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What is This?
Forms of capital, mixed embeddedness and Somali enterprise

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**ABSTRACT**

What form is small business activity taking among new migrants in the UK? This question is addressed by examining the case of Somalis in the English city of Leicester. We apply a novel synthesis of the Nee and Sanders’ (2001) ‘forms of capital’ model with the ‘mixed embeddedness’ approach (Rath, 2000) to enterprises established by newly arrived immigrant communities, combining agency and structure perspectives. Data are drawn from business-owners (and workers) themselves, rather than community representatives. Face-to-face in-depth interviews were held with 25 business owners and 25 employees/‘helpers’, supplemented by 3 focus group encounters with different segments of the Somali business population. The findings indicate that a reliance solely on social capital explanations is not sufficient. An adequate understanding of business dynamics requires an appreciation of how Somalis mobilize different forms of capital within a given political, social and economic context.

**KEY WORDS**

forms of capital / mixed embeddedness / Somali enterprise
Introduction

The era of ‘superdiversity’ poses a number of challenges for the study of ethnic minority business (EMB). Until recently, British studies have been preoccupied with large settled minorities like South Asians, African Carribeans and Chinese; and, at the same time, heavily influenced by theoretical perspectives privileging ethnic identity over the structural context within which EMB operates (for reviews, see Kloosterman and Rath, 2001; Ram and Jones, forthcoming). What purchase can this approach have on what Vertovec (2006: 1) calls ‘new, small and scattered, multiple-origin, transnationally connected, socio-economically differentiated and legally stratified immigrants’? For many of these recent arrivals, the nature of their entrepreneurial activity will be acutely conditioned by political-economic factors like immigration status, labour market experiences, relations with the local community and the need to compete with longer established entrepreneurial minorities.

With such challenges in mind, this article examines the dynamics of business activity among Somalis who have recently arrived in the English city of Leicester. Though still small in numbers, the Leicester-based Somali community is part of a global diaspora of approximately one million overseas Somalis, with major concentrations in the USA, Canada, Scandinavia and the Netherlands as well as the UK (Lindley, 2005). Truly transnational in character, the overseas Somali communities are inter-connected through elaborate informal systems of remittances and information exchange (Daahir et al., 2004; Vertovec, 2006). The theme of transnationalism as a business resource is prominent in our case histories of owners and workers in 25 Somali-owned firms.

Analytically, we bring to bear two recent theoretical frameworks, which substantially advance the dialogue between ethnic resources and structural disadvantage. The *forms of capital* framework offered by Nee and Sanders (2001) recognizes that social capital is only one element in a variable mix of entrepreneurial resources, while Kloosterman et al.’s (1999) mixed embeddedness perspective insists that enterprise must be seen as grounded not only in this mix of personal resources but also in the surrounding structural context of markets, competition and crucially the state regulatory regime. They underline that this political-economic environment cannot be dismissed as a given or as some kind of inert backcloth but should be construed as an active system with direct inputs into entrepreneurial performance and the capacity to set ultimate parameters.

Conceptual foundations: forms of capital – social, human and financial

The thrust of Nee and Sanders’ (2001) argument is that the immigrants’ mode of incorporation into the labour market of their receiving society is governed by a mix of Bourdieus’s (1986) three forms of capital: social, human and financial.
In itself, this injects a refreshing element of balance into an agenda previously over-preoccupied with the social capital vested in ethnic resources. With its fashionable appeal to social networking, social capital is an idea, which has ridden the zeitgeist for some time now. For Therborn (2007: 95), ‘network is a concept still enjoying its honeymoon undisturbed’ and social capital is perhaps the ultimate expression of this. As represented in Putnam’s (2000) landmark work, social capital refers to the personal empowerment that individuals derive from their membership of social networks and is advocated as a socially cohesive force, a potential antidote to the disintegration of a civil society under assault from atomistic forces like consumerist individualism and single issue politics (Li et al., 2003). In the field of enterprise research, this breathtaking sweep is narrowed substantially to refer specifically to the potential business resources informally sourced by entrepreneurs from family, friends, community and all those other personal relationships originally understood as part of the Gemeinschaft (Tonnies, 1974)1. For enterprise researchers, this logic first became properly crystallized in Granovetter’s (1985) account of the way economic transactions are necessarily embedded in social ties of trust, mutual obligation, personal sentiment and face-to-face communication rather than in formal, contractual and official bureaucratic procedures.

For EMB researchers of a culturalist bent, Granovetter’s argument has been eagerly adopted as a rationale for singling out certain ethnic minority entrepreneurs as possessing a special ability – by implication denied to their mainstream majority competitors (see Jones and Ram, 2007, for a critique) – to access super-abundant social capital (Flap et al., 2000; Janjuha-Jivraj, 2003). Dense networks of family and co-ethnicity enable groups like British South Asians to tap exclusively into a guaranteed pool of cheap, flexible, loyal and motivated labour, not to mention cheap or pooled money capital and a privileged insider information network. Here we note that social capital does not usually materialize as a concrete resource in itself but as an enabler, unlocking access to other forms of capital, labour, markets, suppliers and so on. Whatever its modus operandi, its importance is undeniable and Nee and Sanders are very much alive to the centrality of social capital for their own selected immigrant entrepreneurs. In particular, they highlight the pivotal role of the family, the immigrant’s ‘most important capital asset’ (Nee and Sanders, 2001: 390), offering a multitude of social resources ranging from an unofficial resettlement agency for the new immigrant to uncosted labour power and shared financial capital for the family firm.

Yet, despite the arguably dynamic role of social capital, this ‘infuriating’ concept (Li et al., 2003: 497) poses numerous operational as well as theoretical problems. In the first instance, there are objections to the presentation of EMB as qualitatively distinct from the mainstream, given that Granovetter’s (1985) logic presents all entrepreneurs as socially embedded (Jones and Ram, 2007). Beyond this, even though EMB research uses a much narrower definition of social capital than Putnam, it still covers ‘a potential multitude of relationships between entrepreneurs, their families, their friends, their community’ (Deakins
et al., 2007: 311) and there are doubts about whether it should be entirely restricted to informal connections or whether it should embrace more formalized networks like business clubs and civic institutions. Even more troubling is the easy assumption that social capital is necessarily a positive force in all circumstances. Following Bourdieu (1986), many commentators would on the contrary emphasize the potentially divisive nature of social capital, where this takes the form of bonding with similar people and excluding others (Cheong et al., 2007; Li et al., 2003; Smith, 2007). Aside from any wider implications for social cohesion, the practical consequences for EMB of operating within the very limited enclosure of bonding social capital is to put a brake on growth and diversification (Ram et al., 2003). Internal exclusiveness can actually exclude entrepreneurs from external possibilities.

As we shall see, this last qualification has a direct bearing on Somali business activity in Leicester. It also figures prominently in Nee and Sanders’ (2001) equation, where social capital emerges as an influential but at the same time essentially defensive and conservative economic force. Summarizing in a nutshell their very comprehensive findings on Koreans, Filipinos and Chinese in the USA, it is fair to say that immigrants who turn to self-employment tend to be those who are not so much rich in social capital as poor in human and financial capital. In highly competitive post-industrial labour markets, there occurs a ‘progressive replacement of social networks with educational credentials and vocational training in the allocation and regulation of labour’ (Smith, 2007: 367). According to Nee and Sanders (2001), the relationship between human capital and entrepreneurship tends to be negative, with the better educated and most acculturated individuals using this advantage to gain entry into high status professional and public sector careers.

From this we deduce that entry into self-employment seems much more likely to result from human capital scarcity, a finding that supports a now fairly widely argued thesis that business ownership often functions as a refuge for those ill-equipped for open job competition (Brah, 1996; Jones et al., 1992; Ram and Jones, forthcoming; Virdee, 2006); or as Nee and Sanders (2001: 402) put it, ‘owning a business offers immigrants who lack human-cultural capital that is fungible in the mainstream economy an alternative avenue for economic activity’. These, of course, are the very people who are likely to rely on the compensatory social capital of family ties to support their firms. All this chimes with recent British research suggesting that, as long-settled groups like UK-born Indians enhance their human capital stocks through acquiring high-level educational qualifications, so they shift increasingly from self-employment to professional/white collar employment, a far less onerous and insecure career option (Jones and Ram, 2003; McEvoy and Hafeez, 2007).

Even so, it would be completely wrong to dismiss the role of human and financial capital in entrepreneurship itself. On the contrary, it is the very scarcity of these two resources which, as we shall discover, most inhibits Somali business in Leicester. Moreover, when we consider current socio-economic mobility among groups like British Indians, we observe two parallel tendencies.
As well as those vacating self-employment for professionalism, there are others remaining in business ownership but using their enhanced qualifications and access to formal credit sources to create better quality enterprises, larger scale, growth orientated and diversified into high value sectors of the economy away from the low level retailing and catering characteristic of under-resourced first wave immigrants (Jones et al., 2000). EMBs are now found in many of the leading edge sectors of the economy, where they are based on a forms-of-capital mix, heavily skewed towards its human and financial components (Ram et al., 2003). Significantly, the Somali capital mix is virtually the inverse of this, both reflecting and reproducing entrepreneurial disadvantage.

All in all, the forms of capital approach has to be seen as a marked improvement on previous more simplistic interpretations. Following Kloosterman et al. (1999, see also Kloosterman and Rath, 2001), however, we would argue that it still gives an essentially one-sided account, in which the absences are rather more important than what is actually present. In effect it concentrates almost entirely on the supply side of the equation, the varying ways in which ethnic minority members equip themselves for incorporation into the labour market as employees or self-employed/employers. With a virtually exclusive focus on ethnic agency, it has little to say about structure, the political-economic environment into which these human agents are also embedded. According to Kloosterman and Rath (2001), this environment bears down on ethnic entrepreneurs at various scale levels. At the very highest level it would be fair to say broadly that immigrant-origin entrepreneurs throughout North-West Europe have been shaped by common structural forces. Since the 1970s, de-industrialization and racism have combined to create a hugely expanded mass of unemployed and under-employed labour in which racialized minorities are inordinately overrepresented (Brah, 1996; Jones et al., 1992; Virdee, 2006). Self-employment has to be seen as a response to this, a survival strategy which has resulted in the proliferation of EMBs which are now such a feature of the West European urban scene.

Additionally, however, there are great international variations, notably between continental Europe and the ‘Anglo-Saxon realm’, where EMB has taken off earlier and developed further. Addressing this, Kloosterman and Rath (2001) highlight the influence of the state regulatory regime, now recognized as a critical determinant of international variations in entrepreneurial activity. Ethnic minorities seem more than normally exposed to this politico-institutional element and, at the extreme, in some tightly regulated European regimes it cannot even be taken for granted that immigrants will be legally allowed into some forms of self-employment (Rath, 2000). For Germany, Panayiotopoulos (2007: 222) notes ‘lack of political rights and hostile institutional structure’ as barriers to Turkish business development, with severe legal constraints on immigrant enterprise also observed by Haberfellner (2003) for Austria and Ma Mung and Lacroix (2003) in France. In the Netherlands, the collapse of the Amsterdam-based Turkish clothing industry is now frequently cited as an
object lesson in how to destroy a flourishing informal activity by over-strict and literal-minded application of labour regulations (Raes, 2000).

By contrast, the UK enterprise regime is both lightly regulated and effectively non-discriminatory as regards ethnic origin. For groups like the Somalis, the unconditional freedom enjoyed even by refugees to set up in self-employment is absolutely critical. Notably though not all Somalis are refugees and many of our own respondents state quite explicitly that they shifted from mainland Europe to the UK because of the greater freedom to develop a business.

What kind of businesses they are able to create is another matter, however, because unhappily, this de-regulated Promised Land is a contradictory environment for EMB, one which encourages quantity at the expense of quality (Barrett et al., 2003). Certainly, any new entrepreneurial minority can enjoy freedom to enter the market but that market is one characterized by chronic disequilibrium, with EMB supply outlets continually in excess of customer potential (Jones et al., 2000). Historically this results from the structural displacement of workers into self-employment as discussed above and has created conditions of intense competition in which many EMB firms can only survive by accepting uneconomic returns for onerous labour and in extreme cases by cutting legal corners (Jones et al., 2004). Leicester is one local version of the highly problematic structural environment in which Somali enterprise must strive for breathing space in competition not only with established native white business but also with a host of predecessor minorities.

Finally, we need to stress that this mixed embeddedness approach cannot stop at an analysis of how capital assets are deployed against a hostile structural environment. Logically, the interaction between agency and structure is more complex than this, with multiple feedbacks. In particular, we need to recognize that forms of capital are not purely inherent in the agents, a battery of resources under the agents’ ownership to be brought to bear on the structure, but properties which are in many respects conditioned by the structure itself. Thus, for example, the general shortage of financial capital afflicting EMB originates in an inaccessible and, to be frank, institutionally racist credit market (Ram et al., 2003). Indeed, the true meaning of mixed embeddedness might be thought to lie in this two-way interaction, where even certain of the characteristics of the agents themselves originate in, or are profoundly influenced by, the structure. This consideration is to be borne in mind when assessing the performance of Somali business.

Research methodology

To achieve the theoretical task of accounting for the establishment of new migrant business activity in a particular politico-economic and institutional context, we focus on Somali enterprises in Leicester. In broad terms, there are over one million Somalis living abroad; in this respect, it is considered a ‘globalized’
society (Lindley, 2005). Diasporic connections extend to Canada, the USA, Scandinavia, as well as the UK (Bang Nielsen, 2004). Hence, the Somali community can be seen as a ‘critical case’ in that it is new, comparatively small in the UK (although growing), quite highly dispersed, transnationally linked and socio-economically stratified (Vertovec, 2006: 1). Leicester is an apposite location for the study in the light of its significant ethnic minority population, which is almost 40% of the total (LCC, 2006). Since the 1960s, the city has been notable for playing host to a major concentration of British Indians, but over the last decade or so it has followed the national trend of increasing ethnic diversity, with a growing influx from the Middle East and Africa, including Somalia itself. Now estimated (typically imprecisely) at between 6,000 and 17,000 (Daahir et al., 2004; LCC, 2006), Somalis have been attracted to the city by the presence of a pre-existing Somali community and by perceptions of the UK’s multi-cultural tolerance, allowing them to practise their Muslim religion more freely than in many other European countries (Daahir et al., 2004).

Given the potential sensitivities of investigating business owners (and workers) from communities that have often been subjected to hostile political coverage (Harris, 2004; Jones et al., 2006), our initial challenge was one of access. To overcome the trust barrier, data collection was undertaken with the assistance of a trusted intermediary, which had extensive links with the Somali community and a record of effective collaboration with the University sector. The researchers were solely responsible for devising the interview guides, and took exclusive charge of all data analysis, interpretation and presentation activities. In line with the objective of eliciting the actual experiences of Somali business owners’ mobilization of different forms of capital, a qualitative research design was adopted. This comprised face-to-face, in-depth interviews with 25 Somalis in business, and 25 employees/volunteers (one from each enterprise). In order to identify suitable respondents the snowballing sampling method was applied. Snowball sampling is a method particularly useful for undertaking research on sensitive topics and accessing ‘hidden’ populations and more suitable for small sample sizes (Hendricks and Blanken, 1992).

Care was taken to direct referral strategically, in order to increase variation in the sampled population (Penrod et al., 2003: 105). The aim was to minimize sample bias by enhancing the scope and hence the generalizability of the findings. Different gatekeepers were recruited to locate and gain access to a diverse base of suitable participants of different business sectors, gender and migrant status. For instance, a gatekeeper was used to specifically recruit secondary movers from the EU while another one was quite useful in soliciting female participants. Logic suggests that these groups may differ in terms of the human and social capital they possess, as well as the challenges they face in setting up and running a business. The former could exhibit a more enhanced base of human and social capital, while the latter could be facing additional impediments related to gender. Hence, a form of ‘sociological sampling’ was adopted, the object of which is to ‘generate new knowledge of theoretical importance through describing the basic processes at work in members’
daily situations’ (Gold, 1997: 391). We are not seeking here to generalize to a population but to examine processes and dynamics within the cases. We generalize to the level of theory rather than any statistical notion of representativeness (Edwards, 1992).

Basic profile data of the firm, such as activities, employment size, age, location and sectors along with profile data on the entrepreneur, including age, gender, ethnicity, migrant status, management qualifications/training and experience, as well as motives for starting and running a business, were explored. Moreover, enabling and constraining forces impinging on Somali entrepreneurship were investigated, using a semi-structured interview guide. The interviews were supplemented by the staging of three focus groups (one of which was all female). The three focus groups clarified some of the issues revealed during the interviews and provided deeper insights into respondents’ experiences of starting and running a business in Leicester.

The QSR NVivo software package was used to analyse data, form a database and create an audit trail (i.e. documenting data analysis and interpretation procedures) for validity and reliability purposes. A coding scheme was devised by the research team to this effect. Final categories were developed in an iterative process, initially deductively by applying our conceptualization to the accounts provided by the respondents and then inductively, by re-sorting the data to preset categories but also by developing new ones. The software was used to handle large volumes of data in the analysis process, primarily for the purposes of coding and retrieval. QSR NVivo can be used to generate quantitative data; but this was inappropriate in the present case for two reasons. First, the small, non-randomly selected sample militated against such a design. Second, a quantitative approach would have been inconsistent with our core research objective of developing insights into the process of Somali business activity. As Easterby-Smith et al. (2002: 129) remind us, ‘The availability of computer analysis may lead to an emphasis on counting the frequency of categories at the expense of understanding the quality of ideas and experiences.’ Hence the interpretation process was not mechanistic. Consensus over what data meant was reached after formal and informal meetings and conversations related to the categories used and their interrelationships.

Discussion of findings

All the firms examined were micro, services enterprises, predominantly sole traders (72%) operating in the retailing, restaurants, repairs and telecommunications sectors (for a break-down see the Appendix). All of them were young firms, which have been trading for less than three years. Their average age is approximately 26 months; 56% of the owner-managers of these firms were over 45 years old with median age category 45–55 and 92% of them were male. Most of the participant owner-managers (76%) are growth-oriented, looking to develop their business in the near future.
The three forms of capital

Social and human capital

On the basis of the rich family and social ties cited by our respondents, it would be tempting to portray social capital as a truly dynamic force for Somali enterprise, perhaps even sufficient to transcend some of the classic disadvantages borne by EMB. In practical terms, the family and co-ethnic network provides outstanding support in the shape of cheap or even unpaid labour and interest-free money capital. A majority of firms rely on the work contributions of family members and friends, with the latter often regarded as unofficial business apprentices, gaining experience in lieu of proper wages (Ram et al., 2001). Echoing what is clearly a widespread protocol in the Somali business community is the worker respondent who explains,

I am helping my uncle in his shop. I don’t get paid but I am gaining experience. (Worker Zeta)

Similarly economical are Somali methods of raising capital, which are various and sometimes ingenious. For example, one shopkeeper started his internet café venture with

only five computers my family members gave me. (Owner-manager Psi)

Others have benefited from membership of a rotating credit association, the ultimate in ethnic resource pooling:

About 30 Somali people contribute £200 per month and when my turn came I got £20,000. (Owner-manager Tau)

Perhaps the greatest distinctiveness is displayed by those who have tapped into transnational connections, as with the owner who
topped up my start-up funding with a £5500 loan from my brother in Montreal; and the respondent who borrowed from my friends in Dubai, an interest-free shariah loan. (Owner-manager Epsilon)

Truly transnational in scope (Vertovec, 2006), the Somali business community operates as a social capital network on an expansive geographical scale not normally available to EMB. On the basis of this evidence, Somali resources are qualitatively superior to those of most entrepreneurial minorities – ostensibly at least. When this is seen alongside other mould-breaking tendencies, Somali business prospects appear even brighter. Unlike most predecessor entrepreneurial minorities, these are not workers displaced by labour market restructuring but more often motivated entrepreneurs, with previous family business experience – in itself an informal version of human capital – and migrating with the specific purpose of business start up. In many cases, too, these positively motivated entrepreneurs-of-choice have business growth ambitions, in sharp contrast to the classic EMB stance, which is one of survivalism (Ram and Jones, forthcoming).
Yet, were we to assume that this innovative portfolio would deliver Somalis from the historic disadvantages of EMB, we would be doomed to disappointment, for the Somali business profile in Leicester is an entirely faithful reproduction of the classic pattern. The most palpable evidence of this lies in the sectoral distribution of Somali firms, with the great majority of our sample confined to the two low value-added hyper-competitive labour-intensive sectors of corner shop retailing and catering. Consequently, entrepreneurial earnings are low and the great bulk of these firms cannot be seen as profitable in the strict sense.

Invoking the forms of capital model to explain this, our immediate verdict would be that not only is there a critical deficiency of financial and human capital but also that Somali social capital assets are rather less potent than might be expected from the prevailing hype about social networks. In effect, most Somali resources take the form of bonding social capital, the internal social ties exclusive to the group. As Li et al. (2003) point out this is highly restrictive in itself and far less commercially effective than bridging (linking?) social capital, which comprises linkages built with outside agents thereby enlarging the range of customer potential and sources of funding and intelligence. Against this, we recognize that bonding ties are not necessarily restrictive per se. Writers like Cheong et al. (2007) and Smith (2007) point out that bonding social capital tends to be highly variable by class, with affluent, better educated individuals enjoying richer, more influential social connections with the capacity for abundant economic pay off. Tongue in cheek, we would note that there would be nothing remotely restrictive about a bonding network consisting entirely of Old Etonians. Even though our sample contains no ex-public schoolboys, it is nevertheless markedly stratified and the findings suggest that it is the better off who enjoy by far the best transnational connections and perform better in business as a result. For the others, however, informal family and community act principally as a compensatory – but rarely sufficient – cost-cutting provision in the absence of more effective forms of capital.

In the case of human capital, a similar double-edged effect is evident. On the positive side, Somalis are suggestive of certain predecessor groups like East African Asians in that they often have business track records, experience gained before migration and have come to the UK with the express purpose of entering self-employment. Reflecting studies of Somalis elsewhere in the UK (Bloch and Atfield, 2002), the community also contains a fair number of educationally qualified people, with the sample itself boasting two graduates and many others with attainments equivalent to GCSE and NVQ. However, in congruence with Bloch and Atfield’s (2002) study of London-based Somalis, there is a serious problem of occupational mismatch and down-grading. In Leicester itself, many professionally experienced Somalis are facing blockages in the way of finding commensurate job opportunities, with educational qualifications up to degree level not recognized because they were obtained abroad (Ram and Patton, 2003). This grievance is repeatedly articulated by our sample, two of whom are quoted here.
I was trained as an IT specialist at Diploma level but I couldn’t get a job here; my qualification was not recognized so I’ve used my knowledge in business. (Owner-manager Lambda)

My diploma had no value here, so I couldn’t get a job. Then I started this business. (Owner-manager Beta)

From this, we gather that the Somalis are following in the footsteps of earlier migrant groups, with glaring mismatches between qualification and occupation and with self-employment acting as a last resort escape from this dilemma (Ram and Patton, 2003).

Financial capital and the credit market

When we come to consider the serious shortage of financial capital in the Somali business community, we are immediately struck by the two-way interplay between agency and structure discussed earlier. There are many contributory causes of this paucity of capital. In the first instance, the majority of respondents arrived in England with very few funds and attempts to convert abstract social capital into the concrete form of investment funds have not, to judge from repeated complaints of under-funding, filled the gap. As one shopkeeper comments,

One of the main challenges is lack of finance, if you don’t have sufficient funds, you can’t compete with your rivals. (Owner-manager Zeta)

Even more urgently, another retailer warns:

If I don’t get financial support in the next six months, I may close down the business. (Owner-manager Gamma)

Beyond question, the line dividing viable mainstream firms from marginal strugglers is access to funding from high street banks and the other commercial lenders who make up the formal credit market. For most firms, irrespective of ethnic origin, this standard method of financing is the sole means of escape from the limitations imposed by informal financing. Bank funding is an even more urgent prerequisite for the growth-oriented entrepreneurs, who make up three in four of the sample and whose ambitions are chronically frustrated by under-funding. Typical here are the respondents who say:

The biggest problem? Lack of finance to expand my operation. (Owner-manager Kappa)

If I get the capital I need, I will be able to move to larger premises and employ another worker. (Owner-manager Epsilon)

But for inadequate finance and display space, we could do better. (Owner-manager Beta)

Since in almost all cases this under-funding can be traced to lack of access to the commercial credit market, we are confronted directly by the circular
interaction between agency (internal resources) and structure (external market environment). Rather than inadequate personal resources per se, it is financial ineligibility as defined by the market, which is the paramount limiting factor. Our respondents’ continual complaints about problems of access to commercial credit have to be seen as the latest in a lengthy saga of financial discrimination, more than two decades of evidence to the effect that bank financing for EMBS in Britain is less readily available than for white firms (Jones et al., 1994; Smallbone et al., 2003). In the Somali case, this generic bias may be reinforced by negative stereotyping of asylum seekers and refugees and by these newcomers’ own sense of insecurity and lack of confidence in dealing with what must appear to be formidably intimidating financial institutions. Whatever the precise causes, the upshot is a group of entrepreneurs almost entirely bereft of capital other than from informal sources. As such they are ill-equipped to compete in what can only be described as a problematic market place.

Customers and competition

From the very outset, under-capitalization confines most ethnic entrepreneurs to market sectors with low entry barriers, a reality which is graphically confirmed by the inordinate concentration of Leicester Somalis in catering and small retailing. By definition, the very ease of entry cannot fail to create a surplus of suppliers in excess of available market potential (Jones et al., 2000; Kloosterman and Rath, 2001). Like so many predecessor entrepreneurial minorities, Somali businesses operate in a context of intense competition for a share of a customer base which is frankly incapable of sustaining all suppliers at a viable level of earnings. Consequently, many – if not most – firms are technically unprofitable and according to rational economic logic ought not even to exist (Jones et al., 2004). It would be no exaggeration to say that if all firms had, for example, to pay their workforces in accordance with the National Minimum Wage, they would be obliged to cease operating forthwith.

Certainly our own respondents are acutely conscious of close competitors as an imminent and ever present threat. Virtually replicating the thrust of the previous paragraph is the retailer who fears the intensification of competition:

new similar businesses opening in the area, while the market is not big enough. (Owner-manager Delta)

Offering a more ethnically specific take on this is another shopkeeper who thinks that

Competition from other Somali people is a major issue. (Owner-manager Epsilon)

Once again, this echoes a classic EMB theme, that of the swamping of a local market by members of one ethnic community to the detriment of individual entrepreneurs (Jones et al., 2000). In the case of Leicester Somalis, the problem is probably less their fellow Somalis and more the longer established entrepreneurial minorities with their accumulated local knowledge and contacts.
As the latest entrants in a local ethnic vacancy chain, Somalis are strongly reliant on picking up market space vacated by upwardly mobile Asians. This entrenched competitive barrier is noted by the furniture retailer:

> There are many Asian businesses along this street ... We have to take what is left. (Owner-manager Alpha)

By courtesy of the furniture dealer, we are also reminded of another level of competition, the highly unequal struggle with large corporate firms (Barrett and Rainnie, 2002). This respondent’s complaints underline the way in which scale, capitalization and performance are articulated to the congenital disadvantage of the small:

> There is competition from the high street furniture stores that offer incentives and low priced goods. (Owner-manager Alpha)

Here we call to mind Kloosterman et al.’s (1999) stress on the regulatory regime, since in UK retailing the colossal advantages of scale have been accentuated still further by recent government deregulation of supermarket opening hours (Barrett et al., 2003).

While loath to pile on the agony, we cannot ignore a final market disadvantage, this time spatial in nature. According to Rekers and van Kempen (2000), urban location is a key influence on the performance of retailers and consumer service-providers, with the hypothetical ideal geographical situation combining proximity to high-income residents, accessibility, visibility and an absence of nearby competition. As we ourselves have demonstrated for the ethnic restaurant trade, such locations are themselves highly rationed and enjoyed only by the well capitalized minority (Jones et al., 2006). In the typical Somali location, not only is the firm besieged by neighbouring rivals but its custom is largely confined to impoverished local residents whose purchasing power is low. For the most part, Somali residents are clustered in deprived areas (LCC, 2006), due to an asylum dispersal system dependent on available housing stock often in neighbourhoods of social exclusion (Bloch, 2002; O’Neil et al., 2003). Speaking for many others, one shopkeeper complains:

> My premises are not located in the right area and my future challenge is about location. (Owner-manager Iota)

Another retailer suffers from a shortage of custom because:

> My shop could do with a better location. If I can get capital, I can relocate to larger premises in a more attractive location. (Owner-manager Rho)

As well as the ever-present financial barrier, there is also evidence of discrimination in the local property market, with negative stereotyping of refugees and asylum seekers militating against the Somali community.

Though all this certainly presents an accumulation of structural disabilities, we would nevertheless close this section on a note of qualified optimism by...
reminding ourselves that these are all extremely youthful firms whose future is not absolutely determined but to some degree subject to their own strategic initiatives. As noted, there is a widespread ambition for growth and the responses indicate a keen appreciation of what is needed to overcome barriers. From the focus groups, we see an awareness of the need to connect with the external world beyond the ethnic community, especially the cultivation of mainstream markets and the greater use of entrepreneurial support services. Articulating this concern is the respondent who declares:

People need practical business skills training to learn about marketing, finance, business plans and how the system works. (Owner-manager FG-C3)

Such comments confirm that there certainly is a will among Somali entrepreneurs to set their own agenda and especially to become more professional, formal and mainstream in outlook. We might see this proactive – and indeed genuinely entrepreneurial – stance as one of the key qualities distinguishing this community from many other business-owning minorities. Up to now, however, the will of the agents has been no match for the power of the structure and it would be unwise to underestimate the magnitude of the financial and market barriers blocking their future progress.

Conclusions

The ‘diversification of diversity’ (Vertovec, 2006: 1) attending the arrival of new migrants from a variety of origins is changing the landscape of ethnic minority entrepreneurship in the UK. Grounded as they are in the experiences of established entrepreneurial minorities, extant theoretical approaches struggle to offer a coherent interpretation. To account for the condition of Somalis in business – a community emblematic of the new diversity – this article has attempted to forge a synthesis between two relatively new theoretical perspectives. The ‘forms of capital’ model attempts to move away from a virtually exclusive emphasis on ethnic social capital towards the interplay of social, human and financial capital in the entrepreneurial process. Shifting further from what is still a preoccupation with agency, mixed embeddedness reminds us that entrepreneurs are grounded not solely in their own family-community resources but equally and perhaps even more significantly in an external structural context of state and markets. In this view, entrepreneurial outcomes are created by a two-way interaction in which agency is shaped by structure and vice versa.

When applied to the concrete case of Somali business in Leicester, this theoretical fusion gives some indication of the way a highly motivated group with rich social capital – extended social ties facilitating the movement of Somalis to Leicester, the exchange of information about commercial opportunities, the recruitment of labour and the pooling of finance – is conditioned or even subverted by market barriers, under-capitalization and the associated sectoral and spatial entrapment. Consequently, Somali business is as yet a faithful replication
of the classic EMB marginality – an overwhelming concentration in low value-added hyper-competitive sectors, where existence is precarious and under-rewarded. While such a verdict may appear somewhat dismissive, this is far from our intention, since our critical gaze is directed at the problematic environment in which these firms are compelled to operate rather than on their owners.

For present purposes, we have maintained an unwavering stance of materialist realism but we would end by noting briefly the very important social contribution made by small EMBs like those of the Somali community. This is rarely acknowledged, either in the academic discourse or in policy circles. Among other contributions, Somali businesses are active in circulating information, alerting community members to relevant opportunities, and the provision of mutual support was often alluded to in interviews. This function is particularly important in the light of these migrants’ detachment from a wide range of mainstream institutions. Further, the evidence from ‘helpers’ suggests that such businesses can serve as an important ‘informal training system’ (Bailey, 1987) for workers, and thus help promote the skills necessary for entrepreneurship.

A final unanswered question relates to the possibility of transnationalism expressing itself as impermanence. So ingrained is this sense of placelessness in the Somali community, that migration to the UK may well turn out to be a transitional phase in a process of ‘back-forth-and-onwards movements where the next place is constantly considered and reconsidered’ (Bang Nielsen, 2004: 16). Should Britain emerge as no more than a temporary staging post, all projections about the future trajectory of Somali business in Leicester will need to be cancelled.

Acknowledgements

We are indebted to Rowena Barrett, Paul Edwards, Carole Howorth, Yaojun Li and Vivien Lowndes for their comments on earlier versions of this article.

Note

1 Interestingly Tonnies himself is rarely if ever acknowledged here.

References


LCC (2006) *The Diversity of Leicester: A Demographic Profile*. Leicester: LCC Community Cohesion Project Team and LPIG.


## Appendix

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