

Immigrant entrepreneurship in Norway

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Abstract

The purpose of this doctoral thesis is to add to the knowledge about immigrant entrepreneurship in Norway and to test the existing theories relating to immigrant entrepreneurship. In this work, an immigrant entrepreneur is defined as a business owner born outside Norway with both parents born abroad who is involved into the activities characterised by economic innovation, organisation creation, and profit-seeking in the market sector.

Four papers are included in this dissertation. The first paper focuses on relationships between national culture, home-country educational attainment and intergroup differences in self-employment levels. The next paper investigates the reasons why immigrant owned firms demonstrate lower survival rate than the firms owned by native Norwegians. The question of selective migration and brain drain is in focus for the paper utilising primary data on representative samples of Russian immigrants to Norway and their stay-at-home peers. The methodological paper is devoted to the ethical aspects of research on immigrant entrepreneurs.

The findings indicate that immigrants' home-country national culture and educational attainment are good predictors of intergroup differences in self-employment levels. The findings on business survival suggest that both propensity to engage into self-employment and ability to survive as self-employed may determine the current level of self-employment in an immigrant group. The findings also indicate the presence of selective migration with respect to entrepreneurial characteristics. As considering ethics of research on immigrant entrepreneurs, lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to the home country and coethnic community, special legal position, and linguistic disadvantages are identified as potential sources of ethical ambiguity. Several implications of this thesis may be useful for practitioners and policy makers in sending and receiving countries.

Contents

| | |
|---|------------|
| ACKNOWLEDGEMENTS | I |
| ABSTRACT | II |
| CONTENTS | III |
| LIST OF TABLES | VI |
| LIST OF FIGURES | VII |
| LIST OF APPENDIXES | VII |
| 1 INTRODUCTION | 1 |
| 1.1. ISSUES RELATING TO THE STUDY ON IMMIGRANT ENTREPRENEURSHIP | 1 |
| 1.1.1. <i>Effects of entrepreneurship on immigrants and their sending and receiving countries</i> | 2 |
| 1.1.2. <i>Empirical studies on immigrant entrepreneurship</i> | 10 |
| 1.1.3. <i>Empirical studies on immigrant entrepreneurship in Norway</i> | 16 |
| 1.1.4. <i>Rationale for the study</i> | 19 |
| 1.2. OVERALL RESEARCH PURPOSE AND RESEARCH QUESTIONS | 19 |
| 1.3. RESEARCH FOCUS | 20 |
| 1.4. IMMIGRATION AND IMMIGRANT ENTREPRENEURSHIP IN THE NORWEGIAN CONTEXT | 21 |
| 1.4.1. <i>Immigration to Norway: an introduction</i> | 21 |
| 1.4.2. <i>Key statistics on Immigrant entrepreneurship in Norway</i> | 25 |
| 1.5. OUTLINE OF THE THESIS | 29 |
| 2 THEORETICAL PERSPECTIVES | 31 |
| 2.1. DEFINITIONAL ISSUES | 31 |
| 2.1.1. <i>Entrepreneurship</i> | 31 |
| 2.1.2. <i>Immigrant entrepreneurship</i> | 32 |
| 2.2. MAIN THEORETICAL PERSPECTIVES ON IMMIGRANT ENTREPRENEURSHIP | 37 |
| 2.2.1. <i>Cultural thesis</i> | 40 |
| 2.2.2. <i>Discrimination and the blocked mobility thesis</i> | 42 |
| 2.2.3. <i>Social capital and utilisation of ethnic resources</i> | 44 |
| 2.2.4. <i>Individual characteristics and selective migration</i> | 49 |
| 2.2.5. <i>Middleman minority theory</i> | 51 |

| | | |
|----------|--|-----------|
| 2.2.6. | <i>Waldinger et al.'s interactive model</i> | 54 |
| 2.2.7. | <i>Mixed embeddedness</i> | 57 |
| 2.3. | DIFFERENT PERSPECTIVES COMPARED | 60 |
| 2.4. | THEORETICAL PERSPECTIVES ON RESEARCH ETHICS | 63 |
| 2.4.1. | <i>Virtue ethics</i> | 63 |
| 2.4.2. | <i>Utilitarianism</i> | 64 |
| 2.4.3. | <i>Ethics of duty</i> | 64 |
| 2.4.4. | <i>Discourse ethics</i> | 65 |
| 2.4.5. | <i>Ethical theories: application to research on immigrant entrepreneurs</i> | 66 |
| 2.5. | SUMMARY | 67 |
| 3 | METHODOLOGY | 69 |
| 3.1. | PHILOSOPHICAL ISSUES | 69 |
| 3.2. | RESEARCH DESIGN | 72 |
| 3.2.1. | <i>Level and unit of analysis</i> | 73 |
| 3.2.2. | <i>Populations and sampling in the quantitative studies</i> | 74 |
| 3.2.3. | <i>Case selection for the qualitative study</i> | 76 |
| 3.2.4. | <i>Use of secondary data</i> | 77 |
| 3.2.5. | <i>Operationalization of variables and questionnaire design</i> | 79 |
| 3.2.6. | <i>Data collection: the postal surveys</i> | 83 |
| 3.2.7. | <i>Data collection: the telephone interviews</i> | 89 |
| 3.2.8. | <i>Data processing and analysis</i> | 91 |
| 3.2.9. | <i>Ethical issues</i> | 92 |
| 3.3. | SUMMARY | 93 |
| 4 | RESEARCH PAPERS: SUMMARY | 94 |
| 4.1. | OVERVIEW OF RESEARCH PAPERS | 94 |
| 4.2. | PAPER 1. CULTURAL BACKGROUND, HUMAN CAPITAL AND SELF-EMPLOYMENT RATES AMONG IMMIGRANTS IN NORWAY | 97 |
| 4.2.1. | <i>Introduction</i> | 97 |
| 4.2.2. | <i>Theoretical framework and hypotheses</i> | 98 |
| 4.2.3. | <i>Method</i> | 101 |
| 4.2.4. | <i>Key findings and conclusions</i> | 101 |

| | | |
|----------|--|------------|
| 4.3. | PAPER 2. SURVIVAL OF NEW FIRMS OWNED BY NATIVES AND IMMIGRANTS IN NORWAY | 103 |
| 4.3.1. | <i>Introduction</i> | 103 |
| 4.3.2. | <i>Theoretical framework and hypotheses</i> | 103 |
| 4.3.3. | <i>Method</i> | 107 |
| 4.3.4. | <i>Key findings</i> | 107 |
| 4.4. | PAPER 3. ENTREPRENEURSHIP AMONG RUSSIAN IMMIGRANTS IN NORWAY AND THEIR STAY-AT-HOME PEERS | 110 |
| 4.4.1. | <i>Introduction</i> | 110 |
| 4.4.2. | <i>Theoretical framework and hypotheses</i> | 111 |
| 4.4.3. | <i>Method</i> | 113 |
| 4.4.4. | <i>Key findings</i> | 114 |
| 4.5. | PAPER 4. ETHICAL ASPECTS OF RESEARCH ON ETHNIC/IMMIGRANT ENTREPRENEURSHIP | 117 |
| 4.5.1. | <i>Introduction</i> | 117 |
| 4.5.2. | <i>Theoretical framework</i> | 118 |
| 4.5.3. | <i>Method</i> | 119 |
| 4.5.4. | <i>Key findings</i> | 120 |
| 5 | CONCLUSIONS AND IMPLICATIONS | 123 |
| 5.1. | MAIN FINDINGS AND CONTRIBUTIONS OF THE THESIS | 123 |
| 5.1.1. | <i>Key findings</i> | 123 |
| 5.1.2. | <i>Contribution to the theoretical debates</i> | 125 |
| 5.1.3. | <i>Methodological contribution</i> | 128 |
| 5.2. | IMPLICATIONS FOR POLICY MAKERS AND PRACTITIONERS | 130 |
| 5.2.1. | <i>Implications for policy makers in receiving countries</i> | 131 |
| 5.2.2. | <i>Implications for policy makers in sending countries</i> | 133 |
| 5.2.3. | <i>Implications for immigrant entrepreneurs</i> | 133 |
| 5.3. | LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH | 134 |
| 6 | INDIVIDUAL SCIENTIFIC PAPERS | 137 |
| 6.1. | PAPER 1. CULTURAL BACKGROUND, HUMAN CAPITAL AND SELF-EMPLOYMENT RATES AMONG IMMIGRANTS IN NORWAY | 138 |
| 6.2. | PAPER 2. SURVIVAL OF NEW FIRMS OWNED BY NATIVES AND IMMIGRANTS IN NORWAY | 158 |

| | |
|---|------------|
| 6.3. PAPER 3. ENTREPRENEURSHIP AMONG RUSSIAN IMMIGRANTS IN NORWAY AND THEIR STAY-AT-HOME PEERS | 178 |
| 6.4. PAPER 4. ETHICAL ASPECTS OF RESEARCH ON ETHNIC/IMMIGRANT ENTREPRENEURSHIP | 209 |
| REFERENCES | 239 |
| APPENDIX A. EMPIRICAL STUDIES ON IMMIGRANT ENTREPRENEURS: AN OVERVIEW | 262 |
| APPENDIX B. ENGLISH TRANSLATION OF THE QUESTIONNAIRE FOR PAPER 2 (ORIGINALLY IN NORWEGIAN) | 305 |
| APPENDIX C. ENGLISH TRANSLATION OF THE QUESTIONNAIRE FOR PAPER 3 (ORIGINALLY IN RUSSIAN) | 308 |

List of tables

| | |
|--|----|
| Table 1. Social, economic and political benefits of immigrant entrepreneurship. | 8 |
| Table 2. Social, economic and political dis-benefits of immigrant entrepreneurship. | 10 |
| Table 3. Empirical studies relating to immigrant entrepreneurship: a summary. | 12 |
| Table 4. Sample sizes and number of cases explored in empirical studies. | 13 |
| Table 5. Empirical studies relating to immigrant entrepreneurship: theoretical perspectives and research design. | 15 |
| Table 6. Empirical studies relating to immigrant entrepreneurship in Norway. | 17 |
| Table 7. Migrant status definitions. | 35 |
| Table 8. Immigrant status definition: the person's and parents' origin. | 36 |
| Table 9. Theories explaining immigrant entrepreneurship. | 61 |
| Table 10. Theoretical perspectives regarding ethics. | 66 |
| Table 11. Philosophical systems of beliefs. | 70 |
| Table 12. Concepts and variables used in the quantitative papers | 81 |
| Table 13. Spatial distribution of valid respondents and non-respondents. | 87 |
| Table 14. Comparing postal survey respondents to interviewed non-respondents. | 88 |
| Table 15. The main features of the papers included into this thesis | 95 |

List of figures

| | |
|--|----|
| Figure 1. Immigrant population in Norway 1970 – 2007 (first and second generation, SSB, 2007). | 22 |
| Figure 2. The largest immigrant groups in Norway (first generation only, SSB, 2006). | 23 |
| Figure 3. Distribution of immigrants across Norway (first- and second generation, SSB, 2006) | 24 |
| Figure 4. Level of self-employment for immigrants and the population in general (SSB 2007, special tabulation). | 26 |
| Figure 5. Self-employed immigrants in Norway (absolute numbers, SSB 2006, special tabulation). | 27 |
| Figure 6. Share of self-employed in the 35 largest immigrant groups (SSB, 2006, special tabulation). | 28 |
| Figure 7. Share of self-employed for immigrants coming from the seven major world regions (SSB, 2006). | 29 |
| Figure 8. Schematic representation of the development and perpetuation of the middleman minority position. Adopted from Bonacich (1973). | 52 |
| Figure 9. An interactive model of ethnic business development. Adopted from Waldinger, Ward, & Aldrich (1990). | 54 |
| Figure 10. Postal survey of Russian immigrants in Norway. | 76 |
| Figure 11. Return graph for the postal survey. | 85 |

List of appendixes

| | |
|--|-----|
| Appendix A. Empirical studies on immigrant entrepreneurs: an overview | 262 |
| Appendix B. English translation of the questionnaire for Paper 2 (originally in Norwegian) | 305 |
| Appendix C. English translation of the questionnaire for Paper 3 (originally in Russian) | 308 |

1 Introduction

1.1. Issues relating to the study on immigrant entrepreneurship

Entrepreneurship is a driver of economic development in Norway (Bolkesjø & Spilling, 1998) and it provides flexibility and innovativeness for national businesses. In Norway, the subject of entrepreneurship started to attract considerable attention of the researchers and policymakers in 1990's (Spilling & Alsos, 2006). The Ministry of Local Government and Regional Development seeks to encourage new firm formation and a growth in the business stock through fostering the culture for entrepreneurship throughout the entire educational system, communicating the innovative ideas emerged in the institutions of higher education, and stimulating new business establishment by existing organisations. A number of programs have been developed in order to assist the creation of new businesses. Some programs are aimed at general population, whilst others are focused upon specific groups, such as young entrepreneurs, women, and researchers (Ministry of local government and regional development: *Entreprenørskap*, 2007).

Entrepreneurship among immigrants and ethnic minorities has only recently attracted attention. The first governmental project specifically promoting entrepreneurship among immigrants and refugees was introduced in 2003. This project called "I-Bedrift" (Nor. for Immigrant Business) became a part of a larger introduction program focusing on immigrants' representation in the Norwegian labour market. Several initiatives promoting entrepreneurship among minorities emerged in the Oslo-region boosted by the awarding of the Nobel Peace Prize for 2006 to Mohammad Yunus and Grameen Bank for providing loans to minority entrepreneurs.

1.1.1. Effects of entrepreneurship on immigrants and their sending and receiving countries

There are several reasons why both ethnic societies and host countries may benefit from the rise of immigrant entrepreneurship. Through self-employment immigrants achieve upward economic mobility and cope with their blocked mobility in the labour market (Light & Roach, 1996). Due to direct discrimination or non-recognition of their qualifications, immigrants are sometimes unable to find positions which are adequate to their education and training. In some cases, self-employment arises as the only available survival strategy (Waldinger, Ward, & Aldrich, 1990; Zhou, 2004).

The success of immigrant entrepreneurs does not occur at the expense of other groups. Light & Rosenstein (1995) found that immigrant entrepreneurs increased the aggregate self-employment in the non-farm economy in the US without reducing either the rate of, or mean money returns to, self-employment among native-born whites. The rise of immigrant economic enclaves has been found not to retard African-American entrepreneurship (Portes & Zhou, 1999).

Researchers have investigated whether self-employed immigrants have an earnings advantage over their wage and salary-earning counterparts. In the US, Portes and Zhou (1996) found that with respect to raw dollar earnings self-employed immigrants have a consistent net advantage, in terms of both annual and hourly income. While Portes & Zhou (1996) focused on Korean, Chinese and Cuban immigrants, the same tendencies were later confirmed for a large variety of immigrant groups in the US (Bradley, 2004) and Germany (Constant, Shachmurove, & Zimmermann, 2007). Viewing immigrant entrepreneurship as a way to fight economic marginalisation is often criticised. Hjerm (2004) found that immigrant entrepreneurs in Sweden have substantially lower incomes than the employed immigrants, and only marginally higher levels of disposable incomes compared to the unemployed.

The positive effects of immigrant entrepreneurship may expand beyond the first generation. Kloosterman and van der Leun (1999) assume that the children of independent entrepreneurs have a better starting position in life than the offspring of the long-term unemployed. Children of immigrant entrepreneurs often attain comparable educational and occupational achievements as those of children of professionals (Kim, 2006).

It is argued that employment in a co-ethnic firm may serve as preparation for becoming a business owner (Raijman & Tienda, 2000a). With regard to a Cuban exile sample, Portes & Bach (1985) found that the single most powerful predictor of self-employment was employment in a Cuban-owned firm three years earlier. A survey of Mexican business owners in Chicago detected that previous employment in a co-ethnic firm increases the likelihood of acquiring skills relevant for running a business (Raijman & Tienda, 2000b). Working in co-ethnic firms may also facilitate accumulation of capital, which may later be used by ambitious immigrants for a business of their own (Portes & Zhou, 1992).

By means of self-employment, immigrants may effectively respond to the current restructuring of Western industrial economies (Waldinger, Ward, & Aldrich, 1990). In the twentieth century the world economic system was subjected to the severe changes. From the 1980s, as the number of small businesses and their role in the economy continued to decline, the economists believed that the economies of scale would wipe out all but a handful of large enterprises. However, deep structural changes in developed economies led to a steep increase in the proportion of small businesses (Light & Rosenstein, 1995). On the supply side, the recent technological innovations and, particularly, the introduction of affordable personal computers, have enabled smaller companies to match the global corporations in terms of efficiency. On the demand side, the consumers in developed countries look increasingly for more exotic, specialised and personalised products and services. These new trends in economy boosted business ownership among immigrants all over the Western world. Immigrants' abilities to provide exotic and

personalised products and services contribute to making the country's economy more flexible and responsive to global changes (Ma Mung & Lacroix, 2003).

Immigrant and ethnic entrepreneurship may also contribute to the host country's economic and social welfare through revitalizing declining regions (Kloosterman, Leun, & Rath, 1999). It has often been observed that unemployment and non-participation are found primary in cities. The economic and social problems are often concentrated in certain urban neighbourhoods. Empirical evidence show that non-participation and poverty occur disproportionately in so-called *concentration neighbourhoods* where immigrants make up more than 30 % of the residents (Kloosterman & Van Der Leun, 1999). In such locations the opportunities for employment gradually decline elevating poverty and social tensions. As the attractiveness of the locations falls the real estate prices decline attracting more unemployed and other welfare-dependent citizens. In this way a vicious circle may be constructed. A rise of immigrant businesses may be the only option available for revitalising such a declining neighbourhood. While native investors may not be tempted by limited markets of the concentration neighbourhood, the immigrant entrepreneurs are capable of creating jobs for their self and to others, strengthening the local economic structure, developing social networks and promoting commercial gentrification (Kloosterman & Van Der Leun, 1999).

Due to their specific abilities, immigrant entrepreneurs may help revitalise stagnating industries. In case of the garment industry, immigrants bring skills no longer reproduced at a sufficient scale in developed economies (Rath, 2002b). By working long hours, expecting less compensation for their job, and using ethnic resources and networks, immigrants may reduce production and transaction costs to the limit when previously unprofitable industries become attractive (Rath & Kloosterman, 2003).

Studying Asian-born women entrepreneurs in Australia, Low (2005) found that a 'husband-related reason' promoted entrepreneurship. Through self-employment

women often tried to compensate for their ‘under-achieving husbands’. Even moderately successful immigrant entrepreneurs from less-developed countries demonstrate to their co-ethnics that they can be active agents and shape their destinies by setting up their own business. Thus, self-employment is suggested to contribute to self-actualisation of immigrants. Moreover, when the critical mass of businesses is achieved, immigrant entrepreneurs may start lobbying their interests publicly that leads to political empowerment of immigrant entrepreneurs and their co-ethnic employees (Rath, 2002b, pp. 1-2).

Immigrant entrepreneurs can provide a role models for fellow immigrants (Kloosterman & Van Der Leun, 1999; Portes, Haller, & Guarnizo, 2002). In some cases, immigrant entrepreneurs may act as self-appointed leaders for their communities (Minghuan, 2000). Krogstad (2001) found that immigrant-owned shops and cafés in Norway are important meeting places for some ethnic minorities. It is one of few spaces where natives and immigrants may interact socially. It has been suggested that entrepreneurship may contribute to integration of immigrants into the host society (Moshuus, 1992).

Immigrant entrepreneurship is often associated with transnational activities. It is argued that transnationalism is beneficial both for sending and receiving countries (Portes, 1999). Opening new trade links between countries immigrant entrepreneurs contribute to the development of international trade (Kloosterman, Leun, & Rath, 1999; Saxenian, 2001). Some empirical results suggest that immigrant entrepreneurs enhance the United States’ exports and reduce the United States’ balance of payments deficit (Light, Zhou, & Kim, 2002). Immigrant entrepreneurs are shortcutting the internationalization process by use of previous contacts in the home country (Crick, Chaudhry, & Batstone, 2001, p. 89). Links to the country of origin may offer additional opportunities for upward economic mobility to immigrants. Immigrant entrepreneurship, as one of several forms of

transnationalism¹, can act as an effective antidote to the tendency towards ‘downward assimilation’². Moreover, immigrant entrepreneurs may contribute to their home countries by investing into existing firms, or by organising new businesses abroad. Evidence suggests that few immigrant entrepreneurs are involved into transnational economic activities (Faist, 2000; Waldinger, 2002).

Rath and Kloosterman (2003) suggested that there are several ways in which immigrant entrepreneurs may contribute to economic and social life in the host society. Immigrant entrepreneurs may contribute to the safety of the local neighbourhoods. Immigrant business owners may generate employment opportunities for natives and immigrants. Women and elderly migrants who cannot or do not wish to work in the mainstream labour market may be provided with jobs (Khosravi, 1999).

Some immigrant businesses are illegal (Kloosterman, Leun, & Rath, 1999; Kloosterman, Van der Leun, & Rath, 1998), and they may engage in criminal practices (Friman, 2001). Lacking resources, immigrants may initially start their businesses in informal ways, though informality is not the primary pathway into self-employment (Raijman, 2001; Raijman & Tienda, 2000a). Employment by co-ethnics may often be illegal (Engelen, 2001; Jones, Ram, & Edwards, 2006). Undocumented migration, which is one of the major problems in developed countries, may be partly fueled and supported by immigrant entrepreneurs. Undocumented migrants may play a variety of roles in immigrant businesses. Staring (2000) suggests that they may become participants, promoters and producers of business ventures.

¹ The other forms of transnational activities include political and socio-cultural activities of immigrants.

² Downward assimilation is a situation when second-generation immigrants adopt the adversarial stance common among impoverished minorities.

Immigrant entrepreneurship is often associated with extensive use of ethnic resources such as rotating credit associations and co-ethnic and family employees. Overreliance on strong ties within the family and informal networks may act as a constraint for later entrepreneurial development (Deakins, Ishaq, Smallbone, Whittam, & Wyper, 2007; Putnam, 2000). Kim (1999) observed that hiring co-ethnics created problems of 'reliability' for Korean owners/employers and increased wage costs.

Immigrant business is often formed along ethnic lines. Analysis of a garment industry in Los Angeles revealed that Asians usually owned garment factories, while Latinos are overrepresented among oppressed subcontractors. In this way one ethnic group represented by entrepreneurs keeps another ethnic group down contributing to interracial tensions (Bonacich, 1993).

Self-exploitation has been reported to be one of the typical features of ethnic businesses (Krogstad, 2002). Immigrant entrepreneurs often work longer hours but in many cases at lower hourly rates than their mainstream counterparts (Logan, Alba, & Stults, 2003). Sub-standard working conditions have been observed in immigrant owned firms (Ram, 1993). Barrett, Jones, & McEvoy (1996) reported that the majority of Asian entrepreneurs are pushed into self-employment due to disadvantages in the general labour market. Many are pushed into easy-to-enter, labour-intensive price sensitive and low profit margin activities. Immigrant businesses are widely reported to be located in deprived inner city locations. However, the cases of rapid upward economic mobility of immigrant entrepreneurs have been reported (Barrett, Jones, & McEvoy, 1996).

Some researchers suggest that immigrant entrepreneurs do not widely contribute to the national economic development (Camarota & Krikorian, 2000; Thomas, 2000). Both ethnic entrepreneurship and employment of co-ethnics may occur on a small scale (Portes, Haller, & Guarnizo, 2002; Waldinger, 2002). The positive effects of immigrant entrepreneurship are summarized in Table 1, whilst the negative effects

are summarized in Table 2. Conflicting debate, therefore, surrounds the contributions made by immigrant entrepreneurs.

Table 1. Social, economic and political benefits of immigrant entrepreneurship.

| Benefits of immigrant entrepreneurship | Factors limiting the effects of immigrant entrepreneurship |
|--|--|
| Increase in immigrant incomes | In some cases the incomes of self-employed immigrants have been reported to be lower compared to employed counterparts. |
| Overcoming blocked mobility on the labour market | Immigrant entrepreneurs are often overrepresented in less prestigious occupations |
| Creation of employment opportunities for other immigrants, including women and elderly | Immigrant businesses tend to be relatively small employing fewer employees compared to native owned firms. Working conditions are of a low standard, and wages are small. |
| Creation of employment opportunities for natives | |
| Training co-ethnic employees for further employment or self-employment | |
| Assisting immigrants in responding to restructuring of Western economy | Immigrant businesses gravitate to low-profitable and highly competitive industries and markets. “Underclass” of marginalised entrepreneurs may be created as a result of demand/supply interaction |
| Presenting new products and services to the host country market. | The demand for ethnic goods and is often insignificant and limited by the number of migrants |
| Revitalising of declining regions and industries | Immigrant businesses tend to be relatively small compared to native firms. The economic impact is limited and feasible only in the nearest neighbourhood. |
| Political empowerment | Significant numbers and spatial concentration of immigrant entrepreneurs |

| Benefits of immigrant entrepreneurship | Factors limiting the effects of immigrant entrepreneurship |
|---|--|
| | is required for political empowerment that is a rare condition. |
| Providing role models for other immigrants | The proportion of successful immigrant entrepreneurs who may act as role models is limited. |
| Opening new trade links | It is suggested that only a minor proportion of immigrant entrepreneurs is involved into transnational activities. |
| Self-actualisation of immigrants | Not discussed in this thesis |
| Acting as self-appointed leaders | |
| Immigrant-owned businesses as an important meeting place for minorities | |
| Contribution to public safety of the local neighbourhoods | |

Table 2. Social, economic and political dis-benefits of immigrant entrepreneurship.

| Dis-benefits of immigrant entrepreneurship | Factors limiting the effects of immigrant entrepreneurship |
|---|---|
| Sheltering illegal and criminal businesses | The scope of illegal and criminal activities of immigrant entrepreneurs is often overestimated by public. |
| Informal employment, employment of undocumented immigrants | |
| Solidarity drags down individuals and businesses that succeeded “too much” or try to expand beyond local ethnic markets | This situation has been rarely reported |
| Oppression of one ethnic group by entrepreneurs belonging to another group | Not discussed in this thesis |
| Self-exploitation and substandard working conditions | Not discussed in this thesis |
| Concentration of disadvantaged immigrants in the regions where disadvantages are most likely to be reproduced | Cases of rapid upward economic mobility of immigrant entrepreneurs have been reported |
| Clustering around an ethnic café makes ethnic minorities more visible, that in some cases leads to conflicts between immigrants and local natives | The effect is rarely reported and limited to few ethnic groups |

1.1.2. Empirical studies on immigrant entrepreneurship

Appendix A summarises the empirical studies on immigrant entrepreneurship. The studies included satisfy the following criteria:

- a) Published in peer-reviewed journals listed in the ISI Journal Citation Report.

- b) The country of origin of the respondents is reported. The studies analysing immigrants of multiple origins as a homogenous ‘minority’ group are excluded. Studies on racial and ethnic differences are not included if immigrant status of the respondents is not discussed.
- c) Only first-generation immigrants are studied. Studies that compare first and later generation immigrants are also reviewed.
- d) Only studies considering individual immigrants or groups of immigrants are included. Studies on, for example, legislation regulating immigrant entrepreneurship are excluded.
- e) Only formal (as opposed to informal and criminal) entrepreneurship studies are included.

Eighty-seven studies were identified. The majority of empirical studies were conducted in the US, the UK and Canada (Table 3). The most studied groups were Chinese, Indians, and Koreans. Cross-country data are underutilized: only one study (van Tubergen, 2005) explores data from more than one country.

Table 3. Empirical studies relating to immigrant entrepreneurship: a summary.

| Host countries studied | Number of publications |
|--|-------------------------------|
| US | 44 |
| UK | 13 |
| Canada | 12 |
| Germany | 4 |
| Netherlands | 3 |
| Israel | 3 |
| Australia | 2 |
| Cross-country studies | 1 |
| Other countries | 5 |
| Total different countries studied | 12 |
| <hr/> | |
| Immigrant and ethnic groups studied | Number of publications |
| Chinese | 23 |
| Indians | 21 |
| Koreans | 19 |
| Pakistani | 13 |
| Mexicans | 11 |
| Bangladeshi | 10 |
| Vietnamese | 9 |
| Cubans | 9 |
| Caribbeans | 7 |
| Other groups | 27 |
| Total different groups studied | 36 |

Table 4 shows that the majority of quantitative studies relied upon Census data and databases including less than 100 respondents or businesses. In at least 50% of qualitative studies the number of cases is less than twenty-five. Table 5 indicates that longitudinal data are relatively underutilised.

Table 4. Sample sizes and number of cases explored in empirical studies.

| Sample size/number of cases | Number of studies | |
|---|---------------------|----------------------|
| | Qualitative studies | Quantitative studies |
| 1-25 | 8 | 3 |
| 26-50 | 4 | 7 |
| 51-100 | 2 | 12 |
| 101-200 | - | 5 |
| 201-400 | - | 6 |
| >400 | - | 9 |
| Large Census databases, no exact sample size reported | 2 | 28 |
| No sample size reported | 2 | 4 |
| Sum | 18 | 74 |

Previous reviews revealed several questions playing a central role in research on immigrant entrepreneurship. Ram (1997, p. 149) asks if “ethnic minority enterprise is a routinely rational economic activity no different from other small-scale business endeavours?” or if it is “a distinctive small business phenomenon, demonstrating the importance of “cultural” resources in fuelling entrepreneurial activities?”

Another question which seems to be essential is: “Why do some ethnic/immigrant groups have higher rates of business participation than others?” (see, for example,

Flap, Kumcu, & Bulder, 2000; Waldinger & Chishti, 1997). Questions considering the causes of immigrant entrepreneurship are vital for understanding of the hidden forces behind the phenomena. What enables some groups to take on entrepreneurship and ensure their success in such an endeavour (Zhou, 2004)?

The third question considers the debate about consequences of immigrant entrepreneurship. Is ethnic (in this context “immigrant”) business an effective mean of social mobility, or what specific outcomes does entrepreneurship yield (Zhou, 2004)? Is the immigrant firm a site of apprenticeship and social solidarity, or of exploitation and exclusion (Waldinger & Chishti, 1997, p. 2)?

The empirical articles reviewed in this section approach these broad questions from different theoretical perspectives. Table 5 shows that use of ethnic resources and ethnic social capital are often proposed as determinants of intergroup differences in business entry rates and performance. Alternative explanations refer to cultural attributes, specific individual characteristics, blocked mobility or a combination of several. Several gaps in the knowledge-base have been identified.

Table 5. Empirical studies relating to immigrant entrepreneurship: theoretical perspectives and research design.

| Theoretical perspective/ explanation under scrutiny | Research design | | | | Total studies |
|--|------------------------|---------------------|------------------------|---------------------|----------------------|
| | Qualitative | Quantitative | Cross-sectional | Longitudinal | |
| Social capital and ethnic resources | 5 | 20 | 20 | 2 | 23 |
| Cultural thesis | - | 8 | 8 | - | 8 |
| Waldinger's interactive model | 4 | 4 | 4 | - | 5 |
| Mixed embeddedness | 2 | 4 | 4 | - | 5 |
| Discrimination and blocked mobility thesis | - | 4 | 4 | 1 | 4 |
| Individual characteristics and selective migration | - | 3 | 3 | 1 | 3 |
| Middleman minority theory | - | 1 | 1 | 1 | 1 |
| Combinations of several | 6 | 23 | 24 | 2 | 30 |
| Not explicitly stated | 1 | 7 | 6 | 4 | 8 |
| Sum | 18 | 74 | 74 | 11 | 87 |

The role of culture-specific individual psychological traits has been understudied. Several articles describe particular cultural phenomena which encourage entrepreneurship among immigrants. However, there is little understanding of how the most basic intercultural differences influence immigrant entrepreneurship. Many authors engage in the debate about the role of individual psychological traits, demographic characteristics and human capital. The hypothesis on selective migration with respect to the characteristics relevant for entrepreneurship has not so far been empirically tested.

Many studies have been focusing on such outcomes of immigrant entrepreneurship as business entry and financial success. Only one article (Bates, 1994) considers business survival which is the other gap in the knowledge-base.

The reviewed literature rarely concern methodological questions. There is lack of understanding of how to perform research on immigrant entrepreneurs in an ethically responsible way.

1.1.3. Empirical studies on immigrant entrepreneurship in Norway

In comparison with the countries with long traditions of immigration, such as the US and Australia, there are relatively few studies devoted to ethnic or immigrant businesses in Norway. No papers on immigrant entrepreneurs in Norway satisfied the criteria for this review. In order to provide some insight into the Norwegian context the search for the publications assigned ISSN/ISBN number was conducted. The national library catalogue system BYBIS was scanned using the relevant key words in English and Norwegian.

The studies on ethnic and immigrant entrepreneurship conducted in Norway include, along with entrepreneurship-focused research projects, some sociological inquiries (Krogstad, 2002). The existing studies include project reports, working papers, book chapters and journal articles (Table 6). None of the articles on immigrant entrepreneurship in Norway has so far been published in peer-reviewed international journals. Summarizing the literature review, two observations should be emphasized. First, there is a tendency in Norwegian literature to focus on ethnic restaurants and shops, ignoring the variety of immigrant businesses. While visible minorities in Norway have attracted some attention, important groups of immigrant from Eastern and Central Europe remain understudied. Second, predominantly descriptive Norwegian studies have not so far contributed to the development of the theory of immigrant entrepreneurship.

Table 6. Empirical studies relating to immigrant entrepreneurship in Norway.

| # | Publication | Publication type | Data source | Minority group(s) | Context | Focus of the study | Main findings |
|---|-------------------------|------------------|--|--|--|--|--|
| 1 | Moshuus (1992) | Book chapter | Interviews with 3 immigrant entrepreneurs | Two immigrants from Pakistan and one from Chile | Oslo | Integration and assimilation of immigrants | Immigrant entrepreneurship contributes to communication between immigrants and natives. |
| 2 | Onsager & Sæther (2001) | Working paper | Interviews with 24 immigrant business owners | Immigrants from Turkey, Iran, Iraq, Pakistan and China | Oslo, catering, food production and distribution | Typology of businesses, motivation, barriers, utilization of ethnic resources, networks, social integration, governmental support programs. | Ethnic catering described. Social consequences of immigrant entrepreneurship are outlined. |
| 3 | Orderud (2001) | Project report | Census data | Immigrants from poor, medium, and rich countries | The whole of Norway, all industries | Description of businesses and entrepreneurs, labour market disadvantages, learning and recruiting mechanisms, succession, vacancy chains, industrial | Immigrant businesses described, New synthetic theoretical perspective presented. |

| # | Publication | Publication type | Data source | Minority group(s) | Context | Focus of the study | Main findings |
|---|-----------------|------------------|--|--|--|--|--|
| | | | | | | concentration. | |
| 4 | Krogstad (2001) | Journal article | Interviews with immigrants and other respondents | Mostly immigrants from Somalia, Iran, Pakistan. | Major city (Oslo), middle sized town, and village. | Business opportunities, strategies, utilization of ethnic resources | Immigrant entrepreneur's success depends on interaction of ethnic strategies, demand for exotic goods and use of ethnic resources in a specific urban/rural context. |
| 5 | Krogstad (2002) | Project report | Interviews with 90 minority business owners | Immigrants from Turkey, Pakistan, Vietnam, Iraq, India, Iran, Sri Lanka. | Oslo, catering, food production and distribution | Description of businesses and entrepreneurs: motivation, opportunities, barriers, family issues, ethnic networks, labour input, clients, products, social integration. | Ethnic catering described. Social consequences of immigrant entrepreneurship are outlined. |

1.1.4. Rationale for the study

To sum up, at least three reasons why this study is considered to be important may be underlined. First, immigrants constitute a significant part of the modern Norwegian population. Various aspects of social and economic adaptation of immigrants play a growing role in public debates. Second, immigrant entrepreneurship may have significant consequences for immigrants, their home countries, and their host countries. Third, the amount and quality of knowledge on immigrant entrepreneurship in Norway is modest.

1.2. Overall research purpose and research questions

The general research purpose of this doctoral thesis is to contribute to the knowledge about immigrant entrepreneurship in Norway. This study seeks to test existing theories related to the field of immigrant entrepreneurship.

As discussed in the theoretical part of this thesis, this study will explore differences between immigrant and native entrepreneurs, the reasons for intergroup variations in business participation rates, and the causes and consequences of immigrant entrepreneurship. Three broad research questions are explored.

The first broad research question relates to “*How and to what extent ethnic/immigrant entrepreneurs are different from the native entrepreneurs?*” Two present papers explore this question. The article with Isaksen reveals the lower rate of survival of businesses established by immigrants compared to Norwegian natives. The article with Gabelko compares business experience and relevant intentions of immigrants and their stay-at-home peers.

The second broad research question relates to “*Why do some ethnic/immigrant groups have higher rates of business participation than others?*” The article with Kolvereid explores whether immigrants’ home-country national culture and

educational attainment shape the self-employment rates among first generation immigrants. The article with Gabelko tests the possibility that immigrant entrepreneurs are selected with respect to their entrepreneurial characteristics.

The third broad research question is related to “*What is the ethical way of conducting research on immigrant entrepreneurs?*”. The last paper included in this thesis explores the ethically ambiguous issues regarding research on immigrant entrepreneurs and proposes methods for addressing such issues.

1.3. Research focus

Immigrant entrepreneurship is a complex multidimensional phenomenon which unfolds on individual, firm-, industry- group-, national and international levels. This thesis focuses on the individual and group levels. Entrepreneurship is generically associated with actions of independent individuals. Immigrant entrepreneurship is often a product of interactions between immigrants within a group and between a group and environment. Consequently, an individual entrepreneur, his or her firm and an immigrant group are the units of analysis in the presented articles. These articles explore several outcomes associated with immigrant entrepreneurship relating to entrepreneurial intentions, experience, self-employment status and business survival. This study focuses on first-generation immigrants who are involved in legal entrepreneurial activities.

1.4. Immigration and immigrant entrepreneurship in the Norwegian context

1.4.1. Immigration to Norway: an introduction

After World War II, when foreigners temporally displaced by war left Norway, the immigrant population in the country was very small. In 1950-1960, refugees of the war, former prisoners of the Nazi camps located in Norway and citizens of other Nordic and OECD countries, migrated to Norway. The first significant wave of immigration occurred in the beginning of the 1970's, when other European countries began to close the borders for working migrants. The initial intention of the policymakers was to invite immigrant workers for short periods of time covering the cyclical excessive demand for labour. The majority of guest workers never left Norway. In 1975, laws restricting immigration of unskilled workers were introduced. Immigration did not stop and continued due to family reunification, international education programs, and employment of professionals. Between 1970 and 1975 Turks, Moroccans and Pakistanis constituted the majority of not-Western immigrants. The third, and by far the largest wave of immigrants, relates to refugees who started arriving in the end of the 1970's. Evolution of the Norwegian migration process from working migrants and family reunion to refugees is much like the processes observed in Germany (Wilpert, 2003), France (Ma Mung & Lacroix, 2003) and other European countries. Figure 1 shows that the immigrant population in Norway has been growing continuously, mostly due to arrivals from Asia, Africa and Eastern Europe.

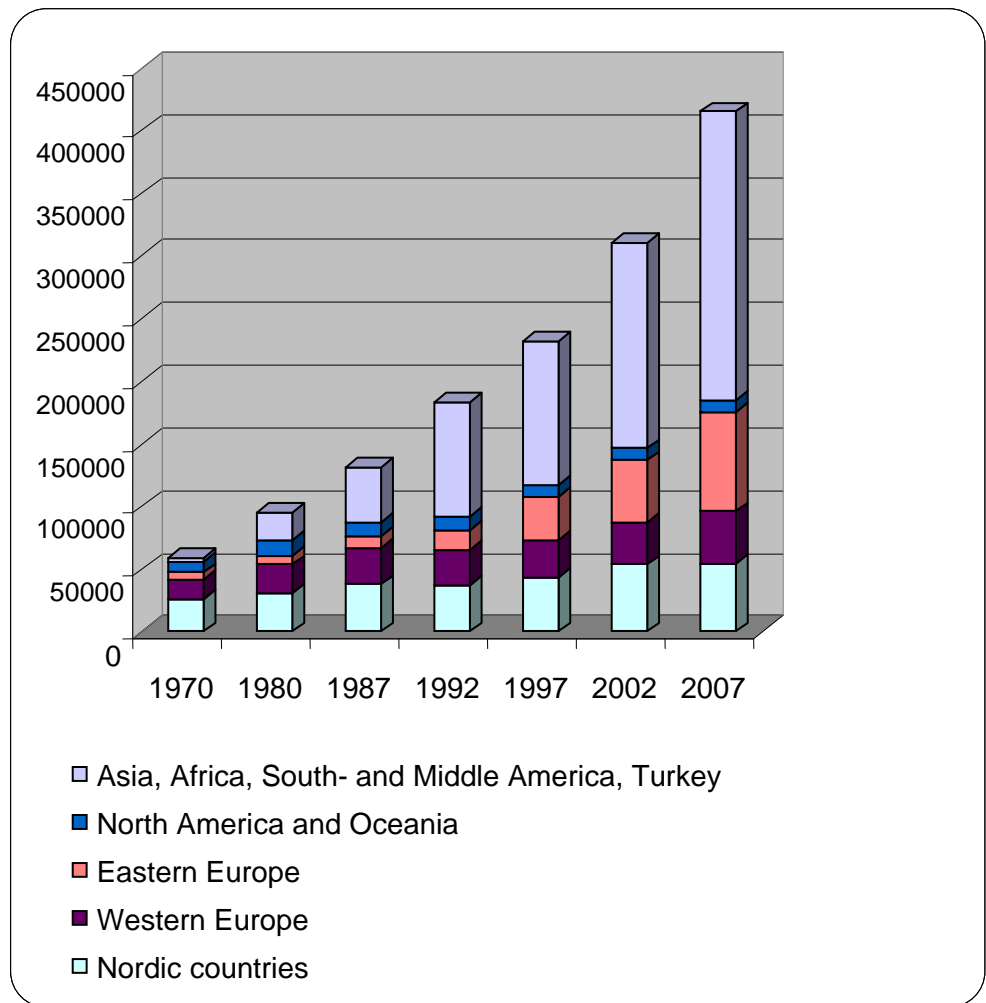


Figure 1. Immigrant population in Norway 1970 – 2007 (first and second generation, SSB, 2007).

In 2007, there were 341,830 first generation immigrants in Norway (7.3% of the population). When persons born in Norway by two non-Norwegian parents are included, immigrants account for 8.9% of the population. When children with one native Norwegian and one foreign parent are added, the respective figure rises to 13.4% (SSB, 2007). In 2007 the majority of first generation immigrants in Norway originated from Europe and Asia. The largest immigrant groups are summarized in Figure 2.

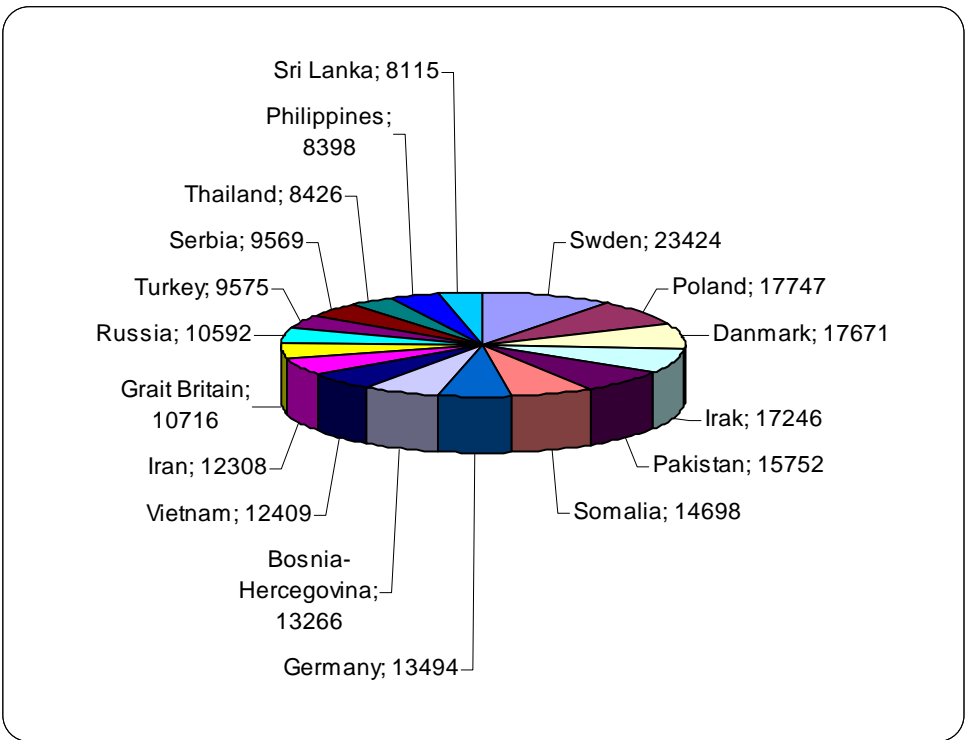


Figure 2. The largest immigrant groups in Norway (first generation only, SSB, 2006).

The immigrants are unevenly distributed around the country with the largest concentration in the Oslo region (Figure 3).

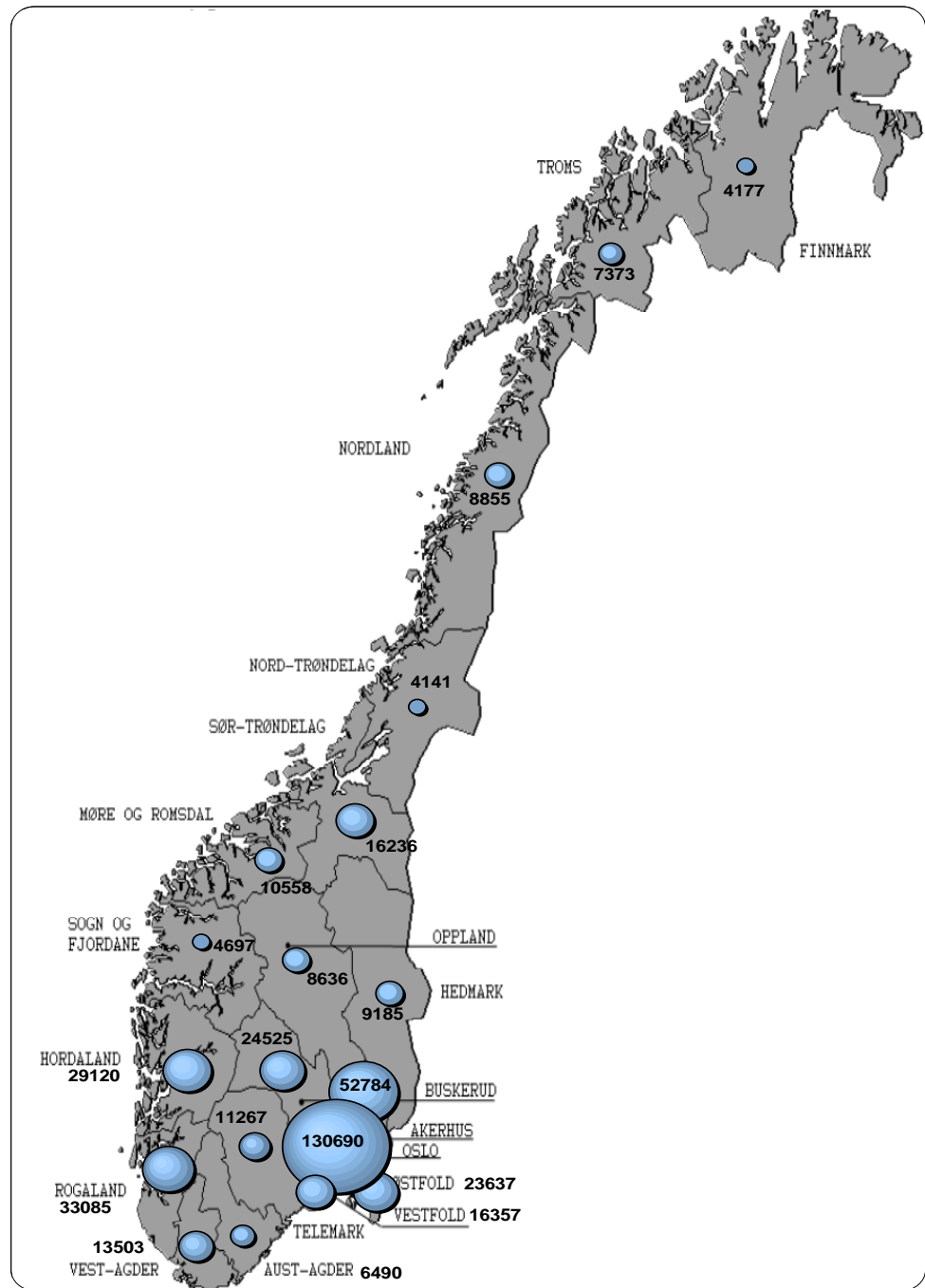


Figure 3. Distribution of immigrants across Norway (first- and second generation, SSB, 2006).

1.4.2. Key statistics on Immigrant entrepreneurship in Norway

At the start of 1980's, immigrant owned shops and restaurants in central Oslo began to attract public attention. In 1986/87, there were 127 ethnic shops owned by non-western immigrants in Oslo and they constituted 44% of all small shops. Between 1989 and 1997 non-western immigrants established 300 shops, 200 smaller outlets selling daily goods and simple food, and 160 restaurants (Tjelmeland & Brochmann, 2003). Systematic national level statistics on self-employed immigrants became first available in 2001. Figure 4 shows that the level of self-employment among immigrants has continuously grown over time but the level is low compared to native Norwegians³.

³ In this subsection immigrants are defined as persons born outside Norway with both parents born outside Norway. Self-employed are persons involved in independent profit-oriented officially registered business for one hour or more during the week when data were gathered. All statistics are for persons 16-74 years old.

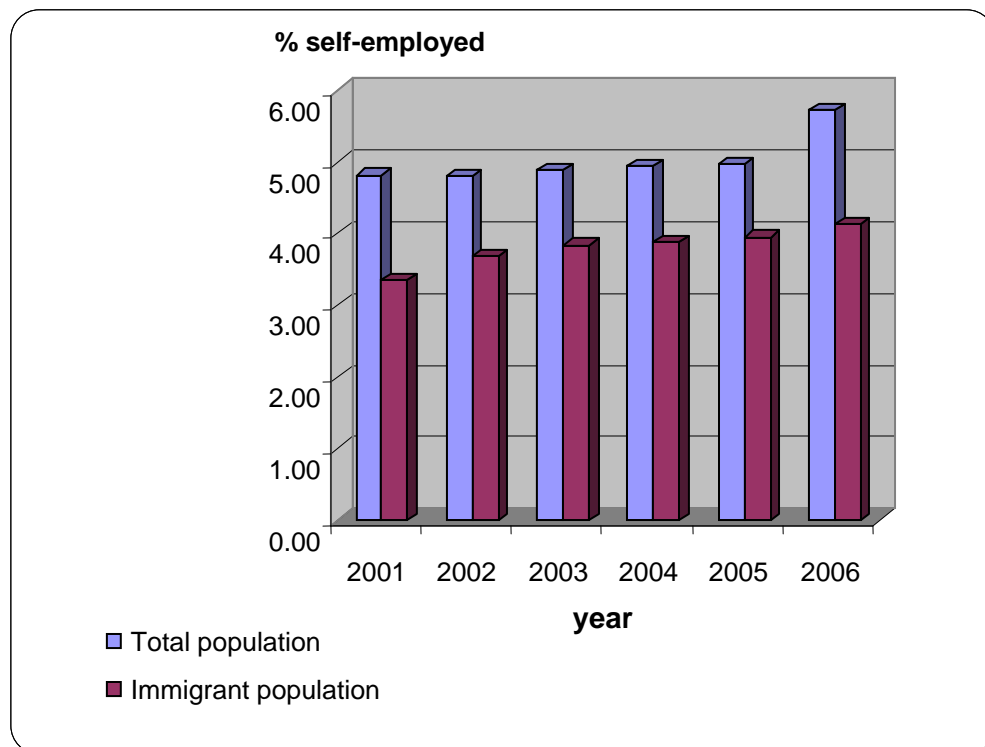


Figure 4. Level of self-employment for immigrants and the population in general (SSB 2007, special tabulation).

Figure 5 shows that immigrants from Denmark, Sweden and Pakistan represented about one-third of all self-employed immigrants in Norway in 2006. Together with immigrants from Great Britain, Iran, Poland, Vietnam and Turkey, these groups accounted for almost 50% of all self-employed immigrants.

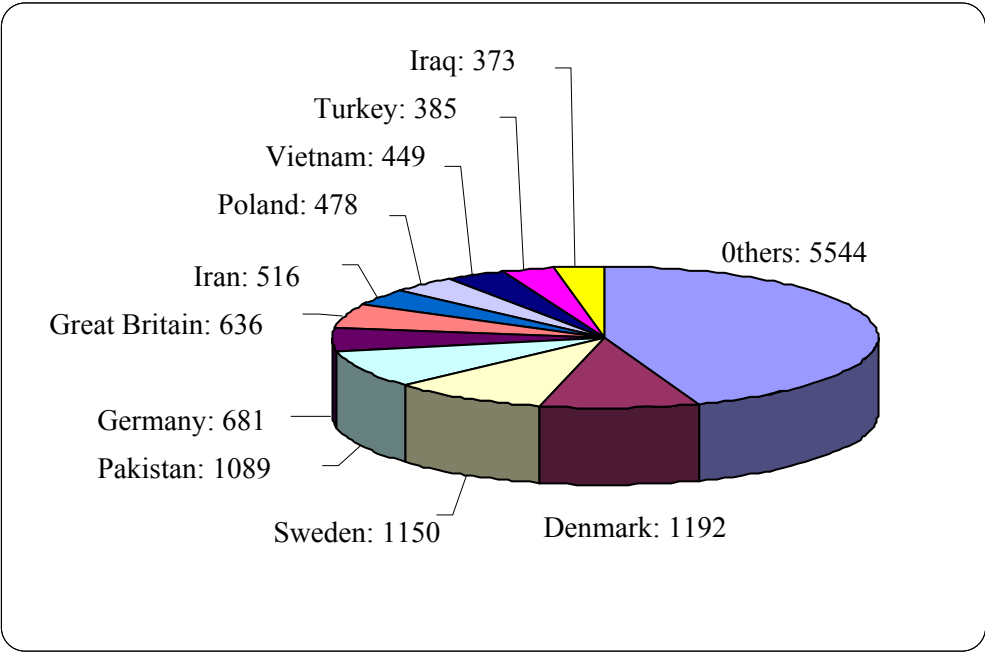
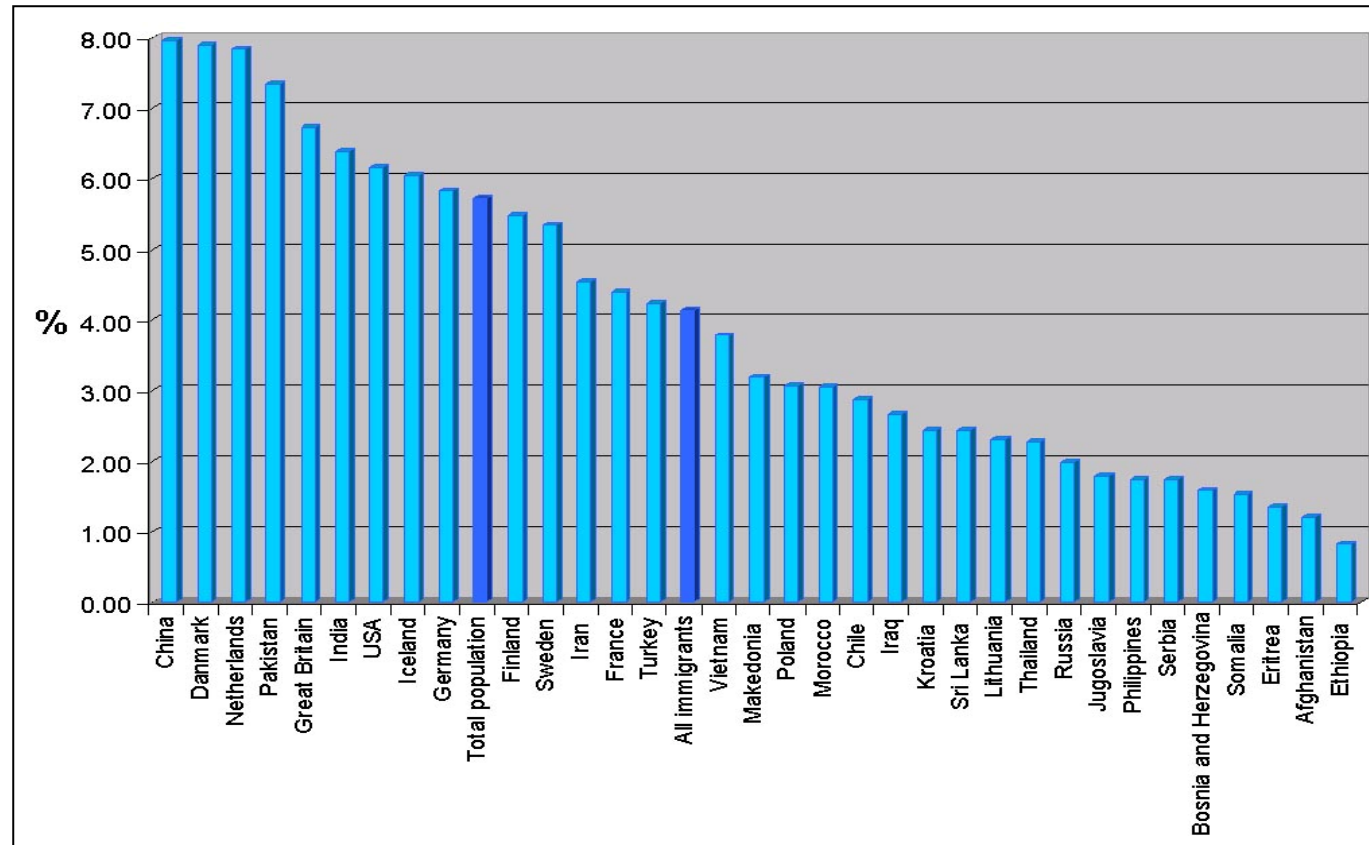


Figure 5. Self-employed immigrants in Norway (absolute numbers, SSB 2006, special tabulation).

The statistical data reveal striking intergroup differences with respect to the percentage of self-employed. The shares of self-employed for all the groups of immigrants exceeding 1000 persons in 2006 are illustrated in Figure 6.



*Total population refers to the share of self-employed among natives and immigrants combined.

Figure 6. Share of self-employed in the 35 largest immigrant groups (SSB, 2006, special tabulation).

Among the smaller groups, 12.7% of immigrants from Faroe Islands and 10.2% of immigrants from Hong Kong were self-employed. When divided by the world regions, immigrants from Western countries demonstrate the highest average level of self-employment while immigrants from Africa and Eastern Europe are underrepresented among the self-employed (Figure 7). High levels of self-employment among the migrants from Korea, China and Hong Kong have also been observed in the US (Camarota, 2000; Fairlie & Meyer, 1996), the UK (Clark & Drinkwater, 1998), Japan (Friman, 2001) and Canada (Li, 2001; Razin & Langlois, 1996). Notably, the self-employment level of Asians is relatively low in Sweden while Eastern Europeans are the most entrepreneurial in Sweden (Hammarstedt, 2006) and Canada (Razin & Langlois, 1996).

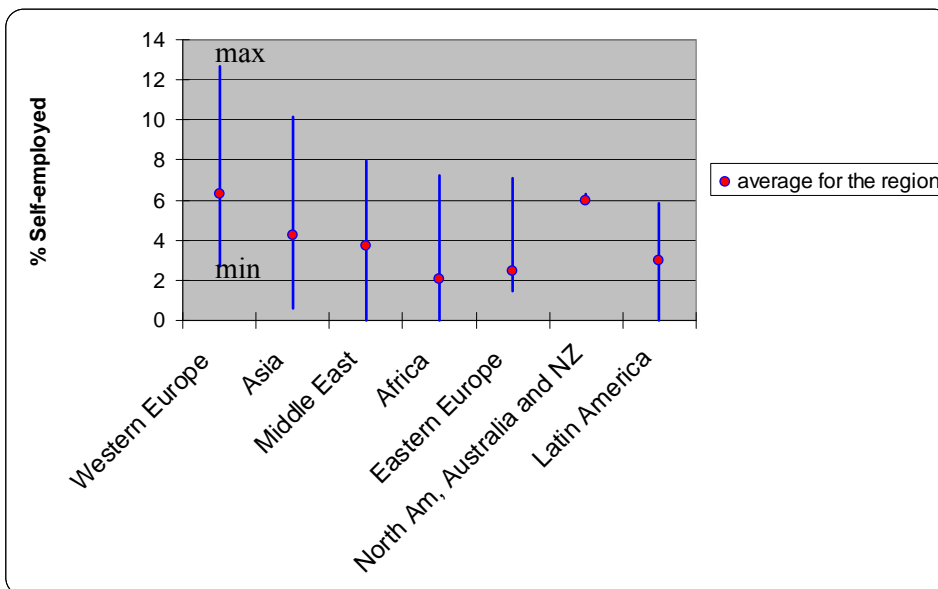


Figure 7. Share of self-employed for immigrants coming from the seven major world regions (SSB, 2006).

1.5. Outline of the thesis

This thesis is structured into six chapters. Following the introduction, theoretical perspectives on immigrant entrepreneurship are presented in Chapter 2. Theoretical

discussion starts with elaboration of definitional issues. Several theoretical approaches are summarized and critiqued. This section concludes with a brief comparative analysis and a summary. Chapter 3 discusses several philosophical issues. Methodological issues are discussed relating to research design, research quality issues and ethical considerations. Chapter 4 summarizes the key findings and contributions of the four articles presented. Chapter 5 highlights the key conclusions and discusses the implications for several enterprise stakeholders. The four articles are presented in Chapter 6.

2 Theoretical perspectives

This chapter is structured as follows. Definitional issues are discussed. Key theories within immigrant entrepreneurship studies are then highlighted. Theoretical perspectives are compared in the last subsection.

2.1. Definitional issues

2.1.1. Entrepreneurship

There is no generally accepted definition of what “entrepreneurship” is. As a result of large-scale Delphi study, Gartner (1990, p. 8) came to the conclusion that researchers must continue to spend time making “explicit what we are talking about when we talk about entrepreneurship.” Discussing such a complicated phenomenon as immigrant entrepreneurship, it is difficult to choose a definition which, on the one hand, depicts all varieties of multicultural entrepreneurs, and on the other hand, avoids being all-inclusive.

Under the present circumstances the so called *fuzzy set approach* proposed by Hornaday (1992) is applied. This means defining entrepreneurs through three dimensions: economic innovation, organisation creation, and profit-seeking in the market sector. *Economic innovation* represents the ‘what’ of entrepreneurship, i.e. the development of new combinations to create economic value where none existed before. This concept is well-developed by mainstream economists. *Organisation creation* is the ‘how’ of entrepreneurship. The emphasis here is on the creation of a new organisation as a way of achieving economic innovation. *Profit-seeking in the market sector* is the ‘where’ of entrepreneurship. The objective of entrepreneurial activity is to create profit for organisations and their owners where the market is the arena for these activities. Taken together, these dimensions of entrepreneurship overlap. The three dimensions can be visualised as a cube where each dimension is measured on a 0 to 1 scale. An activity does not need to score a perfect ‘1’ on all

three axes, but it must have a positive rating on each, to be recognised as an ‘entrepreneurial’ one. Aitken & Hugh (1963) noted that entrepreneurship is not a matter of “all or nothing”, rather it is a question of “more or less.” So, in the present thesis, entrepreneurship will be defined as a broad area but not a point of interaction.

The terms ‘entrepreneurs’ and ‘self-employed’ are often used interchangeably in the literature on immigrant businesses (Rath & Kloosterman, 2003). Self-employment is a labour-market related parameter, but it is an adequate indicator of entrepreneurial activity (Ács, Evans, & Audretsch, 1994; Wennekers, Thurik, van Stel, & Noorderhaven, 2003). Light & Rosenstein (1995, p. 3) deem it useless to distinguish entrepreneurs from the self-employed on the ground that only entrepreneurs innovate because all new businesses possess at least some minute degree of innovation.

2.1.2. Immigrant entrepreneurship

Several immigrant entrepreneurship definitions have been presented appealing for definitional clarity. Greene (1997a) notes that the conceptual discussion in academic journals often imply such terms as ethnic, immigrant, and minority as interchangeable descriptors for entrepreneurial activities of non-majority individuals. Chaganti & Greene (2002) have made a distinction between immigrant entrepreneurs, ethnic entrepreneurs and minority entrepreneurs. *Immigrant entrepreneurs* are individuals who, as recent arrivals in the country, start a business as a mean of economic survival. This group may involve a migration network linking migrants, former migrants, and non-migrants with common origins and destination (Butler & Greene, 1997). *Ethnic entrepreneurship* involves “a set of connections and regular patterns of interaction among people sharing common national background or migration experiences” (Waldinger, Ward, & Aldrich, 1990, p. 3). *Minority entrepreneurs* are business owners who are not of the majority population. In the US these categories include people of Black, Hispanic

or Latin American, Asian, Pacific Islander, American Indian, or Alaska Native descent. This group occasionally includes women of all origins. *Minority entrepreneurship* is a term without a theoretical basis (Chaganti & Greene, 2002). This concept originates in public policy rather than in academic discussions.

Ethnic entrepreneurs are often operationalized by self-reported measures (Wilson, Marlino, & Kickul, 2004). Levie (2007, p. 143) defines ethnic minorities on the basis of commonly accepted socially or culturally distinctive categories with which they identify themselves. These categories have labels that refer to ancestral geographical origin (e.g. Asian) of skin colour (e.g. Black) or both (e.g. Black Caribbean). Chaganti & Greene (2002) propose that the term ‘ethnic entrepreneur’ should be defined by the levels of the entrepreneurs’ personal involvement in the ethnic community. Ethnicity can go beyond national origin, such as in case of the four distinct ethnoreligious groups of Iranians in Los Angeles (Morris, 2000). The sociological definition of ‘ethnic business’ is: “a business whose proprietor has a distinctive group attachment by virtue of self-definition or ascriptions by others” (Aldrich & Waldinger, 1990, p. 113). Ethnic groups have also been defined as “those who conceive of themselves as alike by virtue of their common ancestry, real or fictitious, and who are so regarded by others” (Shibutani & Kwan, 1965, p. 23). According to Yoon (1995, p. 333) a key factor differentiating ethnic entrepreneurship from immigrant entrepreneurship is generational continuity. Immigrant entrepreneurship evolves into ethnic entrepreneurship when second, third and later generations of an immigrant group are engaged in entrepreneurial activities.

Immigrant businesses may be defined as ‘firms owned by immigrants’ (Bager & Rezaei, 2001). Greene & Owen (2004, p. 28) disqualify immigrant entrepreneurship as a valuable term for discussion because “... this term has less of an identifiable theoretical foundation”. These authors state that given that racial and ethnic groups have strikingly different propensities toward entrepreneurship,

there is a little basis for the assumption that the state of being an immigrant in itself can be correlated with specific entrepreneurial activities, behaviours, or outcomes.

In some cases, the term of ‘immigrant entrepreneurship’ may be more appropriate than ‘ethnic entrepreneurship’. First, the entrepreneurship process experienced by immigrants is influenced by a number of factors which are unique for immigrants compared with non-migrants. Among these factors are linguistic disadvantage (Johnson, 2000; Marlow, 1992), legal status (Barrett, Jones, McEvoy, & McGoldrick, 2002), and shared historical memories and migration experience (Basu & Altinay, 2002). Second, a phenomenon of transnationalism, which gains growing attention in the modern literature, is by definition more associated with migration than with ethnicity (Tong, Yeoh, & Charney, 2003). In the same way, “one can refer to economic embeddedness as the economic context for immigrant entrepreneurship...” (Razin, 2002, p. 163). Third, in positivistic traditions, secondary data on migration is considered to be more objective than self-reported (i.e. subjective) measures of ethnicity or belonging to certain ‘commonly accepted category’. In some cases, immigrants from different countries who share the common ethnicity may demonstrate quite different behaviours concerning entrepreneurship. For example, ethnic Chinese born in Singapore, Malaysia, and Hong Kong are underrepresented among the self-employed in Australia compared to those born in China (Collins, 2002). This difference cannot be captured when using an ethnicity-based definition. Taking into account these arguments, *immigrant* entrepreneurs will be in focus in this thesis.

Depending on definition, several different groups of people may be labelled as ‘immigrants’. Since immigrant status is an inseparable part of the definition of immigrant entrepreneur used in this study it is necessary to clarify this term. Labelling a person as a migrant may depend on spatial, temporal and some other choices made by a researcher. Concerning the spatial dimension, the movements of people may occur within the national administrative borders. Such movements are called relocations (Faist, 2000) and they are not considered in this study. A person

who moves from one country to another with the intention of taking up residence there is a migrant. Defining migration status depends both on the location of administrative borders between states and on the settlement intentions. In cases when borders have recently been relocated or national states merged or divided (i.e. the former Soviet Union), defining immigrant status may be a complicated task. In case of Norway, which separated from the union with Denmark in 1905, the territorial aspect is not an issue. However, defining a country of origin of immigrants residing in Norway may be hindered by the process of state creation and dissolution taking place in other parts of the world.

While defining the spatial aspect of migration definition is a relatively objective task, settlement intentions of migrants is a subjective matter. In order to avoid asking migrants about their settlement intentions, the definitions usually include the minimum duration of residence required to recognise a migrant. Persons may be labelled migrants if they have lived abroad for more than three months (Faist, 2000). From the native's point of view, foreigners arriving to a country with intention to reside are immigrants. Table 7 provides several migrant status definitions.

Table 7. Migrant status definitions.

| Term | Definition |
|---------------------|--|
| Re-emigrant | A person who moves back to the original country of immigration with the intention of taking up residence there |
| Second-time migrant | A person who moves for a second time to the new country of immigration with the intention of taking up residence there |
| Transilient migrant | A person who moves to one country with the intention of taking up residence there via another country |
| Circular migrant | A person who moves frequently from one country to another |

Researchers and practitioners distinguish between first and second generation immigrants. These definitions imply the origin of the person's parents. Depending on the country of birth and the parents' country of birth a person may be attributed to one of the categories depicted in Table 8. This general approach has, for example, been adapted by the Statistics Norway who define an immigrant as a person born abroad with two parents born abroad. First generation immigrants may be divided into the pioneers and the second wave (people sponsored to the new country of residence by pioneers) (Peters, 2002).

Table 8. Immigrant status definition: the person's and parents' origin.

| Born abroad? | | | Term |
|---------------------|----------------|----------------|-----------------------------|
| Person | His/her mother | His/her father | |
| yes | yes | yes | First generation immigrant |
| no | yes | yes | Second generation immigrant |
| no | no | no | Native |
| yes | no | no | Native in most cases |
| yes | yes | no | Depends on the context |
| yes | no | yes | |
| no | yes | no | |
| no | no | yes | |

The following definition of an immigrant entrepreneur is used in this study:

An immigrant entrepreneur is a business owner born outside Norway with both parents born abroad who is involved into the activities characterised by economic innovation, organisation creation, and profit-seeking in the market sector.

2.2. Main theoretical perspectives on immigrant entrepreneurship

A number of theoretical explanations have been proposed to the phenomenon of immigrant entrepreneurship. Reviewing and classifying these theories is not an easy task (Fairlie & Meyer, 1994, p. 3).

Within the research area of immigrant entrepreneurship such terms as *theory*, *approach*, *model etc.* are often used interchangeably. For example, studies focusing on relationships between culture and entrepreneurship has been labelled as ‘cultural theories’ (Basu, 1998, p. 315), ‘cultural factors’ (Rath, 2002a, p. 7), ‘culturalist argument’ (Waldinger & Chishti, 1997, p. 4), ‘cultural thesis’ (Lo, Teixeira, & Truelove, 2002, p. 7), or ‘culturalist approach’ (Ibrahim & Galt, 2003, p. 1108).

Several disciplines have been used to explore immigrant entrepreneurship, each with its own research agenda, methodology and vocabulary. Economists and sociologists have had a major impact on this research area. Fratoe (1986) categorised studies concerning *minority* business into four groups corresponding to a major analytic fields relating to economics, business management, psychology, and sociology⁴. Taking a step further, immigrant entrepreneurship may be seen as located at the intersection of many scientific disciplines such as ethnic studies, sociology, urban studies, general and business economics, economic geography, management studies, political science and policy studies (Rath & Kloosterman, 2000). Fundamental differences between all these fields of scientific enquiry hamper an all-inclusive theoretical view. The field of entrepreneurship research has not been mentioned in existing reviews of the literature on immigrant entrepreneurship.

⁴ The authors terminology preserved here.

Studies on immigrant entrepreneurship are often practice- and policy driven. Revealing certain important relationships, such studies appear often to be hard to integrate into broader theoretical perspectives. Even cornerstone works within the area of immigrant entrepreneurship are often based on anecdotal evidence, or highly specific cases and samples.

Reviewing literature on immigrant entrepreneurship some authors categorise the theoretical perspectives according to a scientific discipline, monocausal/interactive nature, focus on supply or demand side, and level of analysis. In this thesis several classification methods were used in order to provide a systematic review of theoretical perspectives. Then, the most influential ideas were identified in the cross-disciplinary literature. These ideas were briefly depicted in terms of several classifications and then described in details.

At the most general level, all the conceptual approaches to the phenomenon of immigrant entrepreneurship may be roughly classified either as monocausal or interactive (adopted from Peters, 2002). Monocausal studies attribute the intergroup differences with respect to immigrant entrepreneurship to factors relating to culture, specific barriers, human or social capital, ecological factors, global economic factors, the opportunity structure etc. Studies recognising the influence of several of these factors may be labelled “monocausal” if they do not take into account the interdependency between immigrant entrepreneurship and the social and economic environment.

Parker (2004, pp. 129-130) attributes the known monocausal explanations for higher rates of entrepreneurial activity among immigrants compared to natives to the following categories:

1. Better average educational level of immigrants;
2. Utilisation of ethnic resources unavailable to natives;
3. Sojourning orientation of some immigrants;

4. Blocked mobility;
5. Self-selection of immigrants with respect to risk taking behaviour;
6. Gravitation to self-employment among illegal immigrants; and
7. Concentration of immigrants in the occupations and industries characterised by high rates of entrepreneurship.

Excluding the sixth theme all the above issues will be considered in the following theoretical overview.

Monocausal studies fail to appreciate how the host country society and institutions interact with immigrant entrepreneurs. They generally also fail to account for the wide ranging differences in entrepreneurial concentrations and styles observed across various immigrant groups. Interactive explanations take into account the interplay between group characteristics, opportunity structure and the context on different levels. Waldinger's interactive model (Waldinger, Ward, & Aldrich, 1990) and the mixed embeddedness approach (Rath & Kloosterman, 2003) may be categorised as interactive explanations.

One of the most influential monocausal explanations refers to cultural predisposition of some immigrant groups towards entrepreneurship. Introduced by Max Weber (1958), the *cultural thesis* points to special features, values and family traditions, that may propel certain groups of immigrants to enter business ownership.

Discrimination and a disadvantaged position in the general labour market can explain why some immigrant groups are more likely to pursue careers in business ownership. The *Blocked mobility* thesis, for example highlights push motivation.

Availability of *ethnic* and *class* resources can promote or retard immigrant entrepreneurship. In terms of sociology, class resources are the financial and human capital, values and knowledge which are the usual endowment of a bourgeoisie. Ethnic resources include ethnic ideology, industrial paternalism,

solidarity, social networks, ethnic institutions, and social capital (Light & Rosenstein, 1995, p. 25). Class and ethnic resource polarisation will not be emphasized in this thesis. While sociology is concerned with the social roots of the phenomenon under scrutiny (class versus ethnic sources of resources), this dissertation will focus on individual versus group sources of resources. A subsection will explore ethnic resources and social capital underling ethnic resources, while another subsection will discuss individual characteristics fostering immigrant entrepreneurship.

Middleman minority theory attributes the superior rates of self-employment among some immigrant groups to legal restrictions and discrimination which enhance private economic initiative, group solidarity and sharing of resources. Discussion of *Waldinger's interactive model* is unavoidable when reviewing the literature on immigrant entrepreneurship. This model emphasizes the interaction between opportunity structures and group characteristics which jointly shape immigrant entrepreneurship. *Mixed embeddedness* is another interactive approach which focuses on the interplay between social, economic and institutional contexts. Each of these theoretical perspectives will be discussed below.

2.2.1. Cultural thesis

The cultural thesis is one of the oldest explanations for overrepresentation of some immigrant/ethnic groups among entrepreneurs. Originating from the work of Max Weber (1958), this thesis suggests that some nations and respective immigrant groups are more entrepreneurial due to traditions and values. In his seminal work "The Protestant Ethic and the Spirit of Capitalism" first published in 1904-5, Weber argues that Protestants have shown a special tendency to develop economic rationalism which cannot be observed among Catholics. Culturally embedded values relating to hard work and asceticism are supposed to provide preconditions for business development, such as saving, investing and entrepreneurial initiative. The cultural thesis has been widened to consider other aspects of culture.

Culture can be defined as “the collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, 1997, p. 5). Davidson (1995) identifies two views regarding the relationship between cultural values and entrepreneurial behaviour. The *Aggregate psychological trait explanation* is based on the idea that if a society contains more people with entrepreneurial values, more people will be entrepreneurs. Regarding immigrants to a country, some groups may contain more people with cultural values conducive for entrepreneurship. The *Social legitimation view* assumes that the variation in entrepreneurship is based upon differences in values and beliefs between the population as a whole and potential entrepreneurs. The clash of values between the groups drives potential entrepreneurs into self-employment. This view emphasizes attitudes related to the group culture phenomenon. Prevailing values and beliefs constitute a norm-based restriction that gives entrepreneurial behaviour a higher or lower degree of social legitimation regardless of the values and beliefs held by those who actually founded their own firms (Davidsson, 1995, p. 43). The socio-cultural environment influences the exploitation of opportunity by influencing the desirability of entrepreneurial activity and the perceived risks and returns of such endeavours (Shane, 2004).

Culture theories applicable for immigrant entrepreneurship studies may be subdivided into the *orthodox* and *reactive* theories (Light, 1980; Yoon, 1991). The orthodox cultural theory attributes the business success of a particular immigrant groups directly to the cultural values brought from the country of origin. This view is in line with Weber’s theory. The reactive cultural theory suggests that the cultural traits promoting immigrant entrepreneurship are formed as an adaptation to scant opportunities in the host society. The later theory is context-based, and so combine the disadvantage and cultural approaches (Gold, 1988). Orthodox and reactive cultural theories are not mutually exclusive. In some cases they may be used combined. Immigrant entrepreneurship may take orthodox, reactive or mixed orthodox-reactive forms (Light, 1984). The influence of culture on

entrepreneurship among immigrants may be stronger in the case of some ethnic groups than others (Basu & Altinay, 2002).

Reactive cultural theory has been criticised for “the low level of specification and the absence of individual level data which would provide empirical evidence” (Yoon, 1991, p. 305). The cultural theories tend to overemphasize ethnic solidarity and collective cooperation, while neglecting internal class differences. Cultural explanations, especially reactive ones, are not universally applicable (Yoon, 1991). Some immigrants are well educated and exploit the same legal regulations as natives entering business ownership in the ways not predicted by cultural theories. Foreign born entrepreneurs from less entrepreneurial cultures often outperform natives in traditionally entrepreneurial countries. These facts cannot be explained solely by the cultural factors (Light & Rosenstein, 1995). Culturalist explanations are blamed to have “an *ad hoc* or even tautological air” (Waldinger & Chishti, 1997, p. 4). Rafiq (1992) has asserted that the strategies pursued by immigrant entrepreneurs in the UK depend more on the socio-economic and class resources of individuals than on cultural or ethnic resources. Therefore he suggested that culture had an indirect impact on entrepreneurship.

2.2.2. Discrimination and the blocked mobility thesis

At the societal level, structural barriers can prevent some immigrants from competing on equal terms with natives (Zhou, 2004). As a consequence, some immigrants may be pushed into business ownership. The economic mobility of immigrants may be blocked in several ways. Legal restrictions which discriminate particular ethnic groups, provide a base for the middleman minority theory (Bonacich, 1973). Immigrants that are restricted in their economic and juridical rights are forced into business ownership. However, the direct legal discrimination and the middleman minority situation seem to be more of an exception rather than a rule, at least in developed countries. Some immigrants may lack proficiency in their host country’s language, their education level may be below average, and

their educational credentials may not be recognised by the host country employers. Lacking alternatives, immigrants may be at the end of the labour queue. They are hired last and fired first. Further they are often poorly paid with limited upward career potential (Kloosterman, 2000). Direct racial, national or ethnic discrimination and prejudices of the native population may cause blocked mobility for immigrants. It has been reported that predicted earnings differential between self-employment and paid employment has a positive effect on the probability of being self-employed (Johansson, 2000). The study conducted by Hammarstedt (2006) suggests that discriminatory wages in the wage-employment sector may push immigrants into self-employment in Sweden.

Labour market disadvantage often fails to explain differences in self-employment rates between equally disadvantaged immigrant groups (Fairlie & Meyer, 1994; Light, 1984). More advantaged ethnic groups (measured by wage/salary earnings, self-employment earnings, and unearned income) and not the more disadvantaged groups, as predicted by the blocked mobility thesis, have often the highest self-employment rates (Fairlie & Meyer, 1996). Blocked mobility arguments are also criticised for overplaying the structural dimension at the expense of cultural processes (Barrett, Jones, & McEvoy, 1996).

Studies suggest that immigrants with limited resources enter sectors with lower financial barriers to entry (Bates, 1999). Testing the blocked mobility hypothesis, Beaujot, Maxim, & Zhao (1994) made a distinction between self-employment in professional and non-professional services. Immigrants with high educational credentials obtained abroad had a higher likelihood of entry into self-employment in non-professional sector compared to equally educated natives and immigrants with Canadian education. These findings support the blocked mobility thesis. Some immigrants select self-employment or business ownership to avoid discrimination (Clark & Drinkwater, 1998; Cobas, 1986; Constant & Zimmermann, 2006; Hammarstedt, 2006). Immigrants select self-employment as an alternative strategy for economic mobility when opportunities to work as wage/salary earner are

blocked due to discrimination (Phizacklea & Ram, 1995; van Tubergen, 2005). However, studies on Asian immigrants in the US (Mar, 2005) have not empirically confirmed the influence of blocked mobility and discrimination on entry into self-employment among immigrants.

2.2.3. Social capital and utilisation of ethnic resources

Some sociologists suggest that uneven distribution and varying use of social capital may explain intergroup differences between immigrants with respect to their economic behaviour (Potocky-Tripodi, 2004). Social capital may be defined as “features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam, 1995). Family relations and common ethnic backgrounds represent the two types of social structure that underline immigrant entrepreneur groups (Caulkins & Peters, 2002). Social capital is embedded in social networks (i.e. self-help networks of supportive kinship, peer and community subgroups) (Fratoe, 1988). Family and community lie at the heart of social networks of ethnic community firms (Saker, 1992). Light & Gold (2000) have made a distinction between *class-derived* and *ethnic-derived* social capital.

Bounded solidarity and *enforceable trust* are suggested to be the sources of social capital among immigrants (Portes & Zhou, 1992). Bounded solidarity among immigrants is a result of their perceived foreignness and awareness of the cultural difference. Bounded solidarity has direct consequences for immigrant entrepreneurship providing consumer preferences for ethnic goods, co-ethnic employees preferring ethnic employers, and co-ethnic investors preferring ethnic businesses. All these preferences may be demonstrated even in spite of lower expected material benefits. Enforceable trust is an important mechanism enabling business relationships between immigrants. Trust between co-ethnic business partners, investors, customers, entrepreneurs and other stakeholders means much

for ethnic businesses. Violation of implicit obligations by any of co-ethnics may have devastating consequences on the personal level, resulting in social ostracism.

Social capital may create additional human capital (Coleman, 1988) or compensate for low human capital (Potocky-Tripodi, 2004). Interactions with co-ethnics may help to acquire training, knowledge and skills required to start a business.

Social networks may rely on strong and weak ties. Strong ties are argued to be important for immigrant entrepreneurs who start out with few resources, and lack access to mainstream sources of credit and technical assistance (Waldinger, Ward, & Aldrich, 1990). While many researchers view social capital as wholly beneficial, others argue that 'too much' social capital may hamper immigrant entrepreneurship.

Ethnic resources are important parts of social capital. These resources are "any and all features of the whole group which co-ethnic business owners can utilise in business or from which their business benefits" (Light, 1984, p. 201). Ethnic resources are taken into account by nearly all theories of immigrant entrepreneurship. With respect to the importance of the subject, ethnic resources are described here as a separate category. Light (1984) names the following four groups of ethnic resources: orthodox cultural endowments, relative satisfaction, reactive solidarities and sojourning orientation. While the cultural ethnic resources and the related parts of social capital are better described in other relevant parts of this paper, this subsection focuses on material resources which may be directly linked to entrepreneurial activity.

Disadvantage and cultural theories diverge from one another in the analysis of the structural source of ethnic resources, but they share at least two points. First, both theories state that effective utilisation of ethnic resources is a key to business success in an ethnic group. Second, disadvantage theories and cultural explanations recognise ethnic business as a group level phenomenon rather than pure individualistic action (Kim & Hurh, 1985).

Ethnic resources in the form of loyal co-ethnic clientele, cheap and reliable co-ethnic labour, and specific knowledge about ethnic products and services provide basis for development of immigrant owned businesses. Discussing the role of migration networks Light, Bhachu, & Karageorgis (1993) point out that these networks may enhance immigrant entrepreneurship in three principal ways. Networks may supply co-ethnic labour, information relevant to business opportunities and processes, and mutual aid and assistance in addition to information. Contribution of such resources is especially visible in ethnic enclave economies. Some studies suggest a link between opportunities presented in ethnic enclaves and self-employment among immigrants (Borjas, 1986; Lofstrom, 2002). Le (2000) found that the propensity to be self-employed among first generation immigrants in Australia was enhanced by the existence of enclave market. Geographical concentration of a considerable number of immigrants of the same origin has been used to explain high self-employment rates among immigrants (Evans, 1989; Zhou, 1992). A protected market is a form of social capital which derives from the culturally based tastes of ethnic minorities that can only be served by co-ethnic businesses (Bates & Dunham, 1993). Dependence of immigrant enterprises on ethnic clientele varies dramatically between industries. Leonard & Tibrewal (1993) reported that minority engineers, architects and contractors with an immigrant background had only 10% of their clients drawn from ethnic minorities. Grocery stores, marriage bureaus and music shops rely entirely on ethnic clients. Relationships between immigrant entrepreneurs and their co-ethnic clients are not always harmonic. Some immigrant entrepreneurs express negative reactions to their co-ethnics suggesting that members of ethnic groups may actually assimilate some of the stereotypes held by the wider society (Dyer & Ross, 2000).

The ethnic community can provide capital which enables people from the ethnic group to enter business ownership. Some groups of immigrants, for example, Chinese (Wong, 1998) and Koreans (Park, 1997) in the US, use ethnic rotating credit associations more extensively than others. Whether formal sources of

finance are available for immigrant nascent entrepreneurs or not, many prefer informal borrowing for its expeditiousness and absence of paperwork (Portes & Zhou, 1992). However, it has been suggested that successful immigrant entrepreneurs rely mostly on personal savings (Basu, 1999).

Employment in a co-ethnic firm may serve as a preparation for becoming a business owner (Light, Bhachu, & Karageorgis, 1993; Raijman & Tienda, 2000a). Analysing data from a sample of Cuban exiles Portes & Bach (1985) found, for example, that the single most powerful predictor of self-employment was employment in a Cuban-owned firm three years earlier. A survey of Mexican business owners in Chicago shows that previous employment in a co-ethnic firm increased the likelihood of acquiring skills relevant to running a business (Raijman & Tienda, 2000b). Working in co-ethnic firms may facilitate accumulation of capital, which can be needed to establish a new venture (Li, 2001; Portes & Zhou, 1992). Some immigrants are only able to obtain employment positions in the black economy (Engelen, 2001; Jones, Ram, & Edwards, 2006). Lacking resources, immigrants may also initially start their businesses in informal way, though informality is not the primary pathway into self-employment (Raijman, 2001; Raijman & Tienda, 2000a).

Co-ethnic employees are important sources of competitive advantage for immigrant entrepreneurs because these employees are reliable, willing to work hard and cheap to employ. Reliability and loyalty of co-ethnic workers is embedded in bounded solidarity and enforceable trust relationships. The quality of co-ethnic labour force is at least as important as its low cost. Immigrant entrepreneurs may employ undocumented immigrants, emphasizing the quality of these workers, not just their cheapness (Hansen & Cardenas, 1988). Hiring co-ethnic employees may, however, have an impact on businesses performance. It has been reported that Korean entrepreneurs in New York City shifted gradually to employing Latino workers rather than co-ethnics because Korean workers were

“unreliable” and required high wages (Kim, 1999). This example illustrates the situation when economic rationality prevails over ethnic solidarity.

Through ethnic networks, aspiring and nascent immigrant entrepreneurs may gain access to crucial information about the best industries to enter, pricing, technology and business methods (Chotigeat, Balsmeier, & Stanley, 1991). Business information delivered by co-ethnics is credible due to mutual trust. In some cases, ethnic chauvinism encourages immigrants to deliver important messages solely to co-ethnics (Light, Bhachu, & Karageorgis, 1993). Basu (1998) found that informal networks of advice, information and finance played a crucial role in determining the nature of entrepreneurial entry among Asian immigrants in Britain. The same conclusion emanated from a study of Turkish, Indian/Pakistani and Moroccan immigrants in the Netherlands (Masurel, Nijkamp, Tastan, & Vindigni, 2002).

Other forms of co-ethnic aid relevant for immigrant entrepreneurs are purchasing at advantageous prices, dealing with public bureaucrats and courts, consumer and supplier relations, financial and production management, labour relations, industrial engineering, quality control, marketing, and the introduction of new products and technologies (Light, Bhachu, & Karageorgis, 1993; Light & Bonacich, 1988). Utilisation of ethnic networks may evolve into a quasi-formal process, beginning with the arrival of an immigrant into the community and culminating in the birth of a new business. In the Ismaili/Pakistani community in the US, the steps of the process are understood by the members and are explicable to new entrants and non-community members (Greene, 1997b).

Ethnic resources are more important for some ethnic groups (Min & Bozorgmehr, 2000). In Norway, immigrants from Tunisia, Morocco, Palestine, and Greece have been found to avoid reliance on co-ethnics, while Pakistanis perceive their ethnic group as an important source of resources needed for business venturing (Krogstad, 2002). The demand for ethnic goods and exploitation of co-ethnic labour plays a critical role in economic adaptation only for a limited number of immigrant groups

which tend to form enclaves under certain conditions. However, ethnic enclave economies are rare (Light, Sabagh, Bozorgmehr, & Dermartirosian, 1994).

Analysis of Australian Census data revealed that an immigrants' likelihood of entering business ownership was related to the size of the ethnic group, and the linguistic isolation of the immigrants (Evans, 1989). These findings suggest that large immigrant groups provide opportunities for ethnic entrepreneurs in forms of numerous customers with preferences for ethnic goods, and co-ethnic workers not fluent in the host country language. Conversely, van Tubergen (2005) found a negative relationship between the size of the ethnic community and the likelihood of self-employment. Bates & Dunham (1993) cast doubt on the importance of social resources as an explanation for the higher rate of entrepreneurship among Asian immigrants in the United States. Their study shows that financial and human capital are more important factors than social capital.

2.2.4. Individual characteristics and selective migration

Cultural and middleman minority explanations have been criticised for overemphasizing ethnic solidarity and collective resources, while neglecting internal class divisions (Yoon, 1991). Class resources include cultural and material components (Light, 1984). Cultural class resources include bourgeois values, attitudes, knowledge and skills transmitted intergenerationally in the course of primary socialization. This sub-section will focus on material class resources that comprise private property in the means of production and distribution, human capital, and money. Certain groups of immigrants are overrepresented among the self-employed simply because they have more material resources compared to other groups. Bates & Dunham (1993) demonstrated that both rates of business entry and performance are significantly influenced by the amount of financial capital, personal wealth and educational attainment of entrepreneurs.

Becker (1993) distinguishes between general and specific human capital. General human capital, often measured as years of education and work experience, relates to the factors expected to increase an individual's productivity for a wide range of work-related activities. Specific human capital may only be applicable to a specific domain. In entrepreneurship literature, specific human capital relates to managerial, industry specific and business ownership experience (Bosma, van Praag, Thurik, & de Wit, 2004; Cooper, Gimeno-Gascon, & Woo, 1994).

There are two plausible explanations for why some groups of immigrants accumulate more financial and human capital. First, immigrants come from different world regions which are strikingly different with respect to the populations' wealth, income, education etc. Immigrants from certain countries may bring superior general human capital and financial resources needed to start a business (Sanders & Nee, 1996). The accumulation and leverage of human capital enables some people to enter and re-enter business ownership. Entrepreneurs may learn from previous business ownership experience. Immigrants arriving from countries with high rates of self-employment are more likely to own businesses in their host countries. The relationship between the level of self-employment in the country of origin and subsequent entry into self-employment after migration has been empirically demonstrated (Cobas, 1986; Ekberg & Hammarstedt, 1999; Yuengert, 1995)⁵.

Second, the process of migration is argued to be selective. Since the migrants have taken a bold decision to move a long distance, they may be less risk-averse than their stay-at-home peers. Immigrants may also be especially confident in their own human capital and ability to succeed in a new, uncertain environment. It may therefore be suggested that attitudes towards entrepreneurship may be most positive among immigrant groups which have come farthest (Levie, 2007). The

⁵ For a conflicting view see Van Tubergen (2005).

immigration process is also argued to select immigrants who are integrated into kinship networks, and relevant information relating to business opportunities may be shared within the immigrant group (Waldinger, Ward, & Aldrich, 1990). Further, the transportability of human capital is limited (Razin & Scheinberg, 2001). The foreign-earned human capital of some immigrants may not be highly valued by native employers who frequently rely on educational credentials and work experience as proxies for direct measures of skills and potential productivity (Sanders & Nee, 1996).

2.2.5. Middleman minority theory

Jews in Europe, Chinese in Southeast Asia, Asians in East Africa, Armenians in Turkey, Syrians in West Africa, Japanese and Greeks in the US appear to be more likely than other individuals to enter business ownership in the areas of trade and commerce (Bonacich, 1973). A middleman model to explain this phenomenon has been presented by Bonacich (1973). This model is illustrated in Figure 8.

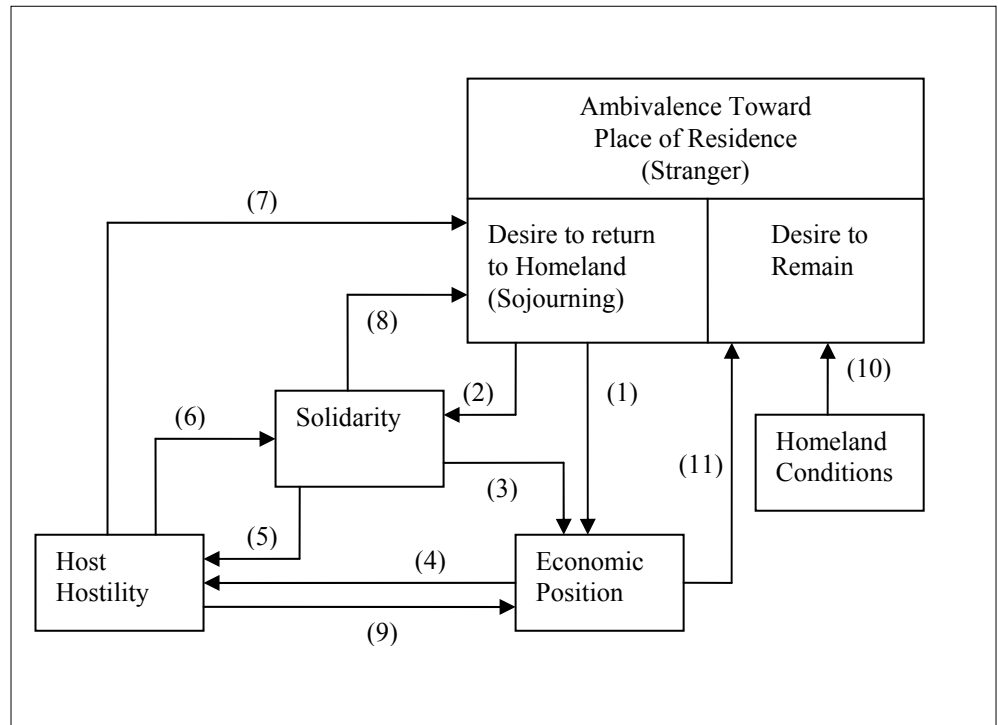


Figure 8. Schematic representation of the development and perpetuation of the middleman minority position. Adopted from Bonacich (1973).

The notion of sojourning is central to this model. Sojourners are immigrants who do not plan to settle permanently in the host country. Intergroup solidarity, practicing of original traditions, monoethnic marriages, and use of the homeland language characterise middleman minorities. They tend to prefer saving rather than spending money on consumption. Sojourners perceive their immigrant position is temporary and they prepare for return to the home country. They tend to select occupations which do not tie them to the host country (i.e. trading and money lending). Thus, sojourning may explain why some immigrant groups are overrepresented among independent professionals or self-employed in the areas of commerce and trade (link 1 in Figure 8).

Sojourning often results in a high degree of intergroup solidarity (link 2). Communal solidarity may in several ways be positively related to middleman minority business ownership (link 3). First, it leads to relatively efficient

distribution of resources via formal and, especially, informal ethnic channels. Low interest loans may be provided inside the community through rotating credit associations. Information, training, and loyal labour are available to the middleman minority entrepreneurs. Second, solidarity can be an effective means of controlling internal competition. This function may, for example, be achieved by way of guild-like structures.

Another factor contributing to the overrepresentation of middleman minorities among entrepreneurs is host hostility (link 9). The causes of host hostility (links 4 and 5), its non-economic consequences (links 6 and 7), and determinants of desire to return to one's home country (links 10 and 11) are outside the focus of the present study. However, the efforts of natives to undermine the middleman minority's influence by laws prohibiting ownership of land or taking particular jobs force immigrants towards self-employment and contribute to their occupational concentration (link 9).

A major problem related to the middleman minority theory has been detected (Waldinger, Ward, & Aldrich, 1990). Setting up a business seems to be more risky compared to finding a salaried job. If sojourners look for occupations which can be quickly terminated in case of return to their homeland, they will be more likely to accept waged employment that, in turn, violates one of the cornerstone suggestions of the middleman minority theory. Moreover, keeping savings in a bank account is much safer way of saving money for the return journey, compared to investing in trade.

While the middleman minority theory may explain the economic position of some groups of immigrants, it is not applicable to the majority of immigrants. As Sanders & Nee (1996, p. 234) stated "in the modern world, self-employment among immigrants expands well beyond the narrow business roles allocated to middleman minorities". Empirical tests of the middleman minority thesis are rare and often fail to confirm the model (Cobas, 1986).

2.2.6. Waldinger et al.'s interactive model

Despite the presence of the word “ethnic” in the title, Waldinger et al.’s interactive model can be applied to immigrant entrepreneurship. The model was also called “a model of immigrant enterprise” by Waldinger, Ward, & Aldrich (1990, p. 14). In this context ‘entrepreneurs’ are defined as owners/operators of business enterprises. This model emphasizes the interaction between the opportunity structure and ethnic group characteristics (Figure 9).

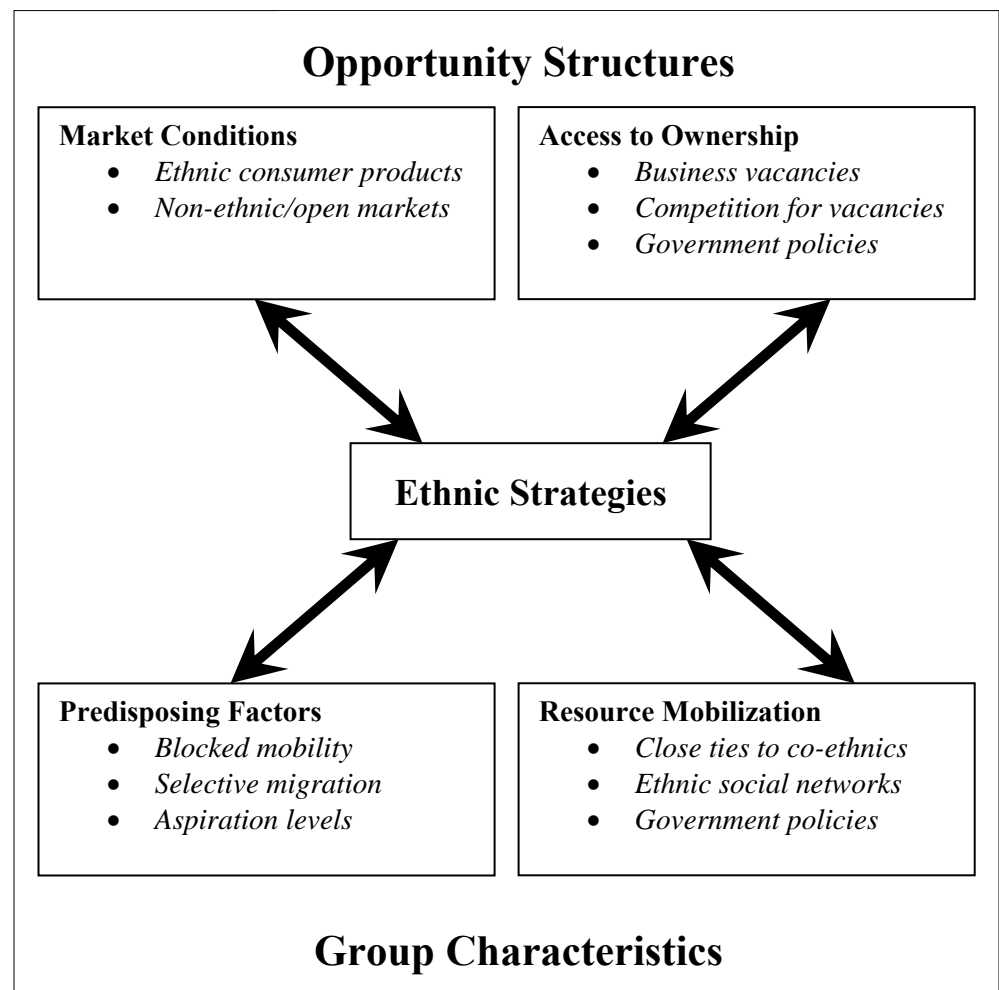


Figure 9. An interactive model of ethnic business development. Adopted from Waldinger, Ward, & Aldrich (1990).

Figure 9 suggests that opportunity structures relating to market conditions can promote immigrant business ownership. Market conditions may favour only businesses serving ethnic community needs. In this case, the demand for co-ethnic products demonstrated by co-ethnic clients is critical and the entrepreneurial opportunities are limited. However, ethnic entrepreneurs may compete in these markets due to their specific knowledge and skills. Expanding into non-ethnic markets provides potentially wider opportunities.

Opportunity structures define the types of businesses that may be supported by the market. New immigrant firms are unlikely to arise in industries characterised by extensive scale economies and high entry costs. Given the limited resources and lack of relevant business experience, immigrants are expected to enter labour-intensive niches avoided, or abandoned by natives. These niches are characterised by low entry barriers, low economies of scale, high failure rates, instability and uncertainty.

Immigrants need access to ownership in order to exploit existing business opportunities. Access to business ownership is defined by the number of vacant business-ownership positions, the extent to which natives are vying for these slots, and by the government policy towards immigrants. Ownership opportunities for immigrants are principally determined by the supply of native entrepreneurs. On the neighbourhood level immigrant businesses often emerge as a result of ecological succession. Young natives reluctant to enter the family business may provide market opportunities for immigrant entrepreneurs. Government policy may influence the opportunity structures for immigrant entrepreneurs. Rules regulating economic activity of immigrants and the spatial distribution of new-comers may shape the career choices of immigrants.

Some immigrants are predisposed toward business ownership (i.e. blocked mobility) and they can draw upon informal ethnic resources to gain a competitive

edge. Immigrants lacking relevant language skills, education and training have few alternative ways of securing economic and social mobility.

The process of migration can be self-selective. Some immigrants are risk seeking and they possess psychological characteristics associated with entrepreneurship. Immigrants may be willing to become self-employed because they are ready to work longer hours and to be satisfied with lower levels of profits. Moreover, due to their specific traditions and cultures, immigrants may perceive their job status differently than natives. In line with the middleman minority theory, some immigrants may be more concerned with economic mobility than with social status.

Ethnic communities may generate the infrastructure and resources required for ethnic business ownership. Frequent interaction between co-ethnics, the feeling of commonality and interdependence may provide advantages to immigrants (i.e. financial capital, business information and training). Ability to employ co-ethnics provide additional advantages to immigrant businesses because co-ethnic workers are expected to be reliable, loyal and, above all, inexpensive or even unpaid. In return for the immigrant workers' efforts, business owners are often supposed to provide training and, sometimes, financial assistance which can encourage more immigrants to enter business ownership.

Not all the resources available to a particular ethnic group come from within this group. Government programs aimed at aiding immigrant entrepreneurs may supply financial capital and business-specific knowledge. Prioritized purchases from minority firms can create a protected market for immigrant-owned businesses.

Given the particular opportunity structures and possessing a unique set of group characteristics, each immigrant group may develop a specific ethnic strategy, which is the central element of the interactive model. Intergroup differences in self-employment rates may be explained by interaction between opportunity structures on the one hand and premigration and postmigration characteristics as well as by

the circumstances of migration on the other hand. This temporal classification of factors is not reflected in Figure 9.

Waldinger et al.'s interactive model has been criticised for extensive use of ostensive definitions (Light & Rosenstein, 1995). Ostensive definitions list the conditions under which a phenomenon appears. Ostensive definitions of opportunity structures provided by Waldinger et al., are claimed to remain “too low on the abstraction ladder to isolate causal relationships” (Light & Rosenstein, 1995, p. 74). Moreover, ostensive definitions are subject to endless reappraisal whenever someone revises the list of conditions. Light and Rosenstein (1995) suggest these problems can be addressed by defining economic opportunities through potential monetary rewards. The authors conclude that in the context of entrepreneurship research, opportunity is “a useless circumlocution of demand” (Light & Rosenstein, 1995, p. 75). Interactive theories of immigrant entrepreneurship can be criticised for merely specifying that supply and demand figure in a complete explanation without explaining just how they must relate. Another methodological problem with Waldinger's study is a “misbalance” between the effects of supply and demand for business ownership (Light & Gold, 2000).

2.2.7. Mixed embeddedness

The mixed embeddedness perspective is an attempt to provide a theoretical background to explore international variations in immigrant business ownership. The concept of mixed embeddedness should encompass the interplay between the social, economic and institutional contexts (Kloosterman, Van der Leun, & Rath, 1998). The rise of immigrant entrepreneurship is located at the intersection of changes in socio-cultural frameworks on the one side, and transformation process in urban economics on the other. The interplay between these sets of changes takes place within a larger, dynamic framework of institutions relating to the neighbourhood, city, national or the economic sector level.

The opportunity structure plays a role in the mixed embeddedness explanation. The shape of opportunity structure dictates the niches entered by immigrants. Institutions such as the welfare system, the organisation of markets, rules and regulations affect opportunity structures. A market where entrepreneurs have to find resources and sell their products is a central concept within the mixed embeddedness perspective. The global changes in demand create additional opportunities for immigrant entrepreneurs. Availability of cheap computing power, fragmentation of markets, and demand for flexibility, exotic products and personalised services create new opportunities for immigrant entrepreneurs. And immigrants, with their limited resources, are best suited for low economy of costs and highly human intensive kinds of business. The market is not the only factor shaping immigrant entrepreneurship. Immigrants can also be embedded in their social networks. Social networks depend, in turn, on the country settings.

Two dimensions of the opportunity structure shape the process of insertion, and the social mobility of immigrants. The first dimension concerns *accessibility*. Markets have to be accessible for newcomers⁶. The second dimension refers to the *market growth potential* (Kloosterman & Rath, 2001).

At the national level, institutions provide laws, rules and regulations which can promote or retard business ownership by immigrants (i.e. a minimum wage or special requirements or the rules regulating entering self-employment for non-citizens). General attitudes toward entrepreneurship or natives' prejudices against certain occupations may provide openings for potential immigrant entrepreneurs. In some cases, openings for immigrants may appear when no principally new opportunities have been created in the economy. In this case, a *vacancy chain*

⁶ Compare to the *access to ownership* in Waldinger's interactive model (Waldinger, Ward, & Aldrich, 1990).

(when native long-established entrepreneurs abandon certain niches and immigrants take their places) may emerge.

Under the influence of intensified competition within a country, the major cities are struggling to develop unique competitive advantages. Agglomeration economies concentrated around many urban centres are often characterised by specialisation. Development of such industrial districts is embedded in the regional history and tradition, explaining the colourful variety of urban economies. On the regional level, these distinct opportunity structures affect both accessibility of ownership and growth potential of immigrant enterprises. The access to markets and their growth potential not only differs from city to city, but also from neighbourhood to neighbourhood within cities (Kloosterman & Rath, 2001). In cases when neighbourhoods are extensively populated by ethnic minorities, immigrant entrepreneurs may provide their ethnic goods and services. In this case concentration of co-ethnics also provides essential social networks and, therefore, social capital important for immigrant businesses.

The concept of mixed embeddedness is broadly criticized and “still requires further elaboration and operationalization” (Rath & Kloosterman, 2003, p. 8). Peters (2002, p. 33) argues that the mixed embeddedness perspective “does not explain, any more than previous models, the wide-ranging, interethnic variation in entrepreneurial concentration observed among immigrant groups in host environments around the world.” It is argued that the mixed embeddedness model lacks a historical perspective. It does not take into account the development of entrepreneurship within a group over time. Moreover, the mixed embeddedness approach was initially developed for explaining mostly the informal lower-end sector of immigrant economy and should not be generalised to other sectors without further considerations. Mixed embeddedness can be viewed as a “fuzzy concept” (i.e. a concept lacking clarity which makes it difficult to operationalize) (Razin, 2002, p. 163).

2.3. Different perspectives compared

Each perspective discussed above provides insights into the context promoting or retarding immigrant entrepreneurship. No single perspective offers an over-arching explanation of the immigrant entrepreneur phenomenon. Further, each perspective is associated with weaknesses as well as strengths. Table 9 summarizes the similarities and differences between the theoretical perspectives reviewed.

Table 9. Theories explaining immigrant entrepreneurship.

| Explanation | Arguments | Focus on | Influential works | Main weaknesses |
|--|---|---|------------------------------------|--|
| Cultural thesis | Some cultures (reactive or orthodox) predispose immigrants for successful entrepreneurship | Ethnic values, traditions, beliefs | (Light, 1984; Weber, 1958) | Neglecting class differences, little relevance for many groups, not explaining certain intergroup differences, lack of individual level data |
| Discrimination and blocked mobility thesis | Disadvantages in mainstream economy push immigrants into entrepreneurship | Discrimination, labour market disadvantages | (Bonacich, 1973) | Overplaying the structural dimension, fails to explain differences in self-employment rates between equally disadvantaged immigrant groups |
| Social capital and ethnic resources | Close ties between co-ethnics provide resources and advantages to immigrant entrepreneurs and incentives to act | Ethnic networks, trust, solidarity, co-ethnic labour, loans and clients | (Portes & Zhou, 1992) | Overemphasises ethnic resources in expense of individual level factors and class resources |
| Individual characteristics and selective migration | Some groups have an advantage in the form of extensive class resources which facilitate entrepreneurship | Human capital, financial capital, selective migration | (Light, 1984; Sanders & Nee, 1996) | Ignores structural dimension |

| Explanation | Arguments | Focus on | Influential works | Main weaknesses |
|--------------------------------------|--|--|------------------------------------|--|
| Middleman minority theory | Self-isolated sojourners choose entrepreneurship because of it's liquidity and availability of ethnic resources | Host country hostility, desire to return, ethnic self-isolation and solidarity | (Bonacich, 1973) | Not applicable for the majority of modern immigrant groups |
| Waldinger et al.'s interactive model | Immigrant entrepreneurship is a result of interaction between opportunity structures and group characteristics | Market conditions, access to ownership, predisposing factors, resource mobilisation | (Waldinger, Ward, & Aldrich, 1990) | Extensive use of ostensive definitions, low level of abstraction, misbalance between the effects of demand and supply for immigrant entrepreneurship |
| Mixed embeddedness | Immigrant entrepreneurship is a dynamic interplay between social, economic, and institutional contexts on neighbourhood, city, national and economic sector levels | Opportunity structure, national regulations, industrial and urban dynamics, local context. | (Kloosterman & Rath, 2001) | Requires further elaboration and operationalization, lacks historical perspective, focus mostly on informal lower-end sector of immigrant economy, lack of conceptual clarity, difficult to operationalize |

2.4. Theoretical perspectives on research ethics

Because the social sciences are both scientific and humanistic, a fundamental ethical dilemma exists: how to develop systematic, verifiable knowledge when research procedures may infringe on the rights and welfare of individuals (Frankfort-Nachmias & Nachmias, 1996). Several ethical theories which may potentially guide the research on immigrant entrepreneurs have been presented in this sub-section. Ethical principles flow from these theories. These principles provide the basis for rules and norms (Loue, 2002).

Teleological ethics, including virtue ethics and utilitarianism, are concerned with the goal or end of the act. Deontological ethics, including ethics of duty and discourse ethics, focus on moral principles (White, 1994).

2.4.1. Virtue ethics

Virtue ethics focus on developing good character traits. Ethical conduct has to do with living a life marked by excellence and virtue. Although virtue theorists do not emphasize the importance of moral duties, we cannot become virtuous if we routinely fail to fulfill our moral obligations or duties. Some of the frequently mentioned virtues include honesty, honor, courage, benevolence, fairness, humility, and temperance (Shamoo & Resnik, 2003). In the context of research ethics, virtue theory has been criticized (Aadland, 1998). There is a tendency towards individualism in virtue ethics. The consequences of research justified by individually judged virtues may be destructive for the society. All the virtues are very general terms. Virtues lack precise definitions. It makes this ethical theory difficult to implement in research practice. However, virtue ethics have previously been applied to develop research methodology in multicultural settings (Trimble & Mohatt, 2006).

2.4.2. Utilitarianism

The theory of utilitarianism is premised on the idea of utility. The “right” course of action is determined by summing the “good” and “bad” consequences to welfare that may result from each alternative course of action and selecting the course of action that appears to maximize the “good” consequences to welfare (Loue, 2002). Utility is measured in terms of pleasure and pain, happiness and unhappiness or other intrinsically valuable human goods (i.e. love, friendship, trust etc.). *Act utilitarianism* looks to single actions and bases the moral judgment on the amount of pleasure and the amount of pain this single pleasure causes. *Rule utilitarianism* looks at classes of action and asks whether the underlying principles of an action produce more pleasure than pain for society in the long run (Crane & Matten, 2007).

Compatibility with quantitative methods is an advantage of the utilitarian analysis. Utilitarianism has not escaped criticism. Assessing possible consequences of an action may involve subjective perspectives. It is also difficult to assign quantifiable utility to every situation. The interests of minorities are ignored when maximizing the benefits for the greatest number of stakeholders. Utilitarianism implies that scientific ends sometimes justify the use of that would necessary sacrifice individual subjects’ welfare (Kimmel, 1988). The utilitarian approach has often been used in research on vulnerable populations (Cauce & Nobles, 2006).

2.4.3. Ethics of duty

Ethics of duty focus on certain moral principles. These principles are developed outside a decision maker, for example, by public opinion. Kant developed a theoretical framework through which these principles can be derived, called the *categorical imperative*. This theoretical framework should be applied to every moral issue regardless of who is involved (Crane & Matten, 2007). The categorical imperative consists of three parts (De George, 1999):

Maxim 1: Act only according to that maxim by which you can at the same time will that it should become a universal law.

Maxim 2: Act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means only.

Maxim 3: Act only so that the will through its maxims could regard itself as the same time as universally lawgiving.

Several problems have been associated with ethics of duty. There is little consideration of the outcomes of one's action in ethics of duty. The principle-based decision making requires a certain amount of abstraction that may be problematic in certain practical cases. The view of the world where everyone acts according to self-imposed duties seems more of an ideal than a reality (Crane & Matten, 2007).

2.4.4. Discourse ethics

The central principle of discourse ethics (Habermas, 1990) is that for a norm to be valid, its consequences for the satisfaction of everyone's interests must be acceptable to all as participants in a practical discourse. The philosophical underpinning of this theoretical approach is the argument that norms ultimately cannot be justified by rational arguments, but that they have to be generated and applied to solve ethical conflicts on day-to-day basis. Discourse ethics aims to solve ethical conflicts by providing a process of norm generation through rational reflection on the real life experience of all relevant participants (Crane & Matten, 2007). Discourse ethic theory has been criticised because in practice the viewpoints of stakeholders may be so different that no constructive dialog is possible. Manipulation with power and arguments may provide advantages to some participants in the discourse. Discourse ethics have guided some studies on ethnic communities (Beauvais, 2006).

2.4.5. Ethical theories: application to research on immigrant entrepreneurs

Table 10 summarises the basic ethical theories. When attempts are made to apply the basic ethical theories in practical matters, conflicts of interests and of fundamental principles among individuals are to be expected (Kimmel, 1988). Conducting research on immigrant entrepreneurs requires further theoretical understanding of specific traits related to multiculturalism.

One of the key questions of meta-ethics is whether ethical standards are universal (Frankena, 1973). According to the school of thought known as *objectivism*, the same ethical or moral standards apply to all people in all times in all situations. A contrasting school of thought, known as *relativism*, holds that there are no universal moral rules or values. There is an unfolding debate between proponents of these two schools (Mukherji & Mukherji, 2002). Segal & Giacobbe (1995) suggest that there are international differences in perceptions of what constitutes ethical business conduct. Universal ethical principles may not take into account the cultural diversity of modern society.

Table 10. Theoretical perspectives regarding ethics.

| Theoretical perspective | Focus on | Goal | The highest value |
|--------------------------------|-----------------------------|--|---|
| Virtue ethics | The moral character | The good life in the good society | Virtue |
| Utilitarianism | Consequences of decisions | The best consequences for all stakeholders | Utility |
| Ethics of duty | Intentions behind decisions | Valid principles | The duty to follow valid moral principles |
| Discourse ethics | The principle of discourse | Consensus | Creating pluralism |

Two basic approaches can be applied for developing an ethically solid methodology. The ‘top-down’ approach relies on resolving situations through the application of governing principles, while the ‘bottom-up’ approach refer to deriving principles from an examination of the situation at hand (Loue, 2000). ‘Top-down’ approaches are represented, for example, by principlism and communitarianism (Beauchamp & Childress, 1994). Principlism sets principles to be applied in specific cases. Communitarianism is premised on several themes: the need for a shared philosophical understanding with respect to communal goals and communal good, the need to integrate what is now fragmented ethical thought, and the need to develop intersubjective bonds that are mutually constitutive of individuals’ identities (Kuczewski, 1997). Both principlism and communitarianism are limited in the recognition of various religious and cultural frameworks, which seems to be essential for multicultural studies. Moreover, it is unclear whether the universal governing principles are applicable to all immigrants and ethnic minorities. On the contrary, “bottom-up” methods of ethical justification are capable of incorporating the diversity of cultural contexts. Casuistry represents a relevant example of the ‘bottom-up’ approach. Casuistry refers to a case-based system of ethical analysis (Jonsen, 1995). Developing of principles from cases, rather than the reverse, requires the utilization of real cases, rather than hypothetical ones (Arras, 1991).

2.5. Summary

This chapter has highlighted definitional issues and relevant theoretical perspectives explaining the factors promoting and impeding immigrant entrepreneurship. Immigrant entrepreneurs were defined as business owners born outside Norway (with both parents born abroad) who were involved into the

activities characterised by economic innovation, organisation creation, and profit-seeking in the market sector. The summary and critique of theoretical perspectives relating to immigrant entrepreneurship (Table 9) has illustrated that no single theoretical perspective should be widely used to explore the immigrant entrepreneurship phenomenon. Finally, different theoretical perspectives on ethics relevant for research on immigrant entrepreneurs have been introduced in this chapter.

3 Methodology

“The selection of an appropriate research methodology can be understood as an iterative process, where decisions made at an ontological level inform one’s epistemological stance and similarly create the context in which research is actually conducted” (Cope, 2005, p. 165). This section discusses the selected philosophical position. Ontological, epistemological and methodological beliefs and research methods are presented. The issues of sampling, data collection and analysis, as well as ethical issues are discussed.

3.1. Philosophical issues

Research philosophy depends on the way a researcher thinks about the development of knowledge. A distinction is widely made between *positivism* and *phenomenology*. A continuum of possibilities is open for consideration between the two extremes of pure positivism and pure phenomenology. Researchers’ belief systems concerning ontology, epistemology and methodology are often referred to as *paradigms*⁷. A paradigm is the starting point which shapes the nature of inquiry and how it is practiced. Ontology answers the questions about what the nature of the knowledge and reality are. Epistemology defines the relationships between the inquirer and the known/knownable. Methodology depicts the possible ways to find out the knowledge. Paradigms cannot be proven or disproven in any foundational sense (Guba, 1990). Philosophical systems of beliefs relating to several paradigms are summarised in Table 11.

⁷ Restricted by the frames of this thesis, I avoid further discussion of the definition of “paradigm”. Kuhn (1962) uses this term in numerous ways (Maserman, 1988).

Table 11. Philosophical systems of beliefs.

| | Positivism | Postpositivism | Critical Theory | Constructivism |
|--------------|--|--|--|--|
| Ontology | <i>Realist</i> - reality exists “out there” and is driven by immutable natural laws and mechanisms. Knowledge of these entities, laws, and mechanisms is conventionally summarized in the form of time- and context-free generalisations. Some of these latter generalisations take the form of cause-effect laws. | <i>Critical realist</i> – reality exists but can never be fully apprehended. It is driven by natural laws that can be only incompletely understood. | <i>Critical realist</i> – see postpositivism ontology. | <i>Relativist</i> – multiple realities exist in the form of multiple mental constructions, socially and experientially based, local and specific, dependent for their form and content on the persons who hold them. |
| Epistemology | <i>Dualist/objectivist</i> – it is both possible and essential for the inquirer to adopt a distant, noninteractive posture. Values and other biasing and confounding factors are thereby automatically excluded from influencing the outcomes. | <i>Modified objectivist</i> – objectivity remains a regulatory ideal, but it can only be approximated, with special emphasis placed on external guardians such as the critical tradition and the critical community. | <i>Subjectivist</i> – in the sense that values mediate inquiry. | <i>Subjectivist</i> – inquirer and inquired into are fused into a single (monistic) entity. Findings are literally the creation of the process of interaction between the two. |
| Methodology | <i>Experimental/manipulative</i> – questions and/or hypotheses are stated in advance in propositional form and subjected to empirical tests (falsification) under carefully controlled conditions. | <i>Modified experimental/manipulative</i> – emphasizes critical multiplism. Addresses imbalances by doing inquiry in more natural settings, using more qualitative methods, depending more on grounded theory, and reintroducing discovery into the inquiry process. | <i>Dialogic, transformative</i> – eliminates false consciousness and energize and facilitate transformation. | <i>Hermeneutic, dialectic</i> – individual constructions are elicited and refined hermeneutically, and compared and contrasted dialectically, with the aim of generating one (or a few) constructions on which there is substantial consensus. |

Adopted from Guba (1990).

The key idea of positivism is that the social world exists externally, and that its properties should be measured through objective methods. Constructivism assumes that reality is not objective and exterior, but is socially constructed (Easterby-Smith, Lowe, & Thorpe, 2008). On the continuum between pure positivism and pure constructivism this study definitely gravitates to the positivist side. General explanations for the immigrant entrepreneurship phenomenon provided in the literature review section focus on external and objective factors. Independent and value-free empirical tests described in Appendix A contributed sufficiently to the knowledge about immigrant entrepreneurship. The research purpose, which is theory testing, clearly appeals for positivistic methodology.

However, the author of this thesis does not belong to the radical positivistic tradition. This thesis is rather inspired by postpositivism. Postpositivism is best characterised as a modified version of positivism. While modest in asserting what can be known with any certainty, postpositivists do assert that it is possible, using empirical evidence, to choose between rival hypotheses (Patton, 2002). Ontologically, postpositivism recognises that, although a real world driven by natural causes exist, it is impossible for a researcher to fully apprehend it. The epistemological view-point of the author of this thesis differs from the pure positivist epistemology. It is assumed that objectivity is a “regulatory ideal” and that it cannot be achieved in any absolute sense. An attempt to achieve the ideal of objectivity reasonably closely has been made in this thesis. It may be possible if a researcher remains as neutral as possible and relies on “critical tradition” (Guba, 1990). That requires the present papers to be consistent with the existing scholarly tradition of the field. It also implies that every paper is subjected to the judgment of peers in the scientific community. Methodologically, postpositivism (unlike radical positivism) appeals for use of multiple data sources and research methods. In line with this position, multiple levels of analysis, as well as quantitative and qualitative methods have been employed in the present papers.

Burrell and Morgan's (1979) paradigmatic framework may help to depict the alternative methodological views. In this framework two continuums (objectivist-subjectivist and radical-regulation) are introduced. Objectivists are portrayed as viewing the social world as if it were a hard, external, objective reality, whilst subjectivists are interested in an individual's unique experiences. Researchers following a radical tradition are concerned with radical change, structural conflict and contradiction as characterizing modern society, whilst a regulatory tradition emphasize the underlying unity and cohesiveness of society. Interacting with each other, these dimensions relate to the functionalists, interpretivist, radical humanist, and radical structuralist paradigms. The present study is rooted in the sociology of regulation and approaches its subject matter from an objectivist point of view. In this project the functionalist paradigm is adopted as being "highly pragmatic in orientation" (Burrell & Morgan, 1979, p. 26).

3.2. Research design

A research design is a description of choices relating to conceptualisation, research method, defining population, sampling, operationalizations, observations, data processing, analysis and applications (Babbie, 2004). This sub-section focuses on the stages of research design. The general research purpose of this thesis is to contribute to the knowledge about immigrant entrepreneurship in Norway. Such a formulation of the research purpose reflects the descriptive dimension of the study. On the other hand, description is not an aim in it self, but a background for deeper understanding of the basic mechanisms affecting immigrant entrepreneurship. This study also aims to test theories within a postpositivist tradition.

The choice of research methods is dictated by the focus and general purposes of this study. Previously most entrepreneurship studies were exploratory (Paulin, Coffey, & Spaulding, 1982). Low & MacMillan (1988), however, called for more theory building and testing studies which should focus on explanation rather than

solely description. Three of the four presented papers in this dissertation test theoretically developed hypotheses within multivariate statistical frameworks. In addition, ethical issues are discussed in the last paper.

3.2.1. Level and unit of analysis

Entrepreneurship researchers are concerned with fate of the individual entrepreneur, the progress of the entire industry, or the impact of that industry on society as a whole. Thus, researchers may focus upon the individual, group, organization, industry, and society levels of analysis (Low & MacMillan, 1988). Calls have been made for studies that explore issues from several levels of analysis (Davidsson & Wiklund, 2001).

In the present articles in this thesis the individual, group and organizational (firm) levels of analysis were selected. The individual and firm levels are micro-level perspectives, whilst the group level is a meso-level perspective. Individual level of analysis is essential in general entrepreneurship literature. On the other hand, group level of analysis reflects the concern of immigrant and ethnic entrepreneurship researches with effects that go beyond the individual level. For the purpose of theory testing, it is important to recognise that the choice and definition of level of analysis limits the appropriateness of the utilization of different theories and the suitability of different conceptualizations of entrepreneurship. The relationships between phenomena explored at different levels of analysis can guide resource allocation decisions made by policy-makers (Low & MacMillan, 1988, p. 152).

The first paper focuses upon group-level data and explains intergroup differences in self-employment rates. Here, the immigrant group is the unit of analysis. The second paper exploring the survival of immigrant owned firms focuses upon the firm as the unit of analysis. The third paper describing differences between immigrants and their stay-at-home peers employs the individual as the unit of

analysis. Finally, the ethical issue is the unit of analysis for the fourth paper exploring ethical issues in research on immigrant entrepreneurs.

3.2.2. Populations and sampling in the quantitative studies

The first presented article explores self-employment rate differences between several immigrant groups in Norway. Unpublished secondary information on self-employment among first generation immigrants was requested from Statistics Norway which is the central governmental statistical office. This information enabled the researchers to conduct a group-level analysis relating to immigrant entrepreneurs. At the time of data collection the total population (approximately 289,100 first generation immigrants) consisted of more than 196 immigrant groups⁸. The 53 immigrant groups consisting of 100 or more individuals in Norway with no missing data on the other variables chosen for the analysis were selected. This sample consisted of 169,453 individuals (58.6% of the total population of immigrants). Paper 1 in this thesis also explores data from two other secondary sources of information: Hofstede's measures of national culture, and average educational attainment was acquired from the World Bank (2006).

Paper 2 in this thesis focuses on the survival of native and immigrant owned firms. Quantitative information relating to this issue is not published in secondary data sources. Primary information on the sample of newly established firms had to be collected. The act of entering the Norwegian Central Coordinating Register for Legal Entities was used in order to identify a new business entry. In 2002, when the data were collected, 41,529 firms were registered in the Register. The sample

⁸ Exact numbers are not available from Statistics Norway because the immigrant groups represented by less than 3 individuals are excluded from the database.

included all 3,121 new businesses registered during weeks 21-24 in 2002 which chose one of the four most popular legal forms.

Paper 3 in this thesis suggested that immigrants may be pre-selected with respect to entrepreneurial characteristics as compared to their stay-at-home peers. Testing this hypothesis required data on representative samples of Russian immigrants in Norway and residents of Russian Federation. An electronic version of the Yellow Pages was scanned looking for Russian-like first names. Phonetic analysis of immigrants' first names and/or surnames have previously been applied in other countries (Bruder, Neuberger, & Rathke-Doepner, 2007; Chaganti, Watts, Chaganti, & Zimmermann, 2008; Dassler, Seaman, Bent, Lamb, & Mateer, 2007; Kasdan, 1965; Light, Sabagh, Bozorgmehr, & Dermartirosian, 1994; Min & Bozorgmehr, 2000; Shin & Yu, 1984; Shinnar & Cheri, 2008; Smallbone, Ram, Deakins, & Baldock, 2003). The population of first-generation immigrants from Russia in 2007 consisted of 11,338 individuals ("Statistics Norway", 2007).

First names are assumed to be randomly distributed among immigrants. Totally 53 first names that are popular in Russia but extremely rare in Norway were selected. The Norwegian Yellow Pages contain information on name, address and telephone numbers of the users. Among more than 6000 relevant records (see Figure 10) identified in the catalogue, only 1965 records contained full and apparently credible information (the cases when, for example, a boat was given as an address were excluded). The sample was stratified with respect to the spatial distribution and gender balance of respondents (in accordance with official statistical data on distribution of Russian immigrants across the seven geographical regions of Norway). 629 questionnaires were returned by non-Russian speakers or the Postal Service which failed to deliver the mail. The valid sample included 1336 respondents.

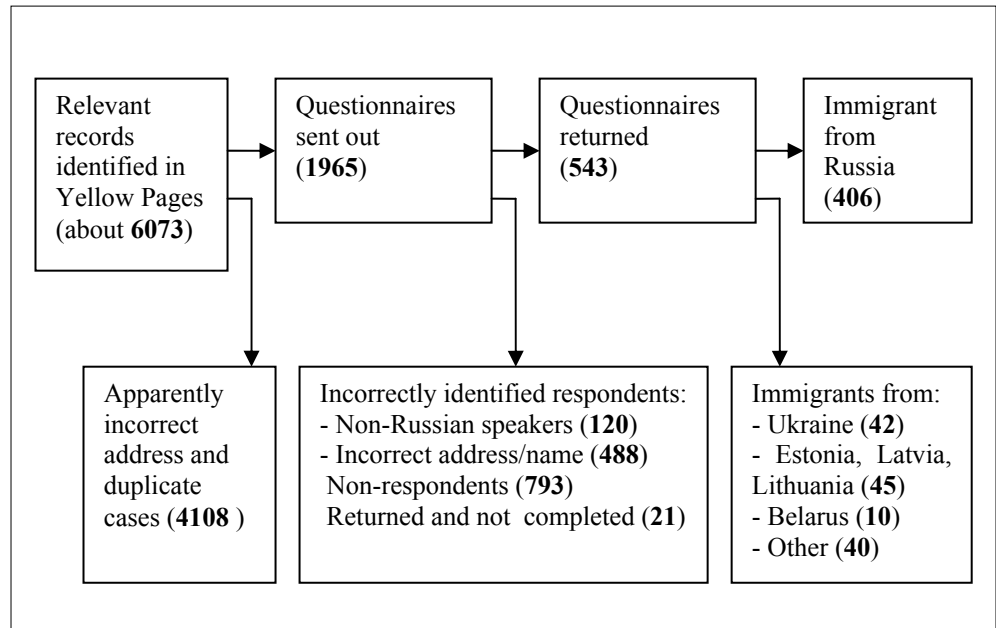


Figure 10. Postal survey of Russian immigrants in Norway.

3.2.3. Case selection for the qualitative study

Paper 4 in this thesis explores qualitative data resulting from five telephone interviews with experts in the field of immigrant entrepreneurship. The population of the experts was identified through the systematic review of the articles on immigrant entrepreneurship published in the international peer-reviewed journals. These articles were identified in ISI Web of Science and ProQuest databases using relevant keywords. The sampling adequacy was improved by the application of formal criteria when choosing the respondents. Twenty authors (all cited at least three times) were initially contacted through e-mail and five of them later agreed to be interviewed. The valid respondents were from the United States (2 cases), the Netherlands (2 cases) and Australia (1 case).

3.2.4. Use of secondary data

Paper 1 in this thesis explores data from two secondary sources of information. Hofstede's measures of national culture were downloaded for 53 countries from www.geert-hofstede.com (downloaded November 1st 2005). The data on IBM employees were collected between 1967 and 1973 in two survey rounds. More than 116,000 questionnaires from 72 countries were analysed. Statistical methods of eclectic, correlation and factor analysis of values revealed four dimensions of culture used in Paper 1. The dimension of power distance refers to the acceptance of inequality. National culture reflects the level of power distance that is accepted by both the most and the less powerful members of the society and that is supported by the social environment. Individualism stands for a society in which the ties between individuals are loose. Masculinity stands for a society in which social gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life. Uncertainty avoidance is "the extent to which the members of a culture feel threatened by uncertain or unknown situations" (Hofstede, 2001, p. 161).

Information regarding the average educational attainment in different countries was acquired from the World Bank (2006). The average years of school among adults in the country of origin in year 2000 was applied as a measure of home-country educational attainment of immigrants. The Barro-Lee dataset was utilised (Barro & Lee, 2000). This dataset includes complete data on 109 countries with regard to educational attainment.

In Paper 3, Russian immigrants were compared to their stay-at-home peers. Data on Russian non-migrants came from the Global Entrepreneurship Monitor (GEM) database for 2008. The survey was based on the nationwide, multi-stage, stratified and probability gross sample that represents the adult population in age over sixteen. On the first stage urban settlements and rural administrative districts were

selected as primary sampling units. The nationwide sample was stratified with respect to the seven large geographical macro regions and six types of rural districts and urban settlements. All cities over 500,000 inhabitants were included in the sample as self-representative units. Urban settlements and rural districts were considered as primary sample units (PSUs). In each stratum (except strata of cities over 500,000 and cities over 1,000,000) the number of PSUs was calculated with the limitation of 10-12 interviews per PSU and the PSUs as well were selected with the probability proportionally to the size (PPS). The total number of interviews accounted for a stratum was distributed approximately equally among selected PSUs. Totally 154 PSUs were selected including 110 urban and 44 rural sampling points. On the second stage the secondary sampling units (SSU) were selected from the lists of streets in urban settlements and localities in rural districts. In the cities of more than 500,000 inhabitants the number of surveyed SSUs was between 6 and 8 interviews per SSU. 21 SSUs were selected In Moscow, 10 SSUs - in S-Petersburg. In the middle-sized and small cities and rural districts 2-3 SSUs were randomly selected from the list of all potential sampling points (streets and localities). Totally 270 secondary sample points were selected. On the third stage the households are selected by a random route method. If members of a household refused to participate in the survey, or were not available after 3 visits, the interviewer had to visit the next door address. Total population consisted of 116507 individuals and a sample of 2000 individuals was interviewed. The response rate was about 40%.

Paper 4 aims to identify ethical issues with regard to research on immigrants. For this purpose relevant empirical studies considering the ethical issues in medicine, psychology, sociology, anthropology and marketing were identified. The electronic databases ISI (Web of Science) and ProQuest were systematically searched for the peer-reviewed articles which focused on ethical issues of research on immigrants and ethnic minorities. The articles which considered relevant issues as a part of

methodology were also regarded as relevant. The search resulted in twenty-five relevant articles.

3.2.5. Operationalization of variables and questionnaire design

A concept may be measured using single or multiple indicators. Multiple item scales provide a means of overcoming the measurement errors associated with each variable. Multiple indicators may represent the various aspects of a concept better than a single indicator (Hair, Black, Babin, Anderson, & Tatham, 2006). However, single item scales are easier to implement and interpret. Both types of scales are used in the presented papers. In order to insure face validity of the studies, well established definitions of the concepts were used whenever possible. The concepts (and relevant measures) of national culture, general human capital and specific human capital are well developed in the literature. In the same vein, a multinational consortium of researchers has generally agreed on the concepts of early stage entrepreneurial activity and its measures. The division between business characteristics and human capital in relationships with business survival, peer affiliation and confidence in entrepreneurial skills were, on the contrary, operationalized in a novel way. Thus the face validity of this concept may be disputed.

The concept of national culture (Paper 1) is measured by four indexes. The index used to measure the power distance (PDI) was derived from country mean scores on three survey questions regarding perceptions of subordinates' actual decision-making styles, and the decision-making style that subordinates preferred in their bosses. The Individualism Index (IDV) and the Masculinity Index (MAS) is a result of factor analysis of the answers on 14 questions related to working goals. The Uncertainty Avoidance Index (UAI) was derived from country mean scores on the survey questions dealing with rule orientation, employment stability and stress (Hofstede, 2001). The criterion-related validity of the concept of national culture is

well established through independent tests (Hofstede, 2001). General human capital in this paper was measured as average years of school among adults in a country. Average schooling is often used as a proxy for human capital (Chen, 2004; Foldvari & Leeuwen, 2005).

In Paper 2 the concept of human capital was measured using indicators of the two most important components of general human capital (education and work experience) and one indicator of specific human capital (business ownership experience). The criterion-related validity of the concept of specific (entrepreneurship related) human capital has previously been established through independent tests (Shane, 2004). In this paper business characteristics included the presence of founding team, initial financial capital and location. A summated scale was used to measure perceived novelty of a business. This method was adopted from GEM study (Reynolds, 2002). The respondents were asked to rate agreement/disagreement with three statements using 7-point Likert scale: customers experience products/services as new and unknown, few or no competing businesses offer similar products/services, and product/service technology is not easy accessible (Cronbach's alpha = 0.75).

No multiple item scales was applied in Paper 3 because the relationships between indicators and constructs have not been explored in previous studies to the extent which enables the construction of multiple scales. Operationalization of the theoretical concepts explored in the presented quantitative papers is exhibited in Table 12.

Table 12. Concepts and variables used in the quantitative papers.

| | Concept | Variable | Measure |
|---------|--------------------------|-------------------------------|---|
| Paper 1 | National culture | Power Distance | Four relevant indexes from Hofstede (2001) |
| | | Individualism | |
| | | Masculinity | |
| | | Uncertainty Avoidance | |
| | General human capital | National level of education | Average years of school among adults in a country in year 2000 (Barro & Lee, 2000). |
| Paper 2 | Human Capital | Work experience | Number of years of work experience |
| | | High education | Educational attainment at least 4 years at university |
| | | Business ownership experience | The founders reported at the initial survey to either currently or previously own and manage another business(es) |
| | Business characteristics | Founding team | Businesses started by two or more partners |
| | | Perceived novelty | A summated scale (3 questions) adopted from Reynolds (2002) |
| | | Initial financial capital | The total of loans and equity |
| | | Location | Rural (<10,000 people), Mid-size area (>10,000, < 100,001), Urban (>100,001 people) |

| | Concept | Variable | Measure |
|---------|--------------------------------------|---|--|
| Paper 3 | Early stage entrepreneurial activity | Currently trying to start a business | Answering positively at the following question: "Are you currently trying to start a new business, including any type of self-employment?" |
| | | Expecting to start a business within the next three years | Answering positively to the following question: "Are you expecting to start a new business, including any type of self-employment or selling any goods or services to others within the next three years?" |
| | Specific human capital | Previous business ownership experience | Answering positively to the following question: "Have you, in the past 12 months, sold, shut down, discontinued or quit a business you owned and managed?" |
| | | Business start up experience | Answering positively to the following question: "Have you ever started a business in the past that you owned and managed?" |
| | Confidence of entrepreneurial skills | Knowledge, skills and experience required to start a new business | Answering positively to the following question: "Have you the knowledge, skills and experience required to start a new business?" |
| | | Fear of failure | Answering negatively to the following question: "Do you agree that a fear of failure would prevent you from starting a business?" |
| | Specific peer affiliation | Personally knowing an entrepreneur | Answering positively to the following question: "Do you personally know anyone who started a business in the past two years?" |

Note: Control variables are not included in this table.

Initial postal survey for Paper 2 was based on the Norwegian-language questionnaire consisting of eight parts. These parts were related to the process of business founding, subjective norms and attitudes, beliefs in own competence, business growth intentions, conditions regarding the external environment, financing, the product/service, and personal background. This questionnaire was designed for somewhat larger survey and not all the questions were used in the present study (see Appendix B).

Data for Paper 3 were collected using a questionnaire containing three blocks of questions (see Appendix C). The first block included questions on demographic variables which were developed in accordance to GEM methodology or in such a way, that later harmonisation was possible. Questions on migration mode and period, duration of residence in Norway, settlement intentions, home country, citizenship and nationality were also included here. The second block included selected GEM questions on entrepreneurial intentions and experience. The last block consisted of GEM questions which are not analysed within the frames of this thesis and intended to be applied in further research. The confidentiality was guaranteed to the respondents in attempt to reduce a subject bias.

3.2.6. Data collection: the postal surveys

In the first round of data collection for Paper 2 the postal survey method was applied. The questionnaires were mailed in four rounds to 3,121 businesses registered in the Norwegian Central Coordinating Register for Legal Entities in weeks 21-24. A reminder with a new copy of the questionnaire was posted in four rounds three weeks after the initial mailings. The sample frame was reduced because 126 questionnaires were returned due to the unreachable address. In total 1,048 valid responses were received, giving a response rate of 35%. Further details on the data collection have previously been reported by Isaksen (2006).

Paper 3 also utilises data from a postal survey. A self-administered questionnaire was mailed to the respondents in two waves. Two hundred questionnaires were mailed in March 2008 (pilot survey) and 1,765 in May 2008 (main survey). In order to reduce the effect of subject error, data on immigrants in Norway and residents of Russia were collected simultaneously. In this way the probability that, for example, summer vacations will disturb the results was minimised.

The letter included the questionnaire (size A3, double sided print, including cover page) and a pre-paid return envelope. Nineteen days after the initial sending, a follow-up questionnaire was sent to non-respondents. As it is often recommended (Babbie, 2004, p. 260) a return time was recorded and the return graph was plotted (Figure 11). The number of responses peaked at the fourth day and then decreased gradually.

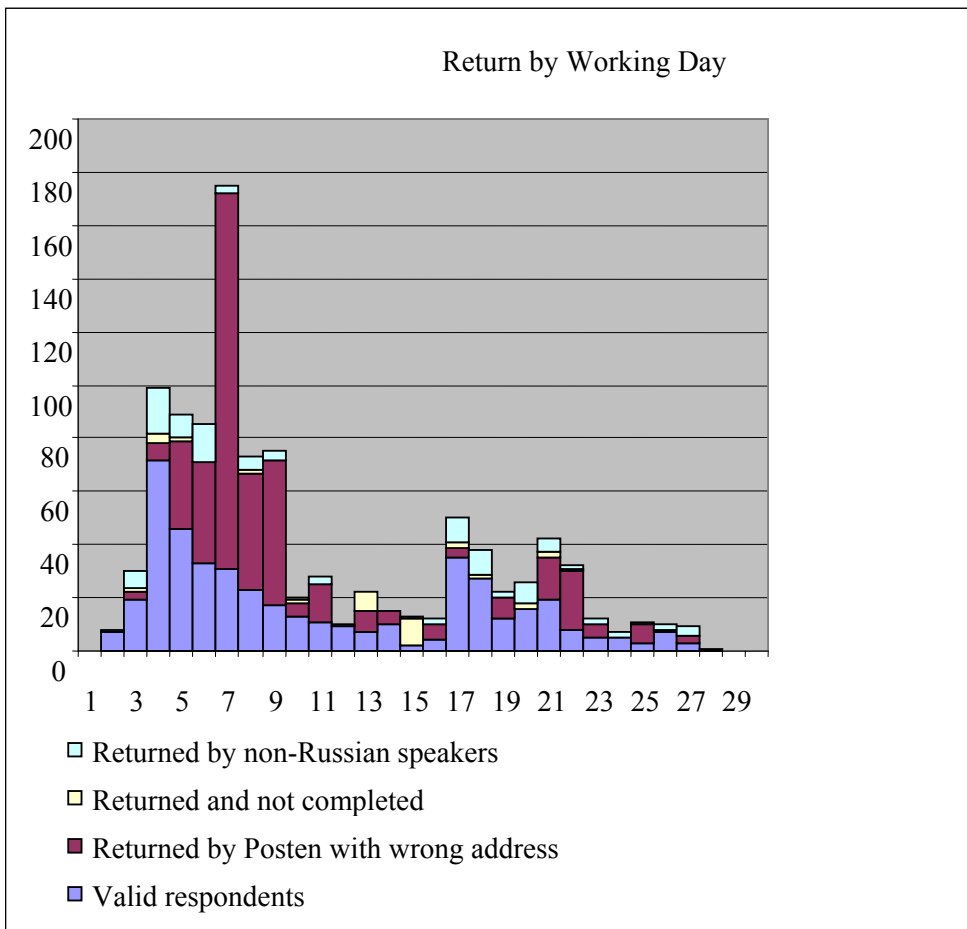


Figure 11. Return graph for the postal survey.

A large number of envelopes were returned unopened by the Postal Service and never reached the target because the address was incorrect or the person had moved. These people were excluded from the sample frame and the total number of people in the sampling frame was revised⁹. Given that 684 questionnaires (of

⁹ The same balance between the number of responses and the number of questionnaires returned due to the changed address was recently reported in another study employing similar sampling method (Khoo, Hugo, & McDonald, 2008).

totally 1,477 that apparently reached the respondents) were returned, the response rate was 46.3%. However, 120 responses came from non-Russian speakers and 21 questionnaires were not complete. Thus, the completion rate (ratio of usable questionnaires to the amount sent out) reached 36.8%, which is within the frames of normality for comparable surveys.

The proportion of correctly identified respondents and response rates varied significantly between genders and names. The response and completion rates among females were significantly higher than among males. The relatively large number of questionnaires returned by the Norwegian Postal System is the main reason why fewer responses came from men than from women. Some first names provided better response than others. The first names were effective in identifying Russian speaking immigrants when they were a) seldom used in other countries than Russia and b) spelled as it is recommended by the authorities of the Russian Federation for passports. Some response bias was revealed when comparing location of valid respondents to location of non-respondents (Table 13). Respondents from Western Norway, Northern Norway and Trøndelag were overrepresented. In the analysis, the cases were weighted in order to take this bias into account.

Table 13. Spatial distribution of valid respondents and non-respondents.

| Region | Non-respondents | | Respondents | | Chi-Square |
|----------------------|-----------------|------|-------------|------|------------|
| | n | % | n | % | |
| Oslo and Akerhus | 200 (182) | 25.6 | 109 (128) | 19.9 | 14.811* |
| Hedmark and Oppland | 40 (50) | 5.1 | 25 (35) | 4.6 | |
| South Eastern Norway | 108 (113) | 13.8 | 65 (79) | 11.9 | |
| Agder and Rogaland | 118 (125) | 15.1 | 72 (87) | 13.1 | |
| Western Norway | 86 (97) | 11.0 | 83 (68) | 15.1 | |
| Trøndelag | 65 (58) | 8.3 | 50 (40) | 9.1 | |
| Northern Norway | 165 (158) | 21.1 | 144 (111) | 26.3 | |
| Sum | 782 | 100 | 548 | 100 | |

Significance (2-sided): * $p < 0.05$; Expected counts are given in brackets.

In order to further investigate the non-response bias, 280 out of 729¹⁰ valid non-respondents were randomly selected and an attempt to contact them via telephone was made. It resulted in 64 interviews. Table 14 shows the results of comparison between mail survey respondents and non-respondents interviewed.

¹⁰ The presented numbers are valid for the moment when telephone interviews were conducted and may be different from the numbers presented in other tests.

Table 14. Comparing postal survey respondents to interviewed non-respondents.

| | Main survey respondents | | Non-respondents interviewed | | Chi-Square |
|--------------------------------------|-------------------------|------|-----------------------------|------|------------|
| | n | % | n | % | |
| Region | | | | | |
| Oslo and Akerhus | 109 | 20.1 | 14 | 21.9 | 1.809 |
| Hedmark and Oppland | 24 | 4.4 | 3 | 4.7 | |
| South Eastern Norway | 65 | 12.0 | 5 | 7.8 | |
| Agder and Rogaland | 70 | 12.9 | 10 | 15.6 | |
| Western Norway | 83 | 15.3 | 8 | 12.5 | |
| Trøndelag | 49 | 9.0 | 7 | 10.9 | |
| Northern Norway | 143 | 26.3 | 17 | 26.6 | |
| Sum | 543 | 100 | 64 | 100 | |
| Gender | | | | | |
| Male | 101 | 18.6 | 22 | 34.4 | 8.817*** |
| Female | 442 | 81.4 | 42 | 65.6 | |
| Sum | 543 | 100 | 64 | 100 | |
| Intention to start a business | | | | | |
| No | 362 | 67.2 | 44 | 68.8 | 11.049*** |
| Yes | 89 | 16.5 | 18 | 28.1 | |
| Do not know / refuse to answer | 88 | 16.3 | 2 | 3.1 | |
| Sum | 539 | 100 | 64 | 100 | |
| Business ownership experience | | | | | |
| No | 419 | 77.4 | 38 | 59.4 | 10.150*** |
| Yes | 118 | 21.8 | 25 | 39.1 | |
| Do not know / refuse to answer | 4 | 0.7 | 1 | 1,6 | |
| Sum | 541 | 100 | 64 | 100 | |

Significance (2-sided): * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

No statistically significant differences were found between respondents and non-respondents regarding age (t-stat. test: $p=0.121$). No differences regarding location were detected between mail survey respondents and non-respondents who agreed to be interviewed over telephone. Gender distribution was more skewed among respondents than among non-respondents. A bias related to the gender does not

allow treating immigrants as a homogenous group. Instead, male and female respondents were analysed separately in Paper 3. Non-respondents appeared to be significantly more likely to report entrepreneurial intentions and previous business ownership experience. This difference may be at least partly explained by the fact that telephone interviews provided less “don’t know/refuse to answer” responses as compared to the mail survey. Since non-respondents are even more “entrepreneurial” than respondents, this response bias does not jeopardize the hypotheses on positive selection of immigrants with respect to entrepreneurial characteristics.

3.2.7. Data collection: the telephone interviews

Paper 2 relies on longitudinal data. Information on newly established firms in 2002 came from the postal survey, whilst the respondents were telephoned in 2004 and 2006. With regard to the telephone interviews in 2004, the survey agency attempted to reach 980 of the 1,048 respondents that completed the postal questionnaire. The initial sample was reduced due to that 29 businesses had been de-registered from the business register, 6 businesses had more than 50% missing data and the interviewers were not able to reach 33 respondents due to that the contact persons were not listed in any available telephone directory. Among the 980 respondents, 275 were inaccessible and 54 refused to participate. Hence, the follow-up data were collected from 651 businesses, among these, 557 reported that they were still in operation in 2004.

Concerning the follow-up interviews in March 2006, the survey agency attempted to telephone 501 of the 557 businesses that reported to be in operation in 2004. The sample was reduced because 18 of the respondents reported in 2004 that they were not owners of the businesses. Further, 38 businesses had been de-registered from the business register during the time between the first and the second follow-up interview. Among the 501 respondents, 173 were inaccessible, 15 refused to participate and 7 were not in the target group. With respect to the 306 businesses

that participated, 251 reported that they were still in operation in 2006. In total this sums up to 216 non-surviving businesses and 251 surviving businesses. However, the sample was further reduced removing respondents that in 2002 reported that: (1) they neither alone nor together with partners were responsible for the business founding, (2) the businesses were subsidiaries of another business, and (3) the businesses were neither started from scratch or acquisitive entries. In addition, businesses were removed from the sample if respondents in 2004 or in 2006 reported not to be owners of the businesses. Further, individuals that reported that they were not born in Norway and also reported that their father or mother was born in Norway were not included in the sample. Finally, responses with missing values on categorical variables used in this study were also removed. These requirements reduced the final sample to 389 businesses (184 non-surviving and 205 surviving businesses in 2006). Responses with missing values concerning metric variables were not removed since imputations techniques (EM-imputation) were utilized in order to maintain the sample size for the multivariate analyses.

In order to check for possible response bias, t-tests and chi-square tests were performed comparing the final sample with non-responses. Independent and control variables as well as legal form and county were compared across the two groups, and no differences were detected at the 0.05 level of statistical significance. Hence, the tests give no reason to suspect that the final sample is unrepresentative relating to the sampling frame (Isaksen, 2006).

For Paper 4, five in-depth semi-structured interviews were conducted via telephone in January – February 2007. The respondents were asked about their perception of ethical issues and the way they cope with the relevant moral dilemmas. The semi-structured interview guide was developed based on the review of the existing articles. The semi-structured interview guide insured both flexibility and content stability of the interviews. Each interview started with an introduction. The background and purposes of the study were explained. The subjects discussed with respondents related to the respondent's experience with data collection among

immigrants, the issue of vulnerability, cross-cultural research, informed consent, the role of community, language and publishing research results. The respondents were encouraged to discuss any ethical issues they considered to be relevant. Steps were undertaken in order to insure the credibility of Paper 4. An attempt to achieve a situational equality or closeness between interviewer and interviewees was made. Belonging to the same research tradition and focusing on the same subject the author of this thesis and the colleagues interviewed exchanged information in a relatively informal and direct way.

3.2.8. Data processing and analysis

Attention has been paid to coding, systematising, storing and processing of data. All unpublished official statistics (Paper 1) and survey data (Papers 2 and 3) are stored in SPSS files. Original data are preserved wherever possible. The requirements from the Norwegian authorities obligated the author to destroy initial questionnaires for Paper 3 and to delete any links which may be used to trace the respondents after the data were aggregated and made anonymous. The interviews (Paper 4) which lasted for between 10 and 40 minutes were MD-recorded and then transcribed.

Correlation matrixes provided preliminary insight into the relationships between variables in papers 1 and 2. When the differences between 53 immigrant groups were in focus (Paper 1), hierarchical multiple regression was applied. Investigating the differences in survival between immigrant- and native owned businesses (Paper 2) required application of stepwise logistic regression. Similar approach was utilised in Paper 3 investigating the differences between immigrants and their stay-at-home peers.

The qualitative paper devoted to ethical aspects of research on immigrant entrepreneurs required quite different analytical techniques. Context analysis of literature and interview transcripts was conducted in order to explore the subject of

interest. In contrast to the other papers, the purpose here was not a theory testing, but identification of ethical issues. Pattern recognition is an important ability relating to the qualitative thematic analysis (Patton, 2002). The analysis of data involved the use of sensitizing concepts such as ‘ethical dilemma’ and ‘vulnerability’. Sensitizing concepts give the researcher a general sense of reference and provide directions along which to look (Blumer, 1969). The next stage in the analysis was aimed at constructing a typology of ethical issues related to research on immigrant entrepreneurship. The analyst-constructed (Patton, 2002) type of typology was presented.

3.2.9. Ethical issues

Studying vulnerable populations and diverse cultures with distinctive definitions of what is ethical, researchers confront dilemmas that cannot be easily resolved with guidance from existing ethical principles and guidelines (Birman, 2006). However, some guidelines pay attention to multicultural aspects of research ethics. This thesis was developed in accordance with the general ethical principles declared by the Norwegian National Committee for Research Ethics (NESH, 2001). Recommendations of the Committee correspond to the author’s moral obligations with respect to the local society and the nearest academic colleagues.

Some ethical norms formulated in the Guidelines are also laid down in legislation, so that research ethics and legislation overlap. This study was carried out according to paragraph 13e of the Public Administration Act with regard to the duty of secrecy. Statistical data presented in this thesis and in the respective articles are restricted to the relatively large immigrant groups without contextualising them within a particular industry or region of Norway. The researcher paid attention to the requirements from the Norwegian Data Inspectorate considering systematic storing of personal information. Since the articles included into this thesis are based upon sensitive data, the processing and storing of information received from Statistics Norway was organised in a way protecting the information. The project

has formally been approved by Personvernombudet for Forskning, Norsk Samfunnsvitenskapelig Datatjeneste AS. The author of this thesis felt responsible for supplying properly contextualized and statistically balanced data on immigrant entrepreneurs to the media. An attempt to present the diversity as a value, rather than an undesired gap between people of different origins was made.

3.3. Summary

This section of the thesis provides an insight into the author's philosophical position. On the most general level the author of this thesis adapted a postpositivist paradigm. Further, the research design is depicted in this section as a result of interaction between research purposes, questions, and the author's methodological stance. Individual and group levels of analysis, use of individual immigrants and their ventures as units of analysis, exploitation of primary and secondary sources of data and the choice of the applied statistical techniques are justified in this section. Finally, ethical issues taken into account in this thesis are described.

4 Research Papers: summary

4.1. Overview of research papers

The following four articles are included in this thesis:

- 1) Vinogradov, E., & Kolvereid, L. (2007). Cultural background, human capital and self-employment rates among immigrants in Norway. *Entrepreneurship and Regional Development*, 19(4), 359-376.
- 2) Vinogradov, E., & Isaksen, E. (2008). Survival of new firms owned by natives and immigrants in Norway. *Journal of Developmental Entrepreneurship*, 13(1), 21-38.
- 3) Vinogradov, E., & Gabelko, M. Entrepreneurship among Russian immigrants in Norway and their stay-at-home peers. This paper is under review (1st round) in *International Migration*. An earlier version was presented at the ESU Conference on entrepreneurship, 22nd to 26th August 2008, Bodø, Norway.
- 4) Vinogradov, E. Ethical aspects of research on ethnic/immigrant entrepreneurship. This paper is under review (2nd round) in *The International Journal of Entrepreneurial Behaviour & Research*.

The main features of the papers included into this thesis are briefly summarised in Table 15.

Table 15. The main features of the papers included into this thesis

| # | Paper | Research question(s) | Theoretical perspective(s) | Type of the study | Level of analysis | Unit of analysis | Data sources and sample characteristics | Method of analysis |
|---|--|--|---|-------------------------------|---------------------|--------------------------------|---|---|
| 1 | Cultural background, human capital and self-employment rates among immigrants in Norway. | Does the immigrants' home country national culture and educational attainment influence the self-employment rates among first-generation immigrants in Norway? | Aggregative psychological trait approach, cultural thesis and human capital theory | Quantitative, cross-sectional | Group | Immigrant group | Census data for 53 immigrant groups in Norway, year 2004. | Hierarchical multiple regression analysis |
| 2 | Survival of new firms owned by natives and immigrants in Norway. | Are there any differences in survival rates between native- and immigrant owned forms? Do human capital and business start-up characteristics explain these differences? | Human capital theory. Venture's start-up characteristics as predictors of firm survival | Quantitative, longitudinal | Individual and firm | Business unit and entrepreneur | Interview/postal survey of businesses established by 22 immigrants and 367 natives. Contacted in 2002 and 2006. | Chi-square and logistic regression analysis |

| # | Paper | Research question(s) | Theoretical perspective(s) | Type of the study | Level of analysis | Unit of analysis | Data sources and sample characteristics | Method of analysis |
|---|---|--|---|-------------------------------|-------------------|------------------|---|---|
| 3 | Entrepreneurship among Russian immigrants in Norway and their stay-at-home peers. | Are Russian immigrants in Norway different from their stay-at-home peers with respect to their entrepreneurial intentions and experiences? | Human capital theory, individual characteristics and selective migration. | Quantitative, cross-sectional | Individual | Person | Postal survey of Russian immigrants in Norway + GEM data for Russia | Chi-square and logistic regression analysis |
| 4 | Ethical aspects of research on ethnic/immigrant entrepreneurship. | What are the ethical issues regarding research on ethnic/immigrant entrepreneurship? How to address these issues? | Ethical pluralism, discourse ethics. | Qualitative | - | - | Literature review + 5 in-depth interviews with experts. | - |

4.2. Paper 1. Cultural background, human capital and self-employment rates among immigrants in Norway

4.2.1. Introduction

There is a debate in the literature regarding the explanation for the variations in the level of entrepreneurial activity between different groups of immigrants. In a number of countries the same groups of immigrants have levels of self-employment exceeding the national average. The purpose of this paper was to investigate the relationships between national culture, the average educational attainment and self-employment among immigrants in Norway. The following research question was in focus: Does immigrants' home country national culture and educational attainment influence the self-employment rates among first generation immigrants in Norway?

Cultural thesis and human capital theory guided this study. National culture and educational attainment were chosen among other relevant factors because they are stable in time and not related to fluctuations in the host country environment. Thus, it was argued that these factors may explain why the same groups of immigrants have levels of self-employment exceeding the national average in different countries and at different periods of time. Aggregative psychological trait approach within cultural perspective on of immigrant entrepreneurship was adopted.

In this paper culture was defined as "the collective programming of the mind which distinguishes the members of one group or category of people from another" (Hofstede, 1997, p. 5). General human capital, measured in this paper as years of completed education, relates to factors expected to increase the individual's productivity for a wide range of work-related activities (Becker, 1993).

To the present authors' knowledge, no previous study has so far used quantitative data on national culture to predict intergroup differences in self-employment rates among immigrants to a country. Testing the relationships between education and self-employment rate on the group level in the Norwegian context represents another contribution of this study.

4.2.2. Theoretical framework and hypotheses

Several important theoretical perspectives may help to explain the intergroup differences in self-employment. At the societal level structural barriers (often discrimination) can prevent particular groups of immigrants and ethnic minorities from competing with the native born on an equal basis in the mainstream economy (Zhou, 2004). Legal restrictions which discriminate particular ethnic groups, provide a base for the middleman minority theory (Bonacich, 1973). According to this theory, groups which are restricted in their economic and juridical rights are forced into self-employment. Intragroup solidarity, practicing of original traditions, monoethnic marriages, and the use of home-land language characterise middleman minorities. Geographical concentration of a considerable number of immigrants of the same origin, which leads to protected market and access to co-ethnic labour, have traditionally been used to explain high self-employment rates among particular groups of migrants (Evans, 1989; Zhou, 1992).

At the group level, the phenomenon of immigrant entrepreneurship is associated with group-specific cultural values, behavioural patterns, distinct group traits, social structures, collective resources, and coping strategies (Zhou, 2004). Light's cultural theory (1972) states that some groups of immigrants are more predisposed to entrepreneurship than others due to their sociocultural background. At the individual level, education, gender and duration of residence in the country are found to influence the propensity for entrepreneurship among immigrants (Hammarstedt, 2001, 2004, 2006).

It is generally argued that cultural (e.g. Hayton, George, & Zahra, 2002) and economic factors (e.g. Reynolds, Storey, & Westhead, 1994), as well as the interaction between them (Baughn & Neupert, 2003), determine the level of self-employment in a country. However, comparing countries is not an easy task because of the vast variety of economic, political and historical factors which also have an impact on the rate of self-employment. Due to the influence of the country-specific economic conditions comparing entrepreneurs in several countries is a complicated way of assessing the direct effect of national culture. After migration to one particular country, individuals belonging to different cultures face the same economic conditions. The environmental conditions are then controlled for, while the group differences, including culture and educational characteristics, possibly will explain differences in self-employment rates.

Four hypotheses regarding relationships between national culture and immigrant self-employment were formulated. Hierarchical social structures are more likely to exist in high-PDI countries (Hofstede 2001). Consequently, one can speculate that people from nations scoring higher on power distance can be expected to be more satisfied with a fixed place within large and stable hierarchical organizations, than with managing a small business (Shane 1992, 1993; Wildeman *et al.* 1998). Thus, the following hypothesis was developed:

H1. Controlling for relevant factors, home country power distance (PDI) is negatively associated with self-employment among immigrants.

A larger proportion of the population possesses psychological characteristics associated with entrepreneurship in individualistic rather than collective societies (Mueller and Thomas 2001). Such characteristics as the need for autonomy and independence (Sexton and Bowman 1985) and internal locus of control (Brockhaus and Horowitz 1985) are expected to be positively associated with entrepreneurial behaviour. Based on these assertions, the following hypothesis was formulated:

H2. Controlling for relevant factors, home country individuality (IDV) is positively associated with self-employment among immigrants.

Masculinity is associated with achievement motivation in McClelland's (1961) terminology (Hofstede 2001). One may expect that people from masculine cultures can satisfy their need for achievement more effectively through self-employment in small business rather than through membership in large established organisation. Therefore, the following hypothesis was presented:

H3. Controlling for relevant factors, home country masculinity (MAS) is positively associated with self-employment among immigrants.

Uncertainty avoidance is expected to be negatively related to self-employment, since individuals from nations with high uncertainty avoidance have stronger emotional needs for rules and procedures, and is therefore likely to prefer employment in established organizations (Shane 1993). The relevant hypothesis was formulated in the following way:

H4. Controlling for relevant factors, home country uncertainty avoidance (UAI) is negatively associated with self-employment among immigrants.

In line with the human capital theory, education (as a proxy of general human capital), will increase immigrants' chances to identify and successfully exploit entrepreneurial opportunities. Immigrants with higher human capital endowment may learn more effectively about the Norwegian legislation, business procedures, and language, which is essential for venture establishment. Moreover, judged by the level of formal education, well-educated persons have higher chances to gain trust from authorities, banks, suppliers and other native Norwegian stakeholders. Non-recognition of foreign educational degrees may additionally push well-educated immigrants to self-employment. Thus, the following hypothesis was formulated:

H5. Controlling for relevant factors, home country educational attainment is positively associated with self-employment among immigrants.

4.2.3. Method

In order to test the hypotheses, secondary data on self-employment, gender balances, populations, and spatial distributions from multiple immigrant groups from the Statistics Norway for year 2004 were used. The latest data on Hofstede's measures of national culture was downloaded for 53 countries from www.geert-hofstede.com (downloaded November 1st 2005). The data on average educational attainment was acquired from the World Bank (2006). The applied measure of self-employment is the proportion of self-employed from each country among all immigrants from the country aged 16 to 74 years. Gender, duration of residence, group size and concentration rate were used as control variables. The analysis was based on descriptive statistics, correlations between factors and hierarchical multiple regression analysis.

4.2.4. Key findings and conclusions

As confirmed by the regression analysis, power distance has a significant impact on the immigrant group's level of self-employment (Hypothesis 1 supported). The other cultural factors were also correlated with the self-employment rate in the expected direction, but they failed to have a significant effect in the multiple regressions (Hypotheses 2 to 4 not supported). Hypothesis 5 concerning the positive relationship between education attainment and self-employment among immigrants was strongly supported. One can speculate that entering into self-employment in a new country of residence requires intensive learning. Thus, people from countries with high average educational levels, who may learn language, formal rules, and new business procedures more effectively, are more likely to start a business and become self-employed. Supporting the blocked mobility thesis, this effect can be magnified by non-recognition of degrees acquired

outside Norway, which additionally pushes highly educated immigrants into self-employment. Another plausible explanation for the positive relationships between home country education and group's self-employment rate concerns the perceptions of Norwegian banks, suppliers, and other stakeholders. Better educated immigrants may gain more trust from natives, which is important for establishing and conducting business outside the ethnic economy.

This study has several practical implications. Policy makers should keep in mind that immigrants from some nations are more predisposed for self-employment because of their cultural background. At the same time, people from some nations are more endowed with general human capital in a form of education that improves their ability to start business in their new host country. Government programmes should take these differences into consideration when designing support systems for immigrant entrepreneurs. Improving the educational attainment of undereducated immigrants should be considered as a primary instrument of attracting such immigrants to self-employment.

The research design of this study has its limitations. Some immigrants may not belong to the dominant culture in their home country. There is also a chance that people who migrate can differ from those who decide to stay with regard to their perceptions of culture or educational level. There is, therefore, need for more individual level studies on relationships between national culture, human capital and immigrant entrepreneurship.

4.3. Paper 2. Survival of new firms owned by natives and immigrants in Norway

4.3.1. Introduction

The scarce evidence from other parts of the world have revealed differences in survival rates between the ventures started and owned by immigrants and those established by natives. However, survival rate of immigrant-owned businesses remains the least studied area compared to, for example, the immigrants' rate of business participation. This study seeks to contribute to this knowledge gap. The purpose of this research is to explore if there are differences in survival rates and to identify the specific problems hindering immigrant entrepreneurs on their way towards the equal participation in the Norwegian economic life.

The factors that affect the survival chances of new enterprises include: (1) individual characteristics of the founder, (2) attributes, structural characteristics, and strategies of the new business itself, and (3) environmental characteristics (Bruderl, Preisendorfer, and Ziegler, 1992). In this paper it is expected that venture characteristics as well as personal characteristics of the founders will account for a significant portion of intergroup differences in firms' survival. In absence of large-scale ethnic economies, environmental factors are, on contrary, not expected to distinguish minority owned firms from the general population.

4.3.2. Theoretical framework and hypotheses

Since the survival rates of the firms initiated by immigrants and racial minorities (except Asians) in other countries are observed to be lower compared to the native-established firms, we expected that the same difference will be observed in Norway. Thus our first hypothesis was formulated in the following way:

H1. The four-year survival rate of new firms established by immigrants in Norway is lower compared to survival rate of the firms established by natives.

Bruderl, Preisendorfer, and Ziegler (1992) argue that human capital may influence the survival of ventures in several ways. First, greater human capital increases the founder's productivity, which results in higher profits enhancing business survival. Second, indicators of general human capital, such as education, may be used as screening devices by customers, investors, and other outside actors on whom the survival of enterprise depends. Third, even prior to the business establishment, people with higher human capital are in position to start larger and financially better-equipped businesses because of their higher earnings as employees. Moreover, through their broader employment experience such people are more likely to identify the most lucrative entrepreneurial opportunities. Finally, persons endowed with high human capital are rarely forced into self-employment by acute need for an income and, therefore, have better time to develop detailed business plans.

Bruderl & Preisendorfer (1998), Bruderl, Preisendorfer, and Ziegler (1992) and Boden & Nucci (2000) found that owner's longer employment experience was positively associated both with the venture's initial size and survival. On the other hand, Bosma, van Praag, Thurik, and de Wit, (2004) found no significant association between the variables discussed. Christopher (1998) reported the significant positive effect of minority business owner's employment experience on business survival.

Business ownership experience is recognized to be the most relevant type of specific human capital in the case of entrepreneurship (Bruderl, Preisendorfer, & Ziegler, 1992). Actually starting a venture is probably the most effective way of learning such specific entrepreneurial tasks as initial organizing, establishing of relationships with key stakeholders, allocation of human resources, adjusting to market changes, and facilitation of communication within the organization. It is

therefore argued that owners with previous start-up and business ownership experience should operate businesses with higher odds of survival (Shepherd, Douglas, & Shanley, 2000). Summing up the theoretical suggestions about the role of human capital, the following hypothesis has been developed:

H2. When controlling for human capital, survival rate of immigrant owned businesses is not significantly different from survival rate of businesses owned by natives.

The characteristics of the venture itself may be critical for business survival. The amount of start-up capital is expected to improve chances for venture survival. It is argued that more initial capital buys time, while the entrepreneur learns or overcomes problems (Cooper, Gimeno-Gascon, & Woo, 1994). Initial capital provides a liquidity buffer for the firm to survive under conditions of low performance (Bruderl & Schussler, 1990). More financial capital allows also exploiting some lucrative opportunities which require the amount of investments unavailable to other actors on the market. Capitalization influences external shareholders' perspective of the stability, legitimacy and dependability of new ventures (Shane, 2004).

Based on the literature review Cooper and Gascon (1992) and Shane (2004) argued that firms established by teams had higher chances of survival compared to the firms founded by solo entrepreneurs. Relatively high survival rate among team-founded ventures may be explained by the number of advantages. First, a team can assemble more resources and rely on a broader variety of skills compared to solo entrepreneurs (Ucbasaran, Lockett, Wright, & Westhead, 2003). Second, the presence of partners may contribute to the credibility of business and, therefore, make businesses started by teams more attractive for lenders and other external stakeholders (Cooper, Gimeno-Gascon, & Woo, 1994). Third, due to some cognitive limitations, solo entrepreneurs may find it difficult to gather and process all the information necessary to start a business (Hansen & Allen, 1992). Fourth,

multiple owners may proxy for a deeper commitment to a successful enterprise increasing, therefore, chances of survival (Astebro & Bernhardt, 2003). Finally, a team consisting of several entrepreneurs enables verification of the validity of their business idea (Cooper & Daily, 1998).

Referring to classical works by Schumpeter (1934) and Kirzner (1985), Samuelson (2001) suggested that exploitation of innovative venture opportunities differs from exploitation of equilibrium venture opportunities. It is often suggested that immigrant entrepreneurs tend to provide exotic products and services (e.g. Ma Mung & Lacroix, 2003). Introduction of ethnic goods and services to the host country market involves exploitation of innovative business opportunities. Thus, the relevant immigrant businesses may demonstrate lower survival rate compared to traditional native owned firms. The latter may be more likely to exploit equilibrium opportunities. In this study it is suggested that perceived novelty of products/services may partly explain the differences in survival rates between native and immigrant entrepreneurs.

The location of the business is an important factor influencing both the availability of resources and access to customers (Isaksen, 2006). It is suggested that entrepreneurial opportunities in urban locations are more valuable compared to the opportunities found in rural areas (Shane, 2004). Thus, exploitation of these lucrative opportunities may lead to relatively high survival rates of businesses located in urban areas. Residing in the major metropolitan areas after migration seems to increase immigrants' chances of becoming self-employed (Hammarstedt, 2006; Razin & Scheinberg, 2001). On contrary, Lunn and Steen (2000) argued that urbanization was associated with more employment for wages and salaries. Taking into account such venture's start-up characteristics as the presence of multiple partners, amount of start-up financial capital, perceived novelty and location, the following hypothesis have been formulated:

H3. When controlling for venture's start-up characteristics, survival rate of immigrant owned businesses is not significantly different from survival rate of businesses owned by natives.

4.3.3. Method

The hypotheses presented above are tested applying a longitudinal sample of Norwegian small businesses. The sampling frame consisted of all sole traders, partnerships and unlisted limited companies that entered a Norwegian business register during four weeks in 2002. In total 3,121 businesses were approached and 1,048 completed questionnaires were received. The two rounds of follow-up interviews took place weeks 5-8 in 2004 and week 13 in 2006 respectively. The final sample included 389 businesses (184 non-surviving and 205 surviving businesses in 2006). 22 of these businesses were started by immigrants and 367 by native Norwegians.

Business survival was used as a dependent variable in logistic regression analysis. Independent variables included immigrant status, work experience, education, business ownership experience, the presence of founding team, perceived novelty of the business, initial financial capital and location. Gender and industry were controlled for.

4.3.4. Key findings

This research indicated that businesses founded by immigrants are less likely to survive compared to those started by natives. While 54.2% of the firms established by natives still existed four years after start-up, only 27.3% of firms founded by immigrants did so. An attempt to explain this difference with business founders' human capital and ventures' start-up characteristics was made in this study.

Immigrants in our sample were significantly better educated than natives. However, the regression analysis indicated that educational attainment failed to

explain the survival differences between businesses established by immigrants and natives. Intergroup differences in the other two measures of human capital applied in this study (business ownership experience and work experience) were insignificant. Moreover, adding all three human capital variables to the model did not explain the immigrant/native survival rate differences. These results seem to contradict the theoretical propositions on the positive relationship between business survival and human capital - particularly with respect to education. It is possible to suggest that higher education acquired abroad may mismatch the host country environment and, therefore, fail to provide additional advantages to well-educated immigrants in identifying superior business opportunities. Moreover, education as a screening device may be applied discriminately by customers, investors and other host country economic actors when comparing immigrants and native entrepreneurs. In the actors' eyes the better educated minority entrepreneur may look less credible compared to the native one.

With respect to ventures' start-up characteristics this study suggests that higher perceived novelty and predominantly urban location may partly explain the lower survival rate of businesses established by immigrants. Immigrants, as often evidenced in the literature, tend to introduce untraditional products and services to the home country market. This is also the case in Norway. Pursuing innovative business opportunities related to exotic products immigrants may be exposed to relatively high risks of failure. In this way, this study questions the efficiency of so called "ethnic strategies".

Two explanations may be suggested for the negative relationship between urban location and business survival. On the one hand, major cities provide more alternatives to self-employment compared to a rural milieu. Thus, immigrants in urban areas may relatively easy abandon their business activities preferring a salaried job. On the other hand, relatively more dynamic urban economic life and cannibalistic competition may explain rapid dissolution of businesses established by immigrants.

Several practical implications of this study may be suggested. The fact that immigrant found less durable ventures compared to natives provides further support for initiatives aimed at aiding minority-owned businesses. While the relevant governmental programs focus first of all on encouraging new business establishments among immigrants, this study suggests that more attention should be paid to the firms already in operation. Helping immigrants to enter mainstream markets instead of exotic markets may help immigrants to establish more viable ventures. Policy makers may also focus on encouraging immigrants to start businesses in rural areas.

Inability to distinguish immigrants of different origins is one of the main limitations of the dataset used. Future research should focus of survival rates of businesses established by immigrants of different origins. A significant share of immigrant-native differences in business survival remains still unexplained. Further research is required in order to illuminate the role of cultural, ethnic, environmental and other differences in the process of the selection. In future research it is also critical to distinguish between successful and unsuccessful closures and respective differences between immigrants and natives.

4.4. Paper 3. Entrepreneurship among Russian immigrants in Norway and their stay-at-home peers

4.4.1. Introduction

In theoretical debates it has been frequently questioned if “high level of immigrant business participation reflects the synergistic effect of the immigrant community or simply the individual merits of its members (Waldinger & Chishti, 1997, p. 2)”. Clark & Drinkwater (1998, p. 389) suggested that immigrants, as a self-selecting group, may be “in some sense more entrepreneurial than the native-born”. Due to the lack of theoretical underpinnings and methodological problems, this hypothesis has so far been understudied. Selectivity question represents a major knowledge gap in the field of immigration studies (Gans, 2000). From the perspective of receiving countries, the process of selective migration is also known as a “brain drain”. Assessing the direction and scope of specific migrant flows becomes one of the political priorities in such countries as Russia.

The purpose of this paper is to test empirically whether selective migration with respect to entrepreneurial characteristics does exist and to propose explanations for the phenomenon under scrutiny. It is specifically asked if Russian immigrants in Norway are positively or negatively selected with respect to entrepreneurial intentions, business ownership experience and relevant knowledge, skills and social networks.

Russians who are in focus in this paper, constitute the 15th largest immigrant group in Norway ("Statistics Norway", 2007). The absolute majority of Russian immigrants belong to the first generation and over 85% of them came to Norway during the last 10 years. Among Russians, the influence of factors related to inter-

cohort heterogeneity, intergenerational relationships and long-term influence of the host country environment is considered to be relatively weak. Thus, Russians in Norway represent an appropriate case for a quasi-experimental research design.

4.4.2. Theoretical framework and hypotheses

Cultural predisposition (Weber, 1958), blocked mobility on the labour market (Zhou, 2004), middleman minority position (Bonacich, 1973), extensive social capital (Caulkins & Peters, 2002; Fratoe, 1988; Portes & Zhou, 1992; Potocky-Tripodi, 2004; Saker, 1992), use of ethnic resources (Light, 1984), and mixed embeddedness (Kloosterman, Van der Leun, & Rath, 1998) have been proposed as possible explanations to the phenomenon of immigrant entrepreneurship. Waldinger's interactive model (Waldinger, Ward, & Aldrich, 1990), which emphasizes the interaction between opportunity structures and ethnic group characteristics, argues that some immigrant groups may be pre-selected, first of all, with respect to prior buying and selling experience. Despite the general popularity of this model, the issue of selectivity has not so far been systematically explored. Focusing on waged employees, human capital model (Sjaastad, 1962) and the theories of migration, such as dual labour market theory, world system theory, and "new economics of migration" approach (for review see Massey *et al.*, 1993) fail to predict if (and under which circumstances) self-selection of entrepreneurs occurs.

Clark & Drinkwater (1998, p. 389) suggested that immigrants, as a self-selecting group, may be "in some sense more entrepreneurial than the native-born". Kasdan (1965) suggested that dominating family structure in the home country explains the differences in entrepreneurial behaviour among immigrants to the US. Levie (2007, p. 146) suggested that immigrants may be positively selected with respect to their attitudes towards new business activity. In the same vein, Dana (2007) argued that the very act of emigrating may be reflective of some entrepreneurial values, such as individualism, achievement, competitiveness, risk taking and strong work ethics. Dissatisfaction with previous work is positively associated with self-employment

(Brockhaus & Horowitz, 1985). At the same time, immigrants (prior to migration) tend to be less satisfied with their jobs, educational institutions and life in general (Hanna, Pearson, & et al., 1990; Silventoinen, Hammar, Hedlund, & Koskenvuo, 2007). In line with these suggestions, the following hypothesis was developed:

H1. The proportion of persons involved in early-stage entrepreneurial activities is higher among Russian immigrants in Norway than among the population in their home country.

The amount of specific human capital is especially important for entrepreneurs. To actually start a venture is probably the most effective way of learning specific entrepreneurial tasks such as initial organizing, establishing of relationships with key stakeholders, allocation of human resources, adjusting to market changes, and facilitation of communication within the organization. Entrepreneurs (at least the successful ones) may be more likely to migrate than the rest of the less developed country's population because they possess the necessary financial capital. Successful entrepreneurs may also be more likely to travel abroad (as tourists or on business). Their eventual travels perhaps provide them with information facilitating the migration decision. This conjecture accords to the theory of asymmetric information as applied to migration decision-making (see Stark, 1991). The following hypothesis was formulated:

H2. Russian immigrants in Norway possess more specific human capital relevant for entrepreneurial activities than their stay-at-home peers.

Not only the level of specific human capital, but also individuals' awareness about their abilities, may influence the decision to start a business. Both perceived self-efficacy (Krueger, Reilly, & Carsrud, 2000) and perceived behavioural control (Kolvereid, 1996) are important for prediction of entrepreneurial intentions. By the same token, self-reported competences are predictive of entrepreneurial performance (Chandler & Jansen, 1992). It has been suggested that immigrants

may be self-selected with respect to their confidence in entrepreneurial skills (Levie, 2007). Thus, the following hypothesis was developed:

H3. Russian immigrants in Norway are more confident in their abilities relevant for entrepreneurial activities than their stay-at-home peers.

It is argued that the presence of entrepreneurs among parents (Constant & Zimmermann, 2006) and peers (Arenius & Minniti, 2005) increases the individual's likelihood of becoming a business owner. Immigrants may be pre-selected with respect to the quality and quantity of their personal networks relevant for entrepreneurial activities. It is well established in the field of social psychology that friendship and peer affiliation are influenced by perceived or actual similarity in attitudes, traits, and values (Byrne, 1971; Newcomb, 1956). Particularly, friends are argued to demonstrate similar perceptions of need for achievement and autonomy (Secord & Backman, 1964). Both these needs are traditionally argued to predict entrepreneurial behavior (for a review see Shane, 2004). The following relevant hypothesis was developed:

H4. Russian immigrants in Norway are more likely to report personally knowing other entrepreneurs as compared to their stay-at-home peers.

4.4.3. Method

In this paper data from the Russian Federation came from the GEM study conducted in 2008. Data on Russian immigrants in Norway were collected using a specially designed mail survey. The battery of questions considering entrepreneurial behaviour and intentions was borrowed directly from GEM, ensuring comparability of the two datasets. Additional questions on home country and host country education, citizenship, migration time, settlement intentions and migration motives were presented to the immigrant respondents.

In order to identify potential respondents phonetic analysis of names was applied to the Yellow Pages database. Totally 1330 female and 635 male respondents were

identified as having Russian-like names and contacted. Given that 543 questionnaires (of totally 1357 that apparently reached the respondents) were returned, the response rate was 40% that is within the frames of normality for comparable surveys. The final sample included 796 male and 865 female non-migrants as well as 41 male and 302 female immigrants aged 18-64.

The respondents received the following questions:

- (1) “Are you, alone or with others, expecting to start a new business within the next three years?” (Hypothesis 1).
- (2) “Are you, alone or with others, currently trying to start a new business, including any type of self-employment?” (H1).
- (3) “Have you, in the past 12 months, sold, shut down, discontinued or quit a business you owned and managed?” (H2).
- (4) “Have you, alone or with others, ever started a business in the past that you owned and managed?” (H2).
- (5) “Have you the knowledge, skills and experience required to start a new business?” (H3).
- (6) “Do you agree that a fear of failure would prevent you from starting a business?” (H3).
- (7) “Do you personally know anyone who started a business in the past two years” (H4).

T-test, Chi-square statistics and logistic regression analysis were used in order to access intergroup differences between immigrants and their stay-at-home peers.

4.4.4. Key findings

This study demonstrates that at least female immigrants (as compared to non-migrants) are more likely to report intentions to start a business. Moreover, they

possess relatively large amount of specific human capital, social capital and self-confidence relevant for entrepreneurship. Male immigrants are also likely to demonstrate relatively large amount of specific human capital relevant for entrepreneurship. Since the absolute majority of Russian immigrants have spent only a few years in Norway, it is unlikely that these striking intergroup differences can be explained by the context of the receiving country. Unless the context of the host-country changes the personality dramatically within few years after arriving, one may conclude that immigrants represent a self-selected group with respect to entrepreneurial characteristics.

This study suggests that the process of brain drain has more dimensions than it has so far been depicted. In addition to “scientific immigration” (Tascu, Noftsinger, & Bowers, 2002; Ushkalov & Malakha, 2000) and immigration of skilled workers (Mansoor & Quillin, 2006), entrepreneurs tend to be overrepresented among immigrants. In countries suffering from low levels of entrepreneurial development, such as Russia (Aidis, Estrin, & Mickiewicz, 2008; Astrakhan & Chepurensko, 2003), the outflow of potential entrepreneurs should attract more attention.

This study indicates that Russian immigrants are both willing and able to establish new businesses. However, Russians have so far been underrepresented among the self-employed in Norway. Thus, from the host country perspective, it is important to pay attention to the entrepreneurial intentions of immigrants. It is possible that relatively small interventions may cause significant increase in the number of immigrant owned new businesses.

This paper does not reveal the mechanisms underling the selection of potential entrepreneurs in the process of migration. However, several suggestions may be made. First, entrepreneurial immigrants may be pre-selected because immigration and business venturing are associated with the same type of personality. Second, persons actively seeking new opportunities through migration may affiliate with peers who actively seek opportunities through business venturing. Thus, the

relevant social networks may facilitate both immigration and entrepreneurship. Third, self-employment in the home country may provide financial capital needed in order to migrate. The failure to be able to identify the reasons why immigrants are more entrepreneurial than their stay-at-home peers appeals for more research in this area.

4.5. Paper 4. Ethical aspects of research on ethnic/immigrant entrepreneurship

4.5.1. Introduction

There is a growing recognition among scientists, government officials, and research institutions that ethical conduct is an important part of research. Standards of conduct in research play a key role in advancing the goals of science: in promoting cooperation, collaboration, and trust among researchers and in attaining the trust and support of the public (Shamoo and Resnik, 2003, p. 3). Research ethics has been extensively investigated from the general philosophical and theoretical perspective. In turn, practitioners have incorporated ethical decisions into the entire research process paying attention to the specific requirements of different disciplines. It seems, however, that the degree to which ethical insights are taken into account varies across different fields of research. While a number of researchers have focused on immigrant business owners, virtually no attention has so far been paid to the ethical aspects of such studies. The purpose of this paper is to identify ethically ambiguous issues regarding research on ethnic/immigrant entrepreneurs and to propose methods for addressing such issues. The first central research question is “what ethically ambiguous issues regarding research on ethnic/immigrant entrepreneurs may influence research process?” The second question is “What are the possible methods for addressing such issues?”

In accordance with its practically-oriented research objective, this paper focuses on applied research ethics rather than on theoretical ethics or meta-ethics. The results of this study indicate that research on immigrant and ethnic minority entrepreneurs requires specific methodology that differs from the approaches applied in the mainstream entrepreneurship research. Lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to

the home country and coethnic community, special legal position, and linguistic disadvantages have been identified as potential sources of ethical ambiguity.

4.5.2. Theoretical framework

Vulnerable participants or vulnerable subjects are persons who may be incapable of giving fully informed consent or may be at higher risk of unintended side effects due to their circumstances (Polit and Beck, 2004). In the context of this paper the question of differences and similarities between immigrants and mainstream population is central. The difference between immigrant and mainstream entrepreneurs is also one of the fundamental themes within the area of immigrant entrepreneurship research (Ram, 1997, p. 149). Several sources of immigrants' vulnerability have been identified in the literature. Cooper *et al.* (2004) defined migrant farmworkers in the US as being economically, educationally, and linguistically disadvantaged. On the other hand, Kissell (2005) pointed out that the vulnerability emanating from economical and educational disadvantage applies only to selected groups and to selected individuals within any group.

One of the key questions of meta-ethics is whether ethical standards are universal (Frankena, 1973). According to the school of thought known as objectivism, the same ethical or moral standards apply to all people in all times in all situations. A contrasting school of thought, known as relativism, holds that there are no universal moral rules or values. The body of research within the area of culture and ethics has produced mixed results (for a review see Mukherji and Mukherji, 2002). However, Segal and Giacobbe (1995, p. 111) conclude that "on balance, a review of cross-cultural literature suggests that there are international differences in perceptions of what constitutes ethical business conduct". It seems that existing ethical guidelines suffer from the common problem: while reinforcing universal ethical principles, they ignore cultural diversity of modern society. Such abstract universalism, associated with Kantian ethics, has been broadly criticised by Hegel. Since the categorical imperative separates the universal from particular, the

respective moral judgements remain external to individual cases and insensitive to the particular context of a problem which needs a solution. Moreover, focusing on questions of justification, Kant's moral theory does not contain instructions for implementation. Discourse ethics (Habermas, 1990), though being close to Kantian tradition (Eriksen and Weigård, 2003), may overcome this criticism. The central principle of discourse ethics is that for a norm to be valid, its consequences for the satisfaction of everyone's interests must be acceptable to all as participants in a practical discourse. Thus, discourse ethics underline this study on ethical issues in research on ethnic/immigrant entrepreneurs.

4.5.3. Method

Two basic approaches can be applied for developing an ethically solid methodology. The "top-down" approach relies on resolving situations through the application of governing principles, while the "bottom-up" approach refer to deriving principles from an examination of the situation at hand (Loue, 2000). "Bottom-up" method of ethical justification, applied in this paper, is capable of incorporating the diversity of cultural contexts. Developing of principles from cases, rather than the reverse, requires the utilization of real cases, rather than hypothetical ones (Arras, 1991). Following this approach, the ethical issues and relevant solutions specific to immigrant population have been derived from the experience of researchers focusing on immigrant entrepreneurship, as well as from empirical work in medicine, psychology, sociology, anthropology and marketing. Data collection was undertaken in two steps.

First, the electronic databases ISI (Web of Science) and ProQuest were systematically searched for the peer-reviewed articles which focused on ethical issues of research on immigrants and ethnic minorities. The articles which considered relevant issues as a part of methodology were also regarded as relevant.

Second, leading experts in the field of ethnic/immigrant entrepreneurship were interviewed. The interview guide was developed based on the review of the existing articles. Twenty widely cited authors were initially contacted through e-mail and five of them later agreed to be interviewed. In addition, two experts expressed their opinion in written form. Five in-depth semi-structured interviews with respondents from the United States (2 cases), the Netherlands (2 cases) and Australia (1 case) were conducted via telephone in January – February 2007. The respondents were asked about their perception of ethical issues and the way they cope with the relevant moral dilemmas. The interviews, which lasted for between 10 and 40 minutes, were MD-recorded and then transcribed. First, the analysis of data involved the use of sensitizing concepts such as ‘ethical dilemma’ and ‘vulnerability’. The second stage in the analysis was aimed at constructing a typology of ethical issues related to research on immigrant entrepreneurship.

4.5.4. Key findings

Lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to the home country and coethnic community, special legal position, and linguistic disadvantages have been identified as potential sources of ethical ambiguity. Evidence against ethical universalism has been found in the literature reviewed. Immigrants culture which deviates from the host country culture was found to raise a number of ethical issues. Among them are misunderstanding of informed consent, misinterpretation of investigator’s position and authority, misinterpretation of age, gender and dress code and group-specific perception of personal autonomy, religious dogmas, role of ethnic community and community’s self-image. Legal position of immigrants in the host country is found to lead to restricted mobility and economic freedom and problematic attitude to immigration authorities. In the case of relatively low educational endowment, the immigrants’ comprehensions of informed consent, the concept of social research and the role of education in general were also found to create ethical issues.

Moreover, illegal income and employment practices, linguistic disadvantage, concern about stay-at-home relatives and peers and traumatic pre-migration experience appeared to lead to a number of ethical issues relevant for research practices.

This paper appeals for somewhat more explicit discussion of ethical issues in the entrepreneurship journals. In order to pay attention to the ethical issues discussed in this paper, the researcher should collect secondary information about the community leader's role, groups' average educational level, underlying cultural values, obstacles of migration, and dominating religion. The way in which the results of research on ethnic and immigrant entrepreneurship are to be presented should be carefully planned. A researcher should avoid misrepresentation of minorities and present the research results within the social context.

5 Conclusions and implications

5.1. Main findings and contributions of the thesis

Key findings based on the empirical evidence are presented in this chapter. The interpretations of these findings are discussed. The methodological contributions of this thesis are highlighted.

5.1.1. Key findings

Paper 1 written with Kolvereid indicates that immigrants' home-country national culture is a good predictor of differences in self-employment levels. Specifically, low power distance characterises the immigrant groups that are overrepresented among self-employed. The power distance refers to the acceptance of inequality in the country of origin (Hofstede, 1997). These findings are in line with the traditional cultural thesis stating that some immigrant groups are culturally predisposed for entrepreneurship. In addition, educational attainment is found to influence the self-employment rates among the studied groups of first generation immigrants in Norway.

Evidence from Norway suggests that immigrant entrepreneurs are different both from Norwegian natives and from their stay-at-home counterparts. Paper 2 written with Isaksen seeks to explore if there are differences in survival rates between native- and immigrant-owned businesses. This paper reveals the lower rate of survival of businesses established by immigrants compared to Norwegian natives. Descriptive statistics presented in Paper 2 demonstrate that immigrant entrepreneurs are significantly better educated and likely to live in urban areas than native Norwegian entrepreneurs. The group-level statistics show that the level of self-employment in some immigrant groups may be several times higher or lower

as compared to the mainstream population (see Paper 1). Apparently, Norway is not unique in this respect, because significant intergroup differences have also been reported in other countries.

Paper 3 investigates the effect of selective migration. The significant differences were found between the representative sample of Russian immigrants in Norway and the population of the Russian Federation. Immigrants appeared to be better educated and more likely to be married than their stay-at-home peers. With respect to the traits relevant for entrepreneurship, immigrants are more likely to report intentions to start a business, actually trying to start a business, having business ownership experience, possessing relevant knowledge and personally knowing an entrepreneur.

The research design of the empirical papers included into this thesis was directly informed by the findings from Paper 4 investigating research ethics. Lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to the home country and coethnic community, special legal position, and linguistic disadvantages have been identified as potential sources of ethical ambiguity. Immigrants' culture which deviates from the host country culture was found to raise a number of ethical issues. Among them are misunderstanding of informed consent, misinterpretation of investigator's position and authority, misinterpretation of age, gender and dress code and group-specific perception of personal autonomy, religious dogmas, role of ethnic community and community's self-image. Legal position of immigrants in the host country is found to lead to restricted mobility and economic freedom and problematic attitude to immigration authorities. In the case of relatively low educational endowment, the immigrants' comprehensions of informed consent, the concept of social research and the role of education in general were also found to create ethical issues. Moreover, illegal income and employment practices, linguistic disadvantage, concern about stay-at-home relatives and peers and traumatic pre-migration

experience appeared to lead to a number of ethical issues relevant for research practices.

5.1.2. Contribution to the theoretical debates

“Joining a debate” is a metaphor often used to illustrate individual contribution to the theory development. This thesis joins several “conversations” going on in the field of immigrant and ethnic entrepreneurship. The debate on legitimacy of using immigrant entrepreneurs and not ethnic entrepreneurs as a subject of research characterises the research field. While the number of the academics focus on this phenomenon, Greene & Owen (2004, p. 28) state that “immigrant entrepreneurship” is a term that has less of an identifiable theoretical foundation and there is a little basis for the assumption that the state of being an immigrant in itself can be correlated with specific entrepreneurial activities, behaviours, or outcomes. The evidence reported in this thesis strongly suggest that immigrant entrepreneur is a legitimate term for academic discussions. First, immigrants and immigrant entrepreneurs appeared to differ from both native entrepreneurs and their stay-at-home peers. These differences include the parameters that are essential for entrepreneurial practices. On the individual level immigrants are relatively highly educated, extensively aspiring to start a business and likely to possess relevant knowledge, skills and network contacts. On the firm level, businesses established by immigrants are characterised with novelty. Finally, on the group level, immigrants possess specific cultural traits, such as high/low power distance, that may discourage or facilitate venture creation. These differences are not reducible to ethnic differences and cannot be captured when using exclusively ethnic-based definitions.

Two closely related debates have been unfolding in the contemporary economic and sociological literature. While economists are interested in use of class versus ethnic resources by immigrants, sociologists are concerned about the roles of social versus human capital. The study of immigrants in Norway confirms that, as

suggested by Waldinger et al.'s model, ethnic and class resources do interplay influencing immigrant entrepreneurship. Education and business ownership experience which may be used as operationalizations of both class resources and human capital were found to be predictive of entrepreneurial behaviour. Personal networks and national culture in the countries of origin (discussed in the empirical articles included into this thesis) may be viewed as indicators of ethnic resources and social capital. This thesis suggests several improvements to this picture. It is argued that understanding why certain groups of immigrants are over- or underrepresented among the self-employed may be advanced through separate assessment of initial business founding and ability to survive as a business owner. Our findings suggest that human capital theory explains initial business founding best, but it is the domain definition strategy model (Bourgeois, 1980) that explains the survival of immigrant owned businesses. In other words, it is likely that ethnic resources stimulate business founding but may reduce subsequent chances of immigrant owned business survival. This conclusion is in line with the latest findings on the role of the social capital (Valdez, 2008).

Appropriate quantitative tests of the cultural theory of immigrant entrepreneurship have so far been absent. Particular family traditions, ethnic networks and psychological traits have been argued to encourage immigrants to start a business. This thesis contributes to the cultural theory of immigrant entrepreneurship arguing that very general differences between cultures and not only particular entrepreneurial practices, may explain intergroup differences. A possible explanation for the statistically significant negative relationship between the power distance and self-employment level has been proposed in this thesis. Immigrants from nations scoring higher on the power distance may be expected to be more satisfied with a fixed place within large and stable hierarchical organisations, than with managing a small business. This line of arguments directly contradicts the findings of McGrath, MacMillan, & Scheinberg (1992) who argued that entrepreneurs demonstrate higher power distance as compared to managers. Their

alternative explanation implies that “it makes intuitive sense that the entrepreneur would tend to endorse a greater amount of differentiation between himself and others” (McGrath, MacMillan, & Scheinberg, 1992, p. 119).

Carefully generalising beyond the immigrant entrepreneurship settings, one may find evidence in the first paper in this thesis to support the hypothesis that cultural factors may partly explain the observed differences in business formation rates across countries. Comparing immigrant samples coming from different countries may help detect relationships between cultural values and entrepreneurship otherwise masked by country-specific economic, political and social contexts. A sample of immigrants of different origins inserted into the single host country context represents a quasi-experiment which allows studying national cultures when certain environmental factors are controlled for.

Debates on selective migration and brain drain usually occur outside the entrepreneurship literature. Thus, the contribution of this thesis to these debates is twofold. On the one hand, the third article included into this thesis suggests that, in addition to the much studied factors such as health and education, immigrants are also selected with respect to entrepreneurial characteristics. These findings contribute to the field of migration studies extending our knowledge on who and why choose to migrate. On the other hand, this thesis introduces the immigrant selection process and relevant explanations to the field of immigrant entrepreneurship.

The amount of immigrants’ “skills” (Borjas & Bronars, 1989) and “quality of migrants” (Borjas, 1987) have attracted much attention in the existing economic literature. Earnings differential after correction for observed human capital characteristics is usually used as a proxy of immigrants’ “quality.” This thesis suggests that there is at least one more dimension characterising immigrants. Even earning less than equally educated natives, immigrants may have skills that match those of natives if we take into account the preferences for particular types of self-

employment. Here, again, the economists' assumption that immigrants are income maximizers (Borjas, 1987, p. 551) appears to be markedly simplistic.

The findings regarding selective migration are not supportive for the "model of brain circulation" proposed by Schmitt & Soubeyran (2006). This simple two-country, one-sector model differentiates individuals according to two types of talent (entrepreneurs vs. workers). The countries have different endowments of talent and all individuals choose to be workers or entrepreneurs. Allowing migration generates incentives for the relatively abundant type of individuals to move to the other country. Thus, entrepreneurs are expected to migrate to the countries where their entrepreneurial talents are relatively rare. However, the findings indicate that entrepreneurs tend to migrate disproportionately from Russia (relatively low level of business ownership and entrepreneurial aspirations¹¹) to Norway (higher level of business ownership and entrepreneurial aspirations¹¹). It is therefore possible that migration of potential entrepreneurs leads to even larger gap between countries rather than leading to the equilibrium on the international labour market, at least in its sector including entrepreneurs.

5.1.3. Methodological contribution

The literature review presented in this study reveals that many empirical studies on entrepreneurship are descriptive. Few studies were designed to test theoretically derived hypotheses. The contribution of this thesis relates to application of multivariate statistical techniques in order to test hypotheses. While many existing studies apply descriptive statistics, regression analysis was used in the presented papers. This method enables intergroup comparisons when controlling for multiple independent variables.

¹¹ According to GEM.

Use of both primary and secondary data sources distinguished this thesis from other studies. Few studies on entrepreneurship exploit longitudinal data sets (Low & MacMillan, 1988). There is also lack of longitudinal studies on immigrant entrepreneurs. Longitudinal data on business survival were explored in this thesis. This approach clarifies the direction of relationships since the causes and consequences are separated in time.

Most of the existing explanations for under- or overrepresentation of immigrants among self-employed focus on the cultural predisposition and access to ethnic resources. However, the current level of self-employment in a particular immigrant group is defined not only by the characteristics of a business founder and his ability to attract resources, but also by the nature of the business venture. Considering personal characteristics of immigrants and venture characteristics in the same study is another methodological contribution of this thesis.

Low & MacMillan (1988) appealed for use of multiple levels of analysis in entrepreneurship studies. First, the group level measurements of national culture were used in order to explain intergroup variations in self-employment rates of immigrants. While Hofstede's cultural indexes have previously been used in cross-county studies, and cultural differences have been suggested to influence immigrants' entrepreneurial behaviour, the link between cultural indexes and immigrant entrepreneurship has not so far been empirically tested.

The third paper in this thesis demonstrates that it is feasible to draw a representative sample of immigrants of a certain origin using a phonetic analysis of first names in Yellow Pages. While analysis of surnames has previously been utilized, use of Russian first names in Norwegian context is a novel method. It seems that first names provide better representativeness of the sample as compared to surnames, because names are almost never changed as, for example, a consequence of marriage. In Norway, where women married with Norwegian men constitute the most significant share of the Russian immigrant group, sampling by

the surname would lead to seriously biased results. The gender differences should be taken into account when applying phonetic analysis of first names. The response and completion rates among females are significantly higher than among males. Relatively large number of questionnaires returned by the Norwegian Postal System is the main reason why fewer responses came from men than from women. It may be suggested that Russian males are more mobile and often come to Norway only for a short period of time, while Russian females are relatively often married to Norwegians and stay longer at the same address. The analysis reveals that some first names provide better response than others. Generally, it may be suggested that the first name is effective in identifying Russian speaking immigrants when it is a) seldom used in other countries than Russia, b) spelled as it is recommended by the authorities of the Russian Federation for passports.

The last article included into this thesis suggests that the methodology of immigrant entrepreneurship studies would be considerably improved if more attention is played to ethical issues. Preliminary assessment of cultural, legal, educational, economic and linguistic differences between the subject and the researcher will in several ways contribute to the credibility of a study on immigrant entrepreneurs. Reduction of the stress level among respondents will probably result in higher response rates and reliability. Better communication between the researcher, ethnic community and public in general will definitely contribute to the knowledge dissemination and improvement of respondents' position in society, which are often considered as important goals of social science.

5.2. Implications for policy makers and practitioners

Immigrant entrepreneurship is an important topic in resource allocation debates in receiving countries. The results of this study may inform further debates on labour

market interventions in general, immigration policy and government support to immigrant entrepreneurs. This subsection considers also implications for home country policymakers and immigrant entrepreneurs.

5.2.1. Implications for policy makers in receiving countries

The policy makers in a host country are most interested in how entrepreneurship influences immigrants residing in a country and its economy in general. Though no coordinated policy was developed, several initiatives have recently been launched providing resources, information and training for potential immigrant entrepreneurs in Norway. This thesis provides implications for practitioners on neighbourhood and national level. Though the objectives of local and national politicians may overlap, the focus and instruments on hand are different.

Our findings considering cultural predisposition and selective migration may have implications for evaluation of support programs. Expectations on the entrepreneurial performance of particular immigrant groups should be based on cultural and demographic analysis rather than on naïve assumption that effective support for the most disadvantaged may eliminate intergroup differences. Different immigrant and ethnic groups have not only an unequal starting point, but also different ability to engage in successful entrepreneurship. Increase of self-employment level among low educated immigrants coming from high power distance countries may be indicative of push-driven motives. On the contrary, grows in self-employment among, for example, highly selected Russian women may evidence the realisation of the latent potential.

The shape of support programs should depend on explicitly stated political goals. Since no such goal is clearly defined by the government, several scenarios may be proposed. First, initiation of as many immigrant start-ups as possible may be a goal. In this case, the support programs should aim at the most motivated and

experienced groups, such as Russians. Second, the reduction of intergroup contrasts may be a legitimate goal for the national policy. Then the efforts should be focused at the most disadvantaged groups. This will shift the focus towards less educated, motivated and experienced groups. Encouraging start-ups among immigrants may be a positive act, regardless of the subsequent business performance. Even unsuccessful businesses provide valuable experience, linguistic training and access to networks. However, the national economy will benefit most from the businesses that survive in long run. The third type of policy may, therefore, prioritize the increase of survival chances of already existing immigrant owned firms. Our findings suggest that efforts should be made in helping immigrants to expand into mainstream markets.

Support programs aimed at immigrant entrepreneurs should be developed and implemented with respect to the large gender differences which are rarely observed among natives. Since the third paper included in this thesis was primarily designed for making comparisons between immigrants and non-migrants, it does not provide conclusive evidence on gender differences. However, the data indicate that Russian immigrant women in Norway are older, higher educated, have less entrepreneurial experience and more likely to report initiating early stage entrepreneurial activities. At least some of these differences may result from different entry modes characterising male and female immigrants. Females are significantly more likely to come to Norway as a result of family reunification or marriage, while males arrive often as guest workers.

Immigrant entrepreneurs are argued to revitalise declining regions (Kloosterman, Leun, & Rath, 1999) and stagnating industries (Rath, 2002b; Rath & Kloosterman, 2003). Russian immigrants, who demonstrate high entrepreneurial motivations and relevant skills and knowledge, tend to settle in Northern Norway. It may, therefore, help revitalising this region held back by the outflow of young residents to Oslo.

Selection appeared to be a powerful force determining entrepreneurial characteristics of immigrants. National policies restricting or encouraging immigration from certain countries will inevitably alter the situation on the labour market, including the supply of entrepreneurs. In this way, those propagating quotation programs gain an additional argument for active immigrant selection. Unobservable personal characteristics, such as entrepreneurial intentions, may be utilised when attracting business immigrants, as it has been attempted in Canada.

5.2.2. Implications for policy makers in sending countries

This study sends also an alarming signal to the home country policy makers. This thesis adds one more dimension to the process of brain drain. The findings indicate that the people most endowed with relevant human capital, intentions and networks choose to leave Russia. This effect is magnified by continuous decrease in population of the Russian Federation (GOSKOMSTAT, 2008). It is unclear if general dissatisfaction with living conditions or specific barriers for entrepreneurship cause potential entrepreneurs to migrate. Among the main barriers for small business in Russia Astrakhan & Chepurenko (2003) pinpoint underdeveloped legislation, excessive bureaucracy and other administrative barriers, inadequate institutional framework, inaccessibility of loans and unfavourable taxation system. This thesis provides one more rationale for tackling these issues.

5.2.3. Implications for immigrant entrepreneurs

Based on the research results, several recommendations may be given to the potential and present immigrant entrepreneurs. Whilst national culture is reluctant to change on the group level, individual entrepreneurs may try to adapt their values to the situation in the host country. A special attention should be paid to the dimension of power distance. Being hooked in the home country culture

characterised by relatively high power distance may block individual immigrants from exploitation of entrepreneurial opportunities. Expecting that the future occupation in the host country will allow exercising high power distance reduces the options for upward economic and social mobility. Ethnic market seems to be a viable starting point in the entrepreneurial career. However, plans for breaking out from the ethnic niches should be made early in the business gestation process. In many cases it will improve chances for business survival. Ethnic networks in the host country should be a valuable source of business-related advices. Nascent immigrant entrepreneurs may be encouraged to contact their co-ethnics for advice because many of the later are pre-selected with respect to business experience. Taking into account the positive selection with respect to entrepreneurial intentions, immigrants have high chances to identify potential business partners among co-ethnics.

5.3. Limitations and suggestions for future research

In this study secondary data was used to test the hypotheses on relationships between national culture, general human capital and immigrant entrepreneurship. Measures of national culture and educational attainment were taken from the surveys carried out in the immigrants' home countries. This research design has limitations. First, some immigrants may not belong to the dominant culture in their home country because they have a particular ethnic or religious background. Second, people who migrate can differ from those who decide to stay with regard to their perceptions of culture or educational level. However, all research using secondary national data share this limitation. Definitely, especially collected primary data would provide a better insight into the relationships between immigration, national cultures and entrepreneurship.

It should be also noted that the generalisability of the first paper's results is somewhat limited due to some specific conditions in Norway. In Norway, the majority of immigrant groups are distributed among different regions in the same proportions, reducing the importance of spatial dimensions for differences in self-employment. Before World War II, immigration to Norway was almost non-existing (Tjelmeland and Brochmann 2003), in contrast to the countries with long traditions of immigration such as the US, Canada, and Australia. In such countries the enclave economy may play somewhat more important role in those countries than in Norway. Thus, more international comparative studies are needed to highlight the inter-country differences in immigrant entrepreneurship.

This thesis provides an insight into survival of businesses established by immigrants and natives in Norway. Research on ethnic/immigrant entrepreneurship can greatly benefit from consideration of venture's survival as one of the performance measures. However, the inability to distinguish immigrants of different origins is one of the main limitations of the dataset used in the relevant paper. Some authors highlight the dangers of treating all immigrants to a country or even particular ethnic groups as homogenous (Clark & Drinkwater, 1998; Collins, 2000; Fairlie & Meyer, 1996). Thus, comparative studies of survival rates of businesses established by immigrants of different origins are to be of a great interest.

The second paper of this thesis focuses on human capital and venture's start-up characteristics. Despite the fact that the resulting statistical model has a significant predictive power, a large share of immigrant-native differences in business survival remains still unexplained. Further research is required in order to illuminate the role of cultural, ethnic, environmental and other differences in the process of survival/fail selection. In future research it is also critical to distinguish between successful and unsuccessful closures and respective differences between immigrants and natives. Finally, consideration of such performance measures as

income and employment creation may contribute to our understanding of survival differences between businesses founded by immigrants and natives.

The research on selective migration in this thesis suffers from an inability to discriminate between self-selection and selection imposed by institutions in the home and host countries. Future studies may benefit from taking this distinction into account as well as from paying attention to the differences between entrepreneurial experiences acquired in immigrants' home and host countries. Moreover, demonstrating the presence of the selection effect, this thesis does not reveal the mechanisms underlying the selection of potential entrepreneurs in the process of migration. Lack of conclusive results regarding the reasons why immigrants are more entrepreneurial than their stay-at-home peers appeals for more research in this area. Longitudinal studies considering both periods before and after migration are needed in order to establish causal relationships.

As suggested by the literature review conducted in the third article included in this thesis, our knowledge about the perception of social research by different immigrant groups is modest. Additional empirical studies are required in order to develop ethically solid research methods for conducting studies on immigrant and ethnic minority entrepreneurs.

6 Individual scientific papers

The following scientific articles and papers are included:

- 1) Vinogradov, E., & Kolvereid, L. (2007). Cultural background, human capital and self-employment rates among immigrants in Norway. *Entrepreneurship and Regional Development*, 19(4), 359-376.
- 2) Vinogradov, E., & Isaksen, E. (2008). Survival of new firms owned by natives and immigrants in Norway. *Journal of Developmental Entrepreneurship*, 13(1), 21-38.
- 3) Vinogradov, E., & Gabelko, M. Entrepreneurship among Russian immigrants in Norway and their stay-at-home peers. This paper is under review (1st round) in *International Migration*. An earlier version was presented at the ESU Conference on entrepreneurship, 22nd to 26th August 2008, Bodø, Norway.
- 4) Vinogradov, E. Ethical aspects of research on ethnic/immigrant entrepreneurship. This paper is under review (2nd round) in *The International Journal of Entrepreneurial Behaviour & Research*.

6.1. Paper 1. Cultural background, human capital and self-employment rates among immigrants in Norway

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Cultural background, human capital and self-employment rates among immigrants in Norway

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The level of self-employment varies significantly among immigrants from different countries of origin. The objective of this research is to examine the relationship between national culture, human capital in the form of educational attainment in the country of origin and self-employment rates among first-generation immigrants in Norway. Empirical secondary data on self-employment among immigrants from 53 countries residing in Norway in 2004 was used. Five different hypotheses were developed and tested using hierarchical regression analysis. The findings suggest that immigrants from countries with low power distance are more likely to become self-employed. However, other dimensions of cultural attributes, such as the home-country's uncertainty avoidance, masculinity/femininity and individualism/collectivism were not significantly associated with immigrants' self-employment rate. Finally, and most notably, the average educational attainment in the country of origin was found to be significantly positively associated with self-employment among immigrants. The study concludes with practical implications and suggestions for future research.

Keywords: immigrant entrepreneurship; national culture; human capital; education; self-employment; Norway.

1. Introduction

Owing to the rapidly increasing number of immigrant-owned businesses in western countries ethnic and immigrant entrepreneurship has received increased attention in the literature. One particular point of interest is explaining the variations in the level of entrepreneurial activity between different groups of immigrants.

In a number of countries the same groups of immigrants have levels of self-employment exceeding the national average. For example, the level of self-employment is highest among Asian immigrants in Canada (Hiebert 2003), in the USA (Camarota 2000) and in the UK (Barrett *et al.* 2002). Collins (2002) showed that Asian immigrants have had the highest rate of self-employment in Australia during the last 20 years or more. East Asians had the highest rate of self-employment in Canada in 1986 and 1996 (Frenette 2002). The percentage of self-employed was highest among Asian immigrants in the USA as early as in 1980 (Portes and Zhou 1992). These observations confirm that in particular cases Asians stay on top of self-employment ratings not only across geographical borders, but also at different points of time. It is reasonable to expect that the stability of the inter-group differences can be explained best by factors that are stable in time and are not related to fluctuations in

the host-country environment, i.e. factors found in the immigrant's home-country. Among numerous individual and group level concepts the national culture (Hofstede 2001) has proven to distinguish nations from each other and to be stable over long periods of time. Large differences have also been observed among countries with respect to the average educational attainment in the population (World Bank 2006). Human capital, often measured as years of formal education, has been frequently and successfully used as a predictor of individual's ability to identify and effectively exploit entrepreneurial opportunities (see Shane 2004 for a recent review of this literature). It may be logical to expect that immigrants coming from countries with a low average level of education will meet particular problems with establishing and managing a business in a post-industrial country such as Norway.

Thus, the purpose of this research is to investigate the relationships between national culture, the average educational attainment and self-employment among immigrants in Norway. The following research question is in focus: do immigrants' home-country national culture and educational attainment influence the self-employment rates among first generation immigrants in Norway? To the present authors' knowledge, no previous study has so far used quantitative data on national culture to predict intergroup differences in self-employment rates among immigrants in a country. Testing the relationships between education and self-employment rate on the group level in the Norwegian context represents another contribution of this study.

The paper is structured as follows. First, alternative theoretical perspectives on entrepreneurship among immigrants and ethnic minorities are presented, and five hypotheses are derived. This is followed by the methodological section, focusing on the empirical data and operationalizations. Third, the resultants of the multiple regression analyses are presented. This is followed by the conclusions, practical recommendations and proposals for further research.

2. Conceptual framework

2.1 *Theories on immigrant entrepreneurship*

At the societal level structural barriers can prevent particular groups of immigrants and ethnic minorities from competing with the native born on an equal basis in the mainstream economy (Zhou 2004). As a consequence, some immigrants and minorities can be pushed into self-employment to a larger extent than others. Racial, national or ethnic discrimination causes blocked mobility for immigrants. It has been reported that predicted earnings differential between self-employment and paid employment has a positive effect on the probability of being self-employed (Johansson 2000). In the absence of the relevant empirical evidences from Norway, the study conducted by Hammarstedt (2006) suggests that discriminatory wages in the wage-employment sector may push immigrants toward self-employment in Sweden. Legal restrictions which discriminate against particular ethnic groups provide a base for the middleman minority theory (Bonacich 1973, Light and Bonacich 1988). According to this theory, groups which are restricted in their economic and juridical rights are forced into self-employment. Intragroup solidarity, practising of original traditions, monoethnic marriages, and the use of home-land language characterize middleman minorities. However, the middleman minority situation seems to be more

of an exception rather than a rule. Thus, it is not likely to be relevant for a large number of immigrant groups in Norway.

Geographical concentration of a considerable number of immigrants of the same origin, which leads to protected market and access to co-ethnic labour, have traditionally been used to explain high self-employment rates among particular groups of migrants (Evans 1989, Zhou 1992). Ethnic resources are more important for some ethnic groups compared to others. In Norway, immigrants from Tunisia, Morocco, Palestine and Greece have been found to avoid reliance on co-ethnics, while Pakistanis perceive their ethnic group as an important source of resources needed for business venturing (Krogstad 2002). Moreover, the demand for ethnic goods and exploitation of co-ethnic labour plays a critical role in economic adaptation only for a limited number of immigrant groups, which tend to form enclaves under certain conditions. However, ethnic enclave economies are rare, even in the USA (Light *et al.* 1994). This approach is therefore not sufficient to cover the broad spectrum of variations in self-employment rates among heterogeneous groups of immigrants (Li 2001).

At the group level, the phenomenon of immigrant entrepreneurship is associated with group-specific cultural values, behavioural patterns, distinct group traits, social structures, collective resources and coping strategies (Zhou 2004). Light's cultural theory (1972) states that some groups of immigrants are more predisposed to entrepreneurship than others due to their sociocultural background.

At the individual level, education, gender and duration of residence in the country are found to influence the propensity for entrepreneurship among immigrants (Hammarstedt 2004, 2006). By the same token, Li (2001) concluded that older immigrants arriving in better economic years, staying longer in the host-land, and possessing higher educational levels have higher odds of self-employment. Thus, demographic characteristics should not be ignored when studying self-employment among immigrants.

A large difference between levels of self-employment is observed across countries (Wildeman *et al.* 1998). For example, the proportion of self-employed in the work force is about three times as high in Turkey as in Norway (OECD 1998). The Global Entrepreneurship Monitor (2005) also reports large national differences in the proportion of business owners and early-stage entrepreneurial activity. Immigrants from countries with relatively large self-employment rates are more likely to have previous experience of self-employment before migration. Consequently, such immigrants are expected to be better prepared for starting business after migration. However, the results of empirical testing are mixed with respect to the effect of the home-country self-employment rates. The results reported by Hammarstedt (2001) and Yuengert (1995) supported this relationship, while Fairlie and Meyer (1996) found no evidence for such a relationship. The Hammarstedt's survey was carried out in Sweden, whereas the last two studies were conducted in the USA.

The proportion of self-employed also changes as the economy of a country changes. The move from a predominantly rural economy with a high level of business ownership to an industrial one, where large public corporations dominate and then again to a post-industrial economy causes a U-shaped curve between economic development and self-employment (Thurik and Wennekers 2004, Sternberg and Wennekers 2005). Differences in business ownership rates between countries seem to be persistent despite this U-shaped pattern (Wennekers *et al.* 2003). Consequently, cultural aspects, which are relatively stable over time, are expected to play an important role in explaining the variations in the level of self-employment

in different countries. It has been argued that national culture, at least to some extent, influences the level of self-employment (Hofstede *et al.* 2004). The most straightforward and frequently used method of assessing the relationship between national culture and entrepreneurship is through multinational research. In such studies the characteristics of the culture interact with economic factors in the country to determine the level of self-employment (Wennekers *et al.* 2003).

It is generally argued that cultural (Hayton *et al.* 2002) and economic factors (Reynolds *et al.* 1994), as well as the interaction between them (Baughn and Neupert 2003), determine the level of self-employment in a country. However, comparing countries is not an easy task because of the vast variety of economic, political and historical factors which also have an impact on the rate of self-employment. To which extent the differences in the levels of self-employment are caused by national culture variations or by variations in other factors are therefore difficult to assess in multinational surveys. Several single country studies which use the individual or the region as the unit of analysis support the idea that cultural attributes of different ethnic groups influence entrepreneurial behaviour (Greene 1997, Basu and Altinay 2002, Dyer and Ross 2003, Bouncken 2004).

Owing to the influence of the country-specific economic conditions comparing entrepreneurs in several countries is a complicated way of assessing the direct effect of national culture. After migration to one particular country, individuals belonging to different cultures face the same economic conditions. The environmental conditions are then controlled for, while the group differences, including culture and educational characteristics, possibly will explain differences in self-employment rates.

2.2 National culture

Culture can be defined as 'the collective programming of the mind which distinguishes the members of one group or category of people from another' (Hofstede 1997: 5). Scholars have identified a number of different cultural dimensions. Hamper-Turner and Trompenaars (2000), for example, distinguished between the following dimensions of culture: universalism/particularism, individualism/communitarianism, specificity/diffuseness, achieved/ascribed status, inner/outer direction, and sequential/synchronous time. Inglehart *et al.* (1998) analysed data for 43 countries and found two important dimensions of national culture: well-being versus survival, and secular-rational versus traditional authority. Hall and Hall (1990) distinguished between cultural factors concerning velocity, context, space and time. However, the far most cited author on cultural dimensions is Hofstede (2001) who identified the following five cultural dimensions: power distance, individuality, masculinity, uncertainty avoidance, and long/short-term orientation.

Hofstede (2001: 83) defines power distance in the following way:

The power distance between a boss **B** and a subordinate **S** in a hierarchy is the difference between the extent to which **B** can determine the behaviour of **S** and the extent to which **S** can determine the behaviour of **B**.

National culture reflects the level of power distance that is accepted by both the most and the less powerful members of the society and that is supported by the social environment. Thus, the power distance refers to the acceptance of inequality. The index used to measure the power distance (PDI) was derived from country mean

scores on three survey questions regarding perceptions of subordinates' actual decision-making styles, and the decision-making style that subordinates preferred in their bosses. PDI scores bring information about dependence relationships in a country. In small power distance countries there is limited dependence of subordinates on bosses, and a preference for consultation. The emotional distance between them is relatively small. In large power distance countries there is considerable dependence of subordinates on bosses and the emotional distance is large (Hofstede 1997).

The Individualism Index (IDV) based on country mean answer scores on 14 'work goals' questions, measures a position on the Individualism-Collectivism scale. Individualism stands for a society in which the ties between individuals are loose. In individualistic cultures, social identity is based on individual contribution. Basic social values emphasize personal initiative and achievement. Autonomy, variety, pleasure, and personal financial security take precedence over group loyalty. Collectivism stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups which, throughout people's lifetime, continue to protect them in exchange for unquestioning loyalty (Hofstede 2001: 225). People from more individualistic cultures value jobs which leave them sufficient time for their personal or family life. For such people it is important to have challenging work and to have freedom to adopt their own approach to work. In relatively collectivistic societies people emphasize training opportunities, good physical working conditions and the ability to use their skills and abilities as the most important aspects of a job (Hofstede 1997).

Masculinity stands for a society in which social gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life. Femininity stands for a society in which social gender roles overlap (Hofstede 2001: 297). People in highly masculine societies tend to prize aggressiveness and performance in terms of ego boosting, wealth, and recognition. The Masculinity Index (MAS) is a result of factor analysis of the answers to 14 questions related to working goals. The decisive reason for labelling this dimension 'masculinity versus femininity' was that this dimension was the only one (in Hofstede's study) on which the men and women scored consistently differently (Hofstede 1997).

Uncertainty avoidance is 'the extent to which the members of a culture feel threatened by uncertain or unknown situations' (Hofstede 2001: 161). In low uncertainty avoidance cultures, the inherent uncertainty of life is more easily accepted. It is believed that conflict and competition can be controlled within the rules of 'fair play' and used constructively. In low uncertainty avoidance countries there is more willingness to take risks, and achievement is often recognized in terms of pioneering effort. In high uncertainty avoidance countries, there is a greater fear of failure, a lower willingness to take risks, lower level of ambition, and lower tolerance for ambiguity (Hofstede 2001). The Uncertainty Avoidance Index (UAI) was derived from country mean scores on the survey questions dealing with rule orientation, employment stability and stress.

The aggregate psychological trait approach is adopted in this study. This approach is based on the idea that if a society contains more people with entrepreneurial values more people will be entrepreneurs (Davidsson 1995). Hypotheses regarding the influence of Hofstede's indexes can be derived from previous empirical studies adopting the same theoretical perspective. Hierarchical social structures are more likely to exist in high-PDI countries (Hofstede 2001).

Consequently, one can speculate that people from nations scoring higher on power distance can be expected to be more satisfied with a fixed place within large and stable hierarchical organizations, than with managing a small business (Shane 1992, 1993, Wildeman *et al.* 1998). However, McGrath *et al.* (1992) found that entrepreneurs demonstrate beliefs associated with higher power distance compared to career professionals. These authors suggested that the entrepreneur may tend to endorse a greater amount of differentiation between themselves and others and, consequently, use entrepreneurship as a route to a higher position in society.

A larger proportion of the population possesses psychological characteristics associated with entrepreneurship in individualistic rather than collective societies (Mueller and Thomas 2001). Such characteristics as the need for autonomy and independence (Sexton and Bowman 1985) and internal locus of control (Brockhaus and Horowitz 1985) are expected to be positively associated with entrepreneurial behaviour.

Masculinity is associated with achievement motivation in McClelland's (1961) terminology (Hofstede 2001). One may expect that people from masculine cultures can satisfy their need for achievement more effectively through self-employment in small business rather than through membership in a large, established organization.

Uncertainty avoidance is expected to be negatively related to self-employment, since individuals from nations with high uncertainty avoidance have stronger emotional needs for rules and procedures, and are therefore likely to prefer employment in established organizations (Shane 1993).

Based on the works by Hofstede (2001), Shane (1992, 1993), Mueller and Thomas (2001) and Wildeman *et al.* (1998), the following four hypotheses were formulated:

Hypothesis 1: Controlling for relevant factors, home-country power distance (PDI) is negatively associated with self-employment among immigrants.

Hypothesis 2: Controlling for relevant factors, home-country individuality (IDV) is positively associated with self-employment among immigrants.

Hypothesis 3: Controlling for relevant factors, home-country masculinity (MAS) is positively associated with self-employment among immigrants.

Hypothesis 4: Controlling for relevant factors, home-country uncertainty avoidance (UAI) is negatively associated with self-employment among immigrants.

2.3 Human capital

General human capital, often measured as years of education and work experience, relates to factors expected to increase the individual's productivity for a wide range of work-related activities (Becker 1993). Based on analysis of numerous empirical studies, Shane (2004) suggests that general human capital and, specifically, education may be related to self-employment in several ways. On an individual level, a well-educated person will be more likely to exploit an entrepreneurial opportunity because the information and skills that education provides will increase their expected returns on opportunity exploitation. Education also improves entrepreneurial judgement by providing people with analytic ability and understanding of the entrepreneurial process. Moreover, an owner's higher education is expected to improve the performance of a business venture. Bruderl *et al.* (1992) argue that human capital

may influence the individual's propensity to stay self-employed through survival of ventures. First, greater human capital increases the founder's productivity, which results in higher profits enhancing business survival. Second, easily observable indicators of human capital, such as education, may be used as screening devices by customers, investors, and other outside actors on whom the survival of enterprise depends. Third, even prior to the business establishment, people with higher human capital are in position to start larger and financially better-equipped businesses because of their higher earnings as employees. Moreover, through their broader employment experience such people are more likely to identify the most lucrative entrepreneurial opportunities. Finally, persons endowed with high human capital are rarely forced into self-employment by acute need for an income and, therefore, have more time to develop detailed business plans. It is argued that education may have a very different impact on self-employment in professional versus non-professional occupations (Beaujot *et al.* 1994). However, the majority of academicians agree that an individual's education is positively related to overall entrepreneurial activity in developed countries.

On the aggregate level, human capital is often used as an independent variable in economic growth studies. Measured as average school attendance rate (Barber 2002) or as percentage of population enrolled at universities and colleges (Habib *et al.* 2000), human capital is positively related to national economic performance. Studying regional variations in start-ups in Sweden, Johannisson (1993) found that the share of the population with a college education was the variable with the highest exploratory power. Thus, one can expect that average educational level will be important when comparing groups of immigrants. The countries, regions, ethnic and other groups extensively endowed with human capital may, therefore, be expected to demonstrate superior ability to establish and manage productive entrepreneurial ventures.

The review of the literature on immigrant entrepreneurship reveals somewhat complex relationships between education and self-employment compared to general entrepreneurship studies. In immigration studies, education obtained in the home country, the host country, as well as the total educational endowment has been measured. In case of entrepreneurship-related studies, the empirical tests provide inconsistent results considering the relationships between these three measures of education and propensity towards self-employment. Li (2001) and Sanders and Nee (1996) found that higher home-country education increases an individual's odds of becoming self-employed. On the other hand, Le (2000) reported the opposite effect both for home-country and host-country education.

When not divided by the country of origin, the total educational level has been found to increase individuals' propensity towards self-employment (Borjas 1986, Borjas and Bronars 1989, Fairlie and Meyer 1996, van Tubergen 2005). The opposite relationships were reported by Cobas (1986), Evans (1989), Clark and Drinkwater (1998) and Hammarstedt (2001). Moreover, the effects of home-country and host-country education may interplay. Beaujot *et al.* (1994) argues that immigrants with low total educational attainment who have acquired some education in the country of settlement have higher chances of being self-employed. Such people have advantages in the form of relevant knowledge about the host-country acquired during the study. Simultaneously, they may have access to relevant ethnic group resources. Immigrants with educational level of approximately bachelor and above acquired in their home country, and who have not accomplished any education in the country of settlement, have also relatively high chances of being self-employed. In this

case the reason is different: such persons suffer from non-recognition of their degrees and inability to find a job corresponding to their educational level. Such immigrants are, therefore, pushed into self-employment in pursuit of the occupation reflecting their ambitions. Immigrants with no proper education at all are expected to be under-represented among the self-employed because of their lack of basic knowledge and understanding of how to establish and manage a business. Immigrants with degrees both from the country of origin and from the host country may experience fewer problems with finding challenging and well-paid jobs in the general labour market, and will, therefore, be less likely to start a business.

Sanders and Nee (1996) suggest that immigrants with higher human capital are more likely to come from the upper classes in the home country, which increases their access to financial capital. Since lack of start-up capital is often cited as a major obstacle for starting a business, one can expect immigrants who are better educated in their home-land to be over-represented among the self-employed.

Regarding the mixed empirical evidence from different countries, one can conclude that the effect of education on immigrants' propensity towards self-employment depends on a context. Within ethnic enclaves, an entrepreneur may survive addressing entirely the loyal co-ethnic customers. Since no large-scale ethnic economies have previously been reported in Norway, it may be expected that immigrant entrepreneurs have to challenge relatively highly educated native competitors. In this case, higher education will be an advantage outside the ethnic economy.

While this paper is focusing on the educational attainment from the home country, an overall positive effect of education is expected in line with the following argument. As a proxy of general human capital, education (regardless of origin) will increase immigrants' chances to identify and successfully exploit entrepreneurial opportunities. Immigrants with higher human capital endowment may learn more effectively about the Norwegian legislation, business procedures, and language, which is essential for venture establishment. Moreover, judged by the level of formal education, well-educated persons have higher chances to gain trust from authorities, banks, suppliers and other native Norwegian stakeholders. Non-recognition of foreign educational degrees may additionally push well-educated immigrants to self-employment. Taking all of these factors into consideration, the following hypothesis is formulated:

Hypothesis 5: Controlling for relevant factors, home-country educational attainment is positively associated with self-employment among immigrants.

3. Methodology

3.1 Data

In order to test the hypotheses, data on self-employment, gender balances, populations, and spatial distributions from multiple immigrant groups from Statistics Norway for the year 2004 was used. Only groups with a minimum of 100 persons in Norway were included. The threshold group size was decided as a compromise between a desire to include as many countries of origin as possible in the analysis, and a need to exclude small groups where a few self-employed individuals could create a disproportional contribution to the group's self-employment rate.

With respect to the variables chosen for the analysis, no missing values were observed in 53 cases. Only these cases were included in the analysis. The size of the immigrant groups included in the study varied from 20 157 immigrants from Sweden (of whom 979 were self-employed, i.e. 4.86%), to 114 immigrants from Taiwan (of whom 14 were self-employed, i.e. 12.28%). The self-employment rate was highest for immigrants from Taiwan, Hong Kong, Israel and China and lowest among those from Tanzania, Thailand and the Philippines (appendix 1). These figures are similar to empirical findings from other parts of the world. The four immigrant groups which have the highest rate of self-employment in Norway also have among the highest self-employment rates in Canada (Hiebert 2003), in the USA (Fernandez and Kim 1998), and in the UK (Barrett *et al.* 2002).

The latest data on Hofstede's measures of national culture was downloaded for 53 countries from www.geert-hofstede.com (downloaded 1 November 2005). The data on average educational attainment was acquired from the World Bank (2006). The relevant operationalizations are discussed in the subsequent subsections.

3.2 Self-employment

Self-employment is a labour-market related parameter, but it is an adequate indicator of entrepreneurial activity (Acs *et al.* 1994, Wennekers *et al.* 2003). Following the definition used by Statistics Norway, all first-generation immigrants receiving income from business activities are classified as self-employed. First generation immigrants are defined as those born abroad, with both parents born abroad also (Statistics Norway 2004). The applied measure of self-employment is the proportion of self-employed from each country among all immigrants from the country aged 16–74 years.

3.3 Culture

This study is based on the assumption that each national culture is preserved both by individuals living in a particular country and by the immigrants from this country. Hines (1974) argued that cultural values persist, in some cases even to the second generation, but that the persistence of values may vary across immigrant groups. Hofstede (2001) also stated that cultural values are stable over time and that immigrants are unlikely to acquire the underlying values of symbols and rituals in the new environment, but are likely to judge the new culture by the old values. Possibly the most known attempt to operationalize national cultures was made by Hofstede (2001). Four of Hofstede's variables are available for a large number of countries, including all countries from which the largest groups of immigrants come to Norway. The fifth cultural dimension, long/short-term orientation, was not used in the present study because of missing values for a high number of countries.

Hofstede's research has not escaped criticism. Sondergaard (1994) summarized the constraints of Hofstede's studies into three categories. First, it is questioned if data collected between 1968 and 1973 were artefacts of this period. Second, the reliance on a survey of IBM managers and not on a representative sample of the population is often criticized. Third, it is questioned whether the use of only attitude-survey questions was a valid base from which to infer values. Moreover, some critical aspects of culture have not been addressed by Hofstede (Baughn and Neupert 2003).

However, Hofstede's variables have been frequently used in different disciplines (Sivakumar and Nakata 2001) and empirically verified by other researchers (Sondergaard 1994). These dimensions have been previously used in the studies on entrepreneurship and innovation (see Hayton *et al.* 2002 for a review) in non-immigrant samples.

3.4 Human capital

Average schooling (in the form of enrolment or attainment) is often used as a proxy for human capital (Foldvari and van Leeuwen 2005). Since personal or group level data on home-country educational attainment of immigrants is not readily available from national statistics, the average data for the countries of immigrants' origin are used in this study. Statistical average data from immigrants' home-country have previously been used in other entrepreneurship studies. For example, Ekberg and Hammarstedt (1999) and Yuengert (1995) studied the effect of home-country self-employment, while van Tubergen (2005) focused on GDP and political suppression in the country of origin. The main weakness of such studies is the inability to address the problem of selective migration. A direct comparison of average educational levels in a country and among immigrants from this country to Norway is practically impossible. However, aggregative data from Statistics Norway (2006) show that immigrants from Africa have lower average level of education, compared to Europeans and Asians. That is in line with cross-country data on educational attainment from the World Bank (2006), which are used in this study. Under the present circumstances the average years of school among adults in the country of origin in year 2000 is applied as a measure of home-country educational attainment of immigrants. This measure of education is also related to cultural properties, as societies with limited human capital choose larger families and invest little in each member, while those with abundant human capital do the opposite (Becker 1993). For more details concerning the methodological aspects of cross-country educational data the work by Barro and Lee (2000) may be addressed. The Barro-Lee dataset has frequently been used in the growth literature as a proxy for the amount of education received by the population of a country (see Chen (2004) for examples).

3.5 Control variables

Many studies have shown that a smaller proportion of women than men start businesses and become self-employed. It is likely that this pattern remains valid across countries and immigration groups (Orderud 2001). In Norway only 15% of immigrants from Thailand are men while the share of men among immigrants from Greece is 77%. Since the gender composition among immigrants of different origin varies dramatically, the percentage of men in each immigrant group is used as a control variable.

Duration of residence in the recipient country is often mentioned as an important control variable when predicting self-employment (Fernandez and Kim 1998, Hammarstedt 2001, Hiebert 2002). A positive relationship between duration of residence and self-employment is expected because it takes time to learn the new language and to get access to useful social networks (Orderud 2001). Based on data

from Statistics Norway concerning the number of first generation immigrants in Norway each year, the average duration of residence for each immigrant group was calculated as follows:

$$D = \frac{\sum [(n_i - n_{(i-1)}) * (2005 - i)]}{N}$$

where D = average duration of residence; N = the number of immigrants in 2004; n = the number of immigrants in year i ; and i = years 1970, 1980, and each year between 1986 and 2004.

A higher rate of self-employment among some groups of immigrants can be attributed to their mediating middlemen position in the host society. Being significantly discriminated, such groups turn to entrepreneurial activities relying on ethnic solidarity (Bonacich and Modell 1980). Tight geographic concentration of immigrants may provide exceptional opportunities for minority entrepreneurs through the availability of co-ethnic clients and employees (Evans 1989). Both the co-ethnic labour force and clients are bounded to the entrepreneurs through cultural linkages (Portes and Bach 1985). Hence, both members of middleman minority groups and cohabitants of an enclave are dependent on living in proximity of each other. In order to control for a possible effect of the spatial distribution of immigrants, two control variables were included: group size and concentration rate. Group size is the total number of immigrants from the country. Concentration rate is the percentage of immigrants from a country living in the county in Norway with the largest number of immigrants from this country. Both variables were log-transformed in order to meet the assumption of normal distribution in regression analysis.

4. Results

Correlations between all the variables considered in this study and descriptive statistics are shown in table 1. As expected, the percentage of males and the duration of residence are significantly positively correlated with group's self-employment rate. The correlation matrix provides preliminary support for three of the hypotheses. Power distance is significantly negatively correlated with self-employment. Individuality is significantly positively correlated with self-employment. Finally, national educational attainment is significantly positively correlated with self-employment.

The hypotheses were tested using hierarchical multiple regression analysis. First the control variables were entered into a regression, followed by the cultural variables and education. Owing to limitations of the sample and to high correlation between the independent variables, the cultural variables and education were included individually in regression equations along with the control variables. In this way the number of independent variables never exceeded five, preserving sufficient degrees of freedom and reducing problems concerning multicollinearity. This procedure has previously been used in research on the effect of culture (Shane 1993).

Table 2 shows that power distance is significantly negatively associated with self-employment, supporting hypothesis 1. The effect of individuality disappears when the control variables are included in a regression, perhaps because The Individualism Index is highly correlated with immigrants' average time of residence in Norway.

Table 1. Descriptive statistics and pearson correlations ($N=53$).

| | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|--------------------------------------|-------|-------|--------|----------|----------|----------|----------|---------|-------|--------|---------|
| <i>Control variables</i> | | | | | | | | | | | |
| 1. Gender | 47.41 | 11.58 | 1 | | | | | | | | |
| 2. Duration of residence | 18.00 | 7.15 | 0.218 | 1 | | | | | | | |
| 3. Group size | 31.97 | 45.78 | 0.089 | 0.034 | 1 | | | | | | |
| 4. Concentration rate | 30.99 | 10.55 | 0.239 | -0.293* | 0.000 | 1 | | | | | |
| <i>Cultural variables</i> | | | | | | | | | | | |
| 5. Power Distance Index (PDI) | 57.30 | 20.42 | -0.154 | -0.661** | -0.204 | 0.392** | 1 | | | | |
| 6. Individualism Index (IDV) | 44.94 | 24.12 | 0.255 | 0.709** | 0.208 | -0.499** | -0.680** | 1 | | | |
| 7. Masculinity Index (MAS) | 51.51 | 16.92 | -0.003 | 0.215 | -0.369** | -0.029 | 0.021 | 0.101 | 1 | | |
| 8. Uncertainty Avoidance Index (UAI) | 64.00 | 22.49 | 0.115 | -0.036 | -0.254 | 0.191 | 0.071 | -0.148 | 0.131 | 1 | |
| <i>Education</i> | | | | | | | | | | | |
| 9. Years of School | 7.58 | 2.60 | -0.076 | 0.640** | 0.087 | -0.460** | -0.614** | 0.657** | 0.103 | -0.021 | 1 |
| <i>Dependent variable</i> | | | | | | | | | | | |
| 10. Self-employment rate | 4.88 | 2.26 | 0.271* | 0.421** | -0.066 | 0.023 | -0.439** | 0.271* | 0.135 | -0.105 | 0.469** |

* $p \leq 0.05$ (2-tailed).** $p \leq 0.01$ (2-tailed).

Table 2. Regression results: Self-employment as the dependent variable ($N = 53$).

| | <i>Model 1</i> <i>Control</i> <i>variables</i> <i>only</i> | <i>Model 2</i> <i>Power</i> <i>Distance</i> <i>Index (PDI)</i> | <i>Model 3</i> <i>Individualism</i> <i>Index (IDV)</i> | <i>Model 4</i> <i>Masculinity</i> <i>Index (MAS)</i> | <i>Model 5</i> <i>Uncertainty</i> <i>Avoidance</i> <i>Index (UAI)</i> | <i>Model 6</i> <i>Education</i> |
|---|---|---|--|--|--|------------------------------------|
| <i>Control variables</i> | | | | | | |
| 1. Gender | 0.200 | 0.161 | 0.186 | 0.199 | 0.214 | 0.281* |
| 2. Duration of residence | 0.402** | 0.186 | 0.367* | 0.406** | 0.405** | 0.090 |
| 3. Group size (Ln) [†] | -0.243 | -0.268* | -0.255 | -0.247 | -0.269* | -0.252* |
| 4. Concentration rate (Ln) [†] | 0.032 | 0.148 | 0.057 | -0.034 | 0.067 | 0.150 |
| <i>Cultural variables</i> | | | | | | |
| 5. Power Distance Index | | -0.398* | | | | |
| 6. Individualism Index | | | 0.066 | | | |
| 7. Masculinity Index | | | | 0.015 | | |
| 8. Uncertainty Avoidance Index | | | | | -0.176 | |
| <i>Education</i> | | | | | | |
| 9. Years of school | | | | | | 0.519** |
| R^2 | 0.272 | 0.349 | 0.274 | 0.273 | 0.301 | 0.407 |
| Adjusted R^2 | 0.212 | 0.280 | 0.197 | 0.195 | 0.227 | 0.344 |
| F value | 4.495** | 5.049*** | 3.545** | 3.524** | 4.051** | 6.456*** |
| ΔR square | - | 0.077 | 0.001 | 0.000 | 0.029 | 0.135** |
| F change | - | 5.558* | 0.089 | 0.013 | 1.928 | 10.678** |

The coefficients reported are standardized betas.

* $p \leq 0.05$ (2-tailed).

** $p \leq 0.01$ (2-tailed).

*** $p \leq 0.001$ (2-tailed).

[†]The variable is logarithmically transformed.

Hence, hypothesis 2 is not supported. The effect of the remaining two cultural variables is not significant. Hypotheses 3 and 4 are not supported. Among all the variables considered in this study, educational attainment has the most significant influence on immigrants' self-employment level, providing strong support for hypothesis 5.

While the control variables alone explain 21.2% of variation in self-employment rates, adding PDI to the equation helps to improve the explanation to 28.0% of the variation. Adding educational attainment to the control variables explains as much as 34.4% of variation of the dependent variable. The significant change of the F value (+5.558) confirms that PDI explains a significant proportion of the variance in the self-employment rate among different groups of immigrants. The significant improvement in R^2 (+0.135) and change in the F value (+10.678) compared to the base model indicate that home-country educational level is important to consider when trying to explain immigrant groups' self-employment rate.

5. Conclusions

This study focused on immigrants' national culture measured through four of Hofstede's dimensions and on educational attainment in immigrants' countries of origin. Controlling for relevant factors, power distance and education proved to have a significant impact on the immigrant group's level of self-employment. The other cultural factors were also correlated with the self-employment rate in the expected direction, but they failed to have a significant effect in the multiple regressions. As far as the present authors are aware, this study is the first to link immigrants' national

culture and national educational level directly to the differences in self-employment rate among a wide range of immigrant groups. In line with Hofstede's (2001) arguments, the findings show that first generation immigrants remain embedded in their original national culture despite the influences of the host country cultural environment.

In this study, the hypothesis concerning the positive relationship between education attainment and self-employment among immigrants is strongly supported. One can speculate that entering into self-employment in a new country of residence requires intensive learning. Thus, people from countries with high average educational levels, who may learn language, formal rules, and new business procedures more effectively, are more likely to start a business and become self-employed. Supporting the blocked mobility thesis, this effect can be magnified by non-recognition of degrees acquired outside Norway, which additionally pushes highly-educated immigrants into self-employment. Another plausible explanation for the positive relationships between home-country education and group's self-employment rate concerns the perceptions of Norwegian banks, suppliers, and other stakeholders. Better-educated immigrants may gain more trust from natives, which is important for establishing and conducting business outside the ethnic economy.

In this study secondary data was used to test the hypotheses. Measures of national culture and school attainment were taken from surveys carried out in the immigrants' home countries. This research design has its limitations. First, some immigrants may not belong to the dominant culture in their home country, because they have a particular ethnic or religious background. Second, there is a chance that people who migrate can differ from those who decide to stay with regard to their perceptions of culture or educational level. However, all research using secondary national data share this limitation. There is definitely a need for more individual level studies on relationships between national culture, human capital and immigrant entrepreneurship. Such studies should, whenever possible, address the question of selective migration which has not so far attracted considerable attention in the entrepreneurship literature. Moreover, it should be noted that the generalizability of this study is somewhat limited due to some specific conditions in Norway. In Norway, the majority of immigrant groups are distributed among different regions in the same proportions, reducing the importance of spatial dimensions for differences in self-employment. Before World War II, immigration to Norway was almost non-existent (Tjelmeland and Brochmann 2003), in contrast to countries with long traditions of immigration such as the USA, Canada and Australia. In such countries the enclave economy may be more important.

This study has several practical implications. Encouraging entrepreneurship among immigrants is recognized to be an important task for politicians in many countries including Norway. Policy-makers should keep in mind that immigrants from some nations are more predisposed for self-employment because of their cultural background. At the same time, people from some nations are more endowed with general human capital in a form of education that improves their ability to start business in their new host country. Government programmes should take these differences into consideration when designing support systems for immigrant entrepreneurs. One can expect that insufficient human capital may hinder some groups of immigrants from participating in the economic life under the same conditions as natives. Thus, improving the educational attainment of under-educated

immigrants should be considered as a primary instrument of attracting such immigrants to self-employment.

The findings presented here may also have implications for our foreign aid to developing countries. While culture may be hard to change, efforts should be made to try to reduce the power distance in some countries. It is also possible that improving educational systems in developing countries may increase the number of future immigrants with entrepreneurial capabilities.

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Appendix 1. Hofstede's index scores, average years of education in the countries (year 2000), and self-employment rates for 53 immigrant groups in Norway (year 2004).

| Country | Power Distance Index (PDI)* | Individualism Index (IDV)* | Masculinity Index (MAS)* | Uncertainty Avoidance Index (UAI)* | Average years of school** | Self-employment rate (%) among immigrants *** |
|----------------|-----------------------------|----------------------------|--------------------------|------------------------------------|---------------------------|---|
| Argentina | 49 | 46 | 56 | 86 | 8.83 | 5.93 |
| Australia | 36 | 90 | 61 | 51 | 10.92 | 5.18 |
| Austria | 11 | 55 | 79 | 70 | 8.35 | 7.24 |
| Belgium | 65 | 75 | 54 | 94 | 9.34 | 6.24 |
| Brazil | 69 | 38 | 49 | 76 | 4.88 | 2.32 |
| Canada | 39 | 80 | 52 | 48 | 11.62 | 5.43 |
| Chile | 63 | 23 | 28 | 86 | 7.55 | 2.29 |
| China | 80 | 20 | 66 | 40 | 6.35 | 7.69 |
| Colombia | 67 | 13 | 64 | 80 | 5.27 | 2.98 |
| Czech Republic | 57 | 58 | 57 | 74 | 9.48 | 5.86 |
| Denmark | 18 | 74 | 16 | 23 | 9.66 | 6.81 |
| Ecuador | 78 | 8 | 63 | 67 | 6.41 | 3.43 |

(continued)

Appendix 1. Continued.

| Country | Power Distance Index (PDI)* | Individualism Index (IDV)* | Masculinity Index (MAS)* | Uncertainty Avoidance Index (UAI)* | Average years of school** | Self-employment rate (%) among immigrants *** |
|--------------|--------------------------------|-------------------------------|-----------------------------|--|---------------------------------|---|
| Egypt | 80 | 38 | 52 | 68 | 5.51 | 6.87 |
| Finland | 33 | 63 | 26 | 59 | 9.99 | 4.85 |
| France | 68 | 71 | 43 | 86 | 7.86 | 3.78 |
| Germany | 35 | 67 | 66 | 65 | 10.2 | 5.46 |
| Ghana | 77 | 20 | 46 | 54 | 3.89 | 1.72 |
| Greece | 60 | 35 | 57 | 112 | 8.67 | 7.25 |
| Hong Kong | 68 | 25 | 57 | 29 | 9.41 | 10.68 |
| Hungary | 46 | 55 | 88 | 82 | 9.12 | 4.57 |
| India | 77 | 48 | 56 | 40 | 5.06 | 5.56 |
| Indonesia | 78 | 14 | 46 | 48 | 4.99 | 2.66 |
| Iran | 58 | 41 | 43 | 59 | 5.31 | 4.07 |
| Iraq | 80 | 38 | 52 | 68 | 3.95 | 1.86 |
| Ireland | 28 | 70 | 68 | 35 | 9.35 | 6.97 |
| Israel | 13 | 54 | 47 | 81 | 9.6 | 8.62 |
| Italia | 50 | 76 | 70 | 75 | 7.18 | 5.10 |
| Japan | 54 | 46 | 95 | 92 | 9.47 | 5.30 |
| Kenya | 64 | 27 | 41 | 52 | 4.20 | 1.89 |
| Malaysia | 104 | 26 | 50 | 36 | 6.80 | 5.02 |
| Mexico | 81 | 30 | 69 | 82 | 7.23 | 2.63 |
| Netherlands | 38 | 80 | 14 | 53 | 9.35 | 6.41 |
| New Zealand | 22 | 79 | 58 | 49 | 11.74 | 7.23 |
| Nigeria | 77 | 20 | 46 | 54 | 1.02 | 3.26 |
| Pakistan | 55 | 14 | 50 | 70 | 3.88 | 6.83 |
| Peru | 64 | 16 | 42 | 87 | 7.58 | 3.62 |
| Philippines | 94 | 32 | 64 | 44 | 8.21 | 1.72 |
| Poland | 68 | 60 | 64 | 93 | 9.84 | 3.16 |
| Portugal | 63 | 27 | 31 | 104 | 5.87 | 2.30 |
| Sierra Leone | 77 | 20 | 46 | 54 | 2.40 | 3.37 |
| Singapore | 74 | 20 | 48 | 8 | 7.05 | 3.38 |
| South Africa | 49 | 65 | 63 | 49 | 6.14 | 5.53 |
| South Korea | 60 | 18 | 39 | 85 | 10.84 | 4.72 |
| Spain | 57 | 51 | 42 | 86 | 7.28 | 3.99 |
| Sweden | 31 | 71 | 5 | 29 | 11.41 | 4.86 |
| Switzerland | 34 | 68 | 70 | 58 | 10.48 | 5.61 |
| Taiwan | 58 | 17 | 45 | 69 | 8.76 | 12.28 |
| Tanzania | 64 | 27 | 41 | 52 | 2.71 | 1.65 |
| Thailand | 64 | 20 | 34 | 64 | 6.50 | 1.70 |
| Turkey | 66 | 37 | 45 | 85 | 5.29 | 3.25 |
| UK | 35 | 89 | 66 | 35 | 9.42 | 6.00 |
| Uruguay | 61 | 36 | 38 | 100 | 7.56 | 6.25 |
| USA | 40 | 91 | 62 | 46 | 12.05 | 5.05 |

Sources: *Hofstede (2001).

**World Bank (2006).

***Statistics Norway (2005), special tabulation.

6.2. Paper 2. Survival of new firms owned by natives and immigrants in Norway

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**SURVIVAL OF NEW FIRMS OWNED BY
NATIVES AND IMMIGRANTS IN NORWAY**

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This paper investigates the survival rates of businesses founded by immigrants and natives in the context of Norway, which has not yet been explored. Based on the relevant literature review, the entrepreneur's human capital and venture's start-up characteristics were expected to explain the differences between the survival rates of businesses established by immigrants and natives. Longitudinal data on 389 firms established in 2002 were analyzed. It was revealed that the survival rate was lower for businesses established by immigrants compared to those established by natives. The analysis suggests that the relatively low survival rate of businesses established by immigrants is partly explained by the perceived novelty of the products and by the fact that immigrants are more likely to locate their businesses in urban areas. Human capital differences were not found to explain immigrant/native differences in business survival rates. Based on these results, several practical implications and suggestions for future research are offered.

Keywords: Immigrant-owned businesses; business survival; human capital; start-up; Norway.

1. Introduction

Immigrant- and minority-owned small business has recently attracted a great deal of academic attention. It has been argued that both immigrants and host-countries benefit from the rise of immigrant entrepreneurship. Through self-employment immigrants achieve upward economic mobility; cope with their blocked mobility on the labor market (Light and Roach, 1996); and respond effectively to the current restructuring of Western industrial economies (Waldinger *et al.*, 1990). Moreover, ethnic entrepreneurship contributes to the host country's economic and social welfare through revitalization of declining regions, introduction of new products, fostering of the emergence of new spatial forms of social cohesion, opening of the trade links between countries etc. (Kloosterman *et al.*, 1999; Saxenian, 2001). While the policy makers start to focus on the challenges related to the development of immigrant owned businesses in Norway, the amount of relevant knowledge is diminutive. The few studies on ethnic and immigrant entrepreneurship conducted in Norway include, along with entrepreneurship-focused research projects (Orderud, 2001), some sociological (Krogstad,

2002), anthropological (Fossum, 1999) and historical (Wist, 2000) papers. Unfortunately, the lack of common focus and coordination has hindered the development of a coherent study of the subject in Norway. Improving public policy toward immigrant entrepreneurship clearly requires a deeper understanding of the phenomenon under scrutiny. Regardless of national context, the survival rates of immigrant-owned businesses remains the least studied area compared to, for example, the immigrants' rate of business participation. Indeed, not a single study has focused on the survival of businesses established by immigrants in Norway. This study seeks to contribute to closing this knowledge gap. The purpose of this research is to explore if there are differences in the survival rates between native- and immigrant-owned firms and to identify the specific problems hindering immigrant entrepreneurs on their way toward equal participation in the Norwegian economic life.

Such factors as owner's education (Bates, 1989, 1994b; Christopher, 1998), employment experience, access to financial capital, sectoral choice (Christopher, 1998), owner labor input, firm's start-up size (Bates, 1994b), and focus on minority market (Bates, 1989, 1994b) are confirmed through empirical evidences to be significantly related to the survival of minority-owned firms.

The factors that affect the survival chances of new enterprises extracted from previous research may be categorized in the following way: (1) individual characteristics of the founder, (2) attributes, structural characteristics and strategies of the new business itself, and (3) environmental characteristics (Bruderl *et al.*, 1992). In this paper, it is expected that venture characteristics as well as personal characteristics of the founders will account for a significant portion of intergroup differences in firms' survival. In absence of large-scale ethnic economies, environmental factors are, on the contrary, not expected to distinguish minority owned firms from the general population.

Among the initial factors affecting new business outcomes, owner's human capital and venture's start-up characteristics remain to be the far most studied. This paper will explore if these two domains explain possible differences in the survival rates between the firms established by immigrants and natives in Norway.

2. Survival Rate Differences

The scarce evidence from other parts of the world has revealed differences in survival rates between the ventures started and owned by immigrants and those established by natives. In Sweden, which is Norway's nearest neighbor-country, firms started by immigrants have higher odds of exiting in both the short and long run (Persson, 2004). Studying longitudinal data on entrepreneurs who have received support for starting a business in Sweden, Hammarstedt (2002) found that non-European immigrants had higher chances of transition into unemployment compared to natives. Bruderl and Preisdorfer (1998) have not found any significant differences in survival rates between German native- and immigrant-owned firms. On the contrary, Fertala (2006) reported that survival of companies registered by immigrants is lower compared to companies established by native Germans. These results were robust across all the industrial sectors, age-groups and administrative districts analyzed.

Many studies on minority business survival rates have been conducted in the US. In this country, minorities are most often defined as racial groups (usually Asian, White,

Black and Hispanic) as opposed to the focus on self-defined ethnicity and the country of origin, which are broadly used in European and Scandinavian studies. Racial terms are rarely discussed in Norwegian academic literature as well as in political debates. Taking into account that immigrants constitute a large share of racial minorities in the US, the relevant studies on survival rate are of a large interest. On the other hand, in the context of the current research, these evidences have been cited with concern about the definitional incongruence. The analysis of national level data on business survival between 1987 and 1991 conducted by Christopher (1998) reported a 70 percent survival rate for minorities among the single-owned firms and 81 percent for non-minorities. Another study revealed that the four-year survival rates of the four minority-owned business categories were all lower than the survival rate for non-minority-owned businesses, which was 72.6 percent. The minority categories were as follows: Asian- and Pacific Islander (survival rate 72.1 percent), Hispanic (68.6 percent) and Black (61.0 percent) (Lowrey, 2005). McEvoy and Aldrich (1986) reported somewhat more complex results: due to unidentified reasons Asian owned firms were more likely to survive in 1978–80, white owned firms in 1980–82, and Asian owned in 1982–84. Robb (2002) reported that four-year survival rate was highest for Asian-owned businesses (51.7 percent) followed by Whites (48.7 percent), Hispanics (43.7 percent) and Blacks (34.8 percent). It appears that Asians firms demonstrate survival rates beyond those of other racial groups. However, there are variations between Asian immigrant firm subgroups defined by the country of origin. Bates (1994b) reported that 85.1 percent of firms formed by the immigrants from India in the period from 1979 to 1987 were still in business in 1991. The respective percentage was 84.7 for the firms started by Chinese, 81.2 by Koreans, and 77.9 by Vietnamese. Interestingly, Bates (2005) found that firm closures among minority owners were disproportionately unsuccessful closures.

Since the survival rates of the firms initiated by immigrants and racial minorities (except Asians^a) are observed to be lower compared to the native-established firms, we expect that the same difference will be observed in Norway. Thus, our first hypothesis was formulated in the following way:

H1: The four-year survival rate of new firms established by immigrants in Norway is lower compared to survival rate of the firms established by natives.

The determinants of the observed differences in survival rates between immigrant- and native-owned establishments have not yet been afforded much attention. Based on relevant theoretical perspectives, empirical studies focusing on the survival of native-owned firms, as well as on the scarce empirical evidences considering viability of immigrant-owned firms, hypotheses are formulated as described in the following sections.

3. Human Capital

Becker (1993) distinguishes between general and specific human capital. General human capital, often measured as years of education and work experience, relates to the factors

^aAsians account for about a third of all first-generation immigrants in Norway.

expected to increase the individual's productivity for a wide range of work-related activities. Contrastingly, specific human capital is applicable only to a specific domain. In entrepreneurship, literature specific human capital is usually measured as managerial, industry specific and self-employment related experience (Bosma *et al.*, 2004; Cooper *et al.*, 1994).

Bruderl *et al.* (1992) argue that human capital may influence the survival of ventures in several ways. First, greater human capital increases the founder's productivity, which results in higher profits, thereby enhancing business survival. Second, easily observable indicators of human capital, such as education, may be used as screening devices by customers, investors and other outside actors on whom the survival of enterprise depends. Third, even prior to the establishment of businesses, people with higher human capital are in position to start larger and financially better-equipped businesses because of their higher earnings as employees. Moreover, through their broader employment experience, such people are more likely to identify the most lucrative entrepreneurial opportunities. Finally, people endowed with high human capital are rarely forced into self-employment by acute need for an income and, therefore, have more time to develop detailed business plans. Contrary to these assumptions, Gimeno *et al.* (1997) found that firms owned by entrepreneurs with more general human capital do not necessarily survive more frequently, probably because of an increased threshold of performance associated with such entrepreneurs. Among the measures applied (education, supervisory experience and managerial experience), only the last one had a positive relationship with the threshold. However, the binominal model revealed a weak negative relationship between an owner's former education, supervisory experience and exit from business.

3.1. Employment experience

One of the measures of general human capital that is commonly used in empirical studies on entrepreneurship is employment experience. Bruderl (1998), Bruderl *et al.* (1992), and Boden and Nucci (2000) found that an owner's longer employment experience was positively associated both with the venture's initial size and with its survival. On the other hand, Bosma *et al.* (2004) found no significant association between these variables. Christopher (1998) reported the significant positive effect of a minority business owner's employment experience on business survival. Based on the evidence cited, it may be suggested that employment experience should be positively associated with the survival of both native- and immigrant-owned firms in Norway. Therefore, the dissimilarity in the accumulated work experience may explain the differences in the survival rates between the firms established by immigrants and natives.

3.2. Education

Empirical studies have found positive relationships between the owner's education and the survival of a firm (Bruderl and Preisendorfer, 1998; Bruderl *et al.*, 1992; Cooper *et al.*, 1994; Headd, 2003; Kauermann *et al.*, 2005). In addition, studies focusing on minority establishments have revealed that higher educational endowment increases the odds of venture survival (Bates, 1994b; Christopher, 1998). Comparing survival of Asian- and white-owned

firms in the US, Robb and Fairlie (2007) found that education played a major role in explaining the gap in outcomes between these two groups. Notably, Christopher (1998) found that formal education had less impact on business viability of minority-owned businesses compared to non-minority-owned firms. Bates (1989) argued that the effect of education depends on whether the entrepreneur operates within the minority community or outside it. The results of his research indicated that black-owned firms not located in the large urban "ghettos" are more likely to survive beyond five years if started by owners with four or more years of education. On the contrary, survival of businesses within the minority communities is directly associated with minimal owner education. Apparently, business success on general market depends on owners' high human capital endowment, while the low educated entrepreneurs operate their less profitable firms serving a minority clientele mainly because of the lack of alternative means of survival. Since the presence of significant urban "ghettos" has not so far been reported in Norway, we expect that, in line with the majority of studies, the owner's education will have a positive effect on survival of both immigrant-owned and native-owned firms.

3.3. Business-ownership experience

Business ownership experience is recognized to be the most relevant type of specific human capital in the case of entrepreneurship (Bruderl *et al.*, 1992). Actually starting a venture is probably the most effective way of learning such specific entrepreneurial tasks as initial organizing, establishing of relationships with key stakeholders, allocation of human resources, adjusting to market changes and facilitation of communication within the organization. It is therefore argued that owners with previous start-up and business ownership experience should operate businesses with higher odds of survival (Shepherd *et al.*, 2000). Using data on self-employment among natives in Britain, Taylor (1999) found strong support for this hypothesis. The authors of this paper failed to find relevant empirical tests on an immigrant population. However, it may be suggested that, exactly as in the case of natives, business-ownership experience improves the survival chances of the immigrant-owned firms.

Summing up the theoretical suggestions about the role of human capital, the following hypothesis has been developed:

H2: When controlling for human capital, the survival rate of immigrant-owned businesses is not significantly different from the survival rate of businesses owned by natives.

4. Venture's Start-Up Characteristics

As discussed in the previous subsection, the qualities of the business founder influence the survival chances of the venture. On the other hand, the characteristics of the venture itself may be critical for business survival. In this study, the following start-up characteristics have been suggested to influence the survival of businesses: the amount of start-up capital, presence of multiple partners, perceived novelty and location.

4.1. Start-up capital

The amount of start-up capital is expected to improve the chances for venture survival. It is argued that more initial capital buys time, while the entrepreneur learns or overcomes problems (Cooper *et al.*, 1994). By the same token, initial capital provides a liquidity buffer for the firm to survive under conditions of low performance (Bruderl and Schussler, 1990). More financial capital also allows exploitation of some lucrative opportunities that require the amount of investments unavailable to other actors on the market. Moreover, capitalization influences external shareholders' perspective of the stability, legitimacy and dependability of new ventures (Shane, 2004). The positive association between start-up capital and business survival was evidenced in numerous empirical studies (Audretsch and Mahmood, 1995; Bates, 1990, 1994a; Bruderl and Schussler, 1990; Cooper *et al.*, 1994; Kauermann *et al.*, 2005). Still, Audretsch *et al.* (1999), van Praag (2003) and Wagner (1994) have not found any significant effects of initial capitalization on survival. Notably, analysis reported by Boden and Nucci (2000) indicated that significant positive association between initial capitalization and business survival appeared for one cohort of establishments and not for another.

Studying minority-owned firms in the US, Christopher (1998) found that starting capital was one of the most significant contributors to business survival. Surviving Asian immigrant firms have been reported to be those started with larger investments of financial capital (Bates, 1994b; Robb, 2002; Robb and Fairlie, 2007). When minority- and non-minority owned firms were compared, larger financial capital inputs at the point of business start-up are consistently related positively to firm survival, irrespective of owner race (Bates, 1989).

Based on the evidence cited, it is suggested that start-up capital is an important predictor of business survival, though the effect can be milder at certain time periods. Thus, intergroup differences in initial capitalization may contribute to explaining the differences in survival rates of native- and immigrant-owned firms.

4.2. Founding team

Based on the literature review, Cooper and Gascon (1992) and Shane (2004) argued that firms established by teams had higher chances of survival compared to the firms founded by solo entrepreneurs. Relatively high survival rates among team-founded ventures may be explained by the number of advantages a team-based venture has. First, a team can assemble more resources and rely on a broader variety of skills compared to solo entrepreneurs (Ucbasaran *et al.*, 2003). Second, the presence of partners may contribute to the credibility of business and, therefore, make businesses started by teams more attractive for lenders and other external stakeholders (Cooper *et al.*, 1994). Third, due to some cognitive limitations, solo entrepreneurs may find it difficult to gather and process all the information necessary to start a business (Hansen and Allen, 1992). Fourth, multiple owners may proxy for a deeper commitment to a successful enterprise therefore, increasing chances of survival (Astebro and Bernhardt, 2003). Finally, a team consisting of several entrepreneurs enables verification of the validity of their business idea (Cooper and Daily, 1998). Several empirical studies (for a review, see Shane, 2004) supported the suggestion that businesses founded by teams demonstrated superior survival rates compared to the firms established by individuals. In the

present literature review, the authors failed to find any empirical studies focusing specifically on the relationships between the presence of co-founders and survival of immigrant-owned businesses. However, it may be suggested that the native/immigrant differences in business survival may be partly explained by the extent to which founding teams are employed by each of these groups.

4.3. Perceived novelty

Referring to classical works by Schumpeter (1934) and Kirzner (1985), Samuelson (2001) suggested that exploitation of innovative venture opportunities differs from exploitation of equilibrium venture opportunities. Using innovative business opportunities, entrepreneurs enter a new product-market arena that others have not yet recognized, while entrepreneurs exploiting equilibrium opportunities make use of widely available knowledge concerning products and markets. Since exploitation of innovative opportunities is more time consuming and demands more resources, one may suggest that performance of the respective type of businesses should be lower compared to businesses based on equilibrium opportunities. Testing this proposition, Isaksen (2006) found that business founders perceiving their businesses' product/services to have higher degree of novelty were less likely to report superior early business performance. It is, therefore, possible to suggest that underperforming innovative businesses may demonstrate lower survival rates compared to more traditional ventures.

It is often suggested that immigrant entrepreneurs tend to provide exotic products and services (e.g., Ma Mung and Lacroix, 2003). Introduction of ethnic goods and services to the host country market involves exploitation of innovative business opportunities. Thus, the relevant immigrant businesses may demonstrate lower survival rates compared to traditional native owned firms. The latter may be more likely to exploit equilibrium opportunities. In this study, it is suggested that perceived novelty of products/services may partly explain the differences in survival rates between native and immigrant entrepreneurs.

4.4. Location

The location of the business is an important factor influencing both the availability of resources and access to customers (Isaksen, 2006). It is suggested that entrepreneurial opportunities in urban locations are more valuable compared to the opportunities found in rural areas (Shane, 2004). Thus, exploitation of these lucrative opportunities may lead to relatively high survival rates of businesses located in urban areas. Residing in the major metropolitan areas after migration seems to increase immigrants' chances of becoming self-employed (Hammarstedt, 2006; Razin and Scheinberg, 2001). This effect may be explained by higher concentration of co-ethnics in metropolitan areas. On the contrary, Lunn and Steen (2000) argued that urbanization was associated with more employment for wages and salaries. Their analysis of the US census data revealed that increasing urbanization tended to reduce self-employment rates among immigrants. An empirical study conducted by Robb and Fairlie (2007) demonstrated that Asian-owned firms located in urban areas of the US were more likely to close than firms located in non-urban areas. With respect to these

inconsistent results, it is difficult to hypothesize the direction of relationships between location in urban areas and survival of immigrant-owned businesses. However, it is expected that location may partly explain the survival differences between immigrant- and native-owned ventures.

Taking into account a venture's start-up characteristics such as the presence of multiple partners, amount of start-up financial capital, perceived novelty and location, the following hypothesis has been formulated:

H3: When controlling for a venture's start-up characteristics, the survival rate of immigrant-owned businesses is not significantly different from the survival rate of businesses owned by natives.

5. Demographic and Environmental Control Variables

In this study, the following two control variables were included: gender and industry. In entrepreneurship studies, gender is possibly one of the most frequently used control variables. Both male-owned (Boden and Nucci, 2000; Bosma *et al.*, 2004) and female-owned (Cooper *et al.*, 1994; Pearson *et al.*, 1994) firms were reported to have greater chances for survival. In Norway, only 15 percent of immigrants from Thailand are men while the share of men among immigrants from Greece is 77 percent. Since demographic skewness of immigrant population may result in relevantly higher/lower business survival, the gender variable will be controlled for.

It is suggested that the survival rate will be lower for new establishments that enter on a sub-optimal level in industries where there are economies of scale (Javanovic, 1982). However, rejecting this hypothesis, Persson (2004) reports differences in survival rates for different industries. Analyzing industry specific effects, Strotmann (2007) found that the risk of new-firm failure was higher when an industry's minimum efficient scale was larger, the sectoral demand-conditions were worse, the market was narrower and the dynamics of foundation within an industry were higher. Based on the US Census data, Headd (2003) found that survival rates are lower in retail and services compared to manufacturing. Immigrant businesses tend to be overrepresented in retail and personal service sectors of economy in, for example, Denmark (Bager and Rezaei, 2001) and the US (Borjas, 1986). The same tendency was reported in Norway (Orderud, 2001). Since the survival rates are expected to differ between industries, the relevant control variable was included in the analysis.

6. Methodology

The hypotheses presented above are tested applying a longitudinal sample of Norwegian small businesses. The initial data collection took place during four weeks in May/June 2002, and information was collected concerning the independent and control variables included in this study. The sampling frame consisted of all sole traders, partnerships and unlisted limited companies that entered a Norwegian business register during four weeks in 2002. Approximately one week after we received information from the business register regarding business registration, questionnaires were mailed (in four rounds) to the businesses. Three

weeks after the initial mailings, a reminder with a copy of the questionnaire was posted in four rounds to the non-responding businesses. In total 3,121 businesses were approached and we received 1,048 completed questionnaires.

The two rounds of follow-up interviews took place during Weeks 5–8 in 2004 and during Week 13 in 2006. In both cases, a professional survey agency was engaged to telephone the respondents who participated in the postal survey. The questionnaires used in the follow-up interviews were brief and focused on outcomes of the business start-up process. This included information regarding the dependent variable in this study, business survival. During the 2004 telephone interviews, the survey agency attempted to reach 980 of the 1,048 respondents who completed postal questionnaire. As a result of being de-registered from the business register, 29 businesses were removed from the initial sample. Six businesses had more than 50 percent missing data and we were not able to reach 33 respondents because the contact people were not listed in any available telephone directory. Among the 980 respondents, 275 were inaccessible and 54 refused to participate. Therefore, we were able to collect follow-up data from 651 businesses, among these, 557 reported that they were still in operation in 2004.

Concerning the follow-up interviews in March 2006, the survey agency attempted to telephone 501 of the 557 businesses that reported to be in operation in 2004. The sample was reduced to 501 businesses because 18 of the respondents reported in 2004 that they were not owner of the businesses. Further, 38 businesses had been de-registered from the business register during the time between the first and the second follow-up interview. Among the 501 respondents, 173 were inaccessible, 15 refused to participate and 7 were not in the target group. With respect to the 306 businesses that participated, 251 reported that they still were in operation in 2006. In total, this equals 216 non-surviving businesses (29 de-registered 2004, 38 de-registered 2006, 94 reported to be not in operation in 2004 and 55 reported not to be in operation in 2006), and 251 surviving businesses. However, the sample was further reduced by removing respondents who in 2002 reported that: (1) they neither alone nor together with partners were responsible for the business founding, (2) the businesses were subsidiaries of another business, and (3) the businesses were neither started from scratch or acquisitive entries. In addition, businesses were removed from the sample if respondents in 2004 or in 2006 reported not to be owners of the businesses. Further, individuals that reported that they were not born in Norway and also reported that their father or mother was born in Norway were not included in the sample. Finally, responses with missing values on categorical variables used in this study were also removed. These requirements reduced the final sample to 389 businesses (184 non-surviving and 205 surviving businesses in 2006). Responses with missing values concerning metric variables were not removed since imputations techniques (EM-imputation) were utilized in order to maintain the sample size for the multivariate analyses. With regard to the final sample, 5.7 percent of the businesses were started by immigrants. The founder's average age in 2002 was 38.9 years and 25.2 percent of the businesses were started by women.

In order to check for possible response bias, *t*-tests and chi-square tests were performed comparing the final sample with non-responses. Independent and control variables as well as legal form and county were compared across the two groups, and no differences were

detected at the 0.05 level of statistical significance. Hence, the tests give no reason to suspect that the final sample is unrepresentative relating to the sampling frame.

6.1. Measures

The operationalization of the dependent variable and independent and control variables are summarized in Table 1. With regard to the classification of immigrant firms, only businesses reported to be started by individuals not born in Norway, with both parents born outside Norway, were regarded as immigrant businesses. As shown in Table 1, the majority

Table 1. Dependent, independent and control variables.

| Variables | Variable description |
|---------------------------------|--|
| Dependent variable | |
| Business survival | Businesses reported to have survived in 2006. (1 = yes, 0 = no) |
| Independent variables | |
| Immigrant | The respondents reported not to be born in Norway and neither their father or mother was born in Norway. (1 = yes, 0 = no) |
| <i>Human capital</i> | |
| Work experience | Number of years of work experience. |
| High education | Educational attainment, at least four years at university. (1 = yes, 0 = no) |
| Business ownership experience | The founders reported at the initial survey to either currently or previously own and manage another business(es). (1 = yes, 0 = no) |
| <i>Business characteristics</i> | |
| Founding team | Businesses started by two or more partners. (1 = yes, 0 = no) |
| Perceived novelty | A summated scale adapted from Reynolds (2002). The scale consists of three statements: (1) Customers will experience our products or services as <i>new and unknown</i> , (2) <i>Few or no competing businesses offer a similar product or service</i> , and (3) <i>The technology or the production processes of the product/service is not easily available</i> . Responses to the three statements were added together and then divided by three. |
| Initial financial capital | The total of loans and equity. The variable has seven categories: (1) 0 NOK, (2) 1 to 10,000 NOK, (3) 10,001 to 50,000 NOK, (4) 50,001 to 100,000 NOK, (5) 100,001 to 200,000 NOK, (6) 200,001 to 1,000,000 NOK, and (7) more than 1,000,000 NOK. ^a |
| Location | Rural = municipality of 10,000 people or less. Mid-size area = municipality of more than 10,000 people and less than 100,001 people. Urban = municipality of 100,001 or more people. |
| Control variables | |
| Gender | Male (= 1) and female (= 0). |
| Industry | Seven classifications of industry: (1) Agriculture, forestry, fishery and fish farms, (2) construction and manufacturing, (3) transportation, (4) retail, wholesale, hotels and restaurants, (5) computer services, (6) professional services, and (7) other services. |

^a 1 NOK = approx. 0.16 US\$ and 0.12 EUR.

of the variables are operationalized as dummy variables. Only one variable (perceived novelty) is measured using several indicators. The respondents were asked to rate disagreement/agreement with three statements using a 7-point Likert scale. The Cronbach's alpha value for this summated scale is 0.74 and indicates satisfactory internal consistency.

7. Results and Findings

Cross tabulation and chi-square analysis were used in order to test Hypothesis 1. Results shown in Table 2 support Hypothesis 1 which suggested that firms started by immigrants have a lower survival rate compared with new businesses started by native entrepreneurs. This relationship is significant at the 0.05 level. Results in Table 2 also indicate that immigrant entrepreneurs are more likely than native entrepreneurs to have obtained higher education ($p < 0.01$). Moreover, results also indicate a statistically significant difference with regard to location ($p < 0.01$). Immigrant firms are more likely to be located in urban areas compared to firms started by natives. No statistically significant differences between immigrant and native entrepreneurs are detected with regard to business ownership experience and the forming of a founding team.

We also investigated if there were differences between immigrant and native entrepreneurs and their firms with regard to the metric independent variables used in this study. The *t*-tests presented in Table 3 do not suggest that there is a statistical difference with regard to years of work experience. Concerning business characteristics, results suggest that

Table 2. Differences between immigrants and natives with regard to business survival, human capital and business characteristics, categorical variables.

| | Immigrant | | | | Chi-square statistic | Significance level (two-tailed) |
|--------------------------------------|------------------|------|------------------|------|----------------------|---------------------------------|
| | Yes ($n = 22$) | | No ($n = 367$) | | | |
| | Count | % | Count | % | | |
| Business survival 2006 | | | | | 6.048 | 0.014 |
| Yes | 6 | 27.3 | 199 | 54.2 | | |
| No | 16 | 72.7 | 168 | 45.8 | | |
| Human Capital | | | | | | |
| Higher education | | | | | 9.436 | 0.002 |
| Yes (University 4 years +) | 12 | 54.5 | 91 | 24.8 | | |
| No | 10 | 45.5 | 276 | 75.2 | | |
| Business ownership experience | | | | | 0.588 | 0.443 |
| Yes | 9 | 40.9 | 121 | 33.0 | | |
| No | 13 | 59.1 | 246 | 67.0 | | |
| Business Characteristics | | | | | | |
| Founding team | | | | | 1.683 | 0.195 |
| Yes | 2 | 9.1 | 75 | 20.4 | | |
| No | 20 | 90.9 | 292 | 79.6 | | |
| Location | | | | | 10.983 | 0.004 |
| Rural (<10,001 people) | 3 | 13.6 | 105 | 28.6 | | |
| Mid-size area (10,001–100,000) | 6 | 27.3 | 165 | 45.0 | | |
| Urban (> 100,000) | 13 | 59.1 | 97 | 26.4 | | |

Table 3. Differences between immigrants and natives with regard to human capital and business characteristics, continuous variables.

| | Immigrant | | | | t-value | Significance level (two-tailed) |
|---|--------------|----------|--------------|----------|---------|---------------------------------|
| | Yes (n = 22) | | No (n = 367) | | | |
| | Mean | Std.dev. | Mean | Std.dev. | | |
| Human capital | | | | | | |
| Work experience (2 missing values) | 16.42 | 11.93 | 17.83 | 11.81 | 0.521 | 0.603 |
| Business Characteristics | | | | | | |
| Perceived novelty (log) (8 missing values) | 1.31 | 0.49 | 0.84 | 0.63 | -3.358 | 0.001 |
| Initial financial capital (32 missing values) | 2.89 | 1.94 | 3.48 | 2.01 | 1.213 | 0.226 |

businesses started by immigrants are perceived to be more novel than firms started by natives ($p < 0.01$). Further, while firms started by immigrants have raised less initial financial capital compared to firms started by natives, this relationship is not statistically significant.

The hypotheses were formally tested using logistic regression. The multicollinearity issue was explored and performed tolerance tests do not indicate that multicollinearity is a problem when using logistic regression analysis to detect the combination of independent and control variables associated with business survival. Control variables and immigrant status were included in Model 1 in Table 4. The results show that Model 1 is statistically significant at the 0.1 level. It is interesting to note that there is a significant negative association between immigrant status of the founder and business survival. This indicates that immigrant firms compared with firms owned by natives are less likely to survive.

To test Hypothesis 2, the human capital variables were added to the regression model. Model 2 in Table 4 is statistically significant at the 0.1 level. The presented results show that neither higher education nor business ownership experience are significantly associated with business survival. Years of work experience is positively associated with business survival at the 0.1 level of statistical significance. However, since the squared value of the work experience is negatively related to survival, there seems to be a nonlinear inverted U-shaped relationship between years of work experience and businesses survival. Hypothesis 2 is not supported since immigrant status is still significantly negatively associated with business survival ($p < 0.05$) when the human capital variables are included.

Hypothesis 3 suggested that immigrant status is not associated with business survival when controlling for business characteristics. In order to test the hypothesis, the business characteristic variables were added to control variables and the immigrant status variable. The results presented in Table 4 show that Model 3 is statistically significant at the 0.01 level and has a Nagelkerke R^2 of 0.145. The hypothesis is supported since immigrant status is not associated with business survival at the 0.1 level of statistical significance. With regard to the business characteristic variables, initial financial capital is strongly positively associated with business survival ($p < 0.01$). Moreover, firms located in rural areas are more likely to survive compared with firms located in urban areas ($p < 0.05$). Perceived product/service

Table 4. Logistic regression results on business survival. Dependent variable: survival.

| | Model 1 | | Model 2 | | Model 3 | |
|---|---------------|----------------|---------------|----------------|---------------|--------------|
| | B | Wald | B | Wald | B | Wald |
| Control variables | | | | | | |
| Gender (1 = male, 0 = female) | -0.018 | 0.005 | 0.112 | 0.188 | -0.217 | 0.698 |
| Agriculture etc. ^a | 0.603 | 1.304 | 0.608 | 1.298 | -0.117 | 0.042 |
| Construction & manufacturing ^a | -0.028 | 0.007 | 0.006 | 0.000 | -0.323 | 0.722 |
| Transportation ^a | -0.312 | 0.421 | -0.306 | 0.386 | -1.150 | 4.490** |
| Retail, wholesale etc. ^a | -0.384 | 1.512 | -0.404 | 1.560 | -0.836 | 5.900** |
| Computer services ^a | -0.817 | 3.006* | -0.852 | 3.167* | -0.647 | 1.740 |
| Professional services ^a | -0.132 | 0.194 | -0.205 | 0.442 | -0.014 | 0.002 |
| Immigrant (1 = yes, 0 = no) | -1.076 | 4.714** | -1.125 | 4.960** | -0.844 | 2.645 |
| Human capital | | | | | | |
| Work experience | | | 0.057 | 3.466* | | |
| Work experience squared | | | -0.123 | 3.222* | | |
| Higher education | | | 0.288 | 1.190 | | |
| Business ownership experience | | | -0.355 | 2.317 | | |
| Business characteristics | | | | | | |
| Founding team (1 = yes) | | | | | -0.026 | 0.008 |
| Perceived novelty (log) | | | | | -0.324 | 3.022* |
| Initial financial capital | | | | | 0.293 | 18.695*** |
| Rural location ^b | | | | | 0.599 | 3.880** |
| Mid-size area location ^b | | | | | 0.265 | 0.996 |
| Constant | 0.328 | 1.715 | -0.160 | 0.189 | -0.342 | 0.742 |
| -2 Log likelihood | 524.714 | | 518.206 | | 493.544 | |
| Model chi-square | 13.420* | | 19.928* | | 44.590*** | |
| Nagelkerke R ² | 0.045 | | 0.067 | | 0.145 | |
| Overall hit ratio (percent) | 57.3 | | 59.1 | | 64.0 | |

^athe reference category is other services; ^bthe reference category is urban location.

Note: Level of statistical significance: *indicates $p < 0.10$; **indicates $p < 0.05$; ***indicates $p < 0.01$ (2-tailed); $n = 389$.

novelty is negatively related to business survival on the 0.1 level of statistical significance. The results presented in Tables 2 and 3 may help to explain the reduced association between immigrant status and business survival when business characteristic variables are included. Since there is a significant difference between immigrant firms and native firms with regard to the location and the perceived novelty variable, this may indicate that immigrant firms are less likely to survive partly because they are more likely to be located in urban areas and their products and services are more novel.

8. Conclusions and Implications

In line with other studies conducted in Europe and Scandinavia (Fertala, 2006; Persson, 2004), this research indicated that businesses founded by immigrants are less likely to survive compared to those started by natives. While 54.2 percent of the firms established by natives still existed four years after start-up, only 27.3 percent of firms founded by

immigrants did so. An attempt to explain this difference with business founders' human capital and ventures' start-up characteristics was made in this study.

Immigrants in our sample were significantly better educated compared to natives. However, the regression analysis indicated that educational attainment failed to explain the survival differences between businesses established by immigrants and natives. Intergroup differences in the other two measures of human capital applied in this study (business ownership experience and work experience) were insignificant. Moreover, adding all three human capital variables to the model did not explain the immigrant/native survival rate differences. These results seem to contradict the theoretical propositions on the positive relationship between business survival and human capital — particularly with respect to education. Focusing on mainstream business founders, Bruderl *et al.* (1992) argued that businesses established by better educated people should survive longer because they are able to choose relatively lucrative opportunities and exploit them in a relatively effective manner. In line with findings by Christopher (1998), this study suggests that formal education has less impact on business viability of minority-owned businesses compared to non-minority-owned firms. It is possible to suggest that higher education acquired abroad may mismatch the host country environment and, therefore, fail to provide additional advantages to well-educated immigrants in identifying superior business opportunities. Moreover, education as a screening device may be applied discriminately by customers, investors and other host country economic actors when comparing immigrants and native entrepreneurs. In the actors' eyes the better educated minority entrepreneur may look less credible compared to the native one.

With respect to ventures' start-up characteristics, this study suggests that higher perceived novelty and predominantly urban location may partly explain the lower survival rate of businesses established by immigrants. Immigrants, as often evidenced in the literature, tend to introduce untraditional products and services to the home country market. This is also the case in Norway. Pursuing innovative business opportunities related to exotic products, immigrants may be exposed to relatively high risks of failure. In this way, this study questions the efficiency of so called "ethnic strategies."

Two explanations may be suggested for the negative relationship between urban location and business survival. On the one hand, major cities provide more alternatives to self-employment compared to a rural milieu. Thus, immigrants in urban areas may easily abandon their business activities, preferring a salaried job. On the other hand, relatively more dynamic urban economic life and cannibalistic competition may explain rapid dissolution of businesses established by immigrants.

As a result of this study a number of practical implications may be suggested. The fact that immigrants found less durable ventures compared to natives provides further support for initiatives aimed at aiding minority-owned businesses. While the relevant governmental programs focus first of all on encouraging new business establishments among immigrants, this study suggests that more attention should be paid to the firms already in operation. Since human capital was not important in our models, improving survival of immigrant-owned firms is not likely to be achieved through investments in additional education of immigrants. Helping immigrants enter mainstream markets instead of exotic markets may help them

establish more viable ventures. Policy makers may also focus on encouraging immigrants to start businesses in rural areas. Advising urban immigrants to start more businesses may lead to the growth of cannibalistic competition and, as a result, to supplementary decrease in the survival rate of immigrant-owned businesses. Aiding immigrant entrepreneurs in rural areas may, on the contrary, provide both regional development and a source of long-run economic benefits for immigrants.

9. Limitations and Directions for Future Research

This study provides an insight into survival of businesses established by immigrants and natives in Norway. Research on ethnic/immigrant entrepreneurship can greatly benefit from consideration of a venture's survival as one of the performance measures. Inability to distinguish immigrants of different origins is one of the main limitations of the dataset used. Some authors highlight the dangers of treating all immigrants to a country or even particular ethnic groups as homogenous (Clark and Drinkwater, 1998; Collins, 2000; Fairlie and Meyer, 1996). Thus, comparative studies of survival rates of businesses established by immigrants of different origins are to be of great interest. Additional research could replicate this study to other countries. Generalization to other contexts is warranted.

This study focuses on human capital and venture's start-up characteristics. A significant share of immigrant-native differences in business survival remains still unexplained. Further research is required in order to illuminate the role of cultural, ethnic, environmental and other differences in the process of the selection. National culture can be viewed as shaping entrepreneurial behavior (Weber, 1958). Hence, the relationship between immigrant culture and business survival rate could be an interesting avenue for further examinations. In future research, it is also critical to distinguish between successful and unsuccessful closures and respective differences between immigrants and natives. Finally, consideration of such performance measures as income and employment creation may contribute to the understanding of survival differences between businesses founded by immigrants and natives.

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6.3. Paper 3. Entrepreneurship among Russian immigrants in Norway and their stay-at-home peers

This paper is under review (1st round) in *International Migration*. An earlier version was presented at the ESU Conference on entrepreneurship, 22nd to 26th August 2008, Bodø, Norway.

Abstract

The level of self-employment among immigrants is often higher than among natives. The purpose of this paper was to test empirically whether selective migration with respect to entrepreneurial characteristics may explain this difference. The relevant hypotheses were tested comparing representative samples of Russian immigrants in Norway and their stay-at-home counterparts. Data from the Russian population came from the 2008 GEM study, while data on Russian immigrants in Norway were collected through a specially designed postal survey. The analysis revealed some demographic dissimilarity between the two groups, as well as a presence of selective migration with respect to entrepreneurial characteristics. This study demonstrates that immigrants (as compared to non-migrants) are more likely to report intentions to start a business. Moreover, they possess relatively large amount of specific human capital, social capital and self-confidence relevant for entrepreneurship. The paper concludes with proposed practical implications and suggestions for further research.

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1. Introduction

While the stock of immigrants is boosting in the western countries, entrepreneurship has been increasingly recognised as a viable method of improving the living conditions for immigrants. Immigrants, often blocked from the general labour market, may survive and achieve some economic mobility by becoming self-employed. Through this type of activity, immigrants may actively participate in the local social life, and join important social networks. At the same time, the host countries are also expected to benefit from immigrant self-employment. Immigrant entrepreneurs are argued to cease demand for social benefits, revitalise declining regions and industries, and bring a variety of new ideas and products to the market. Not surprisingly, politicians in developed countries, including Norway, have started to promote initiatives encouraging immigrants to establish businesses in their new country of residence.

The question which seems to be essential in theoretical debates on immigrant entrepreneurship is: “Why do some ethnic/immigrant groups have higher rates of business participation than others?” (see for example Flap, Kumcu, & Bulder, 2000; Waldinger & Chishti, 1997). In different contexts researchers have investigated the role of culture, social and human capital, discrimination, blocked mobility, opportunity structure, or a combination of several. It has also been suggested that especially “entrepreneurial” persons may be selected during the migration process. However, due to the lack of theoretical underpinnings and methodological problems, the last hypothesis remains understudied. Selectivity question represents a major knowledge gap in the field of immigration studies (Gans, 2000). The purpose of this paper is to test empirically whether selective migration with respect to entrepreneurial characteristics does exist and to propose explanations for the phenomenon under scrutiny.

This paper also seeks to contribute to the debate considering the flows of skilled migrants from less to more economically developed countries. This process, also

called “brain drain”, has received a gradually growing interest both in sending and receiving countries. This paper compares Russian immigrants in Norway to a representative sample of their stay-at-home peers, applying a previously underutilized method on the rarely studied group of immigrants from a specific country.

2. Conceptual framework and hypotheses

It has often been observed around the globe that immigrants of a certain origin are under- or overrepresented among the self-employed. Cultural predisposition (Weber, 1958), blocked mobility on the labour market (Zhou, 2004), middleman minority position (Bonacich, 1973), extensive social capital (Caulkins & Peters, 2002; Fratoe, 1988; Portes & Zhou, 1992; Potocky-Tripodi, 2004; Saker, 1992), use of ethnic resources (Light, 1984), and mixed embeddedness (Kloosterman, Van der Leun, & Rath, 1998) have been proposed as possible explanations to this phenomenon.

Waldinger’s interactive model (Waldinger, Ward, & Aldrich, 1990) emphasizes the interaction between opportunity structures and ethnic group characteristics. Opportunity structures include market conditions and the routes through which access to business is obtained. Access to business ownership is defined by the number of vacant business-ownership positions, the extent to which natives are vying for these slots, and by government policy towards immigrants. Group characteristics include resource mobilisation and predisposing factors such as blocked mobility, aspiration levels and selective migration. It is argued that some immigrant groups may be pre-selected, first of all, with respect to prior buying and selling experience.

Indeed, immigrants do not represent a random sample of the population from which they came (Feliciano, 2005). It has been reported that immigrants are different from the home country population with respect to their average skills (Borjas, 1999), education (Feliciano, 2005), health (Landale, Oropesa, & Gorman,

2000), personality factors (Silventoinen, Hammar, Hedlund, & Koskenvuo, 2007) and occupational background (Suzuki, 2002). In some cases, the unskilled persons endowed with relatively low human capital dominate the migration flows (Borjas, 1999). Alternatively, most skilled professionals are argued to migrate extensively from Eastern Europe and the former Soviet Union (Mansoor & Quillin, 2006; Ushkalov & Malakha, 2000). It is suggested in this paper that selective migration may have an effect that has not sufficiently been taken into account by the existing studies on immigrant entrepreneurship.

The human capital model (Sjaastad, 1962) assumes that migration occurs if the rate of return on the investment in migration is greater than the interest cost of funds for investment in human capital. The favourable selectivity of migrants occurs if the wage differential between the destination and origin is greater for the high-ability workers (Chiswick, 1999). Highly skilled immigrants are also likely to move from countries where payoff to human capital is low to countries where the payoff is high (Borjas, 1999). The inherent uncertainty associated with entrepreneurial venturing violates the assumption about the return on migration which underpins these models. It is therefore unclear to what extent this “wealth-maximizing” (word used in Borjas, 1991) reasoning may be applicable to potential entrepreneurs. In 2007 only a few¹ Russians received permission to enter Norway based on their documented intention to start a business. At the same year 254 professionals, 234 students and 658 family members received such permission (Utlendingsdirektoratet, 2008). It is therefore doubtful that many entrepreneurs rationally choose to migrate to another country because they perceive that it is more profitable to create a business abroad. Other theories of migration, such as dual labour market theory, world system theory, and the “new economics of

¹ The exact number, which is less than 5, is not revealed here protecting respondents from identification.

migration” approach (for review see Massey *et al.*, 1993) also fail to predict if (and under which circumstances) self-selection of entrepreneurs occurs.

In the context of entrepreneurship studies, selective migration still lacks both theoretically sound elaboration and empirical evidence. Clark & Drinkwater (1998, p. 389) suggested that immigrants, as a self-selecting group, may be “in some sense more entrepreneurial than the native-born”. However, based on the analysis of a large sample of Britain’s ethnic minorities, the authors rejected this conjecture. Based on ethnographic analysis, Kasdan (1965) suggested that dominating family structure in the home country explains the differences in entrepreneurial behaviour among immigrants to the United States. The author argues that the social structure of a traditional Basque community maximizes the chances for entrepreneurial personality types to immigrate. In this study, risk-taking and acceptance of change were associated with entrepreneurial personality. Maxim (1992) suggested that similar psychological processes underline both the decision to migrate and the decision to become self-employed.

Levie (2007, p. 146) suggested that immigrants may be positively selected with respect to their attitudes towards new business activity. Immigrants may be less risk-averse compared to their stay-at-home peers because they have taken a bold decision to move into a new unknown country. Indeed, low risk aversion is associated with both higher propensity to migrate (see, for example, Heitmueller, 2005), and entrepreneurial behaviour (for the review see Shane, 2004).

In the same vein, Dana (2007) argued that the very act of emigrating may be reflective of some entrepreneurial values, such as individualism, achievement, competitiveness, risk taking and strong work ethics. Immigrants may also be more confident of their own human capital and their ability to succeed in a new uncertain environment. Utilising the UK GEM data the author arrived at inconclusive results about the presence of self-selection. It seems that a proper assessment of the effects

of selectivity requires data on both the population in the sending country and on immigrants from this specific country (Feliciano, 2005).

Dissatisfaction is argued to play a central role both for migration and business start-up decisions. On the individual level, dissatisfaction with previous work is positively associated with self-employment (Brockhaus & Horowitz, 1985). At the same time, immigrants (prior to migration) tend to be less satisfied with their jobs, educational institutions and life in general (Hanna, Pearson, & et al., 1990; Silventoinen, Hammar, Hedlund, & Koskenvuo, 2007).

Based on the conjectures cited, one may expect that relatively more “entrepreneurial” individuals will choose to move abroad. It is suggested in this paper that the presence of selective migration is easier to detect when comparing early-stage entrepreneurial activities which are less influenced by particular post-migration conditions. Thus, the following hypothesis was developed for this study:

Hypothesis 1: The proportion of persons involved in early-stage entrepreneurial activities is higher among Russian immigrants in Norway than among the population in their home country.

Immigrants may be pre-selected with respect to their human capital relevant for entrepreneurship. Becker (1993) distinguishes between general and specific human capital. General human capital, often measured as years of education and work experience, relates to the factors expected to increase the individual’s productivity for a wide range of work-related activities. Specific human capital, on the other hand, is applicable only to a specific domain. In the entrepreneurship literature specific human capital is usually measured as managerial, industry specific and self-employment related experience (Bosma, van Praag, Thurik, & de Wit, 2004; Cooper, Gimeno-Gascon, & Woo, 1994).

As far as entrepreneurship is concerned, the amount of specific human capital is especially important. To actually start a venture is probably the most effective way of learning specific entrepreneurial tasks such as initial organizing, establishing of

relationships with key stakeholders, allocation of human resources, adjusting to market changes, and facilitation of communication within the organization. It is therefore argued that immigrants coming from countries with high rates of self-employment will be overrepresented among the self-employed in the host countries. Such immigrants are predisposed towards entrepreneurship because of the home country traditions for entrepreneurship and because of the relevant training they have received before migration. The relationship between the level of self-employment in the country of origin and subsequent entry into self-employment after migration has been empirically demonstrated (Cobas, 1986; Ekberg & Hammarstedt, 1999; Yuengert, 1995). Others have failed to find support for such a relationship (van Tubergen, 2005).

The validity of these conflicting results may be questioned if the process of migration is selective with respect to entrepreneurial experience. Entrepreneurs (at least the successful ones) may be more likely to migrate than the rest of the less developed country's population because they possess the necessary financial capital. Successful entrepreneurs may also be more likely to travel abroad (as tourists or on business). Their eventual travels perhaps provide them with information facilitating the migration decision. This conjecture accords to the theory of asymmetric information as applied to migration decision-making (see Stark, 1991).

Summing up this discussion, the following hypothesis was formulated:

Hypothesis 2: Russian immigrants in Norway possess more specific human capital relevant for entrepreneurial activities than their stay-at-home peers.

Not only the level of specific human capital, but also individuals' awareness about their abilities, may influence the decision to start a business. Both perceived self-efficacy (Krueger, Reilly, & Carsrud, 2000) and perceived behavioural control (Kolvereid, 1996) are important for prediction of entrepreneurial intentions. By the same token, self-reported competences are predictive of entrepreneurial

performance (Chandler & Jansen, 1992). The link between confidence in one's skills/abilities and entrepreneurship has been illustrated empirically using GEM data (Arenius & Minniti, 2005; De Clercq & Arenius, 2006). It has been suggested that immigrants may be self-selected with respect to their confidence in entrepreneurial skills (Levie, 2007). Thus, the following hypothesis was developed:

Hypothesis 3: Russian immigrants in Norway are more confident in their abilities relevant for entrepreneurial activities than their stay-at-home peers.

Social networks may be viewed as consisting of two components: the personal networks (i.e. individual level relationships), and cultural embeddedness (Fadahunsi, Smallbone, & Supri, 2000). Focusing on the individual level, this paper emphasizes the importance of knowing other entrepreneurs when taking a decision to start a business. It is argued that the presence of entrepreneurs among parents (Constant & Zimmermann, 2006) and peers (Arenius & Minniti, 2005) increases the individual's likelihood of becoming a business owner. Immigrants may be pre-selected with respect to the quality and quantity of their personal networks relevant for entrepreneurial activities. It is well established in the field of social psychology that friendship and peer affiliation are influenced by perceived or actual similarity in attitudes, traits, and values (Byrne, 1971; Newcomb, 1956). Particularly, friends are argued to demonstrate similar perceptions of need for achievement and autonomy (Secord & Backman, 1964). Both these needs are traditionally argued to predict entrepreneurial behaviour (for a review see Shane, 2004). It is possible that social groups characterized by relatively high needs for achievement and autonomy will include relatively many potential entrepreneurs and, simultaneously, many potential migrants. In this case, one may suggest that:

Hypothesis 4: Russian immigrants in Norway are more likely to report personally knowing other entrepreneurs as compared to their stay-at-home peers.

3. The context of immigration to Norway

The first years after World War II, when foreigners temporarily displaced by war left Norway, the immigrant population in the country was exceptionally small. In 1950-1960, the refugees of the war, former prisoners of the Nazi camps located in Norway and citizens of other Nordic and OECD countries migrated to Norway. In the beginning of the 1970's , when other European countries began to close the borders for working migrants, this group started coming to Norway, forming the first significant wave of immigration. The initial intention of the policymakers was to invite immigrant workers for short periods of time covering the cyclical excessive demand for labour. However, appreciating the high standard of living in Norway, the absolute majority of guest workers never left the country. As early as in 1975 new laws restricting immigration of unskilled workers were introduced. When these restrictive laws were applied, the immigration did not stop, but continued through family reunion, international education programs and employment of professionals. The families of working migrants formed the second wave of immigration to Norway. In 1970-1975 Turks, Moroccans and Pakistanis constituted the majority of not-Western immigrants in Norway. The third, and by far the largest wave of immigrants, consists of refugees which started arriving in the end of the 1970's and still continues to fuel the migration process. Since isolated local conflicts usually cause sporadic flows of refugees, this type of migrants arrived to Norway in large ethnically homogenous groups. Evolution of the Norwegian migration process from working migrants and family reunification to refugees is much like the processes observed in Germany (Wilpert, 2003), France (Ma Mung & Lacroix, 2003) and other European countries.

In 2007 there were 341 830 first generation immigrants in Norway (7.3% of the population). When the persons born in Norway by two non-Norwegian parents are included, immigrants account for 8.9% of population. When children with one Norwegian and one foreign parent are added, the respective figure rises up to

13.4% (SSB, 2007). The immigrants are unevenly distributed around the country with the largest concentration in the Oslo region.

When immigrant entrepreneurship became an observable and significant phenomenon in Norway remains unclear due to a lack of systematic historical and statistical data. In the beginning of the 1980's, immigrant owned shops and restaurants in central Oslo started attracting the attention of the public. In 1986/87, there were 127 "ethnic" shops owned by non-western immigrants in Oslo that constituted 44% of all small shops retailing daily goods. Between 1989 and 1997, non-western immigrants established 300 shops, 200 smaller outlets selling daily goods and simple food and 160 restaurants (Tjelmeland & Brochmann, 2003, p. 216). Systematic national level statistics on self-employed immigrants first became available in 2001. The level of self-employment among immigrants is constantly growing, but still remains low compared to the average self-employment level in the country.

Immigrants from Denmark, Sweden and Pakistan represented about 1/3 of all self-employed immigrants in Norway in 2006. Together with immigrants from Great Britain, Iran, Poland, Vietnam and Turkey, these groups accounted for almost 50% of all self-employed migrants ("Statistics Norway", 2007).

Empirical evidence reveals striking intergroup differences with respect to the percentage of self-employed (Vinogradov & Kolvereid, 2007). In 2004 as much as 12.7% of the immigrants from Faroe Islands and 10.2% of the immigrants from Hong Kong were self-employed. At the same time just under 2% immigrants from Tanzania, Thailand and Ghana were self-employed. When divided by the world regions, immigrants from Western countries (West European countries, the USA, Canada, Australia and New Zealand) demonstrated the highest average level of self-employment while immigrants from Africa and Eastern Europe are underrepresented among self-employed.

Russians (11338 first generation immigrants), who are the focus of this paper, constitute the 15th largest immigrant group in Norway ("Statistics Norway", 2007). This group demonstrates one of the highest rates of population growth with twice as many immigrants living in Norway in 2008 as compared to 2003. The absolute majority of Russian immigrants belong to the first generation and over 85% of them came to Norway during the last 10 years. Among Russians, the influence of factors related to inter-cohort heterogeneity, intergenerational relationships and long-term influence of the host country environment is considered to be relatively weak. Thus, Russians in Norway represent an appropriate case for a quasi-experimental research design.

3. Methodology

3.1 Data

In order to test the hypotheses, a representative sample of Russian immigrants in Norway was compared to a sample of the Russian population. Despite the large number of Russians residing abroad, entrepreneurship among immigrants from Russia, and more broadly speaking, from the former USSR, is not often described in the literature. Rare exceptions are studies conducted on immigrants from the former Soviet Union in Israel (Lerner & Hendeles, 1996; Mesch & Czamanski, 1997).

In entrepreneurship studies, *gender* is one of the most frequently used control variables. Men are reported to have higher propensity to become self-employed both among natives (see for example Cowling & Taylor, 2001) and immigrants (Bates & Dunham, 1993; Butler & Herring, 1991; Razin & Scheinberg, 2001). In Norway only 34% of immigrants from Russia are men while the gender proportion in Russia is nearly 50/50. Because of the skewed demographic of the immigrant population in Norway and the expected differences in entrepreneurial activities, male and female respondents were analyzed independently.

Data from Russia came from the GEM study conducted in 2008 (for methodological details see Bosma, Jones, Autio, & Levie, 2007). A regionally stratified representative sample of adults was approached for face-to-face interviewing. The response rate was about 40% in Russia. Data on Russian immigrants in Norway were collected using a specially designed mail survey. The battery of questions considering entrepreneurial behaviour and intentions was borrowed directly from GEM, ensuring comparability of the two datasets. Additional questions on home country and host country education, citizenship, migration time, settlement intentions and migration motives were presented to the immigrant respondents.

In order to identify potential respondents phonetic analysis of names was applied to the Yellow Pages database. This method of sampling has previously been used in research on immigrants (Bruder, Neuberger, & Rathke-Doepner, 2007; Chaganti, Watts, Chaganti, & Zimmermann, 2008; Dassler, Seaman, Bent, Lamb, & Mateer, 2007; Kasdan, 1965; Light, Sabagh, Bozorgmehr, & Dermartirosian, 1994; Min & Bozorgmehr, 2000; Shin & Yu, 1984; Shinnar & Cheri, 2008; Smallbone, Ram, Deakins, & Baldock, 2003). In sum, 1330 female and 635 male respondents were identified as having Russian-like names and contacted.

Within six weeks after initial sending 488 questionnaires were returned because the address was not valid, 120 respondents reported that they could not read Russian, and 21 returned questionnaires were not filled. All these respondents are considered to be non-contacts. Given that 543 questionnaires (of totally 1357 that apparently reached the respondents) were returned, the response rate was 40%; that is within the frames of normality for comparable surveys. As many as 406 (75%) respondents reported coming to Norway from Russia.

For the purposes of this paper, immigrants younger than 18 years of age at the time of migration were excluded, as this exclusion increases the probability that the destination country was chosen by an immigrant and not by immigrant's parents.

The final sample included 796 male and 865 female non-migrants as well as 41 male and 302 female immigrants aged 18-64. Descriptive statistics are presented in Table 1.

Table 1. Descriptive statistics.

| | Female respondents | | | | | |
|--------------------|--------------------|--------|----------------|------------|--------|----------------|
| | Nonmigrants | | | Immigrants | | |
| | N | Mean/% | Std. Deviation | N | Mean/% | Std. Deviation |
| Age | 864 | 40.06 | 13.205 | 302 | 41.3 | 9.046 |
| Married/Cohabiting | 864 | 52.5 | | 302 | 77.2 | |
| Higher education | 865 | 20.0 | | 302 | 60.9 | |
| | Male respondents | | | | | |
| | Nonmigrants | | | Immigrants | | |
| | N | Mean/% | Std. Deviation | N | Mean/% | Std. Deviation |
| Age | 796 | 38.77 | 12.619 | 38 | 37.84 | 11.573 |
| Married/Cohabiting | 795 | 60.1 | | 38 | 84.2 | |
| Higher education | 796 | 16.1 | | 38 | 71.1 | |

Note: for nominal scales *mean* simply represents percentage of "yes" responses.

With regard to demographic characteristics, immigrants are much better educated and more likely to be married or cohabiting than their stay-at-home peers. Male immigrants are slightly younger and female immigrants are somewhat older than non-migrants. In order to assess the possible response bias, 280 out of 729 non-respondents were randomly selected and an attempt to contact them via telephone was made, resulting in 64 interviews. No differences with respect to age and geographical distribution were observed between respondents and non-respondents. However, non-respondents appeared to be significantly more likely to be single, and were also more likely to report entrepreneurial intentions and previous business ownership experience. This difference may be at least partly explained by

the fact that telephone interviews provided less “don’t know/refuse to answer” responses as compared to the mail survey. Since non-respondents are even more “entrepreneurial” than respondents, this response bias does not jeopardize the hypotheses on positive selection of immigrants with respect to entrepreneurial characteristics.

3.2 Measures

A respondent was categorized as being involved in the early *entrepreneurial activities* when responding positively to at least one of the following two questions:

- (1) “Are you, alone or with others, expecting to start a new business within the next three years, including any type of self-employment or selling any goods or services to others?”
- (2) “Are you, alone or with others, currently trying to start a new business, including any type of self-employment?”

The presence of *specific human capital* was measured by asking the following questions:

- (1) “Have you, in the past 12 months, sold, shut down, discontinued or quit a business you owned and managed, any form of self-employment, or selling goods or services to anyone?”
- (2) “Have you, alone or with others, ever started a business in the past that you owned and managed?”

Self-reported confidence was assessed through the following two questions:

- (1) “Have you the knowledge, skills and experience required to start a new business?”
- (2) “Do you agree that a fear of failure would prevent you from starting a business?”

Finally, the respondents were asked if they “*personally know anyone who started a business* in the past two years.” For these and the other previously discussed items, included in the questionnaire, the following three alternative answers were available for respondents: “yes”, “no”, and “don’t know/refuse to answer”.

3.3 Control variables

The following three control variables were included into analysis: age, education and family status. *Age* is suggested to have a curvilinear relationship with the likelihood of entrepreneurial behaviour because age incorporates the positive effect of experience, wealth and credibility and the negative effect of growing opportunity costs and resistance to change - all increasing with age (see Shane, 2004 for the review).

In the general population, the level of *education* is usually demonstrated to be positively related to self-employment (see Shane, 2004 for a review). In immigration studies, education obtained in the home-country, the host-country, as well as the total educational endowment has been measured. Empirical tests provide inconsistent results with regard to the relationships between these three measures of education and propensity of self-employment among immigrants (see Vinogradov & Kolvereid, 2007 for the review). In this paper education level was operationalized as the presence/absence of higher education from the home country.

Being married or cohabiting has in previous studies shown to increase the likelihood that a person is self-employed both among natives (see Shane, 2004 for the review) and among immigrants (Borjas, 1986; Clark & Drinkwater, 1998; Le, 2000; van Tubergen, 2005).

4. Analysis

Chi-square statistics (Table 2) indicate that female immigrants are significantly more likely to report intentions to start a business, being in a process of business initiation, recently shutting down or previously owning a business, possessing relevant knowledge and personally knowing an entrepreneur. Female immigrants are also less likely to express fear of failure. Thus, all the hypotheses developed in this text are preliminary supported.

Table 2. Chi-square statistics, female respondents.

| Hyp | | Nonmigrants | | Immigrants | | Chi-square | Sig. (two-tailed) |
|-----|--|-------------|------|------------|------|------------|-------------------|
| | | Count | % | Count | % | | |
| H1 | Intention to start a business | | | | | | |
| | Yes | 28 | 3.2 | 49 | 16.2 | 102.69 | 0.000 |
| No | 797 | 92.2 | 209 | 69.2 | | | |
| | Trying now to start a business | | | | | | |
| | Yes | 34 | 3.9 | 30 | 10.0 | 17.43 | 0.000 |
| No | 818 | 94.7 | 262 | 87.6 | | | |
| H2 | In the past 12 month shut down a business | | | | | | |
| | Yes | 4 | 0.5 | 11 | 3.7 | 18.17 | 0.000 |
| No | 838 | 97.0 | 279 | 93.6 | | | |
| | Have ever owned a company | | | | | | |
| | Yes | 30 | 3.7 | 65 | 21.5 | 95.14 | 0.000 |
| No | 781 | 96.2 | 234 | 77.5 | | | |
| H3 | Possess relevant knowledge | | | | | | |
| | Yes | 80 | 15.4 | 100 | 33.4 | 77.60 | 0.000 |
| No | 359 | 69.3 | 113 | 37.8 | | | |
| | Fear of failure would prevent from starting a business | | | | | | |
| | Yes | 250 | 48.3 | 143 | 47.8 | 8.80 | 0.012 |
| No | 125 | 24.1 | 96 | 32.1 | | | |
| H4 | Personally knows an entrepreneur | | | | | | |
| | Yes | 171 | 33.0 | 143 | 48.0 | 24.60 | 0.000 |
| No | 298 | 39.5 | 146 | 49.0 | | | |

However, as considering male respondents, the significant differences between immigrants and their stay-at-home peers were revealed only with respect to previous entrepreneurial experience and self-reported knowledge and skills (see

Table 3). Thus, the hypothesis on selection with respect to the relevant specific human capital is supported also for males. The third hypothesis, regarding self-confidence, receives mixed support. On the one hand, immigrants, compared to non-migrants, are more likely to report possessing relevant knowledge (42.1% against 22.6%). On the other hand, differences in reporting fear of failure were not significant. The hypotheses on intergroup differences in early stage entrepreneurial activities and personal contacts with other entrepreneurs are not supported for males.

Table 3. Chi-square statistics, male respondents.

| Hyp | | Non-migrants | | Immigrants | | Chi-square | Sig. (two-tailed) |
|-----|--|--------------|------|------------|------|------------|-------------------|
| | | Count | % | Count | % | | |
| H1 | Intention to start a business | | | | | | |
| | Yes | 54 | 6.8 | 2 | 5.3 | 4.08 | 0.130 |
| No | 686 | 86.2 | 30 | 78.9 | | | |
| | Trying now to start a business | | | | | | |
| | Yes | 44 | 5.5 | 2 | 5.3 | 1.17 | 0.557 |
| No | 744 | 93.6 | 35 | 92.1 | | | |
| H2 | In the past 12 month shut down a business | | | | | | |
| | Yes | 14 | 1.8 | 3 | 7.9 | 8.38 | 0.015 |
| No | 764 | 96.0 | 33 | 86.8 | | | |
| | Have ever owned a company | | | | | | |
| | Yes | 36 | 5.0 | 9 | 23.7 | 22.92 | 0.000 |
| No | 690 | 94.9 | 29 | 76.3 | | | |
| H3 | Possess relevant knowledge | | | | | | |
| | Yes | 108 | 22.6 | 16 | 42.1 | 13.73 | 0.001 |
| No | 297 | 62.1 | 12 | 31.6 | | | |
| | Fear of failure would prevent from starting a business | | | | | | |
| | Yes | 191 | 40.0 | 14 | 37.8 | 0.22 | 0.896 |
| No | 174 | 36.4 | 13 | 35.1 | | | |
| H4 | Personally knows an entrepreneur | | | | | | |
| | Yes | 176 | 36.8 | 18 | 47.4 | 2.22 | 0.329 |
| No | 251 | 52.5 | 18 | 47.4 | | | |

In order to assess the influence of control variables on the relevant differences between immigrants and non-migrants, seven logistic regressions were carried out (Table 4). In the majority of the cases, introduction of control variables did not

remove the statistical significance of the differences between female immigrants and their stay-at-home peers. The only exception is the difference in self-reported fear of failure, which was not successfully predicted by the regression. Thus, for the female respondents the suggestion that demographic variables solely explain the intergroup differences in entrepreneurial intentions, relevant human capital, self-confidence and peer affiliation may be rejected.

In the male sample, the regression results suggest that immigrants are more likely to report possessing relevant knowledge because they are relatively young and highly educated. Young people may be generally overconfident and higher education may provide a ground for additional self-confidence. Thus, the relevant hypothesis on selection is not supported by the regression analysis of male respondents. The only hypothesis that is supported by this analysis is the one suggesting that male immigrants have more specific human capital than their stay-at-home peers and the control variables included into the analysis do not explain this difference.

Several factors may explain why some hypotheses supported by the analysis of female respondents were not supported by the analysis of the male sample. First, the number of male immigrant respondents is low (41 against 302 female immigrants) that may disturb the results. Second, the paths to migration and entry modes may be very different for men and women. However, the results for females are considered to be somewhat more reliable and generalisable than the results for males in this study, because females constitute the majority of the Russian immigrants in Norway, and also because the female sample is of better quality than the sample of males.

Table 4. Logistic regression results.

| | Entrepreneurial intentions | | Specific human capital | | Self-reported confidence | | |
|--|-------------------------------|--------------------------------|---|---------------------------|----------------------------|-----------------------------------|-----------------------|
| | Intention to start a business | Trying now to start a business | In the past 12 month shut down a business | Have ever owned a company | Possess relevant knowledge | Fear of failure would prevent ... | Knows an entrepreneur |
| Female respondents | | | | | | | |
| Immigrant (0=no, 1=yes) | 1.88*** | 1.07*** | 2.07*** | 2.02*** | 0.95*** | -0.09 | 0.55*** |
| Age | -0.03*** | -0.03** | -0.01 | 0.02* | -0.01 | 0.01 | -0.03*** |
| Higher education (1=yes, 0=no) | -0.15 | 0.00 | -0.09 | -0.23 | 0.20 | 0.24 | 0.28* |
| Married (1=married or cohabiting, 0=otherwise) | 0.05 | 0.02 | 0.02 | 0.17 | -0.03 | -0.19 | 0.08 |
| Model chi-square | 59.81*** | 21.14*** | 14.71*** | 82.31*** | 37.38*** | 5.49 | 38.179** |
| Nagelkerke R ² | 0.129 | 0.052 | 0.095 | 0.162 | 0.069 | 0.009 | 0.062 |
| Male respondents | | | | | | | |
| Immigrant (0=no, 1=yes) | -0.84 | -0.78 | 1.86** | 1.63*** | 0.14 | -0.11 | 0.08 |
| Age | -0.06*** | -0.04*** | 0.00 | 0.01 | -0.02** | 0.02*** | -0.03*** |
| Higher education (1=yes, 0=no) | 0.74** | 0.70** | 0.16 | 0.66* | 1.28*** | -0.05 | 0.43* |
| Married (1=married or cohabiting, 0=otherwise) | 0.54* | 0.29 | -0.86 | -0.68** | 0.34 | 0.03 | 0.50** |
| Model chi-square | 23.05*** | 12.79** | 7.95* | 20.91*** | 35.93*** | 9.67** | 17.41*** |
| Nagelkerke R ² | 0.070 | 0.044 | 0.053 | 0.074 | 0.101 | 0.025 | 0.045 |

Notes: B values reported. *p<0.1; **p<0.05; ***p<0.01. Dependent variables in columns.

5. Conclusions

This study demonstrates that at least female immigrants (as compared to non-immigrants) are more likely to report intentions to start a business. Moreover, they possess relatively large amount of specific human capital, social capital and self-confidence relevant for entrepreneurship. Male immigrants are also likely to demonstrate relatively large amounts of the specific human capital relevant for entrepreneurship. Since the absolute majority of Russian immigrants have spent only a few years in Norway, it is unlikely that these striking intergroup differences can be explained by the context of the receiving country. Unless the context of the host-country changes the personality dramatically within a few years after arriving, one may conclude that immigrants represent a self-selected group with respect to entrepreneurial characteristics.

These results cast doubt on the use of home-country self-employment level as a predictor of self-employment among immigrants in a particular destination country. The presence of selective migration jeopardise the implicit assumptions on the representativeness of immigrants used in some comparative studies on immigrant self-employment (see for example Cobas, 1986; Ekberg & Hammarstedt, 1999; see for example Hammarstedt, 2001; van Tubergen, 2005; Yuengert, 1995).

The amount of immigrants' "skills" (Borjas & Bronars, 1989) and "quality of migrants" (Borjas, 1987) have attracted much attention in the existing economic literature. Earnings differential after correction for observed human capital characteristics is usually used as a proxy of immigrants' "quality". This thesis suggests that there is at least one more dimension characterising immigrants. Even earning less than equally educated natives, immigrants may have skills that match those of natives if we take into account the preferences for particular types of self-employment. In this context, the economists' assumption that immigrants are income maximizers (Borjas, 1987, p. 551) appears to be markedly simplistic.

The findings regarding selective migration are not supportive for the “model of brain circulation” proposed by Schmitt & Soubeyran (2006). This simple two-country, one-sector model differentiates individuals according to two types of talent (entrepreneurs vs. workers). The countries have different endowments of talent and all individuals choose to be workers or entrepreneurs. Allowing migration generates incentives for the relatively abundant type of individuals to move to the other country. Thus, entrepreneurs are expected to migrate to the countries where their entrepreneurial talents are relatively rare. However, our findings indicate that entrepreneurs tend to migrate disproportionately from Russia (relatively low level of business ownership and entrepreneurial aspirations) to Norway (higher level of business ownership and entrepreneurial aspirations¹). It is therefore possible that migration of potential entrepreneurs leads to an even larger gap between countries rather than leading to the equilibrium on the international labour market, at least in its sector including entrepreneurs.

In immigrant sending countries, the problem of “brain drain” becomes an increasing issue. This study suggests that the process of brain drain has more dimensions than has so far been depicted. In addition to “scientific immigration” (Tascu, Noftinger, & Bowers, 2002; Ushkalov & Malakha, 2000) and immigration of skilled workers (Mansoor & Quillin, 2006), entrepreneurs tend to be overrepresented among immigrants. In countries suffering from low levels of entrepreneurship development, such as Russia (Aidis, Estrin, & Mickiewicz, 2008; Astrakhan & Chepurensko, 2003), the outflow of potential entrepreneurs should attract more attention.

This study indicates that Russian immigrants are both willing and able to establish new businesses. However, Russians have so far been underrepresented among the self-employed in Norway. Thus, from the host country’s perspective, it is important

¹ According to GEM reports.

to pay attention to the entrepreneurial intentions of immigrants. It is possible that relatively small interventions may cause a significant increase in the number of immigrant owned new businesses.

This paper does not reveal the mechanisms underling the selection of potential entrepreneurs in the process of migration. However, several suggestions may be made. First, entrepreneurial immigrants may be pre-selected because immigration and business venturing are associated with the same type of personality. Second, persons actively seeking new opportunities through migration may affiliate with peers who actively seek opportunities through business venturing. Thus, the relevant social networks may facilitate both immigration and entrepreneurship. Third, previous self-employment in the home country may provide the financial capital needed in order to migrate. The failure to be able to identify the reasons why immigrants are more entrepreneurial than their stay-at-home peers appeals for more research in this area.

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6.4. Paper 4. Ethical aspects of research on ethnic/immigrant entrepreneurship

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Abstract

While numerous empirical studies on entrepreneurship among immigrants and ethnic minorities have been conducted all over the Western world, virtually no attention has been paid to ethical aspects of such studies. The purpose of this paper is to identify ethically ambiguous issues regarding research on ethnic/immigrant entrepreneurship, as well as propose methods for addressing such issues. The ethical issues and relevant solutions have been derived from empirical studies on immigrants and ethnic minorities in the fields of medicine, psychology, anthropology, sociology, and marketing, as well as from interviews with five of the leading contributors to the field of ethnic/immigrant entrepreneurship.

The results of this study indicate that research on immigrant and ethnic minority entrepreneurs requires specific methodology that differs from the approaches applied in the mainstream entrepreneurship research. Evidence against ethical universalism has been found in the literature reviewed. The review of the empirical studies revealed a number of potential ethical problems which are important for conducting research on immigrants and ethnic minorities. Lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to the home country and coethnic community, special legal position, and linguistic disadvantages have been identified as potential sources of ethical ambiguity. Methods for ethical research conduct have been proposed. The need for explicit discussion of the ethical issues in the articles published in international journals has been highlighted.

Introduction

“Research design, implementation, and interpretation that fail to take into account the unique cultural values, expectations, and interpersonal interactions of participant populations will lack the scientific validity necessary to produce beneficial knowledge and the protections necessary to avoid individual and group harm”

(Chin, Mio, and Iwamasa, 2006, p. 122).

There is a growing recognition among scientists, government officials, and research institutions that ethical conduct is an important part of research. Standards of conduct in research play a key role in advancing the goals of science; in promoting cooperation, collaboration, and trust among researchers; and in attaining the trust and support of the public (Shamoo and Resnik, 2003, p. 3). The research community is increasingly becoming more sophisticated in the manner in which it considers ethical issues (Oliver, 2003). Research ethics has been extensively investigated from the general philosophical and theoretical perspective. In turn, practitioners have incorporated ethical decisions into the entire research process paying attention to the specific requirements of different disciplines. It seems, however, that the degree to which ethical insights are taken into account varies across different fields of research.

A number of researchers, especially in the countries with long traditions of immigration, have focused on immigrant business owners. While numerous empirical studies have been conducted all over the Western world, virtually no attention has so far been paid to the ethical aspects of such studies. James and

Platzer (1999, p. 73) have articulated that “it is rare to find honest accounts of the difficulties and dilemmas encountered when conducting sensitive research with vulnerable research populations”. The purpose of this paper is to identify ethically ambiguous issues regarding research on ethnic/immigrant entrepreneurs and to propose methods for addressing such issues.

The study of ethics can be subdivided into (1) theoretical (or normative) ethics, which studies general theories, concepts, and the principles of ethics, (2) meta-ethics, which studies the meaning and justification of ethical words, concepts, and principles and (3) applied (or practical) ethics, which studies ethical questions that arise in specific situations or areas of conduct (Frankena, 1973). Research ethics is a branch of applied ethics that studies the ethical problems, dilemmas and issues that arise in the conduct of research (Shamoo and Resnik, 2003). In accordance with its practically-oriented research objective, this paper will focus on applied research ethics rather than on theoretical ethics or meta-ethics.

The results of this study indicate that research on immigrant and ethnic minority entrepreneurs requires specific methodology that differs from the approaches applied in the mainstream entrepreneurship research. Evidence against ethical universalism have been found in the literature reviewed. The review of the empirical studies revealed a number of potential ethical problems which are important for conducting research on immigrants and ethnic minorities. Lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to the home country and coethnic community, special legal position, and linguistic disadvantages have been identified as potential sources of ethical ambiguity.

General ethical principles

Several ethical theories providing the guidelines for choosing a moral way of action have been proposed. Teleological ethics, including virtue ethics and utilitarianism, are concerned with the goal or end of the act (White, 1994). Deontological ethics, including ethics of duty and discourse ethics, focus on moral principles. However, taking a point of departure in one of the basic theories is often problematic when dealing with practical tasks (Street and Luoma, 2002). In this paper, it is, therefore, decided to appeal to the experience of practicing researchers, rather than to theoretical frameworks. The intention behind this study is to provide methodological rather than theoretical contributions to the research field.

Because the social sciences are both scientific and humanistic, a fundamental ethical dilemma exists: how are we to develop systematic, verifiable knowledge when research procedures may infringe on the rights and welfare of individuals (Frankfort-Nachmias and Nachmias, 1996)? Most professional codes of ethics stress the importance of five ethical responsibilities towards survey participants: voluntary participation, informed consent, no harm, confidentiality/anonymity and privacy (de Vaus, 2002). Studying vulnerable populations and diverse cultures with distinctive definitions of what is ethical, researchers confront dilemmas that cannot be easily resolved with guidance from existing ethical principles and guidelines (Birman, 2006). However, some guidelines pay more attention to multicultural aspects of research ethics than others.

Researchers should pay attention to the local ethical norms because the research process is usually embedded into the social context. Under the conditions of growing internationalization of the research community, the recommendations of the ethical committees may play the role of the cross-cultural harmonizer enabling collaboration between the local academic community and the foreign scientists who do not share the same cultural background. The last point may be especially relevant in the field of immigrant entrepreneurship where a large

proportion of studies have been conducted by researchers with minority backgrounds.

Some ethical norms may also be laid down in legislation, so that research ethics and legislation overlap. In many cases it will be a legal requirement for those who are participating actively in a research project to give their consent. In addition, a researcher should pay attention to the requirements considering systematic storing of personal information. For example, the Data Protection Act (1998), the Human Rights Act (1998) and the Freedom of Information Act (2000) regulate the processing of personal data by, among others, researchers.

The analysis of interviews with experts in ethnic/immigrant entrepreneurship revealed that the utilisation of general ethical principles varied in different countries. While all the experts were clearly aware of the importance of ethical research conduct, the institutional frameworks were different in the three countries investigated. In the United States and Australia the researchers are obligated to get approval of their research plans and, especially, questionnaires prior to data collection. In the Netherlands such approval is not mandatory, but the ethical committees act in the case of suspicion in unethical behaviour. Both models seem to have certain advantages and shortcomings. In the countries where each and every research project involving human subjects has to be evaluated by the ethical committee, the researchers interviewed expressed the feeling of self-confidence with respect to the ethical aspects of their research. Being supported by the committee's approval, the authors felt secured against possible accusations. On the other hand, some additional paperwork becomes a prerequisite to each project. In cases when the ethical evaluation of the research projects is voluntary, some unnecessary paperwork may be avoided while the risk of conducting unethical studies increases. However, the members of ethical committees may not be specialists in all the research fields. Therefore, the next section of the paper addresses the ethical issues specific to the research on ethnic/immigrant entrepreneurship.

Research method

Two basic approaches can be applied for developing an ethically solid methodology. The “top-down” approach relies on resolving situations through the application of governing principles, while the “bottom-up” approach refer to deriving principles from an examination of the situation at hand (Loue, 2000). “Top-down” approaches are represented, for example, by principlism and communitarianism. Principlism is often associated with the Nurenberg Code and the Helsinki Declarations which call for respect for autonomy, nonmaleficence, beneficence and justice (Beauchamp and Childress, 1994). Communitarianism is premised on several themes: the need for a shared philosophical understanding with respect to communal goals and communal good, the need to integrate what is now fragmented ethical thought, and the need to develop intersubjective bonds that are mutually constitutive of individuals’ identities (Kuczewski, 1997). Both principlism and communitarianism are limited in the recognition of various religious and cultural frameworks, which seems to be essential for multicultural studies. Moreover, it is unclear whether the universal governing principles are applicable to all immigrants and ethnic minorities. On the contrary, “bottom-up” methods of ethical justification are capable of incorporating the diversity of cultural contexts. Casuistry represents a relevant example of the “bottom-up” approach. Casuistry refers to a case-based system of ethical analysis (Jonsen, 1995). Developing of principles from cases, rather than the reverse, requires the utilization of real cases, rather than hypothetical ones (Arras, 1991). Following this approach, the ethical issues and relevant solutions specific to immigrant population have been derived from the experience of researchers focusing on immigrant entrepreneurship, as well as from empirical work in medicine, psychology, sociology, anthropology and marketing. Data collection was undertaken in two steps.

First, the electronic databases ISI (Web of Science) and ProQuest were systematically searched for the peer-reviewed articles which focused on ethical

issues of research on immigrants and ethnic minorities. The articles which considered relevant issues as a part of methodology were also regarded as relevant.

Second, leading experts in the field of ethnic/immigrant entrepreneurship were interviewed. The interview guide was developed based on the review of the existing articles. Twenty widely cited authors were initially contacted through e-mail and five of them later agreed to be interviewed. In addition, two experts expressed their opinion in written form. Five in-depth semi-structured interviews with respondents from the United States (2 cases), the Netherlands (2 cases) and Australia (1 case) were conducted via telephone in January – February 2007. The respondents were asked about their perception of ethical issues and the way they cope with the relevant moral dilemmas. The interviews, which lasted for between 10 and 40 minutes, were tape-recorded and then transcribed.

Ethical issues specific to immigrants and ethnic minorities

Sources of ethnic ambiguity

Vulnerable participants or vulnerable subjects are persons who may be incapable of giving fully informed consent or may be at higher risk of unintended side effects due to their circumstances (Polit and Beck, 2004). The majority of the ethical codes underline that vulnerable populations should be approached with a special consciousness. Thus, the research strategy regarding studies on immigrants depends on whether the immigrants are more vulnerable compared to the natives. The differences between immigrant and mainstream entrepreneurs is one of the fundamental themes within the area of immigrant entrepreneurship research (Ram, 1997, p. 149).

Unlike the Norwegian Guidelines for Research Ethics in the Social Science, Law and the Humanities (NESH, 2001), the International Ethical Guidelines for Biomedical Research Involving Human Subjects (World Health Organization and

Council for International Organizations of Medical Sciences, 1993) recognise ethnic and racial minority groups, refugees, and displaced persons as vulnerable groups. Research always takes place within a social context. Various economic, cultural, religious, and political interests influence research goals, resources and practices (Shamoo and Resnik, 2003). When conducting study on immigrants to a country, a researcher will inevitably notice intergroup cultural differences as well as differences between immigrants' and host-country cultures. To begin with, even the suggestion that ethnic entrepreneurs are different from the mainstream entrepreneurs may be judged abusive and unethical by respondents. One of the ethnic entrepreneurs reacted in the following way when being interviewed: "I am a professional businessman, ..., not a professional Pakistani. I make money, not gestures" (cited in Ram, 1997, p. 149). However, referring to the reasons that follow, this paper argues for regarding immigrant entrepreneurs and ethnic minority entrepreneurs as an under-privileged group or vulnerable population.

Several sources of immigrants' vulnerability have been identified in the literature. Cooper *et al.* (2004) defined migrant farmworkers in the US as being economically, educationally, and linguistically disadvantaged. On the other hand, Kissell (2005) pointed out that the vulnerability emanating from economical and educational disadvantage applies only to selected groups and to selected individuals within any group. Undocumented migrants were observed to have the most severe situation (Cooper *et al.*, 2004). The same is definitely confirmed by the experts in ethnic/immigrant entrepreneurship. However, undocumented and therefore illegal migrants are usually beyond the scope of the immigrant entrepreneurship studies. Jacobson (2005) suggests that any individual can be considered vulnerable at a given time. In the first months after arriving to a country, the migrants may be especially easily confused by a researcher because at this point of time they probably lack fluency in the host country's language, and familiarity with the local culture and social practices.

It is argued in this paper that immigrant entrepreneurs should be treated differently from mainstream research objects as far as these two groups are different with respect to their cultures, legal status, educational levels, economic position, languages and migration experiences. The distinction between the respective sources of ethical ambiguity provides a framework for further analysis of ethical aspects of research on ethnic/immigrant entrepreneurs (Table 1).

Table 1. Ethical issues in research on ethnic/immigrant entrepreneurs: sources and possible solutions.

| Sources of ethical ambiguity | Ethical issues | Practical solutions |
|---|---|--|
| Cultural differences between the researcher and the subject | Perception of informed consent | Personal, verbal communication, co-ethnic interviewers |
| | Perception of investigator's position and authority | Underlining researcher's independence from immigration authorities and voluntary participation. |
| | Interpretation of age, gender and dress code | Preliminary research on social norms within the ethnic group. Selecting interviewers with respect to age and gender. |
| | Perception of personal autonomy | Dialogue with community members and object's relatives |
| | Religious dogmas | Consultations from religious leaders. Respect to dogmas. |
| | Links to ethnic community | Dialogue with ethnic community |
| | Group's self-image | Show respect to the group's self-image. Present results in a non-diminishing way |
| Legal differences between the subject and the mainstream | Attitude to immigration authorities | Underlining researcher's independence from immigration authorities and confidentiality |
| | Restricted freedom of movement | Avoid, wherever possible, asylum-seekers |

| Sources of ethical ambiguity | Ethical issues | Practical solutions |
|--|---|---|
| population | Restricted economic freedom | Avoid, wherever possible, asylum-seekers |
| Educational differences between the subject and the researcher | Comprehension of informed consent | Explaining the concept of informed consent. Use of experienced interviewers. Verbal communication. |
| | Comprehension of the concept of social research | Explaining the goals of the research. Use of experienced interviewers. |
| | Perception of education as a sensitive topic | Use broad categories in questionnaires. |
| Economic differences between a subject and mainstream population | Income sources | Use broad categories in questionnaires. Anonymity. Underlining researcher's independence from tax authorities |
| | Employment practices | Underlining researcher's independence from authorities |
| Linguistic differences between the subject and the researcher | Linguistic barrier | Use of bi-lingual interviewers. Translations into mother language. |
| Object's links to the home country | Concern about stay-at-home relatives and peers | Underlining researcher's independence from the object's home country authorities |
| | Traumatic pre-migration experience | Avoiding triggering traumatic memories |

Cultural differences

One of the key questions of meta-ethics is whether ethical standards are universal (Frankena, 1973). According to the school of thought known as objectivism, the same ethical or moral standards apply to all people in all times in all situations. A contrasting school of thought, known as relativism, holds that there are no universal moral rules or values. The body of research within the area of culture and ethics has produced mixed results (for a review see Mukherji and Mukherji, 2002). However, Segal and Giacobbe (1995, p. 111) conclude that “on balance, a review of cross-cultural literature suggests that there are international differences in perceptions of what constitutes ethical business conduct.”

Culture can be defined as “the collective programming of the mind which distinguishes the members of one group or category of people from another” (Hofstede, 1997, p. 5). The essential core of culture consists of traditional ideas and especially their attached values (Kluckhohn, 1951). Accepting that values differ between ethnic minority groups, a researcher may expect that the same actions can be judged differently by the participants belonging to other cultures. Shamoo and Resnik (2003) point out that different countries have different views on human rights, including the right of informed consent. These authors believe that “there are some universal standards of research ethics”, and recognize simultaneously that “difficult problems and issues can arise in applying those standards to particular situations” (Shamoo and Resnik, 2003, p. 10). Research on entrepreneurs with different national, ethnical, and cultural backgrounds seems to be such a “particular situation.”

In the area of marketing, the connection between immigrants culture and moral judgments has been generally recognised (Pires and Stanton, 2002). The universality of application of Western ethical principles to human studies has also been questioned in medical science (Barry, 1988; Cooper *et al.*, 2004; Levine, 1991). A researcher can pose risks to participants though the entire research

process as a result of ignorance or a lack of understanding of a particular culture or language and inability to reflect on the participants' values and beliefs (James and Platzer, 1999). On the contrary, the experts in ethnic/immigrant entrepreneurship, all affiliated with western research institutions, have not expressed any doubt about the universalism of the ethical principles.

Research ethicists and investigators have recognised that members of vulnerable populations may unwillingly agree to participate in studies because of their assumptions about an investigator's position and authority over them, which are based in part on culturally influenced perceptions of class, education, and occupation, and cultural interpretations of age, gender, and dress (see Cooper *et al.*, 2004, p. 33 for additional references). None of the entrepreneurship experts reported cases of involuntary participation. However, some of the respondents agreed that a Ph.D. degree and perceived high status of the researcher make the interviewees feel uncomfortable.

Cultural values and assumptions lie at the very heart of informed consent (Cooper *et al.*, 2004). In Western countries it seems natural to consider an individual research participant to be in focus. Kissell (2005) argues that imposition of ethical standards from the developed world, such as patient or subject autonomy, may be viewed as a kind of cultural colonialism or imperialism. Implementation of the informed consent principle can be ethically ambiguous in the societies where persons do not consider themselves to be "self-determining" (Levine, 1991). As exemplified in medical research, in Mexican and Mexican-American society the family or community leader may take on the sick person's responsibilities (Cooper *et al.*, 2004). Moreover, family and community leaders may expect to play a role in their members' decisions to participate in medical research. In some cultures an investigator may enter a community to conduct research or to approach prospective subjects for their individual consent only after obtaining permission from a community leader, a council of elders, or another designated authority (World Health Organization and Council for International Organizations of Medical

Sciences, 1993). Notably, none of the experts on minority entrepreneurship expressed any need to ask the community leaders for permission to study the individual minority entrepreneurs. Moreover, this suggestion led to a range of counterarguments. One respondent claimed that the validity of research would be seriously questioned if a community leader would judge who may participate in the research. Another respondent suspects some community leaders in monopolizing and channelling the information for their own interests. However, the majority of respondents claimed that community leaders may be important for the purpose of identifying the ethnic entrepreneurs and introducing the researcher to them.

Religion is an essential part of what we can broadly describe as “culture”. Unlike North America and Europe, religious practices and beliefs have a significant effect on daily life and general worldview in some Islamic, Hindu, Sikh and Buddhist societies (Oliver, 2003). Religious beliefs play a pivotal role in maintaining a sense of collectivity in many immigrant and ethnic minority communities. Since moral systems vary between religions, research on multireligious populations may evoke a number of ethical issues. A researcher should keep in mind that the entrepreneurship practices of immigrants are directly and indirectly influenced by their religions (Rafiq, 1992; Weber, 1958). It is important to assess how the potential ethnic minority respondents view their business practices in the light of their religions. In Islam, for example, the concept of calculating interest may appear inconsistent with religious requirements for virtuous behaviour (Hofstede, 1997). Thus, referring to the literature reviewed, in-depth investigation of the entrepreneurial actions related to borrowing and lending financial capital may be judged unethical by some Islamic respondents. However, none of the experts in minority entrepreneurship agreed upon the latter proposition. While recognising that the Muslims see the interest payments in a special way, those experts working closely with Islamic respondents disregard the sensitivity of the subject.

Entrepreneurs with an ethnic minority background may particularly be dependent on an ethnic community which often provides them with the critical capital, labour-force, and business expertise (Basu, 1998; Chotigeat, Balsmeier, and Stanley, 1991; Light and Gold, 2000). A researcher should be concerned with the community's opinion with regard to revealing such formal and informal entrepreneurial networks.

Legal differences

Special entrepreneurial opportunities are accessible for immigrants while some opportunities available for natives are closed for them. Government policies enforced by laws and regulations, such as the Chinese Exclusion Act of 1882 in the United States (Wong, 1998), may directly prohibit immigrants to occupy certain positions, at least for some restricted period after migration. New-arriving potential entrepreneurs face legal restrictions in modern Italy (Magatti and Quassoli, 2003), Germany (Wilpert, 2003), South Africa (Peberdy and Rogerson, 2003), Norway, and many other countries. In this way, the legal status and time since migration influence the amount and scope of entrepreneurial opportunities which are legally viable for immigrants.

The issue of the relationships between authorities (especially immigration authorities) and immigrants is particularly important for the persons waiting for a response to their applications considering residence permits and citizenship. Only 46% of immigrants in Norway have Norwegian citizenship (SSB, 2006). It is, therefore, important to reduce the respondents' stress level stating explicitly that the researcher has absolutely no relationship with the national directorate of immigration.

In the period prior to granting a refugee or humanitarian status, asylum-seekers in Norway have no other real option than living in reception centres. At this time, asylum-seekers' freedom of movement is restricted. This group of people depends

entirely on relevant authorities. In practice, the decision process with respect to granting the refugee or humanitarian status can take up to several years. In this way, asylum-seekers have much in common with prisoners, which have also been named as a vulnerable group (Shamoo and Resnik, 2003). Although prisoners and asylum-seekers can make free choices, most people would agree that the highly coercive environment undermines their ability to do so. In this situation, when persons of different origin are concentrated in a few reception centres, the bulk of information about them is available to authorities, the persons are economically dependent, and boredom in the absence of work permit is prison-like, many can agree to participate in interviews. It may be a very favourable situation for studying, for example, attitudes towards entrepreneurship among different ethnic groups. On the other hand, the use of asylum-seekers restricted in their freedom of choice may result in an ethical issue. Moreover, involuntary or incorrectly motivated respondents are likely to provide misleading responses.

Educational differences

The percentage of persons with no education admitted is somewhat higher among immigrants to the Western countries compared to the natives. Such instruments as informed consent forms may be considered ethically questionable and inappropriate when the educational levels of participants are low and when some respondents are illiterate (Meisenberg *et al.*, 2005). In the case of low educated subjects of research, the informed contents should be given verbally through face-to-face communication and no special paper forms should be applied. For recent immigrants participation in research may be an alien concept on which they have no previous experience (Miskimen *et al.*, 2003). Yu and Liu (1986, p. 486) argue that “the vast majority of the Asian ethnic minorities in the USA, especially Indochinese refugees who fall outside the mainstream of American life, are not yet informed of the concept of social surveys, nor do they fully understand

the role of research interviewers.” This lack of awareness makes it more difficult for immigrants to fully comprehend various components of the research process. Miskimen *et al.* (2003) argue that for members of minority populations the general perception of a “research project” can be one of mistrust, including fears of being used as a “guinea pig.” Some of the experts interviewed share the concern about the immigrant entrepreneurs’ understanding of the concept of social research.

One of the experts on immigrant entrepreneurship stated that for the ethnic group he focuses on the issue of education may be sensitive¹. For the members of this ethnic group, inability to complete secondary or higher education is associated with “the loss of face”. As a consequence, the respondents tend to overstate their educational level. Moreover, any researcher’s attempts to verify the educational attainment of the respondents may be unethical.

Economic differences

Empirical studies on entrepreneurship inevitably involve questions about the occupation and income sources of the subjects. Some groups of immigrants, especially refugees, may dislike questions about their occupation, income, and sources of initial capital because some of them “committed welfare fraud or engaged in the marketing of gold, diamonds and other jewellery to raise cash for survival” (Yu and Liu, 1986, p. 485). As all the experts interviewed stated, the question of income was the most sensitive. As reported by the experts, immigrants tend to be involved in informal economic activities and to underreport their income. Thus it would be unethical to force the respondents to reveal their income sources given that they are very reluctant to do so.

¹ The group is not specified in order to avoid identification of the informant.

Questions concerning the employment practices of immigrant entrepreneurs may also be ethically ambiguous. Several of the experts believe that immigrant entrepreneurs are relatively likely to use undocumented employees paying less than an official wage minimum. Asking for in-depth information on such employment practices may be unethical.

Linguistic differences

Some immigrants are less fluent in the host country's official language or in the English language compared to others. One of the respondents underlined the group differences in language abilities. He advises researchers to adapt their language to the interviewees' abilities.

Forcing the participants to speak a language they are not fluent in may be considered unethical. Moreover, the situation when the researcher is more fluent in speech widens the perceived gap between the interviewer and the interviewees. The ideas and feelings which the interviewees wish to convey may be very complex and subtle and they may be realistically conveyed only in their mother language. It is an ethical issue that all respondents should have an opportunity to explain their personal experiences (Oliver, 2003). According to the experts in ethnic/immigrant entrepreneurship, bilingual interviewers are often used in order to overcome linguistic barriers. In cases when the respondents are required to fill the questionnaires, the documents should be presented in their mother language alone or in combination with the translation into the host country's official language.

Links to home country

An anecdotal case reported by Yu and Liu (1986) illustrates that research may have a devastating effect for some migrants. When a family of Vietnamese

refugees to the US was approached for interviewing, the family members with minimal education began to suspect that the interviewers were communist agents. Neither police nor investigators' supervisors have managed to overcome this misunderstanding. The question considering refugees' relatives left in Vietnam triggered fear for being followed by the home-country communists. Two months after the incident the family sold its house and moved, leaving no forwarding address. Whether or not the move was caused by the survey, the authors conclude that asking about pre-migration experience may harm the Vietnamese refugees. One of the experts interviewed confirmed that migration experience might be a sensitive topic, especially in case of illegal/undocumented immigrants. Another expert, on the contrary, stated that many immigrants were willing to talk about their pre-migration and migration experience.

Traumatic pre-migration experience may influence the object's perception of research. For some immigrants who have experienced persecution in their home countries, "asking for a signature on a consent form that contains foreign legal and technical terms can potentially place them at risk for secondary traumatization as some were persecuted, tortured, and forced to sign documents in their homelands" (Yick, 2007).

Linking ethical issues to the research process

Accumulated experience of practitioners as well as available research ethics guidelines provide a number of solutions to the potential ethical problems in research on ethnic and immigrant entrepreneurs (summarised in Table 1). Ethical aspects should be considered throughout the entire research process, starting with goal setting and closing with knowledge dissimulation.

It seems that existing ethical guidelines suffer from the common problem: while reinforcing universal ethical principles, they ignore the cultural diversity of modern society. Such abstract universalism, associated with Kantian ethics, was

broadly criticised by Hegel. Since the categorical imperative separates the universal from particular, the respective moral judgements remain external to individual cases and insensitive to the particular context of a problem which needs a solution. Moreover, focusing on questions of justification, Kant's moral theory does not contain instructions for implementation. Discourse ethics (Habermas, 1990), though being close to Kantian tradition (Eriksen and Weigård, 2003), may overcome this criticism. The central principle of discourse ethics is that for a norm to be valid, its consequences for the satisfaction of everyone's interests must be acceptable to all as participants in a practical discourse. Thus, a dialogue with minority ethnic communities should be initiated by a researcher in order to illuminate potential ethical incongruence between a researcher and the respondents.

The need for the consent of the individuals who are to participate in research must be combined with knowledge of and respect for local traditions and established hierarchies. Local wishes for a voice in decision-making may come into conflict with the demands of research for quality and independence. This places great demands on project planning. In research into foreign cultures great care should be taken to avoid divisions or labels which can give grounds for unfounded generalisations and in practice lead to the stigmatization of particular social groups.

The scholar must weigh regard for the recognition of foreign cultures against regard for general human rights. Respect for and loyalty towards the cultures where research is being carried out does not necessarily entail acceptance of violations of human rights or culturally founded encroachments on life and health. As one expert in ethnic/immigrant entrepreneurship pointed out, the ethical committee at his institution would not approve the interview questions that may potentially lead to a disclosure of cruel human rights violations.

Discussing research ethics in bioscience, Kissell (2005) argues that discord between the world the immigrants have left and the world they now enter produces among some immigrants a "vulnerability" unique to groups who do not share the

cultural values of the majority of host-country population. Therefore, a researcher should reflect upon the dissonance Western research techniques might cause in the world views of some groups of immigrants. In the introduction letter sent to the expected research participants, Birman (2006) emphasised that some of the research team members were from immigrant/refugee background. It was supposed that this action helped to gain trust and, consequently, to boost the response rate. In their article on Asian entrepreneurs and managers Crick and Chaudhry (1998) underline that the Asian origin of one of the authors was a key to addressing cross-cultural methodological issues. In both cases knowledge about several cultures and bilinguism also contributed to the research design, interviewing and interpretation.

Addressing ethical principles when conducting a research with, for, and among indigenous peoples, Menzies (2001) underlines that: (1) a dialogue with the ethnic group should be initiated by the researcher; (2) the research plan should be shaped in consultation with a minority group under investigation; (3) community members should be included into the research team whenever possible; (4) the research results should be discussed with minority group members. Under a proposition that studying immigrants and ethnic minorities requires the same ethical approaches, the research process should be developed in a close contact with the members of immigrant communities. Based on the experience of the researchers interviewed, the disproportional involvement of the community members other than the entrepreneurs considered may jeopardise the validity of the study.

Responding to the numerous ethical challenges, asylum-seekers should be treated with special caution - also conducting research on immigrant entrepreneurship. In practice, the majority of experts in ethnic/immigrant entrepreneurship avoid researching asylum-seekers.

As it stems from the literature, some questions that should be included into the questionnaire are ethically ambiguous. While asking about someone's ethnicity and race is a normal practice in the United States, these questions can be stamped

abusive in other societies. It is stated in the British Data Protection Act (1998) that the information about a person's race is classified as sensitive personal data. Classifying minority group one should draw attention to the modern interpretation of particular labels by public. For example, "black" as a term used to be regarded as offensive (Saunders *et al.*, 2003). On the other hand, "black" is an important official term in the United States statistics. Thus, applying scientific and official terms for the field research may become unethical with respect to the growing tendencies towards antiracism. It is also important to avoid using such broad categories as "Asian" and "Oriental" without reference to the internal heterogeneity. Wherever possible, the individual groups within these categories should be identified separately (Saunders *et al.*, 2003). In opposition to the latter statements, the experts in ethnic/immigrant entrepreneurship reject that the questions of race and ethnicity may be sensitive while being asked by a skilled interviewer.

Income is an especially sensitive topic in the case of immigrant entrepreneurs. One expert deliberately avoids asking immigrant entrepreneurs about income. The others are concerned with this issue. Broadly speaking, the experts report that the issue of financial administration is sensitive. One expert prefers financial questions based on the broad categories. For example, instead of asking about the exact amount of money invested into the immigrant's business, he asks respondents to choose between several categories: from EUR 10 000 to 30 000, from 30 000 to 60 000 etc. This reduces the stress induced by the question and increases the chances for an adequate answer.

Asking about the legal status of immigrant entrepreneurs and their employees, one of the experts aggregates answers into such broad categories as 1) resident, and 2) non-resident. This allows the undocumented immigrants to feel safe because the "non-resident" category may include all from students to tourists. One may suggest that the experience of the social scientists working with minorities in a particular region should be studied, and, possibly, some tests on local immigrants should be

conducted before taking a decision on including some particularly sensitive questions into the research agenda.

Presenting research results on immigrants and ethnic minorities is another ethical challenge. Klein and Naccarato (2003, p. 1611) examined how “local television news has been shown to misrepresent minorities.” These authors concluded that minorities have been shown to be out of proportion to crime statistics, that both audiences and news directors are aware of this misrepresentation, that the nature of media coverage should be changed, and that audiences can be better prepared to react to biased reporting. The researcher is responsible for supplying properly contextualized and statistically balanced data to the media.

Researchers have a special responsibility for safeguarding the interests of underprivileged groups throughout the research process. Researchers are under a special obligation to shed light on the situations of underprivileged social groups. However, minorities are not always equipped to protect their interests in relation to researchers. Marginalised groups may also desire not to be made the subjects of research, for fear of being viewed by the public in an unfavourable light. In such cases, the demands concerning information and consent are particularly important.

The experts in ethnic/immigrant entrepreneurship emphasise that confidentiality is the most important issue when preparing the publication of research results. All the experts agree that making it impossible to identify individual respondents is an important moral obligation. As one expert highlights, it is often difficult to provide non-identification within an ethnic community. It is, for example, easy to identify an individual entrepreneur if there is only one Chinese computer shop owner in the area.

However, one of the experts reported that some immigrant entrepreneurs agree to be revealed in the publications because they feel need to contribute to their ethnic community or because they expect some other benefits. Under some

circumstances the researcher requires relevant written statement from the respondent. In some cases the immigrant entrepreneurs may be mentioned in acknowledgment, without identifying them in the article/book's text. This recognition of individual immigrant's contribution considerably improves the collaboration between a researcher and his or her subjects.

Both the experts interviewed and the literature reviews confirm that the intergroup differences should be reported in such a way that no ethnic group appears to be ranked over another one. The diversity may (and should) be presented as a value, rather than an undesired gap between people of different origins.

Studying immigrants with spinal cord injury, Jacobson (2005) observed that the participants were strongly against being labelled as vulnerable individuals. Despite the initial assumption that the injury would result in vulnerability, the participants viewed themselves as being actively engaged in their communities who lived and travelled independently, held employment, and often cared for other family members. Taking this example into account, a researcher should avoid emphasizing the immigrants' vulnerability during the interviews.

Conclusions and implications

Due to specific ethical dilemmas, research on immigrant and ethnic minority entrepreneurs requires specific methodology that differs from the approaches applied in the mainstream entrepreneurship research. Alternatively, principles of ethical research with ethnocultural populations found in different social sciences should be adjusted with regard to the particular challenges associated with the field of entrepreneurship.

Evidence against ethical universalism has been found in the literature reviewed. In research into foreign cultures there are particular needs for a dialogue with the representatives of and participants from the culture being studied.

This paper appeals for somewhat more explicit discussion of ethical issues in the entrepreneurship journals. First, most of the readers of international journals are not aware of the ethical practices and committees in other countries. Therefore, moral decisions of the researchers are not self-evident to the audience. The readers should be informed about the rules and procedures that have been applied in order to secure the ethical conduct of research. Second, information on ethical issues may be of a great importance in case of ethnic/immigrant studies. The research design is often influenced by ethical committees, community leaders and other external stakeholders. Thus, reporting on the relevant peculiarities is essential for the replicability of the research results.

Lower average levels of education, unfamiliarity with local culture and social context, economic dependency, links to the home country and coethnic community, special legal position, and linguistic disadvantages have been identified as potential sources of ethical ambiguity. In the cases when educational level of respondents is particularly low, informed consent should be given verbally rather than by means of special paper forms. The use of native language by interviewers and in bilingual questionnaires is essential when collecting data on immigrant entrepreneurs. Asylum-seekers with no refugee or humanitarian status granted have to be treated as the most vulnerable group.

In the phase of data collection, language used by the researcher should be carefully adapted to particular ethnic/immigrant group requirements. In addition, moderately unofficial dress-code, informal everyday language, and explicitly articulated distance from the immigration authorities are ethically desirable due to the expected reduction in the respondents' stress level. Providing information on the research purposes and methods, a researcher should make an endeavour to

overcome participants' lack of comprehending and mistrust regarding social research.

In order to pay attention to the ethical issues discussed in this paper, the researcher should collect secondary information about the community leader's role, groups' average educational level, underlying cultural values, obstacles of migration, and dominating religion. The way in which the results of research on ethnic and immigrant entrepreneurship are to be presented should be carefully planned. A researcher should avoid misrepresentation of minorities and present the research results within the social context.

Our knowledge about the perception of social research by different immigrant groups is modest. Additional empirical studies are required in order to develop ethically solid research methods for conducting studies on immigrant and ethnic minority entrepreneurs. However, researchers should reflect upon the ethical issues pointed out in this paper. From the researcher's perspective, it will expectantly improve the response rate and the quality of data. From a broader point of view, ethical conduct of research on immigrant and minority entrepreneurs will contribute to the improvement of social conditions and promotion of the humanistic goals of science.

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Appendix A. Empirical studies on immigrant entrepreneurs: an overview

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|----------------------------------|--|---------------------------------------|---------|--------------------------------|---------------------|-----------------------------|-----------|-------|--------|-------------------|---|--|
| | | | | | | | Qualit. | Qant. | Cross. | Longit. | | |
| (Bagwell, 2006) | To explore traditional cultural influences on business practice. | Mixed embeddedness | UK | Vietnamese | 14 first-generation | Interview | | x | x | | | Attitudes towards the family, trust, and language have a key impact on the start-up and operation of businesses. Intergenerational differences found. Mixed embeddedness approach needs to incorporate a historical dimension. |
| (Barrett, Jones, & McEvoy, 2001) | What are the influences of the socio-economic situation and of the unintended outcomes of government policy on ethnic minority business? | Mixed embeddedness | Britain | Black Caribbeans, South Asians | Census | - | x | x | | Comparative stat. | Support policy is ineffective. Unintended outcome – entry of large-scale chains into the formerly protected niches of South Asian-owned businesses. | |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|------------------------|---|---------------------------------------|---------|--|---------------------|-------------------------------------|-----------|--------|--------|---------|------------------------------------|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Basu, 1998) | Investigates motives for business entry, the choice of initial business and inter/intragroup differences. | b | UK | Indian, Pakistani, Bangladeshi | 78 small businesses | Structured interview | x | x | | | t-test, ANOVA, chi-square | Key role played by informal sources of advice, finance and information is highlighted. Evidence for "entrepreneurial spirit". |
| (Basu & Altinay, 2002) | Examines the interaction between culture and immigrant entrepreneurship. | Cultural thesis | UK | Indian, East African Asian, Pakistani, Bangladeshi, Turkish Cypriot, Turkish | 163 entrepreneurs | Structured Interviews, face-to-face | x | x | | | Factor analysis, ANOVA, Chi-square | Intergroup differences in business entry motives, financing and family involvement may be explained by culture, family tradition, migration motives, religion, family links, business experience and education. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|------------------------|---|---------------------------------------|---------|---|-------------------|-----------------------------|-----------|--------|--------|---------|-------------------------------|--|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Basu & Goswami, 1999) | Relationships between socio-economic, social and cultural factors and growth. | Cultural thesis | Britain | Indian, Pakistani, Bangladeshi, East Africans | 118 entrepreneurs | a | x | x | | | ANOVA | Moving away from a style of management based on immigrant culture has a positive impact on growth. Strengthening links with the country of origin has the same effect. Human capital is more crucial than financial resources. |
| (Bates, 1994) | Determinants of success and survival of immigrant owned firms. | b | US | Chinese, Korean, Asian Indian, Vietnamese, Filipino | Census | , | x | x | x | | Comparative stat., Log. Regr. | The success and survival patterns of Asian immigrant firms derive from their large investments of financial capital and the impressive educational credentials of the business owners. |
| (Bates, 1997) | What are the major sources of start-up capital? | Social capital | US | Korean, Chinese | Census | , | x | x | | | OLS Regression | The majority of fin. capital came from family wealth and financial institution loans. Nontraditional debt capital sources are of secondary importance and they are utilized more by the weaker start-ups. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|------------------------|--|---------------------------------------|---------|---|--------------|-----------------------------|-----------|--------|--------|----------------------------------|--|------------------------|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Bates, 1999) | Comparing patterns of business exiting. | Blocked mobility | US | Asian Indian, Filipino | Census | - | x | x | x | Logistic regression, descriptive | Highly educated immigrants are more likely to exit self-employment. Self-employment is often a form of underemployment. | |
| (Bates & Dunham, 1993) | Determinants of business performance of immigrant owned firms. | b | US | Chinese, Korean, Asian Indian, Vietnamese | 5298 firms | a | x | x | x | Comparative stat., Log. regr. | Level of financial capital and human capital determines the intergroup differences in business performance. The sociological approach is found to be empirically weak. | |
| (Beuving, 2006) | The role of Lebanese businessmen in the European-west African second-hand car trade. | a | Benin | Lebanese | 1 case | Interview | x | | | x | The shifting configuration of business contacts observed. The ideal of enjoying life by adopting an expatriate lifestyle motivates entrepreneurs. | |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|---|---|---------------------------------------|---------|-----------------------|--------------|-----------------------------|-----------|--------|--------|-------------------------------|--------------------|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Blanchflower, Levine, & Zimmerman, 2003) | Description of Turkish economy in West Berlin. | a | Germany | Turkish | Census | Official statistics | x | x | | | | The Turkish community is completing its institutionalization. Turkish enterprises are numerous, dominated by wholesale and food production/distribution. High risk, high turnover rate, low efficiency, self-exploitation, family workers, traditional loans guaranteed by friends. |
| (Borjas, 1986) | Relationships between assimilation and self-employment. | a | US | Asian, Mexican, Cuban | Census | ' | x | x | x | Comparative stat., Regression | | Assimilation has an impact on self-employment. Recent cohorts have higher self-employment rates. Immigrants are more likely to be self-employed than natives. Enclaves increase self-employment opportunities. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|----------------------------|--|---------------------------------------|---------|---|---------------------------|-----------------------------|-----------|--------|--------|----------------|--|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Borooah & Hart, 1999) | Explore the factors influencing intergroup differences in self-employment rates. | individual characteristics | Britain | Indian, Black Caribbean | Census, over 85000 men | - | | x | x | | Comparative stat., Regression | Social attributes are at least as important as individual attributes. |
| (Bradley, 2004) | Testing Portes and Zhou's very high earner thesis. | Human capital perspective | US | 41 group | Census | - | x | x | | OLS regression | Generally, immigrant entrepreneurs earn more than other subgroups. It is often due to the earnings of professional specialists. Intergroup differences reported. | |
| (Brettell & Alstatt, 2007) | Exploration of paths to self-employment. | Biographical embeddedness | US | Indian, Mexican, Nigerian, Salvadoran, Vietnamese, Zambian, Pakistani | 54 (?) mail entrepreneurs | Interview | x | | x | | a | Self-employment provides an important avenue for social and economic incorporation of immigrants. Immigrants possess experiential and motivational resources necessary to become self-employed. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions | |
|---|--|---------------------------------------|---------|---|--------------|---|-----------|--------|--------|---------|--------------------|------------------------|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | | |
| (Caulkins & Peters, 2002) | Examining relationship between social capital and entrepreneurship. | Social capital | US | multiple | Census | - | | x | x | | | Grid-Group analysis | High levels of general social capital on a group level may not be as supportive of entrepreneurship as previously asserted. |
| (Chaganti, Watts, Chaganti, & Zimmermann, 2008) | Differences in strategy and performance between Internet ventures with and without ethnic-immigrant members in founding teams. | b | US | multiple | 52 ventures | Interview and various secondary sources | | x | x | | | Comparative stat. | Ventures with ethnic-immigrant members in the founding team pursue a more aggressive prospector strategy. Little intergroup differences in performance. |
| (Clark & Drinkwater, 1998) | Influence of ethnicity on the decision to enter self-employment and the relevant rewards. | Blocked mobility thesis | Britain | Indians, Pakistanis/ Bangladeshi, Chinese | Census | - | x | x | | | | Single equation probit | Discrimination contributes to ethnic minority self-employment. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|----------------------------|---|---------------------------------------|-------------|--|----------------------|-----------------------------|-----------|--------|--------|---------|-------------------------|--|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Clark & Drinkwater, 2002) | The relationships between the existence of enclaves and the employment prospects (including self-employment). | Enclave hypothesis | UK | Caribbean, Indian, Pakistani, Bangladeshi, Chinese | Census | - | x | x | | | Multinomial logit model | There is a lower incidence of self-employment in more ethnically-concentrated urban areas, which contradicts the enclave hypothesis. |
| (Cobas, 1986) | Testing different hypothesis on immigrant entrepreneurship. | b | Puerto Rico | Cubans | 220 males | Interview | x | x | | | regressions | Business background, labor market disadvantages and ethnic sub-economy hypotheses confirmed. Sojourning explanation rejected. |
| (Cobas & Deollos, 1989) | To test the family ties/co-ethnic bond hypothesis. | capital and ethnic resources | US | Cubans | About 810 immigrants | Interviews | x | x | | | Log. regression | The family ties/co-ethnic bond hypothesis has not been supported. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|---|--|---------------------------------------|---------|------------------|-----------------------------|-----------------------------|-----------|--------|--------|---------|-------------------------|--|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Constant, Shachmurove, & Zimmermann, 2007) | Comparing Turkish immigrants and German native entrepreneurs in terms of motivation and success. | Human capital | Germany | Turks | 273 Turks | a | | x | x | | Comp. stat., regression | At younger age it pays for immigrants to be self-employed. Self-employment is a powerful instrument to integrate immigrants economically into the host country. |
| (Constant & Zimmermann, 2006) | Identifying determinants of self-employment. | b | Germany | Turks, Italians | 63 self-employed immigrants | a | x | x | | | Comp. stat., regression | Determinants and financial outcomes of self-employment age mostly alike between natives and immigrants. However, immigrants suffer a strong earnings penalty if they feel discriminated. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|---|--|---|---------|---|------------------------------|-----------------------------|-----------|--------|--------|---------|-------------------------------------|--|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Deakins, Ishaq, Smallbone, Whittam, & Wyper, 2007) | Examination of the role and importance of social capital for EMBs. | Social capital, structuralist perspective | UK | Pakistani, Indian, Bangladeshi, Chinese | 41 immigrant business owners | Interview | x | x | x | | Comp. stat., qualitative analysis | The important role of social capital is confirmed. Both positive and negative effects of social capital are discussed. |
| (Dyer & Ross, 2000) | Examination of the relationships between ethnic minority businesses and their co-ethnic customers. | Ethnic resources, enclave hypothesis | Canada | Caribbean, Haitian, US | 30 immigrants | Interview | x | | x | | Qualitative ethnographical analysis | Ambivalent relationships exist between businesses and their co-ethnic customers. Three dimensions are important: the coincident roles of business owner/manager and co-ethnic individual; the easy flow of communication among co-ethnics; and the symbolic aspect of ethnicity. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions | |
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| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | | |
| (Evans, 1984) | Exploring the work lives of Australia's immigrant women. | capitalist conspiracy approach. | Australia | multiple | Census | , | | x | x | | | regressions | Marginal intergroup differences in entrepreneurial behavior are reported. Family factor is important. |
| (Fairlie & Meyer, 1996) | Testing several theories explaining intergroup differences in self-employment rates. | b | US | multiple | Census | , | | x | x | | | Comp. stst., regressions | Intergroup differences in demographic characteristics, human capital and self-employment level are reported. More disadvantaged groups produce less self-employed. |
| (Fernandez, Hurh, & Kim, 1989) | Examining the intra- and inter-group differences in self-employment. | b | US | Koreans, Chinese, Asian Indians | Census | , | | x | x | | | Odds ratio calculations | Substantial intra-group differences reported. Interactive approach proposed. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|---------------------------|---|---|---------|---|------------------|-----------------------------|-----------|--------|--------|---------|--|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Fernandez & Kim, 1998) | Examining the intra- and inter-group differences in self-employment. | b | US | Koreans, Chinese, Asian Indians, Vietnamese | Census | - | x | x | | | Odds ratio calculations | Substantial intra- and inter-group differences reported. Interactive approach proposed. Linkage to the home countries reflects the international dimension. Blocked mobility discussed. |
| (Fong, Luk, & Ooka, 2005) | Exploring the determinants of the spatial distribution of suburban ethnic businesses. | organizational ecological perspectives. | Canada | Chinese | Census | - | x | x | | | Descriptive statistics | Ecological perspective was not useful. Economic sociological and organizational ecological perspectives contributed to understanding of the spatial distribution of suburban ethnic businesses. |
| (Froschauer, 2001) | Addressing the limitations of existing theoretical models. | b | Canada | multiple | 38 entrepreneurs | Interview | x | | x | | Qualitative analysis, critical literature review | Intergroup differences reported in post-migration accumulation strategies. Explained with differences in pre-migration experiences, politico-institutional process and structural development in economies. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|-----------------|--|---------------------------------------|---------|-------------------------|----------------------------------|--|-----------|--------|--------|---------|--------------------|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Gold, 1988) | Distinguishing immigrants from refugees with respect to entrepreneurial activities. | Cultural and disadvantage theories | US | Soviet Jews, Vietnamese | 45 refugee enterprises | Interview | x | x | | | a | Refugees have relatively small and informal networks. Entrepreneurship allows refugees to limit contacts with native culture. Their financial resources are limited. US-based business experience is crucial for success. Generally, differences between refugees and immigrants are small. |
| (Greene, 1997b) | Considering the process of business creation in an ethnic community through a resource-based lens. | Resource-based view. | US | Ismaili-Pakistani | One business leader and his wife | Archival research, interviews, newspaper review. | x | | | | a | Ethnic community provides labor, capital and business advice. Difficulties with generalizing the competitive advantages of the ethnic community to business outside a community are reported. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
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| (Hansen & Cardenas, 1988) | Analyzing how perceptions of economic roles of Mexican immigrant workers differ among three employer groups: native ethnic, immigrant ethnic and non-ethnic. | a | US | Mexicans | 963 business owners and managers | Survey forms and follow-up interviews | x | x | | | Comp. stat. | Immigrant ethnic employer group depends more on Mexican immigrants as workers and as customers than do the native ethnic group and non-ethnic group. Differences between non-border and border locations are discussed. |
| (Hout & Rosen, 2000) | Assessing the reasons for intergroup differences in self-employment. | Individual characteristics | US | Multiple | a | Interview | x | x | x | | Logit regression | Aspects of family background explain under-representation of African-Americans and Latinos among self-employed. |
| (Kainins & Chung, 2006) | Assessing the effect of local social capital on immigrant entrepreneurship. | Social capital | US | Indian (Gujarati) | 1457 hotels | Official statistics, interview | x | | x | | Hazard Models | Likelihood of survival of immigrant owned hotels increases when surrounded of other co-ethnic owned hotels. |

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| (Khosravi, 1999) | Portraying how Iranians, whose social space has been destroyed by displacement, contrive to reconstruct this in the Swedish setting. | Waldinger's interactive model | Sweden | Iranian | 16 entrepreneurs | Official statistics, participant observation | x | x | x | | Comp. stat., ethnographic analysis | Ethnic resources and blocked mobility are emphasized. |
| (Kim, 1999) | Examining when, how and why Korean employers have turned away from employing Koreans and instead opted for other minorities. | Social capital and ethnic resources | US | Koreans | 20 Koreans owners, employers and Mexican and Ecuadorian workers | Participant observation, informal conversations, in-depth interviews | x | | | | | In the context of economic restructuring of ethnic economy, the benefits of co-ethnic employment are no longer viable in the face of retention problems and increased labor costs. |

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| (Kim, 2003) | Debating the enclave economy hypothesis | Enclave economy hypothesis | China | Koreans | 449 employers and employees | Interview | | x | x | | | OLS regression | Enclave participation is rewarding for self-employed Koreans. |
| (Kim & Hurh, 1985) | Exploring the ethnic resource mobilization by immigrant entrepreneurs. | Ethnic resources | US | Koreans | 100 Korean business owners | Interview | x | | x | | | Comp. stat. | Korean entrepreneurs rely heavily on ethnic resources. It has both negative (intra-ethnic competition) and positive sides. |

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| (Lee, Cameroen, Schaeffer, & Schmidt, 1997) | Empirically testing social resources and class resources explanations. | Social resources and class resources explanations | US | Chinese | 60 Chinese business owners | Questionnaires and interviews | | x | x | | | Comp. stat. | Contrasts and similarities between Chinese and African-American business-owners reported: in ownership characteristics, start-up capital, social networks, and economic significance. Neither the social nor the class resources alone provide a satisfactory explanation. |
| (Lerner & Hendeles, 1996) | At what rate do immigrants aspire and participate in self-employment. What characteristics differentiate self-employed from others? Aspiring from others? | b | Israel | FSU | 49 self-employed | Interview | x | | x | | | Comp. stat. | Immigrants' higher self-employment aspirations steam from negative employment experience and prior business experience. Immigrants lack relevant experience and resources actually to start a business. |

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| (Leung, 2003) | Illustrating the policy context in which the Chinese restaurants are embedded. | Mixed embeddedness | Germany | Chinese from PRC, Taiwan, Hong Kong, Singapore, Malaysia, Vietnam. | 22 restaurateurs | Interview, ethnographic observations | x | x | x | | a | Immigrant entrepreneurs facing changing level of market challenges and policy controls, adopt strategies including the modification of their business operations and range of products as well as tapping their resourceful ethnic social networks for venture capital, necessary information and other forms of support. | |
| (Lever-Tracy & Ip, 2005) | Exploring Chinese businesses' strategies of vertical, horizontal, and unrelated diversification. | b | Australia | Chinese | 28 businesses | Interview | x | | | | | Qualitative analysis | Diversification is widespread and increasing. Motives for diversification reported: braking out, a spirit of adventure, risk diversification, and others. |

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| (Ley, 2006) | Seeks to explain the self-reported business performance of entrepreneurs who entered Canada through the Business Immigration Program. | Mixed embeddedness | Canada | Hong Kong, Taiwan, Korea | 90 entrepreneurs | Interview | x | x | | | Comp. stat. | Business performance was weak for immigrant entrepreneurs, despite significant pre-migration resources. Human capital, though not the scale of investment capital, influenced business success. Interethnic variations reported. |
| (Li, 1993) | Exploring Chinese investments and business in Canada. | Cultural thesis, blocked mobility | Canada | Chinese, Hong Kong, Taiwan | Census | - | x | x | | | Comp. stat. | Neither the blocked mobility no the cultural thesis alone provide a satisfactory explanation for the formation of Chinese businesses. Four types of Chinese businesses proposed. Expansion of Chinese capital into Canada is predicated by political and economic factors. |

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| (Light, Sabagh, Bozorgmehr, & Dermatisiosian, 1994) | Distinguishing ethnic enclave economy and ethnic economy. | Ethnic enclave | US | Iranians | 538 Iranians | Interview | | x | x | | | Comp. stat. | Ethnic enclave economy is a special case of ethnic economy. |
| (Lofstrom, 2002) | Estimating earnings of self-employed and waged immigrants. | a | US | multiple | Census | . | x | x | | | OLS stat. | Self-employed immigrants do substantially better in the labor market. | |
| (Logan, Alba, & Stults, 2003) | What are the impacts of ethnic economies for the people who are employed in them? | b | US | Cubans, Puerto Ricans, Koreans, Chinese, Dominicans, Mexicans, Salvadorans. | Census | . | x | x | | | Multiple regressions | Self-employed immigrants work longer hours but in many cases at lower hourly rates. The effects of self-employment are the same in ethnic sectors as in the mainstream economy. | |

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| (Marger, 2006) | Analyzing patterns of sociopolitical incorporation among immigrant entrepreneurs. | transnationalism | Canada | Multiple | 70 | Interview | x | | | x | Qualitative analysis | Entrepreneurs, over a period of 8-18 years generally achieved a high level of political awareness, maintained weak transnational ties, and naturalized at an extraordinary high rate. Respondents relied primary on human capital, rather than on ethnic social capital. |
| (Marger, 1989) | Examines class and ethnic resources used by East Indian entrepreneurs. | class and ethnic resources | Canada | East Indians | 38 entrepreneurs | Interview | | x | x | | Comp. stat. | Individualistic business strategy is employed by Indian entrepreneurs in which class resources are more consequential than ethnic networks or communal ties. |

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| (Marger & Hoffman, 1992) | Examines class and ethnic resources, opportunity structure. | a | Canada | Hong Kong Chinese | 272 immigrant entrepreneurs | Official reports | x | x | | | Comp. stat. | Hong Kong Chinese dominance among immigrant entrepreneurs is attributed to strong push factors in the sending society and the existence of an institutionally complete Chinese community, supporting a well-developed ethnic subcommunity that takes on many of the features of an ethnic enclave. |

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| (Masurel, Nijkamp, Tasthan, & Vindigni, 2002) | Assessing variation in business success across three ethnic groups. | Social capital and ethnic resources | Netherlands | Turks, Indian/Pakistan i, Moroccan | 39 ethnic entrepreneurs | Interview | x | x | | | Artificial intelligence method, viz. rough set analysis | Performance conditions vary across ethnic groups. Informal networks are crucial for business success. |
| (Masurel & Nijkamp, 2004) | What are the motivational differences between first- and second generation ethnic entrepreneurs? | Social capital and ethnic resources, blocked mobility | Netherlands | Turks | 35 first generation immigrant entrepreneurs | Interview | x | x | | | Comp. stat. | First-generation ethnic entrepreneurs are more motivated by discrimination, non-recognition of degrees, and the goal of obtaining status. The second-generation is motivated by blocked promotion. The new support policy based on the need to pay attention both to the motives for starting up business and to the necessary preparatory activities is proposed. |

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| (Menahem & Lerner, 2001) | Does governmental intervention in the form of occupational retraining, subsidized salaries and support in business creation improve immigrants' occupational opportunities as self-employed? | a | Israel | FSU | 910 new immigrants | Interview | | x | | x | ANOVA | Government support was beneficial for immigrants intending to start a business. Retraining is the most effective form of intervention. |
| (Min, 1984) | Explaining overrepresentation of Koreans in small business sector. | mobility, middleman minorities. | US | Koreans | 159 Korean businessmen | Interviews | x | x | | | Comp. stat. | Neither Korean immigrants' sojourning orientation nor their perception of host discrimination is an important factor in their decision to start a business. |

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| (Min & Bozorgmehr, 2000) | Are ethnic or class resources more central to the establishment of immigrant/ethnic businesses? It here a causal connection between ethnic business and ethnic solidarity? | Class vs. ethnic resources. | US | Iranian, Korean | a | Interview, census | x | x | x | | Comp. stat. | Intergroup differences in use of ethnic resources are reported. Only middleman businesses strengthen ethnic solidarity. |
| (Miyares, 1998) | Examining ethnic entrepreneurship among FSU immigrants. | Human capital model, Disadvantage theory, Culture theory. | US | FSU | Official statistics | - | x | x | x | | Comp. stat. | The enclave economy that has developed in Brooklyn is significantly different from other such economies. With federal cash assistance, credit, and business training, FSU immigrants have been able to use their human capital to establish a growing number of small businesses. A hypothesis on cultural propensity toward entrepreneurship is supported. |

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| (Morris & Schindehutte, 2005) | Explores core values held by in growth-oriented firms belonging to immigrants. | Cultural thesis | US | Japanese, Korean, Filipino, Chinese, Vietnamese. | 30 entrepreneurs | Interview | x | x | | | Comp. stat. | While some of the salient values are clearly traceable to the entrepreneur's native culture, it appears that entrepreneurs share certain core values regardless of cultural origin. Linkages between values and specific operational practices within the ventures reported. |
| (Pessar, 1995) | Exploring the role of ethnic and class resources for immigrant entrepreneurs. | Class and ethnic resources | US | Multiple Latino | 75 businesspersons + other informants | Interview | x | x | | | Comp. stat. | Rather than assuming the existence of social solidarity among immigrants, it is best to delineate those historical, social and cultural factors which facilitate or impede its development. The forging of ethnic solidarity is not at all an easy accomplishment nor is it necessarily desired by all immigrants. |

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| (Peterson, 1995) | Analyzing the motives, abilities, and resources that most successful immigrant entrepreneurs brought and developed in the U.S. | b | US | Cubans | 24 entrepreneurs | Interview | x | | | | Qualitative analysis | Motives were influenced by family-linked aspirations and role models, need to achieve through business ownership, and by personally and situationally-rooted propensity to accept risk of entrepreneurial action. Entrepreneurial abilities came through family mentors, education and business experience, and language skills. Resources included resources brought from Cuba, but more significantly resources developed in the U.S. |

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| (Portes, Haller, & Guarnizo, 2002) | Empirical test on existence of transnational entrepreneurship. | b | US | Colombia, Dominican Republic, El Salvador | 1202 immigrants | Interview | | x | x | | | Discriminant analysis | Transnational entrepreneurs represent a large proportion of the self-employed immigrants. There is considerable variability depending on the historical context. |
| (Portes & Zhou, 1996) | Economic returns to immigrants engaged in self-employment. | b | US | Cuban, Chinese, Japanese, Korean | Census | ' | | x | x | | | Comp. stat., regressions | Mixed results depending on immigrant group and the methodology applied. |
| (Portes & Zhou, 1992) | Explaining the significance of community-level factors and, in particular, sources of capital. | b | US | Dominican, Cuban, Chinese | Census | ' | x | x | x | | | Comp. stat. | Alternative conceptualization is proposed. Bounded solidarity and enforceable trust. |

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| (Rajiman & Tienda, 2000a) | Providing comparative perspective of pathways to business ownership among several groups. | Blocked mobility | US | Mexican, Korean | Over 120 business owners | Interview | | x | | x | | Comp. stat., logistic regression | Informal economy is a common pathway to steady self-employment for Hispanics, whereas entry through employment in a co-ethnic firm was more common among Koreans. Koreans see business ownership as a way to overcome blocked mobility. |
| (Rajiman & Tienda, 2000b) | Investigates if ethnic economies operate as training sector for future entrepreneurs. | Ethnic resources, ethnic enclave | US | Mexican | 162 Mexican business owners. Total 244 interviews. | Interview | x | | | x | | Comp. stat., logistic regression | Mexican business owners who previously worked in a coethnic firm were exposed to training opportunities that differ from the experiences of their coethnic counterparts who did not. However, Mexican immigrants' chances of entering the world of business through employment in a coethnic firm are low. |

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| (Rajiman & Tienda, 2003) | Identifying circumstances that help and hinder entrepreneurship among two immigrant groups. | Ethnic resources, ethnic enclave, vertical and horizontal integration. | US | Mexican, Korean | 162 Mexican and 28 Korean business owners. Total 244 interviews | Interview | | x | x | | | Comp. stat. Korean and Mexican business owners draw on thinner ethnic social networks and do not reap similar advantages from co-ethnic business dealings. Until Mexicans consolidate a market niche, their opportunities to benefit from ethnic vertical integration will remain limited. |
| (Ram, Marlow, & Patton, 2001) | Examining the management of employee relations in independent restaurant sector. | Mixed embeddedness | UK | Bangladeshi, Pakistani, Indian | 23 employers and workers | interview | x | | | | | Qualitative case history approach The employment relationship is an outcome of the fluid interaction of social, economic and geographical contexts. This renders problematic both Culturalist and purely economic approaches to ethnic minority entrepreneurship. |

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| (Ram & Carter, 2003) | Explores the case of ethnic minority accountants operating as entrepreneurs. | b | UK | East African Asians, Pakistani, Indian, Greek-Cypriots, Bangladeshi, Chinese | 20 accountants | Interview | x | | | | Qualitative analysis | Highlights the importance of the small ethnic minority accountancy practice as a stepping-stone for ethnic minorities seeking to establish themselves in the profession. Ethnic minority accountants are important for their ethnic minority clients as a business resource. Although ethnic minority accountants appear to be operating successfully, continued reliance on such firms may prove problematic. |

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| (Ram, Smallbone, Deakins, & Jones, 2003) | Examining the experience of firms attempting to break out from the ethnic market. | Economics perspective | UK | African-Caribbean, Bangladeshi, Chinese, Indian, Pakistani. | 856 (and 28 for qualitative analysis) minority business owners | Interview | x | x | x | | Qualitative analysis | Break-out entails a shift from labor-intensive to capital-intensive activities requiring external financing. Access to bank credit continues to be problematic. Discrimination reported. |

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| (Razin & Scheinberg, 2001) | Examining whether immigrants from FSU tend to gravitate into self-employment and whether the characteristics of these immigrant entrepreneurs resemble those in prominent ethnic economies elsewhere. | b | Israel | FSU | Census | - | x | x | | | Comp. stat. | Propensity of new FSU immigrants to engage in business is low because they lack developed ethnic networks and relevant experience in marketing. Occupational concentration reported. |

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| (Razin, 1988) | Examining the association between location and entrepreneurial activity among immigrants. | b | US | multiple | census | - | x | x | | | Comp. stat., regression | Most immigrant groups showed higher rates of self-employment in the Los Angeles area than in San Francisco SCSA. However, due to the dominance in Los-Angeles of Mexicans with low tendency to engage in entrepreneurial activities, the total rate of self-employment was equal in two metropolitan regions. |

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| (Razin & Light, 1998) | Exploring interaction effects of group characteristics and opportunity structures. | Waldinger's interactive model | US | Multiple | Census | - | x | x | | | Comp. stat. | The interaction effect of location and ethnicity on ethnic entrepreneurship is evident not only in self-employment rates but also in niche concentrations and niche competition. Compared to mainstream groups, non-mainstream groups are more context resistant. They concentrate on few entrepreneurial niche concentrations. |

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| (Rothbart, 1993) | Examining relationships between social embeddedness, immigrant entrepreneurship, and upward social mobility of ethnic groups. | Social capital | US | Lithuanian, Polish, Irish German. | Official statistics | . | x | x | | | Comp. stat. | Social embeddedness eased the entry into the business, but restricted immigrant businesses' ability to succeed. Only the few who diversified or expanded beyond the ethnic saloon market accumulated much wealth. Thus, ethnic entrepreneurship contributed little to group advancement. |
| (Sanders & Nee, 1996) | Examining how immigrant self-employment is affected by family composition and human capital/class resources. | b | US | Chinese, Koreans, Filipinos, Indians, Cubans, Mexicans, Puerto Ricans. | Census | . | x | x | | | Comp. stat. logistic regression. | Human capital/class resources contribute to immigrant entrepreneurship. Interethnic variation in personal human capital and family composition accounts for a substantial portion of the observed interethnic variation in self-employment. |

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| (Schrover, 2001) | Presenting a historical perspective on niche formation among immigrants. | Ethnic enclave, Waldinger's model | Netherlands | German | 1 group | Archive search | x | | | | Historical analysis | No evidence of group succession was found. Niches developed gradually whereby both the niche and the group took shape during the process of niche formation. |
| (Smallbone, Ram, Deakins, & Baldock, 2003) | Investigates the access to finance and business support by ethnic minority. | a | UK | African Caribbean, Pakistani, Indian, Bangladeshi, Chinese | 100 ethnic minority business | Interviews | x | x | x | | Comp. stat. | Ethnic minorities are less successful in accessing bank loans and have a higher propensity to turn to non-bank loans. |

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| (Spener & Bean, 1999) | Examining how the relative size of the local ethnic market conditions the extent to which interurban variation in the self-employment rate of Mexican immigrants will influence the incomes of Mexican immigrant that are not self-employed. | b | US | Mexican | Census | - | x | x | | | Comp. stat. regressions | The effects of variation in levels of self-employment depend upon the relative size of the local ethnic market. |
| (Teixeira, Lo, & Truelove, 2007) | Focus on barriers and challenges experienced by immigrant entrepreneurs. | Blocked mobility | Canada | Polish, Portuguese, Caribbean, Korean, Somali | 246 (survey) | Interviews, survey, focus groups. | x | x | | | Comp. stat. regressions | Visible-minority entrepreneurs still confront more barriers in their business practice with access to financing being a persistent problem. |

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| (Teixeira, 2001) | Examining the behavior, strategies and barriers faced by owners of ethnic businesses. | Ethnic resources | Canada | Portuguese | 54 Portuguese (eligible) | Questionnaire survey | | x | x | | | Comp. stat. | Portuguese differ significantly from Black entrepreneurs in that they rely more often on ethnic resources. Black entrepreneurs encountered more barriers and were more optimistic than the Portuguese with respect to the future of their businesses. |
| (Teixeira, 1998) | Examining the Portuguese real estate industry in Toronto. | Ethnic resources | Canada | Portuguese | 23 Portuguese brokers | Questionnaire survey | x | | x | | | Descriptive stat. | Portuguese real estate brokers rely to a large degree on ethnic resources – friends, media and relatives. |

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| (van Tubergen, 2005) | Examining the role of immigrant's country of origin, country of destination and combinations of thereof in the likelihood of immigrants being self-employed. | b | Multiple. | Multiple | Census | . | x | x | | | Multilevel techniques. | Immigrants from non-Christian countries of origin have higher odds of self-employment. Higher levels of unemployment among natives increase the odds of self-employment. Self-employment is more frequent among immigrant communities that are small, highly educated and have longer settlement intentions. |

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| (Vincent, 1996) | Providing insight into the decision making strategies and stiles of Mexican-American small business entrepreneurs in comparison to Anglo- American small business entrepreneurs. | Cultural thesis | US | Mexican | 60 Mexican-American entrepreneurs | Postal survey | | x | x | | | Judgment analysis | Mexican-American small business owners are twice as likely not to attend to traditionally formulated decision-making criteria. More Mexican-American entrepreneurs who lacked formulated decision-making polices had sole proprietorship businesses and less involvement of family members than Mexican-American entrepreneurs with established polices. |
| (Williams & Balaz, 2005) | Investigating Vietnamese market traders. | Waldinger's interactive model | Slovakia | Vietnamese | 97 Vietnamese traders + several other informants | Interview | x | x | x | | | Comp. stat. | Vietnamese traders are characterized by blocked mobility, use of ethnic resources. Globalization process influences their business practices. |

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| (Wong & Ng, 2002) | Examines the emergence of small transnational enterprises amongst Chinese entrepreneur immigrants in Canada. | Class vs. ethnic resources, transnationalism. | Canada | Chinese from Hong Kong and Taiwan. | 61 Chinese entrepreneurs | Interviews. | x | | | x | Qualitative analysis | Chinese transnational small enterprise appears to be a very common form for entrepreneurship. Transnational small businesses are both qualitatively and quantitatively different from the ones operated by earlier Chinese in Canada. The typology of Chinese transnational enterprise is proposed. Family networks are interwoven with firm relations. |
| (Yoon, 1995) | Exploring the role of employment opportunities, resource mobilization and business opportunities structure. | Waldinger's interactive model | US | Koreans | 199 Korean business owners | Field observation and interviews | x | x | x | | a | Korean immigrant entrepreneurs are characterized by blocked mobility, strong motivation, advantageous class background, stable family structure, strong family and ethnic ties. Trading with Korea is important. |

| Article | Research goal / problem / question | Theoretical perspective / explanation | Country | Immigrant groups | Sample size* | Method of data collection** | R. design | | | | Method of analysis | Findings / conclusions |
|------------------|---|---------------------------------------|---------|---------------------------|--------------|-----------------------------|-----------|--------|--------|---------|--------------------|---|
| | | | | | | | Qualit. | Quant. | Cross. | Longit. | | |
| (Yuengert, 1995) | Explaining high rates of immigrant self-employment. | tax-avoidance and enclave hypotheses | US | Cubans, Mexicans, Chinese | Census | - | x | x | | | Comp. stat. | Home-country self-employment and tax-avoidance hypothesis supported. Enclave hypotheses rejected. |

* No exact number reported when national level census data are analysed.
national level census data are used.
particular alternative is emphasized.

** No data collection method reported when
a = not explicitly stated.
b = multiple alternatives are described and no

Appendix B. English translation of the questionnaire for Paper 2 (originally in Norwegian)

Only the questions relevant for Paper 2 are included.

This survey takes aim on investigating aspects regarding the founding of new businesses. The questions are concerned with the business that recently was registered in the Brønnøysund Register Centre.

A1. Which role do you have in the newly registered business? Are you the: **(Please tick any of the boxes that are applicable)**

- 1 Founder of the business 2 Principal owner
3 Manager 4 Chairman
5 Other, please specify _____

A2. Are you responsible for the founding of the new business?

- 1 Yes, alone 2 Yes, together with partner(s) 3 No

A3. Is the business a subsidiary of another business?

- 1 Yes 2 No

A4. How was this business founded? **(Tick one box)**

- 1 Started from scratch
2 Purchased
3 Inherited
4 Continuance of business that went bankrupt
5 Other, please specify _____

A5. What Industry does your business belong to?

- 1 Agriculture 9 Sail and service of vehicles
2 Fishery 10 Transportation and storing
3 Mining, electric power, oil and gas 11 Hotels, restaurants etc.
4 Construction 12 Services in consumer sector
5 Computer systems 13 Services in business sector

6 Production of equipment and tools insurance 14 Banking, finance and insurance

7 Other production 15
Other: _____

8 Transportation and storing

A13. How many owners established the new business? Total _____ people.

F5. How much money has the business taken up in loans?

Approx. NOK _____

F11.1 How much equity has the owner(s) invested in the new business?

Approx. NOK _____

G1. Please indicate your disagreement/ agreement with the following statements.

| (Tick one box on each line) | Strongly | | Neither | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Strongly | disagree | agree or | disagree | | | |
| | 6 | 7 | 1 | 2 | 3 | 4 | 5 |
| 1. Customers will experience our product or services as new and unknown | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Few or no competing businesses offer a similar product or service | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The technology or the production process of the product/ service is not easily accessible | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- I1. Age: _____years
- I2. Gender: 1 Male 2 Female
- I3. Was you born in Norway: 1 Yes 2 No
- I3. Was you father born in Norway: 1 Yes 2 No
- I3. Was you mother born in Norway: 1 Yes 2 No

I8. What is your highest level of education? **(Tick one box)**

- 1 Elementary/primary school
- 2 Junior high school
- 3 Senior high school
- 4 University, college 1-3 years
- 5 University, college 4 years +

I13. How many years of work experience do you have? _____years, of this management experience _____ years

(please write "0" if do not have work experience or management experience)

Thank you very much for your participation!

Please put the completed questionnaire in the enclosed
return envelope and mail it today

Appendix C. English translation of the questionnaire for Paper 3 (originally in Russian)

Bodø Graduate School of Business conducts a survey of Russian-speaking immigrants in Norway. Answering this questionnaire you may contribute to improving a position of immigrants on the labour market. This study focuses specifically on self-employment intentions. Please, answer the questions even if they seem irrelevant to you.

If you are interested in getting a summary of the research results, tick this box:

- Yes, I would like to get a summary of the research results in the end of 2008.

The data will be treated strictly confidentially. No personal data will be published or made available to any third part. When data are collected (01.07.2008) the information on names and addresses will be deleted, indirect identifying information will be aggregated, data will be made anonymous, and returned questionnaires will be destroyed. Participation is voluntary. The respondent may withdraw any data with no explanation required (possible before 01.07.2008). The project has been approved by Personvernombudet for Forskning, Norsk Samfunnsvitenskapelig Datatjeneste AS.

Thank you in advance,

With any questions contact the following persons:

- 1) Evgueni Vinogradov, Research fellow at Bodø Graduate School of Business, tlf. (47)75517694, (47)97156233, e-mail: Evgueni.vinogradov@hibo.no.
- 2) Prof. Lars Kolvereid at Bodø Graduate School of Business, tlf. (47)75517276, e-mail: lars.kolvereid@hibo.no.

1. Please, answer the following questions about your background:

a) How old are you? _____ years.

b) The highest level of education acquired outside Norway (categories according to Russian standards):

- High school;
- Unfinished high school;
- College;
- Professional Education;
- Primary school;
- Unfinished primary school; Never studied outside Norway.

c) The highest level of education acquired in Norway (categories according to Norwegian standards):

- høgskoler, universiteter;
- videregående;
- grunnskole; Never studied in Norway.

d) Family status:

- unmarried;
- married;
- cohabiting;
- married, but not cohabiting;
- divorced;
- widow/-er ;

e) Since when you have been living permanently (over 6 months) in Norway?

- since year _ _ _ _ ; I do not live permanently in Norway;
- don't know/refuse to answer.

f) How long are you going to stay in Norway:

- under 6 months; from 6 months to 3 years; over 3 years; don't know/refuse to answer;

g) In which country have you resided before coming to Norway:

- Russia; Ukraine; White Russia;
- other: _____ don't know/refuse to answer;

h) Your current citizenship:

- Norwegian; Russian; Ukrainian; White Russian;
- other: _____ don't know/refuse to answer;

i) What was the primary reason for you to come to Norway:

- family reason (moving to the husband, relatives);
 study;
 asylum seeking;
 working for a Norwegian employer;
 other: _____ don't know/refuse to answer;

j) What is your occupational status for a moment?

- full time employment;
 part time employment;
 unemployed;
 retired;
 student;
 housewife/husband;
 other: _____
 don't know/refuse to answer;

k) Your ethnicity: _____ don't know/refuse to answer;

2. Are you, alone or with others, expecting to start a new business within the next three years*?

- No Yes don't know/refuse to answer.

3. Are you, alone or with others, currently trying to start a business*?

- No Yes don't know/refuse to answer.

4. Are you, alone or with others, currently the owner of a company you help manage?

- No Yes don't know/refuse to answer.

5. Have you, in the past 12 months, shut down, discontinued or quit a business?

- No Yes don't know/refuse to answer.

6. have you ever owned a company you helped to manage?

- No Yes don't know/refuse to answer.

7. If you have ever owned a company, was self-employed, or you are going to do so, please answer to following questions:

A) Why have you started a business?

- to take advantage of business opportunity;
- no better choices for work;
- combination of both of the above;
- have a job but seek better opportunities;
- other: _____
- don't know/refuse to answer;

B) What kind of products and services have you provided/provide/will provide?

Brief

description: _____

- don't know/refuse to answer;

* Business includes any self-employment or selling any goods or services to others.

8. Do you personally agree with the following statements?

a) **You know someone personally who started a business in the past 2 years**
 No Yes don't know/refuse to answer

b) **In the next six months there will be good opportunities for starting a business in the area where you live**
 No Yes don't know/refuse to answer

c) **You have the knowledge, skill and experience required to start a business**
 No Yes don't know/refuse to answer

d) **Fear of failure would prevent you from starting a business**
 No Yes don't know/refuse to answer

e) **In Norway most people would prefer that everyone had a similar standard for living**
 No Yes don't know/refuse to answer

f) **In your home country most people would prefer that everyone had a similar standard for living**
 No Yes don't know/refuse to answer

g) **In Norway most people consider starting a new business as a desirable career**
 No Yes don't know/refuse to answer

h) **In your home country most people consider starting a new business as a desirable career**
 No Yes don't know/refuse to answer

i) **In Norway those successful in starting a new business have a high level of status and respect**
 No Yes don't know/refuse to answer

j) **In your home country those successful in starting a new business have a high level of status and respect**
 No Yes don't know/refuse to answer

k) **In Norway you will often see stories in the public media about successful new businesses**
 No Yes don't know/refuse to answer

1) In your home country you will often see stories in the public media about successful new businesses

No

Yes

don't know/refuse to answer

Thank you!

Please, remember to post the questionnaire in the enclosed envelope.

Postage is pre-paid.