

Entrepreneurial aspirations among family business owners: An analysis of ethnic business owners in the UK

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Summarised by
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Finding of the paper in summary

This paper has contributed to our **understanding of the aims and aspirations of ethnic minority immigrant entrepreneurs who own businesses with a family and the family members.**

Albeit exploratory in its scope, the main conclusion from our analysis is that despite the importance of the family in their businesses, ethnic minority entrepreneurs are far from homogeneous in their overall aspirations and goals. It is **possible to distinguish between business-first, family-first, money-first and lifestyle-first aspirations or orientations.**

	Business-first	Family-first	Money-first	Lifestyle-first
Nature of business	More likely to be knowledge-based business			
Size of business	More likely to own large businesses		More likely to own small businesses	More likely to own small businesses
Business growth	More likely to be high			Less likely to be high
Family participation in business	More likely to be low	More likely to be high		
Family life cycle stage today		More likely to be at advanced stage (with working age children)	More likely to be at an early stage (young children)	
Hiring of professional managers	Most likely	Less likely		Less likely

Table XIV.
Types of entrepreneurs, by aspirations and business and family characteristics

This analysis indicates that **aspirations are influenced by the human capital endowments of entrepreneurs, as embodied in educational attainment and prior work experience.**

The latter plays a crucial role in **generating savings for investment in new ventures, in identifying new opportunities and in shaping the entrepreneur's aspirations towards a business-first orientation.**

Differences in family background also have an influence on future aspirations. Thus, an individual born into a business family might or **might not end up with business-oriented aspirations.** For instance, **lifestyle-oriented entrepreneurs** belonged to business families, **obtained higher educational qualifications,** and had a fairly **comfortable entry into business, with most relying on their families for financial support.**

On the other hand, our analysis suggests that an **individual born into a non-business or working class family** might find it more **difficult to gain a good education** but could nevertheless **acquire the "right" skills and experience and develop business-oriented aspirations.**

Aspirations may also be related to the migration motives and early experience of minority entrepreneurs. For instance, **money-first entrepreneurs mostly migrated in search of economic and financial advancement.** With **limited funds of their own and limited access to family funds,** they tended to **rely on bank finance at start-up,** which might have shaped their orientation towards making money to pay off bank debts.

Aspirations may alter with changes in entrepreneurs' family circumstances. Thus, **family-first entrepreneurs, who tended not to belong to business families, were at a more advanced stage in the family life cycle with grown-up children at the time of our interviews,** which might explain their family orientation.

Differences in aspirations are also found to interact with the **nature of business, the way in which it is managed, the recruitment of professional managers and entrepreneurial performance.**

For instance, business-first entrepreneurs display a **higher propensity to operate IT and professional service businesses, to recruit professional managers and delegate responsibility, compared with other groups.**

The direction of causation of this relationship merits further investigation, although an analysis of our interviews suggests that the interaction is in both directions, **behaviour and performance affect aspirations but aspirations might also affect behaviour and performance.**

The latter helps to explain why entrepreneurs in the **same industry adopt different modes of behaviour and attain different levels of performance.** It is also consistent with our finding that antecedents like human capital affect aspirations. **Education and experience are also likely to equip entrepreneurs** with a better understanding of how to realise their aspirations and goals.

From a **theoretical perspective,** they shed light on the nature of family businesses and ethnic minority businesses. Highlighting the **diversity among owners of family businesses** in terms of their aspirations. Despite their common ethnic minority status, entrepreneurs are far from identical in their aspirations. While some family business owners have **strictly entrepreneurial aspirations of business growth and survival and greater profitability,** this may not be universally true.

It is possible therefore that some family **business owners have non-economic aspirations of ensuring family succession in the business or of enjoying a comfortable lifestyle by achieving a satisfactory level of income.**

The latter type of business owner is **unlikely to continually search for new market opportunities or to aim for profit maximisation.** Thus, **family business owners can have entrepreneurial aspirations but not all family business owners are strictly entrepreneurial in their aspirations.**

This suggests that an **analysis of owners' aspirations is important for comprehending family businesses.** More generally, our analysis implies that family involvement in business need not lead to unfavourable consequences as alleged by much of the family business literature.

There is a complexity of the **interaction between ethnicity, culture, class and entrepreneurship.** At first sight, there is a **fairly straightforward association between ethnic origin and entrepreneurial aspirations,** along the lines identified by **Metcalf et al. (1996).**

Indian and East African Asian entrepreneurs tend to be long to **more affluent business or professional families** and are **better educated and more experienced,** which contributes towards explaining their **business-first aspirations.**

The **higher educational attainment they possessed is consistent with the importance accorded to education in their culture.** By comparison, **fewer Pakistani respondents** had a business family

background, higher educational attainment or professional work experience, which might explain why most of them have money-oriented aspirations in business.

Turkish-Cypriot respondents are least likely to belong to an **affluent or business background** or to have **higher educational qualifications**, which is **consistent with the lack of importance traditionally accorded to education in their community**.

A closer analysis suggests that ethnicity, as mirrored by the **entrepreneur's country of origin and family background**, **influences entrepreneurial aspirations** but **does not completely determine them**.

Family background is a **complex mix of cultural tradition** (rooted in the notion of caste amongst the Hindus) and occupational class. **Aspirations are also affected by education and prior experience**, which could be considered class factors but might themselves, arguably, be the **product of cultural predilections and attitudes towards education** (Basu and Altinay, 2002). Moreover, **entrepreneurial aspirations are shaped over time**, by the **characteristics of the business** and by the **entrepreneur's position on the family life cycle**.

From a practical perspective, the findings reported in this paper imply that policy makers need to treat family businesses as a mixed rather than standardised group.

It is **crucial for policy makers and delivery agencies** to recognise that family business owners may have **different aims and aspirations**, that these **aspirations may change overtime** and accordingly, **tailor their support to meet individual needs and goals**. At the same time, practitioners should keep in mind that **entrepreneurial aspirations** might be amenable to change, through **appropriate skills building programmes**.

Introduction

Family businesses play an important part in countries around the world. It is estimated that over two-thirds of all world-wide businesses are owned or managed by families (Gersick et al., 1997). More than 80 per cent of businesses in Europe and the United States are believed to be family-owned (Flintoff, 2002). Around half of all businesses in Australia are family businesses (Getz and Carlson, 2000). Family businesses also play a significant role in developing countries like India (Basu, 2000).

This paper explores differences in the entrepreneurs' background that might explain differences in their aspirations and examines whether aspirational differences are related to differences in business behaviour and outcomes. In the process, the paper aims to contribute to our understanding of the intersection between entrepreneurship and family business, by identifying strictly entrepreneurial and other less entrepreneurial or non-economic aspirations of family business owners.

The impact of culture and family on entrepreneurial aspirations assumes added significance in the context of ethnic minority immigrant businesses. Businesses owned by Asian individuals, tend to involve extended family in the business because of close-knit extended family networks (Basu and Altinay, 2003), which is different from common perceptions in western societies.

However, little is known about their aspirations once they establish a business. Moreover, most existing research on Britain's Asians treats them as a standardised group. One of the few studies to examine differences between Indian, Pakistani and African Asian small business owners in Britain finds that Indians demonstrate "a strong business orientation" compared with Pakistanis who have "little business orientation" (Metcalf et al., 1996, p. 133) and attributes this difference to the comparatively better skill levels and financial resources of Indian immigrants.

Typically, first generation family businesses are a reflection of the aspirations, strategies and values of the founder-owner. Business growth is usually related to the founder-owner's willingness to hire professional managers and delegate operational responsibilities to them. In family businesses, growth is affected by, and may be constrained by, the abilities and influence of the founder-owner's family members in the business. This is still the case on young entrepreneurs who heavily rely on their family.

Empirical studies indicate that the family can be both a crucial resource but can also impose costs, especially on women, in non-minority micro-businesses (Baines and Wheelock, 1998) as well as in ethnic minority businesses (Ram and Holliday, 1993). In the case of British Asian businesses, Janjuha-Jivraj and Woods (2002) found that the confusing, emotional bonds between family and business adversely affect strategy formulation, specially in the young generation of entrepreneurs.

Entrepreneurs' aims and aspirations

The entrepreneurs were asked what they considered to be the main aims and aspirations of their business at the time of interview by rating the importance of nine different aims on a 5-point Likert-type scale ranging from very important (= 5) to unimportant (= 1).

- (1) to maintain the financial independence of the family firm;
- (2) to increase profitability;
- (3) to accumulate family wealth;
- (4) to pass the business on to the next generation;
- (5) to provide employment for family members;
- (6) to ensure the survival/growth of the business;
- (7) to ensure that employees have secure jobs in the business;
- (8) to maintain a comfortable lifestyle;
- (9) to enhance the reputation of the business in the community.

		Mean response	Std. deviation
Table III. Entrepreneurs' aims and aspirations (1 = unimportant to 5 = very important)	Maintain the financial independence of the family firm	3.73	1.51
	Increase profitability	4.54	0.75
	Accumulate family wealth	4.31	0.84
	Pass the business on to the next generation	3.07	1.48
	Provide employment for family members	2.73	1.52
	Ensure the survival/growth of the business	3.81	1.24
	Ensure that employees have secure jobs in the business	3.42	1.35
	Maintain a comfortable lifestyle	4.15	0.78
	Enhance the reputation of the business in the community	3.47	1.64

As Table III indicates, **majority of the entrepreneurs said that increasing profitability** was an important aim, as was the **accumulation of family wealth and maintaining a comfortable lifestyle**.

However, there were variations in some responses. For instance, while 23 respondents regarded passing on the business to the next generation as very important (response of 4 or 5), almost the same number – 21 respondents – regarded this as unimportant (response of 1 or 2).

Further analysis of the data, **by running factor analysis on the variables making up the nine aims** (details in Appendix), showed that family business owners could be **classified into four main groups**, based on their aspirations and goal orientation.

These are termed as:

- business-first entrepreneurs;
- family-first entrepreneurs;
- money-first entrepreneurs;
- lifestyle-first entrepreneurs.

Owners with **“business-first”** aspirations are driven primarily by **growth or survival goals, to maintain the financial independence of the firm, to ensure business survival and growth and ensure job security for their employees** (aims (1), (6) and (7)).

Owners with **“family-first”** aspirations are most concerned about **involving and working with family members in the business and passing on the business to the next generation** (aims (4) and (5)). It is not that they give priority to the family over the business, but rather that **they give priority to family-oriented goals within the business.**

“Money-first” entrepreneurs aspire to **achieve economic or financial goals of higher profitability and accumulation of family wealth** (aims (2) and (3)). They are most consistent with the concept of the entrepreneur in economic theory as one who strives towards **profit maximisation.**

Lastly, owners with **“Lifestyle-oriented”** aspirations strive to attain a **comfortable lifestyle and social status in the community** (aims (8) and to some extent, (9)). The last type of business owner aims to attain a **satisfactory level of income that enables him to live respectably**, rather than to maximise earnings or profits like the money-first entrepreneurs.

Thus, while business-first and money-first owners have traditional entrepreneurial aspirations, family-first and lifestyle-first owners have other non-economic or social aspirations.

Entrepreneurs' background and the characteristics

On examining the ethnic origin of these **four "types" of entrepreneurs**, we find that each group has a mixed ethnic composition (Table IV). However, the **"business-first"** group is composed of a relatively **higher proportion of East African Asian and Indian entrepreneurs**.

The **"family-first"** group has relatively more **Turkish-Cypriots while Pakistani respondents** dominate the **"money-first"** group. The **"lifestyle-first"** group has slightly greater representation from among the **Bangladeshi respondents**.

Family Background

Group	<i>n</i>	Business/trade	Professional/skilled	Other
Business-first	18	9	7	2
Family-first	14	6	2	6
Money-first	17	6	7	4
Lifestyle-first	10	7	2	1
Total	59	28	18	13

Table VI.
Father's occupation

Notes: Professional includes: barrister, lawyer, insurance broker, engineer, diplomat, military attaché, government employees. "Other" includes: carpenter, shoemaker, car cleaner, petty farmer and shepherd

An analysis of the family business background of the entrepreneurs, in terms of their father's occupation, shows that the **business-first and lifestyle-first entrepreneurs were most likely to belong to a business family (Table VI)**, which offered them the advantage of an exposure to business practices from an early age. Only a **minority of money-oriented and family-oriented entrepreneurs** belonged to a business family.

The latter suggests that a family orientation in business is not necessarily linked with a family business tradition.

When examined by ethnicity, there is a **high degree of association between country of origin and family background**. Of the **13 Indian entrepreneurs, 12 had fathers who were businessmen or professionals**. The only exception was a family-first entrepreneur. Similarly, **11 of the 12 East African Asians and ten of the 11 Bangladeshis in our sample belonged to a business or professional family**.

By contrast, **only five Turkish-Cypriots and eight Pakistanis had fathers who were businessmen or professionals**. These findings suggest some interaction between aspirations and family background but also between family background and ethnicity. While occupation is generally a reflection of class, a **background in business or trading may be related to family tradition** or, among Hindus, to a person's caste. Hence, it is often difficult to **disentangle class from culture, especially in the case of Indian entrepreneurs**.

Educational and professional background

Groups	<i>n</i>	Number of graduates	Postgraduate/professional qualifications	Qualifications obtained in UK	Formal business training
Business-first	18	13	7	11	9
Family-first	14	6	1	2	5
Money-first	17	11	5	9	5
Lifestyle-first	10	8	1	4	3
Total	59	38	14	26	22

As Table VII shows, a majority of the entrepreneurs in the **business-first, money-first and lifestyle-first** groups have **higher educational qualifications** although **business-first entrepreneurs are the most qualified group**. A majority of the “**business-first**” entrepreneurs had **undergone formal business training** usually as part of their prior work experience. These findings suggest some relationship between the aspirations of entrepreneurs and their human capital endowment, as embodied in education and prior work experience.

Motives for self-employment

Groups/motives	<i>n</i>	Family tradition to be in business	Prior experience, market knowledge	Independence, status, “to be my own boss”	“To make more money”	Labour market discrimination, blocked mobility
Business-first	18	6	8	7	1	5
Family-first	14	5	5	10	3	2
Money-first	17	6	3	6	6	4
Lifestyle-first	10	7	0	4	2	0
Total	59	27	16	27	12	11

When the “**family-oriented**” entrepreneurs asked **why they choose self-employment**, most cited multiple motives as indicated in Table VIII. The most common reasons were a **family tradition in business** and **the desire to be independent**.

Of the four groups, the “**lifestyle**” entrepreneurs cited **family tradition most frequently** as their motive for business entry and **none said that they started a business because they spotted a market opportunity based on their prior experience or knowledge** of the market.

Although 50% of “**business-first**” entrepreneurs had fathers in business, relatively **fewer cited family tradition as an important business entry motive**. On the contrary, their prior experience of business and knowledge of the marketplace seemed more important motives for self-employment. At the same time, relatively more of the **business-first entrepreneurs compared with those in other groups said that their business entry decision was influenced by negative factors like discrimination** and a feeling that **they would never reach the top of the corporate ladder** unless they started out on their own. **Interestingly, several business-first entrepreneurs had worked in large multinational companies**, which may have helped to shape their perceptions regarding their future career prospects.

The **motive of making more money** or **“becoming rich quickly”** was relatively more observable among the **“money-first”** group of entrepreneurs, which suggests some continuity between their initial motives for business entry and their business aspirations today. However, an equal number were driven to enter self-employment by a family tradition in business and the desire for greater independence.

Access to resources at start-up

Groups	<i>n</i>	Use of family finance (number of respondents)	Use of bank finance (number of respondents)	Use of personal savings (number of respondents)	At least one family member helping at start-up
Business-first	18	7	7	16	15
Family-first	14	3	5	9	12
Money-first	17	4	8	8	13
Lifestyle-first	10	5	3	5	9
Total	59	19	23	38	49

Table IX.
Resources at business start-up

An analysis of the business profile of the four groups of entrepreneurs (Table X) shows a **high concentration of “business-first” entrepreneurs in IT and professional services**. This is **consistent with their high level of educational attainment**.

It also suggests that **entrepreneurs operating in knowledge-based sectors** might display a greater likelihood of **possessing business-oriented aspirations**, although the direction of causation has yet to be established.

In other words, **do people with business-oriented aspirations start higher-tech, knowledge-based businesses or do owners of such businesses tend to develop business-oriented aspirations that are necessary for survival?**

The **relationship is likely to be in both directions since aspirations can change over time**. However, our analysis suggests that aspirations are not solely dependent on the type of business since entrepreneurs operating in the same sector may have different aspirations. This is evident from the lack of any clear relationship between the nature of business and the nature of aspirations in most sectors other than IT/Professional services (Table X).

Thus, while entrepreneurs in IT or professional services have a higher propensity to display business-oriented aspirations, which are more common to these types of businesses, **entrepreneurs in traditional sector businesses might also develop such aspirations**.

Recruitment practices

A **majority of the entrepreneurs employ professional managers** in their businesses today. Of the four groups, the **“business-oriented”** and **“money-oriented”** entrepreneurs display a higher likelihood of **employing professional managers** than the other two groups.

When asked **why they recruited professional managers**, a **“business-first”** entrepreneur summed up the responses of most others in his group: **“the company is growing bigger and needs professional management”**.

Among the **“money-first”** entrepreneurs, a common reason for recruiting professional managers was that that **“family members were not capable of filling the posts”**.

Of the **“money-first”** entrepreneurs, they did not employ professional managers. The reason being was said to be **“because their businesses were too small to merit or afford them”**. The common response of those who did not recruit professionals was **“we are capable of handling it (the business) ourselves”**.

While some of the **“family-first”** entrepreneurs said that **“they had sons who were graduates, others said they had professionally qualified brothers or nephews.”**

There are also **noticeable differences in the preferred modes of recruiting professional managers** among the entrepreneurs. While half the **business-oriented entrepreneurs relied on recruitment agencies to recruit professional managers**, only **one family-oriented, four money-oriented and one lifestyle-oriented entrepreneurs used this mode of recruitment and preferred to rely on informal recommendations from other co-ethnic businessmen**.

Business performance

	<i>n</i>	Years in business	Sales in 2001 (£ million)	Ann. sales growth since start ^a	Total employment in 2001	Ann. employment growth since start-up
Business-first	18	16	4.2	0.20	21.5	0.11
Family-first	14	26	2.3	0.16	14.0	0.07
Money-first	17	19	1.0	0.13	12.0	0.07
Lifestyle-first	10	17	3.1	0.12	13.0	0.08
Total	59	19	2.0	0.155	14.0	0.089

Notes: All average figures refer to median values. ^aCumulative average growth in sales since start-up at constant 1990 prices.

Table XII.
Indicators of business performance

The **“business-first”** entrepreneurs owned, on average, the **fastest growing businesses in terms of sales and the largest size businesses in terms of total employment** as shown in Table XII. Of the **business-first entrepreneurs, half had over 25 employees and one-third had 50 or more employees in their business**.

The **“family-first”** businesses recorded average sales growth of 16 per cent per annum since start-up, which is **slightly lower compared with the business oriented entrepreneurs** although higher than the sample average.

Family-first businesses were the longest surviving businesses among the four groups. While a majority of businesses had 14 or fewer employees, one **family-first entrepreneur exceptionally employs 900 people in his extremely successful food processing business**.

At the time of interview, a **majority of the money-first and lifestyle-first entrepreneurs had achieved sales growth rates slightly below the average** for the sample as a whole.

One restaurateur in the **money-first group experienced a decline in sales since start-up**. Moreover, the businesses in the **money-first category were smaller than those in other groups**, with most employing 12 or fewer people and only three employing over 25 people.

These factors may explain the money-oriented aspirations of this group of entrepreneurs at the time of our interviews. The comparatively lower average growth recorded by the lifestyle-first entrepreneurs seems consistent with the expressed aspirations of that group.

A Review: Comparison across the 4 groups

Having explored the background and business consequences of the four types of entrepreneurs. It is instructive to summarise their characteristics, as done in Table XIII.

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Table XIII.
Types of entrepreneurs,
by aspirations and their
background
characteristics

	Business-first	Family-first	Money-first	Lifestyle-first
Ethnic background	More likely to be Indian or East African Asian	More likely to be Turkish-Cypriot	More likely to be Pakistani	Slightly more likely to be Bangladeshi
Migration motive	More likely to be initially for higher education		More likely in search of a better life	
Family background	More likely to belong to a business/professional background	Less likely to belong to a business/professional background	Less likely to belong to a business background	More likely to belong to a business background
Educational background	More likely to be highly educated	Less likely to be highly educated		More likely to be highly educated
Likely reason for business entry	Prior experience (in spotting opportunities and causing doubts about upward mobility)	Desire for independence, social status	Desire for financial betterment	Family tradition in business
Sources of finance at start-up	More likely to rely on personal savings	Less likely to rely on family finance	More likely to rely on bank finance	More likely to rely on family finance

We find that **business-first entrepreneurs** were more likely to be from the Indian and East African Asian communities and to have migrated for educational reasons. They were more likely to be **favourably endowed with human capital, in the form of early exposure to business, higher education and relevant prior experience, required for successful business entry.**

Several chose self-employment because they **felt frustrated as employees and believed that they could never achieve their dreams or goals as long as they remained employees.** Many invested their personal savings into their new venture, which might have acted as a **further motivator for them to succeed in business.**

While the **lifestyle-first entrepreneurs belonged to an equally privileged background** as the **business-first entrepreneurs,** fewer of them **experienced employment outside the family business.**

Unlike several **business-first entrepreneurs,** they chose self-employment not because of any **desperate urge to realise some ambition or dream but because of a family tradition in business.**

They seem to have had a **fairly easy entry in to business,** in terms of **access to finance from within the family.** It might be that the **ease of entry itself had a negative effect on the determination and initiative shown by this group of entrepreneurs.**

The ethnic composition of this group is slightly puzzling since four of the ten are Bangladeshis, whose national profile does not indicate that they are in anyway a privileged minority group in Britain. **This suggests a bias in the Bangladeshi sample,** which may be due to the **deliberate search for and inclusion of businesses operating in sectors other than restaurants (where most Bangladeshis work)** like retail, wholesale and international trade in addition to IT and professional services.

The **family-first and money-first entrepreneurs belonged to less privileged backgrounds**. Family-first entrepreneurs, a relatively high proportion of who were of Turkish-Cypriot origin, were least likely to belong to business families or have higher educational qualifications.

Money-first entrepreneurs, many of whom were of **Pakistani origin**, were **driven by a desire for financial betterment**, which seemed to persist even after business entry, and were most likely to **rely on bank finance, which might explain their continued concern for making money** (to pay off bank loans) (Table XIV).

Our analysis suggests that differences in **aspirations are related to the nature of the entrepreneur's business**. Thus, owners of IT and professional service businesses displayed a higher propensity than other groups towards "**business-first**". Similarly, a comparatively higher proportion of large business owners (50+employees) have "business-first" aspirations, whereas a higher proportion of micro (0-nine employees) and smaller (ten-24 employees) business owners have "**money-first**" aspirations, which suggests that **money is a more important motivator for those who have less of it**. The "**business-first**" respondents also recorded the highest growth rate in sales compared with the other three groups.

Furthermore, **differences in aspirations are reflected at least to some extent in entrepreneurial behaviour, as evidenced by the involvement of family in business and the recruitment of professional managers in the business**. Thus, **business-first entrepreneurs** are more likely to **recruit professionals than family-first entrepreneurs**, in line with their respective aspirations.

Differences in aspirations might also **be linked to the entrepreneur's position on the family life cycle**, which suggests the dynamic nature of entrepreneurial aspirations since they might adjust over time with changes in family circumstances.

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