

## Dynamic Entrepreneurship

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# Dynamic Entrepreneurship

First and second-generation immigrant  
entrepreneurs in Dutch cities

*Katja Rušinović*

IMISCOE Dissertations

AMSTERDAM UNIVERSITY PRESS

Cover design: Studio Jan de Boer <sup>BNO</sup>, Amsterdam  
Layout: Fito Prepublishing, Almere  
Photos: Katja Rušinović

ISBN-13 978 90 5356 972 6  
ISBN-10 90 5356 972 3  
NUR 741 / 763

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For my parents



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## Acknowledgements

About ten years ago I started my career assisting my father in his shipping chartering business 'Marax' during the holidays. Although I enjoyed helping my father, I soon realized that, contrary to my grandfather, father and brother, running a business was not my sort of thing.

Yet, during the past few years, I noticed that in some senses writing a dissertation and working at the university has lots of similarities with running a business of one's own. The freedom and independence for example that comes along with being self-employed is in a certain sense comparable to working at a university.

However, unlike entrepreneurs who run a business on their own, I had the advantage of working with stimulating and inspiring colleagues. I cannot thank them all, but would like to mention some of them explicitly here. First of all, my supervisors Godfried Engbersen and Robert Kloosterman. Both have given me the freedom, trust and their continuing support and enthusiasm in writing my dissertation. I am very grateful for the opportunity I was given to start working for Godfried in 1998. I deeply admire his work, which aroused my interest for sociology and doing research. Through my other supervisor Robert Kloosterman I was inspired to my research subject. I have an enormous respect and admiration for his work. Furthermore, in the past few years I very much enjoyed his humor and overwhelming knowledge of music.

I also would like to express my thanks to the members of the *Mixed Embeddedness* project, with whom I worked together over the past few years. I consider it as a privilege to be part of this research team. I am especially thankful for the pleasant contact and cooperation with Joanne van der Leun. After she left the Erasmus University Rotterdam and started working at Leiden University, we kept in close contact. I appreciate her very much as a colleague and as a dear friend. The fact that working with colleagues is often characterized by ties of friendship, counts for Afke Weltevrede and Nadine Vlotman as well, who supported me during the past years in different ways.

Apart from those already mentioned, several colleagues took time to read and critically evaluate my chapters. I thank especially Sjaak Bras-

ter for his assistance with the analyses in Chapter 6 and the LOBOCOP group for their suggestions and comments during several stages of writing.

At the end of my dissertation project I had the great opportunity to spend three months in New York, at the Center for Urban Research with John Mollenkopf. These three months were an unforgettable experience, both professionally and personally. During my stay in New York I had the chance to receive comments from and discuss matters with experts in my field of research. Besides John Mollenkopf, special thanks goes out to Nancy Foner, Philip Kasinitz, Dae Young Kim, Peggy Levitt, Ivan Light, Pyong Gap Min, Rubén Rumbaut, Roger Waldinger, and the Globalization Workshop at the University of Chicago, for their time, suggestions and comments.

My research project would not have been possible without the respondents. I would like to thank all of them for their time and openness. Their stories and enthusiasm about their businesses made my fieldwork a very pleasant experience.

Finally, the support of family members and friends is not only crucial in running a business, but also in finishing a dissertation. I want to thank three people in specific. First are my parents, for their ongoing support and trust in me. I am very glad to be able to dedicate this dissertation to both of them. The third is *moj lipi*. Many entrepreneurs are not able to run their business without their spouse, his moral support was crucial in finishing this book.

# 1 Immigrants & self-employment

## 1.1 Introduction

Jun migrated from China to the Netherlands in 1978. Upon arrival, he started to work in a Chinese restaurant as a cook. Six years later, his wife and three sons migrated to the Netherlands as well. In the meantime Jun started a Chinese take-out in a small town close to Rotterdam. Although it was hard work as Jun put in long hours every day, he managed to survive with the help from his wife and sons. One of his sons is Atom (I15DH). Atom was nine years old when he migrated with his mother and brothers to the Netherlands in 1984. After finishing secondary education, Atom started his studies to become an engineer. During his studies, Atom not only assisted his father frequently in his business but also established the first Chinese students' union at his school. Furthermore, Atom developed a business plan – together with his younger brother – to start their own business. At that moment his younger brother, who was born in the Netherlands, was just beginning his studies at the Technical University. Both Atom and his brother had the desire to become self-employed, mainly because of the independence that comes with running a business at one's own risk. However, they did not want to 'work hard for nothing' as their parents had done for so many years. At first they thought of the possibilities to professionalize their parents' business. Yet, their parents did not want to change their business, as they were afraid losing their customers. At that time, in 1999, both the Internet business as well as the telecom business were booming. As Atom's brother was able to make his own websites, they set up a business plan to become a dealer for one of the cellphone network providers. They invited several representatives of different network providers for a presentation of their business plan, in a rented room at the Technical University. As one of the representatives was interested in doing business with Atom

and his brother, they were able to start their business in 1999. To start the business they borrowed 750 euro from their parents. At first they only sold cellphones through the Internet and delivered the phones to their costumers themselves. Their low distribution costs were their main competitive advantage. In 2000, as business was going well, they decided to extend their business activities and to open their first telecom shop in Chinatown, The Hague. It was a well-considered decision to open their business in Chinatown, as most of their costumers were Chinese. Within the first three months, as business was still expanding, not only Atom's older and another younger brother became involved in the business, they hired their first employees too. Also, as the business of their sons was going very well, Jun and his wife sold their take-out. Atom assisted his parents, however, with the start of another business; in 2003 his parents opened a shop specialized in Chinese antiques. Jun and his wife import the antiques directly from China. Although Atom could not assist his parents with doing business in China – as he does not speak Mandarin well enough – he could, however, help his parents with the regulations in the Netherlands concerning the import of goods.

Atom's telecom business is still growing, and by now he and his brothers run ten establishments throughout the Netherlands and have more than fifty – mainly Chinese – employees. Their next step will be to set up a franchise formula in order to further expand their business. Neither Atom nor his brother finished their studies, as they spend all their time on their business.

The above case is illustrative of two important changes in immigrant entrepreneurship in the Netherlands. First, the case illustrates the fact that many immigrant entrepreneurs set up businesses in other than traditional markets, such as the retail business or the hotel and catering industry (Van den Tillaart 2001; EIM 2004; Dagevos and Gesthuizen 2005). Second, the case points to another development, which is the growing number of second-generation immigrants who decide to become an entrepreneur (*ibid.*).

The existing literature on immigrant entrepreneurship, however, still mainly focuses on first-generation immigrant entrepreneurs who are active in the traditional low-skilled and labor-intensive activities.<sup>1</sup> As a result, the overall picture of immigrant self-employment is that immigrants start in traditional, easily accessible sectors, and it often involves vacancy-chain related activities, which means that native entrepreneurs, as well as the more established immigrant groups, leave existing and not very promising nor very profitable markets and are replaced by

newcomers from abroad (Bonacich 1973; Waldinger 1986, 1996; Rath 2000a). Further, entrepreneurs are able to survive in these often highly competitive and partly saturated markets because they can rely on informal economic activities, such as low-paid and unpaid family labor (Kehla, Engbersen and Snel 1997).

It is, however, to be questioned whether this one-sided and slightly pessimistic view of immigrant entrepreneurship applies to second-generation immigrants – born and/or raised in the receiving country – as well. It is likely that these second-generation immigrants, who are often better educated and integrated than the first generation, are not confined to low-threshold markets to the same degree as their parents were (*cf.* Özcan and Seifert 2000).

Yet, in both international as well as Dutch literature on immigrant entrepreneurship, studies on second-generation immigrants who are self-employed remain limited.<sup>2</sup> This can be partially explained by the fact that many second-generation immigrants are rather young and still go to school (CBS 2002: 96).

At the same time, in the international literature on the integration of immigrants, there is a growing interest in the position of the second generation in society (see among others, Portes 1997; Waldinger and Perlmann 1999; Dagevos 2001; Rumbaut and Portes 2001; Kasinitz, Mollenkopf and Waters 2004). Although these studies focus on the labor-market position of the second generation, self-employment as an alternative to wage-labor is often neglected.

To fill this gap in the literature, this study looks at first *and* second-generation immigrants who are self-employed. In studying the entrepreneurs, the international literature on immigrant entrepreneurship as well as the more recent literature on the incorporation of immigrants in society is used as a point of departure. More specifically, I try to build a bridge between these two fields of research by examining what processes of incorporation imply for immigrant entrepreneurship and the existing theories regarding it.

In the next section, I will start with a general description of immigrants in the Netherlands. This section is followed by a description of the development of immigrant entrepreneurship among first and second-generation immigrants in the Netherlands (see section 1.3). In section 1.4, I present the theoretical framework of the research project. This theoretical framework consists of theoretical notions concerning immigrant entrepreneurship as well as theories regarding the integration of immigrants in society. The research questions and assumptions as well as the structure of the book bring this chapter to a close (see section 1.5).



*Translated, the words on the awning of this greengrocer's shop say 'barbershop Alim'.*



*The changing character of immigrant entrepreneurship in the Netherlands: a business park in Utrecht where a Moroccan second-generation immigrant runs his advertising agency.*

## 1.2 Immigrants in the Netherlands

After the Second World War the Netherlands became a country of emigration. Between 1946 and 1969, nearly half a million Dutch citizens left the Netherlands (Engbersen, Van der Leun and Boom 2007: 7). Among other countries the Dutch emigrated to the United States, Australia, Canada, New Zealand and, to a lesser extent, Brazil and South Africa.

At the same time, however, there was a massive influx of repatriates and Eurasians from the former Dutch East Indies after Indonesia's independence in 1949. Around 300,000 people repatriated from Indonesia to the Netherlands (Vermeulen and Penninx 2000: 5). The integration of these repatriates is often presented as an example of successful assimilation (Engbersen, *et al.* 2007: 7). This can largely be explained by the fact that in general the repatriates were well-educated – most of them had been educated in a similar school system – and were strongly orientated towards the Netherlands. Furthermore, they also had the advantage of a post-war expanding economy and labor market, as well as an active reception and settlement policy (Vermeulen and Penninx 2000; Engbersen *et al.* 2007).

Since the beginning of the 1960s, immigration exceeded emigration in the Netherlands (Vermeulen and Penninx 2000: 5).<sup>3</sup> As a result of labor shortages, in these years a new pattern of immigration developed with the arrival of guest workers from the Mediterranean. The first to come were the Italians, followed by immigrants from other Southern European countries such as Spain, Portugal, Greece and former Yugoslavia (Vermeulen and Penninx 2000). Also, in the 1960s recruitment agreements were concluded with Turkey (1963) and Morocco (1969).

Contrary to what was expected by the government, this immigration did not result in a considerable return migration (Engbersen *et al.* 2007: 8). More than that, the reverse happened; as guest workers decided to stay in the Netherlands, they started bringing their families over to the Netherlands. As a result, after 1973 the number of Turks and Moroccans in the Netherlands grew mainly due to family reunification (Vermeulen and Penninx 2000: 7).

Also, in 1975, the Dutch government declared the independence of Surinam. Consequently, in the years before the independence – between 1973 and 1975 – major flows of post-colonial immigrants from Surinam arrived in the Netherlands as well. A second major immigration flow from Surinam to the Netherlands was between 1979-1980, prior to the expiration of the transitional agreement on the settlement of mutual subjects (*ibid.*).

In the 1970s, almost half of the immigrants to the Netherlands came from just five countries, namely Turkey, Morocco, Surinam, the Nether-

lands Antilles and Indonesia. In the 1990s the percentage of these five immigrant groups steadily declined to less than 25 percent of the foreign born immigrants (Engbersen *et al.* 2007: 8). Yet, as Table 1.1 will show, immigrants from Turkey, Morocco and Surinam still remain the largest groups of non-Western immigrants in the Netherlands.

In 2005, more than three million people in the Netherlands were considered to be 'immigrant'. In Dutch statistics, a person is considered an immigrant or non-native Dutch resident either if they and at least one of their parents were born outside the Netherlands or if they themselves were born in the Netherlands out of at least one foreign-born parent (*cf.* Keij 2000; Engbersen *et al.* 2007: 8). Therefore, in accordance with the official Dutch definition, in this study the term 'immigrant' is used not only for foreign-born residents but also for their offspring born in the Netherlands.

Official Dutch statistics also draw a distinction between non-native residents from 'Western' and 'non-Western' countries. Western countries include all countries in Europe (excluding Turkey), North America, Oceania, Indonesia and Japan. 'Non-Western' countries include Turkey and countries in Africa, South America and Asia, except Indonesia and Japan. The latter two countries are grouped with the Western countries on the basis of their socio-economic and socio-cultural position (Engbersen *et al.* 2007: 9).

Almost 1.7 million of the three million immigrants are non-Western immigrants, which is more than 10 percent of the Dutch population. As can be read from Table 1.1 the three largest non-Western immigrant groups in the Netherlands are Turks, Surinamese and Moroccans (see Ours and Veenman 2004: 476; Garssen and Zorlu 2005: 14).

Since 1972, the number of non-Western immigrants in the Netherlands has multiplied by ten; the non-Western population increased with 1.5 million between 1972 and 2005, whereas in the same period the total Dutch population increased by three million. This points to the fact that in the past three decades non-Western immigrants were responsible for half of the population growth in the Netherlands (Garssen and Zorlu 2005: 14).

The increase of non-Western immigrants is partially caused by the growing share of second-generation immigrants. In 2004, four out of ten non-Western immigrants were second-generation immigrants, which is an increase of two-thirds compared to 1996. Since 1996, the sharpest rise in absolute number of second-generation immigrants was among Moroccans – 63,000 – and among Turks, with 59,000 second-generation immigrants (Garssen and Zorlu 2005: 18).

With the increasing number of first and second-generation non-Western immigrants in Dutch society, the position and integration of immigrants in society was given much attention. In general, two dimen-



**Table 1.1** *Demographic developments Dutch population, 1996-2005*

	1996	2000	2005
<b>Total population</b>	15,493,889	15,863,950	16,305,526
Native	12,995,174	13,088,648	13,182,809
Immigrants (absolute numbers)	2,498,715	2,775,302	3,122,717
Immigrants (percentage)	16.1	17.5	19.2
<b>Total first-generation immigrants</b>	1,284,106	1,431,122	1,606,664
Western immigrants	522,554	544,890	582,278
Non-Western immigrants, including:	761,552	886,232	1,024,386
Moroccans	140,572	152,540	168,400
Antilleans	55,808	69,266	82,321
Surinamese	179,266	183,249	188,367
Turks	167,248	177,754	195,678
Other non-Western immigrants	218,658	303,423	389,620
<b>Total second-generation immigrants*</b>	1,214,609	1,344,180	1,516,053
Western immigrants	805,048	821,645	841,397
Non-Western immigrants, including:	409,561	522,535	674,656
Moroccans	84,516	109,681	147,421
Antilleans	31,016	37,931	48,217
Surinamese	101,349	119,265	141,063
Turks	104,266	131,136	163,168
Other non-Western immigrants	88,414	124,522	174,787

\* Second generation immigrants were born in the Netherlands, but at least one of their parents was born elsewhere.

Source: Based on CBS/Statline Bevolking Kerncijfers 2005

sions of integration can be distinguished, namely the socio-cultural and the structural dimension of integration (see among others Vermeulen and Penninx 1994, 2000).

Although several definitions have been formulated for 'socio-cultural integration', the common feature among them is that interpersonal relations with native Dutch persons are seen as the 'social' dimension of socio-cultural integration (Dagevos, Gijsberts and Van Praag 2003: 317; Veenman 1995; Vermeulen and Penninx 2000; Dagevos 2001).<sup>4</sup> To illustrate, in the following Table 1.2 the percentages are given of immigrants who state they spend most of their free time with people who have the same ethnic background. As can be read from Table 1.2 the percentages among all ethnic groups decreased sharply among the second generation.

Furthermore, cultural, behavioral and attitudinal changes among immigrants and their orientation towards the receiving society are often defined as the 'cultural' component of socio-cultural integration.

There is considerable variation among immigrant groups with regard to the socio-cultural level of integration (Dagevos, Gijsberts and Van Praag 2003: 348). While many immigrant groups have progressed

**Table 1.2** *Share of immigrants spending most free time with people who have the same 'ethnic' background (in percentages)*

<i>Immigrant groups</i>	<i>First generation</i>	<i>Second generation</i>
Turks	70	53
Moroccans	56	34
Surinamese	38	29
Antilleans	41	11

Source: Based on ISEO/SCP (SPVA '03); Beekhoven and Dagevos 2005, appendix: 4

in the past decades, others lag behind and/or have experienced stagnation. However, if a comparison is made between the first and second generation within the different immigrant groups the dominant trend is a greater degree of socio-cultural integration among second-generation immigrants (*ibid*). Members of the second generation have more contacts with native Dutch persons; have a better command of the Dutch language and more modern opinions in comparison to the first generation (*ibid*). Exceptions, however, are identification with their own immigrant group and the meaning of religion among second generation Turkish and Moroccan immigrants. In these two aspects the second generation hardly differ from the first generation (*ibid*).

In the past few years, as a result of several international and national incidents such as 9/11 and the murders of Pim Fortuyn and Theo van Gogh, discussions on the integration of immigrants have tended to be focused mainly on the socio-cultural dimension of integration (Beekhoven and Dagevos 2005: 81). However, in the 1990s and until the millennium, the emphasis in the Dutch migration and integration policy was not so much on the socio-cultural integration of immigrants but on the structural dimension of integration instead (Engbersen *et al.* 2007). Structural integration refers to the participation of immigrants in core institutions of society, such as their level of education and position in the labor market (Dagevos 2001: 1). In general, the level of education of immigrants<sup>5</sup> still lags behind native Dutch. In 2003, more than 25 percent of the native Dutch had finished a higher vocational or university education, whereas among immigrants this is 16 percent. Also, among native Dutch 10 percent finished only primary school whereas among immigrants this is more than 25 percent (Zorlu and Traag 2005: 44).

Yet, the level of education differs considerably between first and second-generation immigrants (*ibid.*: 52). Among first-generation immigrants the level of education is considerably lower compared to native Dutch – especially among immigrants who arrived in the Netherlands before the 1980s – whereas the level of education of second-generation immigrants does not differ significantly from native Dutch (Zorlu and

Traag 2005: 52)<sup>6</sup>. It seems, therefore, as though the second generation has to a large extent caught up the educational deprivation of their parents (*ibid.*).

With regard to the position of immigrants in the labor market, it became evident that in 2004, after years of economic recession, the labor market participation among immigrants has decreased to 48 percent (*ibid.*).<sup>7</sup> In 2001 – when the labor market participation of immigrants was most favorable – 50 percent<sup>8</sup> of the immigrants had a paid job, compared to less than 40 percent in the mid-1990s. However, although in 2004 the labor market participation was still more favorable than in the mid 1990s, participation rates of immigrants lagged behind native Dutch with 20 percent.

The decrease in labor market participation can be partially explained by the period of economic recession after 2001 (Dagevos and Bierings 2005: 86), which affected the labor market participation and unemployment rates among immigrants. In the booming 1990s unemployment rates among immigrants diminished considerably (*ibid.*); they decreased even more rapidly among immigrants than among native Dutch (*ibid.*). However, after 2001 the Dutch economy went into a recession and the reverse happened, namely, unemployment rates among immigrants increased more rapidly compared to unemployment rates among native Dutch, partially due to the last-in, first-out principle (*ibid.*). In 2004, the 16 percent unemployment rate among immigrants was three times higher compared to native Dutch (*ibid.*). Yet, in general, second-generation immigrants have a better position in the labor market than the first generation, as they are better educated.<sup>9</sup>

As the following section will show, besides immigrants who have a paid job in the regular labor market, there are increasing numbers of first and second-generation immigrants choosing to become self-employed (EIM 2004; Bijl *et al.* 2005: 36; Dagevos and Gesthuizen 2005).

### 1.3 Immigrant entrepreneurship in the Netherlands

When I stroll down the streets in the neighborhood where I used to live and run my business, I cannot find a native Dutch entrepreneur anymore. All the shops are taken over by immigrants.

The above quotation comes from an interview with a native Dutch entrepreneur in Rotterdam. It illustrates the change in the appearance of certain neighborhoods in the largest Dutch cities. In the past native Dutch entrepreneurs dominated these streets. However, since the late 1980s the number of immigrant entrepreneurs has risen sharply. In 1989 there were about 12,000 non-Western immigrant entrepreneurs



A shopping street in Rotterdam.

in the Netherlands (EIM 2004: 14)<sup>10</sup>. This number more than trebled to 44,700 non-Western immigrant entrepreneurs in 2002 (*ibid.*).<sup>11</sup> By now, the percentage of non-Western immigrant entrepreneurs is between 15 and 20 percent in the three largest cities of the Netherlands, Amsterdam, The Hague and Rotterdam (EIM 2004: 31).

Between 1999 and 2002 the total number of entrepreneurs in the Netherlands increased from 925,800 to 967,500 (see Table 1.3). Within this period, the highest increase was among non-Western immigrants, compared to native and Western entrepreneurs (EIM 2004: 13). The number of non-Western entrepreneurs increased from 34,000 in 1999 to 44,700 in 2002, which is an increase of 3.1 percent. Among Western immigrants the number of entrepreneurs increased from 72,600 to 77,300 (0.6 percent) and among native Dutch the number of entrepreneurs increased with 0.3 percent (EIM 2004: 13-14).

**Table 1.3** Development numbers of entrepreneurs in the Netherlands, 1999-2002

Year	Native entrepreneurs	Non-Western immigrant entrepreneurs	Western immigrant entrepreneurs	Total
1999	819,200	34,000	72,600	925,800
2000	835,100	36,700	74,800	946,600
2001	853,400	41,700	77,800	972,900
2002	845,600	44,700	77,300	967,500

Source: EIM 2004: 14

Among non-Western immigrant entrepreneurs there is an increasing group of second-generation immigrants. Out of the 44,700 non-Western immigrant entrepreneurs in 2002, more than 5,000 were born in the Netherlands but one of their parents stems from a non-Western country (EIM 2004).<sup>12</sup> As stated by Van den Tillaart (2001) the number would increase with at least 3,000 if those immigrants who were not born in the Netherlands but arrived before the age of six would be defined as the second generation as well.<sup>13</sup>

However, among both first and second generation non-Western immigrants the 'self-employment rate', which means the number of entrepreneurs as percentage of the labor force, lags behind both Western immigrants as well as native Dutch (EIM 2004: 15). Among native Dutch 9.2 percent of the labor force population chooses to become an entrepreneur, whereas among non-Western immigrants this percentage is 4.1 percent (see Table 1.4). Nevertheless, between 1999 and 2003 the self-employment rate increased more rapidly among non-Western immigrants than among native Dutch and Western immigrants (see EIM 2004: 15; Ministerie van Economische Zaken 2005: 8).

**Table 1.4** *Development self-employment rate among native Dutch, Western and non-Western immigrants, 1999-2003*

	1999	2003
Native Dutch entrepreneurs	8,9	9,2
Western immigrant entrepreneurs	7,1	7,2
Non-Western immigrant entrepreneurs, including:	3,6	4,1
– First-generation immigrants	3,9	4,5
– Second-generation immigrants	2,5	2,8
Total	8,3	8,5

Source: Based on Bijl *et al.* 2005: 40

Also, as can be read from Table 1.4, the self-employment rate among second-generation immigrants falls behind first generation and native Dutch entrepreneurs. However, it is to be expected that the self-employment rate among second-generation immigrants will increase in the following years as the number of second-generation immigrants who attain the age at which becoming an entrepreneur is a realistic option is quickly increasing (Van den Tillaart 2001: 26).

In 2002, 71 percent of the non-Western immigrants originate from Turkey, Morocco, Surinam, China/Hong Kong, and the Netherlands Antilles/Aruba (EIM 2004: 14). In absolute numbers the largest group of immigrant entrepreneurs, among both the first as well as the second generation, originate from Turkey and Surinam (see Table 1.5). However, in the period 1999-2002 the sharpest rise was among Moroccan entrepreneurs, namely 50 percent.<sup>14</sup>

**Table 1.5** *Number of entrepreneurs (x 1,000)\*, 1999-2002*

Year	Turkey	Morocco	Netherlands Antilles/ Aruba	Surinam	China/ Hong Kong
1999	7.9	2.8	1.5	6.4	5.3
2000	8.6	3.1	1.8	6.9	5.7
2001	10.1	3.8	1.9	7.4	6.2
2002	11.1	4.2	2.1	8.0	6.2

\* This table includes both first and second-generation immigrants

Source: EIM 2004: 15

From Table 1.6 below, can one read that there are considerable differences in the self-employment rates among the different ethnic groups. First-generation Chinese immigrants are most active as entrepreneurs in comparison to the other ethnic groups that are included in Table 1.6. Also, Chinese immigrants choose to become an entrepreneur almost twice as often as native Dutch (see Table 1.6; Bijl *et al.* 2005: 36). On the other hand, the relative growth of the self-employment rate is higher among Turkish than among Chinese immigrants (EIM 2004: 15).

**Table 1.6** *Self-employment rates among non-Western immigrants, 1999-2003*

	1999	2003
<b>Turks</b>	3.9	5.1
First generation	4.4	5.7
Second generation	2.0	3.0
<b>Moroccans</b>	1.7	2.3
First generation	1.8	2.5
Second generation	0.9	1.4
<b>Surinamese</b>	3.0	3.4
First generation	3.1	3.6
Second generation	2.6	2.7
<b>Antilleans</b>	2.1	2.3
First generation	1.8	2.0
Second generation	3.3	3.7
<b>Chinese</b>	16.9	15.7
First generation	18.9	17.2
Second generation	6.9	7.2

Source: Based on Bijl *et al.* 2005: 40

With regard to the sectors in which immigrant entrepreneurs set up their businesses, it appears that in the past decade immigrants more often set up businesses in other than traditional sectors (EIM 2004: 19). Although the hotel and catering industry is still most popular among the first generation, the percentage has declined considerably.

To illustrate, in 1989 more than 40 percent of the immigrant entrepreneurs in the Netherlands chose a business in the catering industry (Van den Tillaart 2001). In 1999, this percentage has decreased to 35 percent and in 2002 less than one-third of the first generation is active in the hotel and catering industry (see Table 1.7). Instead, the first generation chooses more often to become active in other sectors, among them the business-to-business sector or producer services (see Van den Tillaart 2001). Businesses in the business or producer services provide non-tangible goods to other businesses (see VSO 2005). According to Esping-Andersen (1999: 105) this sector includes 'finance, insurance, real estate and business-related professional services, such as accounting, consulting, marketing, engineering, or design, most of which employ a high quotient of technical, professional and managerial jobs'.

As can be read from Table 1.7, the second generation is predominantly represented in the business-to-business or producer services sector; in 2002, one-quarter of the second generation start a business in this sector. As a result, the sectoral distribution of the second generation has become more similar to the native Dutch entrepreneurs than the first generation (Van den Tillaart 2001: 3).

**Table 1.7** *Sectoral distribution among first and second-generation, 1999-2002 (in percentages)*

Sector	First generation		Second generation	
	1999	2002	1999	2002
Agriculture/fishing	2	2	3	2
Minerals/Industry/Energy	5	4	3	4
Building industry	3	5	6	7
Trade and reparation business	26	25	22	21
Hotel and catering industry	35	31	14	12
Transportation, storage and communication	3	5	6	7
Financial institutions	1	1	3	2
Producer services/ business to business	12	15	22	25
Public administration/ education	3	3	3	2
Healthcare and public welfare	3	3	6	5
Other services	7	8	14	14
Total	100	100	100	100

Source: EIM 2004: 19

Differences between ethnic groups are not included in Table 1.7. It appears, however, that Surinamese and Antillean entrepreneurs are more often active in the producer services than other ethnic groups. Yet, among Turkish entrepreneurs there is a more than average increase of entrepreneurs in the producer services (Dagevos and Gesthuizen 2005:

27). Among Chinese immigrants the hotel and catering industry is most popular (Van der Velden 2006: 20).

According to Waldinger (1986: 41-45) differences between immigrant groups in self-employment rates and choice of sector can be explained by differences in *premigration*, *migration* and *postmigration* characteristics. Premigration characteristics are skills that immigrants possess before they migrate and can be used for setting up a business in the receiving society. To illustrate, Surinamese immigrants were highly educated and primarily orientated towards 'white collar' office jobs, compared to other immigrant groups (Dagevos 1998: 28). This might explain why Surinamese immigrant entrepreneurs are very well represented in the producer services. Circumstances of migration relate to the motivation of immigrants to migrate. Among certain immigrant groups, for example the Italians, people migrated to the Netherlands to set up their own business. Finally, as stated by Waldinger (1986: 41-45), differences between immigrant groups concerning postmigration characteristics, such as differences in the labor market position, provide an explanation for differences in the self-employment rates as well.

#### 1.4 Theories on immigrant entrepreneurship and incorporation trajectories

The previous section gave a first impression of the quantitative development of immigrant entrepreneurs among both the first and the second generation. Yet relatively little is known about second-generation immigrant entrepreneurs in specific, other than what is contained in these quantitative data. Therefore, this study tries to fill this gap in the literature by focusing on both first and second-generation immigrant entrepreneurs. Before I continue on the research questions, I first present the theoretical framework on which this study is based. As stated before, the second generation is often missing in literature on immigrant entrepreneurship, whereas in theories on the incorporation trajectories of immigrants in society, self-employment is often neglected. Therefore, in this study I try to build a bridge between these two fields of research. I will start with an elaboration on the literature concerning immigrant entrepreneurship.

##### *Immigrant entrepreneurship and mixed embeddedness*

Together with the rise of the number of immigrant entrepreneurs in the Netherlands, the number of studies on immigrant entrepreneurs increased as well (e.g. Bovenkerk, Eijken and Bovenkerk-Teerink 1983;



Boissevain, Choenni and Grotenberg 1984; Bakker and Tap 1985; Ver-aart 1987; Choenni 1997; Rijkschroeff 1998; Raes 2000). For a long time, however, these studies – which were mainly conducted by social scientists – tended to focus on the ethno-cultural characteristics of the entrepreneurs (Rath and Kloosterman 2000: 1). According to Rath and Kloosterman (*ibid.*), ‘in doing so, they reduced immigrant entrepreneurship to an ethno-cultural phenomenon existing within an economic and institutional vacuum’.

More recently researchers have started to pay more attention to the structural economic and/or social embeddedness of immigrant entrepreneurs as well (Rath and Kloosterman 2000: 8). As stated by Rath and Kloosterman (*ibid.*), this development can be explained by the influence of broader views on immigration and socio-economic developments in research, undertaken by for example Sassen (1991) and Wal-dinger (1996), as well as on the importance of the politico-institutional context (Esping-Andersen 1990, 1999). As a result, it seems as though research on immigrant entrepreneurship has become more influenced by – and part of – the economic sociology literature (see for example Kloosterman, Van der Leun and Rath 1999; Barrett, Jones, McEvoy and Goldrick 2002).

The concept ‘economic sociology’ can simply be defined as the sociological perspective, applied to economic phenomena (Smelser and Swedberg 2005: 1). According to Swedberg (2003: 5) the expression ‘economic sociology’ is thought to have been coined in 1879, when it appeared in a work by the British economist Jevons (1879, 1965: xvii), and after that was taken over by sociologists (see for example *The Division of Labor in Society* by Durkheim 1893; or *Economy and Society* by Weber 1922).

The main focus during the first years of economic sociology was on the role of economy in society and how the sociological analysis of the economy differed from that of economists (Swedberg 2003: 6). Economic sociology opposed the traditional rational-choice, utility-driven economic models. Whereas the analytic starting point of economics is the rational fully-informed individual, the starting point of economic sociology is typically groups, institutions and society (Smelser and Swedberg 2005: 4). However, although economic sociology had a promising start, it more or less died out in the 1970s (Swedberg 2003: 32). Yet, in the 1980s there was an important turning point, and nowadays economic sociology is seen as one of the fastest growing research areas in contemporary sociology (Heilbron 2006: 74).

A theoretical essay by Mark Granovetter in 1985 – *Economic Action and Social Structure: The Problem of Embeddedness* – is considered to be of crucial importance for the renewed interest in economic sociology (Swedberg 2003: 32). Granovetter (1985) spoke of the ‘new economic

sociology' in contrast to the 'old economic sociology', which he associated with the industrial sociology, and had died out. Further, in this essay Granovetter reintroduced the concept of 'embeddedness', which continues to remain a central concept in the new economic sociology (Swedberg 2003: 35).

The 'embeddedness' concept is associated with the Hungarian anthropologist Karl Polanyi (Smelser and Swedberg 2005: 13). In his study *The Great Transformation* Polanyi ([1944] 1957) criticizes the general idea that the economy can be seen apart from social relations. According to Polanyi, economic transactions are embedded in social and kinship relations, in terms of motives, nature of mechanisms, and resources:

The outstanding discovery of recent historical and anthropological research is that man's economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, and his social assets. He values material goods only in so far as they serve this end (Polanyi 1957: 46).

Polanyi (*ibid.*) claims that as the economy is submerged in social relationships, the economic system will be run on non-economic motives. In his essay on *The Problem of Embeddedness* Mark Granovetter (1985) was one of the first who built and elaborated on the concept of embeddedness as a response to 'one of the classic questions of social theory', namely 'how behavior and institutions are affected by social relations' (*ibid.*: 481). By reintroducing the concept of embeddedness, Granovetter (1985) offers resistance to two dominant traditions which describe and explain human behavior. The first tradition is what Granovetter calls the 'undersocialized conception of man'. This utilitarian tradition (Parsons 1937), dominated by neoclassical economics, assumes rational, self-interested behavior affected minimally by social relations. Individuals are seen as independent actors who achieve their goal by rational choices and are out to make maximum profit. On the other hand, there is the 'oversocialized conception of man' (see Wrong 1961), dominated by sociologists, which is a conception of people so overwhelmingly sensitive to the opinions of others that they automatically act in obedience to agreed-upon norms and values of the society into which they were socialized (see Granovetter 1990). In this tradition, human behavior is almost completely determined by influences from the surroundings.

In the opinion of Granovetter (1990: 97) the theoretical irony of both the under- as well as the oversocialized conception of man is that

they both assume that actors are not influenced by existing social relations, that they are in fact 'atomized'. As argued by Granovetter (*ibid.*), in the undersocialized account 'atomization results from the narrow pursuit of self-interest', whereas in the oversocialized idea 'atomization results because behavioral patterns are treated as having been internalized and thus unaffected by social relations'. In fact, in both the under- as well as the oversocialized conception the actor as such is ignored. Therefore, as claimed by Granovetter (1985; 1990), in analyzing human action one must avoid the theoretical extremes of the under- and oversocialized conceptions. 'Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them (Granovetter 1985: 487).' To denote the relationship between economic transactions and the social context, Granovetter (1985) brings back the actor by reintroducing the concept of 'embeddedness' and by arguing that economic actions are embedded in concrete, ongoing systems of social relations. With embeddedness Granovetter (1990: 98) means that 'economic action, outcomes, and institutions are affected by actors, personal relations and by the structure of the overall network of relations'.

As noted by Swedberg (2003: 36-37), Granovetter's embeddedness argument has been much discussed and sometimes criticized. Several critics indicated that Granovetter omits quite a bit in his analysis regarding economic action, including culture, politics and a link to the macro level (see *e.g.* Zukin and DiMaggio 1990; Krippner 2001). According to Kloosterman and Rath (2000: 5) the broader politico-institutional context is largely neglected by Granovetter. As claimed by Kloosterman and Rath (*ibid.*) the broader politico-institutional context is quintessential when one wants to engage in cross-border comparisons with different opportunity structures. Therefore, in addition to the embeddedness concept Kloosterman, Van der Leun and Rath (1999) introduced the concept of 'mixed embeddedness'.<sup>15</sup> By introducing this concept Kloosterman *et al.* (*ibid.*) argue that immigrant entrepreneurship should be studied within the wider social, economic and politico-institutional context. It is, for example, insufficient to exclusively look for socio-economic or cultural explanations for the rate of participation in entrepreneurship of a particular group of immigrants. This participation rate depends namely on the intricate interplay between socio-economic and cultural characteristics of the group in question, the supply side, *and* the demand side, or opportunity structure. This opportunity structure determines when, where and to which extent openings for businesses will occur (Kloosterman and Van der Leun 1998; *cf.* Thornton 1999). According to Kloosterman (2001: 4) the opportunity structure is influenced by the economic context, as opportunities for immigrants who want to start a business may arise through structural

changes in the economy. For example, processes such as outsourcing by consumers and firms, as well as a shift in the direction of more flexible ways of production, created more openings for small businesses in the Netherlands, as well as in other countries (Kloosterman 2003a). These changes in the economic context can be categorized under the general heading of the emergence of postfordist or postindustrial societies (Harvey 1989; Scott 1998; Esping-Andersen 1999).

Also, national institutions, laws, rules and regulations enable or hamper businesses coming into existence (Kloosterman and Rath 2001). To illustrate, since the 1980s successive Dutch governments have promoted self-employment in general and that of immigrants in particular, in order to reduce high unemployment rates among immigrants in specific, mainly caused by the loss of industrial employment (Kloosterman 2003a: 168). To stimulate self-employment 'deregulation' became the keyword in the Netherlands, as well as in other countries. As a result, a number of rules and regulations with regard to starting and setting up a business were abolished in the Netherlands. This 'deregulation policy' increased the possibilities of entering markets for new businesses considerably (OECD 1992, 2000). Further, between 1995 and 2000, about 80 programs and policies were specially directed at small and medium enterprises and about 100 more general policies were aimed at improving the general business climate in the Netherlands (Tweede Kamer der Staten Generaal 2001: 34; Kloosterman 2003a: 174). The 'politico-institutional context' determines, therefore, the opportunity structure for businesses in a country as well.

As stated by Light (2005: 661) the concept of mixed embeddedness offers an important theoretical corrective to the interactionist theory (see Waldinger, Aldrich and Ward 1990). From an interactionist perspective immigrant businesses depend upon the match between what groups can supply and locals demand (Razin and Langlois 1996: 705). As stated by Light (2005: 661), by bringing the state into the process the concept of mixed embeddedness is an important correction of the interactionist theory, without demolishing interactionism as such.

Yet, in addition, Light (*ibid.*) points to the fact that entrepreneurs not only operate in a local or national, but in a global context as well. One could therefore also speak of a 'global opportunity structure with a local institutional framework', as stated by Light (*ibid.*). This is line with the work of Portes, Haller and Guarnizo (2002) who claim that because of globalization, what were formerly local ethnic economies are increasingly integrated into global production and distribution chains. As a consequence of the interdependence of economies, 'globalization increases the advantageousness of the biculturalism and bilingualism that immigrant entrepreneurs typically enjoy' as stated by Light (2005: 661). Therefore, the presence of these 'transnational entrepreneurs'

who actively look for opportunities and market niches beyond the national boundaries of the receiving countries has given rise to new structures and forces that determine immigrant entrepreneurs (Zhou 2004). Hence, research on immigrant entrepreneurs should no longer remain limited to the national borders but must move beyond the borders of the host country (see also Levitt and Glick Schiller 2004; Maz-zucato 2004).

### *Incorporation and (segmented) assimilation*

Although literature on the incorporation of second-generation immigrants in Dutch society is gradually increasing (see for example Veenman 1996; Dagevos 2001; Crul and Doornik 2003; Ours and Veenman 2004), the theme has been of importance in American sociological literature on immigration for decades. In the American literature on the incorporation of immigrants, the 'assimilation perspective' dominated sociological thinking on the subject for the larger part of the last century (Zhou 1997: 976).

In 1921, Park and Burgess gave an early definition of the assimilation concept. In their book *Introduction to the Science of Sociology* they define assimilation as follows:

Assimilation is a process of interpenetration and fusion in which persons and groups acquire the memories, sentiments, and attitudes of other persons and groups and by sharing their experience and history, are incorporated with them in common cultural life ([1921] 1969: 735).

Assimilation, as defined by Park and Burgess (*ibid.*: 736), is a result of a common experience and a common tradition. Contacts, and especially social contacts, are decisive in the assimilation process. 'Assimilation naturally takes place most rapidly where contacts are primary, that is, where they are the most intimate and intense' (*ibid.*). It is crucial to have a common language for these intimate contacts to take place, as claimed by Park and Burgess (*ibid.*).

After Park and Burgess (1921), the number of definitions for assimilation – mainly created by anthropologists and sociologists and all slightly different – increased rapidly (Alba and Nee 2003: 23). Yet, relatively little was achieved in the way of developing clear and consistent operational concepts that could be used to measure the extent of assimilation of individuals and groups (*ibid.*).

This problem was solved, however, with the publication of Milton Gordon's *Assimilation in American life* (1964). This study provided a systematic analysis of the assimilation concept. As seen by Gordon (*ibid.*)

the process of assimilation can be divided into different stages. Gordon considered 'identificational assimilation' – that is a self-image as an unhyphenated American – as the end point of a process that begins with acculturation – or cultural assimilation – proceeds through structural assimilation – that is integration into primary groups – and intermarriage ('marital assimilation') and is accompanied by an absence of prejudice and discrimination in the 'core society'. According to Gordon (1964: 81) once structural integration has occurred, all other types of assimilation will naturally follow. The price of such assimilation, is, however, as stated by Gordon (*ibid.*) 'the disappearance of the ethnic group as a separate entity and the evaporation of its distinctive values'.

Critics of the assimilation model argue that this classical assimilationist perspective is not only ethnocentric, but based on European immigrants who came to the United States before the Second World War and who succeeded in moving steadily up the American economic and social ladders (Portes 1994, 1997). According to Portes (*ibid.*), however, this 'straight line assimilation model' is not applicable to the immigrants who came to the United States later in the 20th century and who came from outside Europe (see also Lieberman 1980: 34). As stated by Portes (1994), 'a different combination of circumstances, such as discrimination and a changing economy, led to blocked mobility for the immigrants' children'. Also, as claimed by Portes (1997: 817), 'the proliferation of transnational activities among first-generation immigrants complicates the course of adaptation to be followed by their offspring and renders its outcome uncertain'. As argued by Levitt and Dewind (2003: 571), some migrants continue to participate actively in the economic, political and religious lives of their homelands and achieve upward mobility in both contexts. Others engage in transnational practices but advance only in a single setting. Still others become involved in a set of transnational practices inhibiting their mobility in both sending- and receiving country contexts.

To call attention to these alternative models of incorporation the concept of 'segmented assimilation' was introduced (Portes and Zhou 1993). In introducing the segmented assimilation theory, Portes and Zhou (1993: 82) claim that there are at least three different paths of incorporation, in which different groups experience either traditional assimilation and upward mobility, downward mobility by unsuccessfully competing in the mainstream economy, or upward mobility by living and working in ethnically homogenous communities. Thus, one path may follow the relatively straight-line theory of assimilation into the white middle-class majority; an opposite type of adaptation may lead to downward mobility and assimilation into the inner-city underclass (see Rumbaut 1994: 753). Portes and Zhou (1993) argue that the mode of incorporation of the first generation creates opportunities and cultural

as well as social capital in the form of ethnic jobs, networks and values for the second-generation (see Waters 1994: 801).

Although the 'segmented assimilation' concept has been very influential in immigration research (DeWind and Kasinitz 1997: 1101), more recently several researchers argue that, undeserved, the classical assimilation model has been almost completely abandoned (Morawska 1994; Brubaker 2003; Alba and Nee 2003; Joppke and Morawska 2003). They argue that there is no evidence that assimilation is not occurring, if we look at the practices and adjustments of immigrants and their children (Joppke and Morawska 2003: 1). In their studies Alba and Nee (2003), for example, demonstrate that although the contemporary immigration scene displays complex and even contradictory patterns, the direction, namely towards assimilation, remains the same (see DeWind and Kasinitz 1997: 1103).

Furthermore, Dagevos (2001) conducted a study on the incorporation trajectories of immigrants in the Netherlands and, in line with the work of Portes and Zhou (1993), he distinguished four types of incorporation, which are minority formation, underclass formation, segmented assimilation and structural integration. In his study, Dagevos (2001) investigated whether these modes of incorporation are found in the Netherlands. His results are not consistent with the theory of Portes and Zhou (1993) concerning segmented assimilation. Dagevos (2001) concluded that segmented assimilation does not occur in the Netherlands. Instead, contrary to Portes and Zhou, Dagevos found support for the more traditional assimilation theories. In accordance with these theories, Dagevos (*ibid.*: 110) concluded that 'achieving a favorable socio-economic position and a certain degree of socio-cultural integration takes time and will not be accomplished within one generation'.

The researchers who advocate the assimilation theory reject the old, normative and ethnocentric conception of assimilation, but instead plead for a new and revised concept of assimilation that avoids the problems of many past definitions (*e.g.* Brubaker 2003; Alba and Nee 2003; Joppke and Morawska 2003). Alba and Nee (1997: 863; 2003: 11) for example define assimilation as the decline and, at its endpoint, the disappearance of ethnic as well as racial distinctions and the cultural and social differences that express them. As formulated, assimilation does not mean the disappearance of ethnicity, contrary to the old assimilation concept (*ibid.*). According to Alba and Nee (*ibid.*) assimilation has less to do with one group adapting to another than with the blurring of boundaries among groups (Rodriguez 2003). In their definition assimilation is not a linear but a dynamic process in which minority and majority cultures converge. Therefore, it allows for the

possibility that the nature of the mainstream is changed in the process as well (Alba and Nee 2003: 11).

In his study *The Return of Assimilation?* Brubaker (2003: 41-42) pleads for an abstract understanding of assimilation, focusing on a process of becoming similar, in some respects, to some reference population. Brubaker (*ibid.*) points out that some forms of assimilation are desirable, such as linguistic assimilation or socio-economic assimilation. The desirability of assimilation in these respects, however, does not imply its desirability in other respects. It does not, for example, mean that immigrants should lose their cultural background completely and gain a new identity. Yet, according to Brubaker (2003: 42) first and foremost assimilation is a process, which designates a direction of change but not a particular degree of similarity.

## 1.5 Research questions, assumptions and structure of book

The underlying principle of the concept of mixed embeddedness is that in order to be able to understand the growth and dynamics of self-employment, actors or entrepreneurs should be studied using a multi-level approach which encompasses the crucial interplay between the actor (micro), networks and markets (meso), and the politico-institutional (macro) context (Kloosterman, Van der Leun and Rath 1999). The main focus of this study is on the *meso level*. The meso-level includes the broader socio-economic contexts in which the entrepreneurs are embedded. It concerns the markets and social networks – local and transnational, formal and informal – in which the entrepreneurs operate.

Exploration of the macro context, such as the impact of the welfare state regime on immigrant entrepreneurship, is left out, as this study only focuses on immigrant entrepreneurs in the Netherlands and, hence, more or less in one institutional setting. However, embeddedness in the Dutch politico-institutional context may also refer to membership in organizations such as associations of shop-owners and business associations, or the access immigrant entrepreneurs have to banks and governmental or non-governmental organizations stimulating entrepreneurship (*cf.* Kloosterman, Van der Leun and Rath 1999: 259). These organizations provide professional and/or mutual assistance and may also furnish a common set of largely unwritten rules with respect to business practices. According to Kloosterman, Van der Leun and Rath (*ibid.*) access to these institutions and organizations is quite important in Dutch society with its corporatist legacy.

Therefore, in this study the formal networks in which the entrepreneurs are embedded, consisting of banks, governmental and business



and other non-governmental organizations will be examined. By examining these formal networks, it is possible to examine the politico-institutional context in which the entrepreneurs are embedded from a meso-perspective.

The research questions I will seek to answer in this study are: (1) in which way(s) does the embeddedness of first and second-generation immigrants in different types of markets and networks differ, and (2) what does this mean for business success? Furthermore, in answering these questions, a comparison is made between the first and second generation, which enables me to examine whether the second generation reproduces the networks in which the first generation is embedded, or whether the second generation is embedded in other kinds of networks.

In studying the first research question, I use the assimilation theory as point of departure. This means that I start from the assumption that the second generation is both structurally as well as socio-culturally better integrated in Dutch society than the first generation. The data as presented in section 1.2 provide evidence for this.

A second assumption is that as the second generation is better integrated in Dutch society, they are embedded in different social networks and operate in different markets than the first generation. To test this assumption, I will start in Chapter 3 by examining the markets in which the entrepreneurs operate.

The principal markets for immigrant entrepreneurs have in many cases been their own communities (Jones, Barrett and McEvoy 2000: 40). Although these 'ethnic markets' offer good opportunities for immigrants to set up their own businesses, the potential for growth seems severely restricted if immigrant businesses remain confined to these ethnic markets. The main problem of an ethnic market can be the concentration of a large number of immigrant entrepreneurs, who produce and sell similar products and services for a quantitatively small group of clients who do not provide sufficient purchasing power (see Waldinger, Aldrich and Ward 1990: 23). As a result, these market conditions have severe implications for the degree of competition and survival rates of these enterprises (see Van den Tillaart and Poutsma 1998).

However, I assume that these ethnic markets are of less importance for the second than for the first generation. As second-generation immigrants have in general more contacts with native Dutch than the first generation (see section 1.2), I expect that they will be able to have more clientele outside their own community than the first generation, and as a result move towards more mainstream markets. To examine whether this assumption is correct, the markets in which the entrepreneurs are active are analyzed in Chapter 3.

In Chapter 4 I will examine the embeddedness of the immigrant entrepreneurs in formal as well as informal local networks. It is often stated that immigrant entrepreneurs are able to set up their business by making use of family loans, and manage to survive because they can rely on low-paid or unpaid (family) labor (Kloosterman, Van der Leun and Rath 1998). The embeddedness in these informal social networks is in fact a key explanatory factor with regard to the survival and overrepresentation of certain immigrant groups in self-employment (*ibid.*). On the other hand, one of the problems of immigrant entrepreneurs is that access to relevant formal networks outside their own immigrant group is missing (see Gold 1995; Hagan, MacMillan and Wheaton 1996; Portes 1998: 14). Immigrant entrepreneurs are, for example, less capable of finding their way in the bureaucratic web in order to get a bank loan, subsidy, office space or assistance with setting up their business, than native entrepreneurs (Wolff and Rath 2000). Also, immigrant entrepreneurs become members of storekeepers' associations, trade or other professional organizations less often than native Dutch entrepreneurs. Moreover, they are hardly organized in any more formal entrepreneurial networks (EIM 2004: 66; Ministerie van Economische zaken 2005).

I assume, however, that as the second generation is better educated and integrated in the receiving society than the first generation, they have the right skills to be embedded in formal networks outside their own immigrant group (see also Bailey 1987; Portes 1987; Waldinger *et al.* 1990: 35). Furthermore, if the second generation is indeed active in different markets, this might alter the importance of informal networks as well. Whether these assumptions are correct will be examined in Chapter 4.

Chapter 4 emphasizes the embeddedness in local networks. In Chapter 5, however, the focus is on the embeddedness of immigrant entrepreneurs in transnational networks. As stated by Light (2005: 661; section 1.4), entrepreneurs are not only embedded in a local, but in a transnational context as well. Therefore, research on immigrant entrepreneurs should not remain limited to the national borders.

Based on the existing literature it remains, however, uncertain if and to what extent the second generation is transnationally active as well, as most of the transnational literature is based on the experiences of first-generation immigrants. From an assimilationist approach one might assume that transnational involvement is a temporary, first-generation phenomenon and that transnationalism will disappear with succeeding generations. Alba and Nee (2003: 276) for example claim that transnationalism is hard to sustain on a mass scale in the second and third generation. According to them (*ibid.*) children of immigrants are far more enmeshed in the receiving society than their parents and,

in most cases, lack the 'thick' connections to the places and people in the homeland that are necessary for transnationalism to be viable. According to the 'transnationalists', on the other hand, transnational networks and activities will be transmitted to the second generation.

As the existing literature does not give an unequivocal answer, I will examine whether and if so, to what extent, the second generation is embedded in transnational networks that are of importance for their business. In answering this question, I will also look at the differences between the first and second generation.

The second research question of this study – what do these differences mean for business success? – is of importance for a more complete understanding of the dynamics of immigrant entrepreneurship. One of the problems of entrepreneurship in general, but immigrant entrepreneurship in particular, is the high turnover rate. Next to human capital, networks have long been seen as important to business success (Field 2003: 53). Therefore, if the second generation is embedded in different kinds of markets and networks than the first generation, they might be more successful in running their business than the first generation. To test whether this assumption is correct, in Chapter 6 I examine how the differences in embeddedness in types of markets and networks cohere with business success. Also, in this final chapter the importance and implications of this study for future scientific research and discussions on both immigrant entrepreneurship as well as the incorporation of immigrants in society, are set out. For now, in Chapter 2, I start with the methodology as well as a description of the research project and population.



*This couple runs an entertainment business in Rotterdam.*



*This fashion store is run by a second generation Chinese immigrant, who runs the store in addition to the Chinese restaurant he has taken over from his parents.*

## 2 Methodology & research description

### 2.1 Introduction

The data of this study is based on empirical data collected for the *Mixed Embeddedness* project<sup>1</sup> and for my own dissertation project. The aim of the large-scale and multi-disciplinary *Mixed Embeddedness* project was to provide insight into the interrelationship between immigrant self-employment and the multicultural city. In total 200 entrepreneurs were interviewed for this research project.

The aim of my dissertation project was to offer a systematic view of second-generation immigrants who are self-employed. Therefore, in addition to the *Mixed Embeddedness* project, which entailed interviewing immigrant entrepreneurs, I interviewed 52 second-generation immigrant entrepreneurs. I conducted the fieldwork for the *Mixed Embeddedness* project in collaboration with other researchers, whereas for my dissertation project I conducted the fieldwork myself. In order to be able to combine the two datasets, I used the same questionnaire for my dissertation project. In total, the research population of this study consists of 252 immigrant entrepreneurs, among them 115 second-generation immigrant entrepreneurs.

In this chapter, a methodological account of the research project(s) is given. In the following section I explain which methodological choices were made before the fieldwork started and why they were made. In section 2.3 the focus is on the fieldwork and the strategies that were used to find the respondents. The research method, including the questions of the reliability and validity of the data, is described in section 2.4. I conclude this chapter with a brief description of the entrepreneurs and their businesses (see section 2.5).

### 2.2 Setting the scene

Before the fieldwork started, several choices were made with regard to defining the research population, the sectors and research locations. In this section I will elaborate on these choices.

### *Defining the research population*

The central concepts in this study are 'first' and 'second-generation immigrants' and 'immigrant entrepreneurs'. In studies on immigrant entrepreneurs the terms 'ethnic' or 'immigrant' entrepreneurs are often used interchangeably. The term 'ethnic entrepreneurs', however, suggests that the ethnicity of the entrepreneur determines the way the entrepreneur operates (Rath en Kloosterman 1998: 13). Therefore, in this study I make use of the more neutral term 'immigrant entrepreneurs'. Furthermore, in this study 'second-generation immigrants' are defined as those immigrants who were born in the Netherlands, with at least one immigrant parent, or who arrived in the receiving country before the age of twelve. This means that the second generation came to the Netherlands before adolescence and before commencing secondary school. Age twelve as a dividing marker reflects, therefore, a substantial upbringing in the Netherlands.

This is a broader definition than the one often used for the second generation in the Netherlands (see Chapter 1). It is more common to define second-generation immigrants as born in the Netherlands, with at least one immigrant parent, or who arrived in the Netherlands before the age of six. In other countries such as the United States, however, immigrants who came to the States by the age of twelve are frequently regarded as second-generation immigrants as well (see for example Portes and Rumbaut 2001: 23; Kibria 2002: 295).<sup>2</sup>

Apart from the fact that the definition is in accordance with relevant international literature, there was another reason why I decided on this broad definition, namely self-perception. The entrepreneurs considered themselves of the second generation, whilst their parents, who often came as guest workers, are considered to be the first-generation immigrants in the Netherlands.

However, most of the second-generation immigrants fall within the strict definition of the second generation. In fact, 52 were born in the Netherlands and 26 arrived in the Netherlands before the age of six (see section 2.5). 'First-generation immigrants' are immigrants who were born abroad and arrived in the Netherlands after the age of twelve.

Furthermore, the research population is limited to immigrants who migrated from non-Western countries.<sup>3</sup> The reason for including only non-Western immigrants is the difference in the socio-economic and cultural position of Western and non-Western immigrants (see for example Dagevos, Gijsberts and Van Praag 2003).<sup>4</sup> Most of the Western immigrants in the Netherlands stem from other Western-European countries as well as Japan and the United States. In general, these immigrants are highly educated and have a better position in the Dutch

labor market, compared to non-Western immigrants (Nicolaas, Sprangers and Zorlu 2005).

Another important concept in this study is the ‘entrepreneur’ and ‘entrepreneurship’. In accordance with Aldrich (2005: 452), I define ‘entrepreneurship’ as the creation of new businesses or taking over an existing business, and ‘entrepreneurs’ as people who create – or take over – businesses. Yet, in addition to the definition of an entrepreneur as given by Aldrich (*ibid.*), in this study an ‘entrepreneur’ not only creates or takes over a business, but generates an income from his or her own business – together with other persons or alone – regardless of the hours a week spent on the business (see EIM 2004: 23).<sup>5</sup> Finally, another criterion was that the entrepreneurs run ‘micro- or small businesses’. This means that entrepreneurs have a maximum of 49 employees (Burns 2001). Migrants running larger businesses do occur, but they are still extremely rare in the Netherlands.

### *Selecting the research locations*

As stated in the first chapter, during the last decades the number of immigrant entrepreneurs has risen considerably in the Netherlands. However, as Table 2.1 shows one could better speak of a development of immigrant entrepreneurship in the *western region* of the Netherlands, which includes the four largest cities in the Netherlands – Amsterdam, Rotterdam, The Hague and Utrecht – instead of a development in the Netherlands. In 1986, 70 percent of the immigrant entrepreneurs ran a business in this part of the Netherlands, and 14 years later it was still 69 percent (see Table 2.1).

As can be read from Table 2.1 as well, not only the businesses, but also non-Western immigrants in general are highly concentrated in the western region of the Netherlands. More than 40 percent of the non-Western immigrants live in one of the four largest cities – Amsterdam, Rotterdam, The Hague and Utrecht – in the Netherlands.

We<sup>6</sup> have opted to choose these four cities as the research locations as both immigrants as well as their businesses are highly concentrated in these cities and the rise of immigrant entrepreneurship has been most prominent there.<sup>7</sup>

### *Selecting the sectors*

Before the fieldwork started, we decided that the entrepreneurs had to be active in one of the four sectors we selected in advance. In selecting these sectors, we used three conditions which had to be fulfilled. First, both first as well as second-generation immigrants had to be well represented within the sector. Second, there had to be a sufficient num-

**Table 2.1** *Spatial distributions of the immigrant population and their businesses over the Netherlands (in percentages and in absolute numbers)*

	<i>Region North<sup>8</sup></i>	<i>East</i>	<i>West</i>	<i>South</i>	<i>Total (= 100%)</i>
1. Spatial distribution of immigrant businesses in 1986	4	12	70	14	11,500
2. Spatial distribution of immigrant businesses beginning of 1998	4	13	69	14	29,655
3. Spatial distribution of immigrant businesses mid 2000	4	13	69	14	36,408
4. Spatial distribution of all businesses registered in the Chamber of Commerce	10	21	47	22	672,520
5. Spatial distribution of the total Dutch population, January 1 2000, including:	10	21	47	22	15.9 million
– native Dutch population	12	22	44	23	13.1 million
– immigrant population, including:	5	16	59	20	2.8 million
<i>Western immigrants</i>	7	18	50	26	1.4 million
<i>non-Western immigrants</i>	4	14	68	14	1.4 million
6. Percentage in the four largest cities					
– of the native population	–	–	9	–	13.1 million
– of all immigrants	–	–	29	–	2.8 million
– of all non-Western immigrants	–	–	41	–	1.4 million

Source: Van den Tillaart 2001: 45

ber of businesses in the four different cities as well. In order to determine which sectors fulfilled these two criteria, we used the quantitative data concerning immigrant entrepreneurship among first and second-generation immigrants in the Netherlands (Van den Tillaart and Poutsma 1998; Van den Tillaart 2001).

A third and final criterion was that we did not want to select only the more ‘traditional sectors’ in which immigrant entrepreneurs are active, such as the retail trade or hotel and catering industry. We also wanted to take the shift among immigrants to other sectors into account, notably the producer services. This resulted in the selection of four sectors, namely the hotel and catering industry, personal services, producer services, and the wholesale industry.

The first sector, the hotel and catering industry, is still the most popular among first generation immigrants (see previous chapter). However, among the second generation the hotel and catering industry is less popular. About 12 percent choose to set up a business in this sector (EIM 2004: 19). Among second-generation immigrants who are ac-



tive in the hotel and catering industry, the majority (30 percent) set up a catering business. This differs considerably with the first generation, as only 3 percent of the first-generation in this sector choose a catering business (Van den Tillaart 2001: 111).

As the activities within the hotel and catering industry vary, and to take into account the differences between the generations, we decided to restrict ourselves to entrepreneurs who are involved in 'take-out and delivery' activities and/or run a catering business. Within the first category the first generation is mainly active, whereas in the second the second generation is well represented.

The second sector we selected was personal services. About 10 percent of both the first and second generation are active within personal services (see Van den Tillaart 2001: 37,106). However, the activities that fall within this sector vary from laundry services to beauty parlors. We decided to delimit the sector to hairdressing salons. For decades immigrant entrepreneurs have been running hairdressing salons in the Netherlands. Furthermore, it is not only a more 'traditional' immigrant sector, the sector is also popular among second-generation immigrants who arrived in the Netherlands before the age of six. Among this group, 15 percent choose for a business in the personal services, of which 30 percent choose to open up a hairdressing salon (Van den Tillaart 2001: 106 and 113).

The third sector we decided to select was wholesale. Between 1989 and 1999 one-third of the first-generation immigrant entrepreneurs were active in the retail trade or the wholesale industry (Van den Tillaart 2001: 43,109). However, whereas in 1989 retail trade was more popular – 17 percent in the retail versus 13 percent in the wholesale industry – in 1999 more first-generation immigrant entrepreneurs opted for a business in the wholesale (17 percent) instead of the retail trade (15 percent). Among second-generation immigrants who were born in the Netherlands, about 10 percent decide to start a wholesale business. We decided to focus on the entrepreneurs who run a business in the wholesale food industry, as there is a wide variation in the products within the wholesale industry as well.

The fourth and final sector we selected was producer services. Businesses in the producer services offer services which are oriented towards the management of businesses. As stated in Chapter 1, this sector consists of businesses that provide non-tangible goods to other businesses (see VSO 2005). One can think, for instance, of professional provision of services in the field of legal services, accountancy, wage administration, bookkeeping, employment agencies, marketing, computer-related activities, provision of technical services, real estate agents and rental services. This producer or business sector is especially popular among the second generation. One-quarter of the sec-

ond-generation immigrant entrepreneurs have decided to open a business in the producer services (EIM 2004: 19). Although the percentage is considerably less among the first generation, namely 15 percent, the producer services are gaining in importance among the first generation as well (see Table 1.7; EIM 2004).

However, within the producer services the first generation can be mainly found in employment and cleaning agencies, whereas among the second generation there is more variation. About half of the second-generation immigrant entrepreneurs were active within consultancy, automation, research, PR or designing businesses (see Van den Tillaart 2001).

As the activities within the producer services are diverse and there is not a specific activity in which the first or second generation is mainly active, it was difficult to delimit this sector beforehand. Therefore we only used the rather broad criterion that the entrepreneurs offer services which are orientated towards the management of other businesses.



*Some entrepreneurs combine different business activities. This entrepreneur runs a hairdressing salon, travel agency and tearoom.*

### 2.3 Finding the entrepreneurs and their businesses

The aim of the *Mixed Embeddedness* project was to analyze the relation between the urban opportunity structures on the one hand and resources of immigrant entrepreneurs on the other. For this purpose 200 immigrant entrepreneurs were interviewed, evenly spread over the four cities and the four sectors. For my own dissertation project it was important that the share of first and second-generation immigrant entrepreneurs within the research population would be about the same.

For several reasons it was not possible to carry out a random sample selection. The most useful dataset for a random sample would have been the trade register of the Chambers of Commerce. This trade register has, however, several shortcomings. It is, for example, not possible to make a selection of the entrepreneurs based on their ethnicity. Further the trade register is not completely accurate as not every entrepreneur registers their business in the trade register or deregisters it when they cease trading (Van den Tillaart and Poutsma 1998: 37). The most important limitation, however, is that the files of the trade register only register the country of birth of the entrepreneur. This means that second-generation immigrants who are born in the Netherlands cannot be identified in these files.<sup>9</sup>

Another option was to conduct a random sample selection from the telephone book or yellow pages, based on the names of the businesses. Although this method was used to trace some entrepreneurs (see Table 2.2), it has certain shortcomings as well. The main disadvantage is that only those businesses can be selected which are obviously (based on the business' name) run by an immigrant. However, this gives a biased sample as many immigrants – especially in the producer services – run a business the name of which would not reveal that it is owned by an immigrant. For example, one cannot tell from a business name such as 'Netscape4you' that the business is run by an immigrant. Therefore, as a random sample selection was neither possible nor useful, different strategies were used to find the entrepreneurs.

#### *Strategies used for tracing entrepreneurs*

As Table 2.2 shows, four main strategies were used to find the entrepreneurs, namely through key informants, the snowballing method, searching on specific locations and random selection.

As a first introduction to the research field, we interviewed more than 50 key informants in the four cities in 2000 (see appendix A). I interviewed 22 key informants, mainly in Rotterdam. These key informants are employed by organizations that provide support to entrepreneurs. They provide potential entrepreneurs with general information

**Table 2.2** *Overview of the strategies used (N = 231)*

	<i>Total</i>
Key informant	56
Snowballing method	66
Searching on specific location, namely:	54
– <i>attending meeting</i>	12
– <i>surveying streets</i>	42
Random selection from:	55
– <i>yellow pages (incl. Turkish)/phone book</i>	40
– <i>Internet</i>	10
– <i>dataset from Krosbe</i>	5
Total	231

Missing N = 21

on entrepreneurship or specific rules and regulations and/or they assist entrepreneurs, for example in setting up a business plan. Some key informants worked for organizations that were exclusively aimed at immigrant entrepreneurs, whereas others had no specific target group. The key informants not only provided us with relevant information on immigrant entrepreneurship but also introduced us to 56 entrepreneurs (see Table 2.2).

A second strategy to find entrepreneurs was the ‘snowballing method’. This means that respondents were asked for referrals to others who fit the criteria for inclusion in the study. More than 60 entrepreneurs were found through this strategy.<sup>10</sup>

Further, as can be seen from Table 2.2 as well, we also searched for respondents on specific locations. Twelve respondents were approached by attending meetings. These included meetings especially aimed at immigrant entrepreneurs, entrepreneurs in general or second-generation immigrants in specific. The meetings were mainly organized to give would be entrepreneurs practical information on being self-employed. Another strategy was surveying streets with many immigrant entrepreneurs and calling in at their shops (N = 42).

Besides these strategies, 55 respondents were selected at random. Most of them (N = 40) came from a directory or ‘yellow pages’. A few of these 40 entrepreneurs (N = 12) were selected from the ‘Turkish yellow pages’. In this directory, Turkish entrepreneurs in different sectors and from different European countries, such as the Netherlands, France, Germany and Belgium, are included with their telephone number and address. This directory was first published in the Netherlands in 1989.

Other entrepreneurs were selected at random from an Internet site (N = 10), mainly through a Moroccan, Surinamese or Turkish web page on which entrepreneurs promote their businesses. Also, five respon-

dents were selected at random from a database which was set up by the organization Krosbe.<sup>11</sup> This organization has a directory in which the addresses of more than 1,500 first-generation immigrant entrepreneurs in Rotterdam are included.

By using these different strategies – which were for the most part used at the same time – we tried to prevent a strong selectivity in finding the respondents.

### *Fieldwork*

The fieldwork started in 2000 with interviewing key informants and continued in the same year with the first interviews with immigrant entrepreneurs. Out of the total 200 entrepreneurs who were interviewed for the *Mixed Embeddedness*, I conducted 59 of these interviews.<sup>12</sup> The other interviews were conducted by different researchers of the *Mixed Embeddedness* project. In addition – in order to get about the same number of first and second-generation immigrant entrepreneurs in the research group – I conducted 52 additional interviews for my dissertation project.

As a result, the research population of this study consists of 252 first and second-generation immigrant entrepreneurs (see appendix B). The non-response, at about 10 percent, was very low. In general the entrepreneurs were willing to participate and tell about their businesses.

For practical reasons – as I lived and worked in Rotterdam – it was decided beforehand that I would conduct most of the fieldwork for the *Mixed Embeddedness* project in Rotterdam. As a result, 68 of the total of 111 entrepreneurs I interviewed ran a business in Rotterdam.

The interviews were generally held in the business premises. Especially during these interviews I had the opportunity to observe the business. In a few cases ( $N = 8$ ) these interviews resulted in an additional interview with the business partner and/or an employee. These interviews were very useful as they gave a more complete view of the business, but they are not included separately in the research population.

Some interviews were conducted in the respondent's home, and a few respondents were interviewed in a café. Also, I took pictures from several respondents. A selection of these photographs is included in this book. The photo material is used to visualize the changes and diversity of immigrant entrepreneurship in the Netherlands.

On the average, the first interviews took one-and-a-half hours, with a minimum of three quarters-of-an-hour and a maximum of four hours. The interviews took place on the basis of half-structured questionnaires. In the interviews there were questions about the sector, former work experience, level of education, and motivation for starting a business. Furthermore, questions were asked about the start, whether or

not they got support from an organization, returns and profit, operational management, employees and regulations to be observed. Finally, the entrepreneurs were asked to outline the kind of informal and formal assistance they get, and from whom.

Almost all respondents were interviewed in Dutch. For some first-generation immigrant entrepreneurs the Dutch language was a problem; therefore 15 interviews were conducted in Turkish by a Turkish student-assistant, and I conducted two interviews with the help of a Turkish translator. Three interviews were held in English.

The aim of the fieldwork I conducted for my dissertation project was to gain a rich actor view of the entrepreneurs and an in-depth view of their resources and networks. Another aim was to obtain a more dynamic view of the businesses, instead of a random indication based on a single interview. Therefore, I stopped looking for new respondents in 2003 and from that moment I was exclusively focused on conducting follow-up interviews.

In total, I interviewed 85 entrepreneurs at least a second time. Fifteen of these entrepreneurs were interviewed a third time or more. Further, during these follow-up interviews, I used an additional 'transnational questionnaire' with 42 second-generation immigrant entrepreneurs. The results of this questionnaire are used in Chapter 5.

As I lived in Rotterdam, it was easier to conduct these follow-up interviews or pay non-planned visits to businesses and keep up with how the businesses were doing with the entrepreneurs I interviewed in Rotterdam – as it was less time consuming – than in the other cities. Nevertheless, I also interviewed 45 entrepreneurs a second time in the three other cities.

Finally, I conducted a telephone survey in the months of June and July, 2005, with nearly all respondents in order to have a complete update on the entrepreneurs and their businesses.<sup>13</sup> Also, in these months ten respondents were interviewed for the last time. However, the fieldwork has not yet finished, as I keep in contact with some of the respondents.

The main purpose of the follow-up interviews was to get deeper insight into the businesses and to come to grips with the business dynamics. Often research on immigrant entrepreneurship remains limited to a single interview. However, by interviewing a relatively large group of entrepreneurs over the years, I was able to get a much more complete, longitudinal and substantial view of the entrepreneurs, their businesses and business development(s).

## 2.4 Research methods

### *Data analyses*

Almost all interviews – including the follow-up interviews – were tape-recorded and later transcribed. Afterwards, for the privacy of the respondents, the interviews were made anonymous and given a code (see appendix B). After this, the interview material was incorporated in the Atlas-ti program. The Atlas-ti program enables the qualitative analysis of large bodies of textual, graphical, audio and video data which cannot be analyzed by formal, statistical approaches. I used the Atlas-ti program to analyze the qualitative interview material.

After transcribing the interviews to the Atlas-ti program, it is possible to classify and categorize fragments of the interviews. The codes I assigned to the interview transcripts were mainly based on the theories and theoretical concepts as presented in Chapter 1. Next, the qualitative data were analyzed by further comparison of these transcripts' quotations. Therefore, the quotations and transcripts in this study do not merely have an illustrative function but are an integral part of the scientific analysis. They are taken from their original 'common sense' context and put within a scientific context that sheds light on certain aspects (Engbersen 1990: 252).

Besides the use of quotations, several entrepreneurs and their businesses are described more in detail in this book as well. These 'case studies' are meant to exemplify the basic ideas and mechanisms, as introduced in the chapters. Finally, as the questionnaire also included quantifiable variables, I incorporated the quantitative data material in SPSS and as a result was able to use both qualitative as well as quantitative data analyses in this study.

### *Intensive research & representativeness and reliability of the data*

In this study I used different research methods, such as in-depth interviews with entrepreneurs, observations and document analysis, which can be classified as 'intensive' research methods' (see Komter 1983; Schuyt 1986; Van der Veen 1988; Engbersen 1990). Harré and De Waele (1976) introduced the distinction between 'extensive' and 'intensive' research as an alternative for the often used distinction between 'qualitative' and 'quantitative' research. The contrast between qualitative and quantitative research is not, however, always evident (Van der Veen 1988). For example, researchers who use qualitative research methods, such as in-depth interviews, may also use quantitative analyses for analyzing their data.

According to Van der Veen (1988) the difference is not about the method of analysis but about differences in observing and reasoning instead. A more useful distinction is therefore the distinction as given by Harré and Wale (1976) between the intensive and extensive research approach. Extensive research methods are characterized by the study of a limited number of characteristics among a representative sample, such as large-scale surveys. On the other hand, detailed observations of a small-scale, non-representative sample, such as participant observations and in-depth interviews, are typical of intensive research (Komter 1983). Unlike extensive research, the results of intensive research are not considered to be representative and therefore cannot be generalized for the whole population. Yet by using intensive research methods an attempt is made to give a detailed description of the social reality (*cf.* Engbersen 1990: 251). Therefore, generalization can be made by abstraction, which means that cases are removed from their specific context and a more overall picture can be constructed (Schuyt 1986, Van der Veen 1988: 144).

Although in this study no random sample selection was carried out and one cannot therefore speak of a representative sample, we tried to get some representativeness in the research group by selecting our respondents based on theoretically and empirically relevant parameters, such as the city, the sector, generation and ethnicity. Also, we tried to avoid a strong bias in our research population by using a wide array of search channels (see previous section). As the next section will show, in certain aspects the research population corresponds with national data concerning immigrant entrepreneurship.

Another issue concerns the reliability of the data. As stated before, this study is not a just a random indication of the entrepreneurs and their businesses, based on a single interview. Instead, I followed the entrepreneurs over the years. This longitudinal aspect of the study increased the reliability of the data considerably. For example, as I revisited the entrepreneurs for a follow-up interview, it was immediately obvious whether there had been important changes in the number of employees or the business location during the past few months or years. Under these circumstances it was difficult for entrepreneurs to give an over-optimistic report of their situation.

Also, for about one-quarter of the respondents I obtained the registration form of the business in the trade register from the Chambers of Commerce as well as a financial and historical overview of the business. This registration form is a useful check whether the information received is correct or not.<sup>14</sup> By using these different intensive research methods, I tried to enhance the reliability of the data.



## 2.5 Describing the research population

The total research population consists of 252 immigrant entrepreneurs, among them 137 first and 115 second-generation immigrants. In this section, a first introduction to the research population is given. In describing the entrepreneurs and their businesses, a distinction is made between the first and second generation in order to examine to what extent first and second-generation immigrant entrepreneurs in the research population differ on several relevant characteristics. Also, whenever possible, I include national data to examine whether the research population corresponds with national data or not.

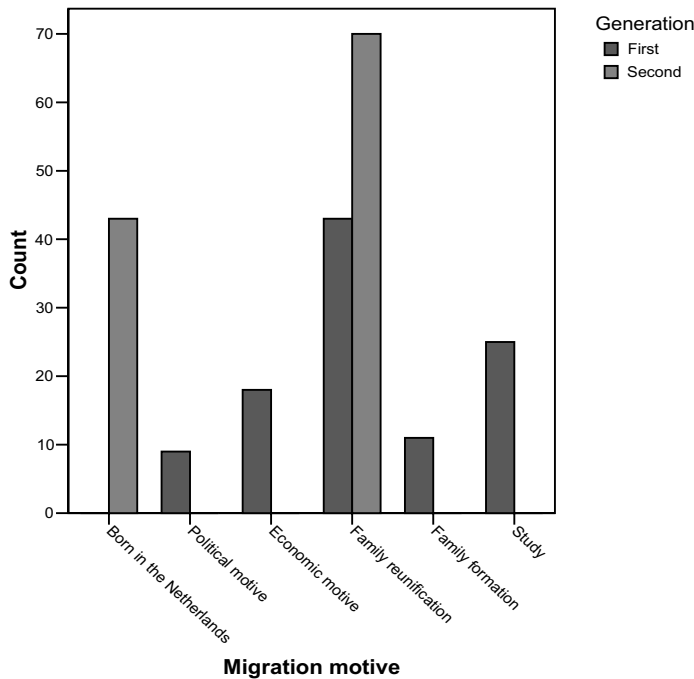
### *The entrepreneurs...*

In the Netherlands, the largest group of first and second-generation immigrant entrepreneurs consists of immigrants with a Turkish or Surinamese background (see Chapter 1; EIM 2004: 15). In Table 2.3 the ethnicity of the research population is given. As can be read from this table, within the research population the largest group of both first and second-generation immigrants also consists of Turkish or Surinamese immigrants.

**Table 2.3** *Generation by ethnicity (N = 252)<sup>15</sup>*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Turkey	45	33	33	29	78	31
Morocco	11	8	24	21	35	14
Surinam	34	25	25	22	59	23
China/Hong Kong	5	4	17	15	22	9
Other, including:	42	31	16	14	58	23
– Indonesia <sup>16</sup>	3	2	6	5	9	4
– Egypt	5	4	–	–	5	2
– India	4	3	–	–	4	2
– Netherlands Antilles	5	4	1	1	6	2
– Ghana	3	2	–	–	3	1
– Iran	3	2	1	1	4	2
– Cape Verde	–	–	2	2	2	1
– Other countries	19	14	6	5	25	10
Total	137	100	115	100	252	100

Only seven of the respondents came to the Netherlands in the 1960s. Most of them came in the 1970s (51) or the 1980s (43), while 23 respondents arrived in the Netherlands during the 1990s. In Figure 2.1 the dominant motivation for migration is shown.

**Figure 2.1** *Dominant migration motives*

As Figure 2.1 shows, the group largely consists of immigrants who came to the Netherlands due to family reunification ( $N = 116$ ). Another 25 respondents migrated to the Netherlands because of their studies, while 11 respondents came to the Netherlands due to family formation. No more than 18 immigrants claim that they had a primary economic motivation to migrate. Four of these entrepreneurs indicated that they came to the Netherlands as an illegal immigrant but got a legal status during their stay.

It is important to notice that the first generation in the research project is different from the traditional groups of first-generation immigrants. These traditional first-generation immigrants who started a business were often poorly educated and came to the Netherlands to work as a guest worker (see also Masurel and Nijkamp 2004: 734). Among the research population, however, the largest group came to the Netherlands due to family reunification.

In 2002, 31 percent of the native entrepreneurs in the Netherlands were female (EIM 2004: 21; Ministerie van Economische Zaken 2005: 9). In the same year, the share of female entrepreneurs among the total of first-generation immigrant entrepreneurs was 26 percent, and 30 percent among second-generation immigrant entrepreneurs (EIM

2004: 21). The share of female respondents in the research population is even less among both the first (15 percent) and the second generation (26 percent).

The average age of entrepreneurs in the Netherlands is 44.5 years (EIM 2004: 22). Among immigrant entrepreneurs the average age is considerably lower, namely 38 years. There is, however, a difference between the entrepreneurs who arrived after the age of 18 (42 years) and the entrepreneurs who were born in the Netherlands (32 years) (see Van den Tillaart 2001: 97).

In the research population the average age is 35 years. If a distinction is made between the first and the second generation, the average age among the first generation is 39 years and among the second generation 30 years. This means that in the research population the average age for both first and second generation is lower than the national average age of immigrant entrepreneurs.

As can be read from Table 2.4, most of the entrepreneurs followed a lower secondary professional education ('vmbo'). However, the level of education is relatively high, as a substantial number of both the first and the second generation followed a university or higher vocational ('hbo') education. Yet, an important difference between the generations is that more than half of the first generation completed their education in the home country. Furthermore, 28 entrepreneurs did not complete their education and 20 entrepreneurs – mainly second-generation immigrants – have not yet finished their studies.

**Table 2.4** *Highest level of education (N = 208)*

Highest level of education	First generation		Second generation	Total
	<i>Education in the Netherlands</i>	<i>Education in home country</i>	<i>Education in the Netherlands</i>	
University education	11	11	32	54
Higher vocational education	15	3	23	41
Lower secondary professional education	23	21	42	86
Other, including:	2	19	6	27
Primary school	–	5	–	5
Senior general secondary education/pre-university education	2	14	6	22
Total	51	54	103	208

Before continuing with a description of the businesses, I will conclude this section with the motivations of the entrepreneurs to start the business. In general the entrepreneurs' motivation to start their own busi-

nesses can be expressed in terms of push and pull factors (Masurel and Nijkamp 2004). Push factors – like barriers in the wage labor market – are commonly believed to be important in driving immigrants toward entrepreneurship in the Netherlands (Jansen 1999). An important explanation is the institutional context (Esping-Andersen 1999; Kloosterman 2000). Continental European welfare states, such as the Netherlands, are characterized by high social benefits, high wages at the lower end of the market, high unemployment rates and a sharp division between ‘insiders’ and ‘outsiders’ (*ibid.*: 105). As immigrants in particular are subject to long-term unemployment, they are trapped in a situation of exclusion. According to Kloosterman (*ibid.*) ‘this may push immigrants towards entrepreneurship as they do not have any alternatives in the regular labor market, despite the social benefits they receive when unemployed’.

It remains to be seen, however, whether this still holds true for the second generation, who are often more highly educated and in general have a better position in the regular labor market than the first generation. Therefore, in Table 2.5, the motivation of the entrepreneurs for setting up their business is given. A distinction is made between entrepreneurs who indicated that their choice was based on negative considerations – such as unemployment and blockages in the wage labor market – and entrepreneurs who exhibit more pull factors, such as finding new market opportunities or striving for independence (*cf.* Masurel and Nijkamp 2004). The category ‘push/pull’ consists of the entrepreneurs who claim that they never really chose to become an entrepreneur. These entrepreneurs for example ran a business during their studies, and when they did well they ‘just ended up’ being an entrepreneur, or they exhibit both pull as well as push factors.

**Table 2.5** *Generation by motivation (N = 222)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Push factors	60	51	24	23	84	38
Pull factors	34	29	54	52	88	39
Push/pull factors	24	20	26	25	50	23
Total	118	100	104	100	222	100

( $p < 0,05$ )

A significant difference between the generations in their decision to become an entrepreneur emerges in Table 2.5.<sup>17</sup> Most of the first-generation immigrants assert that negative motivations or push factors domi-

nated, while the second generation appears to be more motivated by pull factors.<sup>18</sup>

The push toward entrepreneurship does not mean, however, that the entrepreneurs were predominantly unemployed before they started the business. As Table 2.6 shows, most of the first and second generation had a part-time or full-time job.

**Table 2.6** *Motivation by generation and position in labor market (N = 215) (in percentages)*

	Motivation			Total
	Push	Pull	Push/pull	
<b>First generation (N = 115)</b>				
Part-time/full-time job	28	24	13	65
Flexible job	9	3	3	15
Unemployed	10	1	—	11
Studies	1	2	3	6
Other*	2	—	1	3
Total	50	30	20	100
<b>Second generation (N = 103)</b>				
Part-time/full-time job	16	30	10	56
Flexible job	3	1	2	6
Unemployed	2	—	1	3
Studies	2	21	10	33
Other	—	—	2	2
Total	23	52	25	100

\* These entrepreneurs were already self-employed.

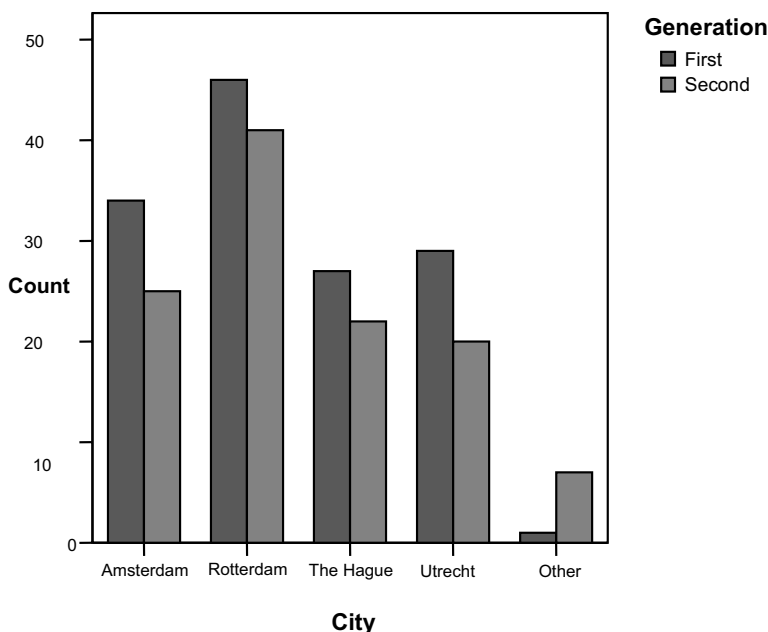
Table 2.6 shows that 28 percent of the first generation had a part-time or full-time job before they started, but nevertheless indicated that they were ‘pushed’ toward self-employment. Among the second generation this is less than one-fifth (16 percent). These entrepreneurs mentioned that they were pushed toward self-employment as they were dissatisfied with certain aspects of their jobs. Some entrepreneurs felt for example that they did not have enough career opportunities in their current job. Further, more than one-fifth of the second generation (21 percent) started their business during or immediately after finishing their studies.

Based on the above, one can conclude that with regard to the motivation to start a business, push factors still seem to prevail among the first generation, whereas among the second generation pull factors are dominant.

*...and their businesses*

As I conducted most of the fieldwork in Rotterdam (see section 2.3) most of the businesses ( $N = 87$ ) are located in Rotterdam as well (see Figure 2.2).

**Figure 2.2** *Business location*



As Table 2.7 shows, considerably more first generation immigrants are active in the wholesale business than second-generation immigrants, which corresponds to the national data on the choice of sector (Van den Tillaart 2001). However, most of both first and second-generation immigrant entrepreneurs are active in the business-to-business sector or producer services.

In section 2.3 ('Selecting the sectors'), I indicated that the activities in the producer services are diverse, and it was therefore difficult to delimit this sector beforehand. From Table 2.7 it can be read that the activities within the producer services are indeed quite diverse and range from cleaning to consultancy agencies. There are, nevertheless, also certain clusters such as Internet-services ( $N = 20$ ), consultancy agencies ( $N = 17$ ) and employment agencies ( $N = 13$ ). Furthermore, 12 respondents run an administration or accountancy office.

The entrepreneurs are all owner or co-partner of at least one business, and both the first and second generation spend on average ten

**Table 2.7** *Generation by sector (N = 252)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
B2B, including:	38	28	57	50	95	38
– Computer/Internet activities	7	5	13	11	20	8
– Consultancies	9	6	8	7	17	7
– Employment agencies	8	6	5	4	13	5
– Administration/accountancy	7	5	5	4	12	5
– Marketing/advertising	2	2	4	4	6	2
– Organizing events	1	1	4	4	5	2
– Insurance companies	-	-	4	4	4	2
– Other activities	4	3	14	12	18	7
Hairdressing	34	25	21	18	55	22
Catering	32	23	22	19	54	21
Wholesale food	32	23	10	9	42	17
Other	1	1	5	4	6	2
Total	137	100	115	100	252	100

hours per day running their business. As can be read from Table 2.8, most of the businesses are officially one-person businesses or incorporated partnerships. This high number of one-person businesses and partnerships corresponds to national figures on immigrant businesses (Van den Tillaart 2001: 99; EIM 2004: 25).

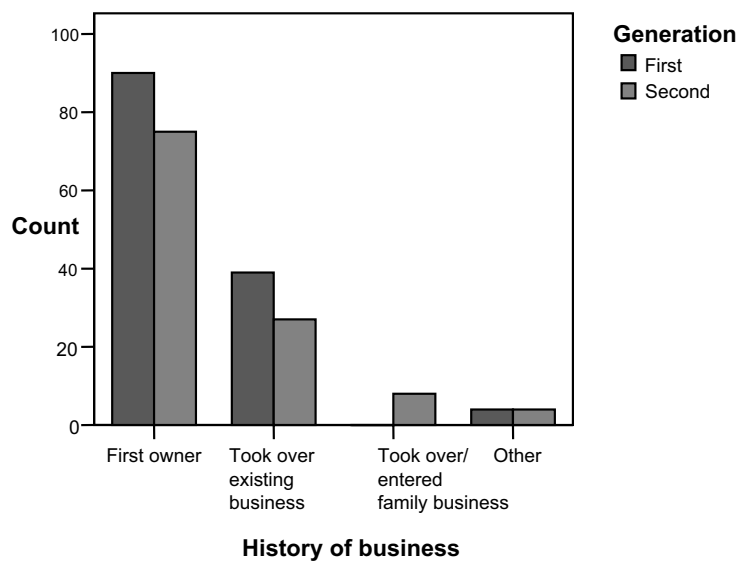
**Table 2.8** *Generation by legal form of business (N = 247)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
One-person business	74	30	60	54	134	54
Incorporated partnership	34	25	30	27	64	26
Limited-liability	22	16	18	16	40	16
Other	5	4	4	4	9	4
Total	135	100	112	100	247	100

Almost 40 percent of the entrepreneurs (N = 97) have a business partner. In most cases (N = 61) – among both the first and the second generation – the partners are family members, notably spouses.

The history of the business is shown in Figure 2.3. As can be read from this figure, 165 respondents were the first owners of the business. Another 66 took over the business from someone else; in more than half of the cases a business is taken over from a relative, friend or acquaintance. Among the second generation, nine respondents entered or took over a family business.

Figure 2.3 History of business



This business, with a typical Dutch name 'Jan & Jan', was taken over by a second-generation Moroccan entrepreneur.





*This second-generation Chinese entrepreneur took over his father's wholesale business.*

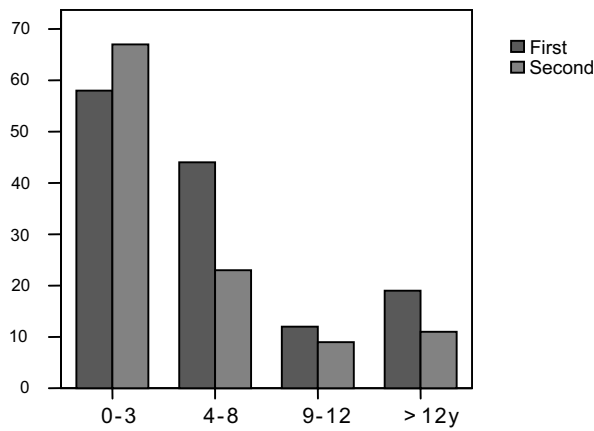
As Figure 2.4 shows, more than half of the entrepreneurs are recent starters, meaning that they have a business that has existed up to three years. Almost one-third of the businesses existed between four and seven years, and little more than 10 percent have existed over 12 years.

Finally, regarding the business accommodation, 36 entrepreneurs run their business from home, while most entrepreneurs ( $N = 207$ ) have some kind of office space at their disposal. This is a rented office, which varies from prestigious business premises in the city centre to much more modest and cheaper offices in 'concentration neighborhoods'<sup>19</sup>. In appendix C the location of the businesses within the four different cities is given. As these figures show, in these cities both first and second-generation immigrants are concentrated in the same neighborhoods.<sup>20</sup>

To summarize, in certain crucial dimensions the research population corresponds quite closely with the national data, such as ethnicity and legal form of the business. The high percentage of men and starters is consistent with the national data as well.

On the other hand, among the research population the share of entrepreneurs in the producer services are more than expected based on the national data, especially among the first generation. Also, the aver-

**Figure 2.4** *Years of existence*



age is lower among the research population, whereas the level of education is higher than might be expected from the national data.

Within the research population, the first and second generation differ with respect to the average age, migration history, educational background and motivation to start the business. On the other hand, if we



*This second generation Chinese entrepreneur runs her business from home.*

look at the ethnicity, sex, business location, legal form of the business and the years of existence, there are hardly any differences between the first and second-generation immigrants. An explanation might be that the first generation in the research project is not the poorly educated immigrant who came to the Netherlands to work as a guest worker. The largest group of first-generation immigrants consist of immigrants who came to the Netherlands due to family reunification, and who received schooling in the home country or in the Netherlands.

In the next Chapter 3, I will begin examining the markets in which the entrepreneurs are active.



*An employment agency in Rotterdam, run by a second-generation Surinamese entrepreneur.*



*A Chinese take-out in Amsterdam, run by a second-generation Chinese entrepreneur.*



*A hairdressing salon in Amsterdam, run by a second-generation Moroccan entrepreneur.*

### 3 Beyond the ethnic and middleman market?

#### 3.1 Introduction

Sahin (IVo4R) was born in a small village called Felatiye in the region of Kayseri, Turkey, in 1955. When Sahin was ten years old his father migrated to the Netherlands to work as a guest worker. A few years later Sahin's mother followed her husband, together with Sahin's younger sisters. Sahin stayed in Turkey, as he was still in high school at that moment. However, in 1975, after finishing his education, Sahin decided to migrate to the Netherlands as well. After his arrival in Rotterdam, Sahin started to work in a factory. As it was low-paid, heavy work, without any career perspectives, Sahin was relieved to find another job in 1979. From that moment Sahin worked for a telecom business as a warehouse employee. Also, in addition to his full-time job, Sahin assisted his uncle in running his retail business for several years and worked in the weekends as a market vendor to make some extra money.

In 1995 Sahin's brother Kaya opened a wholesale food business in Arnhem, the Netherlands. The main business activity is the import of food articles from Turkey. In 1998, as the business was going well, Kaya asked Sahin whether he would be interested in starting a branch in Rotterdam. At that moment Sahin was still working for the same telecom business, however no longer as a warehouse employee but as a logistic employee, as he had been able to work his way up in the company during the past years. Although Sahin was content with the job he had, he decided to quit, as the idea of being independent appealed to him very much. Sahin was able to set up a wholesale food business in Rotterdam with private means and a family loan. In the same year Sahin and Kaya's younger brother decided to open up a third branch in Amsterdam. From that moment the three brothers run three wholesale businesses in three different cities: Arnhem, Amsterdam and Rotterdam.

Their main group of customers consists of Turkish entrepreneurs; according to Sahin 99 percent of their customers have a Turkish

background. As their personnel are Turkish, the language of communication in the business and with the customers is mainly Turkish as well.

During the telephone survey in 2005 it appeared that in the past years – as a result of the economic recession and declining buying power – business had gone down. As a consequence, Sahin and his brothers had to cut down their expenses on personnel and accommodation; to economize on their expenses they had to give up their business location in Arnhem.

In this first empirical chapter the focus is on the market in which the entrepreneurs are active. In many cases, the initial market for immigrant entrepreneurs arises within their own immigrant communities (Waldinger 1986: 19; Jones, Barrett and McEvoy 2000: 40). This can be explained by the fact that with the arrival of immigrants a demand emerges for certain specific 'ethnic' products that are in one way or another linked to the region of origin (Kloosterman 2001: 4). As 'fellow ethnics' have the knowledge of tastes, buying preferences, expertise, contacts and the credibility to supply the goods and services – qualities that are unlikely to be shared by larger, native-owned competitors – they are in the best position to sell these products (see Light 1972; Aldrich *et al.* 1985; Waldinger, Aldrich and Ward 1990: 23; Waldinger 1996: 258). Also, as immigrant entrepreneurs have an advantage in awareness of 'co-ethnic consumer preferences', their information costs in determining consumer preferences is often lower than the costs to potential competitors from 'outside' (Evans 1989: 951). It is not surprising, therefore, that immigrant entrepreneurs often start up a business in these 'ethnic markets'.

However, although these ethnic markets offer immigrants good opportunities to set up their own businesses, the potential for growth seems severely restricted if immigrant businesses remain confined to this ethnic market. According to Waldinger (1986: 19) the obstacle for growth is the ethnic market itself. The main problem of an ethnic market can be the concentration of a large number of immigrant entrepreneurs, who produce and sell similar products and services for a quantitatively small group of clients who do not provide sufficient purchasing power (see Waldinger, Aldrich and Ward 1990: 23). Therefore, as stated by Jones, Barrett and McEvoy (2000: 42) the ethnic market is highly vulnerable to saturation effects.

As a result, these market conditions have severe implications on the degree of competition and survival rates of the enterprises (see Van den Tillaart and Poutsma 1998). Therefore, it is often stated that for the expansion of the business immigrant entrepreneurs should 'break-

out' to the general population and reach beyond their ethnic boundaries by offering goods and services for a broader group of clients, outside their own ethnic group (see Jones, Barrett and McEvoy 2000).

However, this 'break-out' to the general population is not a matter of course. Jansen (1999) notices for example that many first-generation immigrant entrepreneurs have little contact outside their own immigrant group – partly because of language barriers – and that they are not sufficiently aware of the needs and buying preferences of the native population. Hence, I assume that adaptation to mainstream preferences and selling to the general market is more difficult for first-generation immigrants than for the second generation, who are born and/or raised in the receiving society. This would imply that second-generation immigrants are able to break-out to other markets.

To test these assumptions, I will examine the markets in which the entrepreneurs are active. Thus, the central question of this chapter is, in what markets are immigrant entrepreneurs active and does this differ between first and second-generation immigrants?

To analyze the markets in which the entrepreneurs are active, I will look at the products the entrepreneurs sell, focusing on whether they are 'ethnic' or not, and to whom they sell their products. In this study, a 'product' is defined as anything that can be bought or sold (Engelen 2001: 206) and an 'ethnic product' is defined as a product entrepreneurs sell that is related to their specific immigrant background (see also Choenni 1998: 79). In addition to the products, the main group of clients will be analyzed as well: is the entrepreneur mainly catering for his or her own ethnic group<sup>2</sup> or not? In line with a more classic view on assimilation, I expect that among second-generation immigrant entrepreneurs 'ethnicity', with regard to the products they sell and clients they have, will be of less importance in comparison to the first generation.

In answering the above questions and testing the assumptions, I will include the business sector in which the entrepreneur is active as well. As Table 2.7 in Chapter 2 illustrated, within the research population first-generation immigrant entrepreneurs are more often active in the wholesale food industry, whereas the second generation is predominantly active in producer services. The assumption is that the dependence on an ethnic clientele as well as an ethnic product differs between the different sectors. If this assumption is correct, it is important to examine whether potential differences between the first and second generation continue to exist when holding the business sector constant.

Furthermore, I will include the ethnicity of the entrepreneurs in the analysis as well. Although the focus in this study is on the differences between the first and second generation and not on the differences be-

tween ethnic groups, it is nevertheless interesting to find out whether potential differences between the first and second generation exist among the different immigrant groups as well (see section 3.3).

In section 3.4, finally, I try to give a more dynamic view of the markets and the entrepreneurs by looking whether entrepreneurs move from one market to another. I will start, however, in the next section with an elaboration on the theoretical framework.

### 3.2 Entrepreneurs and markets

In this chapter I look at the economic context, and more specifically the markets in which the entrepreneurs operate. A market constitutes the concrete economic locus where entrepreneurs sell their products to clients (Kloosterman 2003b). Whether or not there is a demand for the products the entrepreneurs offer is of crucial importance for the success or failure of the business (Jones, Barrett and McEvoy 2000: 38). As Jones *et al.* put it (*ibid.*), ‘all the capital, technology and managerial sophistication in the world is of little use if no one is prepared to buy the end product’. Therefore, in analyzing the market two components are decisive: the kind of goods and services in which entrepreneurs choose to specialize, and the customers (see also Jones, Barrett and McEvoy 2000: 38). More specifically, as stated in the previous section, I will examine whether the product is ethnic or not and whether the entrepreneur is mainly catering for a co-ethnic group.

A central concept in the analysis of the market in this chapter is ‘ethnicity’, in this study defined as the extent to which members of an immigrant group maintain their native cultural tradition and social interactions with co-ethnic members (*cf.* Choenni 1998). The basic assumption is that ‘ethnicity’ is part of the social process and can be constructed. Sometimes groups ‘choose’ to emphasize traits as the optimal strategy to maximize income in certain situations (see Kloosterman 2001; Granovetter 1995: 148). Portes and Sensenbrenner (1993) state for example that second or third-generation immigrants may choose to preserve ties to the ethnic community because of the opportunities available through such networks. On the other hand, Alba and Nee (2003: 165) claim that most immigrant niches seem to hold little attraction for the second generation, as they have better alternatives outside the immigrant niche.

From these perspectives, ethnicity is variable and can even be seen as business strategy that can be employed to some extent. The distinction between the different markets may therefore not be as strict as it might seem, but I will return to that in section 3.4.



As shown in the following figure, by cross-classifying the underlying distinctions of (1) co-ethnic or mainstream clientele and (2) an ethnic or non-ethnic product, four markets can be identified.

**Figure 3.1** *Different markets*

Clientele = demand side			
Product = supply side		Co-ethnic clientele	Mainstream clientele
	Ethnic product	Ethnic market	Middleman market
	Non-ethnic product	Niche market	Mainstream market

The first market that can be identified is the 'ethnic market'. In this study an ethnic market is defined as a market consisting of entrepreneurs who sell an ethnic product and whose main clientele has the same ethnicity as the entrepreneur. An 'ethnic product' is defined as any product or service which entrepreneurs sell for their business and is related to their specific immigrant background. One can think, for example, of clothing, literature, videos and food. The entrepreneurs have the knowledge, expertise, contacts and above all, credibility to supply such goods and services (see Jones, Barrett and McEvoy 2000: 41).

This ethnic market is essentially a protected market in which entrepreneurs from a specific immigrant community enjoy virtual immunity from competitors outside that community (see Ward 1987). This can be explained by the special needs and preferences immigrant communities have, which are best served by those who share those needs and know them intimately (Waldinger 2000: 136). The ethnic market can, therefore, be described as 'an ethnic suppliers' monopoly, or a "no-go" area for outside competitors' (*ibid.*), which has certain advantages for the entrepreneurs. As stated by Evans (1989: 951) 'the key idea of this ethnic market is that immigrant entrepreneurs enjoy an advantage over potential competitors outside the group' and that, as a result, 'ethnicity can carve out economic niches that foster immigrant entrepreneurship'. Ethnic connections, for example, reduce the costs of doing business and provide investment capital, advice, raw materials, training and access to customers (see Light and Gold 2000). To illustrate, in his study on Korean immigrants in Los Angeles, Pyong Gap Min (1993: 191) describes how the vast majority of Korean businesses located in Korea-town meet the special consumer demands of co-ethnics. This means that they sell, for example, typical Korean food, Korean groceries and Korean books to a majority of Korean customers.

Although the ethnic market can have its advantages, it is often stated that its growth potential is limited as the group of clients is often relatively small, and similar businesses are located in the same street (see section 3.1). As a result, ethnic markets have a downward long-term trend. Therefore, according to Barrett, Jones and McEvoy (2003: 15), immigrant entrepreneurs should 'move away from co-ethnic customer dependence into mainstream markets'.

In literature on immigrant entrepreneurship, entrepreneurs who sell their products to a general public are in many cases described as being active in a 'middleman market' (Engelen 2001). As stated by Waldinger (2000: 128) 'these entrepreneurs are in an intermediate position where they engage in trade, commerce or other activities with out-group members'.

Traditionally, these 'middleman minorities' have been associated with pre-capitalist societies, where they have often dominated trading and commercial activities (Waldinger 1986: 9). They were 'sojourners', whose main interest was to make a quick profit from their portable businesses and to reinvest their money elsewhere, often implying a return home (Bonacich 1973; Zhou 2004). One can think, for example, of the Jews in pre-war Eastern Europe, or Chinese in South-East Asia, who, according to Waldinger, Aldrich and Ward (1990: 120) 'exemplify those ethnic minorities whose over-representation in self-employment results from their success in finding customers outside their limited ethnic markets'. However, according to Kim (1999: 582) middleman minorities were originally developed to describe minority-majority relations in pre-capitalist societies, yet in its current usage the term characterizes the self-employed immigrants who serve non-coethnics.

In this study the middleman market is narrower than the original meaning of the concept, being defined as a market where *ethnic products* are sold to a general public. As stated by Jones, Barrett and McEvoy (2000: 40) these immigrant entrepreneurs have a positive advantage as they are promoting a product 'that is derived from their own heritage cultures, is unique to them and appropriable by no one else'. The difference with entrepreneurs in the ethnic market is, however, that they are enjoying an ethnically protected monopoly but without the demographic and financial constraints of an ethnic clientele (*ibid.*: 46). According to Waldinger (2000: 136) 'native interest in "exotic" goods allows immigrants to convert both the contents and symbols of ethnicity into profit-making commodities'.

This reorientation to the general market is not, however, always a sufficient condition for break-out. Ram *et al.* (2002), for example, conducted a study in the Birmingham restaurant trade. According to this study, the majority of the Asian and Afro-Caribbean restaurants have a

primarily white clientele, but as the competition is severe they do not necessarily profit from this.

The more traditional literature on immigrant entrepreneurship gives the impression that immigrants are either active in an ethnic or in a middleman market (see Zhou 2004). These studies emphasize the ethno-cultural practices and preferences of immigrant entrepreneurs (Rath 2000b: 4). However, in Figure 3.1 a third market is distinguished, namely the 'niche market'. In this study, a niche market is a market where entrepreneurs provide non-ethnic products – such as insurance, financial services, legal aid, driving instruction, or real estate – to their own immigrant group. These entrepreneurs, whose specialization and know-how has nothing especially ethnic, have the cultural competence to enter this niche market (Pütz 2000); they have a competitive edge over natives, in which 'trust' is crucial, in addressing themselves to people with the same immigrant background with a non-ethnic product. As a result, some respondents are among the first to enter a niche market (see Morokvasic 1999; Pütz 2000). Morokvasic (1999), in her study on female immigrant entrepreneurs, gives an example of a Turkish entrepreneur who was counseling in financial affairs and investment, exclusively for her Turkish clientele. As there was practically no competition, there was no need for this entrepreneur to broaden her array of customers (*ibid.*). Therefore, contrary to what is often assumed in literature, this example illustrates that for business success it is not always necessary for entrepreneurs to break-out to a non-ethnic clientele (see also Engelen 2001).

The fourth and final market is the mainstream market. Immigrants who are active in a mainstream market serve a mainly mainstream – or non-coethnic – clientele with non-ethnic products or services. These entrepreneurs are in direct competition with native entrepreneurs and turned to the needs of the broader market (see also Morokvasic 1999). With some recent exceptions, such as the work by Leung (2001) on Chinese firms in the German IT-sector and a study of Saxenian (1999) on immigrant entrepreneurs in Silicon Valley, this market is often overlooked in the international literature on immigrant entrepreneurship. This can be partially explained by the selection of respondents. Often the focus in studies on immigrant entrepreneurship is on sectors with large concentrations of immigrant businesses, such as the hotel and catering industry, which emphasize the ethno-cultural practices. One practical explanation for this focus is that as immigrants are more represented in these sectors it is much easier to find respondents (see Rath 2002: 355). However, I assume that the second generation is capable of moving into other markets, among them mainstream markets (see section 3.1).



*A Chinese wholesale business in Amsterdam.*

As stated before, the boundaries between the different markets are not as watertight as it may seem. An ethnic business pattern may evolve, for example, into a middleman minority situation and an entrepreneur can move from a niche market to a mainstream market. In section 3.4 these developments will be further explored. I will start, however, in the next section with examining the markets in which the entrepreneurs are active.

### **3.3 Markets analyzed**

To examine the markets in which the entrepreneurs are active, the businesses were analyzed based on the clientele and the products the entrepreneurs sell. In Table 3.1 the results of this analysis are shown. As can be seen from Table 3.1, there is a significant difference between the first and second generation in the markets in which the entrepreneurs are active.

The results of Table 3.1 show that considerably more first-generation immigrants are active in an ethnic market compared to the second generation. Almost one-third of the first generation is active in an ethnic market, whereas among the second generation this is 14 percent. Furthermore, if the ethnic and niche market are taken together, it ap-

**Table 3.1** *Generation by market (N = 245)*

Market	First generation		Second generation		Total	
	N	%	N	%	N	%
Ethnic market	42	31	15	14	57	23
Middleman market	39	29	37	34	76	31
Niche market	16	12	17	15	33	14
Mainstream market	37	28	42	38	79	32
Total	134	100	111	100	245	100

(p &lt; 0.05)

pears that 43 percent of the first generation offer an ethnic or non-ethnic product to a co-ethnic clientele; among the second generation this is only 29 percent. These results indicate that among the second generation the importance of a co-ethnic clientele has declined.

Edin (IVo8R) is case in point of a first-generation immigrant entrepreneur who is active in an ethnic market. Edin runs a wholesale food outlet in Rotterdam. Due to the war in Bosnia, Edin came to the Netherlands in 1993. In Bosnia he ran a restaurant together with his father, but after his arrival in the Netherlands Edin first started to work in the steel industry. As he was not satisfied with his job, he decided to start a business of his own in 2000. His main business activity is importing food products from Bosnia. Besides all kinds of food articles, however, he also trades in Bosnian CDs and videotapes. He sells these products to retail shops, which are mostly run by immigrants from former Yugoslavia. Apart from the wholesale food outlet, Edin also owned a retail shop, where he sold his own imported products to mainly Bosnian clients. In this shop he often got assistance from his aunt or wife. In 2005, however, it appeared that Edin had sold his business to a Bosnian friend. Yet Edin still runs the wholesale business, and has agreed with his friend to continue supplying the retail shop.

As can be read from Table 3.1 as well, about one-third of the first and second-generation immigrant entrepreneurs are active in a middleman market. These entrepreneurs sell an ethnic product to a largely non-coethnic clientele. One of them is Claudia, who was born in Surinam (III13A). In 1985, when Claudia was nine years old, she and her mother migrated to the Netherlands. In the 1980s Claudia's grandfather, who migrated before Claudia and her mother, opened a sandwich bar in Rotterdam. This sandwich bar specializes in Surinamese sandwiches. Inspired by her father, Claudia's mother opened a similar shop in Amsterdam in 1993. When her father died, Claudia's mother decided to run the business in Rotterdam and Claudia was asked if she would take over the business in Amsterdam. Although Claudia would have preferred to work as a stewardess, she felt obliged to keep the fa-

mily business running. The two businesses sell almost exclusively Surinamese-Javanese products to a mainly native Dutch group of customers.

The niche market is least popular among the first as well as the second generation (see Table 3.1). Only 14 percent of the entrepreneurs are active in a niche market. One of them is Sinan (I18R). From 1991 until 2000, Sinan worked for a large, well-known insurance company. Based on his work experience, Sinan noticed that there were a large number of uninsured people among the Turks. Therefore, in 2000 Sinan decided to start an insurance company, together with a Turkish former colleague. Their main group of clients have always been the Turks. In 2003, two years after the first interview with Sinan, and with business going well, they opened a second insurance company in The Hague and now have seven Turkish employees. Their clientele consists of 95 percent Turks and as their business is still growing they do not feel the urge to broaden their group of clients.

Sinan's case shows that having co-ethnic customers, or being active in an ethnic or niche market can be a business strategy as well. As Sinan's business is still growing he does not feel the urge to expand his clientele. The case illustrates that although it is often stated that for entrepreneurial progress immigrant entrepreneurs should offer products and services outside their own ethnic group, this does not apply to every entrepreneur (*cf.* Morokvasic 1999).

As the results of Table 3.1 show, most of the second-generation immigrants are active in the mainstream market. A case in point is Saïd (I17U). Saïd and his mother migrated to the Netherlands in 1975, due to family reunification. In 1992, during his studies in business information science, Saïd started a business of his own. At first his main activity was to develop and sell business cards to other businesses. As this business was going well, Saïd decided to terminate his studies after two years. In the last five years Saïd has employed both his wife and his brother, and his business activities have expanded to web hosting and web design. His clients, mainly native Dutch-run businesses, vary from garage owners to the Ministry of Transport and Public works.

In analyzing the clientele a distinction is made between a 'co-ethnic clientele' and a 'mainstream clientele' (see Figure 3.1). It is important to notice that a 'mainstream clientele' does not automatically mean a 'native Dutch' clientele. It means that the entrepreneur has a clientele with a predominantly different ethnic background than his or her own. Therefore, in Table 3.2 a more precise distinction of the category 'mainstream customers' is made; the group of 'mainstream customers' is divided between entrepreneurs whose customers are mainly native Dutch and entrepreneurs who for the most part have a 'mixed clientele'<sup>3</sup>. The

niche and ethnic market are not included in Table 3.2, as in these markets entrepreneurs have mainly customers with the same ethnic background.

**Table 3.2** *Market by clientele and generation (N = 152)*

		Middleman market		Mainstream market		Total	
	Clientele	N	%	N	%	N	%
First generation	Mainly native Dutch	21	54	20	56	41	55
	Mixed clientele	18	46	16	44	34	45
	Total	39	100	36	100	75	100
Second generation	Mainly native Dutch	19	54	25	60	44	57
	Mixed clientele	16	46	17	40	33	43
	Total	35	100	42	100	77	100

As the results of Table 3.2 show, more than half of both first and second-generation immigrants in the middleman and mainstream market have a predominantly native Dutch clientele. An example of an entrepreneur who operates with his business in a mainstream market and has a mainly native Dutch clientele is Musti. Musti is 26 years old and born in the Netherlands. His father came to the Netherlands as a guest worker in the beginning of the 1970s. During the interview Musti explained that his circle of friends mainly consists of Turks, as he feels most comfortable with Turks. Therefore, he also visits Turkish cultural events as well as meetings, and he is a member of a Turkish soccer club. However, with regard to his clientele for his Internet business he said the following:

In principle, I avoid doing business with Turks, because I know the Turkish way of doing business. For many people it means that you have to get a bit off the price; you have to bargain. For example, if this product costs 100 euro, then a Turkish customer will ask if I want to sell it for 95 euro. If my answer is “no” then he will call me back within a week saying “ok, I will buy it for 96 euro”. This is really difficult. I13R

Some entrepreneurs consider the name of the business essential for attracting more native Dutch customers. Osman (I42R), for example, is 29 years old and born in Turkey. He came with his family to the Netherlands when he was 20 days old. After finishing his higher vocational education and a few years of work experience, Osman decided to open a computer business in Rotterdam. Recently he opened a bakery as well:

R: The name of the Internet business and the bakery sounds modern and our logo is modern as well. It does not sound Turkish at all.

I: Was it a deliberate choice?

R: Yes, a very deliberate choice. By choosing a modern name and logo, you are better able to attract the native Dutch population. I42R

Based on the outcomes of Table 3.1 one may conclude that the first generation is mainly active on an ethnic market (31 percent) and the second generation predominantly on a mainstream market (38 percent). However, as there is a difference between the generations in the choice of business sector, it remains unclear whether the differences between the generations continue to exist if the sector is included in the analysis. Table 3.3 provides the data necessary for this research question.

**Table 3.3** *Sector by market and generation (N = 241)*

		<b>B2B</b>		<b>Hairdressing</b>		<b>Catering</b>		<b>Wholesale</b>	
		<i>N</i>	%	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%
First generation	Ethnic market	3	8	8	24	9	28	22	71
	Middleman market	6	16	3	9	22	69	8	26
	Niche market	10	27	5	15	-	-	-	-
	Mainstream market	18	49	17	52	1	3	1	3
	Total	37	100	33	100	32	100	31	100
Second generation	Ethnic market	3	5	4	20	3	14	5	50
	Middleman market	11	20	3	15	17	81	5	50
	Niche market	13	23	4	20	-	-	-	-
	Mainstream market	29	52	9	45	1	5	-	-
	Total	56	100	20	100	21	100	10	100

The results of Table 3.3 illustrate that if the business sector is held constant, the discrepancy between the generations mainly disappears. Both first and second-generation immigrant entrepreneurs who run a hairdressing salon or a business in the producer services are mostly active in a mainstream market. Only a few of them are active in an ethnic market. Furthermore, both first and second-generation immigrant entrepreneurs in the catering sector are mainly active in a middleman market, whereas entrepreneurs in the wholesale food primarily operate in an ethnic market. This outcome seems to indicate that the choice of sector determines not only the product the entrepreneurs sell but their clientele as well.



To conclude this section, if the ethnicity of the entrepreneurs is included in the analysis, it appears that there is a significant difference between the various ethnic groups and the markets in which they are active. In Table 3.4 only the three largest ethnic groups – Turks, Moroccans and Surinamese – are included. As can be read from the table, a distinction is also made between the first and second generation.

**Table 3.4** *Ethnicity by market and generation (N = 167)*

	<b>Turks</b>		<b>Moroccans</b>		<b>Surinamese</b>	
	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%
<b>First generation</b>						
Ethnic market	16	36	3	27	12	38
Middleman market	8	18	2	18	9	28
Niche market	7	16	3	27	3	9
Mainstream market	14	31	3	27	8	25
Total	45	100	11	100	32	100
<b>Second generation</b>						
Ethnic market	3	9	7	30	3	13
Middleman market	7	22	4	17	11	48
Niche market	12	38	3	13	-	-
Mainstream market	10	31	10	42	9	39
Total	32	100	24	100	23	100

The results of Table 3.4 show that especially among the second-generation Surinamese and Turkish entrepreneurs, the share of entrepreneurs active in the ethnic market decreased considerably, in comparison to the first generation. Among the Turkish entrepreneurs, 36 per cent of the first generation are active in an ethnic market, whereas among the second generation this is only 9 per cent. Yet, among the second-generation Turkish entrepreneurs, a co-ethnic clientele remains dominant, as almost 40 per cent are active in a niche market. These outcomes correspond to the findings of other studies that have suggested that the Turkish community in the Netherlands comes closest to an ethnic economy (Staring 2001).

### 3.4 Businesses in dynamic perspective

As the classification on the preceding pages is based on the time the first interview took place, it gives a rather static view of the position of the entrepreneurs in the different markets. Yet, an entrepreneur may move from one market to another. To examine these movements, I analyzed the dynamics of the businesses, between the start of the busi-



*Both these entrepreneurs are active in a mainstream market.*



ness and the time the first interview took place. As Table 3.5 shows the number of cases is limited ( $N = 44$ ). This can be largely explained by the fact that most of the entrepreneurs were starters at the time the first interview took place, and for these entrepreneurs it was not yet possible to describe the evolution of their businesses. Also, as the market evolution was not an explicit question in the questionnaire, it was not possible to collect the relevant data from every respondent.

**Table 3.5** *Generation by market evolution ( $N = 44$ )*

	First generation		Second generation		Total	
	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%
From ethnic to middleman	18	82	9	41	27	61
From niche to mainstream	3	14	10	45	13	30
Other	1	4	3	14	4	9
Total	22	100	22	100	44	100

( $p < 0.05$ )

The results of Table 3.5 show that with their business 44 entrepreneurs evolved from one market to another. Among these 44 entrepreneurs two main shifts are visible, namely from an ethnic market to a middleman market ( $N = 27$ ) and from a niche market to a mainstream market ( $N = 13$ ). A case of an entrepreneur who operated his business in an ethnic market but gradually moved to a middleman market is Kin Ping (IV10A). Together with other family members and his wife Soesja, Kin Ping runs a retail and wholesale business in Amsterdam. Both Kin Ping and Soesja were born and raised in the Netherlands. Soesja's father migrated from China to the Netherlands in 1965, her mother followed in 1971. Kin Ping's grandfather came to the Netherlands in the 1930s. In 1957, Kin Ping's grandfather started a small business in Amsterdam, together with his Dutch wife Stien. His grandfather sold Chinese goods, which he bartered for Dutch goods with Chinese seamen. In the 1970s Kin Ping's parents took over the business. In these years, the number of Chinese and Indonesian restaurants increased in the Netherlands. Kin Ping's parents responded to the growing demand from the owners of these restaurants for Chinese food articles, decoration materials and kitchen equipment. As a result, their business expanded and turned into a retail business in combination with a wholesale food and kitchen equipment outlet.

After Kin Ping and Soesja finished their studies at the university, in 2000 they decided that they both preferred to work full-time in the family business. From that moment Kin Ping and Soesja tried – with success – to expand their clientele:

We are one of the few wholesale food outlets in this neighborhood aware of the opportunities to serve the Dutch market. As a lot of entrepreneurs compete for the 80,000 to 100,000 potential Chinese customers, we choose to focus on the native population. A lot of the Dutch population go to Asia on holiday, so they are familiar with Asian products. This, of course, is a huge market, so we started to serve this market as well. One of the changes in our business strategy was, for example, that we now only hire personnel who speak both Chinese and Dutch. IV10A

If the sector is also included in the analysis, it appears that the shift from an ethnic to a middleman market mainly occurs in the wholesale food and in the hotel and catering industry. The shift from a niche to the mainstream market, on the other hand, is mainly visible within the hairdressing sector and producer services.

A case of an entrepreneur who started with his business in a niche market but gradually moved to a mainstream market is Chen (I26R). Chen, together with his friend Lee, runs an Internet business in Rotterdam. Both their parents migrated from China to the Netherlands. Lee was born in the Rotterdam, Chen arrived at the age of four together with his parents in the Netherlands. Lee and Chen knew each other since they were little, and in 2001 they started an Internet business together. At that time Chen worked for a multinational and Lee was still in high school. The first year after the start Lee and Chen aimed exclusively at the Chinese community. As Lee said 'Chinese prefer doing business with someone who is Chinese or Asian. We are much more trusted and, therefore, it is much easier for us to bring in Chinese customers'. They advertised their business exclusively in local Chinese newspapers. At first business went well; however, after the first year business was not exactly thriving. Hence Lee and Chen decided to change their focus and to gain more native Dutch customers as well.

From Table 3.5 can also be read that the shift from an ethnic to a middleman market mainly occurs among the first generation, and the shift from a niche to a mainstream market appears predominantly among second-generation immigrants. Both shifts imply, however, that the clientele changed from a mainly 'co-ethnic' to a predominantly 'non-ethnic' or 'mainstream' clientele. This can be explained by the fact that in general the move towards a non-ethnic clientele is seen as essential for the growth of their business. To illustrate, the next quotation comes from an interview with a Surinamese woman who runs a wholesale food business in Amsterdam, specializing in Surinamese products:

At a certain point you cannot grow anymore, but you have to grow, otherwise you can close down your business. So you have to look for opportunities. Of course the market does not only consist of Surinamese. You start with selling your products to Surinamese shops, but you have to move on. For me, that was six-and-a-half years ago. From that moment I have tried to expand my clientele to the population at large. IV08A

Yet the shift to a broader clientele is not an option for every entrepreneur. Some entrepreneurs are confined to co-ethnic customers. A case in point is Murat (I13A). After his schooling and several years of work experience at a bank, Murat decided to set up a business of his own, in addition to his job. Since 2001, together with a Turkish friend he runs an Internet and entertainment business in Amsterdam. They have a predominantly co-ethnic clientele. During the interview Murat gave the following explanation:

To be honest, I do not know the way Dutch are doing business. I know exactly how to do business with Turks, what you need to say, and what you have to pay attention to. Dutch are very straight and direct. I still do not know how to react to that. I13A

In Table 3.5 there are four respondents whose shift from market is classified as 'other'. One of them is Hoessein (I17R), who was interviewed for the first time in April, 2001. At that time he had already left his job, but had not yet registered his business. He planned to set up a business that mediates between highly educated Moroccan youngsters and Dutch companies. The second interview with Hoessein was conducted in January, 2002. Hoessein found a business location and tried to find clients and candidates. It was, however, very hard for Hoessein to realize a successful match between the companies and the candidates. One reason, as mentioned by Hoessein, was 9/11, and as a result the changed attitude towards Muslims. In August, 2002, the third interview with Hoessein was conducted and Hoessein said that, as his business was not going very well, he had changed his business strategy. His focus was no longer on matching Moroccan youngsters and Dutch companies. Instead, businesses can hire Hoessein to give a course on applying for jobs, social competence and/or presentation techniques. By changing his business strategy, his business evolved from a middleman market to a mainstream market.

To conclude this section, in addition to the shifts just described, there are entrepreneurs who have had a business before or who have a second business, which can be classified in another market (see Table 3.6).

**Table 3.6** *Market of present business by market of former and/or second business (N = 37)*

	Market present business				
	Ethnic market	Middleman market	Niche market	Mainstream market	Total
1 <sup>st</sup> generation:					
Market former/second business					
Ethnic market	3	1	2	1	7
Niche market	-	1	-	-	1
Middleman market	-	-	1	1	2
Mainstream market	-	1	1	3	5
Total	3	3	4	5	15
2 <sup>nd</sup> generation:					
Market former/second business					
Ethnic market	2	1	2	3	8
Niche market	1	1	-	-	2
Middleman market	1	1	-	4	6
Mainstream market	1	1	1	3	6
Total	5	4	3	10	22

The above table illustrates that entrepreneurs can operate in different markets with different businesses. A case in point is Sheila (I10A). Sheila was still a baby when she and her parents migrated from Surinam to the Netherlands in 1968. Sheila and her husband have been self-employed for 12 years. Their first business was a retail shop, specializing in Surinamese food articles. As they had mainly Surinamese customers they operated in an ethnic market. After a few years Sheila and her husband stopped these business activities, and since 1999 they have run an employment agency. Based on the criteria used in the analysis they operate in a mainstream market with this business, as it is a non-ethnic product and as they have mainly native Dutch clients. However, in addition to this employment agency Sheila and her husband also own a catering business, which specializes in Surinamese cooking and has mainly Dutch clients. These business activities are classified as part of the middleman market, as they sell an ethnic product to the general public.

Although Sheila is an exception, the example illustrates the shifts entrepreneurs can make between the different markets. It makes it apparent that entrepreneurs can operate in different markets, sometimes even at the same time. Therefore, a static view of the market would be incomplete. Furthermore, the cases above shows that ethnicity, with regard to product and clients, can be constructed and that entrepreneurs can sometimes choose to emphasize certain ethnic traits as a business strategy.



*This Chinese couple managed to expand their clientele and moved from an ethnic to a middleman market with their wholesale business.*

### 3.5 Conclusions

In this chapter, I examined the markets in which the entrepreneurs are active and the differences between the first and second generation. Based on the analysis it appeared that among the first generation the largest group (31 percent) is active in an ethnic market, which means that they sell an ethnic product to customers with the same ethnic background, whereas among the second generation this percentage has declined to 15 percent. Furthermore, if the ethnic and niche market are taken together, it appears that 43 percent of the first generation offers an ethnic or non-ethnic product to a co-ethnic clientele; among the second generation this is less than 30 percent. These results indicate that among the second generation the importance of a co-ethnic clientele has declined. Among the second generation more than 38 percent are active in a mainstream market. These entrepreneurs sell non-ethnic goods to a non-co-ethnic clientele. More than half of these entrepreneurs have mainly native Dutch as customers.

This analysis points to the fact that literature on immigrant entrepreneurship should not remain focused on immigrant entrepreneurs who

are active in either an ethnic or in a middleman market. With the diversifying character of migration and the rising number of second-generation immigrants who choose to become an entrepreneur, the presence of immigrants in other markets, such as the mainstream market, will probably gain in importance. On the other hand, although the mainstream market is gaining in importance, this does not imply that in the future the different markets will disappear. With the continuation of international migration and, therefore, the persisting presence of first-generation immigrants in society, the four different markets will most likely continue to exist, but their size might change.

To conclude, the analysis shows that the market classification is not as strict as it may seem. Entrepreneurs move from one market to another. The strategic use of ethnicity is crucial in these movements. If necessary and/or profitable, some entrepreneurs will try to re-focus their products or group of clients. This shows that 'ethnicity' can be variable and can even be seen as business strategy that can be employed to some extent, depending on the opportunities that occur.



*A hairdressing salon in Rotterdam.*



## 4 Informal versus formal social networks?

### 4.1 Introduction

Aarti (III03R) was born in Surinam but migrated to the Netherlands, together with her parents, at the age of twelve. After finishing her intermediate vocational education Aarti worked as a cook in several restaurants in Rotterdam. Although Aarti was satisfied with the job she had, the idea of being self-employed appealed to her very much. Therefore, after some second thoughts, she decided to start her own business. Yet Aarti did not want to quit her job immediately as she needed the income. Therefore she started – informally – a business from home, alongside to her full-time job. The main business activity was doing the catering for Surinamese festivals in Rotterdam. Aarti was able to run the business because of the unpaid assistance she received from her brother, Soenniel.

In 2001, as business was going well, Aarti decided to quit her job and to put all her energy into her business. Also, she registered her business formally in the trade register of the Chamber of Commerce. Yet as Aarti also wanted to expand her business activities, she started to look for a nice business location as well. Aarti did not, however, manage to find a good and affordable location, and she therefore turned to an organization for help. With the help of this organization Aarti found a suitable and affordable business location and as a result, Aarti has owned a sandwich take-out in the western part of Rotterdam since 2001.

To finance the start of the business, Aarti would have preferred a loan from the bank. To enhance her chances for a bank loan Aarti asked for help from a consultancy agency in setting up her business plan. Also, a representative of the agency accompanied Aarti during the meetings with the bank. Despite these efforts, the bank rejected Aarti's request, and she therefore had to borrow money from several family members, in addition to her own private means. Her brother Michael lent Aarti 20,000 euro. Michael was able to lend her this money as he had a full-time job. Based on his stable income, he suc-

cessfully requested a private loan from the bank. Aarti and Michael made a pay-back arrangement between themselves. Every month Michael pays off an amount of his loan to the bank, which Aarti pays off to him. This arrangement between Michael and Aarti is based on trust and not formally registered.

Since 2002 Aarti has a formal business partner, namely her brother Soenniel. At first Soenniel only assisted Aarti unpaid and occasionally. Still, Soenniel enjoyed assisting his sister in her business and thus he decided to quit his job and became Aarti's business partner. Furthermore, during peak-hours Aarti and Soenniel receive assistance from Michael. Also, their mother helps them regularly in the kitchen, and several friends help out during catering activities. As Aarti and Soenniel do not want to hire personnel yet, running the business would have been very difficult without the assistance they receive from family members and friends, according to Aarti.

As the case of Aarti illustrates, a social network is made up on the one hand of informal or personal sources such as family, friends or acquaintances. On the other hand, a social network also includes formal, professional contacts, such as business contacts, or contacts with banks, local government, organizations and associations (see Sequeira and Rasheed 2004: 77). In her study *Informality* Barbara Misztal (2000) makes a useful distinction between formal and informal contacts. According to Misztal (*ibid.*) informal contacts can be described as 'informal, face-to-face, homogenous, communal and spontaneous types of relations'. Formal contacts, on the other hand, are 'formal, heterogeneous, rational, contract-based, calculative types of relations' (*ibid.*: 19).

By making use of their social capital – which is defined as 'the ability of actors to secure benefits by virtue of membership in social networks and other social structures' (Portes 1998: 6) – entrepreneurs are able to acquire scarce resources from their embeddedness in these formal and/or informal networks.

Based on the existing literature on immigrant entrepreneurship, it seems, however, as though the embeddedness in *informal* networks more specifically plays a major role in starting and running a business (see for example Waldinger, Aldrich and Ward 1990; Flap, Kumcu and Bulder 2000). For example, it is often stated that immigrant entrepreneurs are able to set up their business by making use of family loans, and manage to survive because they can rely on low-paid or unpaid family labor (Kloosterman, Van der Leun and Rath 1998).

Yet the fact that immigrant entrepreneurs fall back on their informal social networks is partially seen as a compensation for the lack of outside or formal networks and other resources (*cf.* Gold 1995; Hagan,

MacMillan and Wheaton 1996; Portes 1998: 14). It is to be questioned, however, whether this applies to second-generation immigrant entrepreneurs as well, or whether the embeddedness in outside or formal social networks has increased in importance among the second generation. This question will be examined in this chapter.

In this study, *formal social networks* are defined as business relations with formal institutions such as banks or governmental organizations (cf. Granovetter 1995). *Informal social networks*, on the contrary, are defined as business relations with friends, family members and/or informal institutions (*ibid.*). Based on this difference between informal and formal social networks, a distinction can also be made between *formal social capital* and *informal social capital*. *Formal social capital* is defined as the ability of immigrant entrepreneurs to obtain scarce resources by virtue of their embeddedness in formal social networks, whereas *informal social capital* stands for the ability to obtain scarce resources via the embeddedness in informal social networks.

In this chapter I will examine whether immigrant entrepreneurs obtain scarce resources via their embeddedness in formal and/or informal social networks. More specifically, I look at how the entrepreneurs obtain three kinds of scarce resources, namely financial capital for the start of the business (section 4.3), business information<sup>1</sup> (section 4.4) and labor or personnel (section 4.5), in the course of which a comparison is made between first and second-generation immigrants.

Furthermore, in section 4.6 I will explore the relation between formal and informal networks. Namely, if the second generation is indeed more embedded in formal social networks than the first generation, what does this mean for the informal embeddedness of the second generation? Are they less embedded in informal networks or are they embedded in both formal as well as informal networks? In other words, do informal and formal networks overlap, replace or complement each other (see Komter, Burgers and Engbersen 2000)?

In analyzing the formal and informal networks of the entrepreneurs, I will include – as I did in the previous chapter – the ethnicity as well as the sector in which the entrepreneurs are active. Also, in addition, I will examine how the results of Chapter 3 with regard to the different markets in which the entrepreneurs are active relate to the networks in which the entrepreneurs are embedded. This will be examined in section 4.6 as well. The chapter begins, however, with an elaboration on the theoretical framework as presented in Chapter 1.

## 4.2 The importance of embeddedness

One of the central theoretical concepts as formulated in Chapter 1 is the concept of embeddedness, as reintroduced by Granovetter (1985). After Granovetter (*ibid.*), Portes and Sensenbrenner (1993) made an important contribution to the definition of embeddedness. They argue that the embeddedness concept is not specific enough and that it should be refined through Bourdieu's (1979, 1991) concept of social capital (see also Froschauer 2000). Portes (1995: 12) defines social capital as 'the capacity of individuals to command scarce resources by virtue of their membership in networks or broader social structures'. The resources themselves are not social capital; social capital is the *ability* to mobilize the resources on demand. In the opinion of Portes (1995: 13) the ability to obtain these resources – social capital – is 'a property of the individual's set of relationships with others'. Therefore Portes (*ibid.*) regards social capital as a product of embeddedness.

In line with the work of Granovetter and Portes, the embeddedness of individuals in social networks can influence who gets a job, bonus or other economic benefits (Putnam 2000: 319). Whether individuals may be able to mobilize a significant amount of these scarce resources depends, however, on the characteristics of the networks, as well as the personal positions within them (Portes 1995; Boissevain 1974).

Studies on the importance of embeddedness have also affected the interest in the role played by social networks in immigrant entrepreneurship (Flap, Kumcu and Bulder 2000: 146). In the next section, I continue, therefore, with the importance of embeddedness in social networks for entrepreneurs in specific.

### *Social embeddedness and entrepreneurship*

The embeddedness of entrepreneurs in social networks, also known as social embeddedness, is of crucial importance for entrepreneurs in general and for immigrant entrepreneurs in particular (Granovetter, 1985, 1995; Waldinger 1986; Uzzi 1999). The social embeddedness framework asserts that the study of economic activity must include an analysis of the social context within which economic action occurs (Granovetter 1985; Uzzi 1996, 1997). The implementation of this perspective in the field of entrepreneurship has resulted in a growing area of research that focuses on the role concrete relationships play in shaping the entrepreneurial process and its outcome (Hoang and Antoncic 2003).

Several studies have shown that entrepreneurs make extensive and important use of social networks (Light and Gold 2000: 94). In general, entrepreneurs need help in three different ways. First, entrepre-

neurs require a certain amount of financial capital to establish their enterprises (Waldinger *et al.* 1990: 137). In order to be able to finance the business, immigrant entrepreneurs rely – more than native entrepreneurs – on informal loans from family members or relatives (Kumcu, Lambooy and Safaklioglu 1998: 133-134; Wolff and Rath 2000: 22; EIM 2004: 41).

Second, as well as financial capital, entrepreneurs require relevant business information and advice. Before starting their enterprises, for example, entrepreneurs need information about markets, the location, and laws and regulation (Waldinger *et al.* 1990: 133). Furthermore, once established, they need information about prices, successful products and suppliers. Often, immigrant entrepreneurs receive relevant business information from their direct network of family members, co-ethnics or relatives as well (Light, Bhachu and Karageorgis 1993: 36).

Finally, entrepreneurs need labor (personnel) to run their business. Many immigrant entrepreneurs rely heavily upon family, kin, and co-ethnics for cheap, loyal labor, which is often regarded essential for their survival and success (Kloosterman, Van der Leun and Rath 1998; Waldinger, Aldrich and Ward 1990: 141).

The above illustrates that in different areas – finance, information and labor – the embeddedness of immigrants in informal social networks, consisting mainly of family members and friends, is of crucial importance for the formation and maintenance of immigrant firms (see also Waldinger *et al.* 1990: 35).

In the following three sections, in which the empirical results are presented, I examine whether the second generation depends more on formal social networks to acquire these scarce resources, or whether they continue to rely on informal social networks as well.

### 4.3 Financing the start

In general, entrepreneurs have the same four financial sources at their disposal, although the costs of starting a business may differ between the different sectors (see Wolff and Rath 2000: 10-12). A first source is 'private means'. Both native as well as immigrant entrepreneurs principally use private means in order to finance the start. These private means usually consist of their own savings. Therefore, as private means are personal savings and often not directly obtained from the embeddedness in networks, I will include private means in the analysis but will not elaborate on it.

A second source is family members, friends and/or acquaintances who lend the entrepreneur money. This source is informal, as no banks are involved and the loan is often not officially registered (*ibid.*:

10). For immigrant entrepreneurs this source is most popular, after private means.

A third source is banks and financial institutions. Among native Dutch entrepreneurs this third source is most popular, after private means (*ibid.*). One of the main problems, however, for entrepreneurs (specifically starting entrepreneurs) is to raise capital from formal institutions, such as banks (Granovetter 1995). For various reasons this applies even more to aspiring immigrant entrepreneurs (SER 1998: 49). Often immigrant entrepreneurs have, for example, no property that can be used as collateral (Flap, Kumcu and Bulder 2000: 153). Further, many times immigrant entrepreneurs apply for a relatively small loan, which is less interesting for banks (SER 1998). Also, in many cases immigrant entrepreneurs want to start a business in sectors, such as the retail trade, without good prospects (*ibid.*: 49). Another reason can be lack of knowledge about specific markets. As a consequence of these factors, it is difficult for many immigrant entrepreneurs to get a bank loan.

A final, also formal, source for entrepreneurs to finance the start is the government. For instance, until recently if someone who received social benefits decided to start a business, he or she could qualify for a special subsidy to finance the start-up (the 'BBZ-regeling'<sup>2</sup>). In general, however, the share of entrepreneurs who make use of these governmental financial regulations is small (Wolff and Rath 2000).

The four financial sources as listed above were used to analyze the ways the respondents financed the start of their business. In order to examine whether the entrepreneurs used formal or informal social capital to finance the start, I used the classification 'formal financing' for entrepreneurs who received their financial capital via banks or other financial/governmental institutions, whereas informal financing is defined as a loan from family, friends and/or acquaintances. In Table 4.1 the results of this analysis are given.

### *Formal financing*

As Table 4.1 shows, the second generation relies on formal financing more often than the first generation.<sup>3</sup> Almost one-quarter of the second generation formally financed the start, whereas among the first generation this is 13 percent. As can be read from Table 4.1 as well, 18 entrepreneurs combined formal with informal resources for the start. They managed to get a loan from the bank – and in two cases a subsidy – as well as a loan from family members or relatives. If we add this 'mixed' category to the category 'formal financing', about 30 percent of the second generation and 20 percent of the first-generation immigrant entrepreneurs financed their start at least partially with formal resources.

**Table 4.1** *Generation by financing (N = 239)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Formal financing*	16	13	27	24	43	18
Informal financing**	63	50	44	40	107	45
Mix of formal and informal financing***	12	9	6	5	18	8
Exclusively private means	36	28	35	31	71	30
Total	127	100	112	100	239	100

$p < 0.05$  (private means not included)

\* 18 entrepreneurs (14 second and 4 first generation) combined formal financing with private means

\*\* 58 entrepreneurs (18 second and 40 first generation) combined informal financing with private means

\*\*\* 10 entrepreneurs (5 second and 5 first generation) combined formal financing with private means

Out of the total of 61 entrepreneurs who financed the start exclusively with formal means ( $N = 43$ ) or in combination with informal means ( $N = 18$ ), 52 entrepreneurs (27 second and 25 first generation) requested – and received – a bank loan. However, not every entrepreneur received a loan directly for his or her business, or business plan. Eighteen entrepreneurs were issued a private loan or an extra mortgage on their house. Ten of these entrepreneurs are active as a hairdresser. One of them is Ruhida. Ruhida's father left Turkey for the Netherlands to work as a guest worker. Ruhida was born and raised in Rotterdam. Her husband came from Turkey to marry Ruhida in 2001. Five months after his arrival Ruhida and her husband took over a hairdressing salon from an acquaintance. Regarding her starting capital she said the following:

I: Did you ask for a loan at the bank?

R: Yes.

I: You did not borrow money from family members?

R: No, we did not want that, because every time they pass by, they want their money back. And if you are not able to give them their money back, than you have all sorts of problems. So I said to my husband: "I do not want to borrow money from family members, a loan from the bank is the best. Not from my family or my parents. That is too difficult". II06R

Ruhida managed to get a private loan from the bank, based on the full-time job she had at that time. She used the loan to take over the hairdressing salon. Several entrepreneurs used this strategy in order to get a loan from the bank. Gülten, for example, took over a hairdressing sa-

lon in Amsterdam twelve years ago, with her sister. During the interview Gülten told how she and her sister financed the start of their business:

At first we could not get a loan from the bank because we had to show that the business made profit and that was not the case. So we asked for a private loan because our husbands have a permanent job. With this money we financed the start. IIo8A

Besides the entrepreneurs who received a bank loan, in total five respondents applied for and got a subsidy from the government.<sup>4</sup> A case in point is Fathima (IIo9U). Fathima is 34 years old and born in the Netherlands. Her parents came from Tetouan, Morocco, to the Netherlands in the 1960s. After her education, Fathima started to work as a social worker. However, she lost her job and ended up unemployed. As she depended on social benefits, Fathima was allowed to appeal for a subsidy measure (the 'BBZ-regeling') to finance the start of a business. With the help of a consultancy agency she set up a business plan. As Fathima already worked occasionally informally as a *ziyiana*, someone who takes care of the hairstyle and make-up of Moroccan brides, she wanted to turn these informal activities into a formal business. Based on her business plan, her request for the subsidy measure was granted and Fathima got a loan of 21,000 euro. An advantage of this subsidy measure is that during the first half-year one is allowed to keep their social security benefit as well. With the money she received, Fathima was able to start her business.

Finally, some of the entrepreneurs who formally financed the start, participated successfully in an entrepreneurial contest and were able to start their business with the money they received for their business plan. One of them is Hammadi (I32R). Hammadi was born in Morocco, but migrated to the Netherlands at the age of eight, through family-reunification. After he finished his study in business administration Hammadi worked for an international company as a business developer. At the same time, he developed his own business plan. Hammadi wanted to open a business specializing in giving integration courses for immigrants. He entered his business plan in an entrepreneurial competition. The contest was sponsored by a bank and organized by a multicultural organization. Hammadi won this contest and received a prize of 10,000 euro.

Apart from the entrepreneurs who managed to get a loan from the bank or other financial institutions, 39 entrepreneurs – 28 first generation and 11 second-generation immigrants – applied for a loan but their request was rejected. According to these respondents, the main reason for the refusal by financial institutions was a lack of faith in the busi-



ness plan and/or the choice of sector. The following respondent tried to get a subsidy from the government (via the 'BBZ-regeling'). In 2001 the respondent and her husband set up a wholesale food business in Utrecht. Their main business activity is the import of fruit juices from Egypt. As they both lived on social welfare, they hoped to get a subsidy (the 'BBZ-regeling') from the government for the start of their business:

I: How did you finance the start of the business?

R: Well, we had to borrow money from family members as we did not get a grant [the 'BBZ-regeling'] from social welfare. With the family capital we were able to import a container of fruit juices, which we tried to sell to other entrepreneurs.

I: Do you know why you did not receive the grant from social welfare?

R: In their opinion, the business plan looked good but the wholesale industry has a very low margin of profit. So they were afraid that we would not make it with that profit margin. IV08U

Refusal based on the choice of sector not only happens in the wholesale food industry but in other sectors as well. Osman (I42R), for example, opened a computer business in Rotterdam in 2000 (see also p. 71). To finance the start of the business Osman made a business plan, hoping to get financial support from the bank. However, he did not receive the requested financial capital. The bank explained to Osman that in the computer business there were too many bankruptcies and the risk was therefore considered too great. Consequently Osman had to borrow money from his brothers and sisters to start the business.

Another reason for rejection by banks as mentioned by the respondents was a lack of property as collateral (see also Flap, Kumcu and Bulder 2000). Other entrepreneurs mentioned that it was their own fault, as they just were not well enough prepared. The following quotation comes from an interview with a Moroccan entrepreneur who, together with two friends, runs an administration office and a wholesale food business in The Hague:

We went to the bank for a request to finance the start of our business. However, they wanted to know, and asked for, all sorts of things we did not have on paper. So we decided to borrow money from acquaintances. That's how we financed our start. I10DH

According to Watson, Keasey and Baker (2000) these problems of insufficient collateral, high business risks and information barriers are

more plausible reasons for the refusal of banks to finance the start than cultural or racial stereotyping of the applicant, although this happens as well.

Entrepreneurs who are not able to formally finance the start have to turn to family members and/or acquaintances to start their business. The next section will deal with informal financing.

### *Informal financing*

From Table 4.1 can be read as well that – after private means – informal financing is most popular among both first and second-generation immigrants. The respondents give several reasons for borrowing money from family members or friends. First, as mentioned in the previous section, some entrepreneurs had to, as their request for a loan from a bank or other financial institution was rejected. Second, other entrepreneurs did not try to get a loan from a bank because they were sure their request would be rejected. Therefore, they immediately asked for a loan from a family member. Third, most of the respondents mentioned the advantages of informal financing, such as no or low interest rates, or a flexible repayment schedule, as their main motivation not searching for formal financial sources to start their business (see also De Jong 1988). Finally, a few entrepreneurs mentioned cultural or religious considerations. Especially some Muslim entrepreneurs indicated that they are not allowed to receive a loan from the bank according to Islam (*cf.* Taner 2002). The following quotation comes from the interview with Rachid, a Turkish entrepreneur who runs an administration office in Rotterdam. About his motivation for not asking for a loan from banks he explained:

R: I did not go to a bank because of my faith. I am not allowed to borrow money from a bank. It has to do with the payment of interest. Therefore, I will never ask for a loan from the bank. I started my business with private means and a loan from friends, instead.

I: Was this loan formally registered?

R: No, not all. 105R

A remarkable detail is that 15 first generation and eight second-generation immigrants received a loan from family members living abroad, mostly in the country of origin (*cf.* Portes and Guarnizo 1990). Omid (1104R), for example, fled from Iran to the Netherlands in 1993, together with his wife and children. In 1998 Omid took over a hairdressing salon in Rotterdam, together with his wife. Regarding his starting capital, Omid told us that he borrowed money from a cousin in Ger-

many, a brother in France and a sister in the Netherlands. In addition to these loans, he also borrowed money from his father in Teheran. As Omid told us 'although my father is 71 years old, he still takes care of his children'. These family loans are not formally registered: 'that is really out of the question', according to Omid.

As the above cases illustrate, an informal loan is often not registered at all. These loans are verbal agreements, based on a relationship of mutual trust (*cf.* Portes 1995: 15; Uzzi 1996: 678; Watson, Keasey and Baker 2000: 87). This, however, is not always seen as an advantage. A first-generation immigrant entrepreneur from Surinam, for example, said that as he did not put any of his loans on paper, he did not know anymore what amount he owed, and to whom. He further explained: 'And then someone would come to me and tell me I owed him 250 euro. Well, I just had to take their word for it' (I01DH). Another disadvantage of informal loans as mentioned by entrepreneurs is that it remains uncertain when a loan has to be paid back (*cf.* Cuperus 1998). As stated by Flap *et al.* (2000: 155) starting a business with informal loans may not be a problem but 'staying in business can be a problem, mainly because money that is borrowed to start up a business has to be repaid at short notice'. To illustrate, Pui Yee is a second-generation Chinese entrepreneur who was born in China and migrated with her parents to the Netherlands at the age of seven. In 2002, Pui Yee started a consultancy office in Rotterdam. To finance the start of the business Pui Yee did not want to borrow money from family members or friends, as she remembered the difficulties her parents had with family loans:

My parents always borrowed money from family members and they borrowed money from my parents. Yet, what I have seen with my parents was that the moment someone needed the money back, you did anything to give all the money back as soon as possible. If needed, you would borrow money again from someone else. I36R

To avoid situations like these, one-third of the respondents register their loan from family members or friends. However, this registration does not always guarantee that one keeps to the agreements made. Another Chinese entrepreneur (IV07A) who runs a wholesale food business in Amsterdam told us about his experiences with family loans among the Chinese:

Officially there is an agreement on the payments. However, in practice no one keeps the agreements. The loans are often paid back in once, without any interest as well. Everything is formally

registered for the tax authorities. You have to demonstrate how you got the money. A loan from family members is only put down on paper for the tax authorities. That's the main reason. IV07A

Not only do tax authorities require an official document on the loans, other formal authorities do as well. Ayben (II15R) for example, took over a hairdressing salon in Rotterdam in 2001, together with her husband. Ayben and her husband renovated the business completely. To cover the expenses, they borrowed money from family members. Now Ayben regrets that she did not ask the bank for a loan, as with an official registered loan she could have applied for a subsidy, namely a grant for the renovation costs.

The preceding shows that informal financing is still more popular than formal financing among both first and second-generation immigrant entrepreneurs. Second-generation immigrants, however, appeal to formal sources to start their business considerably more often than do the first generation.



*This Turkish couple took over a hairdressing salon in Rotterdam several years ago.*

#### 4.4 Receiving information

As said before, social networks are not only of importance for financing the start of the business but are an important information source as well (Light, Bhachu and Karageorgis 1993: 38). In general it is asserted that immigrant entrepreneurs are mainly embedded in their own immigrant networks, and as a result receive relevant business information via informal social networks consisting of family members and friends (Jansen 1999: 3). This is often seen, however, as a compensation for the fact that immigrant entrepreneurs are less embedded in formal networks where entrepreneurs can obtain relevant business information as well. As mentioned in the first section, immigrant entrepreneurs become, for example, members of storekeepers' associations, trade or other professional organizations less often than native entrepreneurs; they are rarely organized in any formal entrepreneurial networks (EIM 2004: 66; Ministerie van Economische zaken 2005).

In this section I will examine to what extent the entrepreneurs are embedded in formal social networks of this kind, and whether there is a difference between the first and second generation. I will examine two different formal business networks in which entrepreneurs can be embedded and from which they can receive information. First, entrepreneurs can be embedded in business networks that help them with the start of the business. In the Netherlands there are all kinds of organizations that assist aspiring entrepreneurs with the start of their business. These organizations vary from the Chamber of Commerce to consultancy agencies. Some of these organizations are exclusively aimed at immigrant entrepreneurs, others at entrepreneurs in general. Second, entrepreneurs can be a member of professional business organizations, such as entrepreneurial, employers, trading or shopkeepers' associations. Table 4.2 shows whether the entrepreneurs are embedded in one or both of these networks.

**Table 4.2** *Embeddedness in formal business networks (N = 244)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Yes	60	45	66	59	126	51
No	72	55	46	41	118	49
Total	132	100	112	100	244	100

( $p < 0.05$ )

As can be seen from Table 4.2, more than half of the entrepreneurs are embedded in a formal business network. Also, the results of Table

4.2 show that there is a significant difference between the first and second generation.

One can assume, however, that the importance of embeddedness in formal business networks depends on the sector in which the entrepreneur is active. If we include the sector in which the entrepreneurs are active, it appears that embeddedness in formal business networks is most popular among entrepreneurs in the producer services and least popular among entrepreneurs in the hairdressing sector. In the hairdressing sector only 38 percent of the entrepreneurs are embedded in formal business networks, whereas in the producer services 68 percent of the entrepreneurs are embedded in formal business networks. However, within these sectors the differences between the first and second generation continue to exist. To illustrate, within the producer services 61 percent of the first generation is embedded in formal business networks, whereas among the second generation this percentage has increased to 72 percent.

#### *Enterprise-assistance agencies*

Out of the 126 entrepreneurs who are embedded in a formal business network (see Table 4.2), in total 77 entrepreneurs (35 first and 42 second-generation immigrants) asked for help from organizations for the start of their business. These entrepreneurs received relevant information about starting a business and/or practical support, for example in writing a business plan. One of them is Roshnie. Roshnie is born in Surinam, but came to the Netherlands when she was two years old. For several years Roshnie depended on social benefits, until she decided that she wanted to start her own business: a hairdressing salon. However, she did not know how to write a business plan. The local social services referred her to a consultancy agency in Rotterdam and with help of this agency she managed to write a business plan (II12R). Another example is Ekber. In 1986, when Ekber was 28 years old he migrated from Turkey to the Netherlands. Although Ekber was trained as a gymnastics teacher, he was not able to find a job in the Netherlands. Therefore, Ekber decided to start a business. His business specializes in designing advertising boards. Before he started his business Ekber took several courses:

I followed several courses for aspirant-entrepreneurs. It was very useful. You learn, for example, how to keep your administration up to date. This training was especially meant for people who wanted to start a business. Also, through these courses I extended my business network and now, if I do not know some-

thing, I know where to go. It is all a matter of information and having the right contacts. I22R

Most respondents also stress that it is important to keep informed about relevant regulations. A case in point is Mounir, a 39 year old Moroccan entrepreneur in Utrecht who owns a cleaning company. Mounir started the business in 1989 together with his wife. During the interview Mounir told how he received relevant business information:

When I started this firm, I immediately went to a meeting for starting entrepreneurs which was organized by the Chamber of Commerce. I wanted to know all kinds of things, such as how I had to arrange things with the tax authorities, how I had to pay VAT. They gave me very good information. And now, if I need information, I know who to call. I10U

However, not every entrepreneur is as enthusiastic about the help they received from, or how they were treated by, these organizations. Entrepreneurs who were negative about the assistance they got gave two main reasons. First, some respondents had the feeling that they were not taken seriously by the organization. Sharda (I107A), for example, a Surinamese respondent, took over a hairdressing salon in Amsterdam in 1988. During the interview she told us about her experiences with an organization she went to before she started her business:

I went to [name organization] and they did not help me very well. There was a man asking me: "why do you want to start a business?" So I said: "why should I not start a business?" The man answered that it would only give me a lot of headaches. I thought, well at least it would be *my* headaches, not yours. It was not very stimulating, to say the least. I107A

Another example is Dianthus. At the age of five, Dianthus migrated with his family from Cape Verde to the Netherlands. Dianthus worked as a salesman for several years, until he decided to start a travel agency in 1998. His travel agency specializes in flights to Cape Verde. In addition to his travel agency Dianthus wanted to take over a hairdressing salon for his wife, who is a hairdresser by profession. He told us about his experiences with the information desk of the chamber of commerce:

The person I spoke to at this information desk was very discouraging. It was like, "you should not start a hairdressing sa-

lon". So I left there as fast as I could. After that conversation I had the feeling that it was useless to ask for help. It really seemed as if they wanted to discourage me from starting a business in this sector, but that was something I really wanted to do. So I did not ask for any support elsewhere. I just started the business. I101R

A second reason, mainly given by second-generation immigrants, for why entrepreneurs were not enthusiastic about the assistance they received, was that the assistance and information from the organizations did not meet the standards and wishes of the entrepreneurs well enough. Martin, for example, was born and raised in Rotterdam. His parents migrated from Surinam at the beginning of the 1970s. In 2002, Martin started a business, together with his wife, which specializes in organizing events. Before Martin opened his business he asked for assistance from a consultancy agency. He had to pay 1,500 euro for the business advice he received. However, according to Martin, the advice was of no use. In the opinion of Martin these organizations are of no use for him and other entrepreneurs in his line of business:

A lot of these organizations are aimed at low-skilled first-generation immigrants and not at people who finished their higher vocational education. I went to a lot of meetings, but up to now there hasn't been much in it for me. That is very discouraging. Therefore, if there is an invitation for a meeting or something, I do not go there anymore. If I need information I prefer to read a book, or check the Internet. I30R

Another example is Yussef (I14R). Yussef was one year old when he and his mother migrated from Morocco to the Netherlands, due to family reunification. In 1999 Yussef started an Internet business in Rotterdam. Before he started his business Yussef asked for help from different organizations in Rotterdam. However, he is not very positive about the assistance these organizations offer:

There are all kinds of organizations that support immigrant entrepreneurs but they have very stereotyped ideas about immigrant entrepreneurs. Moreover, they cannot give helpful advice to people who want to begin an Internet business. They can support you if you want to set up a snack bar or a greengrocery. Yet, with all respect, they have no idea about setting up an Internet business. I14R



Unlike the above entrepreneurs, who did ask for help, about two-thirds of the respondents did not ask for assistance from any organization at all. Again, based on the interviews, roughly two main reasons can be distinguished. First – and this mainly applies to the first generation – some entrepreneurs have never heard of the existence of these enterprise-assistance agencies. Saad, for example, is an Iraqi entrepreneur who came to the Netherlands in 1989. In 2001 Saad took over a hair-dressing salon from an Iraqi friend. As the following quotation illustrates, Saad did not know about the existence of enterprise-assistance agencies that could have helped him with the start of the business:

I have never asked for help from organizations. The problem is that I do not know how that all works in the Netherlands, I do not understand the Dutch system. That is my problem. I11A

Secondly, there are entrepreneurs – and these are mainly second-generation immigrants – who have heard about their existence and the help they can receive from these organizations, but make a conscious decision to stay away from business support programs. To illustrate, Matimba (I01U) was born in Utrecht; her father migrated from Zimbabwe and her mother is Dutch. In 1990 she started a consultancy firm in Utrecht. During the interview Matimba told about asking for assistance from organizations:

I try to stay away from it. These organizations do not appeal to me. I have chosen to be an entrepreneur to avoid being patronized and I do not fancy spending my time at the counter. I01U

Another entrepreneur stresses that ‘they have chosen to become an entrepreneur to be independent and to achieve something under their own power, not with the help of someone else’ (I10R). Furthermore, these entrepreneurs are of the opinion that they do not need any help, as they are capable of gathering relevant information themselves. To illustrate, the following quotation comes from the interview with Gideon. He is a second-generation Chinese entrepreneur who was nine years old when he came to the Netherlands, due to family-reunification. In 1998 Gideon started an insurance company in The Hague:

I: Did you receive any assistance from, for example, business support programs or other organizations?

R: Well, actually not. I mean, through the site of the Chamber of Commerce you find all sorts of relevant information. For example ‘starting a business kit’, which includes a program on how to write a business plan. And that works perfectly. I12DH

Based on the above outcomes, one could state that whereas the second generation seems to have the option of not asking for help from organizations, it is less of a choice for the first generation.

### *Membership of professional business organizations*

It is often stated that immigrant entrepreneurs become members of storekeepers' associations, trade or other professional organizations less often than native entrepreneurs (EIM 2004: 66; Ministerie van Economische zaken 2005). A key informant in Rotterdam whom we interviewed and who works for a consultancy agency and advises aspiring entrepreneurs about their business plan, told us:

In the old parts of the city you will find multicultural shopping streets where in some areas 70, up to 80 percent of the businesses are run by an immigrant. Often in these streets there is a storekeepers' association. However, in most cases there are hardly any immigrants among the members of these associations. Ro6

As Table 4.3 shows, within the research population 30 percent of the first generation and 40 percent of the second generation are members of an entrepreneurial, employers, trading or shopkeepers' association ( $N = 83$ ). Most of them are a member of an entrepreneurial association ( $N = 52$ ).

**Table 4.3** *Generation by entrepreneurial association (in absolute numbers) ( $N = 83$ )*

	<i>First generation</i>	<i>Second generation</i>	<i>Total</i>
<b>Member of entrepreneurial association, including:</b>	27	25	52
Mainstream entrepreneurial association	7	8	15
Immigrant entrepreneurial association	13	10	23
Member of both a general as well as immigrant entrepreneurial association	1	1	2
Unknown what kind of association	6	6	12
<b>Member other business organization(s)</b>	12	19	31
<b>Total</b>	<b>39</b>	<b>44</b>	<b>83</b>

As can be read from Table 4.3, most of the first and the second-generation immigrants who join an entrepreneurial association are member of an *immigrant* entrepreneurial association. Most of these organizations focus on one specific ethnic group. There are, for example, several entrepreneurial organizations especially aimed at Turkish, Moroc-

can, Surinamese or Chinese entrepreneurs. A key informant who is a board member of a Turkish entrepreneurial association in Utrecht and Rotterdam explains that 'these entrepreneurs want to communicate in Turkish, as the Dutch language is a problem for them'. During the interview he further explained why immigrants often feel excluded from more 'mainstream business associations' because of the language barrier:

Immigrants do not feel themselves at home at shopkeepers' associations because during a meeting they cannot, for example, pose a question, as they do not speak the language well enough. If they do not understand what the discussion is about or they cannot discuss their problems, it is needless for these entrepreneurs to become a member. R13

The above quotation stresses the 'flip-side' of embeddedness, namely the fact that networks can be exclusive as well, as certain factors such as a language barrier can exclude immigrants. According to Esping-Andersen (1990: 61) one of the unifying principles of a corporatist country, such as the Netherlands, is exclusive or monopolized membership of organizations.

However, it also happens that mainstream business associations or financial organizations join forces with these 'immigrant associations'. An employee from a bank in Utrecht explained:

If we organize an event, there are just a few immigrant entrepreneurs. So we decided to organize an evening together with a Turkish entrepreneurial association. Well, that was a very successful event. There were quite a lot of entrepreneurs and we gave a presentation about our bank. Hopefully this will lower the barrier for immigrants to walk in. Uo2

These immigrant business associations are seen as important, as these networks provide immigrants with a source of professional contacts and networks (Saxenian 1999: 31-32). Also these immigrant business associations can be a useful stepping stone for immigrants to become a member of a mainstream association.

One important difference between the first and second generation, which cannot be seen from Table 4.3, is that, more often than the first generation, is the second generation closely associated with the formation of the association and/or have administrative functions within the association. This can largely be explained by the fact that the second generation notices that first-generation immigrants are excluded from certain mainstream networks, for example because of the language bar-

rier. Therefore, by setting up an immigrant entrepreneurial association they hope to get these entrepreneurs involved as well. Amina, for example, was born and raised in Utrecht. Together with her husband, she runs a real estate agency. As she noticed that Moroccan entrepreneurs were hardly organized, she decided to start a Moroccan entrepreneurial association, together with other Moroccan entrepreneurs. With help from the Chamber of Commerce and the local authorities they managed to set up one of the first Moroccan entrepreneurial associations in the Netherlands (Io4U).

## 4.5 Finding personnel

In this section I will examine how the entrepreneurs find their personnel. In Table 4.4 an overview is given of entrepreneurs with *paid* employees. Furthermore, the table includes whether these employees are family members or not.

**Table 4.4** *Generation by paid personnel (N = 239)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
<b>Family members</b>	6	4	5	5	11	5
<b>Non-family members, including:</b>	73	55	61	58	134	56
(Temporary) employees	50	37	26	25	76	32
Work-study student/intern	9	8	18	17	27	11
Employees and work-study student/intern	14	10	17	16	31	13
<b>Family members and non-family members, including:</b>	24	18	14	13	38	16
(Temporary) employees	16	12	9	8	25	10
(Temporary) employees and work-study student/intern	8	6	5	5	13	6
<b>n.a.*</b>	30	22	26	25	56	23
<b>Total</b>	133	100	106	100	239	100

\* These entrepreneurs have no paid personnel

As can be read from Table 4.4, almost 40 percent of the second generation has a work-student or intern. This is remarkable as it is often stated that immigrant entrepreneurs are not aware of the fact that they can offer a student a trainee post (Van den Berg 2005). Furthermore, Table 4.4 shows that both the first and the second generation more often have non-family members than family members as paid personnel. This outcome can be explained in part by the fact that Table 4.4 does not include entrepreneurs who get unpaid assistance from family members. This would change the results somewhat, as about one-third

of the entrepreneurs (46 first generation and 37 second-generation entrepreneurs) receive unpaid assistance in running their business from family members and/or acquaintances. Denniz, for example, was three years old when he migrated from Turkey to the Netherlands, due to family reunification. Denniz owns a restaurant in Rotterdam, and his brother runs a restaurant in Utrecht. About the unpaid assistance he receives, Denniz said the following:

I: And in Utrecht, how many employees do you have there?

R: About 12 or 13, but most of them are family members. The daughter of my brother, the son of my brother, we all pull together.

I: And do they get paid?

R: No, they just render assistance. If they need something, they will get it. They must not nag, but just help us. III18R

Another example is Vidjay. In 1997 Vidjay took over a wholesale food business from a good friend. In addition to this business, Vidjay owns a café as well. His cousin is a paid employee, but Vidjay receives most assistance from his wife, oldest son and other children, who are not on the official payroll. His wife has a part-time job as well, but comes to assist Vidjay when she is off. His son comes in every day around one o'clock in the afternoon. When his son arrives, Vidjay goes to his café (IV03DH).

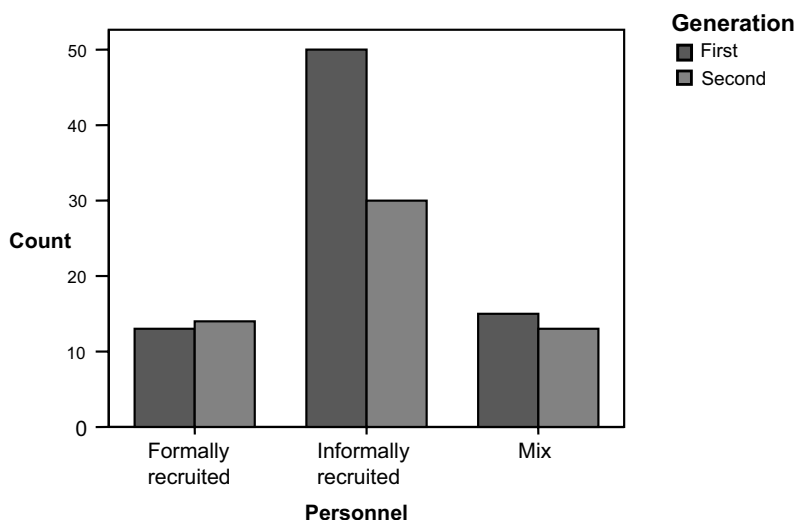
Although family members, friends or acquaintances who render unpaid assistance are not on the official payroll, they often get paid in other ways. Gita (I07R), for example, runs an administration office in Rotterdam together with her sister. They often receive unpaid assistance from two cousins. Although these cousins do not get officially paid, as 'they just want to help', as Gita puts it, she often buys cloths or other commodities for her cousins.

Table 4.5 compares unpaid versus paid personnel. As the table shows, most entrepreneurs who have non-family members as paid personnel receive unpaid assistance from family members as well. Also, about half of the 56 respondents who have no paid personnel (see Table 4.4) do receive unpaid assistance.

**Table 4.5** *Unpaid assistance by paid personnel (N = 83)*

	Entrepreneurs with unpaid assistance			
	First generation		Second generation	
	N	%	N	%
<b>Entrepreneurs with paid personnel, including:</b>	31	68	26	70
Family members	3	7	3	8
Non-family members	22	48	18	49
Both family and non-family members	6	13	5	13
<b>Entrepreneurs without paid personnel</b>	15	32	11	30
<b>Total</b>	46	100	37	100

However, the above analysis does not clarify how the entrepreneurs find their employees. To answer this question a distinction is made between formal and informal ways. Formal ways to find personnel include employment agencies, advertisements, Internet, schools and/or other authorities. An informal way to find personnel is through the entrepreneurs' own network (see also Zorlu 1998: 145). Figure 4.1 includes all entrepreneurs who have personnel. Entrepreneurs who have family members as personnel (paid or unpaid) are however excluded. The reason for excluding these respondents is because it is obvious that they found their personnel via their own network.

**Figure 4.1** *Recruitment of personnel*

As can be seen from Figure 4.1, even when family members are not included, both first and second-generation immigrants prefer to recruit personnel through their own network.<sup>5</sup> Often this is a matter of trust. A case in point is Kin Ping and Soesja (IV10A), a Chinese couple who were both born and raised in the Netherlands. After they finished their studies at university they decided that they both preferred to take over the family business, a wholesale food and retail outlet in Amsterdam (see also p. 75). As the following quotation illustrates, they have a clear preference for working with family members, and if necessary with friends and/or acquaintances:

I: Why do you work with family members?

R: It is just more convenient to work with family members as you can rely on them. For example, you can trust them behind the cash desk. Therefore, we prefer to have family members behind the cash desk. IV10A

Another example is Osman (I42R). Osman runs a computer business in Rotterdam (see also p. 89). He recruits his personnel through friends or acquaintances. The main advantage of this informal way of recruiting personnel is, according to Osman, that 'there is a relationship based on mutual trust'. Further, hiring co-ethnics, friends and family members not only has the advantage of greater trust, but also reduces the chance that workers will quit (see Flap, Kumcu and Bulder 2000: 154).

Yet, although hiring family, friends or co-ethnics has several advantages such as greater trust or lower wages, it has some constraints as well (see Waldinger 1986: 34-37, 160-164; Flap, Kumcu and Bulder 2000: 154). It is for example much more difficult for an entrepreneur to treat a family member or friend in an impersonal manner. Also, they cannot be pressed as hard as other employees (*ibid.*). As the following quotation illustrates, it can, however, also be a matter of professionalism. The quotation comes from an interview with Abdeliah, who was 21 years old when he migrated, due to family reunification, from Morocco to the Netherlands. In 1997, he started a Moroccan restaurant in Rotterdam:

I: You do not work with family members at all?

R: No, that was a well-thought through decision.

I: Why was that?

R: To maintain certain professionalism in the business. The moment you have family members in your business the relationship between the employee and the employer gets disturbed.

III05R

Professionalism can also be a matter of the right qualification(s), as family members are not by definition best qualified for the job. Therefore, some entrepreneurs decide to find their personnel through more formal networks. The following quotation comes from an interview with a Surinamese entrepreneur who owns an accountancy office in Amsterdam:

I: How do you find your personnel?

R: Like a 'real Dutchman', through advertisements.

I: Why?

R: As an accountancy office you cannot work with family members or temporary personnel or something like that. You need qualified workers. Io8A

In sum, family members play an important role in the business for both first and second-generation immigrants. Often these family members are not (officially) paid for their assistance. Also, both first and second-generation immigrants prefer to recruit their personnel through their own network. However, more than the first generation, second-generation immigrants do work with work-students or interns, and hire personnel through formal networks.

#### 4.6 Formal and informal social networks

In this final empirical section, an overview is provided in which the preceding outcomes are included (see Table 4.6). The category 'informal network' consists of entrepreneurs who acquired the scarce resources of financial capital, business information and/or labor via informal networks. This is in contrast to the entrepreneurs who acquired these resources via their embeddedness in 'formal networks', and who are included in the second category. The last category, 'mixed network', consists of entrepreneurs who acquired some of the scarce resources via the embeddedness in formal, and other resources via the embeddedness in informal networks.

The results demonstrate that the first generation is more often informally embedded than the second generation. However, most first and second-generation entrepreneurs have a 'mixed network', which means that they are embedded in both formal as well as informal networks. This corresponds to the observation of Misztal (2000: 118) and Putnam (2000) that formal and informal social networks are not mutually exclusive options. As stated by Misztal (2000: 118), in modern societies there is at the same time a development of formalization as well as an informalization of social relations.



**Table 4.6** *Generation by formal/informal networks\** (N = 209)

	First generation		Second generation		Total	
	N	%	N	%	N	%
Informal network	50	43	24	26	74	35
Formal network	9	8	15	16	26	13
Mixed network	57	49	52	58	109	53
Total	116	100	91	100	209	100

(p &lt; 0.05)

\* The table only includes entrepreneurs for whom data was available on how they acquired at least two of the three scarce resources.

The largest group of entrepreneurs, who have a ‘mixed network’, are comprised of entrepreneurs who received relevant information via enterprise-assistance agencies and/or are a member of entrepreneurial networks, but acquired their personnel or financed their business start through their embeddedness in informal networks (N = 42). This can be explained by the fact that these resources require considerable trust (see also Greve and Salaff 2003; Flap, Kumcu and Bulder 2000). The results show that these entrepreneurs turn to different networks depending on what they need (*cf.* Flap *et al.* 2000: 155).

If the sector is included in the analysis as well, it appears that there are clear differences between the different sectors. More than 50 percent of the entrepreneurs who are active in the wholesale food industry are embedded in informal networks, whereas 65 percent of the entrepreneurs in the producer services are mainly embedded in mixed networks. However, within each of these different sectors, among the second generation the importance of informal networks has diminished and formal networks increased, in comparison to the first generation.

Furthermore, in Table 4.7 the three largest ethnic groups are included. Also, in this table, a distinction is made between the first and second generation. As can be read from this table, within all the different groups the importance of embeddedness in formal networks has increased among the second generation, compared to the first generation.

To conclude this section, I will include the results of the previous chapter in the analysis. In Chapter 3 the markets in which the entrepreneurs are active were analyzed. In Table 4.8 the outcomes of Chapter 3 and this chapter are presented. Also, a distinction is made between the first and second generation.

As can be read from Table 4.8, in every market the importance of formal networks as well as mixed networks is less among the first generation in comparison to the second generation.

**Table 4.7** *Ethnicity by generation and formal/informal networks (N = 139)*

	<b>Turks</b>		<b>Moroccans</b>		<b>Surinamese</b>	
	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%
<b>First generation</b>						
Informal network	16	41	3	33	12	41
Formal network	3	8	—	—	3	10
Mixed network	20	51	6	67	14	48
Total	39	100	9	100	29	100
<b>Second generation</b>						
Informal network	7	25	7	33	4	31
Formal network	5	18	4	19	2	15
Mixed network	16	57	10	48	7	54
Total	28	100	21	100	13	100

**Table 4.8** *Market by generation and formal/informal networks (N = 205)*

	<b>Ethnic market</b>		<b>Middleman market</b>		<b>Niche market</b>		<b>Mainstream market</b>	
	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%	<i>N</i>	%
<b>First generation</b>								
Informal network	16	44	18	55	7	47	9	28
Formal network	1	3	1	3	—	—	7	22
Mixed network	19	53	14	42	8	53	16	50
Total	36	100	33	100	15	100	32	100
<b>Second generation</b>								
Informal network	5	38	10	29	2	13	6	22
Formal network	5	38	3	9	3	20	4	15
Mixed network	3	23	21	62	10	67	17	63
Total	13	100	34	100	15	100	27	100

## 4.7 Conclusions

In this chapter I examined the embeddedness of both first and second-generation immigrants in formal and informal networks. In general it is asserted that immigrant entrepreneurs are mainly embedded in their own immigrant networks, and as a result receive relevant resources, such as information, financial capital and labor via informal social networks consisting of family members and friends. Also, in literature on immigrant entrepreneurship it is often stated that these informal networks are of crucial importance for the formation and maintenance of immigrant firms. However, I assumed that the importance of embeddedness in formal networks increases with the second generation, as

they are better integrated in the receiving society than the first generation.

The results of this chapter show that this assumption is correct. In comparison to the first generation, considerably fewer second-generation immigrants exclusively depend on informal networks to acquire scarce resources. Almost three-quarters of the second generation are at least partially embedded in formal networks.

However, although the embeddedness in formal networks has increased among the second generation, this does not mean that the importance of embeddedness in informal networks has disappeared with successive generations. Almost 60 percent of the second-generation entrepreneurs are embedded in both formal as well as informal networks. For these entrepreneurs embeddedness in formal and informal social networks are not mutually exclusive options, but the formal and informal networks overlap or complement each other. Entrepreneurs who are embedded in mixed networks possess both formal as well as informal social capital to acquire scarce means, and appeal on both formal as well as informal networks to fulfill different needs.

The results of this chapter also indicate that the importance of formal social networks in running a business is not exclusively the domain of the second generation. More than half of the first generation depend partially on formal social networks as well. Therefore, unlike



*A Chinese wholesale and retail business.*

most of the studies on immigrant entrepreneurship, which tends to focus exclusively on the importance of informal networks, future research should focus more on the importance of formal networks for first-generation immigrant entrepreneurs in starting and running their business.

To conclude, based on the results of this chapter, the long-term positive and negative effects of embeddedness in formal, informal or mixed networks on running a business remain uncertain. This however will be examined further in the final chapter of this book. In Chapter 6 I will analyze how the embeddedness in these different networks coheres with business success. One may suggest that entrepreneurs who are embedded in these 'mixed networks' are in principle more successful entrepreneurs, as their social networks are less fixed and can be activated according to different needs (*cf.* Granovetter 1985; Burt 1992). Whether this assumption is correct will be examined in Chapter 6.

Although the focus in this chapter was on the embeddedness in local social networks, section 4.3 already showed that some entrepreneurs receive financial capital from family members living in their home country. In the following chapter, I will examine in greater depth the importance of embeddedness in these transnational networks for the entrepreneurs and their businesses.

## 5 The continuing importance of transnational activities and networks?

### 5.1 Introduction

Kenneth (Io2R) was born in Curacao, the Netherlands Antilles, in 1953. After studying law, Kenneth began to work in his father's law firm, which his father started in the 1970s. At that time Kenneth's two sisters also worked in their father's business.

In the 1980s Kenneth married a Dutch woman, Sylvana, who he met in Willemstad. They decided to stay in Curacao and his wife also entered the family business. However, after several years in Curacao, Sylvana wanted to return to the Netherlands, so they made the decision to migrate to the Netherlands. Yet, as Kenneth had difficulties transferring his profession to the Dutch context, it appeared difficult for him to find a job as a lawyer in the Netherlands. Therefore, after several unsuccessful applications, Kenneth decided that he could better accept any low-skilled job, just to make some money and to set up a business of his own. So he did, and eventually Kenneth started a legal consultancy in Rotterdam in 1996. Kenneth gives legal advice to private persons. His costumers are mainly Antilleans; some of them know Kenneth from the time he worked for his father in the Netherlands Antilles.

Although business went relatively well in 1998, Kenneth was determined to open up another business. Kenneth established this business together with an old friend, with whom he grew up in the Antilles and who also migrated to the Netherlands. Their main business activity is to advise and inform Dutch companies about the possibilities of investing or doing business in the Netherlands Antilles. Both Kenneth and his business partner travel regularly to the Antilles for their business activities. They started the business as they wanted to make use of the contacts and entries they have in the Antilles. 'We sell what we know and who we know'. Kenneth acknowledges that without their contacts it would have been very difficult to set up the business. It was, therefore, an obvious choice for them to be orientated towards the Antilles, and not another part of

the world. Another, more personal motivation for Kenneth to establish this second business was that since he got divorced, he had been considering returning to the Antilles. Kenneth hoped that through this business he could realize his wish to re-migrate.

Although the first two years went very well, business was not exactly thriving the moment the first interview took place with Kenneth in 2000. Their main problem was that they did not have enough orders. At that time Kenneth was able to get by financially because of his – partially informal – income derived from his legal consultancy business. However, Kenneth expected that their planned business trips to the Antilles would yield a profit.

Apparently it did, as the business still existed in 2005. Also, Kenneth managed to realize his wish to return to the Antilles in 2004. Now Kenneth advises businesses on investing and doing business from Willemstad, Curacao, and his partner from Amsterdam, the Netherlands. Yet, as Kenneth returned to the Netherlands Antilles, he had had to give up his legal consultancy.

The opening case of this chapter illustrates that some entrepreneurs operate not only in a local, but in a global context as well (see Light 2005: 661). Entrepreneurs who make strategic use of their contacts and associates in another country – primarily their country of origin – are called ‘transnational entrepreneurs’ (Portes 2000: 258; Portes, Haller and Guarnizo 2002: 284). According to Portes *et al.* (2002) there is a rising class of transnational entrepreneurs, and they even represent a large proportion, often the majority, of the self-employed persons in immigrant communities. These entrepreneurs are integrated into global production and distribution networks, whereas in former days immigrant entrepreneurs were mainly integrated in local ethnic economies (Light 2005: 663).

This rising class of transnational entrepreneurs could not exist without the new technologies and the options and lower costs that they make possible (Portes 2000: 258). In the past it was not possible for would-be transnational entrepreneurs to travel back-and-forth to the home country on a regular basis, as transportation was slow and expensive (Portes, Guarnizo and Landolt 1999: 223). Today, however, it is possible for entrepreneurs to run a business in Amsterdam and have personnel in India, who send their orders back within a week.

Most of the literature on transnationalism is based on the experiences of the first generation. Relatively little is known of the importance of transnational networks and activities among the second generation. It remains, therefore, uncertain whether this ‘rising class of transnational entrepreneurs’ is mainly a first generation phenomenon,

or whether it appears among the second generation as well. Therefore in this chapter I will examine the importance of transnational networks and activities among both first *and* second-generation immigrant entrepreneurs, and if and how the second generation differs from the first generation. The focus is on the importance of transnational activities and networks from an economic perspective, which means that the networks and activities have to be related to their business.

In section 5.3 I analyze the transnational networks and the transnational activities in which the entrepreneurs are involved. Further, in section 5.4, the importance of the transnational activities and networks for the business is examined by looking more closely at the *extent* to which the entrepreneurs are transnationally involved. In the following section 5.5, I present the motivation of entrepreneurs to become transnationally active or not. Often, qualitative studies on transnationalism sample on the dependent variable, namely involvement in transnational activities (Portes, Haller and Guarnizo 2002: 279). This not only leads to an exaggeration of the scope of transnationalism, but also says little about those immigrants who are not transnationally active (Portes 2003). However, the entrepreneurs in this study were not selected in advance because of their transnational activities, and it is therefore also possible to examine why some entrepreneurs are *not* transnationally active.

Finally, in section 5.6, the focus is exclusively on the second generation. In this section I will analyze whether the entrepreneurs who are or are not involved in transnational activities for their business are involved in other kinds of transnational activities as well. To answer this question, I make use of the additional 'transnational questionnaire' that was used during follow-up interviews with 42 second-generation immigrant entrepreneurs (see Chapter 2). I will start, however, in section 5.2 with an elaboration of the theoretical framework.

## 5.2 Transnationalism and the second generation

Transnationalism has become a central theme in migration literature. This recent perspective concentrates on the familial, economic, social, organizational, religious and political activities of immigrants that span national borders (see Basch, Glick Schiller and Szanton Blanc 1994; Light 2004). As stated by Portes *et al.* (2002: 279):

Instead of focusing on traditional concerns about origins of immigrants and their adaptation to receiving societies, this emerging perspective concentrates on the continuing relations between immigrants and their places of origin and how this back-

and-forth traffic builds complex social fields that straddle national borders.

Although interest in transnationalism is rising, the concept is not new. International migration tends to go hand-in-hand with intensive economic, social and cultural bonds between migrants and their family members and relatives at home (Engbersen *et al.* 2003). However, nowadays, transnational movements have become larger in scale, more diverse and more common. This can be explained by the availability of high-tech means of communication and transportation, such as cheap, frequent jet flights, long-distance telephone, Internet, electronic mail, and satellite television (Portes *et al.* 1999; Zhou 2004). Therefore, although transnationalism may not be a new phenomenon, transnationalism has been given an important impetus by the development of new technologies in transportation and telecommunication (Portes *et al.* 1999: 223).

With the increasing interest for transnationalism, various definitions of transnationalism have been set forth (see Mazzucato *et al.* 2003: 1). This has resulted in a wide array of activities all being described as 'transnational', varying from social movements to economic relations to mass media and to migrants' ties to their homelands (Mahler 2002: 66). Itzigsohn (1999: 320) remarks that 'one of the main problems in our understanding of transnationalism is who to include and what type of practice(s) should be considered transnational'.

Glick Schiller, Basch and Szanton Blanc (1992: 1-2), who gave the current work on transnationalism an important impulse, define transnationalism as the processes by which immigrants forge and sustain social relations that link together their societies of origin and settlement. Although this definition gives 'ample space for any number of individual and group activities that span borders to be construed as transnational', it does not, however, 'give much support for evaluating the content, intensity and importance of transnational ties' (Mahler 2002: 73).

Vertovec (1999: 447) gives another definition of transnationalism. In his definition Vertovec emphasizes 'the importance of people within networks by focusing on the multiple ties and interactions linking people or institutions across the borders of nation-states'.

By emphasizing the economic aspects of transnationalism, Portes (1996) offers another look at the phenomenon. Immigrants use their social relations in their place of origin and their place of migration to build economic enterprises that operate across borders (see Mazzucato *et al.* 2003). Portes *et al.* (1999) define transnationalism as 'occupations and activities that require sustained contacts over time across national borders'.



Portes's understanding of transnationalism emphasizes the rise of transnational entrepreneurs (Itzigsohn 1999: 320). Transnational entrepreneurs are 'self-employed immigrants whose business activities require frequent travel abroad and who depend for the success of their firms on their contacts and associates in another country, primarily their country of origin' (Portes *et al.* 2002: 284). They mobilize their contacts across borders in search of suppliers, capital and/or markets (Portes *et al.* 1999: 221). One can think for example of import/export activities, ranging from importing raw material to music, movies or videos, financial services, wholesale and retail commerce. According to Light (2004: 11), these transnational entrepreneurs 'enjoy linguistic and social capital advantages that equip them advantageously for international commerce and entrepreneurship'.

Saxenian (1999) gives an interesting example of transnational entrepreneurs in her study of Asian immigrant engineers and scientists in Silicon Valley. She describes how these entrepreneurs exploit their social capital by building far-reaching professional and business ties that connect them with Asia. The entrepreneurs are, as stated by Saxenian (1999: ix), 'uniquely positioned, because their language skills and technical and cultural know-how allow them to function effectively in the business culture of their home countries as well as in Silicon Valley'. Thus, 'a transnational community of Chinese engineers has fostered two-way flows of capital, skill and information between California and the Hsinchu-Taipei region of Taiwan'.

As stated in the first section, this rising class of transnational entrepreneurs could not exist without the new technologies and the options and lower costs that they make possible (Portes 2000: 258). In the past it was not possible for would-be transnational entrepreneurs to travel back-and-forth on a regular basis, as transportation means were slow and expensive (Portes *et al.* 1999: 223).

The presence of these transnational entrepreneurs, who actively look for opportunities and market niches beyond the national boundaries of the receiving countries, has given rise to new structures and forces that determine immigrant entrepreneurs (Zhou 2004). Research on immigrant entrepreneurs should, therefore, no longer remain limited to within national borders, but must move beyond the borders of the host country (see also Levitt and Glick Schiller 2004).

In line with the work of Portes (1996; *et al.* 1999), I look at the economic aspects of transnationalism. However, unlike Portes *et al.* (2002: 284) I do not restrict this study to transnational entrepreneurs who 'travel abroad at least twice a year for business' and 'who depend for the success of their firms on their contacts and associates in another country, primarily their home country'. Instead, I opt for a more general approach by looking at the transnational networks and activities of

immigrant entrepreneurs that are of importance for their business. In this study a *transnational network* is defined as contacts or associates in the home country, which are of importance for the business. *Transnational activities* are business activities that are obtained from a transnational network. Entrepreneurs who obtain transnational activities by using their transnational contacts are *transnationally active*. In contrast to Portes *et al.* (*ibid.*), the entrepreneurs do not have to travel at least twice a year to the home country, nor does their business success have to depend on the transnational contacts. By using this more general approach, I will be able to examine the diversity as well as the differences in degree of the economic aspects of transnationalism. This is especially relevant as the second generation is included in this study. According to Levitt (2002: 124) research on transnational practices among children of immigrants tends to examine transnational involvement by comparing the transnational practices of the second generation with those of their parents. As a result, these studies often set the bar too high, and as a result many smaller, less frequent transnational practices in which the children of immigrants are engaged are overlooked (*ibid.*).

In general, however, with a few exceptions such as the work of Levitt and Waters (2002a), research on the question as to whether the second generation is transnationally involved or not is limited (Vickerman 2002). Therefore a critical but so far unanswered question is whether transnational practices and relations are a first generation phenomenon, or whether they will endure among the children of immigrants who are born and raised in the receiving country (Foner 2002; Guarnizo and Smith 2002: 15; Guarnizo 2003).

Often this question is linked to the discussion on the relationship between transnationalism and the incorporation of immigrants in society (see among others Itzigsohn and Saucedo 2002; Portes *et al.* 2002). On the one hand, one could reason – based on a more traditional assimilationist approach – that transnational migration is a temporary, first-generation phenomenon. Alba and Nee (2003) for example claim that transnationalism is hard to sustain on a mass scale in the second and third generation. The children of immigrants are ‘far more enmeshed in the American environment than their parents and, in most cases, lack the “thick” connections to the places and people in the homeland that are necessary for transnationalism to be viable’ (*ibid.*: 276). Therefore, in line with this traditional assimilationist approach, one can assume that transnational activities among the second generation diminish.

On the other hand, however, from a ‘transnationalist’ perspective it is expected that transnational activities and networks are transmitted to the second generation and therefore remain of importance for the sec-

ond generation as well (Levitt and Glick Schiller 2004). However, the extent to which the second generation will engage in transnational practices is still an open question (Levitt and Waters 2002b: 2-3). As stated by Levitt and Waters (*ibid.*):

Most members of the second generation are still too young to know what kind of relationships they will have with their ancestral homelands. They may express strong attachments and formulate plans to act on them in future, but it is impossible to predict what they will actually do.

As a result, research on transnational ties among the second generation remains limited and is mainly focused on the cultural domain of the transnational involvement of the second generation, and not on the economic (Perlmann 2002). This can be explained by the fact that as the second generation is still rather young, it is expected that evidence for its transnational economic involvement lies in the future (*ibid.*: 217).

Based on the existing literature it is therefore uncertain whether, and if so to what extent, the second generation is transnationally active from an economic perspective. Hence, the focus of this chapter is on the transnational networks and activities among the second generation that are of importance for their business. It is a description of transnationalism 'from below'. This means that the transnational activities of individual immigrants are central in the analysis, and not the institutionalized corporate actors, which is also described as 'transnationalism from above' (Smith 1992).

### **5.3 Transnational networks and activities of immigrant entrepreneurs**

In this section I examine if and how the entrepreneurs make use of transnational networks. Also, the nature of the transnational activities in which the entrepreneurs are involved will be explored. In answering these questions, I will investigate if and how the second generation differs from the first generation.

#### *Transnational networks*

To examine the transnational networks, the entrepreneurs were asked if they had contacts and/or associates in their (or their parents') country of origin that were of importance for their business. As can be read from Table 5.1, in total 101 entrepreneurs indicated that they had transnational contacts.

Although the embeddedness in transnational networks has declined among the second generation compared to the first generation, 35 per cent of the second generation still claim that they have contacts in the home country relevant for their business.

**Table 5.1** *Business contacts in country of origin (N = 236)?<sup>1</sup>*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Yes	63	49	38	35	101	43
No	66	51	69	65	135	57
Total	129	100	107	100	236	100

Both the first as well as the second generation mention that these relevant contacts in the home country are mostly family members and/or acquaintances. In general, these contacts are of importance for their business in three different ways. First, they can be of importance for the start up of the business, and more specifically for financing the start up of the business (see Chapter 4). Second, family members and/or acquaintances can function as intermediaries for doing business in the home country. They can, for example, introduce the entrepreneur to potential business partners. To illustrate, Kin Ping and Soesja (see also p. 103) explained during their interview how they got in contact with their agent in China:

We wanted to have an agent in China for our business. Therefore, an acquaintance of ours introduced us to this person who produced all kinds of decoration materials. He has been our agent ever since, and we buy all our decoration materials from him. He has become sort of a friend to us. IV10A

A third way in which family members and/or acquaintances are of importance for the business can be that they are the ones with whom the entrepreneur is doing business directly in the home country. These entrepreneurs stipulate the fact that they can trust someone in their home country to do business with as a condition for becoming transnationally active. Yavuz (I13DH), for example, was born in Turkey, and came to the Netherlands when he was eight years old with his mother and brothers, through family reunification. In 1999 he started an employment and temp-agency in The Hague. In 2004 Yavuz opened a similar business in Turkey as well. According to Yavuz he could have only established this business with the help of his parents, who re-migrated, and other family members who live in Turkey:

The reason why I am able to invest in Turkey is because I have family members who live there and help me. My wife's family, my family, my parents, they all live there. I trust these persons, so there is no doubt about their integrity. If I make an investment of 20 or 30,000 euro, then I am sure no one will run off with the money.

Several researchers have stressed the importance of trust in personal relations and in economic performance (see *eg.* Granovetter 1985; Fukuyama 1995; Putnam 2000). Fukuyama (1995) concludes that the key ingredient in generating growth is social capital in the form of a supporting culture of trust. According to Fukuyama 'trust is a basic feature of social capital' (1995: 26). Woolcock (2001: 13) on the other hand argues that trust may best be seen as a consequence of social capital over time.

However, the above does not mean that having family members and/or acquaintances in the home country is a necessary condition for doing business abroad. Serdal (I13U) for example came to the Netherlands at the age of 21. He migrated to the Netherlands to study physics. After two years of work experience Serdal decided he wanted to be more independent, and set up an Internet business. Among other activities, Serdal sells Turkish literature and DVD's over the Internet. In order to be able to offer these products, Serdal drew up a list of the largest publishers in Turkey. He then approached these publishers by letter and telephone, and finally was able to make appointments in Ankara with three of them. Presently, Serdal has a contract with one of these publishers. As this case illustrates, Serdal managed to do business in his home country without the help or mediation of family members or acquaintances.

To conclude, as Table 5.1 showed, 101 entrepreneurs have contacts in the country of origin that are of importance for their business. However, according to this table, the majority ( $N = 136$ ) of the entrepreneurs do not have these transnational contacts. Yet Table 5.1 does not show that among these 136 respondents, 31 entrepreneurs – mainly second-generation immigrants in the producer services ( $N = 24$ ) – have concrete plans to use their transnational contacts for their business in the nearby future. Musti (I32R), for example, was born in the Netherlands (see also p. 71). His parents came from Turkey to the Netherlands in the 1970s. While studying economics, Musti decided to start an Internet business. The business was run from his home. In 2002, as the business was going well, a friend of Musti became his business partner, and they decided to rent a business location in the centre of Rotterdam. Their aim is to set up a comparable business in Turkey. In Turkey, both Musti and his business partner have cousins who work

with computers. Their idea is that these cousins will run their business in Turkey. Musti remarks that the main reason for these future plans is that they have 'family members and acquaintances who could help us to realize our plans'.

Another example is Hsiu-Li (I19A). Hsiu-Li was born in the Netherlands. Her father came from China to the Netherlands in 1968 and her mother in 1971. Soon after she finished her studies Hsiu-Li decided that she wanted to start her own business. Her business is specialized in shop fitting. Besides these business activities, Hsiu-Li is planning to open a business in Shanghai, together with her cousin who lives in China and is an interior designer as well. Furthermore, Hsiu-Li is working on a porcelain service line that will be produced in China. Her aunt, who also lives in China, is helping her to find a company where her service line can be produced.

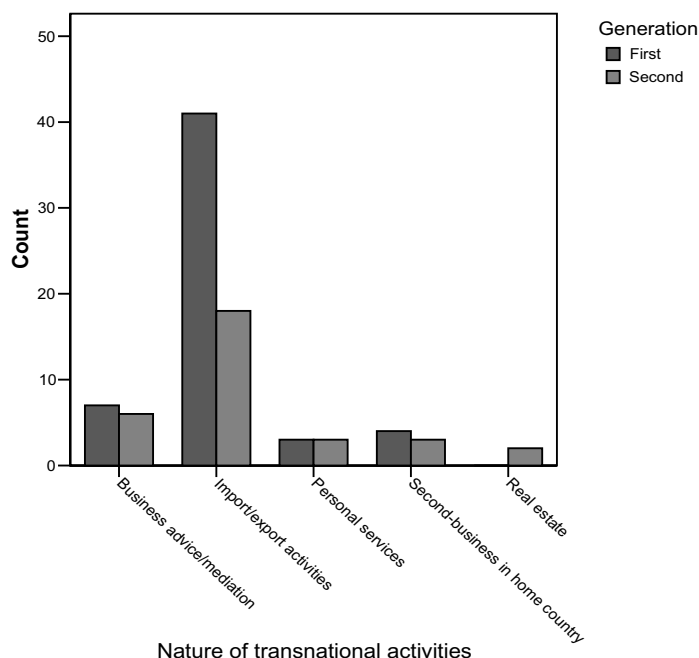
It remains, of course, uncertain whether or not these future plans will be realized. The follow-up interviews were a way to find out. Based on the follow-up interviews, it appeared that three entrepreneurs realized their transnational aspirations and two other entrepreneurs tried to realize their ideas but did not succeed. Çemile (I15R), for example, was born in Turkey and came to the Netherlands due to family reunification in 1979. After several years of work experience Çemile started a consultancy firm in Rotterdam in 1999. She mainly advises non-profit organizations on issues related to the multicultural society. In 2004 Çemile tried to set up Dutch language courses in Turkey. However, it soon appeared that her idea was not a realistic proposition financially.

### *Transnational activities*

As the cases in the previous section illustrate, the nature of the transnational activities in which the entrepreneurs are involved differ. For example, some entrepreneurs import products, whereas other entrepreneurs advise businesses on investing in their home country. In Figure 5.1 the nature of the transnational activities is given by generation.<sup>2</sup>

As can be seen from Figure 5.1, the largest group ( $N = 59$ ) of both first and second-generation immigrant entrepreneurs is involved in import/export activities. Most of these entrepreneurs import goods from their country of origin, which they then sell in the Netherlands.

Also, 13 entrepreneurs are involved in transnational activities that are defined as *business advice/mediation*. This category consists of entrepreneurs who advise businesses on investing in the country of origin or mediate between businesses in the home country and the Netherlands. One of them is Selina (see case below).

**Figure 5.1** *Nature of transnational activities by generation*

Selina (I27R) was born in the Netherlands. Her parents came from China. Her father migrated to the Netherlands in 1968 and her mother in 1970. For several years her mother and father worked as a waitress and a cook, respectively, in a Chinese restaurant. Later, at the end of the 1970s, they opened up their own Chinese take-out. In the mid-1990s her parents decided to sell their business and re-migrate to Hong Kong, together with Selina's brother and sister. Back in Hong Kong, her parents opened a real estate office with help of the family. Selina's sister also started a business in Hong Kong, which advises European companies on the Chinese market, and her brother started to work for a toy company in Hong Kong that does business with toy companies in the Netherlands. After finishing her studies in the Netherlands, Selina went to Hong Kong to visit her family. During her stay, she noticed that European and Chinese companies in Hong Kong were very much interested in hiring highly educated Chinese who were born and/or raised in the West. The main advantage of employing them is that they are familiar with both Chinese and Western culture, and they often speak Chinese and English fluently.

From her own circle of acquaintances Selina knew of people who were interested in working in Hong Kong or China. Therefore Selina decided to start up a mediation business in Hong Kong in 1998, together with a friend. Because of her contacts and acquaintances in both the Netherlands and China, Selina is able to do business for both Dutch and Chinese companies.

Selina returned to the Netherlands to start up a second business in Utrecht after more than six months in Hong Kong. The idea was that Selina would run the business in the Netherlands and her friend in Hong Kong. However, her friend had to go back to Europe after two years, due to personal circumstances. Since then the business is located only in the Netherlands and is run solely by Selina. Selina's parents returned to the Netherlands as well, as they could not get used to Hong Kong. Back in the Netherlands they again opened a Chinese restaurant. Selina's brother and sister decided to stay in Hong Kong, and Selina's sister now employs twelve persons.

The category *personal services* consist of transnational economic activities that relate directly to people. This means, for example, that the entrepreneurs have artists, such as musicians, come over to the Netherlands. A case in point are the two brothers Karim and Youssef (I35R). Karim was born in Morocco and Youssef in the Netherlands. Since 1996 they have run a business of their own. Before they decided to become entrepreneurs Youssef was a policeman and Karim a baker. However, the independence and excitement that comes with being one's own boss made them decide to give up their jobs and start their own business. They publish a magazine aimed at Moroccan youngsters. However, their main business activity is organizing events, and more specifically organizing Moroccan concerts. They have Moroccan artists come over to the Netherlands to perform for a predominantly Moroccan audience. Karim said of these concerts: 'In the past one would hire a hall in the community centre. The artist performed for an hour and people paid one euro entrance. We professionalized this idea.' I35R

Personal services also include entrepreneurs who have their personnel come over from their, or their parents' country of origin to the Netherlands. One of them is Baris, who was born in the Netherlands. His parents originate from Turkey. Baris's father took over a hairdressing salon in The Hague in 1990. In 1996, when Baris was 16 years old, he started to work in his father's hairdressing salon. Three years later he took over his father's salon. During the second interview in 2005 Baris told about his personnel from Turkey and Bulgaria:



I: How do you find your personnel? Do you, for example, place an advertisement?

R: Well, in 2001 we had enough personnel, but they were illegal immigrants. Unfortunately we had a raid by the tax authorities, and we had to send them away. Therefore a friend who had a work permit came from Bulgaria and worked here for a few months. And now an acquaintance from Turkey will come here to work. He is a great hairdresser; he knows exactly how Turkish customers want their hair cut. II05DH

As Figure 5.1 also shows, some entrepreneurs run a second business in the home country ( $N = 7$ ). One of them is Haroon (II6R). Haroon studied law at the Erasmus University Rotterdam. His parents migrated from Pakistan to England, and from there on to the Netherlands in the 1980s. Since studying, Haroon now runs two Internet businesses together with his father and brother. One business is located in Rotterdam, the other in Pakistan. In Pakistan they have five employees. These employees execute the orders Haroon gets from Dutch companies. Haroon talked about his business activities:

We noticed that there was a great demand for building cheap websites. We thought, therefore, if we hire people in the Netherlands, it will be very expensive. However, as we originate from Pakistan, we thought it would be a better idea to employ people in Pakistan. It is a lot cheaper to let them build the websites.

They recruited their employees through schools and universities. Furthermore, they put advertisements in the national papers. In 2000, less than a year after the start of the business, they hired their first employees in Pakistan. Haroon told us about his employees:

At first the communication was a bit difficult with the employees. However, it made it a lot easier for us that we know the culture by heart and we already had experience in doing business with Indian and Pakistani companies.

In Pakistan they have an acquaintance who looks after their business and employees. However, they often travel to Pakistan as well. In the near future they hope to open a 'virtual office'. This means that the employees in Pakistan can directly work for a Dutch company.

The last category, which needs more explanation, is the category 'real estate'. These entrepreneurs are involved in the buying and selling of real estate. Yakup (II07U), for example, was born in Turkey. He came to the Netherlands through family reunification at the age of five. Since

2000 Yakup has owned an employment agency in Utrecht. In addition, he also invests in real estate in Turkey. Yakup was able to finance the start of his employment agency in the Netherlands from the profit from these investments:

I started to invest at a very young age. Since I was 20 years old, I wanted to invest for the future. When I still lived with my parents I could save every penny, so I started gathering information on how to make some money in Turkey. With the help of an uncle who lives in Turkey I was able to buy real estate. In the following years the value rose and I sold it for a good price. So I bought real estate again, and sold it again with some profit. Io7U

If we look at the differences between the first and second generation in the nature of the transnational activities in which they are involved, then it appears that among the second generation the nature of the transnational activities is more diverse (see Figure 5.1). Whereas among the first generation 75 percent ( $N = 41$ ) are involved in import/export activities, this percentage has declined to less than 60 percent ( $N = 18$ ) among the second generation. However, this difference can be largely explained by the differences in the choice of sector. If the sector is included in the analysis, it appears that among both first and second-generation immigrants the nature of transnational activities is much more diverse within the producer services (business-to-business) than in the wholesale or catering industry. Within the wholesale food industry all transnational activities for both the first and the second generation are import/export activities. Therefore, it seems as though the choice of sector largely determines the nature of the transnational activities in which the entrepreneurs are involved.

#### 5.4 Extent of transnational involvement

As stated in section 5.2, I opted for a more general approach in order to study the economic aspects of transnationalism. As a result, the degree of involvement and movement differs. For example, the transnational activities are not the main business activity<sup>3</sup> for every entrepreneur. As an illustration, Alpay (I15U) was born in Turkey and came to the Netherlands due to family reunification by the age of eight. In 2000 he became one of the first certified Turkish brokers. Since 2001 he has owned a real-estate agency in Utrecht. Most of his clients are of Turkish origin and are residents of Utrecht and the surrounding area. Regarding his transnational contacts, Alpay said he got in contact with real-estate agencies in Turkey in order to promote the buying of second



*This entrepreneur travels regularly to his home country for his business.*

homes in Turkey among Dutch people. The main reason he wants to invest in Turkey is the potential market. Alpay indicated that these transnational activities demand a lot of preliminary work, partly due to the fact that he ‘simply does not trust the entrepreneurs over there’. Therefore, he wants to build up these transnational activities very slowly and gradually. Alpay further remarked ‘doing business in Turkey is completely different compared to the Netherlands and, hence, is an unknown territory to me’. Interestingly, this final remark by Alpay is a mirror-image of his parents’ generation, for whom doing business in the Netherlands was unknown territory. Table 5.2 provides information on whether the transnational activities are the main business activity or not.

**Table 5.2** *Transnational activities as main business activity? (N = 89)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Main business activity	28	52	9	26	37	42
In addition to other activities	26	48	26	74	52	58
Total	54	100	35	100	89	100

(p < 0,05)

The above table shows that among the first generation the transnational activities are considerably more often the main business activity than among the second generation. A case in point is Nedim (IV05A). Nedim is 42 years old and came to the Netherlands in 1976, due to family reunification. After his arrival in the Netherlands, Nedim started to work as a market vendor in Amsterdam. After a year-and-a-half, Nedim decided to start a greengrocer's shop of his own. He specialized in vegetables and fruit from Turkey, and imported these products from Turkey himself. In 1993, after 12 years in the retail business, Nedim sold the greengrocer's shop. He wanted to focus his attention on the import of products and, therefore, opened a wholesale food business. Nedim now runs the wholesale business together with his brother. They not only import products from Kayseri, the place where they were born, but also from Konya, Istanbul, Izmir and Aydin. In Aydin they also own a business that produces figs. The figs are sold in the Netherlands and Germany under their own brand name. Nedim and his brother travel regularly to Turkey for their business, these business trips often taking no longer than a weekend. For Nedim his transnational activities are, unlike those of Alpay (see preceding case), his main business activity and therefore of crucial importance for his business.

Another difference in the extent to which the entrepreneurs are transnationally involved is whether the entrepreneurs have to travel to their home country for their transnational activities or not. As the previous section showed, some entrepreneurs have family members or acquaintances living in the home country with whom they do business, and as a result they do not have to travel themselves. Nassim for example runs a Moroccan catering business in Rotterdam, together with his mother. He told the interviewer that they have an acquaintance living in Morocco, who is willing to buy goods and send them to the Netherlands for them, so that they do not have to travel to Morocco every time (III15R).

Table 5.3 provides an overview of the entrepreneurs who do or do not have to travel to their, or their parents', home country for the transnational activities.

**Table 5.3** *Business travel to home country? (N = 81)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Yes	30	65	21	61	51	63
No	16	35	14	38	30	37
Total	46	100	35	100	81	100

Not significant

Based on these differences in degree of involvement and movement, I made a distinction between entrepreneurs with 'substantial', 'moderate' and 'limited' transnational involvement. Entrepreneurs who 1) have business contacts in the home country that are of importance for their business in the Netherlands, 2) for whom the transnational activities are the main business activity and 3) who have to travel to their home country for these activities have 'substantial involvement'. Entrepreneurs with 'moderate involvement' have 1) business contacts in the home country that are of importance for their business, and 2) have to travel to the home country for the transnational activities, or for whom the transnational activities are the main business activity. Finally, entrepreneurs with 'limited involvement' have relevant contacts in the home country, but their transnational activities are not their main business activity, nor are they traveling to the home country for business reasons. The results of this analysis are presented in Table 5.4.

**Table 5.4** *Generation by extent of transnational involvement<sup>4</sup> (N = 81)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Limited involvement	7	15	14	40	21	25
Moderate involvement	19	41	13	37	32	40
Substantial involvement	20	43	8	23	28	35
Total	46	100	35	100	81	100

( $p < 0,05$ )

As the results of Table 5.4 show, there is a clear shift between the first and second generation in the extent of transnational involvement. The first generation mainly has substantial or moderate transnational involvement, whereas the second generation largely has moderate and limited involvement.

In accordance with the previous chapter, it would be interesting to find out how the transnational involvement relates to the markets in which the entrepreneurs are active. Table 5.5 shows the transnational involvement by the markets in which the entrepreneurs are active.

As can be seen from Table 5.5, the extent of involvement differs between the markets. Whereas in the ethnic market most entrepreneurs have substantial involvement, in the niche and mainstream market the largest group consists of entrepreneurs who have moderate involvement. Furthermore, Table 5.5 shows that in every market, even in the mainstream market where immigrants serve a mainstream clientele with non-ethnic products or services, immigrant entrepreneurs are still transnationally involved. Based on these results, one might claim therefore that operating in a mainstream market does not eliminate the im-

**Table 5.5** *Market by transnational involvement (N = 80)*

	Ethnic market		Middleman market		Niche market		Mainstream market	
	N	%	N	%	N	%	N	%
Limited involvement	5	16	8	32	3	38	5	33
Moderate involvement	13	41	8	32	4	50	7	47
Substantial involvement	14	44	9	36	1	13	3	20
Total	32	100	25	100	8	100	15	100

portance of transnational networks. This outcome is largely in accordance with what Saxenian (1999: 51) describes, namely Chinese or Indian entrepreneurs who run a business in Silicon Valley and at the same time extend their networks back to their home countries, building transnational networks that benefit both Silicon Valley as well regions in Asia.

## 5.5 Motivation to become transnationally active or not<sup>5</sup>

As stated in the first section, often qualitative studies on transnationalism sample on the dependent variable, namely involvement in transnational activities (Portes *et al.* 2002: 279). This not only leads to an exaggeration of the scope of transnationalism, but also says little about those immigrants who are *not* transnationally active (Portes 2003). The entrepreneurs in this study were not selected in advance because of their transnational networks or activities. It is, therefore, also possible to examine the motivation of the entrepreneurs who are not transnationally active. I will start, however, with the motivations given by entrepreneurs for becoming transnationally active.<sup>6</sup>

### *Reasons to become transnationally active*

Based on the interviews, three main motivations for becoming transnationally active can be distinguished. First, most entrepreneurs mention they had an economic motivation. This is not surprising, as they are all entrepreneurs, and hope to gain some profit from their transnational activities. A second, more practical motivation – which often goes together with an economic motivation – is that the transnational activities are a necessity for their business. This motivation especially applies to entrepreneurs in the wholesale business, as the import of products from the home country is often their main business activity, but occurs in other sectors as well. To illustrate, the following quotation

comes from an interview with a married couple. They migrated from Egypt to the Netherlands in 1982. In 1989 they started a bakery, including catering activities, specializing in Egyptian products. The wife (w) explained that she and her husband (h) travel regularly to Egypt for their business:

I: Are these trips to Egypt of importance for the business as well?

W: Yes they are.

I: In what way?

W: Well, for example, we buy products in Egypt that we use during Ramadan.

H: Yes, during the Ramadan we need special goods, certain foods and beverages. You cannot find these products here on the market. So we have to travel to Egypt to obtain these goods.

IIIorDH

Finally, some entrepreneurs mention more idealistic reasons for becoming transnationally active. These entrepreneurs want to do something for their home country and/or family members. For these entrepreneurs economic gain is not their main motivation. Firos (Io4O), for example, was six years old when he and his family came to the Netherlands. In 2000, after studying aerospace engineering, Firos started a business of his own. His business activities are Internet services and making films for other businesses. Recently a very good Surinamese friend went to Surinam to work for a Dutch multinational company. Because of this, Firos is thinking about becoming transnationally active:

I really want to do something for Surinam. I hope that Nilesh [his friend] can help me, because I do not have any family members or relatives living there. Almost my whole family lives in the Netherlands. However, I know that there is a lot to do in Surinam in the media sector. It would be great if I were able to invest in one way or another in Surinam as well. I mean, I have my roots in Surinam, my grandfather is from Surinam, and I was born there. I do not want to make a lot of money from it, just enough to cover the expenses.

One might wonder, based on the above motivations, why entrepreneurs would not want to become transnationally active. I will deal with this question in the following section.

### *Reasons for not becoming transnationally active*

Four main reasons are given by the entrepreneurs for not becoming transnationally active. First, for some entrepreneurs becoming transnationally active is just an option they have never thought of, as it appears irrelevant for their business activities. Further, a second reason as mentioned by entrepreneurs is that the idea of an economic investment in their home country seems to offer little attraction. This can be caused by the bad economy in the home country, but it can also stem from the way business is done. The following quotation comes from an interview with a Moroccan entrepreneur who was born and raised in the Netherlands. In 2001 he opened a recruitment agency in Rotterdam. I asked the entrepreneur why he is not transnationally active:

Well, I was thinking about that, until I went there on holiday again. I must say, honestly, that I always have these plans when I have not been to Morocco for a year or two. Then I start to think "it would be very nice to do some business in Morocco". However, when I am in Morocco again, then I think "wow, this is very risky". It really is difficult to set up a business in Morocco. It has to do with trust. It is a completely different mentality over there. Here, in the Netherlands, you are used to "an appointment is an appointment". [...] In Morocco you can have a very important appointment, but the person will just not show up. That is very normal. And of course there is an enormous bureaucracy and corruption. You have to deal with that. I mean, you can be opposed to corruption, but it keeps the system going. You will have to handle that. I cannot. Also, you have to have someone you can trust for more than 100 percent. And for me that person is missing. I17R

As the above quotation illustrates, doing business in a different context requires different types of adaptive behavior. Furthermore, the quotation points to a third reason mentioned by several entrepreneurs, which is the absence of a person in the home country with whom the basis for trust is deep enough that the entrepreneur dares to do business with him or her. According to Guarnizo, Portes and Haller (2002: 10) 'the larger or more difficult the attempted transnational project is, the stronger the social networks required to sustain it'. Therefore, when transnational networks of this sort are lacking, some entrepreneurs consider the risk of doing business in the home country as too great. These entrepreneurs stipulate 'trust' or 'trusting someone' as a condition for becoming transnationally involved.



Finally, a fourth reason mentioned by some – exclusively second generation – immigrant entrepreneurs is that they do not speak their parents' native language well enough. For example, Jimmy's parents came to the Netherlands in 1965. His parents worked in the hotel and catering industry at first. After they saved enough money they opened a Chinese take-out in Zaandam. Some years later this business was sold and Jimmy's parents opened a Chinese restaurant in the centre of Amsterdam. Jimmy, who was born and raised in the Netherlands, did not have the ambition to take over his parents' restaurant. Therefore, after studying, Jimmy started to work for a multinational company. However, he very soon came to the conclusion that working for a multinational was not 'his sort of thing'. As a result, he decided to take over his parents' restaurant after all. As business was going well, he opened another business in Amsterdam. This second business is not another Chinese restaurant, but a fashion store. Several times Jimmy also considered doing business with China, but his Mandarin Chinese is not fluent enough for doing business over there. 'A friend of mine is able to do business with China, mainly import and export, because he has a very good command of the Chinese language. Yet for me, this is probably the reason why I say: "just stick to what you are good at".'

(III14A)

In his study on the transnational attachment of second-generation immigrants in the United States, Rumbaut (2002) mentions the importance of bilingualism. According to Rumbaut (*ibid.*) the ability to speak their parents' native language is central to the maintenance of transnational ties.

The reasons as described above illustrate that not every entrepreneur can be, or automatically is, a transnational entrepreneur. 'Transnational capital' is needed to be able to develop economic activities from the embeddedness in these transnational networks (*cf.* Smith 2001; Vanhoo-nacker, Zweig and Chung 2005). This 'transnational capital' is a combination of economic capital – money to invest, and/or travel regularly to, or to do business in the country of origin – as well as cultural capital – bilingualism, knowledge of overseas markets, international management experience – and social capital, such as contacts, relatives or family in the country of origin whom one can trust and/or can do business with. As the reasons mentioned by the entrepreneurs who are not transnationally active illustrate, not everyone automatically possesses this transnational capital.



*Often entrepreneurs make use of their transnational network for their business.*

## 5.6 Examining other domains of transnational activities

In this last empirical section I examine whether second-generation immigrant entrepreneurs who are or are not transnationally active for their business are involved in other kinds of transnational activities. To answer this question, I will look at the involvement of the entrepreneurs in three other fields. The first field are ‘everyday economic activities’. Besides transnational activities that are of importance for the business, one can distinguish more ‘everyday’ economic activities in which the entrepreneurs might be involved as well (Engbersen *et al.* 2003). Further, I will examine the entrepreneurs’ involvement in transnational political and socio-cultural activities (see also Portes *et al.* 1999).

To analyze the transnational involvement in these three fields, I will draw on the transnational questionnaire that was used during the follow-up interviews. I used this questionnaire during 42 follow-up interviews with second-generation immigrant entrepreneurs. These 42 entrepreneurs are not all transnationally active; 14 entrepreneurs are not transnationally active and 14 are not transnationally active yet, but have concrete plans about using their transnational contacts for their business in the nearby future (‘transnational aspirations’). In this section,

the entrepreneurs with transnational aspirations are set apart as I assume that they might differ from the ones who are or are not transnationally active for their business.

To examine whether the entrepreneurs are involved in 'everyday economic activities' the entrepreneurs were asked 1) if they send remittances, namely money or goods to the home country 2) if they have property in the home country (home ownership) and 3) if they donate money to charitable institutions in the home country (*cf.* Engbersen *et al.* 2003; Landolt 2001: 224).

Out of the 42 respondents, the majority of the entrepreneurs, 55 per cent, is involved in at least one of the three 'everyday economic activities'. Of the three formulated questions, most entrepreneurs (N = 15) send remittances – money or goods – to family members in the home country.

For instance, Hammadi (I32R, see also p. 88) is a second-generation Moroccan entrepreneur. At the age of thirty Hammadi started a business of his own in Rotterdam after winning an entrepreneurial contest. Hammadi organizes Dutch integration courses for immigrants in the Netherlands, as well as in Morocco for people who are planning to migrate to the Netherlands in the near future. During the interview Hammadi told how he also donates money regularly to charitable institutions in Morocco:

I: Do you send money to Morocco?

R: Yes, but not directly to family members. Luckily my family does not need the money. However, I sponsor two orphanages in Morocco.

I: Where are these orphanages located?

R: Near the place I was born, central Morocco. I32R

Besides economic activities, entrepreneurs might be involved in transnational political activities as well. In order to be able to examine the involvement of the entrepreneurs in political activities, the entrepreneurs were asked whether they 1) read newspapers that are published in the home country 2) keep themselves informed of politics in the home country 3) are or were a member of a political organization in the home country 4) participate in demonstrations that relate to the home country (*cf.* Engbersen *et al.* 2003).

Most of the entrepreneurs who answered one of the four questions regarding their involvement in political transnational activities affirmatively, read a newspaper from the home country (N = 15). To illustrate, Ahmet (I11DH) migrated to the Netherlands in 1980, due to family reunification. In 1999, with two friends, Ahmet opened an Internet busi-

ness in The Hague. As the following quotation illustrates, Ahmet keeps himself informed by reading Turkish newspapers almost daily:

I: Do you ever read Turkish newspapers?

R: Yes, very often. I read them via Internet or I buy a Turkish newspaper in a kiosk. What I like best is that these newspapers also have news about the Netherlands and Europe. It is, however, news from a different perspective. So by reading Turkish newspapers I keep myself informed of the developments in Turkey and Europe.

Finally, to examine the transnational involvement of the entrepreneurs in socio-cultural activities the entrepreneurs were asked if they 1) visit the home country regularly for private purposes, 2) are in contact with family members or friends in the home country for private purposes<sup>7</sup>, and 3) are a member of a social or cultural organization in the home country (*cf.* Engbersen *et al.* 2003).

Out of these three questions regarding the involvement in transnational socio-cultural activities, most entrepreneurs visit the home country regularly ( $N = 34$ ) for private purposes. Yin for example was born in the Netherlands. Since he was little, Yin has assisted his father in his wholesale business. As the quotation illustrates, he is in close contact with his family members in China:

I: Do you keep in contact with your family in China?

R: Yes, through the Internet, email, msn but also by phone. However, in my opinion, the best thing to do is to pay a visit to the family as often as possible.

I: With whom do you stay in contact or who do you visit if you are in China?

R: Cousins, nieces, uncles, aunts. I call or visit them all.  
IV12DH

To conclude this section, in Table 5.6 the above results are combined. The category 'socio-culturally involved' consists of entrepreneurs who answered at least one of the socio-cultural questions affirmatively. Further, the category 'economically and socio-culturally involved' is formed by entrepreneurs who answered at least one question on both fields affirmatively. Also, Table 5.6 includes whether or not the entrepreneurs are transnationally active for their business, or have transnational aspirations to become transnationally active in the near future.

**Table 5.6** *Transnationally active for business, by transnational involvement of second generation immigrants in other domains (N = 40)*

	Yes		No		Possible in future		Total	
	N	%	N	%	N	%	N	%
Transnational involvement, including:								
– socio-culturally involved	3	23	1	7	–	–	4	10
– economically and socio-culturally involved	–	–	3	21	2	15	5	12
– socio-culturally and politically involved	5	38	3	21	3	23	11	28
– involved in all three fields	5	38	3	21	8	62	16	40
Involved in none of the fields	–	–	4	28	–	–	4	10
Total	13	100	14	100	13	100	40	100

(p &lt; 0,1)

As can be read from Table 5.6, entrepreneurs who are not transnationally active for their business form the highest percentage among the entrepreneurs who are not involved in any of the three fields. A case in point is Ulrich (Io4R). When Ulrich was nine years old his parents decided to migrate from Surinam to the Netherlands. Since then, Ulrich has never returned to Surinam. Ulrich claims that he has no bonding anymore with Surinam, or with his family members who live there. Therefore, as stated by Ulrich, he is not involved in economic, political or sociocultural transnational activities nor is he interested in becoming transnationally active in the nearby future.

On the other hand, as can be read from Table 5.6 as well, one might state that entrepreneurs who are transnationally active for their business – or who have transnational aspirations to become transnationally active in future – are often involved in other transnational activities as well.

## 5.7 Conclusions

In this chapter the focus was specifically on the transnational networks and activities of the second generation. Research on the transnational activities among second-generation immigrants remains limited, and is mainly focused on socio-cultural involvement and not on economic involvement. Therefore, in this chapter I examined whether the second generation is embedded in transnational networks that are of importance for the business they run, and if so, in which way(s) and to what extent. Also, I looked at the differences between the first and second generation.

The results of the analyses showed that the embeddedness in transnational networks remains of importance for the second generation as well, although less in comparison to the first generation. More than one-third of the second generation still have contacts in the home country that are of importance for their business. These contacts are often family members or acquaintances who assist the entrepreneurs in doing business with the home country.

Yet, the *extent* of the transnational involvement among the second generation has declined compared to the first generation. In this chapter a distinction is made between entrepreneurs who have 'limited', 'moderate' and 'substantial' transnational involvement. It appeared that the transnational involvement of most of the second generation is limited, whereas the bulk of the first generation are substantial involved.

Based on these results, one might state that second-generation immigrant entrepreneurs are less dependent on the transnational networks and activities than the first generation, as it is less often their main business activity. It seems, therefore, that among the second generation transnational involvement has become more a strategic choice – 'strategic transnationalism' – whereas among the first generation it is more often a necessity. However, further research is required to examine whether this assumption is correct.

Nevertheless, the results of this chapter run counter to more classical views of immigrant assimilation. The analysis shows that transnational activities and networks are not exclusively the domain of first-generation immigrants. Contrary to the assimilation approach, the results indicate that transnational activities and networks are still of importance for the second generation and have certainly not vanished. Further, the analysis demonstrates that second-generation immigrant entrepreneurs who are transnationally active, or who have transnational aspirations, are often involved in other transnational activities as well.

Thus, the results of this chapter are in accordance with the transnationalists who claim that transnational networks continue to exist among the second generation. However, it would equally be an exaggeration to replace the term 'second generation' with 'transnational generation', as some transnationalists do. The reasons as given by the entrepreneurs who are not transnationally active illustrate that there is not an automatic replication of the transnational network between the generations. Some second-generation entrepreneurs for example do not speak the language of their parents' home country well enough to become transnationally active. This points to the fact that not every entrepreneur automatically is, or can be a transnational entrepreneur; one needs 'transnational capital' to be able to do business with the country of origin, which not everyone automatically possesses.



*An example of a 'vacancy chain': after the Surinamese sisters (see photo above) moved on to another business location, the premises was taken over by a Pakistani immigrant (see photo below).*







## 6 Embeddedness & business success

### 6.1 Introduction

One of the problems of entrepreneurship in general and immigrant entrepreneurship in particular is the high turnover or failure rate (Flap, Kumcu and Bulder 2000: 142; EIM 2004). In general, within five years nearly half of the new businesses disappear, go bankrupt, are taken over or stop for another reason (Carroll 1984: 75). Of all the businesses that started in 1994 in the Netherlands, slightly over one-third still existed in 2004 (EIM 2004). Businesses run by immigrants have an even lower chance of survival; after ten years, only one out of five was in existence in 2004 (*ibid.*).

The higher turnover rate among immigrant entrepreneurs is often explained by the language deficiency immigrants have, in combination with an average lower educational level, insufficient work and business experience, and little knowledge of the statutory laws and regulations (EIM 2004: 35). In general, however, the second generation is more highly educated and better integrated into the receiving society than the first generation. One may assume, therefore, that the second generation have better chances of surviving and will be more successful than the first generation. Thus far, data on the turnover rate among second-generation immigrant entrepreneurs are not available. Hence, in this chapter I examine the business success rate among the research population.

However, defining what is 'business success' is problematic, as the definition of business success is not unequivocal. Often measures of business success such as profitability contain biases (Flap, Kumcu and Bulder 2000: 142). For example, during face-to-face interviews entrepreneurs may exaggerate their profits. Moreover, some entrepreneurs own several businesses and invest profits made in one business into the other, sometimes for tax-related reasons, which makes it complicated to evaluate the success of one of these businesses in isolation. Also, the fact that shops are closed down is often equated in the literature with failure, which is at least in part open to question. For instance, entrepreneurs may abandon their businesses because they want to co-operate with someone else, or move to a better business location,

which is clearly something else than not being viable (Van der Leun and Rušinović 2001).

To avoid these biases, I used a broad definition of success. In this study, businesses that survived the past few years are defined as successful. This means 'business success' is whenever a business still existed in 2005 and 'business failure' is when a business is closed down in the past few years. Yet, as this is a broad definition of success, I also asked the entrepreneurs whose business still existed in 2005, how the development of the business had gone in the past few years.

The questions I will answer in this final chapter are first, does the turnover rate among second-generation immigrant entrepreneurs differ from the first generation?<sup>1</sup> Second, how does business success or failure relate to the markets and networks in which the entrepreneurs are embedded? It is a recognized fact in socio-economic research in particular that, in addition to the importance of human and financial capital, the embeddedness of entrepreneurs in social networks is of crucial importance in explaining the start and success of businesses (see Granovetter 1985, 1995; Waldinger 1986; Uzzi 1997, 1999, Kloosterman *et al.* 1999; Kristiansen 2004). Entrepreneurs are able to reduce risks and transaction costs and improve access to business ideas, knowledge and capital through their embeddedness in social networks (Kristiansen 2004: 1150).

Yet using personal networks when doing business can also have negative effects on running a business (see Portes and Sensenbrenner 1993; Gargiulo and Benassi 2000). These negative effects are often described as the 'dark side' of embeddedness, in which 'social ties imprison actors in maladaptive situations or facilitate undesirable behavior' (Borgatti and Foster 2003: 993). To illustrate, Portes and Sensenbrenner (1993) describe how successful entrepreneurs did benefit from the support and resources provided by informal networks, but did not have the opportunity to expand their business because of job and loan-seeking family members who laid claim to their profits.

In addition to the social networks, the market in which the entrepreneurs are active is of importance for explaining the success or failure of the business as well (*cf.* Jones, Barrett and McEvoy 2000: 38). It is, for example, often stated that immigrants are mainly active in an ethnic market, and that this ethnic market is highly competitive and vulnerable to saturation effects (*ibid.*: 42). Yet, the previous chapters revealed that the second generation is not only embedded in different networks than the first generation, but is active in different markets as well. The assumption is that these differences in embeddedness in certain networks and markets will cohere with differences in business success.

The chapter is organized in five parts. After this introduction I will present the theoretical framework based on the results of the previous chapters (see section 6.2). In section 6.3 I will explain how I determined whether or not the businesses still existed in 2005 and I will answer the research question whether the turnover rate differs between the first and second generation. In section 6.4 I examine the coherence between the embeddedness in certain networks and markets and business success. The conclusions in section 6.5 bring the chapter to a close.

## **6.2 Markets, networks and business success**

The previous chapters showed that there are significant differences between the first and the second generation with regard to the markets in which the entrepreneurs are active, as well as the local and transnational networks in which they are embedded. In Chapter 3, I analyzed the markets in which the entrepreneurs are active. In many cases the initial market for immigrant entrepreneurs arises within their own immigrant communities (Waldinger 1986: 19; Jones Barrett and McEvoy 2000: 40). It is often stated, however, that for entrepreneurial progress immigrant entrepreneurs should 'break-out' to the general population and reach beyond their ethnic boundaries by offering goods and services for a broader group of clients, outside their own ethnic group (see Jones, Barrett and McEvoy 2000).

Yet, this 'break-out' to the general population is not a matter of course. Jansen (1999) notices, for example, that many first-generation immigrant entrepreneurs have little contact outside their own immigrant group – partly because of language barriers – and that they are insufficiently aware of the needs and buying preferences of the native population. Hence, I assumed that adaptation to mainstream preferences and selling to the general market is more difficult for first-generation immigrants than for the second generation, who are born and/or raised in the receiving society. This assumption would imply that second-generation immigrants are better able to break-out to other markets.

To analyze the markets in which the entrepreneurs are active, I looked at the products the entrepreneurs sell, in Chapter 3, focusing on whether the products are 'ethnic' or not. Furthermore, their main group of clients was analyzed: are the entrepreneurs mainly catering for their own ethnic group or not? By cross-classifying the underlying distinctions of (1) ethnic or mainstream clientele, and (2) ethnic or non-ethnic products, four markets could be identified, namely an ethnic-, middleman-, niche and mainstream market.

The results of Chapter 3 showed that the first generation is mostly active in an ethnic market. This means that among the first generation the largest group of entrepreneurs sell an ethnic product to a co-ethnic clientele. The second generation is, however, predominantly represented in a mainstream market. They sell a non-ethnic product to a mainly native group of customers. These outcomes point to a clear shift between the first and second generation in the markets in which the entrepreneurs are active.

I assume that entrepreneurs who are active in a mainstream market are potentially more successful than entrepreneurs who are active in an ethnic market, as entrepreneurs in an ethnic market serve a relatively small group of clients. In the following section I will test this hypothesis.

In Chapter 4, I examined the embeddedness of entrepreneurs in local social networks. I made a distinction between formal and informal social networks. Based on the existing literature on immigrant entrepreneurship, it seems as though the embeddedness in informal networks plays a major role for starting and running a business. For example, it is often stated that immigrant entrepreneurs are able to set up their business by making use of family loans, and manage to survive because they can rely on low-paid or unpaid (family) labor (Kloosterman, Van der Leun and Rath 1998).

Yet the fact that immigrant entrepreneurs fall back on their informal social networks is partially seen as a compensation for the lack of outside or formal networks and other resources (*cf.* Gold 1995; Hagan *et al.* 1996; Portes 1998: 14). Immigrant entrepreneurs are, for example, less capable of finding their way in the bureaucratic web in order to get a subsidy, bank loan or assistance with setting up the business than native entrepreneurs (Wolff and Rath 2000). Also, immigrant entrepreneurs become members of storekeepers' associations, trade or other professional organizations less often than native entrepreneurs.

In Chapter 4, however, I questioned whether this applies to second-generation immigrant entrepreneurs as well, or whether the embeddedness in outside or formal social networks has increased in importance among the second generation. More specifically, I looked at how the entrepreneurs obtained three kinds of scarce resources, namely financial capital for the start of the business, business information and labor or personnel, in the course of which I made a comparison between the first and second-generation immigrants. Furthermore, I looked at the relation between formal and informal networks, whether informal and formal networks overlap, replace or complement each other (see also Komter, Burgers and Engbersen 2000).

The results of Chapter 4 showed that in comparison to the first generation, considerably fewer second-generation immigrants depend ex-

clusively on informal networks to acquire scarce resources. Almost three-quarters of the second generation are at least partially embedded in formal networks. On the other hand, although the embeddedness in formal networks has increased among the second generation, this does not mean that the importance of embeddedness in informal networks has disappeared with successive generations. Most of the second-generation entrepreneurs are embedded in both formal as well as informal networks. For these entrepreneurs embeddedness in formal and informal social networks are not mutually exclusive options, but the formal and informal networks overlap or complement each other; entrepreneurs who are embedded in mixed networks appeal to formal as well as informal networks to fulfill different needs.

Based on these results, the hypothesis is that entrepreneurs who are embedded in these 'mixed networks' are potentially more successful entrepreneurs, as their social networks are less fixed and can be activated according to different needs (*cf.* Granovetter 1985; Burt 1992). I assume that as their networks are less fixed, they are not 'trapped in their own network' (see Gargiulo and Benassi 2000) but profit from the advantages of the embeddedness in informal networks, such as trust and cooperation, and formal networks.

However, entrepreneurs not only operate in a local, but in a global context as well (see Light 2005: 661). According to Portes *et al.* (2002) there is a rising class of transnational entrepreneurs, and they even represent a large proportion, often the majority, of the self-employed persons in immigrant communities. Yet, most of the literature on transnationalism is based on the experiences of the first generation. Relatively little is known of the importance of transnational networks and activities among the second generation. It remains, therefore, uncertain whether this 'rising class of transnational entrepreneurs' is mainly a first generation phenomenon, or whether it appears among the second generation as well. In Chapter 5 I therefore examined the importance of transnational networks and activities among both first and second-generation immigrant entrepreneurs, and if and how the second generation differs from the first generation.

The results of Chapter 5 showed that the embeddedness in transnational networks remains of importance for the second generation as well, although less compared to the first generation. Among the first generation more than half of the entrepreneurs have contacts in the home country that are of importance for the business, whereas among the second generation this percentage has decreased to 35 percent. Yet, it is especially the *extent* of the embeddedness in transnational networks among the second generation which has declined compared to the first generation. Among the second generation the transnational activities are less often the main business activities, and they travel less

often to the country of origin for these activities. Based on these differences, a distinction was made between entrepreneurs who have 'limited', 'moderate' and 'substantial' transnational involvement. It appeared that most of the second generation have limited involvement, whereas the first generation mainly have substantial transnational involvement.

The hypothesis is that entrepreneurs who are embedded in transnational networks are potentially more successful, as they enjoy social capital advantages that equip them advantageously for entrepreneurship (see Light 2004: 11).

Before I test the hypotheses, I will first explain how I determined whether businesses still existed in 2005 and if there is a difference in the turnover rate between the first and the second generation.



*After finishing his education, this young second-generation Turkish entrepreneur took over a hairdressing salon from an acquaintance.*

### 6.3 Examining business success and failure among the research population

To determine whether the businesses still existed, I conducted a telephone survey in June and July, 2005. To trace the entrepreneurs and their businesses, I first tried to call the respondent via their cellphone

or business phone number. As I had kept in contact with a substantial number of entrepreneurs over the past years, this was a relatively easy strategy, especially as some entrepreneurs kept me informed if they changed their address or phone number. If the telephone numbers I had were not correct anymore, I looked in the telephone book or yellow pages, or searched on the Internet.

Information on some entrepreneurs and their businesses was found through other respondents and/or acquaintances of the respondent. For instance, Mahdi (I101U), who fled from Iraq, and his wife Esra, who is Turkish by origin, were interviewed for the first time in November, 2000. Five years after the interview with Mahdi and Esra, it appeared that the business was taken over by Hassan, also an Iraqi (I106U). Hassan changed the name of the business, but did not change the business telephone number. As Mahdi and his wife were acquaintances of Hassan, he knew that Mahdi worked in a nursing home and that Esra took care of their child.

Through these methods I was able to gather information about 200 of the 252 businesses. In total I spoke with 136 entrepreneurs and with 64 employees, business partners, or acquaintances of the respondents. With a few entrepreneurs ( $N = 10$ ) I conducted a final face-to-face interview; with the other entrepreneurs I conducted a telephone survey, which most of the time took only several minutes but in some cases more than half an hour. The purpose of these interviews was to determine whether the business still existed, if the respondent was still active as an entrepreneur, and how businesses had evolved in the past few years.

However, I was unable to trace 52 entrepreneurs and their businesses. For these respondents I consulted the trade register of the Chambers of Commerce. One can search through the Internet for a business in the trade register by entering the business name, postal code or the name of the street where the business is/was located. The trade register provides information free of charge on whether the business still exists or whether it has been deregistered from the Chambers of Commerce, which means the business does not formally exist anymore. For example, I used the trade register to trace Omaira's business (I09A). Omaira was twice interviewed in 2001. She was one of the business partners of a cleaning and employment agency in Amsterdam. In 2005 it was difficult to trace Omaira and her business, as both her cellphone and the business phone number were not working anymore. Also, the business was not to be found through the Internet or telephone book. Therefore, I searched for the business through the trade register of the Chambers of Commerce and it appeared that in 2004 the business went bankrupt.

By using the trade register of the Chambers of Commerce, it appeared that out of the 52 businesses, five were taken over and 40 businesses were deregistered from the Chambers of Commerce<sup>2</sup>. I also used the trade register of the Chambers of Commerce to check the information I got from all respondents, including the entrepreneurs with whom I conducted the telephone survey, about the existence of the businesses. It appeared that some respondents had already stopped their business activities, but had not deregistered from the Chambers of Commerce yet. Although this means that these businesses formally still existed, I classified them as 'no longer existent' ( $N = 6$ ). In one case the business had already been deregistered from the Chambers of Commerce since January 2005. The intern, however, was not aware of this, having been told that the owner was ill (Io7A).

The above case points to the fact that there can be a difference between the information gathered from the Chambers of Commerce and the actual state of affairs (*cf.* Raes 2000). This also applies to nine respondents who changed the business name. By changing the business name, these businesses became untraceable by searching for the old business name in the trade register of the Chambers of Commerce. One could have concluded, therefore, that these businesses no longer existed. Yet, a side from the business names, the business activities and the business owner did not change. Therefore, I classified these nine businesses as still existent. A case in point is Nassim (III15R) (see also p. 124). The first interview with Nassim was conducted in 2002. At that time Nassim ran a catering business together with his mother in Rotterdam. Two years later I noticed that the premises in which Nassim's business had been located were empty. The business was not found through the trade register of the Chambers of Commerce either. Fortunately, in 2005, it appeared that Nassim had not changed his cell-phone number. In 2005, the business activities were still the same as in 2002, but Nassim moved to Amsterdam because of his clientele. Also, he had changed the business name, as the former business name was not 'catchy' enough anymore.

It is also possible to retrieve the complete registration form of the business from the Chambers of Commerce, as well as a financial and historical overview of the business, as well as information on whether the business still exists or not. However, it is quite expensive to obtain this additional information. Therefore, I was not able to retrieve this additional information for all businesses. However, I did retrieve the registration form as well as the financial and historical overview for 60 businesses.

To conclude, as the following Table 6.1 shows, I succeeded in determining whether 245 businesses still existed in 2005, or whether the business was closed down in the past few years.



**Table 6.1** *Turnover rate businesses, June-July 2005*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Business still exists	95	70	86	78	181	74
Business is closed down	40	30	24	22	64	26
Total	135	100	110	100	245	100

Not significant

### *Business still exists*

As can be read from Table 6.1, 181 businesses still existed in 2005. It is important to notice that among these 181 businesses, eight businesses were taken over in past few years. With one exception, these eight are all businesses that were run by first-generation immigrants. The reason for classifying these businesses as still existent was that although the business was taken over by someone else, the business as such did not cease to exist, as the entrepreneurs who took over these businesses did not change the business name, location or business activities. Thus, these businesses can still be found in the trade register of the Chambers of Commerce and were, therefore, classified as still existent. These eight businesses were all taken over by family members or former personnel of the entrepreneur. For example, Baris (II05DH) was interviewed for the first time in 2002 (see also p. 120). In 1999, he took over his father's hairdressing salon. His father Fatih had owned the business for nine years, but wanted to work fewer hours a week. Therefore Fatih sold the business to his son, who had already assisted him for several years. Yet as Fatih did not want to stop working completely, Baris employed his father for two days a week. In 2005, however, it appeared that Baris had sold the business to his younger brother a few months before, as Baris preferred to work only part-time in the hairdressing salon. Baris's brother now has two part-time employees: his brother Baris and his father Fatih.

As stated in section 6.1, in this study businesses that still existed in 2005 are defined as successful. However, as this a very broad definition of success, I also asked the entrepreneurs whose business still existed in 2005 how the development of the business had gone in the past few years. In Table 6.2 the answers to this question are given.

Out of the 123 entrepreneurs I spoke to, 45 respondents claim that they have had a positive business development. This means that they had at least a positive development in the return and profit rates. Khalid (II15A), for example, is 33 years old and born in Tanger, Morocco. Khalid was two years old when he and his mother migrated to the Netherlands, due to family reunification. After finishing his study in

**Table 6.2** *Development 'still existing businesses' in past few years\* (N = 123)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Positive development	17	29	28	43	45	37
Negative development	13	22	10	15	23	19
Both positive as well as negative developments	3	5	6	9	9	7
Neither positive nor negative developments	25	43	21	32	46	37
Total	58	100	65	100	123	100

\* I only asked this question when I was able to speak to the respondent him/herself.

political science and public administration, Khalid worked for several years as a junior researcher. Although Khalid enjoyed his job as a junior researcher, he preferred to start a business of his own and therefore made the decision to start his own consultancy agency in 2000. Khalid specialized in advising businesses on social, diversity and urban issues. As the business was going well, Khalid was able to hire his first employee on a temporary basis in 2001. From that time, his business boomed, and two years later Khalid employed eight persons and two interns. Also, in 2003, Khalid was exploring the possibilities of merging with a large, well-known Dutch consultancy agency. In 2005, it appeared that the businesses have been merged, and Khalid has become one of the business partners. As a result, his business now has eight establishments in different cities that are all part of the same holding, of which Khalid is a 20 percent shareholder. Khalid is the youngest partner in the company's 73-year history.

In addition to Khalid, in total 14 respondents moved to a better business location, and 10 entrepreneurs opened a second branch or more.<sup>3</sup> Polo (III12A), for example, is 30 years old and born and raised in Amsterdam. His father migrated from China to the Netherlands at the end of the 1960s and his mother in 1973. His parents worked for several years in different Chinese restaurants in Amsterdam, until they opened their own small Chinese restaurant in 1980. As business was going well, Polo's parents opened another business in 1991. Polo and his brothers and sisters always helped their parents after school, during holidays and on weekends. From 1997, Polo started assisting his parents in their businesses full-time. In 2002, Polo's parents went into retirement and sold the two businesses to their children. As Polo and his brothers took over the businesses, they instituted several changes with regard to the lighting, operational management and the dress code at work. Furthermore, in 2003 Polo opened another small restaurant together with his brother and sister. In this restaurant Polo did every-

thing to get rid of the 'traditional, old-fashioned Chinese restaurant appearance'. And with success: in 2005 he was busy opening a second branch.

Another entrepreneur who had a positive business development in the past few years is Olivia (III11U). Olivia is 49 years old and born in Surinam. She received training in the hotel and catering industry in Paramaribo and continued her study – at the age of 21 – in the Netherlands. After several years of work experience in the catering sector, Olivia decided to start her own catering business in 1985. The first eight years after the start, however, her catering business was run in addition to her full-time job. Gradually Olivia got more clients, partially because of her advertisements in the Yellow Pages. One of her clients was an employee of a university in the Netherlands. Olivia was asked to provide for the catering during an employee's party. As this went very well, Olivia was asked if she was willing to become the university's permanent caterer during special events. Olivia is not employed by the university, but gets paid for every catering event she takes care of. In 2005, it appeared that in the past few years business had gone very well. In addition to her catering activities she had opened a Surinamese specialities restaurant in 2004. This restaurant is not another small Surinamese restaurant, or take-out, but a 'real' restaurant instead, Olivia explained. In addition Olivia hopes to set up a hotel in Surinam in the future. She already has taken several courses on the possibilities of investing abroad, and in Surinam in specific. However, before she realizes this 'transnational wish', she first wants to further develop her catering business and restaurant.

Besides the 45 entrepreneurs who had a positive business development, for 23 entrepreneurs the past few years have been very difficult; three entrepreneurs were forced to move to a less expensive business location. The entrepreneurs experienced a decrease in their return and profits rates, and as a result have to struggle to survive. To illustrate, Renald (IV05DH) is 35 years old. He was born and raised in Surinam. After finishing junior technical education Renald started a taxi firm in Paramaribo. During his holidays in the Netherlands in 1990 Renald met a Surinamese girl living in Amsterdam. They fell in love and in 1992 they decided to marry, and that Renald should migrate to the Netherlands. After his arrival Renald worked for several years in the retail business of his uncle, specialized in exotic food products. Although Renald enjoyed working for his uncle, he preferred a business of his own and, therefore, started an import business in 1997. His business specialized in the import of exotic food products from Surinam. In 2001, as business was going well, Renald turned his import business into a wholesale food industry and moved to a better business location. Also, in the same year, his wife became a business partner, in addition

to his two full-time employees. However, in 2005, it appeared that the past few years had been very difficult, due to the economic recession and lack of purchasing power, as stated by Renald. As Renald had to work from the early mornings to late in the evenings for almost nothing, his tax consultant advised Renald to sell his business. Renald was not optimistic about the future either, and advertised his business for sale. If Renald is able to sell his business, he plans to stay at home for at least a year to reconsider his future.

Another case in point is Jahi (III03DH). Jahi was born in Egypt. After finishing his study in accountancy, in 1984 Jahi migrated to the Netherlands to study economy at the Erasmus University Rotterdam. To finance his study Jahi worked as a waiter in the hotel- and catering industry. However, this job was not enough to finance his study and to cover his expenses, so he therefore decided to terminate his study after the first year. In 2000, a friend asked Jahi if he would be interested in taking over a small restaurant specializing in Egyptian food, in The Hague. At that time, Jahi was working on a permanent basis in the service department of a real-estate agency. At first Jahi was not enthusiastic about taking over the business, mainly because of the long working hours. However, the excitement and opportunities of becoming self-employed appealed to him very much, and he eventually decided to take over the business. In 2005, four years after the first interview took place, Jahi still owned the business. Yet the past few years had been very difficult. Jahi told how he has to work more than 100 hours a week, and still only manages to survive because of the unpaid assistance he receives from his wife and daughter. Jahi's wishes and expectations are for the future of his daughter, who has almost finished her study of psychology at the Erasmus University Rotterdam.

Most respondents ( $N = 15$ ) mentioned the economic recession, in combination with the introduction of the euro in 2002, as the main cause of the negative business development. Shida (II07DH), for example, opened a hairdressing salon in The Hague in 2000. During the telephone survey in 2005, Shida said that business was not going very well: 'I have fewer clients and I really believe it is a result of the economic recession. I started my business in the "guilder era". At that time I was doing much better than now with the euro'. If Shida is able to pay her bills every month, she will keep her hairdressing salon; otherwise she will be forced to sell the business. However, Shida hopes that next year the economy will improve.

It is not remarkable that the entrepreneurs mention the economic recession. According to data from the Central Statistical Office, the average purchasing power of the Dutch has declined the past few years, and in 2005 is comparable to the purchasing power in 2000 (Haan and Rengers 2005).

The third category in Table 6.2 consists of entrepreneurs who said that they had had both very positive developments as well as some severe setbacks. Ulrich (I04R) is a case in point (see also p. 133). Ulrich was born in Surinam. Together with his parents Ulrich migrated to the Netherlands when he was nine years old. After finishing intermediate technical school Ulrich wanted to start a business of his own, but forced himself to acquire work experience first. Ulrich worked for the same employment agency for ten years. Yet, in 1999 he decided to resign and start his own employment agency. Ulrich was interviewed for the first time in 2000. At that time his business was located in a small business unit in the northern part of Rotterdam. During the first interview Ulrich claimed that he was 'a real entrepreneur', who likes to take risks. In 2002, when the second interview was conducted, it appeared that business was going well. His business not only changed from a one-person business to a limited liability firm, but also moved to a top location in the centre of Rotterdam. Also, in the past two years he had taken on four full-time employees, including his brother. However, in June 2003 it was clear that the last year had been very difficult. Ulrich had to fire all his employees and had to change his business location to a less expensive location in the western part of Rotterdam. In 2005, he was doing a little better than in 2003, but he has not returned to the same level as in 2002. In spite of all this, Ulrich never regretted the decision he made to become an entrepreneur, and he has full confidence in the future.

To conclude, 46 respondents claimed that they did not have very positive or negative business developments. For these entrepreneurs business developments have been about the same during the past few years.

The above makes it apparent that the 181 businesses that are classified as still existent differ with regard to their size, number of employees, business location and business development. Yet, despite these differences, what the 181 businesses have in common is that they all survived the last few years and still existed in 2005.

### *Business is closed down*

Out of the 64 businesses that no longer existed in 2005, 10 businesses went bankrupt. One of these businesses was Efrem's printing shop (I39R). Efrem was born in Eritrea, but when he was seven years old he and his family fled from Eritrea to the Netherlands. Efrem was interviewed in March, 2003. At that time he ran a printing shop which he had taken over from a Turkish acquaintance two years before. Efrem was not trained for the business, nor did he have much work experience. However, Efrem received assistance in running the business



*The entrepreneur who rented this premises moved to a better business location in Amsterdam.*

from friends. Yet in 2005, a year after the interview took place, it appeared that the business had gone bankrupt.

Another case in point is Senay (I06R). Senay is 34 years old and born in Istanbul. In 1990, at the age of 18, Senay migrated to the Netherlands, due to family reunification. Her parents already lived in the Netherlands, but Senay wanted to finish her secondary education first. Senay started with an intermediate business education in the Netherlands. However, she never completed the course. Instead, she started working for an administration office. After several years of work experience, Senay noticed that there was a demand for administration services, coming from firms owned by Turks. Therefore, in 1998 Senay and her sister decided to start an administration office primarily orientated towards a Turkish clientele. At first they ran the business in addition to their full-time jobs. However, as business was going well, after eight months they resigned. Yet, in 2002, a year after Senay was interviewed for the first time, their business did not exist anymore. The trade register of the Chambers of Commerce showed that they had gone bankrupt. According to one of their clients, Ali Ishan (I03R), their bankruptcy was caused by poor financial management. He had called in a lawyer, as he was in trouble with the tax authorities since he had

wrongly assumed that Senay had properly taken care of his tax declarations.

Although the information is limited, I found out that among the 64 entrepreneurs whose business was closed down, five entrepreneurs started another business and three entrepreneurs continued with their studies. Two respondents are retired and ten respondents are employed in a regular job again. One of them is Mohammed (I41R). Mohammed was born and raised in Rotterdam. His parents migrated from Morocco in the early 1970s. During his studies in business administration, Mohammed started an Internet company in 2001. However, in 2003, when the second interview with Mohammed was conducted, it appeared that he had terminated most of his business activities as he wanted to finish his studies. In 2004, I met Mohammed by chance and he told me that as he found a good job he had decided to stop with his business completely and to deregister from the Chamber of Commerce. In 2005, Mohammed still worked full-time for the same employer.

Another example is Feray (II1U). Feray is 40 years old and born in Mazgirt, Turkey. In 1979, at the age of 14, he migrated to the Netherlands, through family reunification. Feray started working in the Netherlands as a waiter in a Turkish coffee house. After several years, he managed to take over this business together with a friend. However, as Feray did not want to work in the evenings anymore, he sold the business two years later. After that, Feray had a full-time job as a warehouse employee for more than 17 years. In 1998, a friend asked Feray if he would be interested taking over his hairdressing salon. Although Feray did not have any knowledge of the sector, he took over the business, as he trusted his friend who told him his personnel could run the business; he would only have to take care of the business administration. In 2005, it appeared that a few months before Feray's business had been taken over by one of his acquaintances. Feray had had considerable trouble with his personnel and his accountant, and was relieved to sell his business. Feray managed to find a job and is a full-time employee again.

Among the 64 businesses that no longer existed in 2005, nine businesses were taken over, three of which after they went bankrupt. These nine businesses are classified as no longer existent, as the business was deregistered from the Chambers of Commerce before the business was taken over.

To conclude, as the results of Table 6.1 showed, there is not a significant difference in turnover rates between the first and second generation. However, it is important to notice that Table 6.1 could give a biased view with regard to the turnover rates of the businesses, as not all businesses started in the same year. For example, at the time the

first interviews were held, 31 of the businesses had already existed for over 12 years, and 67 businesses existed between 4 and 8 years. Yet in general it is most difficult for entrepreneurs to survive the first years. About one-quarter of the businesses run by an immigrant do not survive the first year; among native Dutch this is 15 percent (Van den Til-laart 2001: 14). Therefore, I took the age of the firm into account in Table 6.3, and included only the entrepreneurs who started their business between the years 2000 and 2003.

**Table 6.3** *Turnover rate among businesses that started in the years 2000-2003 (N = 70)*

	First generation		Second generation		Total	
	N	%	N	%	N	%
Business still exists	11	50	39	81	50	71
Business is closed down	11	50	9	19	20	29
Total	22	100	48	100	70	100

( $p < 0.05$ )

As can be seen from Table 6.3, if only those entrepreneurs who started in the years 2000-2003 are included, there is a significant difference in the turnover rate between the first and second generation. Among the second generation more than 80 percent of the businesses still existed in 2005, whereas among the first generation this is only 50 percent. In the following section, I will examine how these differences in business success cohere with the embeddedness in networks and markets.

## 6.4 Coherence business success and embeddedness

In order to examine the coherence between business success and the different forms of embeddedness in networks and markets, I first conducted a Homals analysis.<sup>4</sup> The program is a quantitative research method, suitable for supporting qualitative research material (see Van der Heijden, Gilula and Van der Ark 1999). A Homals analysis can be used if one wants to determine whether and which nominal variables cohere. It is a descriptive method, which means that based on a Homals analysis one cannot derive what the chances are that the coherences as described will occur (Van den Berg 1986; Van de Geer 1988).

If a Homals analysis is conducted on a set of nominal variables, it results in a figure. It is often a two-dimensional figure, namely a coordinate system with four quadrants. This figure reflects the observed objects (for example the entrepreneurs) and the variables' categories. The





*This employment agency went bankrupt. As the poster on the shop-window shows, the premises is to let.*

variables as such cannot be found in the figure, only the categories (Van den Berg 1986: 2). This means that if, for example, the variable of ethnicity is included in the analysis, the figure will only show the categories 'Turks', 'Moroccans', 'Chinese', and not 'ethnicity'.

Furthermore, the Homals analysis groups the categories that strongly cohere together in the figure (Van der Heijden *et al.* 1999). To illustrate, in the Homals analysis two variables are included, namely 'ethnicity' and 'sector'. Most of the Chinese entrepreneurs in the research group are active in the hotel and catering industry, whereas most of the Turks are active in producer services. In this case, the distance in the figure between the category 'Chinese' and 'hotel and catering industry' is less in comparison to the category 'Turks' and the 'hotel and catering industry'.

In the Homals analysis it is therefore possible to determine which answering patterns cohere. Object groups that correspond with regard to the answering patterns are called homogeneous and placed together, whereas object groups with different answering patterns are placed at a distance (Van den Berg 1986).

To examine the coherence between business success and the networks and markets in which the entrepreneurs are embedded, as well

as the markets in which they are active, I included the following variables and corresponding categories in the Homals analysis:

- Embeddedness in local networks
  - 1 = Informal network
  - 2 = Formal network
  - 3 = Mixed network
- Involvement in transnational activities?
  - 1 = Yes
  - 2 = No
  - 3 = Possible in future (transnational aspirations)
- Markets
  - 1 = Ethnic market
  - 2 = Middleman market
  - 3 = Niche market
  - 4 = Mainstream market
- Business success<sup>5</sup>
  - 1 = Business still exists (success)
  - 2 = Business is closed down (failure)

Furthermore, the following general characteristics of the entrepreneurs and their businesses are included in the Homals analysis as well:

- Generation
  - 1 = First generation
  - 2 = Second generation
- Ethnicity
  - 1 = Turkish
  - 2 = Moroccan
  - 3 = Surinamese
  - 4 = Chinese
- Level of education<sup>6</sup>
  - 1 = High level of education
  - 2 = Low level of education
- Motivation
  - 1 = Push
  - 2 = Pull
  - 3 = Push/pull

- Previous knowledge of the field<sup>7</sup>
  - 1 = Relevant education
  - 2 = Relevant work experience
  - 3 = Relevant education and work experience
  - 4 = Little knowledge of the field
- Sector
  - 1 = Producer services
  - 2 = Hairdressing sector
  - 3 = Hotel- and catering industry
  - 4 = Wholesale food industry

As the above variable list of general characteristics shows, besides ‘generation’ other general characteristics of the entrepreneurs and their businesses that might explain the differences in business success are included in the analysis as well. First, I included ‘human capital’ in the analysis. This human capital variable consists of two variables, namely ‘level of education’, and ‘previous knowledge of the field’. It is often stated that immigrant entrepreneurs start their business with insufficient human capital (general education) and knowledge of the sector (SER 1998). Second, the motivation of the entrepreneurs to start the business is taken into account. In general, entrepreneurs’ motivation to start their own business can be expressed in terms of push and pull factors (see also Chapter 2). Push factors, such as unemployment, have long been dominant among first generation immigrant entrepreneurs. It can be expected that entrepreneurs who are pushed towards entrepreneurship and possess less human capital have a higher turnover rate than other entrepreneurs.

Third, the variable ‘ethnicity’ is included as the differences in turnover rates clearly differ between the ethnic groups. As can be read from Table 6.4, none of the Aruban entrepreneurs, for example, existed after eight years, whereas two-thirds of the Chinese businesses were still in existence. It is important to notice, however, that Table 6.4 only includes first-generation immigrant entrepreneurs.

Finally, the survival chances clearly differ between the different sectors. Both native as well as immigrant entrepreneurs who start a business in the manufacturing industry or trade sector have the lowest chances of survival, whereas entrepreneurs in the service industries have the highest chances (Van den Tillaart 2001: 61). Therefore, I also included the sector in which the entrepreneurs are active.

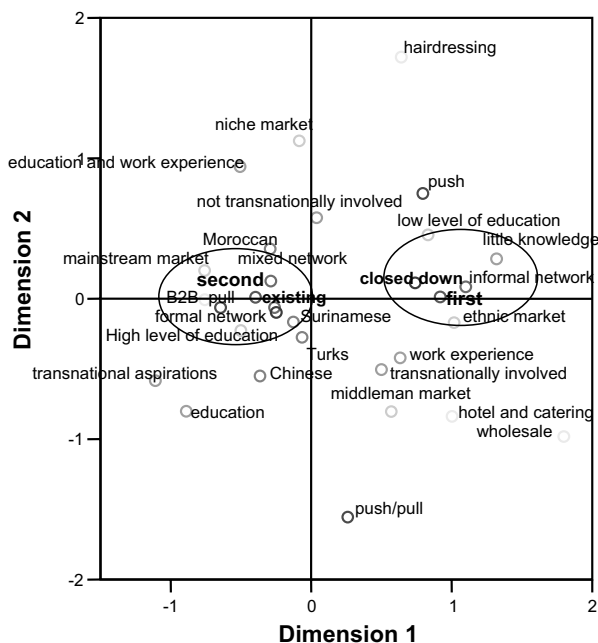
By including these variables in the Homals analysis as well, it is possible to examine to what extent business success – meaning businesses that still existed – cohere more strongly with other categories, such as a high-level of education or a positive motivation to start a business,

**Table 6.4** *Businesses remaining that started in 1992*

	Start (1992)	Businesses left after 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years	After 8 years
Turks	100	66	49	41	36	32	29	27	26
Moroccans	100	70	51	42	41	38	35	33	31
Antillean	100	79	68	56	53	44	41	37	35
Aruban	100	57	29	14	14	14	14	14	–
Surinamese	100	77	63	53	47	43	39	37	35
Chinese	100	92	85	79	73	71	69	68	67

Source: Van den Tillaart 2001: 60

than with the network or markets in which the entrepreneurs are embedded. In Figure 6.1 the results of the Homals analysis are given. To prevent a strong bias with regard to the years of existence of the business, I only included the entrepreneurs who started between 2000 and 2003 in the Homals analysis.

**Figure 6.1** *Coherence business success and embeddedness*

As Figure 6.1 shows, the Homals analysis results in a two-dimensional plot. The dimensions can be interpreted by using the variables that have a high discrimination values. Table 6.5 gives the discrimination

measures of the variables on the two dimensions. The 'eigenvalue' is shown as well, which is the mean discrimination value, averaged across the variables (Van den Berg 1986).

**Table 6.5** *Discrimination measures and Eigenvalues*

	<i>Dimension 1</i>	<i>Dimension 2</i>
Business success (business still exists/closed down)	.174	.067
Generation (first/second)	.380	.001
Ethnicity	.031	.091
Level of education (high/low)	.401	.068
Motivation (push/pull)	.348	.429
Previous knowledge of field	.465	.438
Sector	.793	.588
Embeddedness local networks (informal, formal and mixed network)	.371	.014
Transnational involvement (yes/no/aspirations)	.292	.220
Market	.474	.443
Eigenvalues	.373	.236

As Table 6.5 shows, all variables score relatively high on the first dimension, except ethnicity. The discrimination measure is, however, relatively low for the variables on the second dimension. Therefore, the first dimension will be used to interpret the outcomes of the analysis.

This first dimension seems to indicate the extent to which the entrepreneurs are socially and economically integrated in Dutch society.<sup>8</sup> As Figure 6.1 shows, along this dimension the Homals analysis results in two object groups that cohere with regard to the answering patterns. The first cluster, on the left side of the horizontal axis, consists of entrepreneurs who are highly educated, had a positive motivation to start the business, are embedded in formal or mixed networks and are active in a mainstream market. Thus, these entrepreneurs are highly integrated in Dutch society with regard to their position in the labor market (education and motivation to start the business), as well as their embeddedness in networks (mixed and formal networks) and markets (mainstream market). As can be read from Figure 6.1, it is the second generation who cohere most strongly to this cluster, as well as the businesses that still existed in 2005.

The second cluster is formed by the entrepreneurs who have a low level of education, little knowledge of the sector before the start of the business, and were pushed towards entrepreneurship. Also, it is the entrepreneurs who are embedded in informal networks, and who are active in an ethnic market who cohere with this cluster. These entrepreneurs are less socially and economically integrated with regard to their level of education, position in the labor market and the networks

and markets in which they are embedded. Figure 6.1 indicates that it is the first generation who correspond most strongly to this cluster, as well as the businesses that were closed down in the past few years.

With regard to the assumptions as formulated in section 6.2, it appears that the assumption that entrepreneurs who are active in a mainstream market are potentially more successful than entrepreneurs in the ethnic market seems to be correct. The Homals analysis shows that entrepreneurs in an ethnic market cohere more closely to businesses that were closed down, whereas entrepreneurs in the mainstream market correspond most strongly with the businesses that still existed in 2005. Also, I assumed that entrepreneurs who are embedded in 'mixed networks' are in principle more successful as their social networks are less fixed and can be activated according to different needs. Based on the outcomes of the Homals analysis this assumption is partially correct. It is correct that the entrepreneurs who are embedded in mixed networks cohere more strongly with business success than the entrepreneurs who depend on informal networks. Yet, the entrepreneurs who depend exclusively on their embeddedness in *formal* networks to acquire financial capital, business information and finding personnel, cohere with the businesses that still existed in 2005 as well. However, entrepreneurs who depend exclusively on informal networks cohere most with business failure. This outcome seems to indicate that the initial support of an informal network may eventually hinder business success (*cf.* Gargiulo and Benassi 2000).

Yet the assumption that entrepreneurs embedded in transnational networks are potentially more successful is not confirmed by the Homals analysis. Figure 6.1 shows that the entrepreneurs who are transnationally involved cohere more strongly with the businesses that were closed down, in comparison to the entrepreneurs who have transnational aspirations. This could be explained by the differences in the social and economic integration as just described. Namely, entrepreneurs who are transnationally involved cohere more strongly with the entrepreneurs who depend on their own immigrant group with regard to the markets in which they are active (ethnic market) and the networks in which they are embedded (informal networks). This outcome seems to indicate that within these co-ethnic networks, being transnationally involved is not an asset that automatically equips these entrepreneurs advantageously for entrepreneurship.

However, entrepreneurs who have transnational aspirations – and are often transnationally active in other domains as well (see Chapter 5) – cohere more strongly with entrepreneurs who are embedded in formal and mixed networks and are active in a mainstream market. Within these networks, the fact that these entrepreneurs have a trans-



*Among his other activities, this second-generation Moroccan entrepreneur publishes a magazine aimed at Moroccan youngsters.*

national network and are bilingual seems to be an asset that in principle makes these entrepreneurs more successful.

To conclude, based on the Homals analysis the assumption that differences between the first and second generation with regard to their embeddedness in certain networks and markets cohere with differences in business success, appears to be correct.

The Homals analysis gave a first clear indication of how business success coheres with the embeddedness of entrepreneurs in different local and transnational networks, as well as with the markets in which the entrepreneurs are active. Yet, based on the Homals analysis, one cannot conclude which variable correlates most strongly with the variable 'business success'. However, it is possible to conduct different data analyses based on the outcomes of the Homals analysis. Namely, the Homals analysis ascribes a numerical value to every category of the nominal variables, which is called 'category quantifications' (see Table 6.6). The category quantifications are essentially transformations of the original (nominal) values of the categories. By transforming the original nominal values, the Homals analysis rescales the nominal, qualitative categories of the original variables into quantitative interval level values of *transformed* variables. These transformed variables can be

**Table 6.6** *Category quantifications*

	<i>Category quantification dimension 1</i>
<b>Generation</b>	
Second generation	-.404
First generation	.931
<b>Ethnicity</b>	
Chinese	-.373
Moroccans	-.300
Surinamese	-.135
Turks	-.055
<b>Level of education</b>	
High level of education	-.501
Low level of education	.832
<b>Motivation</b>	
Pull	-.645
Push/pull	.243
Push	.790
<b>Sector</b>	
Producer services	-.762
Hairdressing sector	.682
Hotel and catering industry	.993
Wholesale food industry	1.780
<b>Embeddedness local network</b>	
Mixed network	-.283
Formal network	-.263
Informal network	1.098
<b>Transnational involvement?</b>	
Transnational aspirations	-1.118
Not transnationally involved	.049
Transnationally involved	.489
<b>Market</b>	
Mainstream market	-.757
Niche market	-.090
Middleman market	.556
Ethnic market	1.036
<b>Previous knowledge of field</b>	
Relevant education	-.902
Relevant education and work experience	-.488
Relevant work experience	.629
Little knowledge	1.275
<b>Business success</b>	
Business exists	-.251
Business is closed down	.694



used for other kinds of data analyses (see Vrooman and Dronkers 1986; Van den Berg 1986; Braster 2005).

In fact, with these category quantifications it is possible to locate the position of the category labels (such as 'first generation', 'second generation') along the first dimension of the Homals analysis. Furthermore, as the nominal variables were transformed into interval variables, it was possible to conduct a correlation analysis in order to examine which variable correlates most strongly with business success. On the next page, in Table 6.7 the results of the correlation analysis are given.

Based on the outcome of the correlation analysis, it is possible to determine which variable that was included in the Homals analysis correlates most strongly with business success. As the results of the correlation analysis as presented in Table 6.7 indicate, business success correlates most strongly with the variable 'generation' (.363\*\*). This outcome implies that the 'businesses that still existed' correlate most strongly with the second generation and 'businesses that were closed down' with the first generation.

The results of the correlation analysis do not suggest that the other variables have lost their importance in understanding and explaining business success. On the contrary, the outcomes of both the Homals and the correlation analysis indicate that various variables cohere with business success. To illustrate, as Table 6.7 shows, business success correlates significantly with the variable generation. The variable generation, however, not only significantly correlates with business success, but also with – among others – the markets and networks in which the entrepreneurs are embedded. Therefore, to be able to explain and understand the correlation between business success and generation one has to take these other variables in account as well, as I have done in the Homals analysis. Yet, by conducting a Homals analysis it is not possible to determine which variable correlates most strongly with business success, and I therefore conducted a correlation analysis in addition.

To conclude, it is remarkable that the variable 'ethnicity' does not correlate significantly with any of the variables included in the analysis. This seems, however, in accordance with the results of the Homals analysis, as there was not a clear difference between the various ethnic groups either. One might question, however, how this outcome relates to Table 6.4, in which especially the Chinese stand out as particularly successful in running their businesses. This difference could be explained by the fact that Table 6.4 is exclusively based on first-generation immigrant entrepreneurs, whereas both first and second-generation immigrants were included in the analyses conducted in this chapter. Based on these results it seems, therefore, that among the second

**Table 6.7** *Pearson Correlation Coefficient*

	Business success	Generation	Ethnicity	Market	(In)formal networks	Transnational involvement?	Level of education	Motivation	Knowledge of field	Sector
Business success	1	.363**	-.088	.033	.218	.279*	.069	.302*	.192	.137
Generation	.363**	1	.114	.407**	.282*	.226	-.040	.173	.313*	.440**
Ethnicity	-.088	.114	1	.141	-.049	.079	.068	.127	.056	.045
Market	.033	.407**	.141	1	.240	.352**	.287*	.155	.347**	.612**
(In)formal networks	.218	.282*	-.049	.240	1	.132	.203	.213	.445**	.524**
Transnational involvement?	.279*	.226	.079	.352**	.240	1	.264*	.170	.220	.355**
Level of education	.069	-.040	-.068	.287*	.203	.264*	1	.436**	.375**	.497**
Motivation	.302*	.173	.127	.155	.213	.170	.436**	1	.461**	.474**
Knowledge of field	.192	.313*	.056	.347**	.445**	.220	.375**	.461**	1	.534**
Sector	.137	.440**	.045	.612**	.524**	.355**	.497**	.474**	.534**	1

\*\* Correlation is significant at the 0.01 level (2-tailed)

\* Correlation is significant at the 0.05 level (2-tailed)

generation the differences between the ethnic groups in business success have largely disappeared.

## 6.5 Conclusions

Immigrant entrepreneurship in the Netherlands is typically associated with traditional, low-skilled and labor-intensive activities such as the hotel and catering industry and immigrants who are able to survive in these highly competitive and saturated markets because they can rely on unpaid family labor. However, this one-sided view of immigrant entrepreneurship does not take into account two important changes in immigrant entrepreneurship in the Netherlands. First, in the past decades immigrants more often chose to become active in other sectors, among them business-to-business or producer services. Second, there are a growing number of second-generation immigrants who decide to become an entrepreneur. It is likely that these second-generation immigrants, who are often better educated and integrated than the first generation, are not confined to low-threshold markets to the same degree as the first generation is. Yet, in both international as well as Dutch literature on immigrant entrepreneurship, studies on second-generation immigrants who are self-employed remain limited.

Therefore, to fill this gap in the literature and to take into account the changing character of immigrant entrepreneurship in the Netherlands, I examined first *and* second-generation immigrants who are self-employed, and the differences between them. The main focus was on the social networks and markets in which the entrepreneurs are embedded.

In this study, I have tried to answer two research questions. First, in which way(s) does the embeddedness of first and second-generation immigrants in different types of markets and networks differ, and second, what does this mean for business success? The assumption was that as second-generation immigrants are often better integrated in Dutch society in comparison to first-generation immigrants, they will be embedded in different social networks and operate in different markets than first-generation immigrants. A second assumption was that if the second generation is embedded in different kinds of markets and networks than the first generation, they might be more successful in running their business than the first generation.

In the foregoing chapters I have analyzed the markets and local and transnational networks in which the entrepreneurs are embedded. In these chapters it became apparent that the second generation is not only embedded in different networks than the first generation, but is active in different markets as well. The outcomes of these chapters

showed that in comparison to the first generation the second generation is more often embedded in mainstream markets and in many cases uses formal networks at least in part to acquire scarce resources. The first generation is, however, more often embedded in ethnic markets and depends more than the second generation on informal as well as transnational networks in running their business.

Based on these outcomes, in this final chapter I have answered the second research question, namely what do these differences in embeddedness mean for business success? The assumption was that the differences between the first and second generation in embeddedness in certain networks and markets, cohere with differences in business success.

To answer this research question and test the assumption, I first examined whether the turnover rate differs between the first and second generation. It appeared that among the entrepreneurs who had started their business between 2000 and 2003, there was a significant difference in the turnover rate between the first and second generation; whereas among the first generation only half of the businesses still existed in 2005, among the second generation more than 80 percent still existed.

Further, I examined how these differences in business success cohere with the embeddedness in networks and markets. In the analysis I also included several general characteristics of the businesses and the entrepreneurs. It appeared that business success coheres most with second-generation immigrants, entrepreneurs who are highly educated, had a positive motivation to start the business, operate in a mainstream market and are at least partially embedded in formal networks. Business failure, on the other hand, coheres most with first-generation immigrants, entrepreneurs who are poorly educated, were 'pushed' into become an entrepreneur, operate in an ethnic market and depend mostly on informal networks.

The analyses of this chapter showed that in explaining business success, the resources as well as the (kinds of) networks and markets in which the entrepreneurs are embedded should be taken in account. These results are in accordance with the mixed embeddedness concept, namely that in order to be able to explain the growth and dynamics of immigrant entrepreneurship, immigrant entrepreneurship should be studied within the wider social, politico-institutional and economic context in which entrepreneurs are embedded (see Engelen *et al.* 2007).

Also, the outcomes of Chapter 6 are a confirmation of the second assumption, namely that second-generation immigrant entrepreneurs are not only embedded in different kind of markets and networks than the first generation, but that they are potentially more successful in running their business than the first generation. Yet the results of this

study also demonstrate that this does not mean that the second generation has completely lost its ties with the 'ethnic community' in running their business, as might be expected from an assimilationist perspective. With regard to the markets as well as the local and transnational networks in which the entrepreneurs are embedded, the second generation often still depends in part on the ethnic community. However, among the second generation it appears to be more a strategic decision to preserve and use these ethnic ties because of the opportunities available through these ethnic ties, in comparison to the first generation for whom it is more often a necessity (*cf.* Snel, Engbersen and Leerkes 2006). These outcomes indicate that socio-economic assimilation does not mean that the second generation loses its cultural background (*cf.* Brubaker 2003). Furthermore, by strategically using their cultural background second-generation immigrant entrepreneurs seem to occupy brokerage positions which allow them to know about more opportunities, giving them a competitive advantage (*cf.* Burt 1992).

To conclude, for many years self-employment has been an important and relatively successful incorporation trajectory for immigrants. It is, therefore, remarkable that in scientific research and discussions on the integration of immigrants in Dutch society, self-employment is often neglected. This is especially surprising because with continuing immigration and the growth of the second generation the importance of self-employment for urban economies and the incorporation of immigrants in society will only increase.



# Notes

## Chapter 1

- 1 Exceptions are, among a few others, work by Leung (2001) on Chinese firms in the German IT-sector and Saxenian (1999) on immigrant entrepreneurs in Silicon Valley.
- 2 An exception is the qualitative study of Masurel and Nijkamp (2004) among Turkish first and second-generation immigrant entrepreneurs and the quantitative studies of Van den Tillaart (2001) and EIM (2004).
- 3 With the exception of 1967, and, for the first time since many decades, emigration exceeded immigration in 2005 as well.
- 4 This is only one indicator of socio-cultural integration. For a more complete overview of the socio-cultural integration of immigrants in Dutch society, see Dagevos (2001) and Beekhoven and Dagevos (2005).
- 5 In this context the term 'immigrants' means 'non-Western immigrants'.
- 6 It is, however, important to notice that in this study a distinction is made between four different levels of education. Within these four categories, second-generation immigrants are represented at the bottom half of a certain educational level more often than native Dutch (see Zorlu and Traag 2005: 53).
- 7 This relates to the net-participation rate, which means the share of the total Dutch population between 15 and 65 years that have a job for at least 12 hours a week. This is called the 'labor force'. Those who do not have a job for at least 12 hours a week are not by definition unemployed. Only from the moment they start actively searching for a job, are they counted as the 'unemployed population'. The net-participation rate is measured by the total labor force, which is the total of the employed and non-employed population. The denominator, on which the unemployment rate is based, is therefore considerably smaller than the denominator of the net-participation rates (see Dagevos and Bierings 2005: 82). Further, the net-participation rate among native Dutch decreased in this period as well (*ibid.*).
- 8 In comparison to almost 70 percent of the native population (Dagevos and Bierings 2005: 84).
- 9 See [www.cbs.nl](http://www.cbs.nl).
- 10 In the tables as presented in this section I only make use of data derived from EIM (2004) and Bijleveld *et al.* (2005), as they are both based on data collected from Statistics Netherlands ('CBS').
- 11 In 2004 there were 58,000 non-Western immigrant entrepreneurs (Dagevos and Gesthuizen 2005).
- 12 According to Van der Velden (2006: 18), there were about 12,000 non-Western second-generation immigrant entrepreneurs in the Netherlands in 2006.

- 13 Children, who arrived before the age of six, are often defined as the second generation as well, as these children arrived in the Netherlands before commencing primary school.
- 14 This only includes non-Western immigrants. However, among Western immigrants the sharpest rise of entrepreneurs was among Polish immigrants. In 2005 there were for the first time more Polish immigrants who started a business – namely 2,600 – than Turkish immigrants, among whom 1,900 started a business (see Kamer van Koophandel 2006).
- 15 The mixed embeddedness approach is explored and used for the (inter) national research project *Immigrant Self-Employment, Mixed Embeddedness and the Multicultural City*, of which this dissertation project is part.

## Chapter 2

- 1 This multi-disciplinary project is a collaboration between the University of Amsterdam (Department of Geography and Planning and the IMES), Leiden University (Criminology Department) and the Erasmus University of Rotterdam (Department of Sociology). This research project was partly funded by the Dutch Foundation of Scientific Research ('NWO').
- 2 As the number of cases in this study is still rather limited ( $N = 252$ ), it was not possible to make a more refined distinction between for example 1.0, 1.5, 1.75 and 2.0 generation immigrants (*cf.* Rumbaut 2003).
- 3 Therefore, whenever the term 'immigrant' is used in this study, this means 'non-Western immigrants', unless otherwise stated in the text.
- 4 At first we decided to interview native Dutch entrepreneurs as a control group as well. However, during the fieldwork it appeared that this was not practicable. Therefore, this idea was abandoned. We did, however, interview five native entrepreneurs. Because of the small number of cases, these entrepreneurs are not included in this study.
- 5 Although most of the entrepreneurs will be registered with their business in the trade register of the Chamber of Commerce, this was not a necessary condition. It is for example possible that entrepreneurs are setting up their business and are not registered yet.
- 6 'We' means the *Mixed Embeddedness* research group.
- 7 In this study I will not be looking at potential differences between the four cities. This spatial dimension is part of the larger *Mixed Embeddedness* project. In this project, by means of 'City Templates', a profound comparison will be made between the four cities. The results of this study, however, are not available yet.
- 8 Region 'North' includes the provinces of Groningen, Friesland and Drenthe. Region 'East' consists of Overijssel, Flevoland and Gelderland. Region 'West' includes Noord-Holland, Zuid-Holland, Utrecht and Zeeland. Finally, the region 'South' is the provinces of Noord-Brabant and Limburg (see Van den Tillaart 2001: 46).
- 9 Van den Tillaart (2001) managed, in cooperation with the Chamber of Commerce, to couple the data from the trade register with data from the Municipal Population Register or 'GBA' (Gemeentelijke Basis Administratie). As a result, he was the first who was able to make an estimation of the number of second-generation immigrant entrepreneurs in the Netherlands.
- 10 Six of these 66 entrepreneurs were acquaintances of one of the researchers.
- 11 Krosbe is an organization for Surinamese immigrants in Rotterdam Rijnmond. The manager of this organization was one of the key informants during the first phase of the fieldwork.



- 12 I conducted 12 of the 59 interviews together with other researchers from the *Mixed Embeddedness* project. I would like to thank Baris Barcin, Anne Boomsluiters, Joanne van der Leun, Johanna Veltman and Nynke van der Wal for the pleasant collaboration during the fieldwork.
- 13 I would like to thank Marsha Jacobs for her help.
- 14 As such a request is quite expensive I was not able to retrieve this information for every business.
- 15 In determining ethnicity I used the same criteria applied in Dutch statistics. These criteria are based on a distinction between A1, A2 and B-countries. A1 is the Netherlands, A2 are Western countries, and B-countries are predominantly non-Western countries. To determine one's ethnicity two priority rules are used. First, B-countries have priority to A2-countries and A2-countries have priority to the Netherlands. This means that if someone is born in a non-Western, or B-country, this country determines one's ethnicity. If this is not the case but the mother is born in a B-country, the mother's country of origin determines someone's ethnicity. If the mother is not born in non-Western country but the father is, the father's country of origin is decisive for someone's ethnicity.
- 16 Although we restricted ourselves to interviewing non-Western immigrants, a few of the respondents stem from Indonesia, which is officially defined as a Western country. Also, among the category 'other', two respondents stem from former-Yugoslavia, which is defined as a Western country as well.
- 17 It must be noted, however, that a substantial number of the first interviews with the entrepreneurs were conducted in a relatively favorable economic situation (see Chapter 1). At such a time it is easier to take the risk of becoming entrepreneur because it is possible to fall back on a wage job. Nevertheless, even in these more favorable circumstances, the differences in motivation between the first and second generation remain.
- 18 Besides the fact that more entrepreneurs were pushed toward entrepreneurship among the first generation, 19 percent of the first generation also indicated that they did not have much knowledge of the sector when they started the business. Among the second generation this is only 6 percent.
- 19 A 'concentration neighborhood' is a neighborhood in which the share of immigrants is at least a third higher, compared to the share of immigrants in the city to which this neighborhood belongs (see Uunk and Dominquez Martinez (2002)).
- 20 I would like to thank Els Veldhuizen for plotting these figures.

## Chapter 3

- 1 These ethnic markets mostly arise from the articulation of 'ethnic demand' as a consequence of the migration of sufficiently large numbers of specific groups of immigrants (Kloosterman 2001: 4/5).
- 2 In determining whether an entrepreneur is catering to his or her own ethnic group, I used the criteria applied in Dutch statistics to determine ethnicity.
- 3 A 'mixed clientele' means that with regard to the ethnicity of the customers, there is no dominant group.

## Chapter 4

- 1 With regard to 'business information' the focus in section 4.4 is exclusively on the question whether entrepreneurs received relevant business information through their embeddedness in formal networks. This was decided, as it was assumed that entrepreneurs will always to a certain extent receive information through informal networks.
- 2 'BBZ-regeling' stands for 'Besluit Bijstandsverlening Zelfstandigen', which can be translated as Act for Benefit Grants for Self-Employment.
- 3 These differences between the first and second generation continue to exist, also when the sector in which the entrepreneurs are active is included and hold constant in the analysis.
- 4 Two of them in combination with informal financing.
- 5 Among the second generation 58 percent recruited their personnel informally versus 65 percent among the first generation.

## Chapter 5

- 1 If we include the ethnicity of the entrepreneurs in the analysis, it appears that among the three largest groups, 46 percent of the Turkish entrepreneurs have relevant business contact in the home country, followed by Surinamese (35 percent) and Moroccans (32 percent). However, within these ethnic groups, compared to the first generation, the share of second-generation immigrants with relevant business contacts has diminished as well. Further, if the sector is included in the analysis, it appears that within three sectors – wholesale, hairdressing and producer services – the first generation more often has relevant transnational contacts in the home country, in comparison to the second generation.
- 2 Figure 5.1 only provides information on the transnational activities. Entrepreneurs who for example indicated that their relevant business contacts in the home country financed the start of the business – and are thus included in Table 5.1 – are not included in Figure 5.1, as this is not a business activity.
- 3 A transnational activity is the 'main business activity' if the success of the firm depends on the transnational contacts or activities (*cf.* Portes, Haller and Guarnizo 2002).
- 4 If the variable of ethnicity is included in this analysis, the N-value of the first generation Moroccans and Chinese becomes too small to pronounce upon the differences between the generations. However, among the Surinamese and Turks it appears that the first generation more often has substantial involvement compared to the second generation, which is in accordance with the results as presented in Table 5.4. Also, if the sector is included in the analysis, the N-value becomes too small for a statement on the differences between the generations within the sectors, with the exception of producer services. Within this sector the first generation more often has substantial or moderate involvement, whereas the second generation more often has limited or moderate transnational involvement.
- 5 It is important to mention that the motivations given in this section are not exclusive. The focus is on the motivations to, or not to become transnationally active, as given by the entrepreneurs. However, other factors relating for example to the politico-institutional context of the country of origin, such as geographic proximity, government behavior toward emigrants or the political causes of emigration, can influence the ex-

tent and motivation to become transnationally involved as well (see Morawska 2003: 162-163).

- 6 This also includes the motivation of entrepreneurs who are not yet transnationally active, but who have concrete plans about using their transnational contacts for their business in the near future (N = 31), see p. 117.
- 7 'Private purposes' means that the visits and contacts are not related to their business.

## Chapter 6

- 1 The turnover rate is the share of businesses that did not survive the period in question.
- 2 The other remaining seven businesses are interpreted as missing.
- 3 It is remarkable that none of these ten entrepreneurs ran a hairdressing salon and that seven of these ten entrepreneurs are second-generation immigrants.
- 4 Homals is the name of a computer program that was written to analyze nominal variables (Van den Berg 1986: 1). Homals stands for HOMogeneity analysis by means of Alternating Least Squares and is a variant of multiple correspondence analysis.
- 5 For 'business success' I only used the turnover rates and not the results of Table 6.2 (development in past few years). The reason for not including the latter is that this table only provides information about the businesses that still existed in 2005 and thus cannot be used to explain differences between the businesses that still existed and those which were closed down.
- 6 A 'low level of education' is defined as a lower secondary professional education or less.
- 7 This means relevant knowledge – education and/or work experience – before the start of the business.
- 8 The networks in which the entrepreneurs are active in, are an indication for the social integration of the entrepreneurs, whereas the markets, position on the labor market and human capital are an indication for their economic, or structural, integration (see also Chapter 1).



# Appendices

## Appendix A

In the following table an overview of the key informants is given. The key informants were given a code, based on the city in which they are active. The letter 'A' stands for Amsterdam, 'DH' for The Hague, 'R' for Rotterdam and 'U' for Utrecht. Also, a brief explanation is given about the organization the key informants work for, or the activities they organize.

<i>Number</i>	<i>Code</i>	<i>Organization/activities:</i>
1	A01	Assisting entrepreneurs and providing courses
2	A02	Business network immigrant entrepreneurs
3	A03	Assisting starting entrepreneurs
4	A04	Assisting entrepreneurs
5	A05	Consultancy agency for entrepreneurs
6	A06	Assisting entrepreneurs
7	A07	Advising entrepreneurs
8	A08	Providing courses for entrepreneurs
9	A09	Advising and assisting Turkish entrepreneurs
10	A10	Assisting starting entrepreneurs
11	A11	Advising and training entrepreneurs
12	A12	Coaching entrepreneurs
13	A13	Assisting Ghanaian entrepreneurs
14	A14	Assisting entrepreneurs
15	A15	Assisting entrepreneurs
16	DH01	Stimulating self-employment and informing starters about rules and regulations
17	DH02	Providing information for entrepreneurs
18	DH03	Advising and assisting Turkish entrepreneurs
19	DH04	Conducting research on immigrants
20	DH05	Turkish business association
21	DH06	Coaching and advising immigrant entrepreneurs
22	DH07	Shopkeepers' association
23	DH08	Coaching and advising starting entrepreneurs
24	DH09	Training and advising unemployed about starting a business
25	DH10	'Sounding board' for entrepreneurs
26	DH11	Coaching and advising entrepreneurs on starting a business in the home country
27	DH12	Coaching and advising immigrant entrepreneurs

<i>Number</i>	<i>Code</i>	<i>Organization/activities:</i>
28	DH13	Training and advising unemployed about starting a business
29	R01	Business association for immigrant entrepreneurs
30	R02	Advising and coaching immigrant entrepreneurs
31	R03	Coaching and advising refugees on starting a business
32	R04	Multicultural entrepreneurial association
33	R05	Coaching and informing Surinamese about starting a business
34	R06	Coaching and advising aspiring entrepreneurs
35	R07	Entrepreneurial association
36	R08	Conducting research on immigrant entrepreneurship
37	R09	Coaching and advising (immigrant) entrepreneurs
38	R10	Coaching and advising immigrant entrepreneurs
39	R11	Financial institution (bank)
40	R12	Advising, coaching and assisting immigrant entrepreneurs with finding a business accommodation
41	R13	Turkish entrepreneurial association
42	R14	Coaching starting-entrepreneurs by experienced entrepreneurs
43	R14	Stimulating and facilitating self-employment
44	U01	Outlining policy for small- and medium enterprises
45	U02	Financial institution (bank)
46	U03	Stimulating self-employment
47	U04	Supervising entrepreneurs (tax authority)
48	U05	Informing and advising entrepreneurs
49	U06	Supervising entrepreneurs (police)
50	U07	Training and coaching (starting) entrepreneurs
51	U08	Entrepreneurial association
52	U09	Stimulating and facilitating self-employment
53	U10	Coaching and advising entrepreneurs

## Appendix B

In the following table an overview of the respondents is given. The codes that are given to the respondents can be read as follows. The Roman numerals indicate the sector in which the entrepreneur is active. 'I' stands for producer services, 'II' for hairdressing, 'III' is the hotel and catering industry and 'IV' is used for the wholesale food industry. This Roman numeral is followed by a number which stands for the number of the interview, within a sector and city. Finally the last character is an indication for the city in which the business is located. The 'A' is Amsterdam, 'DH' is The Hague, 'R' is Rotterdam, and 'U' stands for Utrecht. A few respondents have an 'O'; this is used for 'other' cities. To illustrate, code 'IorA' can be read as follows: the first respondent in Amsterdam, who is active in the producer services.

<i>Number of cases</i>	<i>Code</i>	<i>Generation</i>	<i>Sex</i>	<i>Year of birth</i>	<i>Ethnicity</i>
1	I01A	First	Male	1954	Egyptian
2	I02A	First	Male	1962	Nigerian
3	I03A	First	Female	1957	Surinamese
4	I04A	First	Male	1963	Turkish
5	I05A	First	Female	1950	Surinamese
6	I06A	First	Male	1955	Other
7	I07A	First	Male	1962	Turkish
8	I08A	First	Male	1948	Surinamese
9	I09A	First	Female	1957	Antillean
10	I10A	Second	Female	1968	Surinamese
11	I11A	Second	Male	1976	Moroccan
12	I12A	Second	Male	1979	Moroccan
13	I13A	Second	Male	1972	Turkish
14	I14A	Second	Male	1979	Turkish
15	I15A	Second	Male	1973	Moroccan
16	I16A	Second	Male	1957	Surinamese
17	I17A	Second	Male	1965	Antillean
18	I18A	Second	Male	1979	Moroccan
19	I19A	Second	Female	1973	Chinese
20	I01DH	First	Male	1961	Surinamese
21	I02DH	Second	Male	1940	Surinamese
22	I03DH	First	Male	1974	Surinamese
23	I04DH	First	Male	Unknown	Surinamese
24	I05DH	Second	Female	1959	Surinamese
25	I06DH	First	Male	1960	Surinamese
26	I07DH	Second	Male	1971	Turkish
27	I08DH	First	Male	1958	Turkish
28	I09DH	First	Male	Unknown	Turkish
29	I10DH	Second	Male	1978	Moroccan
30	I11DH	Second	Male	1973	Turkish
31	I12DH	Second	Male	1967	Chinese
32	I13DH	Second	Male	1965	Turkish
33	I14DH	Second	Female	1982	Turkish
34	I15DH	Second	Male	1975	Chinese
35	I16DH	Second	Male	1964	Chinese
36	I01R	First	Male	1968	Surinamese
37	I02R	First	Male	1953	Antillean
38	I03R	Second	Male	1961	Turkish
39	I04R	Second	Male	1966	Surinamese
40	I05R	Second	Male	1976	Turkish
41	I06R	First	Female	1972	Turkish
42	I07R	Second	Female	1973	Surinamese
43	I08R	First	Male	1953	Surinamese
44	I09R	First	Male	1948	Surinamese
45	I10R	Second	Female	1971	Surinamese
46	I11R	Second	Male	1977	Pakistan
47	I12R	First	Male	1972	Turkish
48	I13R	Second	Male	1979	Turkish
49	I14R	Second	Male	1972	Moroccan
50	I15R	First	Female	1965	Turkish

<i>Number of cases</i>	<i>Code</i>	<i>Generation</i>	<i>Sex</i>	<i>Year of birth</i>	<i>Ethnicity</i>
51	I16R	First	Male	1977	Pakistan
52	I17R	Second	Male	1975	Moroccan
53	I18R	First	Male	1968	Turkish
54	I19R	First	Male	1965	Turkish
55	I20R	First	Male	1973	Turkish
56	I21R	First	Male	1966	Turkish
57	I22R	First	Male	1958	Turkish
58	I24R	First	Female	1964	Turkish
59	I25R	Second	Female	1964	Turkish
60	I26R	Second	Male	1980	Chinese
61	I27R	Second	Female	1972	Chinese
62	I28R	Second	Male	1975	Surinamese
63	I29R	Second	Male	1976	Moroccan
64	I30R	Second	Male	1977	Surinamese
65	I31R	Second	Male	1967	Chinese
66	I32R	Second	Male	1972	Moroccan
67	I33R	Second	Male	1974	Moroccan
68	I34R	First	Male	1970	Surinamese
69	I35R	Second	Male	1970	Moroccan
70	I36R	Second	Female	1968	Chinese
71	I37R	Second	Male	1978	Surinamese
72	I38R	Second	Male	1978	Surinamese
73	I39R	Second	Male	1975	Eritrean
74	I40R	Second	Male	1972	Turkish
75	I41R	Second	Male	1973	Moroccan
76	I42R	Second	Male	1976	Turkish
77	I01U	Second	Female	1963	Zimbabwean
78	I02U	First	Male	1954	Turkish
79	I03U	First	Male	1955	Algerian
80	I04U	Second	Female	1975	Moroccan
81	I05U	First	Male	1950	Turkish
82	I06U	First	Male	1971	Turkish
83	I07U	Second	Male	1972	Turkish
84	I08U	Second	Male	1970	Turkish
85	I09U	Second	Male	1972	Turkish
86	I10U	First	Male	1962	Moroccan
87	I11U	Second	Male	1962	Turkish
88	I12U	First	Male	1975	Moroccan
89	I13U	First	Male	1971	Turkish
90	I14U	First	Male	1968	Turkish
91	I15U	Second	Male	1973	Turkish
92	I16U	Second	Male	1970	Moroccan
93	I17U	Second	Male	1969	Moroccan
94	I18U	Second	Male	1979	Surinamese
95	I19U	First	Male	1966	Moroccan
96	I01O	Second	Male	1978	Vietnamese
97	I02O	Second	Male	1962	Turkish
98	I03O	First	Male	1974	Moroccan
99	I04O	Second	Male	1969	Surinamese
100	I05O	Second	Male	1967	Other



<i>Number of cases</i>	<i>Code</i>	<i>Generation</i>	<i>Sex</i>	<i>Year of birth</i>	<i>Ethnicity</i>
101	II01A	Second	Male	1972	Surinamese
102	II02A	First	Male	Unknown	Surinamese
103	II03A	Second	Male	1965	Surinamese
104	II04A	First	Male	Unknown	Ghanaian
105	II05A	First	Male	Unknown	Iranian
106	II06A	First	Male	Unknown	Surinamese
107	II07A	First	Female	1961	Surinamese
108	II08A	First	Female	1959	Turkish
109	II09A	First	Male	Unknown	Ghanaian
110	II10A	Second	Female	1950	Indonesian
111	II11A	First	Male	1969	Iraqi
112	II12A	First	Female	1967	Surinamese
113	II13A	First	Male	1960	Surinamese
114	II14A	Second	Male	1977	Moroccan
115	II01DH	First	Male	1963	Turkish
116	II02DH	First	Male	1957	Turkish
117	II03DH	Second	Female	1972	Turkish
118	II04DH	First	Male	1953	Surinamese
119	II05DH	Second	Male	1980	Turkish
120	II06DH	First	Male	1960	Turkish
121	II07DH	Second	Female	1968	Surinamese
122	II08DH	First	Female	1972	Nigerian
123	II09DH	Second	Male	1958	Surinamese
124	II10DH	Second	Male	1967	Moroccan
125	II11DH	Second	Male	1968	Moroccan
126	II12DH	First	Male	1952	Lebanese
127	II13DH	First	Male	1965	Indonesian
128	II01R	Second	Male	1970	Cape Verdean
129	II02R	First	Male	1949	Surinamese
130	II03R	First	Male	1958	Other
131	II04R	First	Female	Unknown	Iranian
132	II05R	First	Male	1958	Turkish
133	II06R	First	Male	1973	Turkish
134	II07R	Second	Female	1968	Turkish
135	II08R	Second	Female	1968	Turkish
136	II09R	First	Female	1949	Surinamese
137	II10R	Second	Female	1970	Indonesian
138	II11R	First	Male	1950	Surinamese
139	II12R	Second	Female	1966	Surinamese
140	II13R	First	Male	1973	Turkish
141	II14R	Second	Male	1982	Turkish
142	II15R	Second	Female	1977	Turkish
143	II16R	Second	Female	1971	Cape Verdean
144	II17R	Second	Female	1971	Surinamese
145	II01U	First	Male	1961	Guyanese
146	II02U	Second	Female	1972	Turkish
147	II03U	First	Female	1961	Moroccan
148	II04U	First	Male	1953	Surinamese
149	II05U	First	Male	1959	Antillean
150	II06U	First	Male	1973	Iraqi

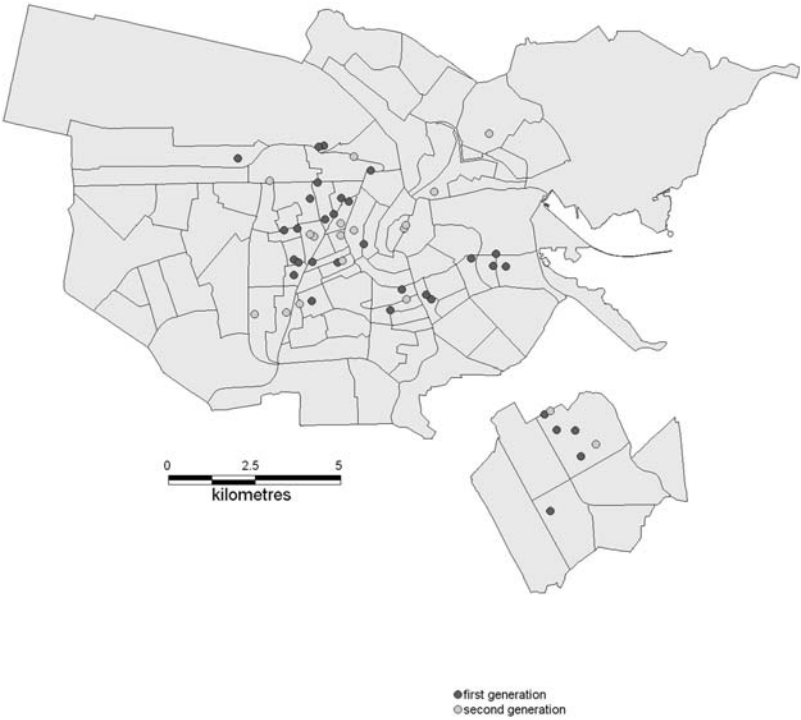
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151	II07U	Second	Female	1961	Indonesian
152	II08U	First	Male	1973	Turkish
153	II09U	Second	Female	1971	Moroccan
154	II10U	First	Male	1953	Moroccan
155	II11U	First	Male	1965	Turkish
156	II12U	First	Female	1955	Surinamese
157	III01A	Second	Male	1976	Surinamese
158	III02A	First	Male	1966	Algerian
159	III03A	First	Male	1975	Indian
160	III04A	Second	Male	1982	Iranian
161	III05A	First	Female	1952	Ghanaian
162	III06A	First	Male	1968	Turkish
163	III07A	Second	Male	1975	Chinese
164	III08A	Second	Male	1967	Surinamese
165	III09A	Second	Female	1974	Chinese
166	III10A	First	Female	1959	Mozambican
167	III11A	First	Male	1942	Surinamese
168	III12A	Second	Male	1976	Chinese
169	III13A	Second	Female	1977	Surinamese
170	III14A	Second	Male	1971	Indonesian
171	III01DH	First	Male	1957	Egyptian
172	III02DH	Second	Female	1966	Surinamese
173	III03DH	First	Male	1953	Egyptian
174	III04DH	First	Male	1960	Egyptian
175	III05DH	First	Male	1968	Surinamese
176	III06DH	Second	Male	1972	Surinamese
177	III07DH	First	Male	1978	Turkish
178	III08DH	Second	Male	1964	Indonesian
179	III09DH	Second	Male	1964	Other
180	III10DH	Second	Male	1976	Indonesian
181	III01R	First	Male	1968	Turkish
182	III02R	First	Male	1965	Indian
183	III03R	First	Female	1964	Surinamese
184	III04R	Second	Male	1965	Chinese
185	III05R	First	Male	1947	Moroccan
186	III06R	Second	Female	1970	Turkish
187	III07R	First	Male	1962	Turkish
188	III08R	First	Male	1971	Moroccan
189	III09R	First	Male	1943	Chinese
190	III10R	First	Male	1960	Chinese
191	III11R	First	Female	1955	Eritrean
192	III12R	First	Male	1948	Korean
193	III13R	First	Male	1956	Surinamese
194	III14R	Second	Male	1974	Moroccan
195	III15R	First	Male	1975	Moroccan
196	III16R	Second	Male	1969	Chinese
197	III17R	First	Male	1969	Chinese
198	III18R	Second	Male	1974	Turkish
199	III01U	First	Male	1934	Indonesian
200	III02U	Second	Male	1970	Moroccan

<i>Number of cases</i>	<i>Code</i>	<i>Generation</i>	<i>Sex</i>	<i>Year of birth</i>	<i>Ethnicity</i>
201	III03U	First	Male	1965	Malaysian
202	III04U	Second	Male	1981	Moroccan
203	III05U	First	Male	1954	Antillean
204	III06U	Second	Female	Unknown	Surinamese
205	III07U	First	Male	1960	Antillean
206	III08U	First	Female	1967	Surinamese
207	III09U	First	Male	1948	Somali
208	III10U	First	Male	1960	Turkish
209	III11U	First	Female	1957	Surinamese
210	III12U	Second	Male	1972	Turkish
211	IV01A	First	Male	1959	Moroccan
212	IV02A	First	Male	Unknown	Turkish
213	IV03A	Second	Male	1979	Turkish
214	IV04A	First	Male	1975	Turkish
215	IV05A	First	Male	1963	Turkish
216	IV06A	First	Male	1966	Turkish
217	IV07A	Second	Male	1967	Chinese
218	IV08A	First	Female	1949	Surinamese
219	IV09A	First	Male	1971	Turkish
220	IV10A	Second	Female	1973	Chinese
221	IV11A	First	Male	Unknown	Indonesian
222	IV12A	First	Male	1972	Indian
223	IV01DH	First	Male	1961	Surinamese
224	IV02DH	First	Male	1966	Turkish
225	IV03DH	First	Male	1956	Surinamese
226	IV04DH	First	Male	Unknown	Surinamese
227	IV05DH	First	Male	1970	Surinamese
228	IV06DH	First	Male	1943	Surinamese
229	IV07DH	First	Male	1970	Turkish
230	IV08DH	First	Male	1956	Indian
231	IV11DH	First	Male	1958	Vietnamese
232	IV12DH	Second	Male	1978	Chinese
233	IV01R	Second	Male	1969	Turkish
234	IV02R	First	Male	1962	Turkish
235	IV03R	First	Male	1967	Turkish
236	IV04R	First	Male	1955	Turkish
237	IV05R	Second	Male	1978	Surinamese
238	IV06R	First	Male	1970	Turkish
239	IV07R	First	Male	1957	Turkish
240	IV08R	First	Male	1970	Bosnian
241	IV09R	First	Male	1960	Croatian
242	IV10R	First	Male	1959	Moroccan
243	IV11R	First	Male	1958	Turkish
244	IV12R	First	Male	1956	Chinese
245	IV13R	Second	Male	1971	Turkish
246	IV01U	Second	Male	1970	Moroccan
247	IV02U	First	Male	Unknown	Surinamese
248	IV03U	First	Male	Unknown	Other
249	IV04U	Second	Male	1960	Moroccan
250	IV06U	First	Male	1965	Turkish

<i>Number of cases</i>	<i>Code</i>	<i>Generation</i>	<i>Sex</i>	<i>Year of birth</i>	<i>Ethnicity</i>
251	IV07U	Second	Male	1968	Turkish
252	IV08U	First	Male	1968	Egyptian

Appendix C

*Business locations in Amsterdam*



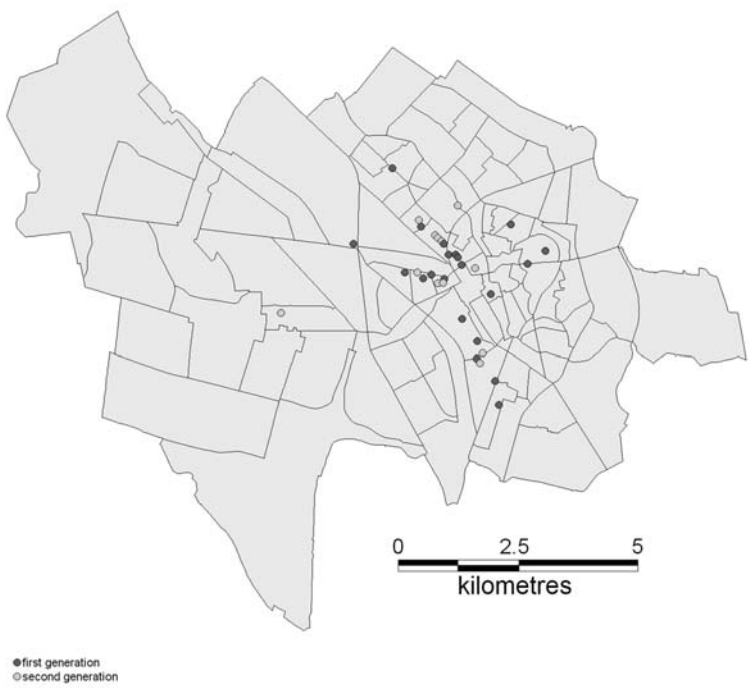
*Business locations in Rotterdam*



*Business locations in The Hague*



*Business locations in Utrecht*



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## Samenvatting (Dutch summary)

Het aantal ondernemers met een migrantenachtergrond is in Nederland de laatste decennia sterk gestegen. Zo waren er in 1989 nog slechts 12.000 niet-westerse migrantenondernemers; in 2004 zijn dit er ruim 58.000. Met de groei van het aantal migrantenondernemers is ook het (sociaal-wetenschappelijke) onderzoek naar het zelfstandig ondernemerschap onder migranten toegenomen. Hierbij valt op dat deze studies veelal gericht zijn op migranten die actief zijn in klassieke, laagdrempelige branches, zoals de horeca en detailhandel. Voorts is in de literatuur veel aandacht voor het feit dat migrantenondernemers dankzij hun sociale netwerken relatief goed in staat zijn om te overleven binnen (deels) verzadigde markten omdat ze terug kunnen vallen op informele economische activiteiten, zoals laag betaalde en onbetaalde familie-arbeid. Migrantenondernemerschap wordt dan ook vaak voorgesteld als een overlevingsstrategie, die voortkomt uit beperkte kansen op de arbeidsmarkt.

De bestaande nationale en internationale studies naar het zelfstandig ondernemerschap onder migranten zijn echter vrijwel uitsluitend gebaseerd op de ervaringen van eerste generatie migranten. Uit beschikbare kwantitatieve data blijkt evenwel dat er in Nederland sprake is van een toenemend aantal tweede generatie migranten die kiest voor het zelfstandig ondernemerschap. Het is de vraag in hoeverre het zojuist geschetste beeld van het zelfstandig ondernemerschap onder migranten van toepassing is op de veelal hoger opgeleide en beter geïntegreerde tweede generatie migranten. Afgezien van de beperkte kwantitatieve data is echter weinig bekend over deze groep ondernemers.

Dit onderzoek richt zich dan ook op tweede generatie migranten die zelfstandig ondernemer zijn, waarbij tevens een vergelijking tussen de eerste en tweede generatie is gemaakt. De centrale onderzoeksvragen van deze studie zijn 1) in hoeverre is de tweede generatie ingebed in andersoortige markten en sociale netwerken dan de eerste generatie en 2) wat betekent dit voor het succes van het bedrijf?

De eerste onderzoeksvraag is met name van belang om de positie van tweede generatie migrantenondernemers te kunnen duiden. Door de markten en sociale netwerken te onderzoeken waarin de eerste en tweede generatie is ingebed, kan onderzocht worden in hoeverre de

tweede generatie de netwerken van de eerste generatie reproduceert, of dat zij in andersoortige netwerken is ingebed. Hierbij was de verwachting dat – aangezien uit bestaande data blijkt dat de tweede generatie zowel structureel als sociaal-cultureel beter is geïntegreerd dan de eerste generatie – de tweede generatie in andersoortige markten en sociale netwerken is ingebed dan eerste generatie migranten.

De tweede onderzoeksvraag is vooral van belang om de dynamiek van het migrantenondernemerschap beter te begrijpen. Het blijkt namelijk dat migrantenondernemers in de startfase vaker over de kop gaan dan bedrijven van autochtone ondernemers. Veelal worden – naast *human capital* – de netwerken van ondernemers als een belangrijke verklaring voor het bedrijfssucces gezien. Een tweede hypothese was dan ook dat als de tweede generatie in vergelijking met de eerste generatie is ingebed in andersoortige markten en sociale netwerken, de tweede generatie mogelijk succesvoller is als ondernemer dan de eerste generatie.

Om de bovenstaande onderzoeksvragen te beantwoorden, is gebruik gemaakt van empirisch onderzoek dat is uitgevoerd binnen het multidisciplinaire onderzoeksproject *Mixed Embeddedness*, waarbij aanvullende interviews zijn afgenomen ten behoeve van deze dissertatie. Het veldwerk bestond enerzijds uit interviews onder 53 sleutelfiguren in Amsterdam, Rotterdam, Den Haag en Utrecht. Deze sleutelfiguren zijn werkzaam binnen organisaties die zich bezighouden met de ondersteuning en/of begeleiding van (migranten)ondernemers. Daarnaast zijn in dezelfde vier steden interviews afgenomen met 252 migrantenondernemers, waaronder 115 tweede generatie migranten.

Ten behoeve van de dissertatie lag de nadruk van het veldwerk op het volgen van de reeds geïnterviewde ondernemers door de jaren, in plaats van het verwerven van nieuwe respondenten. In totaal zijn 85 ondernemers meerdere keren geïnterviewd. Tot slot is in 2005 onderzocht in hoeverre de 252 bedrijven nog bestaan. Door deze onderzoeksmethode heeft deze studie een longitudinaal karakter gekregen.

Afgezien van de (diepte)interviews met de sleutelfiguren en de ondernemers, zijn ook andere onderzoeksmethoden, waaronder observaties en documentanalyse, gehanteerd. Voor de analyse van het data-materiaal is gebruik gemaakt van zowel kwalitatieve als kwantitatieve analyses. Deze verschillende onderzoeksmethoden kunnen worden geclassificeerd als vormen van ‘intensieve’ onderzoeksmethoden. Een uitgebreide beschrijving van de onderzoeksgroep en de wijze waarop het onderzoek is verricht, is terug te vinden in hoofdstuk 2 van deze studie.

In hoofdstuk 3 zijn de markten geanalyseerd waarin de ondernemers actief zijn. Veelal wordt gesteld dat migrantenondernemers overwegend actief zijn op een etnische markt waar zij voorzien in een be-

hoeft en vraag vanuit de eigen achterban. Deels wordt dit gezien als compensatie voor het feit dat migranten onvoldoende in staat zijn – bijvoorbeeld vanwege een taalbarrière – om in te spelen op de wensen en behoeften van autochtone klanten. Van de tweede generatie mag echter worden verwacht dat zij, doordat zij de taal beter beheersen en zijn opgegroeid in Nederland, hiertoe wel in staat zijn. Dit zou impliceren dat de tweede generatie actief is op andersoortige markten dan de eerste generatie. Om deze veronderstelling te onderzoeken, is in hoofdstuk 3 gekeken naar de producten die de ondernemers verkopen en hun klantengroep. Hierbij is onderzocht of de ondernemers wel of geen ‘etnisch’ product verkopen, hetgeen betekent dat zij een product verkopen dat is gerelateerd aan hun migrantenachtergrond. Daarnaast is nagegaan of de ondernemers voornamelijk klanten vanuit de eigen achterban hebben.

Op basis van dit onderscheid naar product en klantengroep, kunnen vier typen markten worden onderscheiden; een *etnische markt*, waarbij ondernemers een etnisch product verkopen aan de eigen achterban; een *middleman markt*, waarbij een etnisch product aan een algemene klantenkring wordt verkocht; een *niche markt*, waarbij ondernemers een niet-etnisch product verkopen aan de eigen achterban en de *mainstream markt* waarbij een niet-etnisch product aan een algemene klantenkring wordt verkocht.

De resultaten van hoofdstuk 3 laten zien dat bijna een derde van de eerste generatie actief is op een etnische markt, terwijl nog geen 15 procent van de tweede generatie zich op deze markt begeeft. De meeste tweede generatie migrantenondernemers – bijna 40 procent – is actief op een mainstream markt. Wanneer de etnische en de niche markt worden samengenomen, dan blijkt dat 43 procent van de eerste generatie de eigen achterban bedient met een (niet) etnische product; onder de tweede generatie is dit 29 procent.

De resultaten van hoofdstuk 3 tonen dan ook aan dat in vergelijking met de eerste generatie het belang van de eigen achterban zowel qua product als klantengroep is afgenomen onder de tweede generatie. Daarnaast laten de uitkomsten zien dat onderzoek naar het zelfstandig ondernemerschap onder migranten niet alleen gericht dient te zijn op de etnische markt. Ook onder de eerste generatie is de meerderheid van de ondernemers op andere markten actief dan de etnische markt.

In hoofdstuk 4 van deze studie zijn de (lokale) sociale netwerken onderzocht waarin de ondernemers zijn ingebed en waarvan zij steun verkrijgen die van belang is voor het bedrijf. Op basis van de bestaande literatuur wordt de suggestie gewekt dat met name voor migrantenondernemers de informele sociale netwerken – bestaande uit familieleden, vrienden en informele instituties – van cruciaal belang zijn voor de start en het draaiende houden van het bedrijf. Dit wordt veelal ge-

zien als compensatie voor het ontbreken aan meer formele netwerken, bestaande uit zakelijke relaties met formele instituties zoals banken of (overheids)instanties. Het is echter de vraag of dit ook voor de tweede generatie geldt, of dat het belang van de inbedding in formele netwerken onder de tweede generatie is toegenomen. Om deze vraag te kunnen onderzoeken, is in hoofdstuk 4 onderzocht of de ondernemers schaarse goederen hebben verkregen via formele of informele sociale netwerken. Er is gekeken naar de wijze waarop de ondernemers drie verschillende soorten schaarse goederen hebben verkregen, te weten financieel kapitaal, bedrijfsinformatie en personeel. Tevens is de relatie tussen formele en informele netwerken onderzocht, namelijk of deze netwerken elkaar overlappen, vervangen of aanvullen.

De resultaten van hoofdstuk 4 laten zien dat onder de tweede generatie, zowel wat betreft de financiering, als bedrijfsinformatie en personeel, het belang van formele netwerken is toegenomen, in vergelijking met de eerste generatie. Bijna driekwart van de tweede generatie is (gedeeltelijk) ingebed in formele netwerken, onder de eerste generatie is dit iets meer dan de helft. De uitkomsten van hoofdstuk 4 laten evenwel zien, dat hoewel de inbedding in formele netwerken is toegenomen onder de tweede generatie, dit niet betekent dat het belang van informele netwerken is verdwenen. Slechts een beperkt aantal ondernemers is volledig ingebed in formele netwerken. De meeste ondernemers doen namelijk niet alleen een beroep op formele netwerken, maar ook op informele netwerken om de schaarse goederen te verkrijgen. Dit betekent dat formele netwerken de informele netwerken elkaar niet vervangen, maar dat zij elkaar overlappen en soms aanvullen.

Afgezien van het belang van de inbedding in lokale netwerken, is in deze studie ook gekeken naar de betekenis van de inbedding in transnationale netwerken voor het bedrijf. Volgens Portes *et al.* (2002) is er sprake van een toenemende klasse van transnationale ondernemers. Deze ondernemers maken voor het bedrijf op strategische wijze gebruik van contacten in hun herkomstland. Echter, de transnationale literatuur is overwegend gebaseerd op de ervaringen van eerste generatie migranten. Op basis van de bestaande literatuur kan geen eenduidig antwoord worden verkregen op de vraag in hoeverre in economische zin transnationale contacten van belang zijn voor de tweede generatie. In hoofdstuk 5 is dan ook het belang van transnationale netwerken en activiteiten voor het bedrijf, onder zowel eerste als tweede generatie migrantenondernemers, onderzocht.

De resultaten van hoofdstuk 5 laten zien dat transnationale netwerken en contacten ook van belang blijven voor de tweede generatie, hoewel in mindere mate in vergelijking met de eerste generatie. Zo heeft onder de eerste generatie meer dan de helft van de ondernemers contacten in het herkomstland die van belang zijn voor het bedrijf, terwijl

onder de tweede generatie dit percentage is afgenomen tot 35 procent. Deze contacten bestaan veelal uit familieleden en/of vrienden. De familieleden of vrienden helpen de ondernemers grofweg op drie manieren, namelijk met de financiering van de start, het leggen van zakelijke contacten in het herkomstland of het doen van zaken in het herkomstland voor de ondernemer.

Een belangrijk verschil tussen de eerste en tweede generatie is de *mate* van transnationale betrokkenheid. Transnationale activiteiten zijn onder de tweede generatie minder vaak de hoofdactiviteit van het bedrijf, maar vormen een aanvulling op andere bedrijfsactiviteiten. Daarnaast reist de tweede generatie minder vaak naar het herkomstland voor de transnationale activiteiten. Op basis van deze verschillen in de mate van betrokkenheid, is in hoofdstuk 5 een onderscheid gemaakt tussen ondernemers die 'gering', 'middelmatig' en 'substantieel' transnationaal zijn betrokken. Uit deze analyse blijkt dat terwijl de eerste generatie voornamelijk 'substantieel', de tweede generatie vooral 'gering' is betrokken bij de transnationale activiteiten.

De resultaten van de hoofdstukken 3, 4 en 5 zijn een bevestiging van de eerste hypothese, namelijk dat de tweede generatie (deels) is ingebed in andersoortige markten en sociale netwerken dan de eerste generatie. In het laatste hoofdstuk van deze studie, hoofdstuk 6, is onderzocht, wat deze verschillen in inbedding betekenen voor het bedrijfssucces. Om deze vraag te kunnen beantwoorden, is allereerst onderzocht in hoeverre de bedrijven anno 2005 nog bestaan. De bedrijven die nog bestaan, zijn als succesvol gedefinieerd in tegenstelling tot de bedrijven die in 2005 niet langer bestonden of failliet waren. In aanvulling hierop is door middel van een telefonische survey gevraagd aan de ondernemers van de bedrijven die nog bestonden, hoe de ontwikkeling van het bedrijf in de afgelopen jaren is geweest.

De resultaten van hoofdstuk 6 tonen aan dat onder de ondernemers die in de periode 2000-2003 zijn gestart, er significante verschillen zijn tussen de eerste en tweede generatie migranten. Onder de eerste generatie bestaat namelijk de helft van de bedrijven niet meer, terwijl dit onder de tweede generatie slechts 20 procent is.

Vervolgens is in hoofdstuk 6 onderzocht hoe de verschillende vormen van inbedding samenhangen met enkele achtergrondkenmerken van de ondernemers, en met het bedrijfssucces. Om deze samenhang te kunnen onderzoeken is een Homals analyse uitgevoerd.

De Homals analyse resulteerde in twee clusters die de mate van sociale en economische integratie van de ondernemers weergeven. Uit de Homals analyse bleek dat ondernemers die beschikken over veel human capital, een positieve motivatie hadden om van start te gaan met het bedrijf, (gedeeltelijk) gebruik maken van formele netwerken, en ondernemers die actief zijn op een mainstream markt, sterk samenhan-

gen met de bedrijven die nog bestaan. Het is de tweede generatie die met dit eerste cluster de meeste overeenkomst vertoont. Daarnaast resulteerde de Homals in een tweede cluster, bestaande uit ondernemers die beschikken over relatief weinig human capital, een negatieve keuze hadden om van start te gaan met het bedrijf, actief zijn op een etnische markt en ondernemers die voornamelijk afhankelijk zijn van informele netwerken voor de bedrijfsvoering. Zowel de bedrijven die niet meer bestaan, als de eerste generatie hangen met dit cluster het sterkst samen.

Op basis van een correlatie analyse is vervolgens in hoofdstuk 6 onderzocht welke van de variabelen die zijn opgenomen in de Homals analyse, de sterkste correlatie vertonen met de variabele bedrijfssucces. Uit deze analyse kwam naar voren dat bedrijfssucces het sterkst samenhangt met de variabele generatie. Deze uitkomst betekent echter niet dat de andere variabelen geen betekenis meer hebben in het verklaren en begrijpen van bedrijfssucces. De correlatie analyse toonde namelijk ook aan dat de variabele generatie niet alleen een sterke correlatie heeft met bedrijfssucces, maar eveneens met de markten en netwerken waarin de ondernemers zijn ingebed.

De analyses van hoofdstuk 6 laten dan ook zien, dat om het bedrijfssucces te kunnen verklaren, niet alleen gekeken moet worden naar bepaalde resources, zoals het opleidingsniveau, van de ondernemer, maar ook naar de (soort) netwerken en markten waarin de ondernemers zijn ingebed. Deze resultaten zijn in overeenstemming met het zogenaamde 'mixed embeddedness' concept, namelijk dat om de groei en de dynamiek van het zelfstandig ondernemerschap te kunnen begrijpen, gekeken moet worden naar de bredere sociale, economische en politiek-institutionele context waarin de ondernemers zijn ingebed (Engelen *et al.* 2007).

De resultaten van hoofdstuk 6 vormen tevens een bevestiging van de tweede hypothese, namelijk dat tweede generatie migrantenondernemers niet alleen zijn ingebed in andersoortige markten en netwerken dan de eerste generatie, maar zij eveneens succesvoller zijn als ondernemer. Tegelijkertijd tonen de resultaten van deze studie aan dat dit niet betekent dat de tweede generatie haar banden en contacten met de eigen 'etnische' achterban heeft verbroken. Zowel wat betreft de markten waarop de ondernemers actief zijn, als de netwerken waarin zij zijn ingebed, blijkt de tweede generatie veelal nog gedeeltelijk gebruik te maken van de contacten met en netwerken binnen de eigen etnische gemeenschap. In vergelijking met de eerste generatie, lijkt dit echter onder de tweede generatie veel vaker een bewuste, of strategische, keuze te zijn, voortkomend uit de kansen en mogelijkheden die zich voordoen. De uitkomsten van deze studie laten dan ook zien dat so-

ciaal-economische assimilatie geenszins het verlies van de culturele achtergrond voor de tweede generatie betekent (*cf.* Brubaker 2003).

Tot slot, sinds enkele decennia is het zelfstandig ondernemerschap in Nederland een belangrijke en relatief succesvolle vorm van integratie van migranten in de samenleving. Het is dan ook opvallend dat in sociaal-wetenschappelijk onderzoek en maatschappelijke discussies rondom de integratie van migranten in de samenleving, het zelfstandig ondernemerschap veelal wordt vergeten. Dit is een belangrijke tekortkoming omdat verwacht mag worden dat in de toekomst, met de voortdurende migratie en de opkomende tweede generatie migranten, het belang van het zelfstandig ondernemerschap voor grootstedelijke economieën en de integratie van migranten in de samenleving, zal toenemen.