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"TRY TO KEEP THEM DUMB AND UNDER THE THUMB": EXPLORING THE 'DARKER SIDE' OF PSYCHOLOGICAL CONTRACTS IN 'OVERLY EMBEDDED' IMMIGRANT ENTERPRISES

Purpose: This paper investigates the employment dynamics of immigrant enterprises by examining psychological contract (PC) relationships between immigrant entrepreneurs (IEs) and their workforce within immigrant enclaves in Northern England. By integrating Psychological Contract Theory (PCT) with the mixed embeddedness framework, the study explores how informal employment relationships lead to inadvertent PC violations and their operational and competitive consequences.

Design: A qualitative approach was adopted using semi-structured interviews that were conducted with 43 Pakistani immigrant entrepreneurs and 68 employees between March 2022 and August 2023. The data were analysed using Template Analysis, allowing for a structured examination and comparison of themes and patterns across participants' narratives.

Findings: The study reveals distinct PC dynamics, illustrating how different relationship 'types' within immigrant enterprises are related to varying competitive and operational risks. Kinship-based relationships foster loyalty but introduce operational risks related to role misalignment and limited skill development. Second-level relatives pose the highest competitive threat by leveraging their positions for skill acquisition and future competitive behaviour. Co-ethnic employees present moderate competitive risks, often exhibiting counterproductive behaviours or leaving to start their businesses. Non-co-ethnic employees, though rare, pose the lowest competitive threat but can introduce legal and compliance risks due to transactional PC breaches. These findings illustrate the complex interplay between relationship types, competitive pressures, and operational stability within immigrant enterprises.

Originality: This study uniquely combines Psychological Contract Theory (PCT) with the mixed embeddedness framework to provide a nuanced perspective on immigrant entrepreneurship within Northern England's immigrant enclaves. By focusing on the unintended consequences of over-embeddedness, this research challenges the traditional view of ethnic networks and social capital as uniformly beneficial, illustrating how excessive reliance on informal agreements can undermine business sustainability. The study highlights the importance of formalised management practices, offering new insights into the discourse on immigrant entrepreneurship theory and practical implications for workforce management within ethnic enclave enterprises.

Keywords: Qualitative Techniques, Immigrants, Small firms, employment

1. INTRODUCTION

Despite a significant increase in immigrant entrepreneurship within the European Union (EU), as highlighted by the OECD in 2021 (indicating growth from 6% to 11% between 2010 and 2020), key gaps remain in understanding the internal dynamics of immigrant-owned enterprises and their workforce management. Immigrant entrepreneurs are more likely than native populations to pursue entrepreneurial ventures, contributing substantially to employment and

economic growth in host countries (Lofstrom, 2011; Urbano et al., 2019). In the UK, these entrepreneurs encounter challenges such as discrimination, racism (Basu et al., 2024; Ishaq et al., 2010), limited access to finance, and cultural barriers. Their impact, however, is substantial, with one in every seven United Kingdom (UK) businesses founded by an immigrant, collectively generating 14% of jobs (Moules, 2014). Yet, while research has documented these contributions, the complex internal dynamics of immigrant-owned businesses remain underexplored, particularly regarding informal agreements, psychological contracts (PC), and operational challenges.

This study integrates the Psychological Contract Theory (PCT) and the Mixed Embeddedness (ME) framework to examine the challenges faced by immigrant entrepreneurs, particularly in navigating the structural constraints of host economies. PCT, rooted in organisational psychology, focuses on the unwritten, reciprocal expectations between individuals and institutions, highlighting how perceived breaches in these expectations can lead to distrust, disengagement, and adverse business outcomes. In contrast, the ME framework provides a socio-institutional lens, emphasising how immigrant entrepreneurs operate within interconnected layers of economic, regulatory, and social embeddedness. While PCT captures the micro-level psychological responses of immigrant entrepreneurs, ME contextualises these responses within macro-level institutional structures, such as market barriers, legal restrictions, and discriminatory practices. The interplay between these two theories reveals the "dark side" of psychological contracts, where unmet expectations, shaped by restrictive institutional conditions, contribute to entrepreneurial precarity and vulnerability.

A psychological contract (PC) is broadly defined as "individuals' beliefs, shaped by the organisation, regarding the terms of an exchange relationship between the individual employee and the organisation" (Beardwell et al., 2004, p. 520). Traditionally examined within large organisations with formal HR structures, cultural obligations and kinship ties shape these contracts in immigrant enterprises (Yasin et al., 2023), creating unique expectations, potential violations, and operational challenges within immigrant enclaves. Immigrant enterprises are distinctive due to their deep reliance on ethnic networks (Haq et al., 2023; 2025), which form the foundation of both social and economic activities (Yasin and Hafeez, 2023). However, this "overly embedded" reliance, or over-embeddedness, introduces vulnerabilities not typically seen in native-owned businesses, particularly concerning PC dynamics and operational risks. In this context, over-embeddedness refers to the dependence on close-knit ethnic ties and

informal agreements, leading to competitive and operational issues, such as misunderstandings, exploitative practices, and inefficiencies.

This study addresses significant gaps in the literature on psychological contract (PC) dynamics within small, immigrant-owned enterprises, particularly how informal, culturally driven PC relationships shape business operations. Using a qualitative approach, it explores how reliance on ethnic resources influences expectations, interactions, and structural practices between immigrant entrepreneurs (IEs) and their workforce in Northern England's ethnic enclaves. While existing research often focuses on PCs within formal employment settings (Ram, 1994), it largely overlooks how these contracts function in informal management structures, where operational processes are often loosely defined. Interpersonal relationships are more fluid and culturally embedded. Furthermore, conventional PC literature positions employees as primary victims of contract violations (Nadin & Williams, 2012), failing to consider the perspective of immigrant entrepreneurs as employers who navigate distinct challenges in managing workforce expectations.

While some recent studies examine PCs among skilled migrant workers (Casado & Caspersz, 2023) and highlight the role of social status in shaping PC expectations among migrant labourers (Morgan & Finniear, 2009; Haak-Saheem et al., 2021), they remain rooted in formal organisational settings within mainstream economic contexts. This study extends psychological contract theory by examining entrepreneurial migrants who operate outside traditional employment structures and must negotiate PCs in contexts of self-employment and business ownership. By emphasising entrepreneurial agency, resilience, and adaptation within immigrant enclaves, this research provides a novel theoretical contribution to the intersection of migration, entrepreneurship, and psychological contracts, bridging an overlooked gap in the existing literature.

By integrating Psychological Contract Theory (PCT) with the Mixed Embeddedness (ME) framework, this study investigates the potential risks, competitive threats, and operational issues associated with over-dependence on ethnic resources and informal employment practices within immigrant enclaves. This research challenges assumptions of ethnic solidarity (Berghoff, 2020; Vallejo and Canizales, 2021) by examining how informal agreements might inadvertently foster competitive tensions and structural inefficiencies within immigrant-owned businesses. Therefore, integrating PCT with the ME framework provides a robust theoretical foundation for examining the unique environment of immigrant enclaves. The ME model,

developed by Kloosterman et al. (1990), highlights the role of ethnic networks in shaping immigrant entrepreneurial behaviour. Recent research calls for a nuanced approach to immigrant entrepreneurship, considering both the benefits and risks associated with dense, trust-based networks (Dabic et al., 2020). This study extends the ME framework by examining how ethnic resources, while fostering initial business stability, can create competitive pressures and operational risks—including skill mismatches, legal vulnerabilities, and compliance challenges—within immigrant enclaves (Yasin et al., 2024; Yasin and Hafeez, 2023).

Through this analysis of psychological contract dynamics and operational issues, the study offers insights into how informal and unspoken agreements affect the sustainability of immigrant-owned enterprises. The findings have practical implications for immigrant entrepreneurs, business support organisations, and policymakers, highlighting the "*darker side*" of embeddedness within ethnic networks. Furthermore, this research advances the discourse on immigrant entrepreneurship by illustrating the complex interplay of social capital, trust, competitive tension, and operational vulnerability within immigrant enclaves, demonstrating how these dynamics shape business practices and workforce relations in Pakistani immigrant-owned enterprises in Northern England, United Kingdom.

The remainder of this paper is structured as follows: Section 2 presents the literature review, integrating Psychological Contract Theory (PCT) and the Mixed Embeddedness (ME) framework to contextualise employment relationships within immigrant enterprises. Section 3 outlines the methodology, detailing the qualitative research approach, sampling strategy, and data collection methods employed to examine psychological contract breaches and their competitive implications. Section 4 presents the findings, categorising employee relationships based on competitive threats, operational risks, and psychological contract violations. Section 5 discusses the theoretical and practical implications, highlighting the concept of over-embeddedness and its consequences for business sustainability. Finally, Section 6 concludes the study, summarising key contributions, policy recommendations, and avenues for future research.

2. LITERATURE REVIEW

A psychological contract (PC) is defined as "individual beliefs, shaped by the organisation, regarding the terms of an exchange relationship between the individual employee and the organisation" (Nardwell et al., 2004, p. 520). Psychological Contract Theory (PCT) offers insight into this concept, particularly in understanding employment relationships within small firms, where employment practices are often less formalised (Atkinson, 2008; Anwar et al., 2024). In small firms, it is typically assumed that mutual agreements between employees and employers positively impact both parties and the organisation. PCT categorises psychological contracts into three primary types: relational, transactional, and balanced. Relational contracts are typically open-ended, with loyalty and stability at their core, as employers provide long-term employment and stability in exchange for unspecified performance standards (Ntalianis and Dyer, 2021). Transactional contracts are shorter-term and bound by specific performance expectations, with little obligation from either party. A balanced contract combines elements of both relational and transactional types, emphasising career advancement in exchange for high performance (Rousseau, 1998).

PC violations can occur in several ways: they may be inadvertent, arising from differing interpretations, disrupted when one party cannot meet the agreed terms, or due to reneging, where one party is unwilling to uphold the agreement (Rousseau, 1995). Such breaches can lead to various responses, including employee exit, negotiation, passive acceptance, or counterproductive behaviours (Scaufeli and Baker, 2004; Malik and Khalid, 2016). Yet, while PCT has primarily been examined in formal, structured organisations, its application to immigrant-owned businesses in informal, co-ethnic settings remains underexplored.

The literature on immigrant entrepreneurship has largely focused on themes such as motives and entrepreneurial intentions (Light and Rosenstein, 1995; Yasin, 2014, 2022; Yasin and Hafeez, 2023), competencies and identity (Ram et al., 2008; Sanders and Nee, 1996), ethnic networks (Aldrich and Zimmer, 1986; Bates, 1997; Kloosterman, 2010), and intercultural comparisons (Basu and Altinay, 2002; Vertovec, 2009). However, the nuanced dynamics of psychological contracts in the informal employment relationships often found in immigrant businesses, especially those based on kinship or ethnic ties, remain insufficiently contextualised within this discourse (Dabic et al., 2020).

The mixed embeddedness model, developed by Kloosterman and Rath (1999), has significantly advanced immigrant entrepreneurship theory by emphasising the complex interplay between socioeconomic factors and immigrant entrepreneurs' agency within ethnic networks. This

model suggests that immigrant entrepreneurs leverage ethnic resources, such as trust-based relationships, to access labour, suppliers, and financing, which reduces start-up costs and facilitates niche market entry (Kloosterman et al., 1999; Ram et al., 2000). However, heavy reliance on ethnic resources can also limit an immigrant business's scalability and restrict growth beyond co-ethnic markets (Barrett et al., 2001). This dual role of ethnic resources illustrates the balancing act immigrant entrepreneurs face in leveraging these assets to drive initial business success while potentially constraining future growth and diversification.

Employment within immigrant enclaves offers unique advantages to immigrant entrepreneurs, including access to low-cost labour and a customer base of co-ethnic individuals (Basu, 1995; Rafiq, 1992). However, reliance on ethnic networks may also confine entrepreneurs to low-barrier, low-growth sectors, where ethnic businesses concentrate due to limited resources and modest capital requirements (Dhaliwal & Kangis, 2006; Rezaei, 2004). For instance, Pakistani businesses in Denmark and the UK often operate in sectors like retail and transportation, where entry is relatively easy, but growth potential is limited (McEvoy and Hafeez, 2006; Kloosterman et al., 1999). While ethnic enclaves provide training and skill development opportunities for new entrants, the informal nature of employment within these settings can lead to exploitative conditions (Ram et al., 2013; Waldinger et al., 1990).

This literature review synthesises PCT and the mixed embeddedness model to explore a unique gap in understanding employment relationships within immigrant enterprises. PCT provides a lens through which to examine the informal, culturally embedded expectations between immigrant entrepreneurs and their employees. However, while PCT categorises contracts into relational, transactional, and balanced (Rousseau, 1998), it has primarily been applied in large, structured organisations rather than the informal, kinship-based settings of immigrant enterprises. Conversely, the mixed embeddedness model reveals how immigrant entrepreneurs navigate socioeconomic constraints using ethnic resources (Kloosterman and Rath, 1999; Yasin et al., 2024).

METHODS

This section outlines the qualitative approach, sampling strategy, data collection, and analytical methods used to examine psychological contract dynamics within immigrant enclaves in the UK. In the United Kingdom, the combined Pakistani and Bangladeshi ethnic group has the highest rate of self-employment among all ethnic groups, with 16.2% of workers in this group being self-employed as of 2021, compared to the national average of 13.3% (Ethnicity Facts

and Figures, 2021). According to Abbassi (2010) and Yasin et al. (2024), Pakistani entrepreneurs show a greater propensity to start businesses within ethnic enclaves in many countries, including the UK, Denmark, and Norway, where immigrant entrepreneurship has successfully transformed ghettos into bustling areas of multicultural retail and services. In the UAE, similar trends have been observed, with Pakistani entrepreneurs leveraging enclave networks to build successful enterprises (Yasin, 2022). This entrepreneurial concentration within enclaves makes these communities an ideal context for studying the unique psychological contract dynamics and challenges that arise within Pakistani immigrant-owned enterprises. Pakistan is widely recognised as a collectivist culture, where strong family ties and community obligations heavily influence social and business interactions, often prioritising group cohesion over individual pursuits (Khan and Khan, 2017).

3.1 Qualitative Methods

This study adopts an interpretive perspective, employing qualitative methods to capture the subjective variations in psychological contracts (PC) among employers and employees (Rousseau, 1995). An interpretive approach is particularly suited to studying psychological contracts as it focuses on subjective meaning-making in culturally specific contexts. Recognising that PCs adapt to different cultural and social contexts (Thomas et al., 2003), this approach explores individual expectations, exchanges, and perspectives within the specific setting of immigrant enclaves. Beyond their economic contributions, immigrant enterprises play a significant role in fostering social cohesion by revitalising economically depressed areas (Yasin et al., 2024). These enterprises often facilitate social inclusion and act as buffers against unemployment in urban immigrant enclaves (McEvoy & Hafeez, 2009; Ram et al., 2013). These benefits span generations and immigration waves in Northern Europe and the Middle East (Yasin, 2022; Yasin & Hafeez, 2023).

3.2 Sampling Strategy

The study focuses on Pakistani immigrant enterprises within Northern England due to the region's historical and economic significance in immigrant entrepreneurship. Cities such as Bradford, Manchester, Birmingham, and Blackburn have some of the highest concentrations of South Asian immigrant businesses in the UK, shaped by post-war labour migration and subsequent business formation in retail, hospitality, and service industries. These enclaves provide rich empirical contexts where co-ethnic employment structures, informal hiring

practices, and kinship-based business models are prevalent, making them ideal for investigating psychological contract (PC) dynamics and employment relations within immigrant enterprises. The Pakistani immigrant community was selected due to its longstanding entrepreneurial presence in the UK and unique reliance on ethnic embeddedness in business operations. This group represents one of the highest self-employment rates among ethnic minorities and has historically faced barriers to mainstream employment, leading to the creation of ethnic enclave economies. The dominance of kinship-based and co-ethnic hiring within these enterprises provides a compelling setting to examine the "dark side" of psychological contracts, particularly regarding informal employment relationships, competitive risks, and operational challenges.

Bradford, Manchester, Birmingham, and Blackburn were chosen for their high concentrations of Pakistani immigrant enterprises based on the Government of Pakistan of Overseas Pakistanis report (Abbassi, 2010), as well for their distinct socioeconomic conditions and histories of immigrant entrepreneurship in Northern England. Bradford and Manchester, for instance, are known for their strong community networks and longstanding traditions of immigrant-led enterprises, which provide diverse insights into the operational dynamics within ethnic enclaves. Birmingham and Blackburn add further contrast, with their unique challenges and opportunities influenced by local economic factors, making these cities ideal for exploring the varied experiences of immigrant entrepreneurs across the UK. Given the large Pakistani immigrant population in the UK, this study focused on immigrant enclaves in Bradford (11 cases), Manchester (12 cases), Birmingham (10 cases), and Blackburn (10 cases). This sample highlights regional variations in immigrant entrepreneurial activity and allows for theory building while taking into account the unique contexts within each enclave (Kloosterman, 2010; Ram et al., 2008). Data collection spanned December 2022 to July 2023 and focused on understanding psychological contract (PC) violations affecting not only current employees within immigrant-owned enterprises (IEs) but also former employees and community competitors, aligning with prior studies on PC violations in small firms (Nadin & Williams, 2012).

A purposive sampling approach was employed to capture the diversity of business types, employment structures, and entrepreneurial experiences within Pakistani immigrant enclaves. Cities were selected based on their high density of Pakistani-owned businesses, ensuring representation across various industry sectors (e.g., retail, food, wholesale, and service

businesses). Participants were chosen based on specific inclusion criteria: they had to be first-generation Pakistani immigrant entrepreneurs employing at least one worker, ensuring that the study focused on business owners actively engaged in employment decisions. Additionally, maximum variation sampling was used to include a range of business sizes, generational differences, and employee categories (kinship hires, co-ethnic employees, and non-co-ethnic workers), allowing for comparative analysis of psychological contract expectations across different employment relationships. This sampling strategy enhances the study's theoretical contribution by offering a holistic view of psychological contract dynamics and the unintended consequences of over-embeddedness within immigrant enterprises.

To be included in this study, participants had to meet the following criteria: they needed to be first-generation immigrants, have initiated a business within the selected immigrant enclave, and employ at least one person in their enterprise (See Appendix 1 for an overview of participant enterprises). This approach reflects the typical clustering of immigrant businesses in urban areas and aligns with spatial concentration patterns observed across the UK (Basu, 1991; Reeves & Ward, 1984) and other European and Middle Eastern countries (Yasin, 2014; Yasin et al., 2024). These inner-city locations, often marked by historical deindustrialisation, present unique challenges, including limited resources, high crime rates, and low purchasing power, which affect entrepreneurial efforts (Barrett et al., 2002; Deakins & Freel, 2006).

To ensure cultural sensitivity, maintaining an *"insider"* status was essential (Altinay & Wang, 2009). Semi-structured interviews were conducted primarily in Urdu and Punjabi to capture linguistic nuances and cultural terminology. During transcription, an immersive approach involving repeated engagement with the data was employed to transform audio recordings into text accurately (Bernard & Ryan, 2010). Forward and back-translation techniques were applied to preserve conceptual meaning (Lim & Firkola, 2000). Cross-verification with culturally aware colleagues was used to promote transparency and minimise potential biases, especially around sensitive topics like trust and intra-community dynamics.

3.3 Data Collection

Semi-structured interviews were conducted in person with immigrant entrepreneurs and via telephone with employees, allowing for logistical flexibility. Each interview, lasting around 60 minutes, ensured confidentiality through pseudonyms and addressed ethical considerations to foster openness. The interviews aimed to build rapport with participants to encourage

transparency in discussing potentially sensitive topics related to psychological contracts, loyalty, and trust. The range of perspectives gathered from IEs and their employees provides a comprehensive view of an empirically underexplored area. Recognising and mitigating potential biases, especially regarding cultural and linguistic nuances, enhanced the study's credibility.

3.4 Qualitative Data Analysis

Template Analysis (TA) was chosen for its adaptability to capture culturally specific and nuanced dynamics within immigrant enterprises. TA provides a structured yet flexible thematic analysis method suitable for organisational research (King, 2012). It has been widely applied in psychological contract studies (Nadin & Williams, 2012) and immigrant entrepreneurship research (Yasin & Hafeez, 2021). The analysis involved three main phases: data reduction, data display, and conclusion drawing/verification. Table 1 summarises this approach.

Table 1: Template Analysis Procedure

Step	Description
Data Reduction	Initial coding of interview transcripts to identify recurring concepts and ensure significant data points were distilled into manageable themes.
Data Display	Organised themes into visual structures to facilitate pattern recognition and compare cases. Each enterprise was treated as a unique case, analysed individually and comparatively to maintain sensitivity to contextual variations.
Conclusion Drawing and Verification	Validation involved iterative grouping of similar codes into higher- and lower-level concepts and cross-verification by three researchers. Regular cross-checks, independent coding by each researcher, and the involvement of a third researcher as an auditor ensured inter-rater reliability, with scores ranging from 0.75 to 0.90, classified as good to excellent (Miles & Huberman, 1994).

Source: Adapted from Miles & Huberman (1994)

In this study, inter-rater reliability was achieved through a systematic approach, yielding a reliability score between 0.75 and 0.90, which is classified as good to excellent. Three researchers independently coded the same set of transcripts and subsequently compared and discussed any discrepancies, refining code definitions to enhance clarity and alignment. Periodic coding checks were conducted throughout the analysis, with each new set of transcripts reviewed independently and reconciled through discussion. Additionally, a third

researcher served as an auditor, offering an objective assessment of selected codes and themes. This triangulated approach, supported by documented coding decisions and clear theme definitions, ensured robust consistency and credibility in the findings, accurately reflecting participants' perspectives (see Appendix 2).

3. FINDINGS

The findings of this study reveal four distinct categories of employees in immigrant enterprises (IEs) and the varying competitive and operational threats they present: (i) kinship employees, who represent a low, competitive threat but introduce operational challenges related to role misalignment and limited skill development; (ii) second-level relatives, who pose the highest and most inevitable competitive threat, along with operational risks related to resource drain as they acquire knowledge and skills to establish competing businesses; (iii) co-ethnic and regionally affiliated employees, who present a moderate competitive threat and create operational challenges by fostering limited trust within the workplace; and (iv) non-co-ethnic employees, who are rare and pose the lowest competitive threat, yet introduce significant operational risks due to potential legal and compliance issues. These categories highlight not only differences in loyalty and competitive behaviour but also reflect broader implications for business sustainability, operational stability, and employee well-being due to psychological contract (PC) violations. An overview is presented in Table 2 below.

Table 2: Employee Categories, Competitive Threat, and Psychological Contract Breaches

Employee Category	Competitive Threat	Operational Threat	Psychological Contract Breaches
Kinship Employees	Low	Moderate – Operational challenges due to limited autonomy and potential skill gaps if roles are assigned based on kinship rather than competence.	Assumed loyalty due to family ties, limited autonomy, and potential resentment due to restricted career growth opportunities.
Second-Level Relatives	High	High – Operational disruptions as these employees may leave to start competing businesses, sometimes taking customers or proprietary knowledge.	Breaches of loyalty expectations; establishment of competing businesses; perceived betrayal by taking knowledge to competitors.

Co-Ethnic Employees	Moderate	Moderate – Trust issues and potential for counterproductive behaviours if transactional relationships lead to dissatisfaction.	Transactional expectations; risk of theft or information sharing with competitors; limited loyalty due to temporary security.
Non-Co-Ethnic Employees	Low (Rare)	High – Risk of formal complaints or legal issues, potentially leading to regulatory scrutiny or operational adjustments.	Primarily transactional relationships, potential legal issues or formal complaints, and weak loyalty due to a lack of cultural ties.

Source: Authors

4.1 Category 1: Kinship Employees (Lowest Competitive Threat, Operational Risk - Role Misalignment)

Kinship employees, including immediate family members such as fathers, sons, and siblings, operate under assumed relational contracts marked by loyalty and familial duty (Thomas et al., 2003). The role of kin in these enterprises is seen as essential to business succession, although it often involves sacrifices, such as forgoing formal education or independent careers. One immigrant entrepreneur (IE) explained, *"If I send my son to college, he will no longer want to manage this business after graduation. So, it is best that he does not go to college and spends his time learning the business. It is [This business] will be his after all."* From the son's perspective, this arrangement provides material benefits. Still, it limits personal autonomy: *"My dad did not let me go to college and told me I should work in the business... He bought me a sports car, and we live in a nice big house together. I go on vacations with my friends whenever I want."*

Loyalty within kin relationships, embedded in a collectivist cultural context (Thomas et al., 2003), supports business continuity by reducing turnover and ensuring continuity. However, operational challenges arise when roles are assigned based on familial duty rather than specific skills, limiting operational effectiveness as kin employees may lack expertise for optimal role performance. A younger brother in a travel agency noted, *"I worked for my elder brother for eight years before he helped me start my own business... It was obvious I couldn't be working for him for the rest of my life."*

4.2 Category 2: Second-Level Relatives and Friends (Highest Competitive Threat, Operational Risk - Resource Drain)

Second-level relatives, such as cousins and close friends, represent the greatest competitive threat due to their transactional perspective, viewing roles as temporary arrangements for skill acquisition. This misalignment results in psychological contract (PC) breaches when these relatives use their acquired knowledge to establish competing businesses. A martial arts accessories shop owner expressed, *"I could have never imagined, out of all people, that my brother-in-law was learning everything about how I was running this business to just one day setting his shop across the road from mine."* Similarly, an embroidery company mentioned: *"We have to hide our employees from even when our relatives visit as those relatives would be the first to poach our staff that know our business too well."*

Competitive breaches from second-level relatives create resource drains and operational instability, affecting service continuity and profitability as knowledge, customer bases, or even employees shift to rival ventures. This risk, rooted in the expectation of loyalty, highlights the challenges of mixing family ties with business, where informal support can inadvertently nurture future competitors.

4.3 Category 3: Co-Ethnic and Regionally Affiliated Employees (Moderate Competitive Threat, Operational Risk - Limited Trust)

Co-ethnic employees represent a moderate competitive threat, frequently seeing their roles as opportunities to build skills rather than long-term commitments (Bloch & McKay, 2015). Although they share a cultural affinity with the IE, these employees are motivated by financial stability and skill-building, contributing to high turnover rates. A steakhouse employee shared, *"I work here in the evenings and am taking a job seeker allowance to make ends meet... I get paid only 25 pounds a night for the work I do here."*

The IE often restricts co-ethnic employees' advancement to mitigate competitive threats, using autocratic control to limit communication and knowledge transfer. A jewellery store owner commented, *"These guys will do you over whenever they get the chance to do so."* Despite these controls, some co-ethnic employees acquire external support to start their businesses. This limited trust environment, fostered by restricted communication, may reduce productivity and create counterproductive behaviours. While the competitive threat remains moderate, it impacts long-term operational stability as co-ethnic employees may eventually leave to start similar businesses, creating ongoing market competition.

4.4 Category 4: Non-Co-Ethnic Employees (Low Competitive Threat, Operational Risk - Legal and Compliance Issues)

Non-co-ethnic employees, though rare, are perceived as the least competitive threat. Often from diverse backgrounds, they are hired under clear transactional contracts with minimal expectations of loyalty. Due to their outsider status, they are unlikely to establish businesses in the enclave. As one supermarket owner noted, *"Why would one of these Polish guys start a business in this area? Who is going to buy anything from him?"*

However, PC breaches with non-co-ethnic employees can lead to operational risks, as employees may report IEs for informal practices, exposing the business to legal and reputational risks. A postgraduate student working in a management role shared, *"I am working here because I need to pay my tuition fees... I have no intention of starting my own business."* Despite minimal competitive threats, their responses to PC violations can lead to legal scrutiny, requiring adjustments to operational practices and compliance measures.

In summary, the findings reveal that psychological contract dynamics within Pakistani immigrant enterprises vary significantly based on the type of employment relationship, influencing both competitive threats and operational stability. Kinship-based employees, while exhibiting strong loyalty, often experience role misalignment and limited skill development, leading to inefficiencies. Second-level relatives pose the greatest competitive threat, leveraging their employment as a stepping stone to acquire skills and later establish competing businesses, often resulting in perceived breaches of trust. Co-ethnic employees present moderate competitive risks, frequently leaving to start their own businesses or engaging in counterproductive workplace behaviours due to unmet transactional expectations. Non-co-ethnic employees, though rare, pose minimal competitive threats but introduce legal and compliance risks, as their employment relationships are more transactional and subject to formal labour regulations. These findings illustrate the "darker side" of over-embeddedness, where excessive reliance on informal relationships, often culturally driven employment arrangements, inadvertently fosters competition, distrust, and operational vulnerabilities, challenging the assumption that ethnic networks uniformly benefit immigrant enterprises.

5. DISCUSSION

This study demonstrates the limitations of conventional Psychological Contract Theory (PCT) by explaining the context-specific employment relationships within immigrant enterprises

(IEs), particularly within ethnic enclaves where familial and cultural expectations are central. While PCT traditionally conceptualises relational contracts as open-ended and based on loyalty and stability (Ntalianis & Dyer, 2021), these findings reveal that these contracts, especially among kin employees, are more deeply influenced by cultural obligations than by formal terms. This distinction highlights unique dynamics within immigrant businesses that differ markedly from standard employer-employee relationships. In these contexts, psychological contracts are rooted in familial duty and lack formal employment structures or salary stability (Toth, 2013; Basu, 1995). Such contracts foster business continuity and skill transfer within family networks yet introduce operational challenges due to the role misalignments that arise from kin-based rather than competency-based role assignments (Herring & Butler, 1991; Kolvereid, 1996; Metcalf et al., 1996).

5.1 Expanding the Concept of "*Over-Embeddedness*"

This study extends the mixed embeddedness model by illustrating the "*dark side*" of social embeddedness, introducing the concept of "*over-embeddedness*" within co-ethnic relations in immigrant enterprises. Over-embeddedness here refers to an excessive reliance on ethnic resources, including family and community ties, which creates unintended competitive and operational risks. Traditional mixed embeddedness theory emphasises the benefits of ethnic networks in providing social and economic support (Kloosterman & Rath, 2001). However, our findings reveal that over-embeddedness can lead to significant threats as employees—particularly second-level relatives and co-ethnic hires—use their roles within the business to acquire skills, eventually becoming direct competitors.

For example, second-level relatives often view their positions as transactional stepping stones rather than long-term commitments. This perspective disrupts the assumed loyalty within relational contracts, fragmenting the market with competing ventures and replicating business models, ultimately saturating the business environment (McEvoy & Hafeez, 2009; Yasin, 2022). This insight expands on Kloosterman and Rath's (2001) model, demonstrating that, within immigrant enclaves, dense ethnic ties can inadvertently foster competitive pressures that destabilise the business ecosystem. To mitigate these risks, immigrant entrepreneurs could consider adopting formalised management practices, such as explicit employment contracts that clearly define roles and expectations, thereby minimising ambiguity and fostering a more stable workforce.

5.2 Ethnic Solidarity vs. Competitive Individualism

The study challenges the traditional view of ethnic solidarity within immigrant enclaves, presenting a more complex picture of "*competitive individualism*." Contrary to the expected loyalty within ethnic networks, many employees—especially second-level relatives and co-ethnic hires—view their employment as a means to gain independence rather than a long-term commitment to the business. This perspective of competitive individualism undercuts the stability of ethnic solidarity, as employees often seek to leverage their experience to launch independent ventures, leading to psychological contract breaches (Vallejo & Canizales, 2021).

The tenuous nature of intra-ethnic trust is evident in how co-ethnic employees frequently perceive their roles as transactional, providing temporary job security without long-term loyalty. IEs often assume cultural familiarity will translate to loyalty, yet limited advancement opportunities and financial constraints create a constrained, transactional relationship (Bloch & McKay, 2015). Consequently, IEs find themselves positioned as both mentors and eventual victims, with the business unintentionally serving as a training ground for future competitors. This dynamic of competitive individualism necessitates the need to revisit assumptions about social capital's (ethnic resources) uniform benefits, revealing how these networks can generate both positive and destabilising outcomes for business sustainability.

5.3 Operational Risks with Non-Co-Ethnic Employees

While non-co-ethnic employees pose minimal competitive threats, this study identifies unique operational risks stemming from transactional psychological contracts with these employees. These workers are hired largely from outside the immediate ethnic community; non-co-ethnic employees are engaged under clear performance expectations but without long-term commitments. When breaches occur within these transactional contracts, employees often resort to counterproductive behaviours such as filing complaints or taking legal action, resulting in regulatory and reputational risks for the immigrant enterprise.

This operational risk contrasts sharply with the kinship and co-ethnic relational contracts, highlighting that even when the competitive threat is low, transactional breaches can severely disrupt business operations. This finding suggests that immigrant entrepreneurs may benefit from adopting clearer contractual terms with non-co-ethnic employees to reduce the likelihood

of legal or compliance issues, thus maintaining operational stability in an environment typically reliant on informal agreements.

5.4 Implications for Psychological Contract Theory and the Mixed Embeddedness Model

The findings contribute new insights to both PCT and the mixed embeddedness framework by demonstrating that psychological contracts within immigrant enterprises are shaped by complex interactions of cultural expectations, ethnic affiliations, and economic constraints that extend beyond traditional PCT assumptions. Notably, the concept of "*over-embeddedness*" illustrates that, while ethnic networks initially support business stability, excessive reliance on these networks can erode trust and cultivate intra-ethnic competition, thereby fragmenting the business ecosystem.

In this expanded view of the mixed embeddedness model, embeddedness within close-knit ethnic networks emerges as a dual-edged phenomenon, providing both a foundation for stability and a source of competitive and operational challenges. This nuance enriches PCT by revealing that within immigrant enclaves, psychological contracts are culturally enforced rather than formalised, creating an environment where relational and transactional expectations intersect and evolve based on kinship or co-ethnic dynamics.

6. CONCLUSIONS

6.1 Theoretical Contributions

This study makes a significant theoretical contribution by integrating Psychological Contract Theory (PCT) (Rousseau, 1995) with the mixed embeddedness framework (Kloosterman & Rath, 1999) to examine immigrant entrepreneurship within ethnic enclaves. To the authors' knowledge, this is one of the first analyses to explore the competitive and operational impacts of psychological contract breaches in these settings, revealing the "*darker side*" of ethnic resources (Berghoff, 2020; Vallejo & Canizales, 2021). The findings highlight how informal, culturally driven contracts can inadvertently foster direct competition and operational instability within immigrant-owned enterprises. By examining psychological contract dynamics within these businesses, the study sheds light on how immigrant entrepreneurs leverage social capital—often perceived as a key asset—through kinship and ethnic networks to navigate their business environments (Light & Rosenstein, 1995; Yasin & Hafeez, 2023). Through PCT, this exploratory research into the qualitative complexity of these culturally

embedded exchanges, where informal agreements prevail to replace formal contracts, illustrates how these psychological breaches affect both competitive and operational aspects (Nardwell et al., 2004; Beardwell et al., 2004). This approach expands PCT by illuminating the unintended consequences of over-reliance on ethnic resources, challenging the mixed embeddedness framework's assumption that ethnic networks are uniformly beneficial for immigrant businesses (Dabic et al., 2020).

Moreover, this study uniquely identifies a dual threat, both competitive and operational, posed by psychological contract violations within immigrant enclaves, an area previously underexplored. These findings suggest that second-level relatives present the highest competitive threat, followed by co-ethnic employees, who contribute similarly but to a lesser degree. Family members and non-co-ethnic employees, however, pose minimal competition. Across employee categories, operational challenges arise from the informality of these contracts, where kin-based hires can lead to skill mismatches and ambiguous role expectations, while co-ethnic and non-co-ethnic employees can introduce legal and reputational risks (Jones et al., 2006a; Ram, 2001; Thomas et al., 2003). Importantly, this study also highlights the dual perspectives within immigrant businesses, revealing that immigrant entrepreneurs (IEs) and their employees have diverging expectations that extend beyond traditional views of employee agency as merely exploitable. This dynamic positions the IE as both a beneficiary of social capital and, paradoxically, a victim of reliance on trust-based, informal practices (Nadin & Williams, 2012; Yasin et al., 2024).

To the author's knowledge, this is the first study to integrate PCT with the mixed embeddedness framework, specifically within the context of immigrant entrepreneurship, emphasising the risks associated with over-embeddedness and extensive reliance on "*ethnic resources*." This integration introduces a new theme of competitiveness and operational challenges driven by psychological contract breaches, showing how informal and often exploitative practices can unintentionally foster future competitors and disrupt operational stability within the enclave (Kloosterman et al., 1999; Ram et al., 2000). Consequently, the study enriches understanding of the nuanced psychological contracts in small immigrant businesses and focuses on the integral role of intra-ethnic competition and operational risks in the development and sustainability of immigrant enclave enterprises (Martinez & Aldrich, 2011; Portes & Jensen, 1987). These insights provide a foundation for future research and policy interventions aimed at balancing the benefits of ethnic networks with the need for more formalised business practices.

6.2 Policy Implications

The policy implications of this study highlight the need for practical interventions that support immigrant entrepreneurs in addressing psychological contract issues and formalising employment relationships. Initiatives should include tailored workshops on employment rights, contract drafting, and dispute resolution to help entrepreneurs navigate workforce management more effectively. Standardised contract templates, translated into relevant languages, can be provided to ensure clarity in employer-employee expectations and reduce the likelihood of disputes. Additionally, legal advisory services can assist businesses in understanding labour laws, mitigating risks related to informal hiring, and ensuring compliance with regulatory standards. To encourage participation, financial incentives such as microfinance grants and tax benefits could be introduced for businesses adopting formal employment structures. Mentorship programs linking experienced business owners with new immigrant entrepreneurs can further enhance sustainable employment practices by offering guidance on best practices in HR management. Moreover, fostering collaborative business networks within immigrant communities can help entrepreneurs share knowledge, reduce competitive tensions, and strengthen business sustainability. By implementing these measures, policymakers and support organisations can provide concrete solutions that enhance business resilience, improve employment stability, and support the long-term economic integration of immigrant enterprises.

6.4 Practical Implications

This study's findings offer practical insights for immigrant entrepreneurs, business support agencies, and policymakers. Autocratic management approaches, often rooted in structural and cultural traditions (Jones et al., 2006a; Ram, 2001; Thomas et al., 2003), are prevalent among IEs. Transitioning away from a *"keep them dumb and under the thumb"* mindset could enhance outcomes for both entrepreneurs and employees. Recognising the risks associated with informal practices, such as unwritten agreements and ineffective communication, is crucial for immigrant entrepreneurs to avoid unintended PC breaches that may lead to competitive and operational instability. Formalising communication, defining expectations clearly, and implementing concrete tools—such as employment contract templates and standardised communication procedures—could help IEs formalise these processes and improve transparency.

Business support agencies can leverage these insights to offer targeted training addressing the unique challenges immigrant enterprises face, including labour law compliance, financial management, and formal business practices. Practical tools, like contract templates and checklists for compliance, could be provided alongside training to make these recommendations more actionable. Partnerships with local business associations could facilitate mentorship opportunities and provide support networks for immigrant entrepreneurs navigating complex regulations. Additionally, at a policy level, increased access to business mentoring, educational programs, and financial and legal awareness could positively influence hiring practices among IEs, encouraging the adoption of more formalised and inclusive management approaches. Enhanced access to financial capital, legal advice, and professional networks would empower IEs to make informed decisions and strengthen their enterprises, ultimately supporting their positive contributions to local economies.

6.4 Limitations and Future Research Directions

While this study contributes valuable insights, there are a few limitations that warrant consideration. The findings are context-specific, focusing on Pakistani immigrant communities in Northern England, which may limit generalizability to other immigrant groups or regions. South Asian cultural expectations shape the observed psychological contract dynamics and may differ across different ethnic backgrounds. Additionally, while qualitative methods provide deep contextual understanding, incorporating quantitative approaches such as longitudinal studies or surveys could help generalise these insights across larger samples and diverse communities. Therefore, future research should consider comparative studies between immigrant and native-owned enterprises to explore psychological contract dynamics across varied cultural and business contexts further. Expanding the focus to include a broader range of immigrant communities, along with a gender-specific analysis, could provide a richer understanding of psychological contracts within immigrant entrepreneurship. Employing quantitative methodologies, such as survey-based research or longitudinal data analysis, could yield generalisable insights and reveal patterns in psychological contract breaches over time. Cross-cultural studies would enhance our knowledge of how diverse cultural backgrounds influence PC dynamics within various immigrant enclaves. A gender-specific perspective, particularly focusing on female immigrant entrepreneurs, could further illuminate gendered dimensions within psychological contracts and immigrant business practices. Finally, longitudinal studies could shed light on how perceptions and responses to psychological

contract violations evolve, offering a deeper understanding of long-term effects on organisational reputation, employee relations, and business sustainability.

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Appendix 1. Overview of Participants (IE)

Code	Location	Age	Sector	Age of Business	No. Employees
P1MC	Manchester	38	Wholesale	Three years	25
P2MC	Manchester	37	Bookstore and Furnishing	Two years	7
P3MC	Manchester	49	Clothing	Two years	5
P4MC	Manchester	65	Driving school	14 years	21
P5MC	Manchester	66	Furniture	22 years	7
P6MC	Manchester	72	Embroidery	Eight years	4
P7MC	Manchester	55	Gold Jewellery	25 years	6
P8MC	Manchester	63	Gold Jewellery/Hotel	25 years	22
P9MC	Manchester	72	Gold Jewellery	22 years	5
P10MC	Manchester	75	Gold Jewellery	55 years	4
P11MC	Manchester	66	Gold Jewellery	23 years	6
P12MC	Manchester	55	Media	Seven years	32
P13BB	Blackburn	45	Sweets and Bakery	Five years	9
P14BB	Blackburn	55	Newsagents	Two years	3
P15BB	Blackburn	42	Graphic Design/Printing	Two years	6
P16BB	Blackburn	71	Restaurant	24 years	25
P17BB	Blackburn	55	Takeaway	15 years	5
P18BB	Blackburn	54	Takeaway	32 years	6
P19BB	Blackburn	55	Travel Agency	22 years	10
P20BB	Blackburn	65	Butcher	Five years	5
P21BB	Blackburn	35	Service company	Nine months	18
P22BB	Blackburn	38	Off License	Four years	3
P23BH	Birmingham	32	Computing	One year	5
P24BH	Birmingham	42	Laundry	Nine years	6
P25BH	Birmingham	74	Restaurant	34 years	17
P26BH	Birmingham	55	Takeaway	25 years	5
P27BH	Birmingham	61	Restaurant	Ten years	21
P28BH	Birmingham	65	Restaurant	22 years	18
P29BH	Birmingham	58	Restaurant	21 years	28

P30BH	Birmingham	55	Restaurant	One year	16
P31BH	Birmingham	48	Transport (Logistics)	Two years	18
P32BH	Birmingham	36	Travel agency; Money transfer	Three years	6
P33BD	Bradford	57	Travel agency; Money transfer	Seven years	4
P34BD	Bradford	48	Retail and Gold	20 years	14
P35BD	Bradford	55	Retail and Gold	Nine years	16
P36BD	Bradford	45	Bar	Five years	18
P37BD	Bradford	38	Restaurant	Two years	18
P38BD	Bradford	68	Restaurant	31 years	19
P39BD	Bradford	35	Media	One year	32
P40BD	Bradford	57	Restaurant	Six years	26
P41BD	Bradford	39	Grocery store	Six months	4
P42BD	Bradford	35	Corner Shop	Six years	6
P43BD	Bradford	70	Travel agency	34 years	14

Appendix 2: Sample Coding and Thematic Analysis of Employee Categories, Psychological Contracts, and Competitive Threat Levels

Category	Description	Psychological Contract (PC) Type	Competitive Threat Level	Inter-Rater Reliability Score	Example Themes & Quotes
Kinship Employees	Includes immediate family members (e.g., father, son, brother). Employed mostly during the start-up phase with a collectivist culture-based relational PC. Involvement decreases as the business matures. Kin members often lack formal contracts and are expected to help as needed with no set duties or salary.	Relational Contract	Low (Lowest Competitive Threat)	Good to Excellent (0.80 - 0.90)	Themes: Succession expectations, household economy, high trust, collectivist culture. Quotes: Father: <i>"He should not go to college...this business will be his."</i> Son: <i>"He will give me everything that I want...my father knew what was best for me."</i>
Second-Level Relatives and Friends	Includes extended family and close friends (e.g., cousins, brother-in-law). Employed early in the business for low wages and high work hours. The IE often views them as permanent, indebted employees, assuming loyalty due to the support provided. However, they pose a high competitive threat as they commonly duplicate business models and start competing enterprises.	IE's Relational Contract; Employee's Transactional Contract	High (Highest and Inevitable Threat)	Good to Excellent (0.75 - 0.85)	Themes: Betrayal, resentment, competition, upward mobility, inevitable breach of trust. Quotes: IE: <i>"My brother-in-law...is a traitor and betrayed me...Keep them under the thumb if you want to save your business."</i> Employee: <i>"I learned everything I needed to know...but I had to think about my future."</i>

Co-Ethnic Immigrant Employees	Includes employees from the same region or country, bound by cultural and language affinity. Often hired informally within the enclave for low wages and long hours. They pose a moderate threat as they seek better conditions and may leave for competitors or start similar businesses if backed by external capital or partners.	IE's Transactional Contract; Employee's Balanced Contract	Moderate Competitive Threat	Good to Excellent (0.80 - 0.88)	Themes: Distrust, limited upward mobility, suppression of skills, informal work agreements. Quotes: IE: <i>"I am aware they might steal, go behind my back...It is best to keep them under the thumb."</i> Employee: <i>"Someone approached me from the same area...and said, why don't you become a partner...he gave me a 15% commission in the business."</i>
Non-Co-Ethnic Employees	Comprises employees from other ethnic groups, including international students or labour migrants from Eastern Europe or nearby council estates. Rarely hired due to lack of <i>"ethnic fit"</i> and low cultural affinity. They pose the lowest competitive threat as they lack the connections to serve the same community and have no intent to start similar businesses.	Transactional Contract	Low (Lowest Competitive Threat)	Good to Excellent (0.75 - 0.90)	Themes: Cultural misfit, low, competitive intent, transactional relationship. Quotes: IE: <i>"Why would one of these Polish guys start a business in this area?... This area belongs to a particular community."</i> Employee: <i>"I work here to pay my tuition fees...I have no intention of starting my own business."</i> Another Employee: <i>"I would report him to ACAS...for not paying me properly."</i>

Source: Author

