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# Bumpy road to business ownership: the case of Eritrean entrepreneurs in the UK

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## Abstract

**Objectives**: Our paper contributes to understanding the dynamics of ethnic minority businesses in the UK by bringing to the fore a variety of factors inhibiting the entrepreneurial activity of these groups, and in doing so provides insights into the empowering and mobilizing factors of minority entrepreneurship. It aims uncover the factors that may explain their entrepreneurial propensy, and the success or failure factors of their entrepreneurial activities

**Prior Work:** Given the diverse features of minority businesses and their economic importance (both potential and actual), surprisingly little is known about the entrepreneurial activity of people from refugee backgrounds. Understanding the different dynamics of this dimension of entrepreneurship is important because refugees are distinct from – and often lack access to ethnic resources generated within – well-established ethnic minority groups (Waldinger, 1990; Flap et al., 2002). The current research explores this theme and contributes to the existing literature by focusing on the entrepreneurial activity of Eritreans from refugee backgrounds in the UK.

**Approach:** The paper utilizes the mainstream literature on ethnic minority businesses and conceptualizes a framework (motivated by research gaps) that draws from political, economic, cultural and social (and human) capital theories to explore the pre- and post-entrepreneurial start-up factors of Eritrean refugee entrepreneurs. Justified in terms of (1) methodological precedence in the study of ethnic minority businesses, and (2) the logic of qualitative fit for a phenomenon where there is limited literature, our research employs the interpretive phenomenological approach, utilizing a grounded theory strategy for theory building.

**Results**: The results indicate that entrepreneurs demonstrate strong ethnically driven behavior in their business activity, which points towards the centrality of ethnicity features in the entrepreneurial dynamics of Eritrean refugees in the UK. In consequence, these entrepreneurs often depend on financial and knowledge support from family members and Eritrean contacts in their pre- and post-start up process. Another major insight that emerged from this research relates to the influence of political factor in terms of obstacles and discrimination experienced from both regulatory bodies and the UK community at large.

**Implications and Value:** Based on the overall evidence, the paper suggests that social, human, and financial capital – as well as the degree to which cultural values are accepted, the level of proficiency in English language, and the risk-taking propensity of Eritrean refugees entrepreneurship – are the decisive factors of Eritrean refugee Entrepreneurship and that they may inform the wider reflection on the dynamics of ethnic minority entrepreneurship.

## 1. Introduction

Extant literature underlines the importance of ethnic entrepreneurship (e.g. Waldinger, 1986; Minghuan, 1999; Wilpert, 2003; Rath, 2002; Waldinger, 1996; Rath, 2005; Rath, 2007; Rath, 2010). Minority businesses have received much scholarly attention, especially in the United States (US) and United Kingdom (UK) (Strüder, 2003). Despite the burgeoning knowledge in these Anglo-Saxon contexts, one major research void exists with respect to the British domain: there is relatively little research that illuminates recent ethnic minority entrepreneurial activities in Britain, either in general or from the angle of specific single community groups in particular (Lyon et al., 2007; Sepulveda et al., 2011; Jones et al., 2012). The few notable empirical efforts that do exist within the extant literature include studies of Somali entrepreneurship (Ram et al., 2008) and Polish entrepreneurship (Vershinina et al., 2011), both in Leicester, and of the Turkish-speaking communities in London (Strüder, 2003). However, in general, research into entrepreneurial activity of people from refugee backgrounds is scarce and specifically there has been no single study of Eritrean minority entrepreneurial activities in the UK. There is hence a lack of understanding of the dynamics of entrepreneurial activities amongst minority ethnic groups e.g (1) what factors feed into their start-up decisions, and (2) what contingencies explain the success or failure of their entrepreneurial activities. It is important to address these questions in order to enhance the theoretical foundations of research into such entrepreneurial activities, as well as identifying roadmaps for managerial initiatives to ensure their success and increasing their contribution to the UK economy. Hence, inspired by the need to address the aforementioned research gap in the extant literature, the study focuses specifically on Eritrean entrepreneurial activities, a domain that has previously not received empirical attention, whilst building upon seminal research of long-time settled minority groups such as South Asians and Chinese (Ram et al., 2008; Jones, 1981).

Since the first influx of Eritrean refugees in the late 1960s and early 1970s, subsequent waves of immigration have taken the form of family reunions, asylum seekers and refugees (Tesfagiorgios, 2006). Despite a significant number of Eritrean people having come to the UK more than forty years ago as refugees, there has been no large-scale study of their experiences here. Driven by unfavorable economic conditions, Eritreans migrated as refugees to the UK, and had high expectations (Hepner, 2009; Kibreab, 2008). Once in the UK, under the Home Office Dispersal Scheme (introduced in 2000), the new refugees were forcibly dispersed around the country into what were effectively pockets of isolation until a decision was made on their asylum claims (Phillips, 2006). The refugee focus of this study is critically important. While refugees – which exhibit distinctive characteristics that distinguish them from the other minority groups – have been observed in many UK studies, very few of these studies address business formation and enterprise (Sepulveda et al., 2011). While substantial research has been carried out on ethnic entrepreneurship over the years to find out why and how ethnic minorities set up their own small businesses (Fregetto, 2004; Light, 1972; Johnson, 2000), little has been done to study refugees such as Eritreans. Indeed, refugees are presented with cultural, legal and language barriers or challenges right from the start (Vertovec, 2007). Moreover, as Sepulveda et al. (2011) note, (1) the migration experience of refugees is quite different from the more established communities, and (2) refugees migrate to Britain as this offers them the means to flee persecution and damage from their native countries which is quite different from the planned migration of other non-refugee ethnic minority people residing in the UK. There is a need to pay much greater attention to ethnic communities outside of these groups given the presence of a wide and growing range of new communities, as well as a need to develop a broader understanding of how entrepreneurial activity plays into increased and diversified flows and channels of immigration (Ram and Jones, 2008).

Admittedly, the Eritrean Diaspora in Britain, though part of the large black African ethnic group, is, on its own, only a small and unique group compared to the aforementioned ethnic groups. Existing data provide little by way of understanding the size, prevalence, and major characteristics of recent immigrant enterprises in general and Eritrean enterprises in particular. It is extremely hard to find substantive work in relation to the numbers of small businesses being set up by Eritreans. There is some growth of refugee entrepreneurship in the UK, which echoes the wider growth of ethnic minority businesses over the past two decades (Nwankwo, 2005), a development that further underscores the importance of understanding the entrepreneurial activity of refugees in the UK. Most studies exploring ethnic minority entrepreneurship, using categories which merge members of diverse racial and ethnic groups, produced conclusions that recognize differences between white and non-white business owners (Delft et al., 2000; Masurel et al., 2002; Fairlie and Robb, 2007). These studies, because they combine groups with hugely diverse cultures and migration experiences, do not enlighten us much about specific ethnic groups. Finally, there is evidence in the literature that refugees are one of the (if not the) most marginalized immigrant groups, often experiencing high rates of unemployment, poor living conditions and discrimination (Kenway and Palmer, 2007; Sepulveda et al., 2011) yet also often displaying significant evidence of enterprise and self-employment activity (Lyon et al., 2007). It seems, therefore, as Lyon et al. (2007) claim, that, self-employment and enterprise might be a popular option for refugees. Given this evidence, it is very surprising that relatively little research attention is given to refugee entrepreneurship. For example, there is a lack of understanding of the role and impact of enterprise within different refugee communities. Even though successive governments have promoted entrepreneurship for all groups, classes and backgrounds, business formation and operation by marginalized groups remains poorly understood.

When immigrants engage in entrepreneurial activities, they create their own jobs to enable them to circumvent some of the challenges they encounter in seeking employment (Rath, 2010) but entrepreneurship is accompanied by some challenges of a political, cultural and economical nature, amongst others, that influence the success or failure of such entrepreneurial activities. In this regard, there is a need to explain the contingencies that contribute to ethnic minority entrepreneurial activity and outcomes especially drawing from the experience of refugees (Masurel et al., 2002; Fairlie and Robb, 2007). Sirkeci (2003) emphasizes the necessity to better understand the socio-economic differentials that relate to migration flows, a contention that is also relevant in this investigation of entrepreneurship. It is, therefore, of critical importance to elucidate ethnic minority entrepreneurial activities, as doing so will enable the planning and implementation of initiatives for mobilizing resources effectively towards not only encouraging, but also ensuring the success of, such entrepreneurial activities and their contribution to the UK economy. Hence, the aim of this paper is to explore the dynamics of entrepreneurial activity undertaken by Eritrean citizens from a refugee background in the UK and scrutinize the factors which shed light on their entrepreneurial propensity, as well as elucidating the success or failure conditions of their entrepreneurial behavior. In doing so, this paper aims to uncover the factors that may explain the above propensity, as well as the success or failure factors of their entrepreneurial activities and specifically thereby addresses three research questions:

1. What factors (barriers/enablers) play a role in Eritrean entrepreneurial decisions?
2. How does knowledge and social capital shape the outcome (success or failure) of Eritrean entrepreneurship?
3. What cultural (including colonization-induced) and political factors explain the outcome (success or failure) of Eritrean entrepreneurship?

Section 2 outlines relevant literature and theory being addressed in the paper. In Section 3 its methodology is described and justified, in Section 4 the data are analysed (including a contextual review of Eritrea and Eritreans), and in Section 5, we conclude the paper

## 2. Entrepreneurship: Drivers and Success or Failure Factors
Although one of the central foundations that has featured in the discourse in relation to ethnic minority entrepreneurship is culture, a development that is connected to the long standing importance attached to culture in management (e.g. Hofstede, 1994; Opute, 2014) and contingency (e.g. Kotler et al., 2006; Opute, 2012; Opute et al., 2013) domains, other arguments are based on economic aspects (Preisendörfer et al., 2012; Clark and Drinkwater, 2000), mixed embeddedness (Kloosterman et al., 1999; Kloosterman and Rath, 2001; Barrett et al., 2002) and structuralist approach (Virdee, 2006; Deakins et al., 2007; Jones et al., 2012; Ram et al., 2008). These foundations are beyond the scope of this paper but nonetheless serve as useful backdrops. Instead, we consider general factors influencing the success or failure of ethnic minority entrepreneurs (2.1) followed by a review of specific barriers and challenges faced by refugee entrepreneurs.

*2.1 Factors that Influence the Success or Failure of Ethnic Minority Entrepreneurs*
Abedin and Brettel (2011) suggest that culture is a common feature that immigrants bring with them, and consequently, acculturation is a necessity in their new place of abode (Berry, 1997). Developments across diverse literature domains underline the importance of these constructs. According to Hill et al. (2005), ethnicity implies common values and practices based on nationality, common ancestry, and/or common immigration experiences. Analysed in tandem with Abedin and Brettel (2011), it seems rational to conclude that different ethnic groups would have different cultures, hence prior literature conceptualizes ethnic groups as culture-bearing units (e.g. Barth, 1969; Imperia et al., 1985; Danes et al., 2008) and common group values and norms are core contributors to a sense of identity and to ways of perceiving, thinking, feeling and behaving that influence action in daily life (e.g. Chan and Lee, 2004; Opute, 2012; Opute, 2014; Kotler et al., 2006; Hill et al., 2005). Culture resides in interpersonal interactions within the family and between the family and its community (Hill et al., 2005). Acculturation has been examined in business scholarship predominantly through literature streams in cross-cultural management and marketing, especially immigrant consumers' buying behavior processes (Laroche et al., 2005; Torres and Briggs, 2007; Butt and Run, 2012). Typically, research in these streams mainly examines the ways in which migrants' acculturation impacts their behavior in their new country of residence.

Increasingly, subsequent literature has suggested the importance of networking and social capital as critical sources of knowledge for entrepreneurs (e.g. Arenius and De Clercq, 2005; Urban, 2011; Audretsch and Keilbach, 2004; Davidsson and Honig, 2003). In the networking context, researchers argue that the extent of networking that ethnic minority entrepreneurs engage in will influence their success or failure outcomes (e.g. Ekanem and Wyer, 2007; Ram and Deakins, 1995; McDade and Spring, 2005). According to Ekanem and Wyer (2007), entrepreneurs that network and interface with other entrepreneurs in their business domain would generate diverse relevant knowledge, for example about new products, marketing strategies, and the potential for new suppliers and gaining general industry and market information for further networking opportunities. According to further literature that supports the networking influence logic, ethnic entrepreneurs that maintain

close kinship and peer networks enjoy social capital benefits in terms of workforce, local clientele, and financial resources (Werbner, 1990; Qadeer, 2000; Wang and Altinay, 2010). These tight social networks provide adaptable and cost-effective possibilities for the employment of personnel, attainment of capital, and flow of information built on reciprocal trust among the members of the network (Werbner 1990).

In the context of the entrepreneurial activities of Eritrean refugees in the UK this study explores, it is important to understand that one crucial factor that might potentially shape their psyche is their long experience of war lasting over 30 years. Hence, reviewing existing literature in this regard is essential. According to the social capital literature, war characteristics influence the extent of social capital between humans. In this regard, scholars argue that social capital is enlarged by wars fought against a common external enemy (e.g. Putnam, 2000; Hyden, 1983). Prior studies show that in wartime civil and social engagements tend to soar. For example, Putnam (2000: 267) argues that membership of civic associations grew after World Wars I and II in America. Skocpol's findings also show that this was true not only during the two world wars, but also throughout American history (cited in Putnam 2000, p, 267).). Putnam (2000) offers insights that connect to that logic and states, "World War II, like earlier major wars in U.S history, brought shared adversity and shared enemy. The war ushered in a period of intense patriotism nationally and civic activism locally. It directly touched nearly everyone in the country" (p.268). The degree of civic and social engagement reflected in reciprocal, cooperative, and voluntary action, as well as the spirit of self sacrifice, grew dramatically in proportion to the intensity of the perceived threats posed by the common enemy (ibid). This behavioral pattern connects to the "economy of affection" view, which, as Hyden (1983, p.8) defines, *"denotes a network of support, communications and interaction among structurally defined groups connected by blood, kin, community, or other affinities, for example religion".*

The literature on ethnic minority entrepreneurial activities identifies two typologies of economic factors that influence the venture's outcome in terms of either success or failure: human capital and finance. In studies testing for human capital influences, these scholars suggest that the mysterious variations in economic success between various ethnic groups persist (Darity, 1989, 1982; Darity et al., 1996; Black et al., 2011; Carneiro et al., 2005; Lang and Manove, 2011). Another economic factor that has been mentioned in the literature on ethnic minority entrepreneurship is finance with literature suggesting that black-owned businesses in particular face greater problems in accessing finance than white-owned businesses (Jones et al., 1994; Bank of England, 1999; Ekanem and Wyer, 2007; Department for Communities and Local Government, 2013).

*2.2 Barriers and Challenges Faced by Refugee Entrepreneurs*
The literature on ethnic minority entrepreneurship asserts that refugee entrepreneurs face major challenges (e.g. Lyon et al., 2007). This body of literature identifies the key constraints of refugee entrepreneurs to include a lack of access to 'ethnic resources' (Waldinger, 1990) and social capital (Flap et al., 2002; Lyon et al., 2007) generated within well-established ethnic groups, factors underlined by the literature as critical resources for enterprise formation and growth.  Another major constraint faced by this unique category of immigrants, who notably are mainly from East and West Africa as well as West Asia, is a lack of understanding of the institutional context when coming from different cultures (Vertovec, 2007). The barriers faced by refugee entrepreneurs are summarized in the following order: (1) immigration status, (2) employment difficulties, (3), linguistic and skills factors, (4) financial factors, (5) discrimination, and (6) cultural factors.

First, according to UK immigration regulations (Goodson and Phillimore, 2004), not all migrants or asylum seekers are allowed to be employed or to be self-employed. In the case of refugees, they are usually granted only five years of leave to remain in the UK, and could face deportation thereafter, if the circumstances in their country of origin are judged to have improved (Lyon et al 2007). Explaining this fact, Sepulveda et al. (2011) propose that channels of migration and related legal statuses play a critical role in the way in which people go into business and the type of business they set up. Refugee entrepreneurs are usually unsure whether they would be granted discretionary leave to remain, and they operate in a context which often acts to undermine their will and commitment to a business venture and deter them from making further investments (Vertovec, 2007). Moreover, refugees by default are new to an area which restricts their ability to access resources from the formal sector (e.g. bank finance), a situation that is even worsened by the fact that many arrive in a destitute state and are unable to provide the necessary assurances and documents in relation to personal identity and a permanent home address (Lyon et al., 2007).

Second, people from ethnic minority backgrounds face significant discrimination in the UK labor market (Blackburn and Ram 2006; Ram 1992). Refugees, as a major part of such groups, encounter additional employment and training related challenges, e.g. language problems, cultural barriers, and damaging perceptions on the part of employers (Lyon et al 2007). As a consequence, there is a high unemployment rate within the refugee community (ibid.). According to the literature, refugees and new migrants who are in waged employment are often under-employed, and in low-skilled and low-paid work that does not reflect their education, talents or experience (e.g. Mason, 2000; Vershinina et al., 2011). These unemployment issues contribute to long-term difficulties for refugees. For example, in the major study of Indochinese refugees, Rumbaut (1991) found that those not in the labor force reported significantly higher levels of stress. A US study suggests that among US-resettled refugees, those in receipt of welfare payments were more likely to experience mental health problems (Westermeyer et al., 1983). Extending these theoretical contentions, Jones et al. (2012) report that people unsuccessful in gaining employment typically experience substantial downward mobility, with consequential threats to self-esteem as well as to their standard of living.

Third, as Jewson et al. (1990) note, are communication difficulties. In other words, high rates of joblessness and low job levels can be attributed to deficient English language skills, a logic that finds support in Brown (1984) who suggests that those who have poorer English skills face more difficulties in the labor market. Another commonly encountered explanation is that minority ethnic workers suffer from a skill or qualification deficiency when compared to their white counterparts (Jewson et al., 1990).

Fourth, some ethnic groups face particular difficulties in accessing external finance, particularly African-Caribbean owned businesses (Ram and Deakins, 1995; Irwin and Scott, 2010; Deakins et al., 2007; Fraser, 2009). These studies have shown that the main problems faced by ethnic entrepreneurs (some of whom are from refugee backgrounds) relate to difficulties in obtaining bank financing. The lack of financing is compounded by social difficulties linked to discrimination and prejudice for ethnic entrepreneurs (Irwin and Scott, 2010).

Fifth, even when qualifications are accounted for, minority ethnic workers – including those from a refugee background – are more likely to be without a job or in lower job levels than their white counterparts (Jones, 1993). Consequently, it is difficult to avoid the assumption that discrimination on the part of employers plays an important role in the labor market disadvantage of minority ethnic groups (Modood, 1997), hence pushing minorities into entrepreneurship (Ram, 1992).

Sixth, cultural conflicts occur due to the differences in values and norms of people from diverse cultures (Kanter and Corn, 1994; Opute, 2012; Opute, 2014) such that a person behaves in accordance with values and norms of his or her culture; whereas another person possessing a different predetermined cultural perception might interpret his or her actions from an opposite perspective. This situation causes misinterpretation and could produce clashes. People from the indigenous Anglocentric culture may think that their behavior and beliefs constitute an ultimate norm, overlooking the fact that the Anglocentric culture is just one of the diverse cultures existing in the West (Alexander and Smelser, 1999). They may be unable to perceive their own cultural distinctiveness. The newcomers, in an effort to guard themselves from the 'new' culture's intrusiveness, often tend to shy away from interacting with the host, thus creating a conducive environment for more suspicion, misunderstanding, division and segregation which are a recipe for cultural conflict (Opute, 2012).

## 3. Methodology and Methods

The methodological access to the complex social phenomenon in question was granted by using a variant of interpretivist-constructivist study. Being positioned in the social constructivist view (Berger and Luckman, 1966), and more broadly in the constructivist paradigm (Charmaz, 2000; 2006), this study shares the assumption that all meaningful reality is contingent upon human practices, constructed in and out of interaction between human beings and their world and developed within an essentially social context (Crotty, 1998, p.42). A qualitative approach offers the opportunity to understand participants ideographically, and explore meanings they attach to ideas, within their social reality (Bryman, 1988), thus facilitating the understanding of bio-psycho-social phenomena (Biggerstaff and Thompson, 2008). Since the study aims for a deeper understanding (Golafshani, 2003) of such phenomena), it employed Interpretive Phenomenology (IP) as suggested by the relevant literature (e.g. Andrade, 2009; Fade, 2004; Biggerstaff and Thompson, 2008; Charmaz, 2006). An interpretive approach provides a deep insight into "the complex world of lived experience from the point of view of those who live it" (Schwandt, 1994, p.118) and was specifically developed to facilitate the rigorous exploration of subjective experiences and social cognitions (Biggerstaff and Thompson, 2008). Thus, interpretive phenomenology was deemed fit to achieve a holistic understanding of the entrepreneurial activity of Eritreans in the UK from refugee backgrounds.

Specifically, this study utilizes grounded theory (Glaser and Strauss, 1967; Andrade, 2009; Charmaz, 2006) to benefit the theory building in the field of ethnic minority business (EMB). This approach is consistent with aiming to inform entrepreneurship research by generating new theoretical input. The study embraces the more flexible approach of grounded theory, which recognizes that interaction between the researcher and the participants is necessary in order to understand the meaning of the experiences shared during the research process (Charmaz, 2000; Lincoln and Guba, 1985). In that regard, the researcher heeds Charmaz's (2006) and Glaser's (2001) advice to view grounded theory methods as flexible guidelines and not methodological rules.

The population of this study consists of ethnic minority businesses in the UK (EMB), owned and run by Eritreans from a refugee background. As there is no general database of Eritreans and Eritrean businesses in the UK and as they have not been studied as a social group, an access to our field of research posed a significant challenge. However, a rigorous, three-stage process was followed enabling the achievement of theoretical saturation (Strauss and Corbin, 1992) through purposive sampling (Guest et al., 2006). In the first stage, eight businesses (and respondents) were selected: three Eritrean entrepreneurs were initially identified, and using a snowballing approach – particularly useful for undertaking research on sensitive topics and accessing 'hidden' (or so-called hard-to-reach) populations and achieving sample size targets (Hendricks and Blanken, 1992; Ram et al., 2008) – a further five Eritrean entrepreneurs were identified. As more new and previously unmentioned themes and categories begin to emerge, it became pertinent to increase the number of participants in order to reach data saturation. Combining theoretical sampling logic (e.g. Andrade, 2009; Dey, 1999) and the snowballing approach (Hendricks and Blanken, 1992; Ram et al., 2008), a further 14 participants were interviewed. Taking a lead from grounded theory texts on theoretical sampling, these subsequent participants (including also participants in a third phase) were selected from wider geographical locations (Glaser, 1992). Given that theory building is the major target of this study, a cue was taken from Andrade (2009), who achieved theoretical saturation after 38 interviews. As a result, 10 more participants were interviewed in the third phase. Thus, the final sample included 32 Eritrean EMBs.

One of the authors conducted semi-structured, in-depth interviews with ethnic minority entrepreneurs in the UK, who are not only Eritreans but also have a historical refugee background. The interviews typically lasted between 60 and 90 minutes. To ensure that each discussion addressed the research questions, an interview guide was created which served as a reference point for the researcher and, in particular, as a final check before closing the interview. Admittedly, Glaser (1967) advises against any form of interview guide; however, the classic grounded theory school (e.g. Charmaz, 2006) offers a contrasting view.

Interviewees were encouraged to talk about their experiences and feelings using essentially open questions to explore their attitude towards establishing – and their desire to establish – their own businesses to avoid channelling responses to fit existing theoretical frameworks. This approach occasionally resulted in much seemingly irrelevant 'chatter' but it was tolerated, and even encouraged. The participants often moved the discussion to areas of significant interest to the research, which had not previously been on the researcher's radar. At the very least, permitting the interviewee a fairly free rein to talk about what was important to him or her developed a rapport and trust. Rather than attempting to discover 'the truth' in a positivist fashion, the focus was on exploring thoughts, attitudes and feelings (Charmaz, 2006). The interview data were recorded on an audio device and transcribed verbatim. Recorded interviews were transcribed with optimal accuracy including, for example, indications of pauses, mis-hearings, apparent mistakes and even speech dynamics (Biggerstaff and Thompson, 2008). Field notes (Fade, 2004) describing the issues captured during the interviews were kept.

In analyzing the transcripts for each phase of interviews, this study followed the holistic multiple participant tradition involving a participant-by-participant approach. Thus, the researcher "went from descriptive codes with little interpretation towards pattern codes at a higher level of abstraction with more inference power, in order to differentiate and combine the gathered data" (Andrade, 2009, p.53). Codes assigned at any moment of the analysis were changeable, when necessary, along the analytical process in order to attain refinement (Miles and Huberman, 1994; Urquhart, 2001). In each stage of analysis, the researcher kept an analytical memo that recorded actions taken, and the nature and origin of any emergent interpretations.

| Demographics of EMBs and Respondents that participated in Interview | | | | | | |
|---|---|---|---|---|---|---|
| Participant | Resp. Age | Resp. Educ | Etrep. Activity | Yrs. of Existence | Ent. Exp. back home | Location |
| 1 | 31 - 35 | Elem. Ed. | Foods | 1 - 5 | None | London |
| 2 | 36 - 40 | Elem. Ed. | Foods | 1 - 5 | None | London |
| 3 | 31 - 35 | Basic | Merchand. | 6 - 10 | None | London |
| 4 | 36 - 40 | No ed. | Foods | 6 - 10 | None | London |
| 5 | 36 - 40 | BA | Merchand. | 1 - 5 | Yes | London |
| 6 | 41 - 45 | Elem. Ed. | Services | 1 - 5 | None | London |
| 7 | 31 - 35 | Eem, Ed. | Foods | 1 - 5 | None | London |
| 8 | 41 - 45 | Elem. Ed. | Services | 6 - 10 | None | London |
| 9* | 36 – 40 | No Ed. | Merchand. | 1 – 5 | None | NE |
| 10 | 36 – 40 | Elem. Ed. | Foods | 1 – 5 | None | NE |
| 11 | 41 – 45 | Basic | Merchand. | 6 – 10 | None | NE |
| 12 | 36 – 40 | No ed. | Foods | 6 – 10 | None | Manchester |
| 13 | 36 – 40 | No ed. | Foods | 1 – 5 | Yes | Manchester |
| 14 | 41 – 45 | Elem. Ed. | Services | 1 – 5 | None | Manchester |
| 15 | 31 – 35 | Elem, Ed. | Foods | 1 – 5 | None | Manchester |
| 16 | 46 – 50 | Elem. Ed. | Services | 6 – 10 | None | Manchester |
| 17 | 36 – 40 | No ed. | Foods | 1 – 5 | None | London |
| 18 | 31 – 35 | No ed. | Merchand. | 1 – 5 | None | London |
| 19 | 46 – 50 | Elem. Ed. | Mechand. | 1 – 5 | None | London |
| 20 | 46 – 50 | BA | Services | 6 – 10 | None | London |
| 21 | 36 – 40 | Elem. Ed. | Foods | 6 – 10 | None | London |
| 22* | 46 – 50 | BA | Services | 11 – 15 | Yes | London |
| 23** | 46 – 50 | No ed. | Merchand. | 1 – 5 | None | Leeds |
| 24 | 36 – 40 | No ed. | Merchand. | 6 – 10 | None | Leeds |
| 25 | 31 – 35 | Elem, Ed. | Foods | 11 – 15 | None | Leeds |
| 26 | 36 – 40 | GCSE | Foods | 11 – 15 | None | Leeds |
| 27 | 36 – 40 | No ed. | Services | 6 – 10 | None | Birmingham |
| 28 | 31 – 35 | Elem, Ed. | Merchand. | 6 – 10 | None | Birmingham |
| 29 | 31 – 35 | No ed. | Services | 1 – 5 | None | Birmingham |
| 30 | 46 – 50 | Elem, Ed. | Services | 6 – 10 | None | Birmingham |
| 31 | 41 – 45 | GCSE | Merchand. | 1 – 5 | None | Birmingham |
| 32** | 41 – 45 | No ed. | Services | 6 – 10 | None | Birmingham |
| Key: 1 to 8 indicate participants for the first phase of companies and respondents; 9* to 22* indicates participants for the second phase interview, while 23** to 32** represents participants for the third phase of interviews. Merchand. = Merchandizing; No ed. = No basic Education; Elem. Ed. = Elementary Education | | | | | | |

We analysed the data using grounded theory procedures. According to the interpretive phenomenological research design, theoretical coding involves initial codes, focused codes, categories and themes (Strauss, 1987; Strauss and Corbin, 1990). The initial coding of each interview was transported to a table for further analysis, refinement and clustering. The following interview stage produced similar coding, which was transported to a separate table, with an additional table created to cluster the codes of the two interviews. Based on the significance, frequency and conceptual similarities, the codes were grouped and were given descriptive names. Some of the codes were discarded as they did not fit with the emerging structure and had weak evidential base. Then categories were created capturing theoretical codes and specifying possible relationship between them. In the next step, these categories were clustered into super ordinate themes based on their relationship with the setup and/or successful operation of respondents' entrepreneurial undertakings. A master table was then created summarising all the codes and categories created thus far. The same process applied for the second and third stage. All the categories emerged from the three phases were subsequently compared and refined. The findings reflected the above themes and categories and were presented so that two different contexts of entrepreneurial activities i.e. set up and operation, could be relatively easy to explain. Although the factors that affect both contexts might be similar, we decided to include them for the benefit of the non-specialist readers.

After completing the coding and identification of themes, a master list or table of themes was developed. Following Biggerstaff and Thompson (2008), the emergent themes were located in an ordered system that identified the core features and concerns identified by the respondent. In deciding on the themes, the researcher made sure that they are not only selected purely on their prevalence within the data, but also considered the richness of the selected text and how the theme knots together with other aspects of an individual's account (Biggerstaff and Thompson, 2008; Smith and Osborn, 2007). Drawing on methodological guidelines (e.g. Andrade, 2009; Sbaraini et al., 2011; Bowyer and Davis, 2012; Charmaz, 2006; Rodon and Pastor, 2007), the step by step grounded theory data analysis process followed in this study is summarized in Figure 1.



**Figure 1: Grounded Theory Approach to Data Analysis Utilized in this Study**

Source: Author. Methodological insights adapted from Sbaraini et al 2011; Andrade, 2009; Fade, 2004; Rodon and Pastor, 2007; Charmaz, 2006.
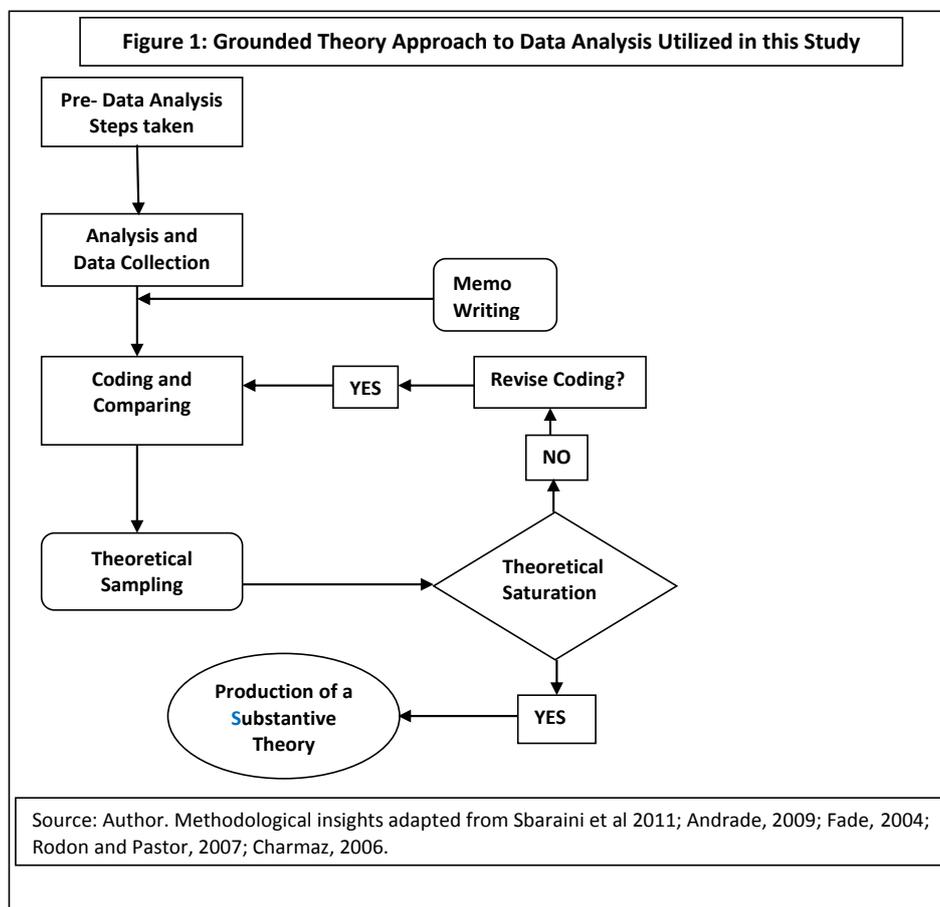
The iterative approach used in this research contributed to achieving a framework that includes a set of broad categories (selective codes) and associated concepts that describe the salient events, experiences and associated consequences (Charmaz, 2006). After reaching the point of saturation with respect to the core categories that emerged, we began the final analytical process of scrutinizing the entrepreneurship and ethnic minority business literatures for models, frameworks or theories that might be relevant to the findings of the study. The emergent categories were scrutinized against three main focal points of theoretical interest identified previously: *family (including culture) and entrepreneurial activity* (e.g. Danes et al., 2008; Duncan et al., 2000; Puryear et al., 2008, Brenner et al., 2008*); social, human and financial capital and entrepreneurial activity* (e.g. Ekanem and Wyer, 2007; Lyon et al., 2007; Ram et al., 2008) and *politics, discrimination and entrepreneurial activity* (e.g. Ram et al., 2008; Kloosterman and Rath, 2001; Rath, 2000). Those emerging themes and categories enabled to specify our tri-modal research focus:(1) factors (barriers/enablers) playing a role in Eritrean entrepreneurial decisions; (2) the role of knowledge and social capital in shaping the outcome (success or failure) of Eritrean entrepreneurship; and (3) cultural and political factors explaining the outcome (success or failure) of Eritrean entrepreneurship. Thus, informed by the methodological mapping of emerging themes and categories, the paper seeks to explore the dynamics of entrepreneurial activity undertaken by Eritrean citizens from a refugee background, as well as to elucidate the success or failure conditions of their entrepreneurial behaviour.

# 4. Analysis and Discussion

## 4.1 Eritrea and Eritreans in context

It could be expected that cultural and historical background of Eritrean refugees might be an important factor shaping the psyche and "programming of mind" (Hofstede, 2001, p.9) of Eritreans, which might also influence their entrepreneurial propensity and outcomes in terms of success or failure. By addressing this issue, we also address the call for further contextualization of understanding entrepreneurship and entrepreneurial behaviors (e.g. Zahra, 2007; Zahra and Wright, 2011; Zahra et al., 2014).

With an estimated population of about five million, Eritrea has nine ethnic groups and six provinces (Iyob,1997). One of the youngest nations in the world, Eritrea officially became independent from Ethiopia in 1993 after a devastating war that lasted over three decades (Hepner, 2009). Eritrea's modern claim to be a separate territorial and national identity is based on the successive external powers which sought to maintain control over the region (Connell, 2003). Their conquest and occupation drive continued in a more or less unbroken historical chain, with three major groups and periods, namely, Italian colonialism (1890-1941), British Military Administration (BMA; 1941-1952) and the Ethio-Eritrean Federation (1952-1961) which culminated in Ethiopian annexation, and subsequent armed movement for liberation in 1961 (Iyob, 1997). In the thirty-year period from 1961 to 1991, Eritrea experienced several brutal wars with a war of independence from imperial Ethiopia (Hepner, 2009; Kibreab, 2008). A great number of people left. For the Eritrean nationals that remained behind, leaving the country was not an option, rather they mobilized to drive their resistance through armed struggle emanating in the formation of many liberation fronts, the main two being the Eritrean Liberation Front (ELF) and Eritrean People's Liberation Front (EPLF) (Iyob, 1997), which over the years were engaged in many wars. The ELF versus Eritrean People Liberation Front (EPLF) war was fought intermittently between 1970 and 1982 and remains the most critical – albeit least understood – war in modern Eritrean history (Hepner, 2009), followed by the Provisional Government Era (1991- 1998) when the struggle against Ethiopian domination ended with a military and political victory for Eritrea. However, Eritrea was also involved in a brutal war with Ethiopia in the period 1998-2000 (Wrong, 2005) impinging a devastating effect on Eritrea as a nation (Hepner, 2009; Kibreab, 2008) in that: (1) over a million Eritreans were displaced; (2) the economy was seriously impaired as Eritrea lost its economic assets, e.g. a significant portion of its territory in the agriculturally important west and south was occupied by Ethiopia; and (3) the political development, including relations with its Ethiopian neighbours, which had improved massively in the seven years prior to this war, was paralyzed.

As a result, hundreds of thousands of Eritrean and Ethiopian guerrilla fighters, soldiers and civilians perished (Caputo, 1996) with almost all Eritrean families suffering the social damage, having lost relatives and close friends (ibid.). Thousands of Eritreans fled the country thus disengaging from their families for the rest of their lives. No governmental relief in the form of training and rehabilitation was offered (Doornbos and Tesfai, 1999). The seeking of survival and independence fostered solidarity, comradeship, mutual sacrifice and determination to engage in cooperative and collective action (Murtaza, 1998) with civic and social engagement reflected in reciprocal, cooperative, and voluntary action, as well as the spirit of self sacrifice, growing dramatically (Pateman, 1990; Connell, 2003).However, the social and economic effects were disastrous: more than 40,000 soldiers lost their lives in the border area alone, in addition to the thousands of civilian lives being lost. Not only were the economic assets taken over by Ethiopia, but with the huge investment in this war hardly any resources existed to attend to the economic needs of Eritreans (Connell, 2003). The World Bank estimates that Eritreans lost livestock worth millions of dollars (Tesfagerghis and Gebremedhin, 2008). The psychological damage of those historical developments was also significant. As the direct consequence of the colonial history, the persistent anti-hegemonic resistance movements emerged (Novati, 2009). Despite its effective management advantage, colonialism led to chronic instability driven by dissent, protest against the occupation, loss of sovereignty, and the expropriation of community goods (Novati, 2009). Those contextual aspects should not be forgotten when our findings associated with Eritreans' perception of each other and their willingness to integrate and work with each other are discussed.

## 4.2 Empirical Findings

The focus of this study is to illuminate the pre-start up and post-start up (success or failure) factors of the entrepreneurial activity of Eritrean refugees in the UK. Presenting the findings separately is necessary to allow the reader to have a better understanding of these two contexts. Moreover, due to methodological need to present findings as they emerged (Charmaz, 2006; Bowyer and Davis, 2012; Cooper et al., 2012), they are grouped in two clusters: *the Factors that contribute to (or hinder) Entrepreneurship Start-up of Eritreans with Refugee Background in the United Kingdom* and *Factors that Explain the Success or Failure of Eritrean Refugee Businesses in the UK*.

4.2.1 Factors hindering and contributing to entrepreneurship start-ups of Eritreans

These factors include: (1) Cultural background as a decision making factor in entrepreneurial start-up; (2) Finance as a decision making factor in entrepreneurial start-up; (3) Management knowledge and experience as a decision making factor in entrepreneurial start-up; (4) Contacts and networks as a contributor to entrepreneurial start-up; (5) Language and culture (of the foreign country) as a hindrance to entrepreneurial start-up; and (6) Government immigration policies as a hindrance to entrepreneurial start-up.

**Cultural background as a decision-making factor in entrepreneurial start-up.** From the overall findings of this study culture emerges as a major factor in the entrepreneurial start up decision making process of Eritreans in the UK. Participants indicate that their cultural background plays a major role in their mind-set.
In discussing the cultural findings, it is important to mention that two interesting trends were captured regarding the influence of culture on entrepreneurship. First, while Eritreans from a refugee background may lack the confidence to step into the unknown and engage in entrepreneurial activities, this for them in general is not a common practice due to their cultural upbringing. Secondly, Eritreans, like Africans of other origins, are raised up in a culture that promotes a strong family bond. Therefore, as the comments below suggest, Eritreans show a strong bond to other family members, and even the extended family members back in Eritrea.

> "*I have big commitment to my family members back home in Eritrea and Africa, ...., So, it is therefore understandable that I was very cautious about starting my own business. Nobody could guarantee me that the business will be a success [and the potential business failure would also imply failing the ones who stayed behind]. I do not take risks, ...* " - (Interviewee 3).

**Finance as a decision making factor in entrepreneurial start-up.** This study highlights finance as a major decision making factor in the entrepreneur start-ups of Eritrean refugees in the United Kingdom. Participants unanimously agree that having financial constraints is a core explanatory factor for the lower level of their entrepreneurial activities.
In explaining their perceptions of the influence of finance in entrepreneurial start-up decision making, the respondents mention three major avenues by which prospective entrepreneurs source funding for their start-up. These three options include loans from the banks, start-up capital from the government, financial support from the family and contacts. Interview results showed that, while several respondents explored the option of sourcing finance through government grants to aid start-up and bank loans, their hopes were dashed as their applications were rejected. Respondents reported a sense of frustration in the rationale behind the rejection, which included insufficient justification of the feasibility of the proposed business plan, but was often inadvertently perceived in terms of the government's effort to curtail spending..

> "*I wonder if the banks really evaluate the proposals put before them or they are just out there to frustrate people, .... They even make unrealistic demands.*" (Interviewee 8).

The direct implication of these failed aspirations is that applicants are forced to either see their entrepreneurial dreams as dead or explore other potential sources of finance.

**Management knowledge and experience as a decision making factor in entrepreneurial start-up.** The study suggests that the management knowledge and experience of an individual may influence the individual's decision concerning whether to initiate a new business or not. Interviewees 22 stressed the role of management knowledge and experience in the entrepreneurial start-up, thus:

> "*Personally, the fact that I had a good knowledge of management in the entrepreneurial setting played a major role in my decision to start up my own business* ' (Interviewee 22).

Interviewee 29 adds:

> "*As advised by a friend, I did a short management course, and when I completed it a strong desire to implement the knowledge gained grew stronger daily, leading eventually to the decision to start my own business.*"

These insights show the value the respondents place on management knowledge and experience.

**Contacts and networks as a contributor to entrepreneurial start-up.** According to this study, the propensity of Eritrean refugees to engage in entrepreneurial start-up is highly influenced by the contacts and networks they keep. In other words, Eritrean refugees that keep good contacts and networks are more likely to initiate entrepreneurial ventures as a result of relationships emerging from those networks. Interviewee 21, who had some degree of management experience through contacts with people experienced in running their own businesses, highlights the importance of contacts and networks in business dynamics.

> "*When I arrived to this country I was fortunate that I had contact with a fellow Eritrean who had a business and who also allowed me to seewhat he does and how he does it. Through the knowledge I gained by watching what he does, I acquired skills that motivated my desire to have my own business.*" (Interviewee 21).

Empirically, in addition to the motivational start-up benefits, such contacts and networking enabled Eritrean refugees with entrepreneurial ambitions to access finance easily and they also gained business experience as highlighted above.

The evidence shows a case of strong contact building and networking of Eritrean entrepreneurs with people in their cultural domain only. For example, responding to the question 'did you have contacts and network with people outside the Eritrean cultural domain?', Interviewee 5 commented thus:

> "*No, I did not see any need for that. My culture teaches me to mind my own business...'* (Interviewee 5).

These lines of evidence further cement the critical importance of the cultural influence on the behavioural patterns of Eritreans, which may further explain why Eritrean entrepreneurs, although they may operate in the same business domains as other ethnic groups, do not even network with their members.

**Foreign language and culture as a hindrance to entrepreneurial start-up.** Language and culture barriers are another major hindrance to Eritrean refugees engaging in entrepreneurial start-ups.. Interviewees indicate that Eritrean refugees are very reluctant to engage in entrepreneurial start-ups because they are strongly oriented towards their country-of-origin culture and are not keen toy embrace elements of a foreign culture. Because they want to remain in their Eritrean cultural domain, the interviewed refugee entrepreneurs resist contrasting cultural orientations and language. As a result of this behavioral tendency, and as mentioned above, they hardly interact with people beyond their cultural domain. Interviewee 15 comments:

> "*I am happy with what I am doing and I don't need any other language.*"

The consequence of the linguistic and cultural barrier is two-fold. Firstly, those entrepreneurs are not able to take advantage of existing opportunities and resources that acculturation may offer and are, therefore, not able to start up businesses that can leverage such opportunities. Secondly, when they do decide to start a new entrepreneurial venture, the only option is to engage in business activities exclusively designed to serve the Eritrean social group, an option that is faced with a high risk of failure, considering the limited population of Eritreans in the UK.

**Government immigration policies as a hindrance to entrepreneurial start-up.** A further insight from this study is that the willingness of Eritrean refugees to engage in entrepreneurial start-ups is a function of their individual experience in relation to the UK government's policies. Based on the overall evidence, this study suggests that UK immigration and regulatory policies exert a negative influence on the propensity of Eritrean refugees to engage in entrepreneurial start-ups.
In recounting their experience, interviewees were of the opinion that racism and discrimination were and still are characteristic features of their negative experience in the UK society. According to these interviewees, these are core, hidden factors that explain unfriendly and provocative behaviour not just from government personnel towards Eritrean refugees generally, but also in the wider community, a situation which has deeply rooted interpretations in the mind of the victims.

> "*If I am in a society where I am discriminated against, obviously because of my background, it sends a clear message - I am not wanted in that place.*" (Interviewee 28).

Experiences of the nature flagged above, driven primarily by racist and discriminatory energy, demoralise the victims and deter them from behaving in ways that reflect attachment and commitment to the context of that experience. According to the Interviewees, these negative experiences intensify the desire to want to return back to Eritrea, where, in the words of Interviewee 16,

*"Eritreans can be who they are and would not be discriminated against, insulted, nor called liars."*

4.1.2 Factors explaining the success or failure of Eritrean Refugee Businesses in the UK

This group of factors includes (7) Management Know-How, (8) Finance, (9) Knowledge of the Market, (10) Culture and Language [UK], (11) Eritrean Culture of Risk Aversion and lack of Innovativeness; and (12) Contact and Networking.

**Management know-how and experience.** The level of management knowledge and experience of the entrepreneur is a major determinant of success or failure in the entrepreneurial activity of Eritrean refugees in the United Kingdom. The overall evidence suggests that Eritrean refugee entrepreneurs in our sample are very likely to succeed if they have some degree of management knowledge and experience. On the other hand, entrepreneurs that lacked management knowledge and or experience showed strong failure tendencies. For example, Interviewee 32 comments:

> *"One of the major problems I am having in running my services business is lack of management knowledge and experience. "*

According to the interviewees, the extended consequences of the lack of management knowledge and experience include failures in four areas: (1) to adopt proactive initiatives in responding to the developments in the market, (2) to utilise social capital benefits, (3) to benefit from opportunities and expand the business, and (4) to cooperate with relevant stakeholders. Furthermore, an overwhelming majority of the failing entrepreneurs in this study demonstrated a strong tendency to fail to utilize opportunities and expand their business, evidence that connects to the contention that product line extensions, diversification of products and services, as well as targeting new users of products and services are core growth strategies of ethnic minority businesses (Basu, 2011).

**Finance.** One of the core factors that explain the performance outcome, whether success or failure, of some Eritrean owned businesses is finance. This finding reinforces previous research, which underlined the central importance of finance to ethnic minority businesses (e.g Ram et al, 2008). From the overall evidence captured in this study, more than half of entrepreneurial start-ups that are doing well, and the majority of those that are not doing well, perceived finance as instrumental to their success or failure respectively. For the former, Interviewees generally believe that their ability to access funding, mainly through social networks or 'self-help strategies" (Ekanem and Wyer, 2007: 146), enabled them to seek ways of stabilising their businesses, for example by undertaking market analysis, improving the range of products/services they offer, exploiting new opportunities in the market, etc. An interviewee stresses that:

> *"My business has grown over the past three years and one of the major reasons for this is that money has always been available to undertake necessary initiatives. For example, we can respond quickly to match market developments. When I started my business, I worked alone, but now I have two people working with me."* (Interviewee 22).

For the latter, interviewees recognise constraints to their business growth caused by undercapitalization or limited access to finance:

> *"This entrepreneurship journey has been very tough from the start and finance has been the major issue. It was very difficult for me to find the finance to start my business and this problem is also the major factor why my business is failing. "* (Interviewee 23).

**Knowledge of the market.** This study suggests that whether Eritrean refugee entrepreneurs in the UK succeed or fail is also a factor of their knowledge of the market. Interview results suggest that entrepreneurs with a good knowledge of the market have a higher chance of succeeding as they can align their operations to fit with the market environment. For example, a respondent who had a three years training (apprenticeship) in his area of business prior to his entrepreneurial start-up commented:

> *"The fact that I decided to do a three years training is helping my business so much.... The knowledge and experience gained, I must say, are even of more significance to my business than money."* (Interviewee 30).

If you do not have a good knowledge of the market, you cannot recognise promising market opportunities let alone try to utilise them. Interviewee 24 explains his failing business and impact of lack of market knowledge thus:

> "*When I decided to start a business I was so eager and I thought once I get the starting capital everything will be fine. As time went on though I became more aware of the importance of knowing the market. One problem here too is that we Eritreans don't mix up with people from other cultures, so we cannot learn from people who may know the way things work in the market.*

**Foreign culture and language.** The reluctance of Eritrean refugees to embrace the culture and language emerged as another factor that contributes to the failure of their entrepreneurial activities.

The Section 4.1.1 mentioned the important role cultural background plays on the psyche of Eritrean people, and how it negatively influenced their willingness to engage in entrepreneurial activities. Further influence of their cultural inclination is found in relation to what explains their business failure in the UK context. This study reveals that some Eritrean refugees in the UK fail in their business activities because they show a tendency to remain in their cultural origins and reject the culture and language of their new-found home, two fundamental integration and economic engagement factors (Waxman, 2001; Opute, 2012; Opute et al, 2013). The majority of the interviewees whose businesses are not doing well indicated that they do not engage with culture and language of the host country and that itis adversely affecting their business fortunes, but also remind that it is very important for them to retain their culture.

> "*I don't want to lose my culture. That is why I keep my eyes firmly fixed on my country and have a good link with people from my country and in my country.*" (Interviewee 12).

Other respondents not only indicate an unwillingness to learn English or to embrace values of the host country, but also suggest possible reasons that drive thinking and the resistant position of Eritrean refugees to the British culture and language. For example, they stay connected to people back home and show a strong desire to return back to Eritrea which they see as their true home. Also, while the evidence suggests that lack of understanding of the English language and culture contributes to failure of entrepreneurial ventures owned by Eritreans from a refugee background, a further insight that emerged is that – in addition to their desire to return back to Eritrea – one other major factor that makes them distance themselves from the British language and culture is their experience with British people and authorities. The majority of interviewees commented that they were discriminated against and sometimes even treated as if they were criminals.

**Eritrean propensity of risk aversion and lack of innovativeness.** According to the entrepreneurship literature, creativity and risk-taking are core prerequisites for successful entrepreneurial behavior (e.g. Drucker, 1985; Simon et al., 2000). This study finds a strong risk-averse behaviour amongst Eritrean refugee entrepreneurs. Empirically too, entrepreneurial ventures owned by Eritrean refugees in the UK often fail because the Eritrean owners display a propensity of risk averseness and short-termism often reflected in the form of lack of innovativeness. A plausible explanation, as captured in this study, is that Eritreans incline so heavily to their own cultural values and established ways of approaching life (see Section 4.1.1), with a major weakness being that they lack courage to take bold steps or rather step into the unknown. Another plausible explanation for their risk averse operational behaviour found in this study is that the behaviour of the Eritreans is largely shaped by a long experience with war and poverty. As Interviewee 10 explained,

> "*trying new things and bringing fresh ideas into the business can help the business, but not only does that involve money, but also you cannot be sure if it would bring positive results ..... People are waiting for me to feed them back in my country*". Interviewee 10

Overall, while the Interviewees perceive that taking risks and being proactive and innovative could help revive their businesses, their decision making is more influenced by the uncertainty associated with the outcome. Therefore, believing that *'one bird in hand is more than 100 in the bush'* (Interviewee 11), they stick to this operational approach, even though it might lead to a serious consequence of complete failure of the business.

**Contact and networking.** According to the literature, almost all ethnic entrepreneurs heavily utilize their social networks as central source of social capital (e.g. Kloosterman, 2010; Jones et at., 2012). Further literature that connects to this foundation suggests a strong relationship between the possession of social capital and economic growth and business success, especially for ethnic minority entrepreneurs (Fregetto, 2004). This study suggests networking and possessing contacts as central contingencies in the entrepreneurial activities of Eritrean refugees in the UK. With respect to success or failure of minority businesses, the study proposes that the chances of the former or the latter being the case will depend on the ability of the entrepreneurs to align strategically their networking to their business environment. The comments below explain how these factors contribute to the success (or failure) of Eritrean refugee entrepreneurial endeavours.

"*Personally, I would say that not having contacts and not networking with other entrepreneurs in the area of business can have adverse effects on a business. If I had good contacts and network, that could enable me to access finance and business skills and initiatives to help my business grow*". (Interviewee 24).

## 5. Conclusions

Given the lack of a single study conducted on Eritrean minority entrepreneurial activities in the UK and also scant understanding of the dynamics of entrepreneurial activities amongst minority ethnic groups – e.g. factors feeding into their start-up decisions, and what contingencies explain the success or failure of their entrepreneurial activities – we sought to address these questions in order to enhance the theoretical foundations of research into such entrepreneurial activities, as well as identifying roadmaps for managerial initiatives to ensure their success and increasing their contribution to the UK economy. Thus, this paper has been inspired by the need to address the aforementioned research gap in the extant literature. In order to do so, the study focuses specifically on Eritrean entrepreneurial activities, a domain that has previously not received empirical attention, building upon seminal research of long-time settled minority groups such as South Asians and Chinese (Ram et al., 2008; Jones, 1981). In attempting to understand the dynamics of Eritrean run businesses in the UK, this paper has aimed to uncover the factors that may explain their entrepreneurial propensity, as well as the success or failure factors of their entrepreneurial activities and specifically thereby address the three research questions: (1) What factors (barriers/enablers) play a role in Eritrean entrepreneurial decisions? (2) How does knowledge and social capital shape the outcome (success or failure) of Eritrean entrepreneurship? (3) What cultural (including colonization-induced) and political factors explain the outcome (success or failure) of Eritrean entrepreneurship?

The results indicated that entrepreneurs demonstrate strong ethnically driven behavior in their business activity, which points towards the centrality of ethnicity features in the entrepreneurial dynamics of Eritrean refugees in the UK. Factors hindering and contributing to entrepreneurship start-ups of Eritreans included: (1) Cultural background as a decision making factor in entrepreneurial start-up; (2) Finance as a decision making factor in entrepreneurial start-up; (3) Management knowledge and experience as a decision making factor in entrepreneurial start-up; (4) Contacts and networks as a contributor to entrepreneurial start-up ; (5) Language and culture (foreign country) as a hindrance to entrepreneurial start-up; and (6) Government immigration policies as a hindrance to entrepreneurial start-up. Factors explaining the success or failure of Eritrean refugee businesses in the UK includes: (7) Management Know-How, (8) Finance, (9) Knowledge of the Market, (10) Culture and Language [UK], (11) Eritrean Culture of Risk Averseness and lack of Innovativeness, and (12) Contact and Networking.

In consequence, these entrepreneurs often depend on financial and knowledge support from family members and Eritrean contacts in their pre- and post-start up process. Another major insight that emerged from this research relates to the influence of political factors in terms of obstacles and discrimination experienced from both regulatory bodies and the UK community at large. Based on the overall evidence, the study suggests that social, human, and financial capital – as well as the degree to which cultural values are accepted, the level of proficiency in English language, and the risk-taking propensity of Eritrean refugees entrepreneurship – are the decisive factors of Eritrean refugee Entrepreneurship and that they may inform the wider reflection on the dynamics of ethnic minority entrepreneurship.

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