth creators must be analysed in the context of a top heavy and sluggish economy with an ever widening gap between top and bottom.

Table 1 offers some index data on the top 200 Asian wealth creators in the UK along with some broader UK economic data for the purposes of comparison. Over the past 7 years, the UK economy has demonstrated sustained growth which can be characterised as steady rather than spectacular, real GDP rising by just over 20 percent from 1998 to 2004. This is in marked contrast to the sector of the economy on which this article focuses; Asian wealth creation has developed at almost three times the level of the economy as a whole, rising almost 57 percent from 1998 to 2004. The Asian sector has grown, on average, at just over 8 percent per annum compared to just over 3 percent for the economy as a whole.

“Take in Table I”

Just as growth rates are significantly different, so too are the constituents of this growth. Table 2 suggests that, unlike the UK economy, the Asian wealth creating sector is not overly reliant on just a few ‘*star*’ performers. For example, since 1998, the top 10 percent of Asian wealth creators have accounted for a diminishing proportion of total wealth generated; whilst almost two-thirds of Asian wealth was generated by the top 20 performers in 1998, by 2004 this proportion had fallen to under a half. Despite the proportionate fall in the contribution of these elite wealth creators, the point should not be lost that in 2004 the top 10 percent accounted for almost £900 million more wealth than 7 years previously. This suggests that the general British economic problem of slow growth is not one seen in this element of the Asian Business Community and this conclusion is reinforced through further examination of key components of this wealth creation.

“Take in Table ii”

Over the period of analysis there have been some significant changes in the composition of Asian wealth creation. For example, there has been a shift in activities away from traditional manufacturing companies towards newer, higher-tech, higher value companies in industries like pharmaceuticals. However, despite these changes in activity, there are relatively few changes in the value of individual wealth at the top end of the scale. Between 1998 and 2004, the average value of those at the top of the scale was usually between £400 and £500 million. Given the falling proportion of wealth accounted for by the top 10 percent of wealth creators, changes in the composition of wealth creation elsewhere would not necessarily be expected. At the bottom of the scale, for example, the entry level criteria for joining the elite wealth creators has increased dramatically from an initial £2 million through to a high of almost £9 million in 2002 before stabilising at £4 million. Stability at the top coupled with the changes towards the bottom of the league table have resulted in a dramatic growth in average wealth across the sample; in the period average wealth has grown by over two-thirds. Our general conclusion on this issue is that growth in this area of the Asian Business Community is characterised by economic push from the middle and bottom rather than economic pull from the top.

We now turn to the issue of wealth creation by sector. Again, the overall message is that the Asian sector has behaved in a significantly different manner to the UK economy as a whole. On a sector by sector basis, there are some interesting shifts in the balance of wealth creation. Table 3, for example, shows that at the start of the time series, in 1998 the sector was dominated by the *traditional* Asian businesses of manufacturing and retailing but by 2004, the focus of wealth creation had shifted to different sectors; whilst manufacturing remains important for its contribution, the highest wealth creating sector was the pharmaceuticals industry and, whilst it is not

reflected in a simple league table, other industries like fashion and IT have grown strongly.

“Take in Table iii”

One of the main causes of this shift in ranking is the variable growth rates across the different sectors under discussion. In real terms, the big winner has been the pharmaceuticals sector which has grown almost 50 fold in the time period and the big loser has been the basic textiles sector which has contracted by just over 5 percent in real terms. Given that the time series is for just seven years, it is probably too early to conclude that these represent structural shifts in wealth creation, but the changes that have taken place are significant nonetheless. For example, one of the main criticisms of the UK economic performance over the past quarter of a century has been its apparent inability to make the shift from an industrial to a post-industrial base, but, as Table 4 demonstrates, the Asian sector has seemed capable of making that shift. Whilst the increase in wealth creation from the manufacturing sector has been relatively small, between them, the pharmaceutical, fashion and new economy sectors have seen wealth creation increase by more than £2.2 billion. The pharmaceutical sector has seen the most pronounced rise from being marginal in 1998, and now emerging as the fastest growing sector.

“Take in Table iv”

These shifts in make-up are also influenced as much by the growth in some sectors as by the decline in others. The *crowding out* explanation of British de-industrialisation may be paralleled in the Asian sector as new entrants tend to come from growing rather than mature industries. For instance in the broad Asian rag trade sector (comprising Fashion and Textiles) there is a major shift from basic, low value activities such as sub-contracting towards more specialised high value fashion houses such as The Legendary Joe Bloggs. Whilst there is certainly a cyclical element to these changes, the overall picture in Table 5 perhaps suggests something more structural.

“Take in Table v”

The final element of this sectoral analysis is comparative in nature and looks at the performance of the Asian sectors against performance in the UK sectors as a whole. In this case a comparison will be made between the performance of the two fastest growing Asian sectors, pharmaceuticals and hotels and property, and the two of the poorer performing sectors, manufacturing and fashion and textiles. Whilst the individual cases have their own peculiarities, the general conclusion drawn is that this Asian sector has, by and large, outperformed the wider UK economy. The quadrupling of value in the pharmaceuticals sector has happened at the same time as relative stagnation in the UK sector as a whole and, given continuing uncertainty in the tourism and property industries, the growth in the Asian sector has more than

bucked the trend despite a significant downturn in the past two years. In terms of the poorer performing sectors, the Asian manufacturing sector has more than held its own against decline in the UK and, in the fashion and textiles sector, over the period, growth has been roughly the same as the national sector as a whole.

“Take in Table vi”

Female Entrepreneurs

The emergence of this new ‘super class’ of gritty, determined women, many of whom are featured in awards ceremonies and rich lists, illustrates the potential for achievement, despite cultural, social and economic barriers. Increasingly we are seeing and hearing about women who have ‘made the grade’ and are pushing forward with new ideas.

“Take in Table vii”

Table 7, drawn from the Asian Wealth Index (2003), highlights that there is still a paucity of women identified on the rich list. The Asian Wealth Index compiled for the last two years by one of the authors of this paper, focuses on the 200 richest Asians in the UK. In 1998 these women, either alone or with their partners generated profits of £194 million but only 2 women appeared on the list under their own names. This figure has increased to £410 million in 2003. However, the number of women identified remains low, 15 women appearing in total in 2003. This Rich List, as noted

earlier, masks the true involvement of female entrepreneurship in the upper echelons of the Asian community. The men normally get the credit or have their name and 'family' listed. Even in these highly successful businesses women play a pivotal role but are not given the limelight.

Analysis

In this section we will examine the data in the light of some of the issues and models of Asian business development discussed earlier. We will also present some vignettes that we feel clarify and illustrate some of the central themes. The names of individuals and organisations have been changed to protect confidentiality.

Our findings show a slight divergence from Ram and Smallbone (2001) in that there is less weight now to be placed on the differences between Asian SMEs and those of the general SME community. For example, many of the businesses are sophisticated and high tech and thus face sectorial issues rather than cultural ones. There is also a greater emphasis on *pull* factors rather than *push* factors for the Asian community today. The older and younger generations appear to see the benefits of self employment as attractive rather than an escape from discrimination in the work place. The motives for growing businesses are less about racial discrimination and more about opportunity and exercising business acumen. There is still some evidence however about blockages to personal and business development. Many of the business owners interviewed were frustrated, for example, with bureaucracy. One pharmacist

says, *'I worked for a large retail pharmacy but was angry at the lack of career progression and lack of rewards for the long hours I put in.'*

Case 1: VP and BP – Pharmaceuticals (Rags to Riches)

Brothers, VP and BP boast a 'rags to riches' story. Born into poverty in Kenya, the brothers arrived in the UK when VP was just 16 with a few basic qualifications, £5 and a work ethic with a determination to succeed. To pay his way through college, he took any number of menial jobs before earning a place at the College of Pharmacy in Leicester. In 1975, via a loan from an uncle, he opened his first pharmacy in Leigh-on-Sea, Essex and now, 30 years later, is at the head of a company which employs over 700 people and has a turnover of almost £300 million.

As their reputations grow (the brothers now have their portraits hanging in the National Portrait Gallery), so too does their contribution. Says VP *"I never want to go back to living in poverty. That has been the biggest stimulus for me to get on in life and succeed. I knew I couldn't get any lower than where I have been"*. The strength of the business lies as much in family unity as in business acumen.

Parochial attitudes such as *'we are from the same village'* still exist and informal networks are still extremely important (Gidoomal 1997). This is a strength for businesses in the start-up phase but at this level it is a limiting factor (Ram, 1994; Metcalf *et al*, 1996; Basu and Goswami, 1999). The issues of trust and resistance to outside support or influence place a large burden on the family and can lead to stunted growth. One established Asian entrepreneur sold his company publicly and then bought it back, as he could not bear to relinquish control.

Case 2: S P and Family - Steel and Other Metals (Private Ownership)

S P is a leading businessman and was educated at Punjab University and the Massachusetts Institute of Technology and is the founder of one of the country's leading steel and engineering products businesses.

The company has made profits of almost £100 million. Much of these results have been due to improvements in process efficiency utilising the latest technologies, success that is really a combination of the new and the traditional. Last year employee efficiency improved by 87 percent. SP sold his business publicly and then bought it back again, " I could not bear to lose control and let outsiders dictate". Now with the company totally under family control, S P remains chairman of the company and day to day control rests with his sons.

The culturalist perspective (Jolly 2004) which emphasises cultural networks and dependence on family is still prominent in this sector of the business population.

We find that one of the main changes from that identified in the earlier literature is

that these businesses are not excessively reliant on serving co- ethnic markets and so there are fewer limits to expansion. Asian networks and contacts are used to full effect, mainly as suppliers, but do not limit their market. Their reach is now, in many cases, national, European and global.

Case 3: S R - Textiles, Toys (Global Reach)

SR studied in India and then completed his MBA in the United States where he remained for three years. He came to the UK in 1986 and launched his textile business, later diversifying into the toy market. With its headquarters in Manchester and a 100, 000 square foot warehouse in Yorkshire the textile company employs 55 people in the UK. A second company supplies major retailers with over 800 lines of toys. The group have three companies in India and have opened an office in Dubai. The three companies in India, specialising in towels, rugs and kitchen textiles respectively have achieved unprecedented growth with at least a doubling of turnover in each. The toys division has achieved 20 percent growth despite a tough years for retailers. The next stage, according to SR, is to open a factory in China this year, which will specialise in home textiles and toys.

The Asian business community appears to have achieved much in terms of SME growth despite the lack of formal government support (Bank of England, 2002). Asian wealth in these sectors has increased at almost three times the rate of UK businesses in general as Table 1 demonstrates. In addition, the top 10 percent of the Asian business community analysed here account for over 40 percent of the wealth, thus illustrating the progress made by this community. However, if support were more focused and relevant then it would be more beneficial. Policy makers and business support organisations need to be informed that their support is targeting the wrong businesses. Current government initiatives are focusing on new entrants but what we are seeing is the need for finance for already robust and flourishing companies who want to grow further (DTI 2003).

Progress within the Asian Business Community is noted because despite the lack of 'appropriate' government support or formal networks, the data supports the view that these businesses have outperformed those in the same sectors in the UK as a whole. The composition of the businesses has changed with a move towards

pharmaceuticals and hotels/ property and away from traditional manufacturing. The Asian business community in general continues to be self reliant relying on its own and family money to finance the business (Dhaliwal, 2003, Gidoomal, 1997). However, there is evidence that the larger businesses in this study are not averse to taking out loans and are pursuing a growth strategy rather than a lifestyle one. Examples include an entrepreneur expanding his nursing home business where he has a loan exceeding one million pounds from a major bank. There is still a reluctance, however, to allow outside investors other than financial institutions into the business. Ownership and control are fiercely guarded.

Case 5: M J and Family - Cosmetics and Beauty Products (External Finance)

MJ and family illustrate the strength and potential of the Asian family. Headed by MJ, and supported by his three brothers, this Ugandan born family own and run a large cosmetics conglomerate. Development of the company has come through a combination of business intellect, entrepreneurial spirit and an aggressive and imaginative series of acquisitions. The company specialises in purchasing under utilised brands and companies, re-energising management teams and reinvigorating the organisations through marketing. Under the family's stewardship, the company has become a multi-national brand owner and acquisitions have been made from many internationally known brands. Explains MJ "the acquisitions provide us with a distribution centre and brand management facility in the UK which we believe will bring considerable commercial benefit to the existing brands as well as to future brand acquisitions".

The success of the company has made MJ one of the UK's most prominent businessmen and he continues to move towards household name status. The Group is now headquartered in Dubai with affiliated offices and manufacturing in London, Buffalo, Toronto, Lagos, Dubai, Johannesburg and Hamburg, and has a distribution network that spans over 50 countries, employing over 400 people directly. The self confessed serial entrepreneur and his family are valued at £600 million.

We are seeing the emergence of high growth, high technical businesses. These businesses are displaying innovation and creativity and are exploiting new opportunities. Whilst they have now gained both financial success and recognition, the status of being a part of the 'business' community still carries weight. There has clearly been a move away from the more traditional sectors such as manufacturing and textiles to new higher tech industries such as pharmaceuticals. These new sectors require a different set of skills and business acumen which the Asian community are learning fast.

Case 6: DD - Travel, IT (Technology)

Cambridge arts graduate, DD, started his business in 1979 with a small stall in West London selling cheap flights to budget travellers. Through a variety of travel agencies, DD finally found success with what is now one of the country's biggest on line travel agencies worth over £200 million. This company is heralded as one of the fastest growing, higher technology firms at the forefront of on-line travel.

Case 7: Dr. K LP - Pharmaceuticals (Innovative Business)

K L who founded Britain's first specialist vitamin supplement company in 1971 and this is now an established brand name. K L came to Britain in 1956 and after completing a postgraduate degree in Pharmacy went to Bonn University, where he obtained a doctorate in Medicinal Chemistry with distinction. After working in pharma-medical research for several years and earning some valuable patents, he founded his company, which is today a leading brand with national and international distribution. KL has had many accolades heaped upon him as former Asian of the Year for the respected Asian Who's Who and his company received The Queen's Award for Enterprise in International Trade in May 2003 and a Glaxo SmithKline award for innovation in medical science last year. The modest and visionary KL has ensured that all his products are linked with related charities and has made many contributions to the wider community.

The findings reinforce those of Dhaliwal's earlier study (Dhaliwal 1998). There are only a handful of visible females on the list, the others are not identified. Even at the top end of the Asian business sector the gender inequalities and issues are the same as for the majority of Asian females working within family businesses. Asian women sustain and play a key role in the business but all credit goes to the man. The cultural aspects of the community override economic success, which has not bought the same rewards for the women involved with these enterprises. Women are clearly pivotal to many businesses and as one successful home care owner said, 'I credit my wife with the idea. It was because of her we succeeded'. Despite this, his name alone appears on all publicity material. There are, however, some notable exceptions as the next case study shows.

Case 8: NE and VE - Pharmaceuticals (The role of women)

Husband and wife team, NE and VE, show the power of teamwork, family and the non-silent contribution of Asian women to success. Says NE, "*none of this would have been possible without her. You need a rock*". Originally from Kenya, the couple began in the high street pharmacy business before a change in licensing regulations and an offer they couldn't refuse came along and they sold their pharmacies to a German firm. Now, their success is built on a focused wholesale business and the development of their own generic pharmaceutical products. Undaunted by the costs of development and marketing, they now have more than 40 product lines which are primarily manufactured out of

facilities in eastern Europe and the Far East. With treatments for ailments as diverse as depression and gout and a foothold in the ever-expanding antibiotics business, the shift from pharmacies to product development has certainly served them well.

Case 9 - N A - Food and Drink (Successful female entrepreneur)

NA epitomizes the successful female entrepreneur as chief executive of her food and drink company. NA is a fighter both in her personal and professional life. She entered the business world at the age of 18, printing Bay City Roller t-shirts in her father's factory. NA now counts the launch of four highly successful and very diverse companies amongst her business achievements, encompassing fashion, floristry and food.

In 1987, she ventured into the restaurant trade with her now-famous Restaurants. These are now a thriving international business. NA has faced challenges both professionally and personally. She was diagnosed and treated for thyroid cancer in 1991 and suffered a motor neurone infection in 1992, which left her partially paralysed on her left side.

She is a philanthropist who works tirelessly for charitable causes like Business in the Community for which she is one of only 27 nationwide 'Business Champions', The Princes Trust, Cancer BACUP, the Pakistan Human Development Fund and Bolton Business Ventures. In addition, she received the House of Lords Awards for her work with charities, two years in a row, in 2002 and 2003. She also recently won the Outstanding Contribution Award at the Manchester Food and Drink Festival. For all her efforts, in 2004, NA was awarded the O.B.E in the Queen's Birthday Honours in recognition of her services to export and to charity. She is married to the co-owner of her Restaurants, and has three children. Her oldest son is also involved in the family business.

The study shows that it is important to understand and appreciate diversity. It appears that, in terms of gender and generational issues, change at this level has not been significant. The findings are counter intuitive. We expected a more rapid move towards second, third generation owned business to appear on the list in the later years but this is not the case. The original owners still appear even past 'normal' retirement age. In 1998 there were 77 first generation businesses while in 2004 this figure actually rose slightly to 81. It appears that in the Asian business sector the founders do not retire but sustain their position. This patriarchal practice may make succession problematic.

Conclusion

Any broad conclusions to be drawn from the presentation of these empirical data must necessarily be both tentative and equivocal. As stated previously, the intention is

to open new avenues of investigation and debates much more than to emphatically and dogmatically close old and existing ones. Four main themes, however, stand out.

- In comparison to the UK economy as a whole, and across many sectors within it, the capacity for wealth creation in the upper reaches of the Asian Business Community would appear to be much higher;
- Unlike the UK economy where growth is dependent on a few large companies at the top, in this part of the Asian Business Community, overall growth is pushed by the middle and bottom, more specifically the Asian SME sector;
- There is a change in the composition of the sector with important shifts away from the traditional engines of growth like retailing, textiles and manufacturing towards higher tech and higher value activities with higher levels of economic sustainability;
- The policy implications of this for the economy as a whole are that, in promoting a thriving SME sector, it may be just as important for policy makers to focus on ethnic and socio-cultural issues as it is to focus on specific economic and industry based activities.

This study, however, is not without its limitations as it focuses solely on the more successful UK Asian business sector and neglects the smaller businesses which are more representative of the Asian business population as a whole. It is also limited to one minority group in the UK. Areas for future research could assess whether entrepreneurial minorities in other countries have followed similar patterns.

Finally, given the success of the Asian Business Community, even with a paucity of government and mainstream banking support, it might be interesting to watch the

growth of this sector should these support mechanisms become better matched to the Asian Business Community's needs and aspirations.

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