

Networking in Ireland's Ethnic Enterprises

Networking in Ireland's Ethnic Enterprises:
Entrepreneurship and Opportunity

By

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SCHOLARS**

P U B L I S H I N G

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by Niamh Desmond

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ABSTRACT

Since 2003, there has been a large influx of migrant workers into Ireland, a country which previously witnessed decades of emigration. The number of migrants to Ireland is substantially higher than other EU countries and Irish businesses and enterprises now comprise significant populations of workers from “mainland” Europe (Britain, France etc.), the former Eastern Bloc (Poland, Latvia and Lithuania) and workers from non-E.U. countries (India, the US, China and sub-Saharan Africa). This study explores entrepreneurship in Ireland’s newly-established immigrant communities and places specific emphasis on the role of networking within the ethnic enterprise.

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CHAPTER ONE

INTRODUCTION

1.1. Ireland and migration

This study explores ethnic entrepreneurship in Ireland and places specific emphasis on the role of networking in the ethnic enterprise. This chapter identifies the research issue of this study, the objectives of the research and the chosen methodology for this study. The influx of migrant workers into Ireland since 2003 has meant that the Irish workforce is now comprised of not only indigenous workers but also of individuals from other E.U. countries and from non-E.U. countries (Immigrant Council of Ireland, 2005). It is estimated that migrants make up eight percent of the Irish population (Shoesmith, 2006). Approximately 84,000 migrants applied for PPS (Personal Public Service) numbers between May 2004 and April 2005 (Immigrant Council of Ireland, 2005) resulting in an overall population of an estimated 4.04 million (First-step Microfinance, 2006). The majority of those who applied for PPS numbers between 2004 and 2005 were from Poland, Latvia and Lithuania (First-step Microfinance, 2006).

The number of migrants to Ireland is substantially higher than other EU countries (Doyle et al., 2006). For example, in 2005 only 10,000 migrants from the accession states entered Sweden while Ireland received 60,000 workers by the end of 2005 (Doyle et al., 2006). Doyle et al. (2006) suggest that the difference in the numbers of migrants entering Ireland versus Sweden, is due to the fact that Ireland has a more dynamic and flexible labour market. Coupled with that, is the fact that Ireland is an English speaking country; a pull-factor which may be enticing well educated workers to Ireland. Doyle et al. (2006) found that the primary reason why migrants choose Ireland as their host country is because of the difference in GDP per capita. Although the majority of migrants are from Poland; Lithuanians and Latvians have the highest tendency to move to Ireland; both countries have the lowest GDP per head of population (Doyle et al., 2006). Ireland had the second highest GDP per capita in the

EU in 2004¹. Thirty percent of migrants in Ireland are from non-EU countries and the United States of America; nine percent of whom are Chinese and eight percent who are from Central and Eastern Europe (First-step Microfinance, 2006).

Some of these migrants come to Ireland to flee persecution, war and oppressive political regimes but the majority of them come to Ireland to earn a better wage, and to seek out a better life for their families by working for Irish business owners (Doyle et al., 2006). Some of these migrants are independently minded and are not content to work for someone else. They see the fast paced and growing economy of Ireland as the perfect place for them to be their own boss – they are the ‘ethnic entrepreneurs’.

1.2. Ethnic businesses in Ireland

Although there are no concrete statistics as to how many ethnic businesses there are in Ireland to date (First-step Microfinance, 2006), ten new businesses are registered each day by non-nationals; double the number of ethnic business registrations in 1996 (Shoesmith, 2006). Shoesmith (2006) found that an estimated one hundred ethnic businesses are registered each month primarily by Polish, Chinese and Russian migrants. There are presently eight hundred Nigerian businesses officially registered which are fully operational and a further one thousand which are registered but not currently up and running (Shoesmith, 2006). These figures indicate that migrants who have come to Ireland are “*emerging as Ireland's new entrepreneur class*” (Shoesmith, 2006: 1).

1.3. Research Issue

Ethnic entrepreneurship is a relatively new phenomenon in Ireland but one which has existed in other Western countries for decades (Levent et al., 2003). It refers to the entrepreneurial activities of individuals who are not native to a country, but have migrated there, and are subsequently running their own business in a host country (Van Delf et al., 1999). As Ireland undergoes economic and social change, it is imperative that the way in which entrepreneurship in Ireland is changing, is explored so that policy makers can take steps to address the needs of all entrepreneurs in Ireland.

¹ http://www.cso.ie/newsevents/pressrelease_measuringirelandandprogress2005.htm

The stereotype of a typical Irish entrepreneur is also changing. Successful Irish entrepreneurs have been stereotyped as gangsters and unsuccessful ones deemed ‘chancers’ in the past (Cooney, 2006; First-step Microfinance, 2006) but this attitude is changing and now ethnic entrepreneurs are setting up businesses all over the country (Onyeljelem, 2003; Shoesmith, 2006).

Research thus far suggests this new area of ethnic entrepreneurship in Ireland is worthy of further research (First-step Microfinance, 2006; Onyeljelem, 2003; Shoesmith, 2006). The findings of this study add to the body of knowledge on entrepreneurship in Ireland as a whole; and the recommendations from the research will assist government bodies who may be trying to encourage ethnic minorities to set up businesses in Ireland. This research concentrates on a variety of ethnic entrepreneurs from different countries, including Eastern Europe, Africa and Asia.

1.4. Research objectives

This research explores a number of issues in relation to ethnic entrepreneurs and their networking practices. The objectives of the study are as follows:

- Research objective one investigates if ethnic entrepreneurs engage in formal and informal networking and will establish if certain ethnic groups are more inclined to network than other ethnic groups.
- Research objective two explores how ethnic entrepreneurs form their networks and aims to discover who comprises both formal and informal networks.
- Research objective three explores how both formal and informal networking is perceived by the subjects to be advantageous for ethnic business establishment and development.

1.5. Research methodology

The research methodology for this study will be qualitative and will consist of in-depth case studies of ethnic entrepreneurs. Qualitative research has been chosen for this study as qualitative methods are used to examine an individual’s experience or behaviour, or to undertake a research issue which is exploratory and aims to discover information on a relatively new topic (Ghauri and Gronhaug, 2005). The literature reviewed on ethnic entrepreneurship and networking will now be explored in Chapter two.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores what theorists have determined entrepreneurship to be; reviewing literature on networking, ethnic entrepreneurship, networking and diversity, and formal and informal networks. Following an extensive review of literature, a conceptual framework for this study is presented in this chapter.

2.2 Defining entrepreneurship

Before analysing literature on ethnic entrepreneurship, it is necessary to firstly look at what research has determined “*entrepreneurship*” to be. A number of theorists have defined entrepreneurship in a variety of ways which will now be outlined. Schumpeter (1947, 1949) believed that the function of the entrepreneur was to exploit an innovation. Kirzner (1973, 1982) however, believed that an entrepreneur could identify an opportunity in order to make a profit rather than creating an opportunity. Carton et al.’s (1998:1) definition of entrepreneurship attempts to embrace definitions from theorists like Schumpeter into an all-inclusive and satisfactory concept:

“Entrepreneurship is the pursuit of a discontinuous opportunity involving the creation of an organisation (or sub-organisation) with the expectation of value creation to the participants. The entrepreneur is the individual (or team) that identifies the opportunity, gathers the necessary resources, creates and is ultimately responsible for the performance of the organisation. Therefore, entrepreneurship is the means by which new organizations are formed with their resultant job and wealth creation”.

Carton et al.’s (1998) definition makes the important point that entrepreneurs/organisations must provide a product or service to society. Though some might argue that this definition does not encompass all

aspects of entrepreneurship, it does depict some of the important characteristics of entrepreneurship (Carton et al., 1998).

In summation, entrepreneurship is the identification of an opportunity in a market and the subsequent exploitation of that opportunity (Dana 2001). Figure 1.0 below illustrates the root of the research framework, the area of entrepreneurship. It is the first of six diagrams which are the buildings blocks for the conceptual framework and precede the conceptual framework model which is illustrated in Chapter two, section 2.8, figure 2.6.

Figure 2.0: Entrepreneurship theory as the root of the conceptual framework

Entrepreneurship:

- Identification of an opportunity and exploitation of an opportunity (cited in Dana 2001)
- Provision of a service/product to society (Carlton et al., 1998)

Entrepreneurs are generally described as innovative, creative individuals who are determined, have a self-belief and are calculated risk takers (O’Gorman, 1997). However, they are also the managers of their ventures and must exhibit management skills; routine management of a venture is not synonymous with entrepreneurship (Dana, 2001). Entrepreneurship is critical for every economy as it generates wealth and reduces unemployment (Dana, 2001). Researchers have proven that entrepreneurs improve the economic growth of a country and therefore governments dedicate a lot of time and money to encouraging entrepreneurship (Dana, 2001). As entrepreneurs are generally independent business people it is essential that they liaise with a number of stakeholders such as suppliers, wholesalers, agents and financial institutions/investors. By engaging with fellow entrepreneurs they can source valuable information on these stakeholders and find out who might be an efficient distributor or who might be interested in investing in a new venture (Dana, 2001). By associating with other entrepreneurs they can build up an effective network that facilitates the running of their business; this ‘linking together’ of business people is called ‘networking’ (Blundel and Smith, 2001).

2.3 Defining the concept of networking in business

In order to ascertain the importance of networking for ethnic businesses, it is necessary to initially establish what is meant by the term 'network' and the process of engaging in 'networking'.

The following statements are some of the definitions of the term 'business network' which have been advanced by experts in this field: According to (Rosenfield, 1997: 3) a network can be defined as

"A group of firms with restricted membership and specific, and often contractual business objectives, likely to result in mutual financial gains. The members of a network choose each other, for a variety of reasons; they agree explicitly to co-operate in some way and to depend on each other to some extent".

Blundel and Smith (2001: 1) define a network as

"A complex pattern of formal and informal linkages between individuals, businesses and other organisations such as government and voluntary agencies".

Ffowcs-Williams et.al, (2003: 13) have defined a network as a

"group of firms using their combined talents and resources to co-operate on joint development projects. Through complementing each other and specialising in order to overcome common problems, participants are able to achieve collective efficiency and conquer markets beyond their individual reach".

In addition to formal or structured business networks or alliances there are also personal and social networks, which are frequently referred to as business networks but should more accurately be described as networking (Hunt et al., 2006).

Bergman and Feser, (2000: 1) define business networks as

"groupings of companies directly concerned with the conduct of some form of business activity".

This type of networking may be inter-organisational and may also be facilitated by trade associations, for example Chambers of Commerce, professional bodies and public sector agencies (Bergman and Feser, 2000). Those organisations that vigorously facilitate networking generally do so within the context of a broader support service to companies and are typically membership-based organisations that are structured along local, regional, sectoral, or professional occupation lines (Bergman and Feser,

2000). Networks may be formal “hard” networks involving firms joining together specifically to co-market, co-produce, or co-operate in product or market development (Bergman and Feser, 2000). Networks may also be informal, “soft” networks involving firms joining together in an effort to solve common problems, share information, acquire new skills or jointly provide training (Bergman and Feser, 2000). Networking can be defined as the process of establishing and preserving interpersonal relationships, which are directed by principles of expectations and obligations (Coleman, 1990). This view is shared by Williams (2000) who sees networking as a long-term process which is based on genuine trust and reciprocity of relationships. By forming these relationships and being part of a network one has access to information, resources, support and guidance (Knouse and Webb, 2001).

2.3.1 Access to networks and level of networking

Ffowcs-Williams et al. (2003) found that it is easier for large businesses to form a network than for SMEs and that networks take much longer to form than is often expected. This research also found that it is often difficult for government agencies to encourage SMEs to participate in their networking programmes and that information which is given to owner/managers at meetings has a greater impact than written information (Ffowcs-Williams et al. 2003). Researchers have debated the level of networking in which a small firms engages (Curran et al., 1993; Birley et al., 1991). According to Birley et al. (1991) it is probable that small business owners have a larger network than those in employment; while Curran et al. (1993) believe that networking is virtually impossible for the small business owner due to time constraints; and due to the fact that research stresses that entrepreneurs are independent by nature. O'Donnell's (2004) study supported this and believes that owner/managers see the involvement in networking as “antithetical” to owner/manager culture. This is supported by Devine (1989) and Burns and Dewhurst (1996) who believe that entrepreneurs tend not to participate in networking due to their psychological characteristics. However, Dolinger (1985) purports that the stereotype of the entrepreneur as a ‘lone ranger’ is a flawed image. Cromie (1994) supports this view and found networking to be important in small firms, whereby the owner/manager of the SME depends significantly on the social and economic infrastructure and also relies on the support of a lot of people.

2.3.2 Networking – a proactive or reactive activity?

2.3.2.1 The proactive theory

Researchers have also debated as to whether or not small business networking is proactive or reactive; with Curran et al. (1993) stating that small business networking has many limitations and is generally a proactive process. This view is shared by McGowan and Rocks (1995) who purport that small business owners do not consciously plan their networking activity. However, Aldrich and Zimmer (1986) found that networking can be both planned and subconscious. Aldrich and Zimmer (1986) found that social relations are to varying degrees purposeful, in that some may arise accidentally or come about through a chance encounter with an individual, while others may occur due to deliberate planned interactions in order to obtain specific information. Shaw (1997) also found this to be the case when the subjects of the study noted the advantages for their business they saw as being part of specific networks and that they often deliberately set out 'to network'.

2.3.2.2 Do small firms network?

While many researchers may argue that small firms do not engage in networking activities, this could be explained by the fact that much of the research conducted thus far on networking in SMEs has been quantitative in nature and has not been able to establish how owner/managers of SMEs actually interact with other members of the network (O'Donnell and Cummins, 1999). O'Donnell and Cummins (1999) found that owner/managers engage in networking in order to obtain information on their competitors and on developments in their industry as a whole.

2.3.2.3 Where does networking occur?

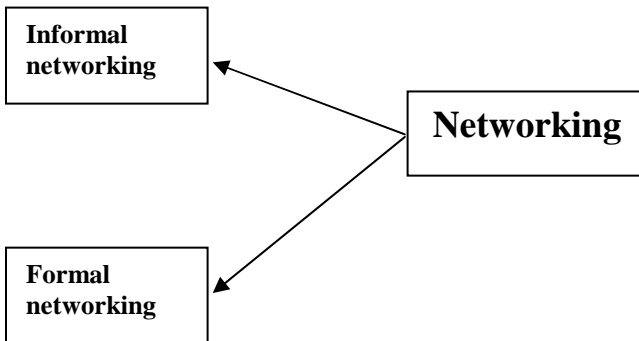
The research findings suggested that networking was most productive at social events and that surprisingly there is a high degree of co-operation amongst competitors (O'Donnell and Cummins, 1999). The importance of networking as a means of maintaining a good relationship with customers was also recognised by the subjects (O'Donnell and Cummins, 1999). Networking was also recognised as a necessary activity when one decided to enter into new markets (O'Donnell and Cummins, 1999). The practice of networking was seen as a deliberate action by the owner/manager, yet the most productive networking seemed to occur when it was an

unplanned and opportunistic activity (O'Donnell and Cummins, 1999). Although the practice of networking was seen as 'a means to an end' that had to result in a tangible result, it was an activity which the owner/managers saw as beneficial and something which they aimed to develop and improve upon (O'Donnell and Cummins, 1999).

In summation, networking is the activity of sharing information with others by interacting with members of the network in either a formal or informal setting in an attempt to solve a problem, or combine resources and skills for mutual gain (Ffowcs-Williams, 2003; Bergman and Fesser, 2000; Rosenfield, 1997). Networking facilitates entrepreneurs as it gives them access to resources, information and support or advice (Williams, 2000). Whether networking amongst entrepreneurs is a deliberate or unconscious activity is undecided, as theorists continue to debate about this issue (Curran et al., 1993; Birley et al., 1991). Some theorists have suggested that time constraints impede networking for the owner/manager of the SME (Curran et al., 1993). Networking is most effective in social settings (O'Donnell and Cummins, 1999).

Figure 2.1 illustrates the components of networking and is the second of the six building blocks of the conceptual framework.

Figure 2.1: Informal and formal networking theory as a component of the conceptual framework



2.4 Ethnic entrepreneurship and the host country economy

Much attention has been given to the area of ethnicity in the entrepreneurship forum (for example, Chaudry and Crick, 2003; Barrett et al., 1996; Ai-Yuan Yang, 1995; Basu, 1998). As migration is a common part of our world, migrants are increasingly establishing businesses in their host countries. In the United States of America ethnic entrepreneurship is booming with the number of ethnic enterprises expanding at up to four times that of the national average of ten percent (Gutierrez, 2006). Ethnic enterprises made \$670 billion between 1997 and 2002 illustrating the significant economic contribution they make to the economy of the United States of America (Gutierrez, 2006). Since the early 1990s most countries have experienced a large influx of people of different ethnic origins migrating into their countries (Cross, 1992; Esping-Anderson, 1993; Massey and Denton, 1993). It is necessary to mention that international migration is not a completely new phenomenon as history has shown that mass migration has occurred across the world due to war, natural disasters, and famine; and due to undesirable political and socio-economic conditions (Sowell, 1975). Migrants bring economic advantages to their host countries by occupying gaps in the labour market; but some researchers suggest that they also cause social tensions due to cultural differences, high unemployment rates, an increase in crime rates and ghetto formation in cities (Kloosterman et al., 1998). For example, in 1997 in the Netherlands the unemployment rate for the indigenous population aged 16-64 years was 4% while the unemployment rate for the registered minority population was 16% (Musterd et al., 1998). Some countries have introduced policies to reduce the number of migrants entering their countries (Blaschke et al. 1990). European countries have introduced tighter policies than North America (Blaschke et al. 1990) but Ireland has not yet placed any restrictions on other Europeans entering the country (Drew and Sriskandarajah, 2006). Although policy makers may believe that strict entry policies can solve the negative externalities of immigration, governments are also looking at alternatives to policy strategies (Van Delf et al., 1999). Namely they are relying on the creation of a system of self-sufficiency whereby migrants are responsible for their own economic certainty (Van Delf et al., 1999). Some governments have realised that ethnic groups can create wealth for the host countries which migrants reside in and so are encouraging them to enter into entrepreneurship in an effort to contribute to the host country's economy (Van Delf et al., 1999). The following areas of ethnic entrepreneurship

will be explored: ethnic entrepreneurship and job creation; aspects of ethnic entrepreneurship; the characteristics of ethnic entrepreneurs; ethnic entrepreneurs' competitive advantage; motivations for business start-up; the role of the family in the ethnic enterprise and barriers to ethnic entrepreneurship.

2.4.1 Ethnic entrepreneurship and job creation

In the past two decades migrants have moved away from employment and have opted for self-employment in their host countries (Van Delf et al., 1999). This movement has been classed as 'ethnic entrepreneurship' (Van Delf et al., 1999; Waldinger et al., 1990). It differs from 'normal' entrepreneurship because it is generally orientated towards ethnic products and the ethnic entrepreneurs who set up businesses are generally doing so to serve the needs of their own ethnic group (Levent et al., 2003). It generally refers to small to medium size businesses operated by foreign migrants and it based on self-employment in the lower end of the labour market (Barrett et al., 1996; Waldinger et al., 1990). Consequently ethnic entrepreneurship results in a rise in the cumulative supply of jobs and creates employment for migrant works without impacting on the indigenous work force (Light and Bonacich, 1988). The hiring of migrant workers by ethnic entrepreneurs is not exclusive to migrants of the same ethnicity and extends to other migrants, therefore increasing the benefit that ethnic entrepreneurs have on their host country (Van Delf et al., 1999). It is estimated that ethnic enterprises in Ireland created 50,000 new jobs in 2006, many of which were occupied by foreign nationals (Shoesmith, 2006).

Ethnic entrepreneurship is a growing area of entrepreneurial activity in Ireland as the Celtic Tiger has made Ireland an attractive country to migrate to (Doyle et al., 2006). For this reason the experiences of ethnic entrepreneurs in other host countries will be explored.

2.4.2 Aspects of ethnic entrepreneurship

Research thus far on ethnic entrepreneurship has focused on the 'ethnic' or 'business' part of this trend, usually exploring what businesses they lean towards and how they perform in business in comparison to other cultures (Leung, 2003). Aside from that, researchers have also looked at a variety of other issues relating to experience of ethnic entrepreneurs in the UK, Europe, Canada, the United States of America and Australia (for example, Aldrich, 1980; Basu, 1998; Bhachu, 1982).

These include:

- motivations of ethnic entrepreneurs (Chaudry and Crik, 2003)
- the importance of the family and the role of women (Ward, 1987; Ong, 1999)
- the significance of support systems and informal networks (Morris, 2000; Light and Gold, 2000; Ng, 1999; Park, 1997)
- the business practices undertaken by ethnic entrepreneurs (Chaudry and Crik, 2003)
- barriers to entry (Li, 1979)
- the choice of business location (Chaudry and Crik, 2003; Aldrich, 1980)
- the possibility of economic advancement through ethnic entrepreneurship (Chaudry and Crik, 2003; Aldrich, 1980)

For the purpose of this study the research will focus on the significance of networking for the establishment and operation of an ethnic enterprise but first the aforementioned aspects of ethnic entrepreneurship will be explored.

2.4.3 Characteristics of Ethnic entrepreneurship

The trend of ethnic entrepreneurship appears to be more common place in European countries (Van Delf et al., 1999). For example, in the Netherlands the market share of ethnic enterprises had doubled from 3% to 7.4%, from 1986 to 1997 (Van Delf et al., 1999). According to Roger Waldinger (1996:250), the success of ethnic businesses depends on:

“(1) a niche in which the small firm can viably function; (2) access to ownership positions; (3) a predisposition toward small business activities; and (4) a group’s ability to mobilise information resources in organising the firm”.

Ethnic entrepreneurship often results in the restoration of dilapidated city centre locations (Van Delf et al., 1999). Therefore it is necessary that policy makers mitigate against any possible factors which might impede the entrepreneurial activities of migrants (Van Delf et al., 1999). Migrants have some distinct characteristics which give them an advantage over the indigenous population (Greene, 1997). These include the existence of social networks which assist in the sourcing of capital and the recruitment of staff (Greene, 1997). Greene (1997) suggests that it is often difficult for ethnic entrepreneurs to source capital and to access support when setting up a business.

2.4.4 Ethnic entrepreneurs' competitive advantage

Mutual trust amongst co-ethnic migrants means that ethnic entrepreneurs can exchange information, business ideas and source capital from each other in an informal way (Van Delf et al., 1999). Another advantage migrants possess is the knowledge of at least two cultures (Reeves and Ward, 1984). This allows them to exploit their cultural heritage by serving market niches and supply goods from the homeland to their co-ethnic citizens (Reeves and Ward, 1984). They also have the advantage of a distinct ethnic market as minorities are generally concentrated in cities (Reeves and Ward, 1984). Ram and Hillin (1994) argue that relying on one's own ethnic group may be too restrictive and not sufficient for sustaining a business. This reliance on one's own ethnic community can also inhibit one's entry into mainstream markets (Ram and Hillin, 1994). Research has shown that ethnic entrepreneurs need to 'break-out' into mainstream markets by making contact with the indigenous population through effective marketing (Deakins, 1996; Deakins et al., 1997).

2.4.5 Motivations for ethnic business start-up

As mentioned above researchers have explored various aspects of ethnic entrepreneurship. One such area is that of the motivations of ethnic entrepreneurs. Research on ethnic minority entrepreneurs suggests that ethnic minority groups are motivated to set up a business because they are discriminated in the labour market and their close family ties provide them with access to resources which make entering into entrepreneurship possible (Bonacich 1973; Portes et al. 2002). Chaudry and Crik's (2003) study found that the main motivations of the respondents were for independence and to sustain a certain standard of living for their families. Basu (2004) found that the motivations and aspirations of ethnic entrepreneurs depends largely on their country of origin and their family background. Education and previous business experience are also factors which influence ethnic entrepreneurs' motivations (Basu, 2004). The length of time in business; the characteristics of the business; and the generation in the family which the entrepreneur is positioned (i.e. first generation migrant, second generation migrant) all impact on the entrepreneurs' motivations for entry into business and for business development (Basu, 2004). The migrants who migrated in the hope of improving their standard of living, did so with limited personal resources and were inclined to depend on finance from banks at the initial start up

phase; which may have ‘forced’ them to make money in order to pay off bank debts (Basu, 2004). Smith-Hunter and Boyd’s (2004:25) study found that female ethnic minority entrepreneurs were more highly motivated than their white counterparts to become self-employed for classical reasons such as “*to be my own boss*”, “*to make money*” and “*always wanted a business*”.

2.4.6 Ethnic entrepreneurship and economic advancement

As Smith-Hunter and Boyd (2004) suggest that one of the motivations for ethnic entrepreneurship is to ‘make money’, it is not surprising that research on the potential for economic advancement has been examined (Light and Gold, 2000). Contradictory findings exist as to whether or not migrant entrepreneurs can obtain financial advancement through ethnic business ownership (Light and Gold, 2000; Park 1997). For example, Light and Gold (2000:127) report that migrant entrepreneurs engage in “*cannabilistic competition*” while Park (1997) states that Korean entrepreneurs in New York exhibit a gradual up-market movement but also often have failed businesses. According to Morris (2000) self-employed individuals from ethnic minorities in the United States are ten to fourteen times wealthier than employees. Logan et al. (2003:380) concluded in their study on Chinese and Korean entrepreneurs in New York and Los Angeles that “*ethnic economies generate only fragile benefits*”. In contrast to this finding Hierbert (2003) found that self-employed migrants in Canada had higher earnings than the indigenous population in 1995, and also exceeded the average income of the total immigrant population. This therefore suggests that “*self-employment is a vital opportunity for economic advancement*” (Hiebert, 2003:52).

2.4.7 The role of the family in the ethnic enterprise

Research has found that the ‘extended family’ plays a vital role in the ethnic enterprises as a means of accessing resources, such as information and labour (Ward, 1987). This is supported by Ram and Jones (1998) who cite the family as a support system which aids the ethnic entrepreneurs by providing them with capital, labour and information on the market. Ram and Hillin (1994) argue that this reliance on the family can be restrictive for the business, as it can prevent the businesses from venturing into other markets. In addition to the importance of the family as a support to ethnic businesses, the issue of gender has also been explored. While research has suggested the many benefits of dependence on the family (Ward, 1987); it

has also been cited that this family solidarity has a dark underside, in its treatment of women and that solidarity, loyalty and commitment to the family business, can bring 'obligations' which are exploitative and abusive (Waters, 2002; Ong, 1999; Mahler, 1995). Hoel (1982), supports this view by highlighting the fact that women are often exploited by being overworked and underpaid in the ethnically-owned firm; while in Werbner's (1984) view this 'allocation' of labour resources is seen as advantageous to the business.

2.4.8 Barriers to ethnic entrepreneurship

All aspiring entrepreneurs encounter certain barriers which can prohibit the establishment of a venture; such as a fear of failure, lack of finance, lack of skills, taxation and regulation, lack of market knowledge (Robertson et al., 2003).

However, ethnic entrepreneurs encounter certain barriers into the labour market that may 'push' them into entrepreneurship (Min and Bozorgmeher, 2003; Park, 1997). The barriers for ethnic entrepreneurs' entry into the labour market include language difficulties, lack of experience in the locality, and a factor which has increasingly more significance, is the non-recognition of overseas qualifications (Min and Bozorgmeher, 2003; Park, 1997). These elements of blocked mobility continue to encourage groups, such as Koreans, to become self-employed in Canada (Min and Bozorgmeher, 2003; Park, 1997; Collins, 2003). Research on ethnic entrepreneurs has established that access to finance can potentially be the largest barrier to entry for aspiring ethnic entrepreneurs (First-step Microfinance, 2006; Bhachu, 1982). Bhachu (1982) found that East African Asians had the advantage of large amounts of capital and previous business experience from their home countries which allowed them to implement a more formalised, 'capitalist' business structure, than other ethnic groups in business. Chinese migrants, who migrated to Canada under the business immigration scheme¹, also had an advantage over other ethnic groups, as they too brought previous business/entrepreneurial experience, human capital and finance (Bhachu, 1982). Therefore Chinese migrants' ability to migrate to other countries was not limited and so they were consequently not racially excluded from business environments (Bhachu, 1982). Collins (2003) cites that it is often the case

¹ The business immigration scheme occurred between 1983 and 2001 whereby 310,000 immigrants arrived in Canada. The applicants had to provide business plans, have business experience and financial assets to be allowed to gain entry into Canada. Their progress was then monitored by the authorities (Ley, 2006).

that the majority of ethnic groups have 'blocked mobility' which 'pushes' them into entrepreneurial activities. Li (1979) supports this idea by stating the fact that Chinese-Canadians were dissuaded from entering into the professions and were "encouraged" to set up their own businesses. Although some countries such as Canada have encouraged migrants to set up their own businesses in the past (Li, 1979), difficulties with the host country language or differences in culture and non-verbal communication have acted as significant barriers to ethnic entrepreneurship for migrants (Kropiwek and King O'Riain, 2006). A report published by the National Consultative Committee on Racism and Interculturalism (NCCRI) found that Polish migrants in Ireland faced language difficulties and felt that they were being exploited as a result of their language deficiency. The research found that Polish workers in Ireland with an inadequate level of English cannot demand their rights such as receiving the correct wage and having the correct holiday entitlements but do not complain to their employer for fear of losing their jobs (Kropiwek and King O'Riain, 2006).

2.4.9 The ethnic enterprise's target market

Once the location of the premises has been chosen the ethnic entrepreneur must determine what market he/she will aim to serve (Masurel et al, 2002). Research has found that ethnic businesses usually aim to serve the needs of their local ethnic group, but later become immersed in the community and expand into the non-ethnic market (Masurel et al, 2002).

In summation, 'ethnic entrepreneurship' refers to the self-employment of migrants in their host countries (Van Delf et al., 1999; Waldinger et al., 1990). It creates wealth for the economy of the host country and often results in the renewal of dilapidated city centre locations (Van Delf et al., 1999). What motivates ethnic entrepreneurs depends on the length of time in business; the characteristics of the business; and the generation in the family which the entrepreneur is positioned (Basu, 2004). Ethnic entrepreneurs usually aim to service their co-ethnic community and locate their businesses in their co-ethnic communities (Chaudry and Crik, 2003). Informal networks allow ethnic entrepreneurs to exchange information, business ideas and source capital and this networking is based on mutual trust (Van Delf et al., 1999). Related to this reliance on friends, is the crucial role which the 'extended family' plays for ethnic entrepreneurs, as a means of accessing resources, such as information and labour (Ward, 1987; Ram and Jones, 1998). However, this dependence on the family can

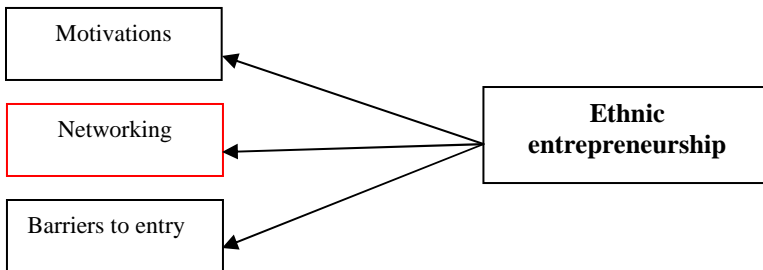
also have negative consequences, such as exploitation (Mahler, 1995:225; Ong, 1999; Waters, 2002).

Ethnic entrepreneurs' experience barriers to entry into the labour market (Min and Bozorgmeher, 2003; Park, 1997; Bhachu, 1982) which constitute blocked mobility and subsequently encourage ethnic groups to become entrepreneurs in their host countries (Min and Bozorgmeher, 2003; Park, 1997; Collins, 2003).

Figure 2.2 is the third building block of the conceptual framework and illustrates the issues which have been raised thus far on the area of ethnic entrepreneurship; and demonstrates the chosen area of ethnic entrepreneurship research for this study; the practice of networking by ethnic entrepreneurs.

As the topics of both networking and entrepreneurship have been explored it is now necessary to see how these two areas can impact on one another.

Figure 2.2: The aspects of ethnic entrepreneurship which the study will explore



2.5 Networking and the impact of diversity

Theorists have defined networking as a relationship or interaction between an entrepreneur and another individual; however this relationship may be larger, involving multiple entrepreneurs and actors (Granovetter, 1973). These ‘actors’ are part of the entrepreneur’s ‘action set’; that is the subset of people within the entrepreneur’s entire network who share the entrepreneur’s objective of improving business performance by contributing information and other resources towards the development of the business (Fadahunsi et al., 2000). This results in an endless number of possible relationships (and therefore networks); however the effectiveness of the network depends on the individuals who constitute the network (Fadahunsi et al., 2000). It follows that all potential external relationships can be deemed as networking activity (Curran et al., 1995).

Moore and Webb (1998) suggest that participation in networks has vital importance for women and minorities in business, as they may find it more difficult than ‘white’ males to access information. However, Ibarra (1993) argues that women’s networks and ethnic minority networks are not always advantageous to members as these networks often suffer from problems, such as network size, similarity amongst members (the term to describe this is ‘homophily’), network tie strength and network range and density. Network range refers to the level of diversity in the network (Marsden, 1990). Women and ethnic minorities in business tend to have a wider network range than white males and their networks often include male and female members, minority groups and whites (Ibarra, 1993). Despite this difference in networks, women and minority networks do not actually benefit from this perceived advantage because their networks are sparser than white male networks (Friedman et al., 1998). The following aspects of networking and ethnic networking will be explored in detail: network tie strength; network size and density; utilisation of networks by ethnic entrepreneurs and ethnic network exclusion and exploitation.

2.5.1 Network tie strength

‘Network tie strength’ refers to the amount of time members of a network spend together and the level of reciprocation they receive from one another (Knouse and Webb, 2001). Ibarra (1993) believes that women’s networks and ethnic networks do not have as high a level of ‘network tie strength’ as white male networks. This is apparently a result of women and minorities exhibiting stronger ties with same sex and same

race individuals and overall displaying weaker ties in their larger diverse networks than white males (Ibarra, 1993).

2.5.2 Network size and density

It is more difficult for women to network as they usually use their social networks while men use both social and work relationships ('multiplexing'). Research has found that the size of networks differ between 'white' American males and ethnic minorities. Ethnic groups, including African-American and Latino generally have smaller networks than whites (Knouse, 1991; Pugliesi and Shook, 1998). In conclusion, researchers have found that ethnic minority and women's networks tend to be smaller than white male networks, to be less homophilous, to have a smaller network range and to exhibit weaker network tie strength than their white male counterparts (Knouse and Webb, 2001).

2.5.3 Utilisation of networks by ethnic entrepreneurs

While examining Surinamese entrepreneurs in Amsterdam, Boissevain and Grotenbreg (1987) found that ethnic networks were used for introducing fellow entrepreneurs to wholesalers and suppliers and also for warning each other about upcoming government inspections. Similarly Dana (1993) found that this was also the case for Italian entrepreneurs in Canada. However, the most important element of ethnic networking is that it provides mentors for aspiring entrepreneurs as well as focused training and access to information about the market, business ideas, business opportunities and technical support (Dana, 2001). Dubini and Aldrich (1991) found that networks are essential for the training of entrepreneurs.

2.5.4 Ethnic network exclusion and exploitation

Although networks offer many benefits to entrepreneurs, not all entrepreneurs can gain access to networks (Dana, 2001). For example, certain castes in India are excluded from entrepreneurship (Dana, 2001). As a result certain families are denied access to networks, mentoring and training (Dana, 2001). This study will endeavour to find out if it is easier for certain ethnic groups in Ireland to access networks than others. Research has found that the "extended family" plays a vital role in the ethnic enterprise as a means of accessing resources, such as information and labour (Ward, 1987). Ram and Hillin (1994) argue that this reliance on the family can be limiting for the business, as it can prevent the