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## Conference Paper

# In search of ethnic entrepreneurship in the city

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**IN SEARCH OF ETHNIC ENTREPRENEURSHIP OPPORTUNITIES  
IN THE CITY**

**a comparative policy study**

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## **Abstract**

The rapidly rising inflow of foreign migrants confronts policy-makers with many socio-economic problems. The negative externalities of uncontrolled immigration are well known and often hard to cope with. In recent years we have seen many policy initiatives based on self-reliance principles for ethnic groups. Against this background ethnic entrepreneurship has become a popular strategy, as it stimulates and encourages migrants to look after themselves with a limited support of the government. Such a policy becomes an increasingly important endeavour in many large cities. Besides the conventional educational support and training programmes, such a strategy would need to implement policy strategies aiming at self-employment. An emphasis on ethnic entrepreneurship seeks to exploit the economic potential and opportunities instead of focusing on the problems minorities encounter when entering the labour market. In ethnic entrepreneurship, this potential can be utilised in a creative way, especially if well-organised projects and initiatives are set up.

In this paper, various assistance programmes and urban policies in several European cities aiming at favouring ethnic entrepreneurship will be systematically compared with the aim to draw lessons for effective labour market policies. The methodological approach will employ a systematic information base concerning self-employment strategies in the cities under investigation. A newly developed comparative statistical method for categorical information, viz. rough set analysis, will be used in order to identify critical success factors. The results suggest that utilisation of social networks is most helpful to enhance self-employment among ethnic minorities. Finally, the paper offers some lessons for the establishment of socio-cultural and ethnic networks, for strategies for improving training and education and for improvement of access to facilities and financial resources.

## **1. Ethnic Entrepreneurship in a Multi-cultural Society**

Modern societies are moving away from a stable social and established structure toward a state of fluidity in which mobility of people (commuters, migrants) tends to become a visual landmark. The action radius of spatial mobility is steadily increasing from the local or regional scale to national and global levels (Sassen 1991; Scott 1990). The current globalisation trend, which has only recently started, will mean an even more diffuse pattern of community life, in which complex network configurations seem to play a dominant role. It seems also plausible that uniformity in society will increasingly be replaced by diversity, so that future societies will be characterised by a 'multi-colour' composition with a great cultural, social, ethnic and religious variety (cf. Cross 1992; Esping-Andersen 1993; Massey and Denton 1993; Storper 1997).

The above mentioned dynamics manifests itself in particular in cross-border migration (see Nijkamp and Spiess 1994; Gorter et al 1998). It should be recognised however, that international migration as such is not a new phenomenon in many countries. In the past, we have witnessed huge trans-border migration flows as a result of natural disasters, wars, famine and poor socio-economic conditions. Most of these movements were of a forced nature and caused mainly a temporary disturbance. With the beginning of the colonial period also the phenomenon of economic migration between countries started, sometimes forcefully supported by slavery (see e.g., Sowell, 1975). Also the subsequent period of the Industrial Revolution meant a further stimulus to international linkages and movements. The end of the colonial period did not imply a return to a stable society with a uniform community life. The mobility trend, once commenced, did not come to a standstill, but became more pervasive. This is clearly illustrated by the phenomenon of guest workers in Europe, which did not mean a temporary population flow aiming to restore serious imbalances on the labour market in host countries, but heralded a period of increasingly stronger international ties between all countries of our world (Pugliese 1993). The structural rapid rise in international passenger aviation movements symbolises the drive to international mobility.

Clearly, uncontrolled and unexpected inflows of foreign people caused a series of disturbances on local housing and labour markets. The phenomena are well known: ghetto formation in cities, rising criminality rates, extremely high unemployment, a lost generation, sharpening local conflicts, and destruction of traditional community life in cities (cf. Borjas 1990; Burgers and Engbersen 1996; Kloosterman 1994, 1996; Pahl 1984; Piore and Sabel 1984; Pinch 1993; Wilson 1988). Many countries have edicted in the mean time restraint policies in order to cope with the rising tide of foreign immigrants. In European countries, these political restraints have been much stronger than in North America (see e.g. Blaschke et al. 1990).

Some figures for the Netherlands may be helpful to illustrate the nature of the problem (see CBS 1998). In the year 1997, the officially registered unemployed in the active age of 16-64 years in the Netherlands was 4 percent for indigenous Dutch people. The unemployment rate of officially registered ethnic people turned out to be 16 percent, with outliers of 31 percent for the Turks and 24 percent for the Moroccans. Most of the problem cases are concentrated in the four big cities in the Netherlands (Amsterdam, The Hague, Rotterdam, and Utrecht). The distribution of the four main ethnic groups over these cities is however, also very skew, so that each of the four big cities shares the same problem, but to a different degree and of a different nature (Musterd et al. 1998).

Nevertheless, a tight policy may be helpful to reduce official immigration growth, but it is questionable whether it is able to cope with illegal immigration and with second-order (derived) immigration as a result of family formation and so forth.

It goes without saying that urban policy-makers are faced with many problems in this age of mass migration. The negative externalities of immigration have to be coped with in an effective manner, as otherwise the local support of the citizens for foreign immigrants will soon fade away. But at the same time a policy which would mainly imply financial assistance and thus bring new immigrants under the regime of the social security system, will likely not become very popular among policy-makers and the public at large, and certainly not in a period with tightening government budgets (Hill 1994). Consequently, it seems to be wise policy to look for alternative policy strategies and actions. A currently rather popular idea is to create a system of self-reliance, where new immigrants are held more responsible for their own economic well being. Rather than being treated as passive problem cases to be taken care of by the public sector, it makes more sense to regard them as mature citizens who are able and encouraged to look after themselves with a fine-tuned but limited support of the public sector (cf. Light and Rosenstein 1995; Waldinger 1996).

The previous considerations and observations would then imply a societal attitude and policy in which foreign migrants are not to be seen as guaranteed sources of evil, but as promising sources of new opportunities for the socio-economic life - and even revitalisation - of cities (Ward and Jenkins 1984). Consequently, apart from providing educational facilities (skills training, language courses etc.) and socio-cultural participation programmes in order to encourage a better entrance to the labour market and the host society at large, in particular self-employment would have to be propagated and implemented as a necessary policy strategy for assisting foreign immigrants on the urban labour market. This is once more a promising endeavour, as the size of ethnic groups in many cities has reached a sufficiently large critical mass so as to stimulate ethnic entrepreneurship<sup>1</sup>. Ethnic entrepreneurship refers to business activities, mainly of a small or medium size, executed by foreign migrants with the main aim to cover the socio-economic needs of immigrants of various ethnic or socio-cultural classes. It is mainly based on self-employment in rather low segments of the labour market (cf. Barrett et al. 1996; Waldinger et al. 1990). In this way, ethnic entrepreneurship leads to an increase in the aggregate supply of jobs, and the hiring of immigrant workers without crowding out the indigenous work force (see also e.g., Light and Bonacich, 1988). This job creating function for immigrants of ethnic groups through hiring from the co-ethnic group (ethnic economies) can be further enlarged, when highly entrepreneurial groups begin to hire among workers of non co-ethnic fellow immigrants (so-called immigrant economies; see for recent evidence of this phenomenon in the US, Light et al. 1999).

In the past decades, ethnic entrepreneurship appears to become more prominent in several European countries. For example, the recent Dutch development in the period 1986-1997 shows that the relative share of ethnic businesses has more than doubled from 3% to 7.4% of the labour force and in absolute numbers, its size has even tripled (see Ministry of Economic Affairs (MEA) 1998). However, like in other countries, ethnic minority participation in entrepreneurship varies significantly among

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<sup>1</sup> In addition, the enlargement of the ethnic group may lead to the expansion of job access through improvement of search (network) efficiency. This may however lead to the transfer of jobs from natives to immigrants (see e.g., Grieco 1987).

groups in the Netherlands (see also MEA 1998): interestingly, ethnic groups with low participation rates in 1986 have experienced the highest growth rate during 1986-1995 (for example, the Turkish entrepreneurial group has almost tripled its size).

In this paper, we focus on opportunities for ethnic entrepreneurship in urban areas. In particular, the critical success factors of policy initiatives taken to increase ethnic business take-up in several urban cities throughout Europe will be addressed from a comparative perspective. To this end, we first highlight the potential development of ethnic enterprises in urban areas and its role in the informal economy in the subsequent two sections.

## **2. Economic Opportunities for Ethnic Minorities in the City**

The study of ethnic enterprises started preponderantly in the USA (see e.g. the pioneering study of Light 1972, and also Light and Bonacich 1988), while later studies on this topic also emerged across Western Europe (see e.g., Ward and Jenkins (1984) for the United Kingdom and Simon (1993) for France) and in Israel (see Razin 1993). In these studies, it was recognised that not only small and medium size enterprises (SMEs) were on the rise, but also that a significant share of the immigrants was involved in SME activities. Especially the self-employed categories of these business activities turned out to be very successful. In many cities with a reasonable share of foreign immigrants, we observe nowadays an overrepresentation of immigrants among the self-employed. The well-known American sociologist Roger Waldinger (1996) has concisely formulated the above considerations as follows: "*ethnic business growth 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*" (p.250).

It is clear that urban policy-makers see a great perspective in ethnic entrepreneurship, as this seems to be a viable and promising strategy for an indigenous contribution to the solution of severe employment problems of cultural minorities. And in recent years, the tides of urban policy are rapidly changing: multi-ethnic urban environments are increasingly regarded as fruitful incubation places in which culture and ethnicity provide breeding grounds for new - stabilising - SME activities in the city.

The recognition of the incubation potential of foreign immigrants in urban areas has already a long history and it is noteworthy that the phenomenon of migrant entrepreneurs is nothing new in the urban history. For example, a Dutch city like Amsterdam would never have become a leading merchant and trade city, if foreign migrants would not have entered the city and changed its economic base. The problem in many modern cities is that the influx of migrants has taken place in a very short time period, thus leaving insufficient possibilities for adjustment behaviour on both the labour and the housing market (cf. Burgers 1996). But the large critical mass of the ethnic group may also be a 'blessing in disguise', as this may create a sufficiently large pool of opportunities for ethnic enterprises focusing on the specific needs of a large proportion of the urban population (Simon 1989).

Thus, for modern urban policy an important mission seems to be to stimulate the emergence of ethnic enterprises through education, information provision and (temporary) relaxation of locational regulations for new entrepreneurs (Razin 1993; Razin and Langlois 1996). The basic idea is then that for foreign migrants a modern city offers 'islands of opportunities in seas of decay'. Ethnic entrepreneurship may in this way also contribute to an economic rehabilitation of old city centres. But it would

then also be a task of urban policy to identify and to alleviate the existing bottlenecks that may impede the flourishing of an ethnic entrepreneurial culture. This means that the cultural and innovative strength of a new class of entrepreneurs in a multi-cultural city has to be exploited. And in this process ethnic people may play a critical role, since immigrants possess specific social-economic characteristics that may give them a competitive advantage to indigenous people (see e.g., Greene 1997).

These distinct characteristics are -on the one hand- often considered to be responsible for their poor access to the labour market. On the other hand, these characteristics may also give a potential, comparative advantage when undertaking an economic activity. In this respect, one can think of the following 'ethnic related' attributes. First, tight **social networks** provide flexible and efficient possibilities for the recruitment of personnel and capital. As regards the hiring of workers, ethnic businesses highly rely on workers from the co-ethnic group (see e.g., Light et al. 1993) and the family is used to help out in the company (see e.g., Wilson and Portes (1980) on the Cuban-enclave in Miami). With respect to capital, one can more easily borrow money in an informal way (see e.g., Werbner 1990). In addition, in the network of ethnic people, one is used to an informal way of doing business and exchanging information, because there is a mutual trust within the network (see also Light et al. 1993). Second, the **knowledge of two cultures** is another important advantage immigrants can utilise. An ethnic entrepreneur may serve a market niche where competition with incumbent entrepreneurs is relatively small, for example, car driving lessons or organising holidays to the country of origin. Besides, they can sell specific goods (e.g. authentic music or original food) originating from the country of origin. In this way, the **cultural heritage can be exploited**. And finally, the **concentration** of minorities in the large cities in Europe offers the entrepreneur in some districts a clear **ethnic market** of a sufficiently critical mass (see e.g., Reeves and Ward 1984). Due to the barriers minorities encounter when entering the labour market, economic initiatives may arise, stimulated by this consumer market. However, the reliance on co-ethnic customers may be too restricted to stay in business in the longer run, since its potential for sustainable economic growth is limited (see e.g., Ram and Hillin 1994). Moreover, being trapped within one's own network impedes a successful move towards doing business with mainstream economic agents (i.e., it avoids an effective "break-out"). Recent research has emphasised the need for ethnic entrepreneurs to get integrated in mainstream markets through contacts, (human) capital formation, and marketing techniques (see e.g., Deakins et al. 1997 on Scottish ethnic enterprises and Ram and Deakins 1996 on African-Caribbeans doing business in Britain).

Most ethnic groups can be found in the urban areas. The advantages of ethnic entrepreneurship for the city at large are manifold (cf. Van Delft et al. 1998):

- a reinforcement of SMEs - using the potential of ethnic entrepreneurship - may improve the conditions for urban revitalisation
- fine-tuned service provision may increase the satisfaction of the varied needs of a large contingency of foreign migrants
- successful ethnic entrepreneurship may act as a leading and illustrative role model for young ethnic groups
- successful ethnic entrepreneurship may reinforce the ties with the countries of origin and thus mitigate some of the barriers between the host and origin country
- a system of ethnic enterprises may contribute to a better economic integration of structurally unemployed (often young) people (the 'lost generation')

Thus, modern global developments provoke a series of research and policy questions that have to be addressed at the local level. Not all of these questions have a simple and straightforward answer. The structural changes in the urban economy, with a strong emphasis on SMEs - often of an informal nature -, hamper sometimes a simple effective policy strategy for less privileged groups. This topic will be elaborated on in the subsequent section.

### **3. Ethnic Entrepreneurship in the Informal Economy**

Large cities all over the world are increasingly faced with a multi-ethnic character of urban inhabitants. There is however, a disproportionate participation of the various ethnic groups in the urban economy. This phenomenon, already well known for many decades in the US, presents itself increasingly also in many European cities. Although the problems of ethnic participation - leave aside integration - seem to be insurmountable, it also ought to be recognised that a multi-cultural urban economy may offer great opportunities (see also Greenwood 1994). It is, for instance, noteworthy that, in the long run, immigration is of great importance to guarantee a balanced composition of the labour population, in terms of skills and age structure. For example, the 'original' population in Western Europe is ageing. In the coming decades, it is very likely that again labour shortages will arise if the participation of immigrants and other 'passive' groups on the labour market is not enhanced. The young age structure of immigrants may compensate for the ageing of the indigenous labour population (BEA 1994). Thus, immigrants may play a crucial adjustment role on the labour market in the future. Furthermore, in the short run, immigrants in Western Europe fulfil also an important task in accepting hard to fill, low-skilled vacant jobs. If these vacancies were not filled, the potential of many companies, including supplying and buying companies, would not be fully utilised. Thus, by filling these vacancies, employment is growing, not only for immigrants, but also indirectly for indigenous people. Besides, as a result, the costs for personnel staffing are decreasing to a significant extent, as otherwise this scarcity problem would have to be solved by other expensive measures like offering higher salaries or investing more in capital. Moreover, a variety of ethnic groups may bring new ideas, competencies, entrepreneurship and innovation, from which the urban society and economy may benefit (cf. Bovenkerk en Ruland 1992; Kloosterman et al. 1998).

It has been argued by several urban scientists (see e.g. Gershuny 1979; Pugliese 1993) that new forms of creative entrepreneurship appear to flourish in particular in an informal economy. Although informal economic activities are not necessarily confined to urban immigrants, their involvement in such activities seems to be rather significant, although the statistical information on the nature and size of this phenomenon is -not surprisingly- very scarce.

Informal economic activities refer traditionally to those parts of the (mainly urban) economy which are less (or not at all) governed by established work regulations. The informal sector comprises usually marginalised workers who are not participating in the formal labour market and who are often self-employed. The informal work is normally characterised by low levels of education, training or skills, by low professional management and simple technological equipment, and by support from social networks in the same socio-economic group. In general, one may argue that the informal economy is operating as a contestable market, with almost zero entry and exit costs. Although the concept of the informal economy originated from experiences in Third World cities, it is increasingly recognised that this concept has



become a feature of many urban economies in a post-industrial society (cf. Daniels 1993; Daniels and Lever 1996; Sassen 1991). The tendency toward outsourcing and flexible specialisation offers a stimulus for the informal economy everywhere.

The absence of (or the lack of respect for) a regulatory framework is thus characteristic for the informal economy. Through evasion of taxes and social security payments such activities are usually competitive, but also non-financial motives (such as the need to forego rigid labour market regulations, e.g., on working hours) play a role in flourishing informal environments, especially in labour-intensive modes of production (cf. Kirzner 1997).

It goes without saying that in a globalising economy where world-wide competition in mature markets is mainly based on prices, there is a strong force to cut down prices. Under such conditions informal economies may come to the fore, also in the developed part of the world. Clearly, as far as the informal activities are based on punishable violations of existing laws, there is the risk of being caught by surveillance agencies of the social security or tax system (which may be a significant cost factor). Consequently, we see a dominance of less visible, small-scale firms operating in complicated socio-economic networks of an informal nature.

The involvement of foreign immigrants in a (partly) informal urban economy may concern three types of activity: (i) production of mass commodities for large consumer markets (textiles, e.g.); (ii) service delivery of a simple, low quality nature (e.g., cleaning services); (iii) specific 'ethnic' products for particular socio-cultural groups in the city (e.g. butchers, repair services etc.). Ethnic entrepreneurship will often emerge in the latter category. Clearly, this is not necessarily an informal activity, but the strict rules in many host countries will encourage new entrants to be at the margin (or outside the margin) of the regulatory system (Fainstein et al. 1992).

In the light of the previous observations, it seems to be a plausible policy strategy to reduce the social exclusion of immigrant entrepreneurs in the urban economy by developing incentives and legal frameworks to bring them back into the formal economy, which at the end may offer more protection. This would require the implementation of ethnic entrepreneurial policy initiatives, which temporarily would give ethnic entrepreneurs some, privileges (the 'infant industry' argument) with the aim to develop sufficient skills and financial backing to gradually start ethnic businesses in the formal sector.

It is interesting to note that in many cities all over the world a wide variety of different ethnic entrepreneurship initiatives have been launched. Some of these projects have become very successful, whereas others have become an absolute failure. For example, the city of Amsterdam has recently initiated a wide variety of different projects aiming at supporting ethnic entrepreneurship. One of the successful projects appeared to be the project: "Let's Talk Business; start your own company in Southeast". This project which served to create a sense of Schumpeterian entrepreneurial spirit was able to encapsulate various structurally unemployed young people, by upgrading the level of knowledge of a well selected, clearly dedicated and committed group of potentially promising ethnic entrepreneurs. Education and management advice were essential elements of this educational trajectory. In contrast to success stories, there are also many failure stories. An example of such a story is another recent project in Amsterdam: the 'IJ-markt' project. The idea was to set up an exotic market for twohundred ethnic entrepreneurs. Due to disadvantageous location factors of the site chosen and a lack of variation in the supply, the market had to be closed already after seven months. The actual number of visitors appeared to be

considerably smaller than the expected number, and therefore, the market was not a success.

Given the lack of knowledge on the effectiveness of local projects enhancing ethnic entrepreneurship in the city, it may seem an important task to exchange information on critical success and failure factors among relevant stakeholders and key actors (ethnic entrepreneurs, urban policy-makers, business associations, unions, etc.) in different cities. Such information would address the success and failure conditions in urban policies oriented towards a reinforcement of ethnic entrepreneurship as one of the bases of modern city life. Which policy measures turned out to be successful? Which ethnic conditions had to be fulfilled in terms of cultural support, language conditions and the like? Which economic sectors or branches turned out to offer the best opportunities? Which institutional impediments had to be overcome? Which type of entrepreneurship appeared to be most successful after some time? This kind of questions will be addressed in Section 4.

## **4. Ethnic Entrepreneurship: A Search for Success Factors**

### **4.1. Research Approach**

The issue of how to develop successful urban policies ('best practices') that enhance ethnic entrepreneurship can be approached from two different research angles. To find out which factors or strategies for ethnic minorities in business are likely to be most fruitful, one has to learn from experiences in the past. Learning is feasible in two ways. First, from those who have actually started their own business and who may or may not have benefited from urban initiatives taken to stimulate the take-up process. And second, from policy (re-)evaluation procedures in which the emphasis is on the actual outcomes of local initiatives and measures that aim to encourage ethnic businesses. The ultimate aim of this learning process is of course to design and re-design effective and cost-efficient tools that increase entrepreneurial activities among ethnic minorities in urban areas. Of course, the development of entrepreneurial activities is not an isolated phenomenon, but has to be regarded as part of the social-cultural environment in which networks are essential. This contextual network approach may also prove to be valuable for the realisation of effective policy instruments (see Johannisson 1993).

The first approach described above usually relies on qualitative methods that involve in-depth interviews with ethnic entrepreneurs where the focus is on the start-up process, the factors that have influenced the success, the barriers (financial, institutional, etc) faced on the road to entrepreneurship, and the problems faced when running one's own business. In this setting, further qualitative investigation into business survival and its underlying determinants can then take place for those who have been successful in the first phase. This type of research is able to come up with the identification of constraints as perceived by entrepreneurs (such as the access to financial capital) which should form a solid basis for designing initiatives to remove the impeding factors. In practice, this appears to be much less straightforward than might be expected beforehand. For example, a recent endeavour of Deakins et al. (1997) who aimed to analyse successful strategies of entrepreneurs in Scotland clearly shows that policy instruments are too general and neglect the diversity in ethnic enterprises. Moreover, it is advocated that take-up will not gain from creating even more funding schemes, but that - instead - take-up will benefit especially from helping the potential entrepreneurs to exploit the current financial assistance scheme (in which networks,

established by ethnic community leaders, have to play a prominent role).

Recent qualitative research among ethnic entrepreneurs on the critical success factors of their business activities in the Netherlands (see Ministry of Economic Affairs, 1998) has also put forward that a lack of information exists with respect to management and marketing skills. The policy initiatives undertaken to overcome these deficiencies have not been very effective due to the general design of the facilities offered without allowing for specific attitudes, routines and preferences of the ethnic groups. In particular, it is argued in this report of the Ministry of Economic Affairs that for Dutch ethnic entrepreneurs *"this customised approach requires that some allowance is made for the ethnic characteristics of the beginning and experienced entrepreneurs, depending on how many bottlenecks of a more or less ethnic nature exist"*.

To conclude, recent empirical research on the driving forces of take-up for ethnic minorities and the reasons for failure or success of attempts to start brings to light the diversity of enterprise development, which calls for flexible policy options that are well-targeted to the individual circumstances and needs of ethnic entrepreneurs.

Concerning the insights obtained with respect to ethnic business continuation and growth, it has recently been shown in qualitative studies that the willingness to reach the consumer market outside the co-ethnic community is of crucial importance for the viability of ethnic businesses (see e.g., Ram and Deakins 1996 who analysed African-Caribbean businesses in the United Kingdom). These authors also found evidence for this group having the capacity to adapt to changing economic conditions and taking an optimistic and motivated stance towards future economic growth. According to Ram and Deakins (1996, p. 83), these positive viewpoints are *"important ingredients of effective break-out"*, that is, to produce for non-ethnic markets with (above) average returns to investments in capital. This outcome leads to the policy recommendation of advising ethnic businesses to serve non-ethnic groups with ethnic products, thereby following a pro-active strategy in which the human resources are more systematically utilised (e.g., using formal information channels, taking training courses, etc.).

The second approach to uncover 'best practices' is to evaluate the successfulness of initiatives taken in urban areas to stimulate the creation of ethnic businesses.<sup>2</sup> In this method, the goal is to identify the critical success factors of programmes aiming at ethnic entrepreneurship in urban areas, seen from a comparative perspective of initiatives. For example, Bates (1997) has recently evaluated financial support programmes for (ethnic) minorities in large US cities. He concludes that the programmes were not effective and did not - as was intended - revitalise urban areas, because support was given to insufficiently qualified (ethnic) entrepreneurs who tried to start a business in saturated markets with below average returns and unfavourable growth prospects. The second approach of comparative policy evaluation and (re-)design will be followed in this paper. A core question then is which kind of factors one has to concentrate on in the evaluation process of support programmes for ethnic migrants. Different perspectives can be chosen in this respect. Immigrants are usually associated with social problems and conflicts in the city because of high levels of unemployment and inactivity among this group. As stated before, the integration of

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<sup>2</sup> In this respect, it is also of great interest to examine the experiences of those engaged in offering support to ethnic enterprises: Ram (1998) concluded for Britain, based on qualitative interviews, that there are "significant constraints upon the delivery of effective enterprise support".

minorities is particularly difficult due to insufficient absorption on the labour market. Policies aimed at reducing the levels of unemployment of ethnic groups have usually the character of welfare assistance. They tend to focus on the 'weak' position of ethnic minorities. According to this perspective, reducing their deficiencies and alleviating their shortcomings can decrease unemployment among minorities. Usually, this means focusing on improving educational and language skills and knowledge in general.

One can however, approach the issue also from a different angle and aim at exploiting the great economic potential and opportunities instead of focusing on the problems minorities encounter when entering the labour market (cf. Light et al. 1993). In the case of ethnic entrepreneurship, this potential can be utilised in a creative way, especially if well-organised projects and initiatives are set up. Appreciation and support for specific qualities may be expected to emerge in dedicated practical projects, aiming at stimulating ethnic entrepreneurship. Besides, often a rich tradition of creative entrepreneurship exists in many ethnic communities. Furthermore, a successful ethnic entrepreneur can act as a benchmark actor for opportunity seeking behaviour, not only for his own ethnic group, but also for employers in general. Entrepreneurship may thus be seen in ethnic groups as a good alternative for a regular job, as it also gives more possibilities for social mobility (cf. Rath 1998).

Most assistance programmes for ethnic groups generally depart from the assumption that members of ethnic minorities have serious deficiencies in terms of language or entrepreneurial skills. In general, less attention is paid to the fact that factors which are regarded as a disadvantage or shortcoming in one context may also act as a positive asset in another (the notion of ethnic resources; for example, Light et al. (1999) refer in this respect to social capital, human capital, financial capital and cultural capital). As argued in Section 2, social capital enhances entrepreneurial activity thanks to the use of flexible and informal social networks, making it relatively easy to find personnel and capital, and offering opportunities to create employment (see also Light et al. 1999). Besides, in such a network one is normally used to a less regulated way of doing business, as the basis is formed by mutual trust within the network. This means that formal contracts are not always necessary which makes it easier to start up a business. Another example of a positive, foreign migrant asset is the knowledge of two cultures and languages. This can be exploited, for example, in building and maintaining trade relations.

As highlighted before, ethnic groups face significant differences compared to indigenous people in the city. As set out in Deakins et al. (1997), ethnic attributes can be related to accessing resources (financial and labour), accessing markets and locational features of resources and markets. Several examples of such ethnic attributes are:

- access to capital through social networks; it is often not extremely difficult to find 'free' money or private loans, which is cultural tradition in some ethnic groups
- the product; the ethnic entrepreneur often produces commodities or services of an ethnic or foreign origin
- the branch; ethnic entrepreneurs are usually found in easy-to-enter, competitive and labour-intensive enterprises
- the consumer market; the ethnic entrepreneur is often oriented towards consumers from the own ethnic or cultural group
- personnel; employees belong often to the same ethnic group and are recruited through the social network. Personnel are cheap and sometimes even for free.

- company control; advice is given by the ethnic network and an informal way of doing business and involvement by others is normal
- geographical concentration; ethnic entrepreneurs are usually found in urban areas which house a high density of ethnic minorities
- access to facilities; ethnic entrepreneurs have less access to a formal knowledge network and hence have a lack of knowledge about laws and regulation

It is thus clear that the above-mentioned characteristics may either work out positively or negatively. When they are positive, the question is how these characteristics can be put to use. When they are negative, the question is how these barriers can be removed. This will be investigated in the remaining part of this paper in which we will look into a set of 'best practice' assistance programmes in several European countries. In addition to this, we will also evaluate general urban programmes aiming at ethnic entrepreneurship for the same set of countries. There is clearly a lack of knowledge on a cross-sectional basis about the significance of characteristics of ethnic minorities that offer them comparative advantages to start economic businesses. And therefore, a comparative investigation among different urban initiatives is desirable to identify strategic policy lessons. A recently developed statistical method (called rough set analysis) will carry this out. Before doing so, we first describe 'best practice' assistance programmes in several European countries in the next subsection.

## **4.2 Concise description of several European city programmes**

In this section, seven specific assistance programmes from different European cities will concisely be described<sup>3</sup>. The projects all serve to train ethnic minorities with the aim to enable them to start a business. A short presentation of each city project will be given in order to carry out an analysis on critical success factors in the next section.

### *4.2.1 Amsterdam*

The project in Amsterdam is called: "Let's Talk Business; start your own company in Southeast". This project was set up to stimulate and support the development of economic business activity in the Southeast suburbs of Amsterdam. The specific goal in this project was to promote entrepreneurship and, in addition, to create jobs. Unemployed from the area, from which 50% had to belong to an ethnic minority, were offered the opportunity to follow training and education courses to become an entrepreneur. A three-stage selection procedure, including an assessment method, was developed to determine who was allowed to participate in the course. The rejected candidates were offered advice about alternative ways of finding a job, for example, by following Dutch language lessons, or obtaining the right diplomas. To some participants it was pointed out that entrepreneurship was not suitable for them. The actual training was collective which created a sense of solidarity and unity among the participants. After this training two days of individual counselling was included to complete the business plan. Individual after-start coaching was provided for five days in order to improve the company policy and results.

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<sup>3</sup> The information on these programmes was gathered from the conference of the EMPORIUM project (held in Amsterdam, November 1997), and systematically documented in an official document of the Municipality of Amsterdam.

#### *4.2.2 Barcelona*

The project SAFIR in Barcelona is a job placement and self-employment programme for immigrant groups. The project works in three directions; it incorporates differentiated activities and objectives aimed at entrepreneurs, self-employed businessmen and immigrants' associations. In this concise description, only the programme for starting entrepreneurs is relevant. The general objective is to inform, assess and train starting entrepreneurs in order to help them create their business. The project offers a portfolio of existing services in order to perform these tasks. The target group is composed of ethnic minorities residing in the city of Barcelona, who have business projects they wish to undertake. Since the start of the project a wide array of different activities has been carried out. First, guidance interviews were held among the participants. After these interviews two information seminars for entrepreneurs were given for 16 participants. The next step was to help setting up the business for 12 candidates. The necessary information for starting entrepreneurs was given, while the project assisted in drawing up business plans and start-ups. In the last stage, courses on business plans, marketing, import/export trading, business management etc. were given for 18 participants.

#### *4.2.3 Berlin*

The project in Berlin aims to stimulate the economic independence of immigrant women through self-employment or joint collective enterprise initiatives. The ISI (Initiative for Self-employed Immigrant women) project offers a number of services for immigrant women who want to create their own business, like courses, access to legal advice and support in the development of the strategic and financial plan for the intended business project.

The ISI's training programme takes roughly ten months, and includes a three month 'on the job' training in a business. ISI co-operates with a number of small businesses throughout the city of Berlin to secure these positions. During this time members of the staff guide the candidates one day a week. In addition to the above courses and individual counselling, one of the main projects during the training period is the development of a business concept, a market analysis and a financial plan. Banks will only provide a loan for the business venture when a solid business plan has been presented.

The training programme is very practically oriented and has the objective to give the women as much practical and independent experience as possible during their training period. The project also offers advice about alternative job search channels to rejected participants. This programme has raised the image of immigrant women because of the role model effect among the immigrant women themselves: immigrant women are encouraged to be more economically active when they see what others with a similar background have achieved. They experience solidarity and encouragement in working for their goals of economic independence. It is the only programme of this kind in Berlin and most likely in Germany.

#### *4.2.4 Copenhagen*

'Immigrants Projects' in Copenhagen is an institution with the objective to improve the connections between Denmark and the countries of origin and to develop a new field of commerce. The idea is that immigrants can have an added value for the trade market. The specific goal of the project is to support immigrants to set up a

structural commercially successful business, but also to offer immigrants the opportunity to increase their education level to create more chances on the labour market. Participants in the project are selected by individual interviews in which the language proficiency and some knowledge about trading are used as criteria for participating. In the courses, historic and present development of international trade and import/export seen in a national economic aspect are dealt with. Besides, participants are taught how to run a business. In the training process, the participants work in groups, which are composed by the teacher. The groups are exposed to a learning-by-doing experience by simulating to have a business in which they play different roles. In this way, the candidates learn about a variety of possible problems that may occur from different points of view. The training is based on a model of a typical import/export business in which the participants are working with the problems a real company would be exposed to. This is quite different from the classic classroom method, where the teacher speaks and the pupils listen.

#### *4.2.5 Genk*

In Genk, STEBO is a non-profit organisation that emerged from local initiatives and community development in the Limburg mine areas. The main goal of the support programme, coordinated by STEBO, is to help migrants in the Limburg mine areas to overcome the bottlenecks and difficulties in the process of starting their own business. The target group exists of first, second and third generation migrants in the area. In this project, the candidates are recruited through folders, publicity in local newspapers and the seven different local communities. In the orientation stage an introduction course for starting an own business is given. This stage is concluded with the selection of the candidates. For each candidate an individual action plan is developed including courses, contact, designing the business plan etc. in order to give the candidate the best tools to succeed. After finishing the courses and the business plan, the candidate will start the business. During one year, local self-employed will give practical advice who are willing to support the new starter with their practical experiences. These experiences and knowledge on local networks and running a business will be of great importance in starting a business.

The project gives out certificates based on the performance in the pre-start for good preparation, courses followed and the business plan, but also for the results in the after-start period for correct administration, quality and advice adhered to.

#### *4.2.6 Leicester*

In Leicester, 'Into Business' was launched in 1992, with five Asian business advisers and one African Caribbean business adviser. The demand from Asian business in the 1990's was to go 'mainstream'. Asian businesses affiliated with the Chamber of Commerce. The Conservative Cabinet Minister Mr. Michael Heseltine introduced the concept of 'one stop shops' for business. It was clear that 'Into Business' had to be part of this new approach; it was relocated into the Leicester Business Centre.

The main objective of this programme is to provide excellent, realistic advice, planning and support with an informed knowledge of ethnic business practices. Many Asian and West Indian businesses have now outgrown the ethnic niche market with a 90% white customer base. When needs change, more use of computer and professional advice is given by Into Business. Into Business will not solve financial problems, but it will give up-to-date advice and, perhaps more importantly, allow firms surviving from day to day to undertake some strategic planning. Survival is not enough. The

Government has recognised the value of Into Business by extending funding for another period up to March 1998 and is organising a Home Office visit to see them in action. Targets are divided between advice to existing firms (hundreds a year) and 'new starts' up to 50 a year. These dedicate plans need specific attention to grow strong.

#### 4.2.7 Stockholm

Rinkeby Business House offers unemployed migrants, over the age of 20, the possibility to develop business ideas. The main goal is to stimulate the economic development of the district of Rinkeby. Different activities are involved in order to reach this goal. The project provides appropriate counselling from three business consultants, training and access to subsidised business premises for a limited time period. Besides, the project provides a help desk function for a maximum period of 12 months. The purpose of the project is to provide immigrant entrepreneurs, who are selected to participate in the programme, with adequate support during the first years when their businesses are most at risk, in order to create a number of self-financing business firms which are a stable source of employment. Ethnic entrepreneurs are in particular assisted in accessing local networks and resources. Besides, some financial support is available.

In Sweden, it is not very difficult to start up a private enterprise. This means that the risk of failure is very high. This risk is even greater for an immigrant with a poor knowledge of regulations and rules that apply to the labour market. Those starting a business, should have the insight and knowledge necessary to set up and sustain a business. Initially, this condition may hinder and delay the start of an enterprise, but in the long run the structural effect will be positive. Eventually, more business firms are more likely to survive the battle of competition.

## 5. Empirical Research on Success Factors in the Programmes

### 5.1 Data collection and data description

After having described the contents of the urban assistance programmes in the previous section, we concentrate now on finding the critical success factors of the seven specific assistance projects aiming at ethnic entrepreneurship. In addition, a similar exercise will be carried out - at a more general level - to evaluate local urban policies aiming at ethnic entrepreneurship in the seven cities under investigation. To perform this analysis systematically and uniformly across cities, a complementary questionnaire was developed in which the emphasis is on the role of ethnic resources in particular. The specific attributes of ethnic minorities that may lead to comparative advantages have been put forward in the previous section. Therefore, the structured questionnaire contains questions on the utilisation of ethnic related attributes (see Section 2) in the *specific* assistance programmes and the general urban programmes. For the specific programmes, it concerns the use of (i) the social network, (ii) the knowledge of two cultures/languages, and (iii) the exploitation of ethnic products/ethnic markets. And for the urban initiatives *in general*, the emphasis is on (i) privileges introduced for ethnic entrepreneurs, (ii) education and assistance programmes, (iii) information provision on rules and regulation, and (iv) the existence of any form of financial assistance when starting a business. In addition to the key factors discussed above, information is also gathered on control variables (such as the kind of communication used).

This questionnaire on specific assistance programmes and general urban initiatives



has been filled out by the seven participating cities in which specific assistance programmes have taken place that appeared to be successful (Amsterdam, Barcelona, Berlin, Copenhagen, Genk, Leicester and Stockholm; see also Section 3)<sup>4</sup>. The outcomes were collected from the programme-coordinators in the participating cities by postal means. The self-reported data on success rates and explanatory factors could be verified by using the detailed information in the official policy document, presented at the Emporium conference in Amsterdam (see Municipality of Amsterdam, 1997).

**Table 1 Specific programmes**

	<i>Amsterdam</i>	<i>Barcelona</i>	<i>Berlin</i>	<i>Copenhagen</i>	<i>Leicester</i>	<i>Genk</i>	<i>Stockholm</i>
<b>Success</b>	86%	19%	20/25%	30%	20%	5%	90%
<b>Key Factors</b>							
Knowledge	2	2	3	4	2	3	3
Networks	3	1	3	2	3	3	2
Products	3	1	3	4	2	3	3
<b>Control variables</b>							
Size	36	12	16/20	20	40	65	18
Composition	G	M	M (women)	M	M	M	M
Communication	R	R	R	R	R	R	R
Counselling	I+C+AS	I+C+AS	I+C+AS	I+C+AS	I+C+AS	I+AS	I+C+AS
Unemployment rate target group	20%	n.a.	26/50%	40%	20%	30%	40/50%

**LEGEND:**

The scores in this table are the responses of urban programme coordinators to the following set of questions (presented in condensed form):

**Success**

How large is the proportion of participants in the programme that has actually started/ is expected to start an enterprise?

**Key factors:**

- Is the potential of
- knowledge of two languages/cultures
  - social networks
  - ethnic products
- utilised?:
- 0 = no  
 1 = hardly  
 2 = moderately  
 3 = largely  
 4 = extremely well

**Control variables:**

- Size of group:
  - Number
- Composition of group:
  - One specific ethnic group (S)
  - Mixed ethnic group (M)
  - General unemployed (G)
- What communication is used in the programme and the approach?
  - Language of minority group (H)
  - Language of receiving country (R)
  - Combination (C)
- What kind of guidance and activities are offered in the programme?
  - Individual (I)
  - Collective (C)
  - After-start support (AS)
  - All possible combinations
- Level of average unemployment rate of the target group: Percentage

The responses on the questions concerning the specific programmes are presented in Table 1. The rate of success in the specific programmes ('best practices') has been evaluated by using the proportion of participants in the programme that has actually started (or is expected to start) a business. The rates appear to be of an outstanding level for Amsterdam and Stockholm (around 90%), whereas for other cities the level falls in the

<sup>4</sup> The questionnaire has been sent to ten cities but three of them were unable to return the answers, since their initial "best-practice" programme did not (purely) consist of an assistance programme or they did not reply satisfactorily to our request to provide proper information on such an assistance programme.

range of 20-30%, with the exception of Genk which shows a score of 5%.

Table 1 reveals that the case of Amsterdam differs from (most of) the other cities in the following way: the programme was targeted at unemployed persons in general, while the rate of unemployment among ethnic minorities looked relatively favourable. It is likely that these two aspects of the programme in Amsterdam have had a positive impact on the success rate. Moreover, the detailed description of the programme design (see Section 4) has brought to the fore that the guidance (before- and after-start) activities were also helpful, and that persons participating in the programme were carefully selected. In the case of Stockholm, the outcomes shown in Table 1 do not really clarify the exceptionally high success rate. However, additional in-depth information (see Section 4) sheds light on this phenomenon: the immigrant entrepreneurs received financial support during the first years after they started their own business.

**Table 2 General urban policies**

	<i>Amsterdam</i>	<i>Berlin</i>	<i>Copenhagen</i>	<i>Leicester</i>	<i>Genk</i>	<i>Stockholm</i>
<b>Success</b>	G	BG	B	BG	B	G
<b>Key Factors</b>						
privileges	0	1	0	0	1	2
education and training	3	2	1	0	2	3
information	B	BG	B	BG	B	G
<b>Control variables</b>						
financial support	0	0	0	2	1	3
communication	C	-	R	R	R	R
low productivity sectors	3	-	1	0	3	3
unemployment rate ethnic minorities in cities	20%	26-45%	40%	20%	40%	40/50%

**LEGEND**

The scores in this table are the responses of urban programme-coordinators to the following set of questions (presented in condensed form):

**Success**

- How do you evaluate the effectiveness of urban policy measures, aimed at ethnic entrepreneurship?  
very bad (VB.), bad (B), not bad, not good (BG), good (G), very good (VG)

**Key factors**

- Are there any kind of privileges introduced/implemented for ethnic entrepreneurs in urban policies?  
0 = no  
1 = hardly  
2 = moderately  
3 = reasonably  
4 = extremely
- Do urban policies aimed at ethnic entrepreneurs put emphasis on education and training programmes?  
See previous question
- How is the information provision on entrepreneurship for ethnic minorities in urban policies?  
very bad (VB), bad (B), not bad, not good (BG), good (G), very good (VG)

**Control variables**

- Does any form of financial support for ethnic entrepreneurs exist in urban policies?  
0 = no  
1 = hardly  
2 = moderately  
3 = reasonably  
4 = extremely
- What kind of communication is used in the urban programmes?  
language of minority group (H), language of receiving country (R), combination (C)
- Are the urban programmes generally targeted at low production sectors and services?  
0 = no  
1 = hardly  
2 = moderately  
3 = reasonably  
4 = extremely
- Level of average unemployment rate among ethnic minorities?  
Percentage

Next, the responses on the questions regarding the urban policy initiatives aiming at successful ethnic entrepreneurship will be considered for the European cities under consideration. Here, only six cities are included, since Barcelona could not provide accurate information at the level of general urban policies. The outcomes are given in Table 2.

Also in this respect, Amsterdam and Stockholm show the highest scores, but now

these findings refer to the effectiveness of the whole package of urban policy measures that aim to increase urban ethnic entrepreneurship. When examining the importance of the key factors, a similarity is observed for the role of "emphasis on training and education", since this has received much attention in these two cities. In Stockholm this approach is complemented with a substantial form of financial support, whereas in Amsterdam a combination of languages is used to communicate with the (potential) participants. Urban policy in Copenhagen appears to perform poorly, which may to some extent be expected, since an effective exploitation of comparative advantages for ethnic minorities is almost absent in this city. An intermediate position (not good, not bad) is taken by the cities of Berlin and Leicester. The bad position of Genk is somewhat surprising, since the performance on the different key factors and control variables is rather good. Against this background, the statistical method used in the next subsection can shed more light on identifiable relationships in this data set.

## 5.2 A rough set analysis<sup>5</sup>

Rough set analysis originates essentially from the area of artificial intelligence, with a particular view to the support of knowledge and learning processes through induction and deduction mechanisms. Rough set analysis is an advanced statistical tool that aims to infer logical statements (called decisions rules) from different types and classes of information on distinct objects (see e.g. Pawlak 1991 and Slowinski 1994). The approach focuses on regularities in imprecise and fuzzy data, and tries to identify logical patterns in such data by formulating statements of an 'if-then' nature. To some extent the method is based on combinatorial set theory. It is particularly useful in case of small samples of objects and limited set of attributes that have to be judged and compared in terms of their performance.

Rough set analysis starts normally with re-arranging the data in a so-called classification table (through which data can be classified in distinct categories). Then, it is identified which objects share the same class information on their attributes (for example in our case, two programmes having equal values for the key factors and control variables). Indiscernibility then implies that two distinct objects can be distinguished on the basis of the class information on their attributes.

The basic idea is now to identify under which deterministic conditions certain attributes show up in the performance measure of all objects, which are called minimal sets. Of course, given the combinatorial nature of the rough set methodology, many minimal sets may emerge. Hence, it is particular interesting to identify those attributes that show up in all minimal sets (referred to as the core), as attributes in the core may be conceived of as critical conditions for the performance of all objects. In other words, the attribute(s) in the core is (are) indispensable to describe the outcome for all cases involved. More information on rough set analysis and various applications can be found in Van den Bergh et al. (1997).

In the rough set analysis applied here for the search for critical (success) factors, we use the reported data on specific assistance programmes and general urban policies (see Table 1 and 2). However, to perform this comparative statistical analysis we need first to condense our information on the determinants, because otherwise it would - given the limited number of observations in our sample - be impossible to establish the deterministic relationships in the data set. Moreover, the information on the dependent variable has to be classified (note that the other variables are already

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<sup>5</sup> The authors acknowledge the computer assistance offered by Maurice Ursem

classified) .

So, the original data is transformed into a set of classified variables (see for the classification scheme and input-matrices the appendix) from which the relevant output can be generated by the rough set method<sup>6</sup>: the *reducts or minimal sets* which form a combination of determinants that can fully describe the variation in the dependent variable by means of decision rules (having an ‘if-then’ nature), and the *core* being defined as the set of determinants that are present in all reducts. For example, suppose the hypothetical case that city A made ‘large’ use of the network potential and the other cities made ‘moderate’ use of it, and that success appeared to be higher in city A than elsewhere. Suppose also that all other features had equal scores across cities. Then, the ‘if-then’ rule produced by rough set analysis would be: if networks are largely used, then success is the highest. In our application with seven observations and seven determinants, intelligent heuristical mathematics are necessary to detect the prevailing ‘if-then’ rules in the data.

First, we will concentrate on the main results of the rough set analysis for the specific assistance programmes applied in the seven cities under consideration (see Table 3), which leads apparently to the inclusion of all seven explanatory variables in the minimal sets<sup>7</sup>.

### **Table 3 Results of the rough set analysis: specific assistance programmes**

Minimal sets:

1. {networks, products, unemployment}
  2. {networks, products, composition, counselling}
  3. {knowledge, networks, composition, counselling}
  4. {networks, products, size}
  5. {knowledge, networks, products, counselling}
  6. {knowledge, networks, size, composition}
- .....

Core:

{networks}

---

The most striking result appears to be the crucial role of one of the key factors in our analysis, i.e. the use of (social) networks since this a core variable. Hence, this variable indispensable for a full description of the success rates for the cities involved. Moreover, a further inspection of the six reducts reveals that at least two key factors are always needed in the set of decision rules that completely describe the outcomes (in particular, the exploitation of products is present four times, while the knowledge of two cultures/languages shows up three times). Of course, our interest does not only concern which variables are necessary to determine the level of the success rate, but also in which way they do so. To unravel the direction of the effects, we have produced frequency tables of the values of the determinants (x's) and the success rate (y) as present in the decision rules of the reducts. This concentration of the information is done by counting the number of cities having specific values for (x,y) in the decision rules of the reducts (see Table 5). For example, it can be seen in Table 5 that five cities have a combination of (x1=2, y=2: large use of knowledge, medium success) in the full set of decision rules. This means that for these five cities, ‘large’ use of knowledge

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<sup>6</sup> For this purpose, we use the rough set software package, called Roughdas developed by Slowinski (1994)

<sup>7</sup> The complete set of decision rules is available upon request from the authors.

(jointly with other conditions, not shown here) goes along with ‘medium’ success.

**Table 4 Specific assistance programmes (number of cities)**

Suces	y=1			y=2			y=3			
	1	2	3	1	2	3	1	2	3	
<i>Score</i>										
<i>Factors</i>										
Knowledge	x1	0	0	0	4	5	2	3	3	0
Networks	x2	0	0	0	0	0	5	0	6	3
Products	x3	0	0	0	8	4	5	0	8	0
Size	x4	0	0	2	2	0	0	1	1	0
Composition	x5	0	0	---	7	0	---	0	3	---
Counselling	x6	3	0	---	0	2	---	0	0	---
Unemployment	x7	0	1	0	0	0	1	1	0	1

We now first focus on the core variable found in the analysis, which is related to the use of social networks by ethnic minorities who aim to start an enterprise. The results suggest that a moderate use of social networks runs - under certain, but varying, conditions - parallel to the highest rate of success (86-90% start a business), while an extensive use of the potential of social networks appears to give success rates for both the highest and the intermediate level (clearly, also the other sets of factors may be involved as well). From this, we conclude that using networks moderately can be effective, but using networks "too much" can be counterproductive. This is nicely in line with other findings for ethnic entrepreneurs in the Netherlands (see Flap et al. 1998.).

The patterns observed in the frequency tables for the other key variables (knowledge, products) do not provide clear or additional new insight into the direction of their effects on the success rate. We find however, some evidence that (i) less intensive counselling (i.e., excluding the collective component) leads to a lower success of the programme and (ii) a large group may face an unfavourable result. Of course, for comparative purposes we have to reiterate that these conclusions are based on experiences in a limited set of cities.

Next, we turn to the results of the rough set analysis for the general urban policies undertaken in the six cities investigated.

**Table 5 Results of the rough set analysis: general urban policies**

Minimal sets:

1. {financial support, unemployment}
2. {information, unemployment}
3. {education, unemployment}
4. {privileges, communication, unemployment}
5. {information, communication}
6. {education, information}

Core:

-

From Table 5 it is clear that the core is empty; there is apparently not one single determinant included in each minimal set or reduct. Moreover, it is seen that multiple key factors are needed to explain the effectiveness of urban policy measures. On top of this, labour market conditions in the city as reflected by the level of unemployment appear to play also an important role. To arrive at a more structured

insight into the direction of the causal effects, we again create a frequency table of the combination in the decision rules (similar to Table 4)

**Table 6 General urban policy (number of cities)**

Succes		y=1			y=2			y=3		
		1	2	3	1	2	3	1	2	3
<i>Score</i>										
<i>Factors</i>										
Privileges	x1	0	2	0	0	0	0	1	0	1
Education	x2	2	2	0	1	0	0	0	0	4
Information	x3	5	0	0	0	6	0	2	0	2
Financial support	x4	2	0	0	0	1	0	1	0	1
Communication	x5	1	0	---	1	0	---	0	2	---
Low productivity sector	x6	0	0	0	0	0	0	0	0	1
Unemployment	x7	0	0	6	3	3	0	2	0	0

Which general conclusions can we infer from the above results? Some indications on the sign of the effects of specific variables on the success rate can be derived, in particular for unemployment and for the key factors related to education and training and for information provision. More in particular, a high urban unemployment level goes - when financial support is absent or little attention is paid to education and training programmes - often together with low scores on the effectiveness of urban policies (and vice versa, a low unemployment level is weakly related to high success scores). Policies that place much emphasis on the education and training factor appear to be successful. When less attention is paid to education and training programmes in the cities (in combination with either high unemployment or less interest to information provision), a poor performance of general urban policies is observed. It is noteworthy that this failure also emerges in relation to education and training at a reasonable level. Finally, it can be seen that a good (average) performance on information provision runs parallel to a good (average) performance. It is noteworthy however, that poor information provision in the city does not in all cases coincide automatically with a poor performance of the general policies pursued in that city.

## 6. Conclusions and Research Agenda

### 6.1 Concluding remarks

This paper has tried to shed light on the effectiveness of urban policies that aim to stimulate entrepreneurial activities of ethnic minorities by examining the impact of critical success factors - which are related to the comparative advantages migrants have - on the success rate of assistance programmes implemented in seven different cities throughout Europe (all of these programmes were chosen to be ‘best practices in their city’). This analysis is complemented with an evaluation of the effectiveness of urban policy measures (in general) aiming at stimulating ethnic entrepreneurship in these cities.

The emphasis in our analysis of the specific assistance programmes is on the role of social networks, knowledge of two cultures/languages and specific ethnic products, whereas in the case of the entire urban policy package the main interest lies in such factors as privileges introduced for ethnic minorities, education and training programmes, and information provision on regulations and rules.

The statistical rough set analysis of the specific ‘best practice’ assistance projects

has brought to a light that the use of social networks is part of the core, so that this is an indispensable determinant of the success rate in all cities. The other two key variables, viz. the supply of ethnic products and the use of two cultures/languages appear to occur also with high frequencies in the 'if-then' decision rules. A further investigation of the direction of the social network effect has shown that in particular a moderate use of the (ethnic) network seems to lead to optimal results. Interestingly, this result is recently also found in other research for The Netherlands (see Flap et al. 1998).

Regarding policy measures at the urban level, it appears from the rough set analysis that none of the determinants show up in the core. Nevertheless, our key variables 'education and training' and 'information provision' have a high frequency in the decision rules, as does also the urban unemployment level. In particular, higher urban unemployment goes with a lower success rate of urban policies, and concentrating on 'education and training' and 'information provision' gives apparently rise to a better performance of urban policies.

After this evaluation of the various urban entrepreneurship initiatives - based on extensive background documentation, personal communications and the results of the statistical rough set analysis -, we are able to identify three focal points for promising policy research and action, viz. the potential of socio-cultural and ethnic networks, the importance of training and education, and the information on facilities and the access to financial resources. These issues on the research agenda will now finally successively be highlighted.

## **6.2 The potential of socio-cultural and ethnic networks**

Ethnic groups tend to live in rather segmented and sometimes isolated niches, which do not always provide the proper seedbed for business incubation and innovation. More research would be needed on the driving forces of ethnic entrepreneurs, in terms of their spirit and ambition, as well as their opportunity seeking behaviour in a competitive environment. In particular in a highly developed economy, governed by price competition in often oligopolistic settings, it is important to emphasise the role of sophisticated market skills, professional organisation and creative self-education. This is particularly important, as successful self-employed ethnic entrepreneurs - through their ethnic community strings - may serve as 'spring boards' with a high indirect multiplier effect. The kinship links may offer many opportunities for start-up businesses, but may also lead to low competitiveness in a protected market. Thus, it may be interesting to trace success stories in which ethnic entrepreneurship is based on 'islands of Schumpeterian innovation' seeking to create new forms of successful commercial championship. Important issues in this respect are the embeddedness of these entrepreneurial activities in mainstream markets (*break-out strategy*) and the diversification of economic initiatives to avoid the risks of doing businesses in co-ethnic markets without further growth perspectives (*diversification strategy*).

## **6.3 The importance of training and education**

The group of ethnic entrepreneurs is varied and there is no uniform panacea that may act as a simple remedy. Instead, the success of training courses depends on specific demand conditions, which presupposes a fine-tuning between supply and needs. Consequently, it should be investigated more thoroughly what kind of targeted guidance initiatives are needed and how such needs can be fulfilled by various support packages. This also means due emphasis on diversity in entrepreneurship capabilities

and talents. A sine qua non is of course to master the language, but also other intangible factors (reliable service, good corporate citizenship, professional behaviour) are of preponderant importance. From a strategic perspective, it would also be necessary to identify the factors which open the eyes of ethnic entrepreneurs to world market development and expansion and to the need to stimulate second generation education and higher education involvement.

#### **6.4 The information on facilities and the access to financial resources**

Lack of information is a major weak point in new business start-ups. There is a clear need to establish intermediate (ethnic) agencies which would co-ordinate information transfer, e.g. through a system of a one-stop-shop. The transition from a starter to a mature entrepreneur presupposes also the presence of clear financing schemes for support. Such support schemes may also extend towards real estate and land use policy, as well as towards the improvement of the image of ethnic entrepreneurship in often dilapidated urban areas. It should thus be investigated how the ethnic entrepreneurs might get a more clear and formal profile in a modern urban economy (e.g., through participation in entrepreneurial boards and in area-based planning initiatives, or through access to official advice agencies). And finally, more research would be needed on the facilitation of financial support for specific ethnic entrepreneurial initiatives (e.g., through risk capital conditions, lease constructions, franchising, local enterprise funds, trust funds, soft loans etc.).

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## Appendix: Input for the Rough Set Analysis; Scores on the Attributes

**Table A1 Classification table for the rough set analysis**

<i>Specific Assistance Programmes</i>			
<i>score</i>	<i>1</i>	<i>2</i>	<i>3</i>
<i>factors</i>			
y success	5% (low)	19 to 30% (medium)	86/90% (high)
x1 knowledge	moderately	largely	extremely
x2 networks	hardly	moderately	largely
x3 products	hardly/moderately	largely	extremely
x4 size	small/medium	large	very large
x5 composition	mixed	general unemployed	-----
x6 counselling	individual and after start	individual, collective and after start	-----
x7 unemployment rate	low	medium	large

  

<i>General Urban Policies</i>			
<i>score</i>	<i>1</i>	<i>2</i>	<i>3</i>
<i>factors</i>			
y success	bad	not bad/not good	good
x1 privileges	no	hardly	moderately
x2 education	no/hardly	reasonably	very
x3 information	bad	not bad/not good	good
x4 financial support	no/hardly	moderately	reasonably
x5 communication	receiving country	combination	-----
x6 low productivity sector	no	hardly	very
x7 unemployment rate	low	medium	high

**Table A2 Input matrices**

<i>Specific programmes</i>									
	<i>Factors</i>								
	<i>y</i>	<i>x1</i>	<i>x2</i>	<i>x3</i>	<i>x4</i>	<i>x5</i>	<i>x6</i>	<i>x7</i>	
<i>Cases</i>									
Amsterdam	3	1	3	2	2	2	2	1	
Barcelona	2	1	1	1	1	1	2	n.a.	
Berlin	2	2	3	2	1	1	2	3	
Copenhagen	2	3	2	3	1	1	2	3	
Genk	1	2	3	2	3	1	1	2	
Leicester	2	1	3	1	2	1	2	1	
Stockholm	3	2	2	2	1	1	2	3	

<i>General urban policies</i>									
	<i>Factors</i>								
	<i>y</i>	<i>x1</i>	<i>x2</i>	<i>x3</i>	<i>x4</i>	<i>x5</i>	<i>x6</i>	<i>x7</i>	
<i>Cases</i>									
Amsterdam	3	1	3	1	1	2	3	1	
Berlin	2	2	2	2	1	n.a.	n.a.	2	
Copenhagen	1	1	1	1	1	1	2	3	
Genk	1	2	2	1	1	1	3	3	
Leicester	2	1	1	2	2	1	1	1	

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Stockholm		3	3	3	3	3	1	3	3
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