



*Governing Urban Diversity:*

*Creating Social Cohesion, Social Mobility and Economic Performance in Today's Hyper-diversified Cities*

## Report 2f

### Fieldwork entrepreneurs, London (UK)

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## 1 Introduction

In the global era cities compete for enterprises with high economic performance and talented entrepreneurs by creating conditions necessary for new start-ups. The literature emphasises that cities open to diversity are able to attract a wider range of entrepreneurs than those that are relatively closed (Fainstein, 2005; Florida, 2002; Tañan-Kok and Vranken, 2008; Eraydin et al., 2010). Empirical research on how economic performance is connected to urban diversity, however, is quite limited and provides evidence usually only at macro level. One of the aims of this project is to close this gap with empirical evidence collected at neighbourhood level from 14 diverse cities of Europe.

In this report we focus on the economic performance of enterprises in dynamic and diverse neighbourhoods in London and the conditions that support and sustain their competitiveness and longer term development. We examine and critically assess the relationships between urban diversity and the successes and challenges faced by entrepreneurs. *More specifically, we want to explain and document how neighbourhoods provide conditions for individuals or groups to strengthen their creative forces and enhance their economic performance.*

First, the report examines entrepreneurs who start their businesses in diversified neighbourhoods and the factors that define their economic performance. Factors like the age, gender, ethnic background, education and previous experience of the entrepreneur are considered potentially important variables in determining the performance and longevity of enterprises. These factors play a role in mediating the influence of diversity on the neighbourhood and city level. Second, it explores the main motivations of entrepreneurs and assesses whether neighbourhood diversity influences the decision to start business in their current location. Third, it evaluates the market conditions that are important for the economic performance of entrepreneurs. Fourth, the report evaluates the role of policies and measures at different levels and the institutionalisation of such policies.

The evidence on these issues can be reached with concrete research questions below, which will constitute the focus in the chapters of this report:

1. What are the main characteristics of the entrepreneurs and their business? What are the evolutionary paths and the fields of activity? What are the physical conditions and ownership patterns of their offices/production sites/shops? (Chapter 2)
2. What were the main motivations of entrepreneurs for establishing a business? What is the importance of neighbourhood diversity for starting a business in its current location? Why was the line of business selected and from whom has the entrepreneur received support, and in which forms, in starting this enterprise? (Chapter 3)
3. What are the success and failure factors important for the economic performance of enterprises? What is the current level of performance and how did it change? To what extent does the diversity of the neighbourhood play a role in economic performance? What are the long-term plans of entrepreneurs? Do they have any plans to change size, market and business strategies in order to reach higher levels of competitiveness? (Chapter 4)

4. Which policies, measures and organisations contribute to the performance of enterprises? What impact does membership of certain organisations or involvement in certain initiatives have on the performance of enterprises? What do the entrepreneurs want from policy makers at different levels? (Chapter 5)

This report is based on interviews conducted with 40 entrepreneurs in the London Borough of Haringey selected by the researchers from the London team between September 2015 and January 2016.

Preliminary research indicated that SME (small and medium sized enterprise) communities and ethnic businesses play a central role in Haringey Borough Council's *Economic Development and Growth Strategy*. The Strategy has adopted much of the language and rhetoric associated with those found in the so-called New Economic Geography literatures that focus on the importance of creative industries and the creation of competitive SME clusters. Its Foreword begins by proclaiming that London is a resurgent '*global mega-city*' and its '*success*' is a reflection of '*the increasing importance of cities in securing our future prosperity*' (Haringey Council, 2015: p.1). In terms that mimic those of the UK government the emphasis is on creating '*an innovation economy*' and a '*place where living and working environments combine*'. In order to achieve this outcome there is a major focus on urban planning and the belief that '*creativity and ingenuity is inspired through the urban fabric, where people of different cultures can come together and exchange ideas*'. Local government's role is to move from '*a protectorate and provider to a true promoter of people and place*'. Value-added production and innovation are seen as central components of a broader strategy that focuses on three core areas: highly-skilled sectors (such as sustainable technology); digital design; and skilled/craft manufacturing. SMEs are criticized for relatively low density of employment and under-utilisation of land and resources. As the Strategy states: '*to achieve our goal we need to create opportunities and support enterprise within the borough, and to support Haringey citizens of every age and background to access opportunities across London and beyond*' (p.3). There is no targeted focus on any particular group. Instead the drive of policy is to:

*'... make the most of our available land, using both planning levers and regeneration investment to drive high density employment...this poses a challenge: how to work with the grain of London's mega-economy to grow our own prosperity and carve out our own sense of place and unique role within it'.*

Planning should thus be used explicitly to tap into the opportunities opened up by the diversification of London's economy and developing flexible sites that offer '*combinations of facilities, infrastructure, location, and affordability*'. Or as the Strategy goes on to declare, the borough's:

*'... combination of historic urban buildings, development opportunities, and outstanding transport connections means we can create the environment contemporary businesses prefer: a mix of adapted and purpose built facilities – including dedicated incubator space – stitched into a dense and diverse urban fabric' (p.9).*

Existing clusters, such as fashion and textiles and craft manufacturing will be protected with the aim to '*create a self-sustaining and growing innovation ecosystem*' (p.11). This vision for an ecosystem leads to a specific vision that regeneration frameworks will move away from a focus on '*soulless business parks*' towards '*a bustling, business borough [that] involves formal and informal social areas, performance spaces, markets, breweries, restaurants, cafes and street*

*food vendors*' (p.13). In later chapters we will examine the extent to which planning policies are fulfilling this vision or actively working against it.

The Strategy makes little direct mention of *ethnic diversity* or the impacts of migrants on the economic vitality of the borough. Where diversity is indirectly discussed, it is principally in relation to *age* and *class*, rather than in direct reference to the skills and markets associated with different ethnic groups. The emphasis is on 'residents', with the expectation that in the wake of socio-economic changes and the regeneration programme the character of residential groups is likely to undergo significant change. Supply-side factors are seen as the basis for future economic growth in, for example, creating a better educated and more mobile workforce. If residents are better skilled, it is argued, then the attraction of high-skilled jobs will benefit locals and lead to forms of gentrification through which locals benefit. The omission of ethnic diversity awareness in the Strategy represents an important lacuna, given that in some of the borough ethnic businesses play an important role in supporting employment and entrepreneurialism as well as a sense of place (see Kesten *et al.*, 2015).

## 2 The entrepreneurs and their businesses

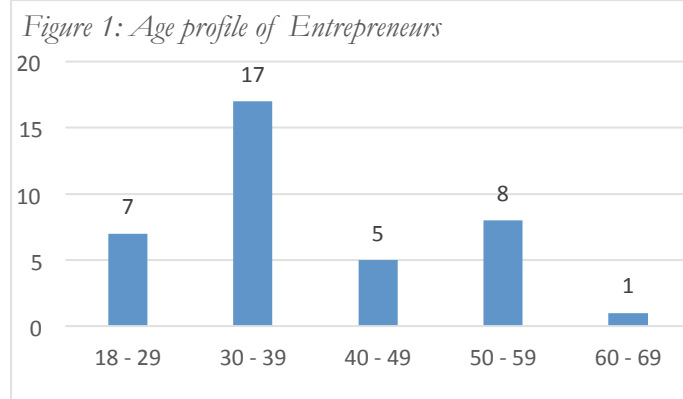
The aim of this chapter is to define the main characteristics of entrepreneurs and their enterprises in the study area. Our sampling framework involved the purposive identification of SMEs in core locations/clusters in Haringey that were: a) located in specialist incubator premises that were designed to support start-up business; and/or b) sited in community-run units that support a diversity of local entrepreneurs; and/or c) located in areas that were being directly targeted for comprehensive property-led regeneration but in which previous research (see Kesten *et al.*, 2015) had shown that clusters of successful ethnic businesses were thriving. This approach allowed our research to capture the motivations, performance and support networks of a range of different businesses incorporating the experiences of both long-established and new fledgling businesses in eastern wards of Haringey where regeneration agendas are attempting to radically transform historically deprived areas. Some firms were identified and contacted through their links with local governance arrangements and community projects from earlier stages of the project, some were contacted after being highlighted by the local economic development strategy, while others were approached due to a combination of their location in a small business cluster and a perceived potential connection to diversity-related issues. We also conducted interviews with a senior figure in economic development at the local authority and a manager of two local enterprise centres who provided information on the strategic approach to future plans for local businesses and the experiences of those working with SMEs on the ground. In some cases gatekeepers from earlier stages of the research offered introductions and assistance in contacting entrepreneurs however in most cases contact was made either by email, social media, telephone or in person at the business premises. Our sample provided insights into both the relationships between urban spaces and SME performance and some of the local features of 'diversity' that supported and sustained the activities of entrepreneurs.

### 2.1 Characteristics of the entrepreneurs

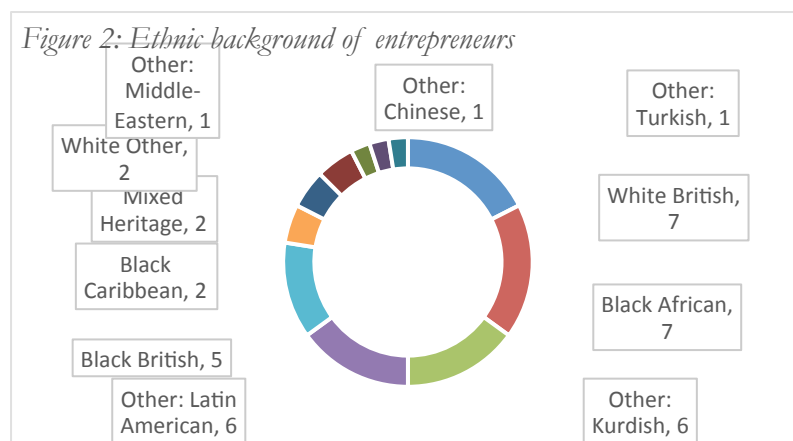
This section will present the characteristics of the entrepreneurs and their previous experience. We collected a broad range of demographic information from our

interviewees including answers to questions on age, gender, country of birth, ethnic background, nationality, education, previous employment experiences and home postcode. We also asked the questions ‘How did you happen to become an entrepreneur?’ and ‘What is your previous work experience?’

As demonstrated by Figure 1 below, of the 40 entrepreneurs we spoke to, the majority were aged 39 or younger but a sizable number were aged between 40 - 59 years old.



Our sample is almost an even split in terms of gender as we conducted interviews with 22 male and 18 female entrepreneurs. Five firms had both male and female co-Directors, therefore the gender balance of our sample is a reflection of the primary interviewee rather than an indication of the gender of the sole director of the company.



The entrepreneurs were born in a wide variety of countries and, while the largest number were born in the United Kingdom, a significant majority were born overseas. Expanding on this, Figure 2 shows the broad spread of ethnic backgrounds of our entrepreneurs (as

defined by themselves as per the UK Census categories). If this analysis is extended further to look at responses given to the question of nationality, the vast majority (21) were solely British Citizens, while 11 held dual citizenship and 8 held a single, non-British, citizenship.

In terms of qualifications, half of the entrepreneurs we spoke to had achieved either an undergraduate (13) or postgraduate degree (7), while 6 had finished their studies at a Post-16 College (or equivalent), 7 had achieved a secondary school education, 5 had gained vocational and professional qualifications and 2 had gained no formal qualifications.

Their employment histories and experiences were, as expected, extremely varied in nature, particularly in terms of prior experience owning a business. Six of the 40 entrepreneurs had experience of owning and running a business prior to their current enterprise. One example of these six is R7 who, while having gained no formal qualifications, had extensive work experience in a variety of different fields and had also owned his own supermarket which he had sold in order to buy his current business, a jewellery store. Another good example is R16 who described himself as a ‘serial

entrepreneur' having previously run several companies including installing multi-gyms, a delivery company, an online social network for those in the creative industries, a graphic design business, a small property portfolio locally and overseas as well as a blog for sneaker enthusiasts (the last three of which are still active in addition to his current business). The remaining businesses were all being run by individuals with no prior experience of owning a business, many with great success as we will outline later in chapter 4<sup>1</sup>.

Despite the majority of our entrepreneurs having no previous experience owning a business, more than half (22) held prior experience in the same (or a similar) field as their current business. Many had identified an opportunity to open their own business as a result of previous experience working in related business activities. For example, R6 had worked as a cleaner before establishing his cleaning company, R8 as a security guard before establishing his security firm and R9 in film before eventually setting up his film company. Eighteen entrepreneurs held no previous experience in the sector of their current enterprise prior to establishing their business but many had seized the opportunity to change careers to focus on something they were passionate about. One common thread was that respondents' current business activities corresponded with a pre-existing passion or interest. For R4, a 'first-timer' with minimal prior experience starting her own business in Jamaican desserts and cakes, starting a business was an opportunity to create an employment opportunity after redundancy. Similarly, R13 had gained a relevant undergraduate degree but had found it impossible to gain employment in the media industry so starting her own film business enabled her to pursue her passion where it would have otherwise been impossible. For some entrepreneurs, like R3 and R22, running their own companies was something they initially did in addition to working other jobs (for the Fire Service and a train company respectively), although as they became more successful each quit their jobs to concentrate on their business.

Finally, with regards to where entrepreneurs lived, we found that a slight majority of entrepreneurs (21) lived outside of Haringey, most often in neighbouring London boroughs and others outside London in Oxford (1) and nearby Hertfordshire (2). Eight of our entrepreneurs lived within Haringey but in a different part of the borough to their business premises, while another 4 worked from home or on a freelance basis without a separate business premises. Only 5 entrepreneurs lived and worked in the same part of Haringey.

## **2.2 Characteristics of the business, its evolutionary path and fields of activity**

This part will present responses to questions asked about the type of business, the main kinds of products/services of the enterprise, the start-up date, the ownership type and the number and characteristics of its employees. The entrepreneurs came from a range of different sectors from brewers to bakers, film makers to dress-makers and estate agents to modelling agencies. The majority can be categorised into seven main activity sectors:

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<sup>1</sup> Two exceptions being R13 whose business had closed and been re-named after a split between business partners and R5 who was the manager rather than the owner of the business and so some information was inaccessible



- (i) The 'hospitality' trades (9), e.g. florist, cafés, audio-visual services.
- (ii) 'Food/beverage production' (4), e.g. brewery, cheese-maker, bakery.
- (iii) The 'fashion and textiles' industry (5), e.g. dressmaker, foldable shoe company.
- (iv) The 'creative industries' sector (4), e.g. film, music, social media management.
- (v) The 'retail' sector (7), e.g. jewellers, confectionary, chemist, grocery shop.
- (vi) The 'hair and beauty' sector (3), e.g. hair salon, hair import and distribution.
- (vii) Finally, 'other services' (8) e.g. estate agents, children's soft play centre, cleaning, removals, security.

In terms of ownership structure, the vast majority (27) were owned solely by one individual<sup>2</sup>. The next most common form was joint ownership (10). Four of these 10 businesses were owned by couples, 2 business were owned by 2 siblings and another was owned by 2 entrepreneurs who met at a networking event and decided to start a business together. Two of the businesses had 3 directors, one of which was owned by a husband, wife and son and the other by a husband, wife and close-friend.

The majority (26) of businesses had been running for 4 years or less, reflecting the fact that many were based in enterprise centres that operated as incubator spaces for start-ups. This meant that as part of their offer of subsidised rent and mentoring support there was an agreement that firms would be limited to 3 year terms in the centre, after which point they were expected to be commercially viable and find an alternative premises. A further 10 businesses had been operating for between 5 and 9 years, two of which had started out in one of the incubator spaces mentioned above, while only 4 (or 10%) had been operating for 10 years or more.

When asked about the distinguishing feature(s) of their business a significant proportion identified explicit links to diversity related issues. For example, R3 notes that her company's marketing of a 'woman and van removals service' as opposed to the traditional 'man and van' has made it very popular. Similarly, R8 felt that the age of he and his co-directors gave the company a younger and more dynamic feel than their competitors and R24 described how his company specialised in multi and mixed cultural weddings<sup>3</sup>. Other respondents noted the relationship between their business and the local area as distinguishing them from others, e.g. both the brewery and the cheese-maker emphasised the fact that theirs was an unusual product for an urban area and that this was a unique selling point. While others such as R10 (record label and media training) and R20 (fashion social enterprise) emphasised their grassroots focus and the connection that their businesses had with the local area and with local people in their aims and objectives.

In terms of employment, 12 businesses had no employees outside of the business owner. In many cases this was due to the unpredictable nature of these businesses, which were contract or events based and as such relied on the support of a varying number of casual and freelance self-employed contractors based on the work they had to fulfil at any given

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<sup>2</sup> The ownership structure of one of the businesses (R5) was unclear as the interview was conducted with the manager of the business who did not have this information.

<sup>3</sup> Meaning weddings where one or both of those getting married have an ethnic background that is not white British.

time. Several businesses enlisted the support of volunteers while some spoke of relying on skilled and/or willing family members and friends offering help where needed. In total the majority (19) of businesses had between 1 to 10 employees and only 6 had 10 or more.

It was clear from the interviews that most firms hired employees first and foremost on the basis of skill, aptitude and availability. In many cases this resulted in extremely diverse workforces, such as the West African bakery with employees from a wide range of countries, and the security company whose staff are mainly from Black African and Caribbean backgrounds but also a range of other backgrounds. Others noted that a certain demographic of employee was advantageous or desirable, such as the jeweller (R7) who found it helpful for his employees to share the background of his largely Turkish customer base or the fashion social enterprise (R20) which noted that 95% of its workforce were migrant women from a wide range of backgrounds who had prior experience of the textile industry. While some, like R14 (café and floristry), R15 (hair salon) and R16 (social media brand management) made a concerted effort to offer opportunities to those that would find employment difficult such as single mothers, those with a criminal record or those with minimal experience. A common thread through most enterprises was that the majority of employees either lived within the borough or in neighbouring London boroughs, however due to the ease of connectivity within London via the public transport network in many cases employees travelled from further afield.

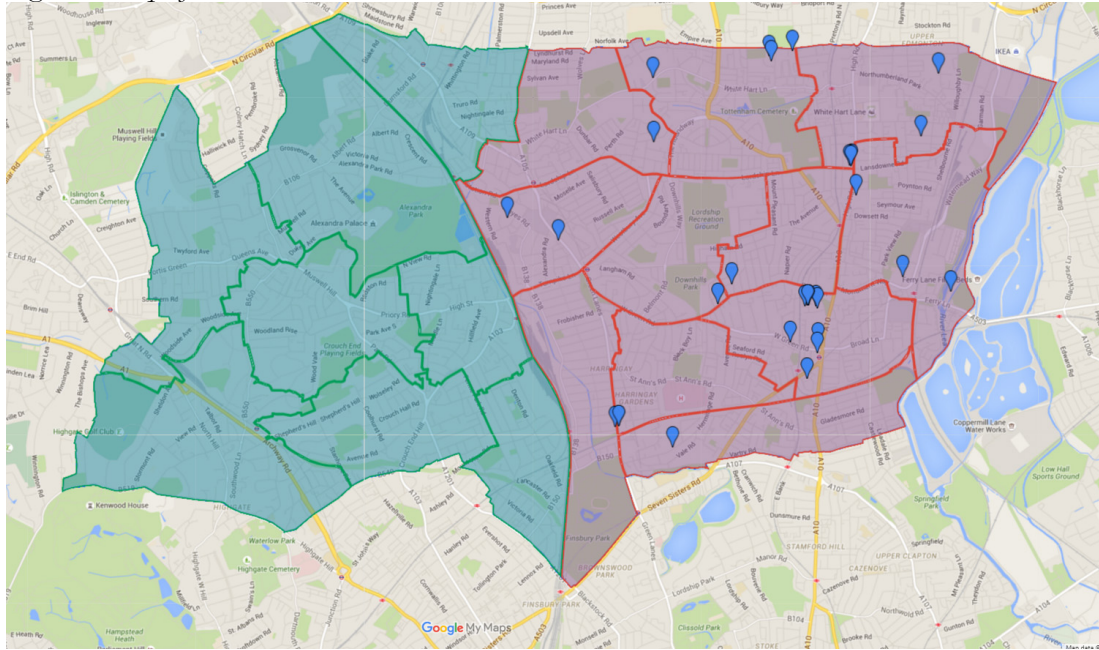
### **2.3 The information on the site(s) of the enterprise**

Almost half (19) of our sample were renting their premises from a private landlord. In addition, a significant proportion (13) were renting from a third sector organisation such as the Selby Trust, the Bernie Grant Centre Partnership, or the London Youth Support Trust, while 4 were home-based/freelance and did not have a separate business premises, 3 were renting their premises from the local authority and 1 owned the building that their company was based in while also renting another unit from a private landlord.

The majority (19) were located in 'front-facing' retail or hospitality based premises which are typically focused upon serving passing trade from the public such as the jewellers, the soft play centre, the hair salon and the bakery. A significant proportion (12) were based in premises which can be loosely described as office/work spaces, which are typically not open to the public except by appointment, for example the cleaning, security and film-making companies. These are distinguished from larger industrial spaces where 5 businesses were based including the brewery, cheese-maker and large fashion manufacturer. The remaining 4 firms did not have a separate business premises and instead operated from home and in some cases on a 'roaming' basis, for example selling homemade produce at markets. It is also worth noting that a small number of enterprises operated from more than one premises.

Finally, in terms of the geographic spread of the sample businesses across borough, all of the firms were based in eastern parts of Haringey (see Figure 3 below).

Figure 3: Map of Business locations



## 2.4 Conclusions

Collectively, our sample is indicative of the economy of Haringey (and outer London) and its SMEs. We covered a wide spectrum of businesses operating in many industrial sectors and located in areas of relatively high deprivation and socio-economic diversity. The entrepreneurs possess a range of backgrounds, knowledge, core skills/competencies, and social characteristics. As noted above, our sample was broad enough to provide insights into both the relationships between urban spaces and SME competitiveness and some of the local features of ‘diversity’ that supported and sustained the activities of entrepreneurs.

## 3 Motivations to start a business and the role of urban diversity

### 3.1 Introduction

The main questions to be addressed in this chapter are: *What are the motivations to start an enterprise? Is the diversity of the neighbourhood an important factor for starting a business or moving the business to the present neighbourhood? Why are certain business sectors chosen by entrepreneurs? What help (if any) was received in establishing an enterprise?* We will draw on evidence that highlights the complex mixture of behavioural characteristics, decisions and structural conditions that influence the processes involved in business start-ups. Our emphasis is also on the specific factors that shape so-called ‘*ethnic entrepreneurialism*’ and how these differ (if at all) from other SMEs.

The motivations, aspirations, and rationalities of entrepreneurs arise from a complex mixture of individual circumstances, market opportunities, macro-economic conditions, and social relations. In Stokes and Wilson’s (2010) terms *entrepreneurship* can be defined as ‘*an emergent process of change in that we rarely (if ever) know what the outcome of change will be until it has taken place*’ (p.37). Many studies focus on the *behavioural characteristics* of entrepreneurs

and their motivations for starting companies. The emphasis is on the decision-making processes of individuals and the ways in which latent entrepreneurship is converted into concrete actions and the formation of businesses. Alongside this a growing literature is also focused on the broader *structural conditions* that influence entrepreneurship including labour market changes, cultural influences, and the inter-dependencies between social actors.

Many studies on business start-ups focus on the motivations of entrepreneurs or their behavioural choices. The most common categorisations are forged around binary distinctions between what some authors have termed '*push*' and '*pull*' factors. Push factors represent what Stokes and Wilson (2010) term necessity-based or opportunity-based reasons for starting a new firm, usually based on a life-changing factor, such as redundancy, unemployment, or disagreements between a worker and their existing employer. Pull factors represent a set of more positive motivations in which entrepreneurs respond to positive motives and wish to pursue specific ideas that they think have a chance of market success. The reality is that, as with all binaries, motivations tend to represent a combination of both push and pull factors. Attempts to separate out behaviours as either/or choices encourages researchers to make artificial separations between co-existing and evolving motives and behaviours. A more precise framework used in this chapter will separate-out core motivations into four elements:

- (i) *A desire for independence*: One recurring feature in studies of entrepreneurs is that starting a business results from a desire for greater autonomy and sense of individual freedom from the constraints of what are perceived to be restrictive employee-employer relations. In some cases this emerges from a negative workplace experience. It can also result from a desire to improve an individual's social status. Savage (2015), for instance, has shown that as class distinctions and labour-markets have become more complex and fragmented in contemporary societies, so the desire of particular individuals to '*go it alone*' has also expanded. In some instances, however, the desire for independence also results from the pursuit of a specific skill or hobby on the part of an entrepreneur. As job opportunities that offer both structural certainty for employees and opportunities for individual creativity become more difficult to access, some workers feel that setting-up their own business can act as a vehicle for the expression of their own creativity.
- (ii) *The pursuit of wealth accumulation and social mobility*: In many instances entrepreneurship represents a perceived vehicle for both the acquisition of wealth and an escalator for social mobility. The motive to work for oneself provides individuals with the opportunity to increase the returns on their own labour and not to '*enrich*' others (see Arcs *et al*, 2014). For those from poorer backgrounds it can also open up new opportunities to increase their socio-economic status and to use their own skills and resources to move into the formal labour market.
- (iii) *Entrepreneurialism in response to crisis or unforeseen circumstances*: In many instances individuals set up new businesses in contexts of perceived or real necessity. The motivations here are often a complex mix of economic motivations, such as the loss of income associated with a major life incident such as unemployment or unexpected illness, and socio-cultural expectations of what constitutes a desirable lifestyle. Similar points have been made in recent literatures on precariousness, with Standing (2010) arguing that self-employed business owners represent a specific response to the threat of growing unemployment and recent reductions in full-time positions across the public and private sectors. It is a situation that has been compounded by the job insecurities associated with '*austerity urbanism*' and the

privatisation and or shrinkage of welfare services (see Peck, 2014). The aspiration to be entrepreneurial has also been inculcated through public policy discourses, in which individual autonomy has consistently been valued over and above collective forms of mutuality (see Crouch, 2013).

- (iv) *Contributions to place-building*: For some entrepreneurs the setting up of a business represents a desire to make a ‘contribution’ to the places and communities in which they live. Motivations towards places and a sense of social obligation vary from context to context, but may include a feeling that a company is helping people and places by creating new jobs, opening up new opportunities for those with specific skills sets, paying taxes for the common good, and/or providing goods and services that a community or set of communities require. Moreover, writers from the field of the so-called ‘new economic geography’ claim that individuals can be motivated to become entrepreneurs if they feel that they are contributing to a ‘*shared collective enterprise*’ in a place and are part of a bigger agglomeration of innovative activities and shared ‘success’ (see Martin, 2015).

We will also draw attention in this chapter to the specific relationships between diversity and entrepreneurial motivations. So-called ethnic minority entrepreneurs are often, in Keith’s (2005) terms presented by policy-makers as ‘*iconic subjects*’, who provide clear examples of the ways in which in-migration can act as an economic stimulus for cities and places. In London historic associations are often made between earlier waves of in-migration and periods of economic innovation and success. The arrival of fleeing French Huguenot weavers and traders during the European religious wars of the 17<sup>th</sup> Century is seen by some as a trigger for the growth of trades and innovative practices (see Gwynn, 1998). Similarly, the regeneration triggered by south Asian skilled migrants in parts of east London in the Twentieth Century, is increasingly presented as an important moment in the city’s recent economic and social development (Sanders, 2010).

For the think-tank the Centre for Entrepreneurs [CfE] (2012) such examples act as a ‘*counter-weight to anti-immigrant policies*’ (p.6). Openness and diversity are presented as the handmaidens of entrepreneurialism. It is a message that has widespread modern resonance. As Stokes and Wilson (2010: p.41) note, ‘*ethnic minority people are among the most entrepreneurial in society*’, making up 10% of all business start-ups in the UK and contributing £20billion to UK GDP. The CfE (2012) draw on 2011 census data to show that there are higher rates of self-employment amongst BME and migrant communities than found in the White British population. Moreover, they claim that there is strong evidence that growth aspirations are higher and that these are reflected in the data over business start-up rates. For example, over a fifth (21.5%) of in-migrants from EU Accession States (excluding Poland) are self-employed, compared to a UK average of 13.7%. They conclude that ‘*self-employment is not an uncommon activity for many new migrant groups*’ (p.12).

The motivations for ethnic minority entrepreneurialism may also reflect a combination of individual, community-based, and structural conditions. Some migrant groups may feel particularly excluded from formal economic opportunities as a result of an under-recognition of their skills and qualifications or negative attitudes and perceptions towards certain ethnic groups amongst employers (see Kloosterman, 2010).

The next section will explore the core motivations for establishing a business. This will be followed by an analysis of the choice of location and the impact of neighbourhood diversity on this choice and upon the operation of the businesses generally, before

turning to specific questions over how entrepreneurs selected their core lines of business and how they established streams of capital and other forms of support.

### 3.2 Motivations for establishing a business

Our research found that the motivations of our entrepreneurs broadly fit into four categories, namely i) *a desire for independence*, ii) *the pursuit of wealth accumulation and social mobility*, iii) *entrepreneurialism in response to crisis*, and iv) *contributions to place-building*. While inevitably motivations were not clear cut, these four categories offer the opportunity to outline clearly the most important factors motivating our interviewees. These motivations also accounted for the responses of entrepreneurs from diverse backgrounds, although it was also clear that those with pre-existing skills and higher levels of education were more likely to establish more profitable firms and engage in higher skilled activities.

#### *A desire for independence*

The majority (27, 67.5%) of our interviewees stated that their main (or part of their) motivation for establishing their enterprise could be attributed to what we have described as *'a desire for independence'*. Of these interviewees there was an almost even distribution between two types of positively-framed responses, or 'pull factors':

The first type of response came from entrepreneurs whose decision to establish their business had been primarily motivated by the **search for a greater level of autonomy**. For some the emphasis was on the control that they could have over their own lives. In the case of R8, a security services company, the *"sense of freedom, comfort and flexibility"* of being his own boss spurred his entrepreneurial spirit and drive, allied to the search for a greater sense of satisfaction and well-being. This was also true for R19, a luxury T-shirt designer for whom becoming an entrepreneur was about *"not wanting to work for someone else"*. Having had negative experiences working in TV for a large corporation where she felt she did not fit into the corporate culture and had limited access to opportunities for advancement she was *"attracted to the freedom, flexibility and control"* that being an entrepreneur offered. Flexibility also played a major role for other interviewees such as R11 (a children's soft play centre) as the business was established to allow the owner to meet broader family commitments.

The second type of response came from entrepreneurs whose primary motivation had been the **pursuit of new and more exciting opportunities and the chance to turn their personal passions or interests into their new career**. A number of entrepreneurs spoke of changing their field of employment completely. This was true for R1 who left his career in banking to turn his home brewing hobby into his new career running a brewery. Similarly for R12, a trained chef who had *"always been passionate about food"*, establishing his Colombian catering business offered what he saw as a *"less stressful life"* than he was experiencing working as a secondary school languages teacher. He was motivated by the opportunity to pursue his passion for food and, in doing so, gain a level of success and satisfaction from his work that he felt was missing in his previous profession. Similarly, for R16 the motivation to start his social media management business centred around the chance to *"explore new ground"* by moving into what was at the time (and arguably still is) a relatively new field as he found that there were very few social media experts or paid bloggers making a living from this skill and he observed that none of them were black, presenting the opportunity to be a trend-setter.

*The pursuit of wealth accumulation and social mobility*

Approximately one third of respondents (13, 32.5%) described how they had been motivated by the opportunity to **improve their income and social mobility**, with just over half (7) of those focusing on the improved financial opportunities and independence. A good example of this comes from R17, a Chinese entrepreneur, whose main motivation to start her natural hair import and distribution business came from research she conducted that identified the potential profits available by developing connections with suppliers in her native China, along with the freedom and sense of achievement that running her own business would give her. Another is R28 who opened her Polish Deli in Seven Sisters because she was seeking to expand her business portfolio to continue to improve her income and opportunities. This was her third business and she originally established the first two (another Polish deli and a Polish restaurant in Walthamstow in the nearby borough of Waltham Forest) in the search for a better income and standard of living as she had originally worked as a cleaner when she first arrived in the UK. R22 believed she *“has always been an entrepreneurial person”* with a hunger to do better for herself, her family and her local area. Having worked for a café chain and a train company she developed her idea for her foldable shoe company and built the business as a *“kitchen table start-up”* in her spare time in the early stages. The business is now highly successful and doing 80% of its business in Asian markets.

Some business owners described how becoming an entrepreneur was about **creating better opportunities within their industry of choice** by building on past experiences working in the sector. R6 had worked as a cleaner previously before realising that he stood to gain greater financial opportunities for himself by establishing his own cleaning business. He also found that it was easier for him to schedule his work around his childcare commitments and family life and valued the increased responsibility of his opportunities resting on himself. In his previous experience working in the film industry as an employee R9 found that his creativity and opportunities were limited and that by launching his own enterprise he would not only be getting paid for his own work but would be employing and benefiting financially from the work of his employees, thus increasing his own financial opportunities.

For 10% (4) of business owners the drive to start their enterprise came from having identified a *“gap in the market”*. For example, R23 was first motivated to start his West African bakery business as he noticed that at the time there were *“no other producers of African bread products”*. R26 was also influenced, among other things, by the fact that there was *“nothing like [their upscale coffee shop] in the area [Tottenham] already”*.

*Entrepreneurialism in response to crisis or unforeseen circumstances*

Some entrepreneurs were motivated to start their business **in response to some kind of ‘crisis’ (or unforeseen circumstances)**. The most common of which was that their previous position had come to an abrupt end forcing them to seek out other opportunities. A number of the business owners we spoke to had become entrepreneurs after being made redundant from their roles in the public sector. Both R2 (the urban cheese-maker) and R4 (Jamaican sweets, cakes and desserts) had started their businesses following redundancy from careers working in health and social care for the local authority. R2 had used the money he received from his redundancy pay out to start his company with his partner and follow their passion for cheese-making. After being unemployed and in receipt of welfare assistance for some time R4 had enrolled on a third-sector led programme designed to support budding entrepreneurs in the local neighbourhood, which ultimately helped her launch her business. R40 was also made redundant from his public sector position as a youth worker and was supported by his

family to buy his internet café business while another interviewee, R15, decided to setup her own salon after the one she was working in closed.

Another factor necessitating entrepreneurship mentioned by a few business owners was a **lack of skills or qualifications which restricted alternative choices**. A Colombian café owner (R30) believed that this was the only opportunity available to him, explaining that it was *“the only way to live economically... the only way to survive... in this country”* noting that he has to support not only his immediate family but also send remittances back to others in Colombia. R7 (a Kurdish Jeweller) and R39 (a Kurdish green grocer) had similar stories of difficult upbringings resulting in limited qualifications. The jeweller (R7) had grown up in a poor family in rural Turkey and once in the UK had not performed well at school. He believed his lack of formal qualifications limited his employment opportunities but drew positively upon his experience of hardship growing-up in highlighting that it had motivated him to want to succeed for himself, his wife and his young son. The green grocer (R39) explained that he *“does not like what he does”* but had arrived in the UK with very little education and so it would be *“difficult to find or do another job”*. He too was driven to provide better opportunities for his children and adamant about not wanting his young son to visit him at work for fear that he would get the impression that working as a green grocer was a desirable profession. Related to this narrative of a lack of qualifications limiting the options of some migrant entrepreneurs is R27, also of Kurdish origin, who interestingly described how she and her brother were motivated to succeed as entrepreneurs by witnessing the experiences and sacrifices made by their parents on their behalf including *“working very long hours to pay for [their] education”*. It was the combination of the education that they received and the inspirational value of their parents’ work ethic that they believed was the formula for their success as entrepreneurs.

Some interviewees were motivated in a highly positive manner by quite extreme circumstances, including for example one interviewee (R14) who had been sent to prison and upon her release had struggled with public perceptions of offenders in searching for work but was equally motivated to never return, and another (R10) who had been orphaned at a young age and as a result felt motivated to become an entrepreneur by the *“lack of a safety net”* to support him.

#### *Contributions to place-building*

Just over a quarter of entrepreneurs (11, 27.5%) said they were motivated by the desire to **make a contribution to their local area** and its inhabitants by offering training and employment opportunities. Some spoke generally of wanting to help others and offer employment to local people. For example, R8 described himself as being *“passionate about having an opportunity to help others from disadvantaged backgrounds with economic opportunities”* and noted that he felt a *“sense of responsibility for the local population”*. Also R20, who was passionate about supporting the UK based manufacturing and textiles industry and alongside this, in supporting local young people by offering them training opportunities in the industry. Others were more precise about groups they were motivated to help. As a result of her own personal experience of hardship and crisis after serving a prison sentence R14 was passionate about starting her own business in order to not only create an opportunity for herself but to also be able to offer employment to those who faced similar obstacles including ex-offenders, single mothers and those with limited work experience, almost all of whom were long-standing local residents. Both R3 (the removals company) and R13 (the film company) spoke of how they were passionate about being able to offer opportunities to women in their sectors which were typically male dominated. R13, a film-maker, spoke of how she was motivated by the chance to



“offer women opportunities to gain experience and work in the industry [which is] quite sexist and male-dominated”. Finally, a few were driven to offer assistance to specific ethnic groups, for example R37 (translation and education business) who explained that she is passionate about supporting the Latin American (and particularly her own Cuban) community, noting that her business was motivated by a desire to “help children from Latin American backgrounds access education and culture, particularly higher education”. This motivation stemmed from the fact that she felt like an outsider being from Cuba and growing up in Tottenham.

### 3.3 Choice of business location and the importance of diversity

Here we address the questions ‘Why did you choose this location and neighbourhood?’, ‘Is the diversity of the neighbourhood a factor in your choice of location?’, and ‘To what extent does the diversity of the neighbourhood impact upon your business?’ We are interested in understanding the factors which motivate entrepreneurs to choose the location of their business and understand if the presence of a diverse population plays a role in the location and operation of their business.

#### *Choice of location and neighbourhood*

The three most common responses given for the choice of business location were: (i) a familiarity with, strong attachment to, and/or desire to contribute to the area (19, 47.5%); (ii) affordability (and size) of premises (11, 27.5%); and (iii) good transport connections (7, 17.5%).

#### *(i) Familiarity, attachment and desire to contribute to the area*

Those who gave this response most often commented that they were first attracted to locate their business in its current location because it was near their home. Many had grown up in the area and described how they were surrounded by their family, friends and broader social networks and that this played a significant factor in choosing the location. A cleaning services company director, originally from Ghana (R6), described how although he no longer lived in London he still chose to start his business in Tottenham as this was the area that he knew best and felt most at ease in running his business. There was a firm expression of emotional connection to the area from many entrepreneurs, such as R10 who felt there was “something special” about Northumberland Park and its population, R27 who explained how her brother (co-director) felt very connected to the area having attended the local school and wanted to “do right for the area and add to the area positively by creating greater economic and social activity locally to help rejuvenate it and reduce crime and anti-social behaviour”, and R16 who said he “loves Tottenham and the ...Enterprise Centre” and doesn’t “...see why I would spend more money to be elsewhere when I have everything I need where I am!”, also noting that he is “passionate about the opportunity to grow my business in the area as it starts to improve”. Several other entrepreneurs also made reference to the regeneration taking place following rioting in August 2011 and how they either felt passionate about contributing by using their enterprise to offer local people greater economic opportunities or felt positive about the types of new businesses that would be attracted by the increase in funding that followed. For some their brand identity was tied to their location, i.e. the urban craft brewery (R1) or the urban cheese-maker (R2). Others, like the Latin American confectioner (R32), jewellery maker (R33) and the hairdresser (R34) in Seven Sisters, mentioned that the proximity to their home was appealing for more practical reasons such as childcare commitments or a desire to avoid a long commute to work.

*(ii) Affordability and size of premises available*

For a significant proportion of business owners the prime consideration in locating their business was the affordability of the premises. All of the businesses based in large industrial premises in Northumberland Park were drawn to the combination of affordability and size of the premises available. Both the film-maker (R9) and the security company (R8) chose his enterprise centre location as they were focused on keeping overheads down having learnt lessons from previous business ventures. R8 found it affordable to be located in Tottenham in the short term as he was benefiting from subsidised rent but ultimately wanted to move to an area with more entrepreneurs where he felt his business would benefit economically or closer to central London to be nearer his big clients. This sentiment was echoed by several other businesses who did not rely on the local population for business and desired more opportunities for interaction with other entrepreneurs.

*(iii) Good transport connections*

Finally, a sizable number of entrepreneurs noted the quality of transport connections nearby as the main reason for choosing their business location, most often commenting that having an underground station on a reliable and regularly serviced line, a large number of good bus routes with stops nearby, as well as major roads connecting them to the rest of the city (and country) meant that it was easier for them to get from home to work, travel for work purposes, to gain passing trade, and for their customers (who were not always based locally) to reach them. According to one estate agent (R31) based in Seven Sisters, *“there are a lot of customers, transport is 24 hours and the people are really nice to work with”*.

*The role of diversity in the choice of business location*

Our research revealed that, even without being asked specifically, the diversity of the neighbourhood played a major role in the location choice of a significant proportion (13, 32.5%) of entrepreneurs. These were almost exclusively businesses which targeted their activities to specific ethnic or social groups who lived in the local neighbourhood. For example, a Polish deli owner (R28) explained that she had chosen to base her business in Seven Sisters because she *“knew that a lot of Polish people live in the area”* and for her this was key to its success as she relied almost exclusively on the business of Polish customers. This response was true of all of the businesses based in Seven Sisters Indoor Market (one of two sites in London known for the presence of Latin American businesses) who all pointed to the *“multicultural”* and *“multilingual”* nature of the market as one of the most important reasons for choosing to base their businesses there. They found the potential benefit in clustering their (primarily Latin American) businesses together in the same indoor market appealing as they were aware that, in the words of R30 that *“if one wants Latin American products in London they either have to come to Seven Sisters or go to Elephant and Castle”*. R37 also noted that their market in Seven Sisters is *“special because it is different to anywhere else in London... it is an important centre for the Latin American community”*.

For R20 the diversity of the neighbourhood was crucial for the location of her business not because her business relied on a specific local target audience but because she relied heavily on the skilled local migrant workforce and was adamant that the only other place her business could be located successfully was East London, but that this would have been far less affordable. In fact she praised the local authority for its *“visionary approach”* in its support for the textile industry, making clear links between the diversity of Haringey’s population and its historical reputation as a hub for the textile industry.

Both the children's soft play centre (R11) and the Brazilian hairdresser (R34) had initially chosen the location of their business in relation to the diversity of the neighbourhood but later encountered difficulties. The soft play centre had targeted the local Somali population due to their typically large families in the hopes that they would find the business appealing, although in their view the community was quite isolated and difficult to engage with and they ultimately failed to appeal to this clientele. The Brazilian hairdresser had believed that her new location in Haringey would enable her to expand her clientele outside of her predominantly Brazilian customer base but struggled discovering that "*different groups keep to their own communities*" and ultimately did not gain many new customers.

However the majority of entrepreneurs stated that the diversity of the neighbourhood was not a factor in their decision to be based there (particularly true of businesses which did not focus on one specific group as their target audience but instead focused on having the broadest possible appeal). This could be attributed to the fact that the urban diversity of Haringey's population is not dissimilar from that of other neighbouring inner London boroughs and in fact was described by several businesses as "*an everyday fact of life*", with one entrepreneur commenting "*diversity... we're over that sh\*t!*" to highlight the fact that, living and working in an area as diverse as Tottenham, it was not something that they thought (or needed to think) much about (see also Wessendorf, 2014). It is therefore conceivable that diversity is less likely to be a significant factor in the choice of business location. In fact, to further highlight this point, a number of businesses which did not mention diversity as a factor in the location of their business did highlight its importance in the operation of their business. For example, R24 acknowledged that, while he believed his business could be based elsewhere in London, diversity played a major role in his business (a part of) which specialised in providing services for multicultural and mixed-culture weddings. Many businesses, like the West African bakery (R23), started out focusing on one group as its target audience but later sought to expand their appeal to a broader base and as they did so in many cases the diversity of the area became less important to the operation of the business.

### 3.4 Selection of the business sector

Firms were asked *'Why did you start your business in this sector and not another?'* The majority (28, 70%) gave two similar reasons for selecting their business sector. The first was that they were setting up a business which corresponded with their previous experience in the sector (14, 35%). A typical response was given by R28 who ran a Polish Deli in Seven Sisters. She explained that prior to moving to the UK she had worked in a deli in Poland for some time and so she knew the business well and this knowledge and experience gave her the confidence to open her own business. Although she did not say so specifically, given her earlier response that the diversity of the area (in relation to the presence of a sizable Polish population) played a significant role in her choice of location, it would seem that her choice of sector was also influenced by the fact that she identified a demand for this type of business among her target audience locally. This was also the case for R23 the West African bakery business that was setup having identified a 'gap in the market' for these types of products and a demand for them from a diverse local population which included a substantial number from African and Caribbean backgrounds.

The second was that they were following their passion into a new sector (14, 35%). Again, examples were provided in Section 3.2 of how our interviewees were motivated to

start their firms to pursue their personal passions as new careers. Another good example comes from R18 who explained that she was struggling to cope with the monotony of her job at a supermarket chain and, having enjoyed making dresses in her spare time ever since she was a child, decided to pursue her passion full-time by setting up her own dress-making business. For R20 her choice of sector was a combination of her experience in (having worked for many years as a fashion buyer for a large multinational retail group), and passion for, the fashion industry itself. As noted in the previous section, this passion for the sector was linked closely to her belief that the diversity of the area played a pivotal role in why her business was performing well due to the presence of migrants with the appropriate skills locally.

In examining the influences behind the choices of sector entrepreneurs made we found that the vast majority (28, 70%) mentioned no external influence at all and instead attributed their choices to those mentioned above, describing themselves as self-motivated. For those who did name others as having been influential in their choice of sector the most common response was that they were influenced by family members. Interestingly, of those who gave this response, the businesses were most often tied to their ethnic background, for example the jeweller of Kurdish origin (R7) whose in-laws already ran a jewellery store, the green grocer (R39) whose father had done the same, the internet café business owner (R40) who purchased his business from (and with the help of) a family member, along with the West African baker (R23) and West African dressmaker (R18) whose parents and siblings had all worked in the same industry. Another common response was that they had either observed the activities of similar business in areas nearby or had engaged with experts in their field. A good example of the influence of other similar businesses as influencing sector selection comes from the children's soft play centre business (R11) who, having observed the popularity of a similar centre among the typically large Jewish families based locally believed that they could achieve similar success among the large Somali families in their area. This was also true of the restaurant and brasserie business (R27) who were inspired by, and sought to emulate, the success of other Turkish restaurant businesses in the popular Green Lanes area of Haringey.

### 3.5 Information, support and capital formation

Here we look at responses to the question *'Did you receive any help in establishing your current business?'* to explore where and how local entrepreneurs gained the knowledge, skills, support and financial capital necessary to initiate their business.

#### *Financial support*

Half (20) of business owners reported that they had received **no outside financial assistance in establishing their current enterprise** and had done so through a variety of means, most commonly relying on personal savings but also via redundancy payments (R2, R37), the sale of previous businesses (R29) and wages from other on-going work (R16, R22). Some firms stated that this was the result of a conscious choice, for example to *"avoid being let down or betrayed"* (R6). Some had received external investment previously and were wary of doing so again, this was the case for R9 who had taken out a loan for his previous online music platform business and was still paying this off despite the business no longer operating. Although he had not yet needed to seek external investment R16 stated he would only do so if it was necessary to expand the business

and felt one of the biggest reasons why new entrepreneurs fail was “*applying for money without the proper training on how and why to do so*”.

Of those businesses that had benefited from external investment 9 (22.5%) had received it from family members, most often from parents. While some were only small loans (with the majority of the start-up capital drawn from personal savings) in a few cases these investments were more significant. Six (15%) businesses had received financial support from non-governmental organisations such as the New Enterprise Association<sup>4</sup>, the Association of Independent Music<sup>5</sup>, The Prince’s Trust<sup>6</sup> and Enfield Enterprise<sup>7</sup>. Four (10%) described receiving some kind of government loan, including two from central government<sup>8</sup>, one from local government<sup>9</sup> and one via the EU<sup>10</sup>. Two further businesses had received start-up loans from banks<sup>11</sup> and one had received substantial investment from two large fashion retailers<sup>12</sup>.

### *Information, advice and training*

A sizable proportion (17, 42.5%) of entrepreneurs reported that they received **no external information, training or other (non-financial) form of support**. Many of these firms were relatively small in scale with very few full-time employees and minimal profits and, as was the case for financial capital, all of the businesses we spoke to in the Seven Sisters market reported receiving no external information or training. However there were a small number of notable exceptions of those who did not mention any external advice or (non-financial) support but whose businesses were performing very well. In these cases business owners gave a strong impression that they kept themselves well-informed of local opportunities and developments and had gained knowledge and learnt lessons from past experiences. This was the case for R23 who was a member of his local high street trader’s association which had received public funding to support regeneration of the high street where his bakery was based, suggesting he was well connected and informed.

For those that did receive other kinds of support **the most common form described was from non-governmental organisations** (7, 17.5%), typically via formal business mentoring programmes or training courses. In most cases these had been arranged by the enterprise centre in which the business was based and had focused on core business skills such as accounting and financing, writing business plans, general day to day running of businesses and also emotional support and were generally highly valued although not taken up by everyone. One firm (R12) mentioned receiving advice from a business mentor he acquired via his bank loan which “*kept [his] spirits up*”. However, he also noted that he had expected far more support from the bank than he received, a large part of

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<sup>4</sup> R4 received £65 per week for 3 months.

<sup>5</sup> R10 received a £25,000 start-up loan from AIM, a trade body representing the 800 member companies of the UK’s independent music industry - <http://www.musicindie.com/about>

<sup>6</sup> R14 received a £5,000 start-up loan and R13 and R15 both received a £4,000 start-up loan from The Prince’s Trust, a Charity governed by Royal Charter supporting young people founded by HRH The Prince of Wales – <https://www.princes-trust.org.uk/about-the-trust>

<sup>7</sup> R24 received a small loan from Enfield Enterprise, an independent, not for profit enterprise agency approved by the Department for Business, Innovation and Skills (BIS) - <http://www.enterpriseenfield.org/#!/about/c20r9>

<sup>8</sup> R13 and R24 both received £5,000.

<sup>9</sup> R21 received £5,000.

<sup>10</sup> R26 received £20,000.

<sup>11</sup> R12 and R38 both received £5,000.

<sup>12</sup> R20 received £270,000 and £100,000 respectively.

why he had taken out the loan from them initially, noting that he believed the bank was only interested in businesses which turned into “*big earners*”.

A number (5, 12.5%) of entrepreneurs mentioned **support received from their social networks**. A good example of this comes from R24 who described how an accountant based in the same enterprise centre as him offered him a lot of support in establishing his business and “*actually put together my first business plan for me!*” Some (4, 10%) received advice and support from family members, such as R21 whose father, a successful entrepreneur himself, had written their first business plan for them. Another four mentioned that they felt well supported by the local authority, notably businesses that all represented a newer and slicker image for the areas they were based in such as the brewery (R1) and cheese-maker (R2) in Northumberland Park, the coffee shop (R26) in Tottenham Hale and the restaurant and brasserie business in West Green Road/Downhills Park (R27). While a further two (5%) mentioned benefiting from the advice and support available via the ‘Business Link’<sup>13</sup> service before it was shut down.

### 3.6 Conclusions

To conclude, this chapter has provided evidence of the ways in which the motivations of entrepreneurs in Haringey to start-up their own businesses represent a complex set of shifting and evolving perceptions and views. The decision to become an entrepreneur was most commonly the result of a **desire for greater independence** as well as other types of positive ‘pull’ factors’ such as the **pursuit of wealth and social mobility** and **contributions to place-making**. In many cases motivations were a combination of both push and pull factors involving a mix of economic considerations and social and cultural influences with **entrepreneurialism as a response to circumstances** reported by a number of entrepreneurs. Entrepreneurs were often simultaneously motivated by a desire for independence and social mobility, at the same time as seeing themselves as pioneers or contributors to a greater sense of collective ‘good’ or a shared enterprise. A significant proportion were passionate about **affecting change in their local neighbourhood** by offering employment and training opportunities and this strong attachment and desire to contribute to their neighbourhood also played a significant role in their choice of business location along with other positive factors such as **affordability and suitability of premises** and the availability of **good transport connections**. While an overwhelming majority of entrepreneurs reflected positively on the diversity of the local neighbourhood very few felt it was a major factor affecting their choice of location or sector for their business, or indeed for their decision to become entrepreneurs, with the exception of businesses which relied on targeting a specific ethnic group for whom the presence of such diverse groups in the neighbourhood or surrounding areas was crucial.

## 4. The economic performance of enterprises and the role of urban diversity

### 4.1 Introduction

In many countries the rise of SMEs is seen by policy-makers as evidence of a new ‘spirit’ of entrepreneurialism and individualism in which latent talent is being unlocked to create

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<sup>13</sup> A now defunct non-profit central government initiative offering support to businesses – [https://en.wikipedia.org/wiki/Business\\_Link](https://en.wikipedia.org/wiki/Business_Link)

dynamic and intensive forms of growth and job creation. The reality, however, for most SMEs, including those run by ethnic minorities, is that their sustainability and resilience in the wake of economic pressures is relatively low. As Stokes and Wilson (2010) show, *'while large numbers of new small businesses have been started, only a tiny minority will grow into substantial enterprises'* (p.37).

The relationships between SME performance and social and economic diversity are potentially significant. For urban areas, an influx of migrants may bring a range of new skills and market opportunities. As Syrett and Sepulveda (2012) show, there can be a significant *'diversity dividend'* for areas that receive migrants as this can generate heightened entrepreneurial activity and business creativity. SMEs can act innovatively to fill market niches and to generate employment for groups that are on the margins of the formal labour market (see also, Nathan, 2014). The CfE (2012) shows that migrant businesses continue to thrive and that there are signs that they are expanding beyond traditional sectors. They can provide a buffer against unemployment in cities, can act as vehicles for social inclusion and integration and help migrants to overcome social exclusion and isolation. Moreover, in recent decades the types of migrant arriving in cities like London has been changing. London's *'super-diversity'* is related as much to economic capital as it is to ethnic differences. Many migrants, particularly those from the EU, North America, and Australia and New Zealand are highly skilled and technically proficient. These workers constitute what Florida (2002) defines as the *'creative class'*.

Evidence from the UK and beyond indicates a mixed picture. The CfE (2012) indicates that SMEs with migrant owners face particular difficulties in getting access to finance, continued discrimination, cultural constraints (language barriers for example, or lack of familiarity with UK business and regulatory cultures), and the tendency to serve tight-knit local migrant markets, rather than expanding their outlooks into more productive activities/practices. Similar findings are made by Kloosterman (2010) in his long-term work on migrant businesses in the Netherlands and beyond. Many ethnic minority businesses, he notes, become locked into sectors with low productivity and suffer from the same difficulties faced by all SMEs (in accessing finance, expert advice etc.) but to an intensified degree.

In addition, SMEs in regeneration areas are particularly vulnerable to changes in the built environment. Their performance is often linked to their embeddedness in places and the extent to which they are reliant on their location for their competitiveness. As Fern and Jones (2015) argue in relation to London, SMEs perform better in environments in which they share inter-dependencies with each other's firms and communities of workers and buyers. Some of these inter-dependencies are formerly traded and some, following Storper (1995) are *'untraded'* and involve strong social ties and support networks. These can take the form of material assistance (including loans and finance), the transfer of product and process innovations and expert advice, and other forms of information-sharing and tacit day-to-day support. In addition, as Cox (1998) argues, SMEs can become *dependent* on their local environments and relatively fixed. Many invest in their premises and tailor them to their specific needs. They are often unable to move to alternative sites or cope with significant changes to existing locations (through, for example, increased rents) in the wake of regeneration programmes.

To summarise, the core literature shows that SME performance is directly connected to the places and contexts in which they are embedded. There is evidence to show that where strong clusters or agglomerations of firms emerge, SMEs can be more successful

and resilient. At the same time small firms suffer from major disadvantages in the acquisition of finance and are vulnerable to changes in the urban environment that may threaten their viability. All of these factors are related to diversity. In the following sections we turn to the economic performance of our SME sample, before examining their markets/customers, the relationships and networks that exist between them, and their long-term plans.

## 4.2 Economic performance of the enterprises

Our sample was typical of SME communities in London and most British cities. There were some outstanding examples of profitable and outward-looking businesses that differed markedly from the types of ‘enclave’ ethnic businesses so prevalent in the academic and policy literature. A local West African bakery (R23) described their performance as “*fantastic*” and had been successful and profitable for over 20 years. Their activities now involved the supply and distribution of specialist products across London and the UK. Others working in buoyant sectors such as real estate (R21) had seen their profitability grow with the growing value of local (and London) property markets. Entrepreneurs working in the creative industries (e.g. R16) had also seen a steady growth in trade and had been particularly successful in adapting to changing client needs as and when new opportunities arose. Similarly, a hairdresser with Angolan and Congolese heritage (R15) had been able to expand her business by appealing to the broad range of ethnic groups in Tottenham.

And yet, many respondents reported that their **economic performance and profitability were relatively marginal**. The most common response was for entrepreneurs to say that their firms were ‘doing well’, but gave relatively few financial details. One firm, R3, that did offer data claimed that profits had doubled in a year from approximately £14,000 to £30,000, but such figures are relatively modest and prone to fluctuation. Others (e.g. R1) were losing money but expected to turn a profit in later years following investments. Some, such as R2, the artisan cheese maker, saw themselves “*at capacity*” and facing growing costs in rents and this was particularly true for other businesses that served local minority ethnic markets. One law firm in Seven Sister’s (R35) only had a turnover of £15,000 per annum, making it extremely vulnerable to closure.

Problems were compounded for those in areas that a) had concentrations of small ethnic retailers, cafes, and restaurants and/or b) were facing the pressures of blight associated with regeneration plans. Other firms, particularly those in the retail sectors, noted a relatively high degree of **precariousness**. R7, for instance, a jeweller reported that negative changes to the local retail area such as the loss of middle-class department stores and the rise of betting shops, pound shops and “*ghetto phone shops*” had led to a sharp decline in his customer numbers and this was typical of firms in this sector. Other retailers, such as luggage seller R36, had also experienced falling rates of profit, owing to new competitors opening up in the area, whilst specialist food retailers (e.g. R39) were only able to maintain their relatively strong profitability by catering for niche (ethnic) markets that were beyond the reach of powerful supermarkets, whilst noting that these niches were gradually becoming smaller.

Precarious firms are particularly vulnerable to **fluctuations in cash-flow**. Some reported that the slowness of supplier businesses to settle payments threatened their longer term survival, with some entrepreneurs having to subsidise their businesses with their own personal finance (e.g. R19). One White British respondent (R13) claimed that this was a



particularly problem for local firms as “*businesses were perceived as [more] vulnerable or less substantial as it was based in Tottenham*” and there was a certain negative judgement or stigma about people and companies from the area. The implication (although not stated explicitly) was that the high concentration of ethnic minorities had helped create negative stereotypes about the area in the broader public consciousness. Others involved in exporting and importing, such as the Chinese entrepreneur (R17) mentioned above, found that the depreciation of the pound against foreign currencies had created difficulties and reduced profitability.

For more successful businesses, the ‘step-up’ to a higher level of productivity and profit was particularly challenging. Expanding firms, such as R26, a coffee business that provides hospitality services and owns a licensed café, had a turnover in excess of £250,000 per annum but faced high costs of labour and recruitment. In a difficult trading month, labour costs could take up 60% of their turnover. Others simply reported that they lacked the capacities, in terms of time and resources, to develop their businesses further – a finding typical for SMEs in the UK (see Storey, 2011). It was also noted that uncertainty in relation to the longer-term sustainability of government support threatened to undermine future business planning and expansion. Fledgling firms such as R11, were concerned that cuts in local authority support to the enterprise centre in which they were located threatened to de-stabilise their activities as they were increasingly concerned that “*without more certainty over the long-term future of the building*” there was concern that at some stage they would have to “*dismantle and move everything*”. This dissuaded them from investing substantially in their premises in ways that could increase profitability but would make it difficult to move.

The ethnic diversity of the entrepreneurs had a significant impact on the capacity to expand. A Polish entrepreneur (R28), for instance, explained that her lack of English language proficiency acted as an impediment to the firm’s expansion into new potential markets and also meant that she was at a disadvantage in dealing with banks, business support agencies, and local authorities. Such firms exemplify both the opportunities available to ethnic businesses, in offering services to captive local markets, but also the difficulties then involved in developing their businesses into new or expanded areas of activity. Other firms, however, noted that stepping-up to a higher level of activity was limited by external perceptions of SME vulnerability. Cleaning firm owner R6, for instance, noted that it was “*difficult to get larger contracts as bigger companies are preferred...the greatest challenge is in promoting and gaining exposure for the company in order to grow the business from a small to a large enterprise*”.

To conclude, our sample is typical of SMEs in the UK. Firms show a **high degree of entrepreneurialism and have taken up opportunities in the local area – an area of significant ethnic diversity**. Some clusters of SMEs, particularly those threatened by regeneration and serving local (ethnic) markets are particularly vulnerable and possess relatively low levels of profitability and longer term resilience.

### 4.3 Market, customers and suppliers

A number of firms noted that the changing social composition of the area and its broader gentrification had widened their base of customers and opened up new opportunities to boost their competitiveness. Companies such as a removals firm (R3) spent much of their time targeting more affluent neighbourhoods, for example, and

promoting their gender diversity as a marketable asset. They had been particularly successful in attracting business from women, LGBT communities, and young families. The same was true for firms in other sectors, such as specialist food and drink or real estate. A café and floristry business owner (R14) noted that, “*since the 2011 riots the area and its population have changed a lot and the customer base has changed a lot with more yuppies and city workers*”. This had had a positive effect on business, although she was uneasy about the impact it was having upon the social cohesion of the area as she believed that social bonds were stronger in the area prior to these demographic changes. Real estate entrepreneurs (such as R21), similarly noted that whilst they tried to cater for a wide range of potential clients, their markets inevitably moved towards middle aged, predominately white British purchasers, many of whom were political left-leaning and/or from LGBT groups. The area’s ‘commonplace diversity’ (Wessendorf, 2014) acted as a selling-point for property, but only for those groups with the disposable income to buy. Even small scale green grocers (such as Kurdish entrepreneur R39) noted that in recent years their clientele had changed and become more diverse and geared up to “*university students*” and those from a variety of different ethnic groups. In response, he had started stocking products from other countries such as Greece, Lithuania, Poland and Italy to reflect his changing customer base.

Haringey’s position within London as an **affordable and diverse business location** also encouraged the presence of dynamic entrepreneurs with a global sense of business opportunities. A successful entrepreneur of Thai and Cypriot heritage (R22) involved in the manufacture of specialist shoes aimed to sell her products nationally and internationally, with Haringey acting as a convenient location. As an export-driven firm, 80% of revenues come from international markets. The same is true for a provider of high-tech audio-visual services (R24), a company that delivers contracts to venues all around the country but has relatively few formal business links to the Haringey/Tottenham area (although he is connected socially with many local entrepreneurs). Such companies tended to have suppliers that were located through the internet and/or nationally or internationally. Whilst their presence in Haringey formed an important part of the broader discourse of creativity and development promoted by the local authority and public policy programmes, their embeddedness in the area was often relatively weak and in many cases there was little evidence that they attracted other similar companies to the area.

At the same time almost all of our respondents claimed that they were seeking to **diversify their markets** as a strategy for increasing the size and profitability of their firms and to prevent them for remaining niche or enclave businesses. A Turkish catering firm (R5), for example, has actively and consistently marketed its services to all of the different ethnic groups present in their neighbourhood and beyond, stating that it looks to “*cater primarily for weddings and other major events of different ethnic communities of the local area*”. Examples were given of Somalis on Friday afternoons after Mosque services; Ghanaian/Congolese clients whose social life is often built around parties at weekends; or wedding services for Greek or Turkish families all through the week. A Colombian catering entrepreneur (R12) suggested that his business model was different to other businesses selling similar food in ethnic clusters because it had an “*outward rather than inward focus[ed]*”. He was “*not interested in targeting the existing Colombian communities but rather ‘foodies’ who appreciate quality and are less focussed on quantity...25-35 year olds and those with disposable income*”. R19, as noted above, had sought to develop more expensive t-shirts to suit a diverse range of markets. Her original focus had been on Ghanaian products and markets by building on her existing social networks linked to her own cultural background. However she discovered that, as a result, her company “*was perceived in the*

*early stages as a 'black brand' but she "wanted the company and its audience to have a diverse and broad appeal".*

For some firms this type of strategy had proved to be difficult as they were too strongly associated with a particular ethnic background or seen as being too narrow. A Turkish entrepreneur (R11) running a soft play centre noted that most of his business (approximately 80%) comes from Turkish weddings and that despite leafleting, advertising, and social media activities they were "*finding it difficult to attract new, non-Turkish, customers*". Similarly, a Polish delicatessen (R28) considered diversifying its markets and faced the problem that they were seen to be "*too Polish*" in character and this could be off-putting to other potential groups of customers. Moreover, a lot of Polish residents, she claimed, were seeking to save money to send back to Poland in the form of remittances to family members and as a result were less willing to spend large amounts of money. Her response was to sell a more diverse range of teas, coffees, and other hot drinks and cakes to appeal to non-Poles.

The presence of different ethnic-cultural groups also **enabled businesses to tap into diverse markets**. A local jeweller (R7), for instance, recalled that the growth in Bulgarian, Polish, Romanian, and Nigerian communities had had a significant positive impact on his business, particularly in relation to gold-based products. A modelling agency (R25) similarly markets itself as a firm that promotes models from groups that are "*under-represented...young black, Asian and Filipino*". The company needs to work with major fashion firms in London and its competitiveness and existence is directly related to the diversity of the area in which it is located. A Ugandan real estate agent (R31) in Seven Sisters also noted that the existing mix and diversity of the area provided him with a flourishing market and acts as a business opportunity that "*opens up gates for us and for getting more business as well*".

Smaller firms that catered primarily for local ethnic markets and who were located in clusters of ethnic businesses tended to have more focussed, local markets and were **less likely to look to diversify or expand**. The presence of a large Latin American community of entrepreneurs and clients in one particular market, for example, meant that in some instances, firms were catering for relatively small, but captive communities. Their suppliers also tended to be (when relevant) other Latin American firms across London, with particularly strong links identified with ethnic communities in south London (Elephant and Castle district).

Collectively, firms were much less clear about their supplier networks. Some acted as suppliers of goods or services and these firms tended to source materials from a much broader range of sources than those who operated locally. Firms working in the food and drink industries were particularly connected to a range of local suppliers and as will be discussed in the next section, there was also some evidence of networks emerging between SMEs in the area. A number reported that they procured supplies from across the world, from countries such as Colombia, China, and the United States, depending on the types of business activity they were involved with. In some cases the presence of ethnically diverse entrepreneurs propagated such relationships and established new connections between global suppliers and local markets. The Chinese entrepreneur discussed above, sources her hair mainly from China. The Polish deli owner (R28) sources her produce online directly from Poland.

#### 4.4 Relations among entrepreneurs in the same neighbourhood

Twenty-five entrepreneurs said that they had no direct, traded business relationships with other local firms in their area. This reflects the type of firms and entrepreneurs that exist in the area. As one respondent (R8) noted, most firms “*keep themselves to themselves*” and work in an “*isolated*” manner. Or as a successful Dual Heritage<sup>14</sup> British entrepreneur (R9) acknowledged, “*being an entrepreneur can be a lonely endeavour at times*” consisting of long hours and relatively little social contact with others. As will be discussed in Chapter 5, there was relatively weak engagement with business associations, even trading associations. As R17, a Chinese entrepreneur, commented “*it is difficult to network with others [businesses] in the enterprise centre because they are all working in such different sectors...it is hard to compare [activities]*”. Or as a Ghanaian businesswoman (R18) commented, local connections with other businesses “*are not necessary*”. In some cases firms noted that even with wide-ranging local social contacts, this had had “*very little impact*” on competitiveness or success (R20).

There were examples of networking inter-relations, some of which were concerned with place promotion schemes and some of which involved strong buyer-supplier relations. The best example of how these approaches came together was found in the relationships between a local brewery (R1), a Colombian food vendor (R12), an artisan cheese-maker (R2) and a coffee shop business (R26) (see Box 1).

##### **Box 1: Networking and cross-promotion among complementary businesses**

The brewery supplied the cheese-maker with beer to flavour some of their cheeses and was one of the alcohol suppliers for the licensed coffee shop. The cheese-maker supplied cheese to the Colombian catering company for his ‘Arepas’ dish. The Colombian catering entrepreneur had worked as a ‘resident chef’ at the coffee shop for one of their social evenings to promote his business. The coffee shop promoted its use of local suppliers including the brewery, the cheese-makers and others. All promoted each other heavily on social media, by liking each other’s social media pages and posts and retweeting and hash-tagging each other, e.g. the Colombian catering company posting photos of his Arepas and linking to the page of the cheese-maker emphasising the local produce used in the recipe.

The four (and other businesses not involved in the research) have all engaged in the establishment of a strong social media presence and have used this as a tool for the cross-promotion of each other’s businesses online with an emphasis on championing the local nature of their businesses, products and materials and promoting their presence at public events such as markets and festivals. In doing so they are able to maximise the exposure of their businesses by utilising each other’s online followers as each shares a broadly similar target audience of, among others, ‘foodies’. One local estate agent was also involved in this process of ‘local boosterism’ and reflected on the importance of “*reaching the right audiences*”, which in her case included mum’s at the school gates, in retweeting and supporting local businesses with the right kind of appeal to the right kind of people for their business on social media and even provided a box of ‘local produce’ for all new customers to reinforce this.

<sup>14</sup> White British and Black Caribbean

Some local firms and entrepreneurs acted as important social (and economic) nodes through which other local companies would come together. A local café owner (R14 – see Box 2) played a particularly important role in cementing local relationships, providing informal advice and encouragement to other entrepreneurs.

**Box 2: R14 Owner of two cafes and a floristry business (Female, 39, Black British of Ghanaian descent)**

Having benefited from the information, training and financial support of The Prince's Trust and the London Youth Support Trust herself she had also offered support to a number of other entrepreneurs. She had:

- Provided the free use of one of her cafes as the venue for R25 to host her first call for models;
- Encouraged R15 to have the confidence to branch out and start her own hairdressing salon and had introduced her to the London Youth Support Trust, The Prince's Trust and her accountant;
- Informed R17 of the vacant unit in her enterprise centre and encouraged her to apply;
- Used R18 to develop her company's website in order to support her enterprise centre counterparts.

There were also some cultural barriers to closer networking. A Kurdish entrepreneur (R7) noted that there was “*little sharing of ideas or support amongst local entrepreneurs*” although he noted that “*among immediate family members who also run businesses*”, particularly if they are in the same economic sectors, there are “*strong networks of support and exchange where necessary*”. These social networks extend to family networks and community gatherings at which knowledge and the sharing of business information takes place on a regular basis. Other ethnic Turks (e.g. R11) also noted that relationships with other businesses did not constitute a “*significant factor*” in their everyday activities but that they “*had relatives available to offer support if needed*”.

Those involved in business networking were likely to be in sectors such as **social media**, in which interactions with others represented an important part of their business model. A Black British social media entrepreneur (R16) for instance, who also possessed a university level UK degree, noted that he is particularly conscious of the presence of “*a large number of black (mainly female) entrepreneurs...in Tottenham*” and in touch with many also. He described how “*all refer friends, clients and contacts to each other*” and that this networking not only had both an economic impact, in providing business contacts and support, but also a social impact in making local firms feel a part of a wider collective endeavour. Social media played an important catalytic role in forming relationships between a range of different businesses and enabled firms to develop new types of activity. R24, for instance, a DJ and Audio-Visual event management business, has used social media networks to generate new business and to develop relations with a range of local firms, as diverse as cake-makers, makeup artists and hairdressers.

Within some of the close-knit ethnic communities of several SME clusters, many businesses report the existence of **close social networks and mutual support and advice**. Firms reported that others had helped them to access new premises and had assisted with administrative advice over rents, business rates, and other regulatory requirements, such as Health and Safety. However, there was also evidence that these

networks remained relatively under-developed. R35 had been Chair of an organisation supporting neighbouring businesses for 3 years but “*lost interest after noticing that other business owners were not interested in helping each other in the building*”. There was even some reference to a ‘macho culture’ amongst some of the businesses that reduced the potential for collaboration, although it was difficult to triangulate such perspectives with those of others.

#### 4.5 Long-term plans and expectations of entrepreneurs

Respondents were relatively positive about their future prospects, particularly those entrepreneurs who were located in the enterprise centres or other units that they owned and/or were not under threat from redevelopment. Twenty-one of the twenty-eight firms located outside of areas targeted for regeneration, reported that they had expansion plans. Their main requirement was for tailored and useable **property** and hard infrastructure. There was less concern with more ephemeral factors of production, such as ‘knowledge-sharing’ or networking, in contrast with local economic development strategies and their focus on ‘creativity’. Eleven firms explicitly stated that they planned to combine relocation with an expansion in activities. The loss of such firms from the area would have a significant economic impact, whilst the reduction of industrial spaces would also have the effect of limiting opportunities for future entrepreneurs.

Firms gave a variety of reasons for wanting to **expand**. Business R1, for instance, wanted new premises so that they could hold events in a multi-purpose ‘tap room’. R4 wanted a site away from home in which a serious expansion of her ethnic confectionary business would be more practical. A Ghanaian cleaning firm (R6) wanted to expand so that they could “*give something back to the economy*” and expand their current activities into the broader fields of maintenance, repair, decorating, and DIY – semi-skilled employment that would be particularly valuable in the local labour market. Similar explanations were given by others with firm R8 wanting to expand from security services to incorporate facilities management and R9 hoping to develop a property portfolio. Ambitious ethnic entrepreneurs also sought to expand their markets to a range of different ethnic groups. A Colombian food vendor (R12), for instance, argued that if the right premises were available, he would be able to transform his business and open a production kitchen in which he could then manufacture his own ‘Colombian’ products using local ingredients. This would also enable him to source a wider range of local ingredients, establish new buyer-supplier relationships with local businesses, and broaden his customer base further.

Other firms saw their future in the development of **innovative new activities that would bring benefit to the area**. A media company, R16, presented a long-term plan in which he might open a new business school and use this to foster local entrepreneurs, particularly amongst ethnic minority groups in the area. R15 planned to establish a ‘Hair Academy’ that would be focussed on innovative skills and practices that are currently absent in the area, such as the provision of specialist hair treatments for cancer patients and intensive training courses for staff to enable them to service the different expectations and needs of ethnically diverse customers.

Some companies were also looking to draw on their **knowledge of different markets and opportunities across the world** and turn their SMEs into global players. Respondent R19, for instance, saw the future of her t-shirt manufacturing business in global shops and retail outlets having engaged in talks with a chain of airport stores. The

lack of suitable locations in Haringey in which to expand had created uncertainty over these plans. Other companies reported that they expected to out-grow their existing premises as they became more successful. It was likely that the foldable shoes company founded by a Thai-born entrepreneur, would eventually move to a more expensive and higher profile part of London's West End, as this would facilitate their expansion plans and be in keeping with their brand image, although they were keen to try to stay in Haringey if possible as they felt a strong association with their neighbourhood. Many respondents also claimed that they planned to use social media and other types of technology to boost their international presence and competitiveness.

Once again, the biggest difference between respondents was between those in areas targeted for 'redevelopment', and those that were not. All but two of the twelve firms interviewed in the area remarked that were the redevelopment to go ahead following the current plans, they would be forced to leave Haringey as a whole and move their businesses to other parts of London or beyond. Our findings echo those of Ferm and Jones (2015) and Raco and Tunney (2010) who have identified some of the negative impacts that regeneration projects in London have on its SME communities and entrepreneurs. For instance, a Ugandan estate agent (R31) claimed that he had "*invested £75,000 of his own money on the site over the years*" and will "*fight to the end to protect my business*", as it is currently being blighted by the prospect of redevelopment. Firms with **more ambitious expansion and employment plans were particularly likely to move** and felt that there were few opportunities remaining in the area.

Some migrant businesses also noted that English language proficiency could be a barrier to expansion. The children's soft-play centre business (R11) expressed a tension between the core strengths of the business in servicing mainly Turkish community events and moving in to other types of activity, including the establishment of a day care centre, which would require an engagement with broader social-ethnic groups. This in turn would require different language skills.

Overall, the responses reported on here are typical of those found in SME communities elsewhere, although it should also be noted that there was a relatively high degree of optimism amongst many and a willingness to think about expansion, new markets, and new employees. The availability of suitable and affordable property is presented as the main barrier to the fulfilment of these plans. A small number of firms reported that access to finance or skilled labour was also a constraint, as was their capacity to expand their workloads. The responses are indicative of a high degree of entrepreneurialism.

## 4.6 Conclusions

There was little or no evidence that entrepreneurs from ethnic minority backgrounds faced particular constraints or had been subject to forms of discrimination by local or national institutions. Our findings on performance and future plans reflect those of SME communities in general. Our research findings also differ markedly from those focused on so-called 'ethnic enclaves', particularly in the North American context, where ethnic firms have been shown to often experience discrimination. There are some examples in Haringey of firms that have relatively little interest in going beyond their local ethnic markets (*cf.* Kloosterman, 2010), but many of the most successful respondents have already expanded (or have plans to expand) their activities and outlooks beyond the local area and its diverse populations. Many are held back less by cultural factors and more by

institutional difficulties, such as access to formal credit or the right types of business premises.

## 5. Institutional support and government policies

### 5.1 Introduction

Policy interventions for entrepreneurs can be divided into two distinct policy fields - **direct** and **indirect** forms of support. Direct support consists of public policies that seek to identify and meet SME needs through specific programmes and interventions. This may involve, for example: the provision of subsidised and tailored premises for SMEs at different stages in their life-cycles; the injection of finance into companies through grants and/or tax breaks; and/or the provision of expert help and advice to SMEs, particularly those with ethnic minority backgrounds who may lack some of the core knowledge of regulation and cultural practices that shape business activities (see Ram *et al.*, 2012; Turok and Raco, 2000). Indirect support includes policies such as macro-level economic management and regulation and planning policies such as zoning that protect and value spaces for business activities. Regulatory requirements can have a particularly damaging impact on SMEs. Stringent health and safety requirements and/or complex changes to employment and taxation law can create significant costs for SMEs, particularly those in marginal sectors (many of whom are ethnic entrepreneurs) who are least able to adapt (see Levi-Faur, 2011).

Changes to policy can be extremely detrimental to the competitiveness of SMEs, particularly those that are located in areas of high deprivation and social diversity. SMEs are often relatively invisible players in the economies of cities, yet undertake important social and economic functions. Raco and Tunney (2010) argue that this invisibility makes it relatively easy for policy-makers and planners to ignore their needs and even introduce policy programmes that systematically seek to eliminate them from urban areas in the name of comprehensive regeneration. They give the example of the regeneration of east London in the wake of the London Olympics 2012 and the ways in which locally embedded businesses were systematically removed from their locations as their presence was seen as not being 'conducive to the needs' of a global city. In contemporary London similar processes are generating new disruptions. Ferm and Jones (2015) chart the ways in which the growing pressure for housing development in the city, allied to changes in planning legislation from national government that is explicitly pursuing a 'growth first' agenda, is reducing the available land for SMEs and entrepreneurs.

The introduction of austerity agendas (*cf.* Peck, 2012) has reduced the budgets of local authorities in London (and elsewhere). They are also required to raise extra funds through the transfer of public sector assets to the private or third sector. Incubator units and other SME sites that are supported financially have been particularly vulnerable to cuts and Ferm and Jones (2015) show that in London there is a growing trend for sites to be sold-off for housing schemes, as there is a much greater return for developers from the construction of housing units. The longer term effects on business activities and entrepreneurship in the city are potentially profound. Areas with strong and thriving SME clusters, including those with thriving diversity-related SME such as the China Town area of central London, are now facing the prospect of rapidly increasing rents and eviction in the wake of a residential property boom and a public policy that is focussed on increasing housing supply to the detriment of spaces for entrepreneurs.



The organisations that represent SMEs in the UK tend to be relatively weak, when compared to big business lobbyists and other civil society interests, such as Trade Unions. SMEs have little capacity to engage in political activities and they see business associations primarily as vehicles for business networking, rather than as platforms for the articulation of collective agendas (see Grant, 1998). The identification of core 'business agendas' amongst SMEs can be particularly difficult and in many instances they act like other civil society groups, only engaging in political action when threatened (see Raco, 1997).

The rest of this chapter examines the impacts of direct and indirect policy action on entrepreneurship and the activities of companies. It also assesses the broader importance of SME activity to local communities and place economies. The first section explores the awareness (or lack of awareness) amongst entrepreneurs of the types of policy support that exist and the impacts of policy on their activities and competitiveness. This is followed by a discussion of the contribution that membership of business associations makes to the performance of enterprises. The analysis then moves on to the types of intervention that business respondents would like to see implemented.

## 5.2 Views on the effectiveness of business support provided by local and central governments

Our sample in Haringey had a **partial understanding** of the availability of grants and support initiatives on offer. In total, 14 respondents stated that they knew of initiatives that supported businesses and 7 out of these benefited from loans or awards. Figure 4 below outlines the core support policies discussed by respondents, their purpose and origin. It indicates the presence of a range of support activities, some of which are state-funded (one by national and one by local government), but many of which are provided by charitable trusts, with indirect state funding coming in the form of rent reductions and planning policies that are bringing about changes to the built environment.

Figure 4: Core SME support programmes noted by respondents

Programme	Scale of intervention	Key aims and objectives
Growth Accelerator for Small Businesses	National level government	To provide funds for external business experts to work with selected high-achieving SMEs. The programme targets 26,000 firms and had a budget of £200million.
The Prince's Trust	National level Charitable Foundation	Programme to support young people to improve their skills and employability, particularly in deprived inner city areas and amongst diverse groups.
Social Business Trust Awards	National level Charitable Foundation	Programme to support entrepreneurs working in the social business sector.
Enterprise Nation	National level SME network	Member-based SME business association that supports companies through networking and information-sharing
Opportunity Investment Fund	Local authority-level (Haringey)	£3.5million fund that targets support for successful and innovative businesses in the Tottenham neighbourhood. Its objectives offer direct support to firms and an indirect attempt to curate a new image for the area's business community. Open to start-ups and established firms.

Made in Tottenham	Local charity initiative	Aims to showcase some of the most significant entrepreneurs and their activities through promotional marketing and networking.
London Youth Support Trust	London-wide charity initiative but with largest of 5 SME enterprise centres in Haringey (Tottenham), the 639 Centre.	Aims to support young people to become entrepreneurs. Direct provision of affordable sites and indirect expert help and mentoring support. The 639 Centre provides office space, shared workspace, conference and board rooms, and Tottenham's Living Room: a free-to-hire space for charities and third sector organisations. The LYST has helped to lever in financial support from the Mayor and the local authority and it receives finance from the collective fund of £41million that has been set up to support regeneration in the Tottenham area
Selby Trust	Haringey-focussed charity organisation	Aims to support entrepreneurs from ethnic minority backgrounds. Provides direct support and indirect networking and mentoring to SMEs.
Opening Doors Network	Department of Communities and Local Government and Trust for London	The Opening Doors Network is a partnership of organisations and individuals who promote enterprise, social mobility and the economic transformation of diverse communities. It carries out networking-focused activities to support entrepreneurs through mentoring.

Despite the wide range of programmes on offer, many respondents were highly critical of their (in)effectiveness. Some highlighted the lack of **co-ordination** between different programmes and the absence of a clear SME support policy. Access to different funds was dependent on sporadic knowledge networks and anecdotal stories. Policies were also seen to be overly restrictive and **too targeted at certain groups**. Many businesses were critical of the lack of support available to entrepreneurs over the age of 30, for instance, or the relevance of public policy programmes for their particular sectors. With government funds dwindling in an era of austerity, there was a greater reliance on charity funding to support entrepreneurs. This has meant that assistance is targeted on those who are facing specific difficulties or identifiable forms of marginalisation, rather than local entrepreneurs in general.

There was also a perception, particularly in areas identified for regeneration, that 'local' businesses, many of them with ethnic minority backgrounds, were **missing out** vis-à-vis large companies and property developers/investors. It was common for businesses to feel under pressure to increase their short-term profitability to cope with the rising costs of doing business. Property price increases and upward pressure on wages and general living costs, such as transport, were just some of the factors highlighted by interviewees. As elsewhere, SMEs facing eviction had particular challenges and were unsure as to their future and what public policy provision would be made to support them.

Perhaps most significantly, it was also reported that local authority support to business centres that provided spaces for new entrepreneurs, faced the threat of cuts and that this would have a drastic longer term **impact on the availability of affordable spaces for SMEs and start-up entrepreneurs**, particularly those from ethnic minority

backgrounds. Part of this support comes from the *Opportunity Investment Fund*<sup>15</sup>, a £3.65 million programme, jointly funded by Haringey Council and the Greater London Authority, which invests in programmes that facilitate job creation and an increase in workspace in Tottenham.

There were some notable exceptions with some businesses taking on the role of ‘iconic’ entrepreneurs (*cf.* Keith, 2005) for the area and for broader public policy objectives. For instance, R22 (British-Thai entrepreneur), has benefited directly from the governments Growth Accelerator programme and also through involvement with UKTI which involved visiting Milan with Prime Minister David Cameron. Government support has been an important source of competitiveness and has enabled them to expand their business into international markets. R4 (Black-British entrepreneur), for instance, praised the support she had received from the Opening Doors Network (ODN) Enterprise Programme<sup>16</sup> in giving her the necessary training in core business skills as well as the advice and support she needed to develop and action a business plan for her Jamaican sweets and desserts business. She saw this support as playing a fundamental role in helping her to gain knowledge on the “*basics of how to run*” her business. Others were particularly supportive towards Haringey council’s mentoring programmes and Opportunity Investment Funding.

One recurring policy challenge with area-based support for SMEs is that of the so-called ‘escalator effect’, or out-migration of businesses and individuals from an area once they become more economically successful and have greater mobility. Some mature SMEs in our sample noted that their embeddedness in the Tottenham area and their dependence on local conditions had gradually declined as they had become more established. In contrast to the findings of Kloosterman (2010) and others, some of our ethnic minority entrepreneurs reported that because of their success, they had become less involved in local planning discussions and issues. R24 (Black-British entrepreneur), for instance, who has featured prominently in the high-profile promotion initiatives for entrepreneurs in the borough, increasingly felt that his markets had expanded beyond the local and he was now looking for major clients. Tottenham had become primarily a base from which to grow.

### 5.3 Wider awareness of organisations, programmes, and initiatives to support entrepreneurs

Membership of business associations amongst our respondents was patchy. Only 15 (37.5%) firms were members of business associations. Eight (20%) were members of accreditation schemes. Only 2 (5%) stated that they were involved in local traders’ associations to support local business and campaign over planning issues. Figure 5 outlines the formal business associations with members amongst our survey sample, along with a brief outline of their core aims and objectives.

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<sup>15</sup> The Opportunity Investment Fund is one of the many projects initiated by the London Borough of Haringey after it was awarded approximately £28,000,000 funding from the Mayor’s Regeneration Fund (<https://www.london.gov.uk/what-we-do/regeneration/funding-opportunities/funds-being-delivered>)

<sup>16</sup> Operated in Haringey by the Tottenham Hotspur Foundation and funded by the Department for Communities and Local Government and Trust for London

Figure 5: Membership of formal business associations

Name	Scale of activity	Core aims and objectives
British Stainless Steel Association (BSSA)	National – sectoral association	Promote and develop the manufacture and use of stainless steel and firms working in this sector across the UK
British Footwear Association	National – sectoral association	Provide resource, support, guidance and training to industry members.
Federation of Small Businesses	National	Provides economic advice to SMEs and plays important national policy lobbying function.
Which? Trusted Traders	National – consumer organisation	Gives information on SMEs and their practices.
Association of Independent Music	National – sectoral association	Helping start-ups and established businesses in the music industry.
Ghana UK-based Achievement Awards (GUBA)	Charity	Support diversity awareness across the UK. Award that is targeted at how a Ghanaian entrepreneur has made a ‘significant’ contribution to UK
Tottenham Traders’ Trust and Haringay4Shops	Local authority and traders in the Green Lanes area	Website devoted to networking between entrepreneurs and promotional activities
Institute of Directors	National	Supports business owners, encourages entrepreneurial activity and promotes responsible business practice.

Respondents saw membership of associations as important in 4 principal ways: (i) they acted as **conduits for networking opportunities with other SMEs**. Many of these were sectoral in nature, with firms taking up membership of trade associations or other representative bodies, usually at national level; (ii) they provided what one respondent termed a *“badge of authenticity”* for SMEs and gave them broader external credibility with suppliers, customers, (actual and potential) employees, other SMEs, and investors. R22, for instance, had obtained Living Wage Accreditation from the Living Wage Foundation charity *“to promote the business...and help in applying for licences and council contracts”*. Similar views were put forward by other firms serving local markets. A cleaning firm (R6), for example, was a member of various cleaning organisations as this *“offers clients confidence in the standard of service being offered and the respectability of the company...a badge of assessment that opens doors to bigger companies”*. Others saw membership of respected national bodies as playing a similar role. In one case (R25) a local entrepreneur had even become a member of the nationally-important Institute of Directors; (iii) **as sources of expert help**. Some SMEs saw associations as important sources of information on running their business and policy/regulatory changes; and (iv) **as platforms for influencing policy agendas**. Local business associations play an important role in feeding SME needs into local planning debates. The Haringay4Shops network, for instance, represents shops, restaurants, cafes and pubs stretching along the main Haringay Green Lanes trunk road between Manor House and Turnpike Lane stations<sup>17</sup> and exists to *‘play an active role in promoting the area, cleaning up the image, increase safety in the community and most importantly representing the needs of the local businesses’*<sup>18</sup>. Activities include the initiation of a successful annual Food Festival and success in bidding for external money to pay for environmental improvements from the Mayor of London’s *Outer London Fund*. The network is typical of SME groups that are galvanised into taking action if they feel threatened by changes and/or see the need to fight for greater expenditure from government agencies. Firms located in enterprise centres also noted that they had informal exchanges with others and that these were beneficial in social, rather than economic terms.

<sup>17</sup> Haringay Green Lanes is an area within the borough distinguished from the name of the local authority area Haringey - [https://en.wikipedia.org/wiki/Green\\_Lanes\\_\(London\)](https://en.wikipedia.org/wiki/Green_Lanes_(London))

<sup>18</sup> <http://www.haringay4shops.com/traders.htm>, page 1.

However, what is most striking about our sample is the **lack of engagement** in collective associations and the widespread feeling, even amongst active members, that associations did little to support entrepreneurs, reflecting the findings of other studies noted above. Many respondents could see little potential benefit in becoming an active member of an association, even when there ostensibly appeared to be strong economic and/or social reasons for doing so. For instance R26, a coffee shop owner, could see no reason to join the Speciality Coffee Association. Others (e.g. R2) saw their membership of an association as a “*formality*” or “*something that businesses have to do*” but from which they gain little benefit. There was surprisingly little engagement in local political associations, despite growing concerns about the changes being brought by regeneration. There was some evidence that the diversity of the entrepreneurs had encouraged fragmentation and reduced the potential for cohesion between the SME owners. Respondents in specialist shops that cater for specific ethnic markets in some locations saw relatively little need to develop networks with others. They saw themselves as isolated entrepreneurs, who were flexible enough to move with changing demands if their customer base moved.

#### 5.4 Policy priorities proposed by interviewees

Respondents’ views on the types of policy intervention that would be most effective displayed a high degree of commonality and covered a relatively wide range of factors. The most significant were: (i) the maintenance of a local built environment that supported their needs; (ii) the broader provision of ‘expert help’ to guide entrepreneurs; (iii) greater consultation and engagement with the SME community. Each will now be discussed in turn.

##### (i) *The built environment and future competitiveness*

As noted earlier, SMEs are particularly vulnerable to changes to the built environment. In some cases, firms become dependent on local factors that are subject to fluctuations and significant change, such as the availability of suitable premises or the presence of consumers. The **affordability** of Haringey as a destination for SMEs and as an incubator for start-ups was recognized by many, as were the potential threats that were emerging through the twin processes of cuts in local authority (and national government) support and rapid property-led regeneration. Some called openly for direct intervention. R2, for instance, wanted to see “*the local authority offer empty commercial units to small businesses for free (or subsidised) for a year to encourage small business growth*”. Others were frustrated by what they saw as a lack of local authority action in supporting the presence of major retailers in the area or in preventing the proliferation of betting shops and other activities that could push out local entrepreneurs. There were several calls, particularly from ethnic restaurants, cafes, and shops for greater protection for and investment in quality public spaces, with innovative arrangements suggested such as the ring-fencing of local taxes/parking fees to fund projects that would directly and indirectly benefit local businesses.

There was praise from some firms on how local authority-led action in Tottenham had helped to boost their competitiveness. Business owners in the Green Lanes and West Green Road areas, for instance, noted how shop-front refurbishment programmes over a period of ten years had improved the quality of the built environment and encouraged local consumers to patronize ethnic restaurants and businesses. Earlier rounds of change had seen the rise of poor quality businesses and associated problems of disorder and criminality. The **upgrading of the urban environment had played a key role in**

**boosting competitiveness and trade** and more of such action was called for. Similar types of schemes could be very beneficial to local businesses and especially those from ethnic minority backgrounds who benefit directly from greater footfall in the neighbourhood and rising demand for their services and the goods they sell.

Others called for more **direct provision of incubator spaces**. It was argued, by a number of firms, that spaces for new entrepreneurs could play both an economic role, in boosting the competitiveness of the local economy, whilst also supporting a diversity of local people to establish their own firms. There were clear relationships between the presence of specialist centres to support new firms (such as the 639 Enterprise Centre) and the entrepreneurial activities of local residents. The construction of a more conducive environment for start-ups would, it was claimed, represent an important step in boosting local social cohesion and mobility. This was particularly significant given the availability of charity and other sources of support for those from diverse backgrounds.

(ii) *The provision of 'expert help' to small businesses*

A common response was the call (in R4's terms) for greater "*practical help...[and] stage-by-stage guidance on how to grow businesses*". A number of firms called for greater assistance for dealing with what was termed "*red tape*", particularly in relation to legal obligations and planning matters. It was felt that help was **over-targeted at vulnerable groups** (particularly the young) as much of it was delivered by charities with the express aim of supporting those in the most marginal social positions. Whilst this was seen as a laudable social objective, it was also seen as an unfair barrier to the availability of expert support. One firm (R24) for instance, noted that they would like to expand by taking on "*more staff directly rather than on a self-employed basis*" but that this expansion was being held back by limitations in their administrative capacities and expertise. As with SMEs elsewhere, access to sources of finance proved to be a significant barrier to expansion, with firms such as R6 calling for more assistance in accessing financial resources and citing the "*inaccessibility of bank loans*" as a core problem that needed expert help to redress. One respondent (R14) noted that there needed to be "*more support for entrepreneurs and young people in general to learn about tax and VAT issues and how they relate to running your own business as well as knowledge of what loans are available from government and how to apply for them*". Dealing with such financial matter was a real challenge for many and expert advice was imperative to future competitiveness.

Another area for policy development was that of encouraging more **networking opportunities**. Whilst business associations were playing a helpful role in enabling meetings to take place between entrepreneurs, it was felt by some respondents that more co-ordination by state bodies, particularly Haringey Council, would have been more helpful in establishing new commercial opportunities and in fostering a sense of collective endeavour. Networking could also be associated with forms of *mentoring*. R16 (a young entrepreneur from a Ghanaian background), for instance, felt that he and other similar businesspeople, should be "*able to learn lessons from other more experienced entrepreneurs*" or as R17 (a Chinese female entrepreneur) noted it was imperative "*to learn more about the experiences of other entrepreneurs who have grown their businesses to understand the techniques and knowledge needed and challenges faced*".

The provision of clearly-identifiable **expert advice centres** was also seen as an important to SMEs. For decades public policy measures to support SMEs in the UK have highlighted the importance of 'one-stop-shops' or centres where advice on all forms of support are concentrated (see Turok and Raco, 2000). The absence of a clearly defined

centre in Haringey was seen as a problem by some businesses. This went beyond business advice and extended to the perceived need to provide information on how the planning system operates and how firms can influence local decisions (see also section (iii) below). R18 (a Ghanaian-born entrepreneur) argued that she needed clearer advice on mundane matters such as “*how to go about gaining a shop-front premises*” for her business or how to “*apply for empty units*” in the area.

Some more successful entrepreneurs wanted the provision of expert help to go beyond local advice on business matters. One Thai-born female business owner (R22) was concerned that the considerable support that her business had received from national government programmes would no longer be available to similar companies owing to state funding cuts. Others called for more focussed and targeted forms of training provision and the expansion of apprenticeship programmes and even the setting up of collective skills provision. This could be particularly focussed on diverse groups and those who have struggled to access formal employment.

(iii) *Consultation and engagement*

One recurring complaint from SMEs is **a lack of clarity and transparency over policy changes** and decisions over business support. This was particularly a problem in areas subject to major regeneration programmes in which marketing and place boosterism had complicated local political debates and discussions. In the Seven Sisters ward firms were especially concerned as to the direction of change. One typical respondent noted that confusion had led to *blight* for many firms with the question being repeatedly asked “*what are they going to do with the businesses here?*”. The lack of what one firm (R4) termed a “*clear resolution*” to planning discussions had led to considerable uncertainty and was beginning to undermine her ability to expand her business or even to think about its longer term sustainability. Firm R10 is a good example, arguing for a “*more balanced approach to gentrification in Haringey...potentially by championing and empowering local characters/businesses and tradespeople under threat of losing their businesses and offering them some support to understand how the system works around regeneration to enable them to get involved in the process*”. There was criticism that there had not been enough consultation over the use of the large Opportunities Investment Fund in the area and that more engagement with businesses over the direction of future planning was particularly important if the area’s economic base and its opportunities for (diverse) entrepreneurs were to be expanded/maintained.

Others repeated the charge, found in research on SMEs elsewhere (see Raco and Tunney, 2010), that their position as businesses, rather than residents, meant that **their needs were often ignored by local politicians**. There were calls for direct engagement and consultation over local spending priorities, particularly in the wake of austerity cut-backs. One respondent (R7 of Kurdish ethnicity) commented that “*when they take my business rates, they have to support my shop...it’s not, you just take the business rates and you don’t give any service*”. There seemed to be a lack of clarity over the best way to try and influence local authority priorities and practices. This was perceived by many firms to be in contrast to the ways in which big developers were treated. It was compounded by other planning restrictions that seemed to count against SMEs, such as parking charges. There were also calls for the creation and improved maintenance of public spaces in the area and meeting places for entrepreneurs. Concerns were expressed by many that the local authority was facing significant cuts and that these might have an impact on its ability to maintain a quality urban environment that would be attractive to potential customers, for service sector SMEs such as cafes and restaurants, and support business productivity.

There were also calls for **clearer spaces of engagement between businesses and government agencies**. R25 (Black British-Caribbean entrepreneur), for instance, noted that she would “*like to see more platforms available for conversations to take place between entrepreneurs and policy-makers*” in order to “*offer the potential for mutual inspiration*”. Others called for greater transparency over spending decisions and dedicated local authority-SME liaison officers.

## 5.5 Conclusions

There are many parallels between the findings from Haringey and broader writings on SMEs, entrepreneurialism, diversity and public policy. There are three core conclusions:

- (i) **Feelings of marginalisation** from policy-making processes and public policy decisions: Our respondents felt that public organisations did not fully appreciate the factors that lead to successful entrepreneurialism and, with some notable exceptions, did not have effective policy programmes in place to support local firms. Moreover, the growth in development pressures in the area, in the name of regeneration, and the emphasis on creativity and the creation of new clusters of sectoral competitiveness, threatened to undermine those characteristics of the area that some entrepreneurs felt were most advantageous or on which they were locally dependent. The affordability of the area was becoming prohibitive to many, particularly to those located in sites earmarked for property-led development local premises. There were concerns amongst those in enterprise centres that public sector austerity cuts might threaten their longer-term survival and that the benefits that some had received would not be available to future generations of entrepreneurs. Where public policy had been most effective was where it had provided the most focussed forms of direct support, in providing subsidised spaces to SMEs or specific forms of expert help, and in levering-in finance from public policy programmes. There was some evidence that ethnic minority entrepreneurs have more tailored needs in terms of advice and support but the overall picture was one of a commonality of experiences and relatively little differentiation between different ethnic groups. Location and type of business activity were more significant influences on perspectives and needs.
- (ii) A **lack of collective co-ordination** on the part of diverse SMEs: As with SMEs elsewhere, there was relatively little collective engagement between our respondents and widespread criticism of the value and role of business associations. The diversity of entrepreneurs in the area was a not major factor in influencing such attitudes.
- (iii) The existence of a **local business agenda**: There were significant commonalities in responses and the emergence of a relatively clear local agenda that called for: intervention in the built environment to support entrepreneurs and SME activity; the establishment of expert help and assistance programmes; and the need for greater consultation and direct engagement between SMEs and government agencies, particularly in relation to the planning of the built environment.



## 6 Conclusion

### 6.1 Summary of the key findings

This report has drawn on interviews with 40 diverse SMEs in Haringey, London to explore: some of the core characteristics of local entrepreneurs and entrepreneurialism; the motivations of those starting their businesses; the success and fail factors that influence their economic performance; the role of place and public policy in shaping their activities and supporting or limiting their broader competitiveness; and the influence that collective forms of formal and informal types of cooperation have on their day to day activities. The area's economy is far from being self-contained and our respondents saw their businesses as part of a wider, thriving, and diverse London economy. Many resided outside of the borough and/or had extensive networks of employees, markets, and suppliers within and beyond Haringey.

The findings show that, as with small businesses across London (cf. Ferm and Jones, 2015), issues surrounding **affordability** and **easy access to labour** are critically important factors for the economic performance of businesses. It was clear that for many SMEs regeneration programmes were having an adverse impact on these factors of production, with housing and business costs rising increasingly rapidly. Without some protection there is a significant threat to the area's economic and social diversity. For businesses that catered for specific ethnic groups, location and the clustering was particularly important, as they increased footfall and contributed to exchanges of information among business owners.

Overall, respondents shared very little detail about their firms' financial situations, generally stating that they were 'doing well'. Responses revealed that a large number of businesses maintained relatively **low levels of profitability** and were vulnerable to fluctuations in cash-flow, especially those serving local ethnic markets and in clusters threatened by regeneration. However, there were ambivalent responses towards processes of gentrification as a number of entrepreneurs also reported that their firms had **benefited from an increase in their customer base** as a consequence of wider gentrification processes in the borough. There were examples of firms having either specifically targeted new markets or diversified their services in order to better accommodate these demographic changes and take advantage of emerging opportunities. Local firms that had managed to adapt to changes were, therefore, unsurprisingly more positive about their economic performance and their future; however, some migrant entrepreneurs reported facing difficulties in expanding their activities, particularly due to limited language skills or to being located in areas that were perceived as serving tight-knit local migrant communities.

Our findings reveal a substantial degree of **optimism** amongst many entrepreneurs. Those located in formal enterprise centres and those that owned their premises were particularly positive about their future and had plans for expansion. High-tech and other companies that had managed to expand their markets also reported that they intended to combine relocation and expansion.

However, since some firms were weakly embedded in the area, relocation did not necessarily involve long-term plans for staying in the borough. There was a perception

that public policy was becoming increasingly hostile towards small firms, particularly in a context where local regeneration funds, that expanded markedly following riots in the area in 2011, are being wound down as a part of wider austerity cuts. This will encourage firms to move away and act as a major disincentive for future entrepreneurs who might wish to start a business in the area. Conversely, those based in locations scheduled for redevelopment were concerned about their future and this uncertainty bred a reluctance to invest in their premises or to plan for expansion. Those firms trading in clusters of marginal activities were especially vulnerable to changes in market conditions, trading costs, and public policy and many of these firms were run by ethnic entrepreneurs.

In terms of public policy and the **role of business associations and support groups**, we uncovered a situation that is very common in other British cities. Only a few businesses were aware of, and benefited from, the range of support initiatives and grants on offer. Formal support programmes for SMEs were not widely advertised and initiatives were too targeted at certain groups. Scepticism regarding the local authority's plans for existing businesses was also commonplace among many of the entrepreneurs with ethnic minority backgrounds and those firms who had been blighted by regeneration. The role of charities and civil society groups in providing tailored support to firms was particularly significant and given public sector cuts, it is likely that their importance will expand in the future.

Where support had been most beneficial was through the presence of incubator sites and the provision of **specialist premises**. Marketing campaigns and national government programmes were also influential in helping higher-skilled and more ambitious entrepreneurs to broaden and deepen their activities. Other forms of direct support have also been beneficial. Direct grants, subsidised rents, bespoke premises and targeted expert help and mentoring were all presented as public policy successes. However, the research also found relatively little evidence of agglomeration-building. There were some weak ties in evidence amongst entrepreneurs with shared ethnicities and/or whose firms were operating in similar sectors. But the overall picture was one of few untraded interdependencies (cf. Storper, 1995), with the area's social diversity having relatively little impact upon firm performance or longevity.

There were also limited forms of political activism in places where regeneration programmes were having a bigger impact. Overall, however, the firms were relatively disorganised in political terms. Membership of business associations was relatively passive, a finding that reflects those of similar studies in London and the rest of the UK. The overall possibility remains that the diversity of the area's business community will be threatened by market changes and a limited and poorly focussed set of public policy interventions.

## 6.2 Policy recommendations

We can identify two types of policy support that would be particularly beneficial to diverse entrepreneurs and their businesses:

(i) *Investments in place and local factors of production*

Firms and entrepreneurs require the availability and local presence of key **factors of production**: affordable spaces; room to expand; available (skilled) labour; access to markets; and in some cases agglomeration benefits and untraded interdependencies. It is

imperative that planning policies and arrangements target these local factors of production and allow diverse firms to flourish. This includes specific interventions such as:

- The provision of new (or the maintenance of existing) **commercial properties** for businesses to allow entrepreneurs to develop their businesses from the start-up phase through to maturity. This involves public resources for the creation of ‘incubator spaces’ for start-up businesses, offering reduced rents, and using planning policy instruments to guarantee the availability of affordable and appropriate premises for firm expansion as required.
- The availability of **collective spaces and trading parks** in which entrepreneurs can develop mutually supportive economic and social networks. A number of studies have shown that entrepreneurs are more successful in contexts where they are part of a wider ecology of businesses, operating through networks and relations with each other (see Firm and Jones, 2015; Storey, 2011). Firms can become inter-dependent and more entrepreneurial with the presence of such networks and it is imperative that effective **zoning** and planning policy measures are put in place to both foster and protect such networks.
- Efforts should be made to reduce **planning blight** on firms and neighbourhoods where urban development agendas are being rolled out. Planning agendas should pay greater attention to the identification of value amongst diverse businesses and entrepreneurs, rather than actively (or passively) seeking their elimination in the drive to create places of regeneration and renewal.
- Innovative forms of **place-marketing**, particularly in relation to an area’s diversity and creativity, can play an important role in both encouraging diverse individuals to start new firms and/or attracting inward investment and the inward movement of successful businesses.

*(ii) Investments to support entrepreneurs*

For many entrepreneurs, particularly those from diverse backgrounds, the provision of high quality, targeted, and bespoke **direct support** is of enormous value and measures to provide targeted assistance should represent a core component for any local economic and social development strategy. Specific forms of direct intervention include:

- The provision of **expert help**, specifically training and mentoring for entrepreneurs to assist them with general business advice on finance, the planning system, taxes and regulations, becoming an employer, and business growth models. This requires funded programmes that ensure that the right types of training and advice are available, particularly for entrepreneurs from ethnically diverse backgrounds.
- Start-ups, in particular, also require **financial support**, such as soft loans and grants to move to higher levels of productivity and output. Those from diverse backgrounds often face difficulties in accessing finance in the private sector and this can act as a major barrier to their development plans and projects. But financial support can also be important to those firms looking to expand and take on new employees or move into new markets. For entrepreneurs with diverse backgrounds accessing finance for expansion can be particularly challenging and there may be additional benefits for public policy to be found in targeting those firms most in need.
- Public policy should also provide support for **networking activities** between entrepreneurs and should encourage businesses to become more actively involved in the formation of local business associations. These could act as conduits through

which local business agendas and perspectives could be aired. All too frequently respondents in Haringey felt they had little chance to air their views or influence local planning and public policy debates.

- Planning agencies should also consider what role **charities and third sector bodies** could and should play in supporting local entrepreneurs. Trusts and other forms of charitable organisation can play a particularly targeted and effective role in providing the services and even the premises that can help businesses to start and grow. Too much reliance on such funds can restrict the amount of support available. But there is little doubt that in many instances, non-state actors can act as a valuable addition to the support available.

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**Appendix 1: List of the interviewed entrepreneurs**

	Age	Gender	Type of entrepreneur (Ethnic Background, Nationality, Education)	Type of enterprise (main activities, number of employees)
R1	42	Male	White British, British, Master's Degree	Brewery – 9 employees
R2	54	Male	White British, British, PG Diploma	Cheese-maker – 7 employees
R3	32	Female	White British, British, Undergraduate Degree	Van company – 20 employees
R4	54	Female	Black British, British, O Level, HND, NVQ	Jamaican desserts & sweets – 0 employees
R5	44	Male	Other: Kurdish, Turkish, Secondary Education	Wedding venue, floristry, decoration – Employees vary based on occasion (casual workers)
R6	26	Male	Black African, Ghanaian, Professional Qualifications	Cleaning company – 0 employees
R7	31	Male	Other: Kurdish, British, None	Jewellers – 4 employees
R8	27	Male	Black African, British, A Levels	Security company – 20 registered employees
R9	25	Male	Dual Heritage (White British & Black Caribbean), British, Undergraduate Degree	Film company (TV ads & social media campaign videos)
R10	25	Male	Black British, British, Master's Degree	Record label (plus media training, talent management, community work) – 6 employees
R11	40	Male	Other: Turkish, British & Turkish, Undergraduate Degree	Children's Soft Play Centre – 1 employee (plus casual staff)
R12	42	Male	Other: Latin American, British & Colombian, Master's Degree	Colombian Catering – 0 employees (plus 2 casual staff)
R13	26	Female	White British, British, Undergraduate	Video Production – 3 employees
R14	38	Female	Black British, British, GCSEs & Professional qualifications	Café, Floristry, Hospitality and Events Company – 8 employees (plus 15 casual staff)
R15	32	Female	Black British, British, NVQ	Hair Salon – 0 (plus family support and interns)
R16	36	Male	Black African, British,	Social Media Management Company –

			Undergraduate Degree	0 employees (plus freelance support)
R17	45	Female	Chinese, Chinese, Post 16 College	Natural hair import & distribution – 1 employee
R18	51	Female	Black African, British & Ghanaian, Vocational qualifications	Dressmaker – 0 employees
R19	36	Female	Black African, British, Master's Degree	Diamante T-shirt & Jewellery Designer – 0 employees (plus variable number of interns from France via university scheme)
R20	53	Female	White British, British, Undergraduate Degree	Fashion Social Enterprise (Factory Production & Training Academy) – 47 employees (plus 60 freelance and contractors)
R21	39	Female	White British, British, Master's Degree	Estate Agents – 3 employees
R22	35	Female	Dual Heritage: Thai & Cypriot, British & Thai, Undergraduate Degree	Foldable women's shoe designer – 4 employees
R23	61	Male	Black African, British, Secondary Education	West African Bakery – 15 employees
R24	29	Male	Black Caribbean, British, Undergraduate Degree	Audio Visual Services – 12 employees (plus variable casual staff)
R25	35	Female	Black Caribbean, British, Undergraduate Degree	Modelling Agency – 0 employees (plus 5 freelance staff supporters)
R26	38	Female	White British, British & Australian, Diploma	Café and Mobile Events – 15 employees
R27	23	Female	Other: Kurdish, British, Undergraduate Degree	Restaurant and Brasserie – 20 employees
R28	38	Female	White Other, Polish, College	Polish Deli – 3 employees
R29	47	Male	White Other, Romanian, College	Romanian Restaurant – 5 employees (plus variable part-time staff)
R30	39	Male	Other: Latin American, Spanish and Colombian, None	Colombian Café and Restaurant – 4 employees
R31	35	Male	Black African, Ugandan, Post 16 College	Estate Agent – 5 employees
R32	50	Male	Other: Latin American, British & Colombian, Secondary Education	Latin American Confectionary – 0 employees
R33	41	Female	Black African, Portuguese,	Jewellery maker and seller – 0



			Secondary Education	employees
R34	38	Female	Other: Latin American, Portuguese, Secondary Education	Hairdressers – 0 employees
R35	45-64	Male	Other: Latin American, British & Colombian, Undergraduate Degree	Legal services – 0 employees
R36	45-64	Male	Other: Middle Eastern, British, Post 16 College	Luggage store – 1 employee
R37	38	Female	Other: Latin American, British, Postgraduate Degree	Translation & Education – 2 employees
R38	50	Male	Other: Kurdish, British & Turkish, Undergraduate Degree	Pharmacy – 12 employees
R39	44	Male	Other: Kurdish, British & Kurdish, Secondary Education	Turkish Supermarket – 10 employees
R40	30	Male	Other: Kurdish, British & Kurdish, Undergraduate Degree	Internet Café – 2 employees