Migrant entrepreneurship, economic activity and export performance: mapping the Danish trends

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Abstract: Recent studies on transnational entrepreneurship suggest that migrant entrepreneur plays an increasingly significant role as sources of economic activities and especially export revenue. The literature is, however, biased on the US experience, lacks a comparative perspective between migrants and non-migrants and is primarily anecdotal in nature. This paper aims to reduce this gap by mapping the recent changes in the role of migrant entrepreneurs as a source of increased economic activity and export revenue in the Danish context and thereby linking the challenges stemming from the transnational entrepreneurship literature to the immigration and internationalisation of entrepreneurship literature. Entrepreneurial economic activity in this paper is proxied by the changing share of self-owned firms across ethnic categories. Export revenue is proxied by the number of firms in the different ethnic categories with exports. The Danish context provides unique data allowing for a comparison across migrants and non-migrants, across sectors and across time. The paper reveals that migrants play a decreasing role as sources of economic activity and export revenue and thus fails to provide support for the insights put forward by the transnational entrepreneurship
The findings suggest that the more ‘negative’ stance of the immigrations literature seems most adequate.

**Keywords:** registry micro data; entrepreneurship in Denmark; Danish labour market; transnational entrepreneurship; migration.


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1 Introduction

Since Kirzner (1973) pioneered the concept of entrepreneurial alertness, there has been considerable interest in opportunity for entrepreneurship (Timmons et al., 1987). Dana (1995) identified that in a heterogeneous environment, one’s culture greatly influenced the perception of opportunity for entrepreneurship; that which is an opportunity for some is not perceived as an opportunity for others. The current process of globalisation is obviously not only about increasing cross-border flows of capital, goods and services, but also about people moving from far-flung areas to other places in search of a better life (Sassen, 1991; Dicken, 1992; DiMaggio and Powell, 1991). Besides, or because of taking their habitus and social, economic, cultural and symbolic capitals with them to the new territories and institutional setups, these immigrants are affecting advanced urban economies in numerous (see i.e., Beauregard, 2007; Bonus, 1986; Geerts, 1962; Servais et al., 2008; Almás, 1993; Ardener, 1964; Bager, 1994, 1996, 1997; Bager and Rezaei, 1999, 2000, 2001; Barrett et al., 1996; Benton and Pieke, 1998; Blaschke et al., 1990; Bonnano et al., 1994; Light, 1972, 1983, 2007, 2010; Razin, 1993; Rath, 1998; Rezaei, 2000, 2001a, 2001b, 2003; Rezaei and Goli, 2009; Waldinger, 1997) – and sometimes quite unexpected – ways, e.g., by revitalising formerly derelict shopping streets, introducing new products (e.g., exotic foods) or by fostering the emergence of new spatial forms of social cohesion as well as providing new international market ventures.

Migration leads, usually with significant time lag, to formation of immigrant businesses in recipient countries. Migrants in business have long been a subject of academic research (Glazer and Moynihan, 1963; Light, 1972; Light and Bonacich, 1988; Ward and Jenkins, 1984), and continue to be important (Dana, 2007; Dana and Morris, 2011). The influence of family should not be ignored in entrepreneurial behaviour in general and among migrants in particular. Central for a child’s psychological formation, family may also be central, later on in life, as a ‘push’ and ‘pull’ force for certain career decisions including entrepreneurship, especially for migrants. Smans et al. (2013) observed that “self-image is subject to many other sources of influence throughout the course of development, but the first impressions emblazoned through the intimacy of family carry considerable weight”.

Migrant entrepreneurs are usually heavily infused with cultural-ethnic elements influencing what they produce, how they are managed, the composition of the staff, how they relate to other businesses, and how they build their international relationships. In other words, they add variation and international outlook to the economy of the recipient country. Some immigrant groups have been identified as particularly entrepreneurial in their adopted countries, so much so that in some countries offer a host of government-funded programmes to encourage entrepreneurship by minorities (Hamilton and Dana, 2008; Robb, 2002).

Immigrant businesses are not distributed randomly in the economy of the recipient country. They are predominantly belonging to certain national of origins, small-scale family firms, clustered in specific business lines and urban areas (Light, 1972, 1983; Rezaei, 2001a, 2001b; Waldinger et al., 1990). This reflects the competitive advantages they enjoy in some business fields compared to businesses owned by the majority population. Competitive advantages for immigrant businesses vis-à-vis the market are significant for goods with a significant ethnic component such as clothes and food. This is particularly true in immigrant dense areas where the ‘home market’ provides immigrants with better business opportunities than entrepreneurs from the majority
population due to co-ethnic trust, bounded solidarity and enforceable trust and communication mechanisms (Portes, 1995; Portes and Sensenbrenner, 1993; Rezaei, 2001a, 2001b, 2003, 2007). However, it also applies to immigrant businesses which in culture loaded fields deal predominantly with the majority population, because these customers may find that they are more convincing and competent producers or traders of such products (Aldrich et al., 1989). Immigrant businesses may also benefit from co-ethnic solidarity [in Portes’ and Sensenbrenner (1993) terms ‘bounded solidarity’] and resource mobilisation which influences how they get started, with whom they do business, and the way employment patterns are shaped. Immigrant groups often choose to employ and do business with co-ethnics across the globe because trust relations are easier to build-up with those of shared cultural backgrounds and because they are, as a group, under pressure from their new society and in need of in-group solidarity in order to cope with that pressure (Portes and Sensenbrenner, 1993; Zimmer and Aldrich, 1987). Nonetheless, the share of immigrants with entrepreneurial activities differs significantly among different national origins.

Immigrant businesses are the quintessential economic nodes in social networks of immigrants linking production and consumers in concrete organisational and spatial ways. These processes are not confined to the formal economy in the strict sense of the term, but sometimes go beyond its boundaries. These businesses are mainly concentrated in city centres (Karnow, 1994; Morgan, 1998; Waldinger et al., 1990) and pretty much like the old fashion bazaar type economy (Dana et al., 2008), while they on one hand roughly competing on the other hand cooperating; hence here, the identification-based trust (Lewicki and Bunker, 1996) as catalyst and initiator of embedded social and business networks (Rezaei, 2001a, 2001b). The processes of migrant business owners in simultaneously compete and cooperate with competitors; create what Brandenburger and Nalebuff (1996) characterised as coopetitive environments. This coopetitive environment has led to interaction, learning and innovation within the context of multicultural communities and business activities, combined with an understanding of the ways such units are embedded in contemporary processes of globalisation rather than living locally isolated ‘lives of their own’.

Traditionally, immigrant businesses start as small family units, but over the years some spin-off of larger immigrant controlled companies is normal. In some cases, however, particularly in East Asia, immigrant businesses also encompass numerous large firms, which may even dominate economic sectors or entire national economies [cf., Redding’s (1990) study of Chinese businesses in East Asian countries]. Increasingly, the traditional ill-educated and poor type of immigrant is being substituted by the well-educated and wealthy immigrant, particularly in countries like Canada, the USA and Australia which are open to this type of immigration via point system and entrepreneurship visa granting permanent residence permit. This modern type of migration and immigrant business is more international in its orientation than the traditional type, and often such immigrants operate businesses in more than one country (Chan, 1992; Li, 1993; Ong et al., 1994; Rezaei and Goli, 2006, 2007; Robertson and Khondker, 1998; The Group of Lisbon, 1993; Thunø, 1996, 1998; Watson, 1977; Whitley, 1992a, 1992b; Yeung and Olds, 1999; Young, 1993).

These studies in various parts of the world suggest that both the old type of loose coupling of immigrant businesses across borders, as well as the modern and more systemic type of international integration of immigrant businesses, may be of relevance to our understanding of how immigrant businesses in one country are linked to similar
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business communities in neighbouring countries, as well as to immigrants’ countries of origin. Internationalisation processes are usually understood as large firm driven, with large firms becoming international or global more quickly and more extensively than SMEs, with SMEs often being understood only as sub-suppliers to the large, international units and hence as reactive rather than proactive (cf., Bager and Rezaei, 1999).

Although this conceptualisation seems to capture the main current in the internationalisation process, there are strong indications of a serious large firm bias in this standard conceptualisation. Small firms may group together horizontally in national or international networks to gain international competitive strength and a more proactive role in the restructuring process; or SMEs may be born international rather than sticking to the standard model of local/national growth preceding internationalisation; or SMEs may be embedded in international social networks (Granovetter, 1985, 1995; Smelser and Swedberg, 1994; Granovetter and Swedberg, 1992) which link together even tiny business units at the international scene and sometimes result in surprising semi-standardisation of certain types of businesses across borders (cf., Bager and Rezaei, 1999; Light et al., 2013; Borjas, 1990; Burgers and Engbersen, 1996). A substantial proportion of international business is still conducted by family firms organised along kinship lines [cf., Iyer and Sharipo, (1999), p.83] and through trading diasporas. Trading diasporas share several features, such as strong ethnic identity and mutual dependence, informal networks-based on mutual trust and family reputation, and a belief in the utility of knowledge from all possible sources (cf., Kotkin, 1992). The formation of international business centres through trading diasporas around the world, such as Amsterdam, Antwerp, Dubai, Hamburg, Hong Kong, London, and New York, has created supranational suppliers of goods and services which through formal and informal business networks function as commercial and financial connection points between immigrant business communities and immigrants’ countries of origin. The formation of immigrant business networks across countries can be understood as a ‘bottom-up’ globalisation process, which complements the standard large firm/top down one (Burt, 1992; Castells, 1996; Rezaei and Goli, 2009). As these new immigrant/ethnic entrepreneurs clearly deviated from their previous counterparts (Ruzzier et al., 2007), excising ethnic business theories were unable to explain this phenomenon (Basu, 1998; Barrett et al., 1996; Bager and Rezaei, 2001; Honig and Drori, 2010). Additionally there seems to be some evidence of a rise in international trade by smaller firms, in which immigrants entrepreneurs may seem to account for larger share. Again traditional international business theories were to be inadequate to explain these new ventures (Terjesen and Elam, 2009). As consequence, the need for a new theoretical framework became more obvious.

Several attempts have been made to establish such theoretical frameworks. These attempts have been primarily based on sociological tradition and built upon the works of e.g., Giddens’ (1979, 1984) structuration theory where entrepreneurship is seen as an interaction between agents and structures of opportunities (Drori et al., 2010). However the leading emerging theoretical framework seems to be built around Bourdieu’s (1977, 1998) theory of practice (e.g., Terjesen and Elam, 2009). Drawing from studies mentioned above, we can see that migrants manage to contribute to the economies of both their host and home countries. They can also use their connections in both countries to circumvent labour obstacles in the host country, in a mode known as transnational entrepreneurship. Families and ethnic communities often play big roles in providing these resources, as the migrants pursue business amid adverse conditions (Drori et al., 2009, 2010).
The theory of transnational entrepreneurship (Drori et al., 2009, 2010) attempts to establish the relationship between an agent and the context of his surroundings; it is primarily composed of three central concepts: habitus, capital and field. Habitus refers to the mindset of the individual in dealing with his surroundings, which dictates the actions of the individuals and respectively group as a whole in a given situation.

The paper examines the extent to which non-western migrants in the form of entrepreneurs in their host country constitute a realised source of economic acuity and export revenue. The goal is primarily to illustrate and document the magnitude of migrant entrepreneur’s role in contemporary society, exemplified by the Danish case. The way immigrants have been conceptualised in connection to contributing to increasing the economic activity (and thus also export) has changed considerable over time. A general tendency is, however, that perception of the migrants reflects the dominant ideological positions at the particular time (which to extent might reflect the fundamental economic challenges and opportunities the world economy is facing). In Denmark in the 1970s the dominant groups conceived migrants in the light of Marxist theories and thus saw the migrants as an integrated part of the revolutionary avant-garde; many migrants were also left-winged, coming from Latin America (e.g., the coup in Chile in 1973) and well-educated (e.g., engineers from Iran after the revolution in 1979). Migrants were thus not seen as an economic burden or opportunity but as reflecting the experience of the authentic poor (ref) and thereby a part of the actors active in installing global welfare justice. Since the 1980s migrants are increasingly seen as an economic burden. In Denmark, for example, this is captured by the advent of the anti-migration political party, Danish Peoples Party, that until recently constituted the foundation for a rights wing government. In 2014, Swiss voters expressed in a referendum the desire to reduce immigration.

Nevertheless, below the media headlines the last 10–15 years have witnessed a reconceptualisation of migrants from an economic burden to a source of economic activity and export earnings. This new stream of research is typically captured under the label of ethic or transnational entrepreneurship (or in Saxenian’s vocabulary Argonauts) (Saxenian, 2006) and linked to the new globalising competitive landscape (Iammarino and McCann, 2013; Lundvall et al., 2009). In a Danish context this research coincidences with the emergence of a redefinition of the universalistic welfare state which encompasses a shift from seeing citizens as passive recipients of welfare support to a workfare state (Torfing, Jessop) with an active labour market policy aiming at getting citizens to be able to take financially care of themselves (Fogh Jensen). Transnational entrepreneurial research, where Saxenian has played an instrumental role, has especially been spurred by the centrality of Indians and Chinese in Silicon Valley as the overlooked innovators (Saxenian, 2006). Despite much conceptual vagueness a transnational entrepreneur can be conceptualised as a migrant entrepreneur whose double cultural and experiential habitus constitutes a unique feature vis-à-vis the native entrepreneurs who are mono-cultural in their culture and experimental habitus (despite the increased ethnic diversity characterising the most contemporary societies). This is supposed to provide transnational entrepreneur with an assets in connection to initiating and sustaining export (to their home country). The transnational entrepreneur differs from the ethnic entrepreneur by being oriented towards the international marked (e.g., export) as opposed to the marked in the host country. Along these lines special attention has been paid to how transnational entrepreneurs use their bifocal professional and cultural experiences and their network in home and host country. Migrant entrepreneurs are thus not just
understood as actors that retreat to entrepreneurship as a last resort (Rezaei, 2011) but as a central player in the core of the US high tech sectors, and thus a significant player in securing the future economic well-being in the US. In a Danish context Rezaei work partly echoes this work by investigating how migrant entrepreneurs can also enter entrepreneurship as a choice; not just as a last resort. The centrality of transnational entrepreneurs within the ICT industry has been anecdotally documented in the US, Taiwan, China and India – and to some extent also in Israel and Ireland (Arora and Gambardella, 2005; Saxenian 2006; Vang and Overby, 2006) – through sector specific case studies. The research suggests that by combining resources from their bifocality (i.e., knowledge about more than one country), the successful transnational entrepreneurs gain an innovation-centred comparative advantage over locally-based workers and can carve out a niche for themselves despite their lack of status in their host society (Patel and Conklin, 2010); they do also frequently act as institutional entrepreneurs and create a cumulative causal effect. Yet, these studies have not been quantitative in nature and not cross-sectional or capturing changes over time in a systematic fashion. This constitutes a significant limitation since these studies provide a highly partial picture (with possible selection biases) without a clear identification of the magnitude of the transnational entrepreneurs’ activities. Transnational entrepreneurship also cannot be reduced to actors with the high tech sectors but covers activities across a wide range of sectors. This recent stream of research also tend to suggest relationships between ethnicity and export performance that to a significant extent differs from the insights stemming from immigrant entrepreneurship-literature, which focuses on entrepreneurship as a last resort and only recently has paid more attention to immigrants as a source of export and only after longer periods of socialisation into the host country’s cultural context (Ram and Jones, 1998; Rezaei, 2001a, 2007). The transnational entrepreneurship literature echoes insights from the literature on international entrepreneurship in the sense that psychic distance to their home country for immigrants is smaller in comparison to natives and thus an export asset. Yet, the insights from the international entrepreneurship literature would predict that western immigrants in contrast to the focal point of the transnational entrepreneurship literature (i.e., non-western (Andersson, 2000; Manolova et al., 2002). There are thus good reasons to argue for that there is a research gap in connection to if the literature on transnational entrepreneurship captures the current transformation of migrant entrepreneurship in an adequate way.

This paper aims at reducing the research ambiguity by conducting a comparative study of native, westerns and non-western entrepreneurs’ changing to the contribution to entrepreneurial economic activities and to export in a nine year period with in the context of Denmark; special attention is paid to the non-western migrants. The data used is national census data and thus considered highly valid and reliable. To avoid noise from the currently ongoing financial crises the data stops in 2008; further research can and should develop a specific theorisation of transnational entrepreneurship and external economic chocks. The paper is delimited to measuring entrepreneurial economic activity as the share and number of migrant entrepreneurs of total entrepreneurs and export performance as share and number of migrant exporting firms of the total population of entrepreneurs (we fragment the population into native, western and non-western entrepreneurs).

Alluding to the findings the paper finds patterns suggesting the opposite of the American biased transnational entrepreneurship literature. In the Danish case the migrant entrepreneurs – especially the non-western – are gradually playing a reduced role as
sources of economic activity and export. Western migrants display different positive features. This is also the case for the second generation migrant. The mitigating variables are college and university education. But non-western migrants with this level of education display a poorer export performance than western-migrants and natives.

The reminder of the paper is structured the following way. The next section reviews the literature and shows how the literature can be used as a heuristic device to address and frame the research. The next section introduces the method used in this paper. This is followed by a short section introducing the context of the study; the Danish welfare state. This is followed by a descriptive statistical section documenting the role of the different types of entrepreneurs in the Danish context. This is followed by a presentation of econometrical tests of what has proven to work in terms of realising the potential of transnational entrepreneurs. The paper is rounded off with concluding remarks.

2 Transnational entrepreneurship: a literature review

Drawing from literature review mentioned above, we can see that migrants manage to contribute to the economies of both their host and home countries. They can also use their connections in both countries to circumvent labour obstacles in the host country, in a mode known as transnational entrepreneurship. Families and ethnic communities often play big roles in providing these resources, as the migrants pursue business amid adverse conditions (Drori et al., 2009, 2010). The theory of transnational entrepreneurship (Drori et al., 2009, 2010) attempts to establish the relationship between an agent and the context of his surroundings; it is primarily composed of three central concepts: habitus, capital and field. Habitus refers to the mind-set of the individual in dealing with his surroundings, which dictates the actions of the individuals and respectively group as a whole in a given situations. Further can family play a significant role in connection with transnational entrepreneurship. In both the ‘push’ and ‘pull’ aspects, family can play an important role for transnational entrepreneurship, a field where migrants often use ethnic connections to circumvent obstacles in the host country. They often pursue business amid adverse conditions abroad, relying on resources in both their home and host countries to profit for themselves and their families (Drori et al., 2009).

Combining resources from their bifocality (focus on more than one place), these migrants gain a comparative advantage over locally-based workers and can carve out a niche for themselves despite their lack of status in their new society (Patel and Conklin, 2010). The notable case of a Chinese woman who launched a successful tourism business after moving to Northern Ireland shows the usefulness of bifocality and family and ethnic connections (Drori et al., 2010).

This section will review multiple strings of literature from several fields of social and business studies in order to give a comprehensive overview of the topic. The literature stream included tends to be less mature hence we do not develop formal hypotheses but only summaries the general hypotheses that can be derived from this literature.

3 Transnational entrepreneurship: the newest stream of literature

Transnational entrepreneurship is a fairly new string of literature with roots in several social science disciplines, e.g., sociology, anthropology, economic geography and to
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some extent economics, and therefore operates within several conceptual and theoretical models and methodologies (e.g., Saxenian, 2002, 2006). Its origins largely stem from the observations on firms demographics in Silicon Valley. By the start of the 1990s immigrants composed a considerable share of Silicon Valley’s workforce – a quarter of high skilled workers – and an increasing share of business owners and managers (Saxenian, 2002a). Equivalently ethnic production networks and professional associations emerged, increasing the circulation of knowledge and know-how between these firms in Silicon Valley but also with firms and professionals in country of origin and other parts of the world (Saxenian, 2002b). As these new ethnic entrepreneurs clearly deviated from their previous counterparts (Ruzzier et al., 2007), excising ethnic business theories were unable to explain this phenomenon (Honig and Drori, 2010; Kerr and Schlosser, 2010).

Additionally there may be some evidence of a rise in international trade by smaller firms, in which immigrants entrepreneurs seem to account for larger share. Again traditional international business theories were to be inadequate to explain these new ventures (Terjesen and Elam, 2009). As consequence, the need for a new theoretical framework became more obvious. Several attempts have been made to establish such theoretical frameworks. These attempts have been primarily based on sociological tradition and built upon the works of e.g., Giddens’s (1979, 1984). Structuration theory, where entrepreneurship is seen as an interaction between agents and structures of opportunities (Drori et al., 2010). However the leading emerging theoretical framework seems to be built around Bourdieu’s (1977, 1988) theory of practice (Drori et al., 2010; Terjesen and Elam, 2009). This theory attempts to establish the relationship between an agent and the context of his surroundings; it is primarily composed of three central concepts: habitus, capital and field. Habitus refers to the mindset of the individual in dealing with his surroundings, which dictates the actions of the individuals and respectively group as a whole in a given situations. It is hence composed of predispositions, structures and cognitive schemes which guide an agent in uncertain situations. Capital refers to the resources available to the agent and can be subdivided into four types: economic, social, cultural and symbolic. Economic capital refers to the material resources of the agent; social capital refers to social standing of the agent and includes networks and relationships, which the agent can draw upon; cultural capital includes the educations attainment as well as the aggregated experience and learning of the agent; finally symbolic capital includes authority and credibility of the agent within his field. Finally field is the social structure and context in which the actions of the agents are carried out (Drori et al., 2010; Terjesen and Elam, 2009).

Bourdieu’s theory forms a dynamic framework for understanding the relationship between the agent (entrepreneur) and his cultural and institutional (context), where all three concepts are dynamically interrelated: habitus captures the individual’s ability to navigate though his cultural context (field) and is strongly linked to individuals’ attainment of capital, when these concepts are used to explain transnational entrepreneurship. It is argued that immigrants have been exposed to at least two cultural/institutional fields – that of the host and the country of origin. Hence, these individuals are able to combine their experiences and knowledge of both cultures together with their accumulated capital to form a dual-habitus, i.e., an ability to navigate in the business world of both the country of origin and the host country. Immigrants wishing to enter their home market are thus conceived as more knowledgeable about the country’s cultural distinctions and legal regime. Furthermore, these transnational entrepreneurs have a notable social capital in both countries, which they can draw upon in order to tap
into social and professional networks in both countries; they may also enjoy certain advantages in terms of symbolic capital compared to foreigners. Hence by combining their dual-habitus with their specific endowment of capital in a multiple institutional environment, transnational entrepreneurs are able to build a comparative advantage (Terjesen and Elam, 2009). Terjesen and Elam (2009) further argue transnational entrepreneurs may also enjoy a similar competitive advantage when entering a third market (i.e., neither host nor home country). Based on qualitative observations, they argue that the dual-habitus of these entrepreneurs enables them to more easily adapt to the new setting (i.e. field).

Of course not all immigrants have the same level of dual-habitus (especially habitus of the host country may be something which takes many years to learn) or capital level in both countries. These two dimensions should be seen as complements determining the success of immigrants or other agents wishing to move their operations from the national to an international field.

In context of this paper this theory can help us to formulate some expectations and hypotheses. Given their dual-habitus and superior social and symbolic capital in a new market, transnational entrepreneurs must face lower entering costs. This could be in terms of being more able to find relevant trading contacts of customers through social and family networks; which in turn could reduce the exposure to risk, as it reduces asymptotic information problem of finding business partner in another country. Although some of these observations are relatively accepted in international economics (e.g., Hatzigeorgiou, 2010), they are largely taken as exogenous in the theoretical build-up and are not fully motivated. Hence the transnational entrepreneurship offers a more dynamic conceptual framework to explaining export decision of immigrants.

4 Immigrant entrepreneurship

As mentioned before, transnational entrepreneurship is highly related to ethnic and immigrant entrepreneurs’ theories (Honig and Drori, 2010). Traditional ethnic entrepreneurship theory focuses on self-employment as a result of an inability of to find regular employment. As immigrants arrive to a host country they are unfamiliar with the native language, customs and may not possess the required education or skill-set which is demanded in labour market, they are likely to face difficulties finding employment. Hence only available alternative may be to start their own business.

As these immigrants likely to lack access to the financial markets and have limited own finances, this further leads to immigrants relying on help from family and ethnic networks to find start-up capital for their firms. Given these restrictions of the immigrants, they are likely to enter less capital intensive industries, which are characterised by low profit-margins and customer base restricted to their respective ethnic minorities.

A considerable contribution to the theory of ethnic entrepreneurship was made by Ram and Jones (1998) who argued that in the initial period after migrating, ethnic businesses are locked into; however as the owners are able to integrate in the host country, they are increasingly able to break-out from these marginal business fields. They identify two dimensions of breaking out: locality and ethnicity. Together the two dimensions form four states of development of ethnic businesses. The first state (A) is local and ethnic, i.e., the marginalised business fields. These businesses are especially
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dominated by foods and clothing industries which are specialised to the tastes of the ethnic minority; further customer base of these firms consists of local residents only and they are therefore often located in immigrant-dense areas. If the firm choices to break out along the locality dimension but remain ethnic, it moves to state C: these firms include wholesale or high order retail but retains specialised products aimed at ethnic minorities. If the firm chooses to break out along the ethnicity dimension but remains local, it reaches state B: i.e., low order retail and services in a local market, but is able to expand the customer base by moving from ethnic to mainstream products. Finally if a firm breaks out along both dimensions, it moves to state E: i.e., mainstream wholesale and high order retail of mainstream products. Hence, firms in this state expand the customer base by distributing their products across larger geographical areas and no longer restricted to ethnic niche markets. Here ethnic firms essential break out to the mainstream market and compete on equal terms with native firms.

Later, Dana and Morris (2007) developed another interesting model to deal with immigrant entrepreneurship. In this model, six key variables contribute the entrepreneurship process: i.e., the immigrant, host country factors, the immigrant venture, ethnic network and enclaves, co-ethnic dependence over time, and finally, outcome. The immigrant is important for the potential to become entrepreneur, who can be influenced by motivation, values, skills, ‘ethnic gaps’, gender, age, etc. Besides personal factors, they think environmental factors are also important, for countries with higher heterogeneity is parallel with higher entrepreneurship (also ethnic network very important), and for immigrant entrepreneurship is more likely to happen in markets permeable, less-limited, and so on, and in societies with restricted welfare. The venture and ethnic network interplay with each other, and they found that the major venture competition is price-based rather than innovation-based, so the ethnic network and enclaves to make a workable environment can be crucial. The network can provide invaluable resources as ‘cultural capital’, which can be described by homogeneity and extensiveness. But in a long-time scale, to break the limit of ethnic network, entrepreneurs should establish a co-ethnic dependence, which is determined by the amount of learning over time, and the core interests of the venture being coincide with the interests and resources of the ethnic network. Then, the venture produces results at three levels: immigrant level (in assimilation, income and wealth, upward mobility aspects), venture level and societal outcomes.

An extension of Ram and Jones’s (1998) model was introduced by Rezaei (2001a, 2007), adding another level along the locality, and thereby extend Ram and Jones’s model with two additional stages. In Rezaei’s extension ethnic firms may choose to expand beyond national borders of the host country and enter exports market. A firm can enter this market into way: stage E, where a firm exports to abroad but retains an ethnic niche market, e.g., a firm may sell specific ethnic foods to local ethnic retailers across Europe; in state F a firm enters the export market on equal terms with natives firms, i.e., mainstream products sold across national borders.

Rezaei’s extension to Ram and Jones’ (1998) model, allows us to consider transnational entrepreneurs within the context of alternative ethnic businesses. Further it may be used as tool in assessing the maturity of entrepreneurship of a given immigrant minority as well as explain difference in export performance between immigrant groups.

Given the framework described here we may postulate that western minorities, which come from countries more similar to Denmark, may be able to integrate more quickly into Danish labour market and avoid marginalisation, are likely to have a more mature
entrepreneurial culture. While non-western minorities may experience higher barrier to entering the labour market and longer integration times, and therefore may be more prone to low entrepreneurial maturity at least in the relative short and medium time run after migrating. A final lesson from this reviewed literature is that export performance should be positively correlated with time since entering host country.

5 Internationalisation and international entrepreneurship

This string of literature is immense and ever-growing. It is found in the cross-sections between several social sciences, and particularly in between economics and business studies. This string like the two reviewed above is largely based on loose conceptual frameworks rather than formalised theoretical models. Given its size and variety, we will focus on few sub-strings of this literature, which are especially relevant for our thematic. These sub-strings include the Uppsala internationalisation model (Johanson and Vahlne, 1977, 1990), models which link internationalisation and human capital (Ruzzier et al., 2007). Hence this review should not be considered complete or representative.

The Uppsala model, named after the university town of researchers who first formalised it, has its roots in the behaviour theory of the firm from the 1960s (e.g., Cyert and March, 1963). It perceives firms entering a new market in a gradual process with increasing involvement and commitment of the firm. Based on the assumptions of risk-averse firms the model postulated a positive relationship between aggregated knowledge of the new market and commitment of resources to this market. The internationalisation is hence seen as a dynamic process of state (current levels of commitment and knowledge accumulated) and change (current decisions on involvement and commitment), where the latter is function of the first. Knowledge is distinguished into two types: ‘objective’, which can be learnt and passed from one firm to another; and ‘experiential’, which can only be acquired by experience and trials. Special focus is put on the latter type of knowledge, which is assumed to be the primary driver for incremental investments into a new market. As a firm wishes to reduce new market uncertainty it invests incrementally, as gradually accumulate experiential knowledge.

These specifications of the model lead to a series of noteworthy predictions:

1. larger firms are more likely to enter new markets as risks for firm survival are small due to large capital base and diversification
2. firms are more likely to enter market with smaller ‘psychic distance’, i.e., countries which are closer to their own by language, culture and legal systems (Johanson and Vahlne, 1990)
3. pioneer exporting firms, which are there first to enter a wholly new market, may increase likelihood of more firms entering the market, due to increase in country-specific knowledge.

These predictions can have several implications for our thematic. Firstly the models suggest that immigrants’ entrepreneurs may be especially important as pioneers of new markets; as the larger ‘psychic distance’ between the host and home countries, the larger competitive advantage should the entrepreneurs enjoy. Such pioneers are also likely to motivate further increase in trade, as country-specific knowledge builds. However firms owned by immigrant from neighbouring countries may be more likely to export that those
owned by more distant immigrants, as risks are smaller even though their competitive advantage over natives may be only marginal.

The second sub-string deals the relationship between SME internationalisation and human capital of the entrepreneur (Manolova et al., 2002; Ruzzier et al., 2007). A central aspect of this literature is the central role of the entrepreneur in the decision and implementation of entering the market (Reid, 1981). Lacking a formal clear consensual theoretical framework these works develop upon Becker’s (1993) human capital theory, which considers knowledge of an agent as a product of prior investments in education and other knowledge accumulation. As opposed to before knowledge accumulation is here directly linked to the entrepreneur. Human capital is hence considered to be a resource endowment on the same level as economic capital (Ruzzier et al., 2007). Scholars within this sub-field further view human capital endowment as having greater importance for smaller firms than large; as these firms are generally characterised by low capital endowments and hence must to a larger extent rely on human capital of the entrepreneur when entering an export market (Andersson, 2000).

The importance of this literature for our investigation is within establishing the central link between the owner/entrepreneur and the export decision. This includes both the demographical characteristic of entrepreneur (e.g., ethnicity) and measures of human capital (education). Also given that our analysis is restricted to sole proprietorships, we are likely to see a greater importance of owner characteristics.

6 Data sources and merging of data

Data used in this analysis is a combination of several Danish administrative data registers from Statistics Denmark for the period 2000–2008. Data is composed of three groups of registers: firm, workplace and person-level data variables. The firm-level data covers several economic, geographical and legal characteristics of all Danish firms, which have a venue of at least 50,000 DKK (circa 7,000 euro) or at least one employee. Although the dataset includes all types firms in Denmark, only for sole proprietorships can the owner be fully identified. While ownership is available for a few private limited firms, there account for only 1–3% of the population of these firms for a given year. Partnerships are largely identifiable by individual owners (although other firms can be registered as legal partners), these firms were eventually dropped from the analysis population due to inconsistencies in data, and because they were difficult to model alongside the sole proprietorships as they did not have 1:1 ratio between owner (ethnicity, education, etc.) and firm (export status). Economic variables used in the export assessment was a discrete (export vs. non-export) variable, additionally the register includes sector and ownership type. The firms identified by encrypted CVR numbers (equivalent to the English VAT numbers). The second register is a subset of The Danish Integrated Database for Labour Market Research (IDA), which registers all workplaces and employments in Denmark in the last week of November in a given year. The available IDA data is organised into levels: workplace and employments. Workplace-level data includes information about total employment in November, workplace sector and legal status (ownership type) as well as several workplace identification variables. The employment data includes a personal identification number (PNR) employment type (employee, employer, self-employed, etc.), year of employment and two workplace identification numbers. This IDA extraction is however limited in
several ways: it does not include the specific occupation of an employee; self-employed do not have a workplace identification. The final group of variables is constructed from several person-level registers. These variables include characteristics of demography, employment and education. Demographical variables are gender, age as well as immigrations status (native, immigrant and descendant) and country of origin. The education variables include highest completed and highest ongoing educations. Individuals are identified by the PNRs. There is no possibility to retrieve a family structure to identify children or parents of an individual in our data set (hence we cannot identify the importance of parents etc. for entrepreneurship). Additionally key immigration variables are missing such year and type of immigration.

Despite that the available data is also equipped with some additional keys vectors to establish the links between the three data levels; these vectors are limited in respect to establishing the full identification between owner and firm. The key vectors include links between:

1. firm and workplace
2. firm and individual.

While 1 is complete for all workplaces, due to lack of workplace numbers of self-employed, it is inadequate to establish links between the IDA data to firm-level data for these individuals. Link 2 includes all known combinations of PNR and CVR numbers, but does not allow identification of the specific occupation of an individual. Hence individuals, who have several known occupations, cannot be identified by 2 exclusively, as the link between occupation and CVR cannot be established.

After numerous attempts to create the most complete link between owner PNR and firm CVR, the following method was chosen. The method aims to maximise the share of identified firms by owner, rather than the share of identified known entrepreneurs by CVR. This choice made, because our response variables is computed from the firm-level data.

1. The starting firm population is limited to only known sole proprietorships, i.e., all firms owned by only one individual. On the basis of this population a list of CVR numbers is generated (CVR_pop1).
2. In the second step we identify the full population of firm owners (self-employed and employers) from RAS (PNR_pop1).
3. This population of individuals, PNR_pop1, is then merged with all associated CVR numbers (by link vector 2), i.e. to all firms, in which the individual is either employed or owns. (PNR_CVR_pop1).
4. This population, PNR_CVR_pop1, in which an individual is potentially linked up to several CVR numbers, is then filtered by CVR_pop1, so that only CVR numbers of known sole proprietorships are left. (PNR_CVR_pop2).
5. From IDA list of employees are constructed for all known sole proprietorships (Emp_pop).
Population of potential owners, PNR_CVR_pop2, is then filtered by the population of known employees, Emp_pop, so that individuals who are both owner of one firm and employee of another firm, only retain the link to the firm they own (PNR_CVR_pop3).

Steps (1)–(4) are repeated for all years and population PNR_CVR_pop3 is combined in one dataset for all years. (PNR_CVR_pop4).

By sorting on CVR, firms with several identified individuals (PNR numbers) are indentified. Individuals (PNR numbers), which are indentified in less than half of known years of operation of these firms are the removed. Finally firms, which are still not identified by a single owner, are removed. (PNR_CVR_pop4).

Population CVR_pop for each year is merged with population PNR_CVR_pop4. This method yielded an average of 99.85% identification rate for registered sole proprietorships on a given year.

After having an operational link between firm and owner (links between both to workplace was established without problems), a final analysis data set was easily constructed. Variable was coded for at each level and year, only thereafter merged and collected. In order to minimise number missing or false records, the mode (non-missing) values were taken for all constant personal characteristics, e.g., gender, year of birth, immigrant status, etc. Furthermore in order to avoid over emphasis on (self-reported) sector movements, true sectors were assumed to be constant over the period and firms were given the mode (non-missing) sector values. Due to missing export information the following industries: Mining and quarrying, energy and water supply, financial and insurance, public administration, education, human health and social work, arts, entertainment and recreation activities, were excluded from the analysis population.

7 Migrants and entrepreneurship in Denmark

This section looks onto the Danish case to assess if a more systematic approach to identifying the importance of migrants entrepreneurship reveals a pattern matching the one suggested by the transnational entrepreneurship literature. Measured in quantitative terms migrants constitute a significantly increased share of the Danish population and labour market. This can be seen by that migrants and their descendants constitute an increasing share in Danish labour force. In just 30 years the number of immigrants in the working age has increased by almost threefold, so that they now compose 11% of the population. An increasing role of descendants can also be seen, especially in the last 20 years as the children of the first wave immigrants are becoming of age: this group has hence increased by 38,000 from just ten in 1993 and now compose 1.5% of the working age population. Furthermore, both groups are projected to increase further over the next 12 years, so that in 2025 they will compose 12.3 and 3.3%, respectively. Combined with an aging native population, which has been falling since the mid-1990s, these populations are becoming essential in order to simply maintaining the current size of the labour force. Given both the demographical dynamics of this group as well as labour market participation trends, further investigation into this group is of crucial importance to understand future economic development.
Until the 1950s, Denmark was a net-emigration country as many Danes moved to the USA. Immigration to Denmark is thus fairly new. However driven by a period of high economic growth the labour immigration took off during the 1950s, although lagging behind other Western European countries. The first waves of immigrants came primarily from Turkey and that which was then Yugoslavia. Following other European countries, Denmark introduced law against labour-immigration from non-EEA countries in 1973. Hence immigration level from non-western countries remained low during the 1970s, driven mainly by reunification of families. Therefore the population of non-western immigrants remained low until the 1980s, with total immigrant population still dominated by western immigrants. In 1983 several immigration reforms improved the legal conditions of immigrants and widened the possibilities of family reunification. This triggered an increasing flow of refugee and family reunifications, which topped in 1992, when immigrations policies were somewhat tightened and unemployment reached its top. After a change of government in 1999, immigrations policy was again further tightened and again in 2005. Both the latter reforms were also accompanied by restrictions in integration policies, e.g., limiting access to social benefits. In the same period some efforts were introduced to attract more high-qualified labour immigration: hence tax reductions were introduced for high-qualified professionals on temporary contracts; a job-cards scheme was introduced to ease recruitment of professional with specific qualifications, which are in deficit in Denmark; students from higher education were given residence permits for three (and later six) months after completion of education, in order to find a job. This reflects the increased awareness of transnational entrepreneurs’ opportunities (in parallel with bottle necks on the Danish labour market).

In 1980 the immigrant population was rather small with a total population just over 150,000 corresponding to 3% of the Danish population. Over 67% of this population consisted of immigrants with a western origin. For the period from 1980 to 1985 the western immigrant population was relatively steady with a negative annual growth of 0.5%, while the non-western first generation immigrant population grew by 3.6% per anno. The differences are even more striking when considering the second generation immigrant population: while population of western descendents fell by 0.7% annually, non-western population grew by 11.4% on average per anno. For the proceeding 20 years to 2005 both groups seemed to grow but at different levels: while total western immigrant population grew with an annual rate of 1.6%, the non-western population grew by an average rate of 8.2%. After 2005 growth rates for both first and second generation non-western immigrants fells to 2.2 and 3.7% respectively, while especially first generation immigrant of western origin started to catch up a little with an average annual growth rate of 9.5%. The growth rate for second generation western immigrant also rose but remained 0.5% lower on average compared to non-western descendents.

8 Employment rates for migrants

In contrast to the theories proposed by the transnational entrepreneurship dual habitus does not in general constitute an appreciate asset on the Danish labour market; measured in employment rates.
Migrant entrepreneurship, economic activity and export performance

Figure 1  
Employment rates for native and immigrant by origin and generation, 2002–2008 (see online version for colours)

Source: Own calculation based on Statistic Denmark (http://www.statbank.dk/)

Figure 1 shows the development in the employment rates measured as share of fulltime employed of all 16–64 year olds for native Danes, first and second western and non-western immigrants. Employment rate is highest for natives with an average rate of 63%, while non-western immigrants have the lowest employment level with only 34%. For the latter group there seems to be little difference between first and second generation with average rates within 1% point of each other. This may however be misleading given the right-centred age distribution of the second generation, i.e., a higher portion of second generation non-westerner immigrants may be enrolled in education compared to the firstst generation. With an average rate of 46% participation of first generation western immigrants lies in between that of natives and non-westerners. Their descendants in turn have a considerably higher participation rate of 53%. While the employment rates for natives and second generation non-western and western immigrants seems relatively steady and fluctuating around the mean rate with an overall growth of 2.3 and minus 3% respectively, the rates of both first generation immigrants groups underwent some growth. While western first generation immigrants experienced just 5% growth for the period, non-western employment rates grew by a whole 28%. Hence we can see that although the share of immigrant of working age is of increasing importance, this group seriously lags in employment rates. Especially employment of non-western immigrants is alarmingly low, but shows a considerable catch in the second half of the period and is likely to continue to grow.

9 Entrepreneurship across native and non-native entrepreneurs

When one looks at the changes in respect to entrepreneurship among migrants (and compares it with non-migrants) the variation between the different and the dynamics across time suggest that the universalistic welfare state is not a decisive factor in whether entrepreneurship thrives or not. If it was we would find a minimum variation across time
and equal variation among the different groups across time; they would respond to the interventions in a similar manner. Unless, of course, discriminating policies were initiated that supported a higher variance. This is not the case. On the contrary policies have in general made it less attractive to be on social welfare, increased control with illegal businesses and created a public support structure putting pressure on people for becoming self-sufficient (e.g., entrepreneurs). From the literature on transnational entrepreneurs we would assume an increased share of migrant entrepreneurs. As we for simplicity equate entrepreneurship and self-employment rates we document the above by comparing the self-employment rates across groups and across time. Self-employment rate is measured as share of self-employed of all employed.

For second generation immigrants we see considerable difference in the self-employment between western and non-western descendants. Western descendants seem to have almost identical rates as natives with average rate only diverging by 0.2% points, despite dropping by full a percent point below in natives in the final year of the period. On the contrary, non-western immigrants have the lowest rates of all five groups with average rate 3% point beneath that of natives. This difference remains practically constant throughout the periods, as both groups grew by 1% point over the period. Overall we can say that although the self-employment was decreasing for the whole period and for all groups, but at different rates, so that self-employment rates clearly seem to be converging. Only non-western descendants seem to have retained a constant preference against self-employment.

Figure 2  Export-ratio (%) by ethnicity, 2001–8 (see online version for colours)

In order to initiate the descriptive analysis of the data, we begin by looking at the development in the observed propensities of exporting for three crude ethnic classifications: natives, western and non-western immigrants. Figure 2 shows the share of the exporting firms (export-ratio) by the three ethnic categories for the period 2001–2008. There is an obvious persistent difference in the levels of the three ratios. While the natives have an average ratio of 5.5% for the entire period, western immigrants have an average rate more than twice as high at 11.7%. On the contrary, non-western immigrants have an export ratio significantly lower than that of the natives at only 3.5%. The differences also seem to be rather stable, although a small downward trend is present
for all three groups. While natives have the lowest absolute falls of just 1.5% points over the period, western immigrants with a fall of 2.1% points have the lowest relative decrease of 16% relative to initial rate in 2001 (compared with a relative decrease of 23% for natives). Non-western immigrants have the highest decrease in the export ratio over the period – almost halving their initial rate of 5.2 down to 3.4%. While the development in the native and non-western rates is either negative or stagnant for all years, western immigrants have two years (2004, 2008) with a positive growth of about 0.3%.

In order to verify the applicability of our crude ethnic classification (western/non-western) we now look at the (pooled) export rates of a more detailed classification of immigrants.

Table 1  Share of firms and export-ratios (%) by country of origin, pooled 2001–2008

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Country of origin</th>
<th>Obs.</th>
<th>% of all Obs.</th>
<th>% of group</th>
<th>Export ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natives</td>
<td>Denmark</td>
<td>88,286</td>
<td>58.6</td>
<td>100.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Western</td>
<td>Scandinavia</td>
<td>5,097</td>
<td>3.4</td>
<td>22.9</td>
<td>12.7</td>
</tr>
<tr>
<td></td>
<td>EU-15</td>
<td>12,851</td>
<td>8.5</td>
<td>57.7</td>
<td>11.0</td>
</tr>
<tr>
<td></td>
<td>Europe (western)</td>
<td>3,060</td>
<td>2.0</td>
<td>13.7</td>
<td>11.4</td>
</tr>
<tr>
<td></td>
<td>North America and Oceania</td>
<td>1,283</td>
<td>0.9</td>
<td>5.8</td>
<td>14.9</td>
</tr>
<tr>
<td>Non-Western Europe</td>
<td>(non-western)</td>
<td>3,105</td>
<td>2.1</td>
<td>7.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td></td>
<td>11,755</td>
<td>7.8</td>
<td>29.4</td>
<td>4.7</td>
</tr>
<tr>
<td>East and South-East Asia</td>
<td></td>
<td>5,402</td>
<td>3.6</td>
<td>13.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Asia (rest)</td>
<td></td>
<td>17,979</td>
<td>11.9</td>
<td>44.9</td>
<td>2.4</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>1,801</td>
<td>1.2</td>
<td>4.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150,619</td>
<td>-</td>
<td>-</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Table 1 shows these rates seem to be surprisingly constant within both immigrant groups. For western immigrants: Scandinavian and North American and Oceanic immigrants, who correspond to 23 and 6% of their total number of observations for the group, have the highest export ratios of 12.7 and 14.9%, respectively. However these rates are still similar to that of the two West European immigrant groups relatively to both natives and the non-western immigrants. For non-western immigrants: Middle East and North Africa and other (mainly South America and Africa) with respective observation shares of 30 and 5% of the group, have the highest rates of around 5%; while (non-east) Asia seems to have the lowest rate of just under 2.5%. However these intra-group differences are again dwarfed by the inter-group differences, and can presumably be explained by different industry compositions. An interesting additional observation is the relatively low performance of East and South-East Asian immigrants, who have otherwise been attributed a large impact in transnational entrepreneurship (Saxenian, 2002b). This observation seems to indicate a predominance of non-exporting business and a low entrepreneurial maturity for this group compared to other host countries.
10 Owner characteristics

Having established the relative appropriateness of the crude classification of immigrant entrepreneurs, we begin looking at the effects of other owner characteristics with focus on establishing overall impact of these characteristic and potential differences in these effects for three ethnic groups.

Table 2  First and second generation immigrants, pooled 2001–2008

<table>
<thead>
<tr>
<th></th>
<th>% of firms</th>
<th>% of export firms</th>
<th>Export ratio</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>First generation</td>
<td>Second generation</td>
<td>All</td>
</tr>
<tr>
<td>Western</td>
<td>8.15</td>
<td>7.61</td>
<td>11.74</td>
<td>10.90</td>
<td>11.67</td>
</tr>
<tr>
<td>Non-western</td>
<td>4.08</td>
<td>4.07</td>
<td>3.43</td>
<td>3.43</td>
<td>3.43</td>
</tr>
<tr>
<td>All</td>
<td>5.54</td>
<td>6.39</td>
<td>3.43</td>
<td>3.43</td>
<td>6.38</td>
</tr>
</tbody>
</table>

The first characteristic is solely relevant for the two immigrant groups, but an essential key to both understanding and modelling dynamics of transnational entrepreneurs – difference between first and second generation immigrants. The first two columns of Table 2 shows the share second generations immigrants of the total firms observations and exporting firms observations for the two immigrant groups, while the last three presents the export ratios of first and second generation and union of these. Second generation entrepreneurs only account for a small fraction of the total immigrant owned firms, just 8 and 4% respectively for western and non-western immigrants. Remarkably the seems to be little difference between first and second generation export ratios. For non-westerns immigrants the ratios are in fact exactly the same across generations; while the second generation has slightly lower export rates compared to first generation western immigrants, but only by less than 1% point. This later observation indicates a persistent (respectively) advantage and disadvantage in propensity to exporting across generations. Further this observations strengthens hypothesis that second generation immigrants are able to retain a double *habitus* of both host and parents’ country origin (Terjesen and Elam, 2009).

Table 3  Female owned firms, pooled 2001–2008

<table>
<thead>
<tr>
<th></th>
<th>% of firms</th>
<th>% of export firms</th>
<th>Export ratio</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td>All</td>
</tr>
<tr>
<td>Natives</td>
<td>20.02</td>
<td>16.51</td>
<td>5.74</td>
<td>4.53</td>
<td>5.50</td>
</tr>
<tr>
<td>Western</td>
<td>25.73</td>
<td>22.98</td>
<td>12.11</td>
<td>10.43</td>
<td>11.67</td>
</tr>
<tr>
<td>Non-western</td>
<td>17.30</td>
<td>15.49</td>
<td>3.51</td>
<td>3.08</td>
<td>3.43</td>
</tr>
<tr>
<td>All</td>
<td>20.14</td>
<td>18.26</td>
<td>3.08</td>
<td>3.43</td>
<td>5.86</td>
</tr>
</tbody>
</table>

We proceed to the looking at the gender of the firm owner. Table 3 shows the composition firm observations by gender of owner and corresponding export rations for each of the ethnic groups. While female owners are in clear minority in our sample with an average share of 20% of firm observations, there are some differences in the shares across ethnicity. Natives have a share of female owner centred at the mean with 20%; western immigrants have the highest share – surpassing the average by 5%; while
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non-western female owners have the lowest share at about 17%. The export ratios of the female owned firms are below that of male owned firms for all three groups, with a nominal difference ranging between 0.4% points for non-western and 1.7% points for western immigrants. Native female owners however has the largest relative difference of 21% compared to males, contrasted by only 12–13% for the immigrant groups. Nevertheless the relative inter-ethnic differences in export propensity seem to remain for both male and female owners.

Figure 3  Distributions of firms over education by ethnicity, pooled 2001–2008 (see online version for colours)

Owner education level has a special interest for this investigation. We are specifically interested in determining whether owner education affects export propensity differently for native and immigrant owned firms. Figure 3 shows the distribution of firm observations by the educational level of owner for the ethnic groups. For natives: the most common educational level is vocational with 46% of observations; followed by elementary (i.e., lower or higher secondary education) with 30%; college (i.e., short and medium cycle higher education) comprises 15% of firm observations; while less than 8% of firm owner have a university degree (i.e., long cycle higher education); just over 1% of firm owners have a missing education level. For western immigrant owners: elementary and vocational educations comprise 18 and 37% of observations respectively, i.e., both just under 10% less than for natives; college and university comprise respectively 22 and 15% of firm observations, making the sum of higher education as large as vocational education; share of unknown education is to 7.5. For non-western immigrant: elementary education dominates by 43%, while share of vocational education is just 26, i.e., 20% points lower than for natives; shares of college and university are respective 13 and 5.5%, both substantially lower than for natives; share of missing is a whole 12%. Hence we see that compositions of owner education level vary substantially across ethnicity, with shares of higher education of western and non-western lying on opposite side of the corresponding share of natives.

Table 4 shows the export ratios by owners’ education level for the three ethnic groups. We notice an almost constant export ratio across education for native with top difference of only 0.5% point between university and elementary education. However unknown education level seems to have almost double as high export ratios, but given the minimal level observation in this group, this observation should not be over-interpreted. Alternative explanation may be that these individuals have only been educated abroad and therefore have not registered education in Denmark. Western immigrants seem to have a larger variation in export ratios across education level, but higher ratios for
education levels than natives: vocational education seems to have the lowest ratio closely followed by elementary education, while both higher educations have up to 4% point higher ratios; unknown education level again has a staggering 14.5% ratio. This may again be caused by an unobserved high education level from abroad. Export ratios for non-western immigrants reveal an interesting picture. While export ratios for elementary and vocational educations are substantially (by over 2% points) lower for non-western immigrants compared to native, the opposite is true for the higher educations, so that for both college and university education non-western immigrant have 2% point higher export ratios than natives.

Table 4  Export-ratios (%) by region and ethnicity, pooled 2001–2008

<table>
<thead>
<tr>
<th>Education level</th>
<th>Natives</th>
<th>Western</th>
<th>Non-western</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary</td>
<td>5.16</td>
<td>10.64</td>
<td>2.60</td>
<td>4.70</td>
</tr>
<tr>
<td>Vocational</td>
<td>5.63</td>
<td>9.38</td>
<td>3.07</td>
<td>5.70</td>
</tr>
<tr>
<td>College</td>
<td>5.37</td>
<td>14.17</td>
<td>6.88</td>
<td>7.53</td>
</tr>
<tr>
<td>University</td>
<td>5.62</td>
<td>13.49</td>
<td>5.70</td>
<td>7.81</td>
</tr>
<tr>
<td>Unknown</td>
<td>9.53</td>
<td>14.57</td>
<td>2.40</td>
<td>6.03</td>
</tr>
<tr>
<td>Total</td>
<td>5.50</td>
<td>11.67</td>
<td>3.43</td>
<td>5.86</td>
</tr>
</tbody>
</table>

11 Firm characteristics

Figure 4 presents the distributions of firms over sector. We begin by looking at crude sector classifications: foods (agriculture and food processing), manufacturing, commerce, services and business services. While almost 30% native firms operate in the foods sector, the same is true for just under 20% of western owned firms and only slightly above 1% of non-western owned firms. Manufacturing has the lowest number of firms for all ethnicities with about 4% for both native and western firms and just a single percent of non-western firms. Non-western firms are on the contrary over-represented in the commerce sector with 27% of firms, compared to ca. 15% for the remaining two groups. The service sector is the largest for all three groups: with ca. 40 both natives and westerners, while a whole 62% of non-western firms operate in this sector. Substantial difference in the representation of the business service is observed across ethnicity: non-western have the smaller number of firms in the sector with just under 9%, followed by natives with 13%; while this sector counts for a whole 22% of western firms.

Figure 4  Distributions of firms by sector, 2001–2008 (see online version for colours)
Migrant entrepreneurship, economic activity and export performance

Table 5: Export-ratios (%) by sector and ethnicity, 2001–2008

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Natives</th>
<th>Western</th>
<th>Non-western</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foods</td>
<td>2.88</td>
<td>6.66</td>
<td>4.33</td>
<td>3.44</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>17.81</td>
<td>30.17</td>
<td>15.61</td>
<td>19.86</td>
</tr>
<tr>
<td>Commerce</td>
<td>13.66</td>
<td>24.55</td>
<td>9.45</td>
<td>13.28</td>
</tr>
<tr>
<td>Services</td>
<td>2.13</td>
<td>2.83</td>
<td>0.37</td>
<td>1.58</td>
</tr>
<tr>
<td>Business services</td>
<td>7.60</td>
<td>20.26</td>
<td>5.33</td>
<td>10.31</td>
</tr>
<tr>
<td>Total</td>
<td>5.50</td>
<td>11.67</td>
<td>3.43</td>
<td>5.86</td>
</tr>
</tbody>
</table>

Table 5 reveals huge differences in the propensities to export across sectors; the most exporting sector is the manufacturing industries with almost every fifth firms exporting on average; commerce has the second highest export ratio with a sample average of around 13%; the two least exporting are foods and service sectors. When we compare the export ratios across ethnicity we can see that although the order of sectors there propensities are the same for all three groups, there are large variations within. If we consider the natives as reference line, we see how western immigrants stand out in the manufacturing, commerce and business services sectors. The export ratios for these sectors are almost the double that of natives. Especially business service, where western immigrant surpass natives by over 2.5 times, seems to stand out with one in five firms exporting. Non-western immigrants seem to be lagging behind natives in all sectors, except foods. The latter is however difficult to interpret due to small number of non-western firms in this sector. The largest lag is seen in commerce, where non-western owned firm lag by more than 4% points; while in manufacturing and commerce the export ratio is just over 2% lower for this group.

Table 6: Share of firms and export-ratios (%) by industry – business service firms, 2001–2008

<table>
<thead>
<tr>
<th>Industry</th>
<th>% of firms by ethnicity</th>
<th>Export ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Natives</td>
<td>Western</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>0.04</td>
<td>0.14</td>
</tr>
<tr>
<td>Engineering and architecture</td>
<td>13.12</td>
<td>12.31</td>
</tr>
<tr>
<td>It-service</td>
<td>12.76</td>
<td>11.76</td>
</tr>
<tr>
<td>Law</td>
<td>31.59</td>
<td>19.72</td>
</tr>
<tr>
<td>Marketing</td>
<td>5.51</td>
<td>5.94</td>
</tr>
<tr>
<td>Cleaning</td>
<td>20.10</td>
<td>17.07</td>
</tr>
<tr>
<td>Other business services</td>
<td>16.89</td>
<td>33.05</td>
</tr>
</tbody>
</table>

Given the results it would be further interesting to look at the more inter-sector distributions for especially business services and manufacturing sectors. Table 6 shows the distribution of firm in the business services sector in more detail. Looking at the more detailed categories we notice how heterogeneous this group really, so that law and cleaning firms are in the same sector. The later also seems to account for a large portion of firms all three ethnic groups, especially for non-western firm, where half of the firms are in this category. The distribution of firms further reveals that over 30% of immigrant
firms and 16% of native firms do not report more detailed sector description. This makes it further difficult to subdivide this sector in subcategories for the analysis. The export ratios also confirm this heterogeneity, where of the large categories cleaning and engineering/architecture firms stand out with very low export rates. Focusing on western firms: we see that these firms have double as high export ratio for IT-services and have four times higher ratios law firms compared to natives. Due to small number of observations we do not try to interpret the values for neither R&D and marketing firms nor non-western firms.

Table 7  Firms shares and export-ratios (%) by industry – manufacturing firms, 2001–2008

<table>
<thead>
<tr>
<th>% of firms by ethnicity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Natives</td>
<td>Western</td>
</tr>
<tr>
<td>Textile and leather</td>
<td>8.4</td>
</tr>
<tr>
<td>Wood, paper and print</td>
<td>17.4</td>
</tr>
<tr>
<td>Chemicals and plastics</td>
<td>2.6</td>
</tr>
<tr>
<td>Rock, clay and glass</td>
<td>3.5</td>
</tr>
<tr>
<td>Steen and metal</td>
<td>55.6</td>
</tr>
<tr>
<td>Furniture</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 7 shows the detailed inter-sector distributions for manufacturing. Overall the distributions for the three ethnic groups seems to be relatively stable: where steel and metal is the largest category with 30–50% of firms exporting, followed by wood, paper and print with 12–17% exporters. However non-western immigrants have a relatively high share of textile and leather production; while western seems to have high furniture production.

12 In closing

In this paper, we linked transnational entrepreneurship theory with that of immigration and internationalisation. We tried to map – as best as possible – recent changes in the role of immigrant entrepreneurship in Denmark, both as a source of increased economic activity and also with regards to export revenue. Our findings revealed that migrants play a decreasing role as sources of economic activity and export revenue. We suggest that in the case of Denmark, the more negative stance of immigration literature appears most appropriate.

In last 30 years, the immigrants took portions in total population from near zero to about tenth, with the composition of mainly western origin to more non-western sources. Interestingly, these trends didn’t match the entrepreneurship trend predicted by theories. In general, from the data of 2000–2008, we can conclude that the employment rate of natives is highest and non-western immigrants lowest, which can keep a dynamic steady
state by few fluctuations for each group except only for growing trend of first-generation non-western immigrants. Moreover, the second-generation non-western immigrants are the least willing to be self-employed, and non-western origin people have lowest export ratio. Thus, we can see that second-generation is least probable to take entrepreneurship compared to first-generation, similarly western to non-western origin.

To take a step further, we also find that the entrepreneurship behaviour differences among the five groups are also affected by gender, education level and sector. According to our statistics, the highest female portion of entrepreneurs is western immigrant group, larger than native ones and then non-western group, with the similar trends of education especially advanced education level. In the relative complex sector issue, all groups take a large portion of services (non-western groups relatively highest), and the second highest portions for three groups are commerce for non-western immigrants, foods for western ones, and business for native people. These deep sights into the factors intrigue us to derive some interesting thoughts presented below.

By analysing the correlation relationship between the policy and entrepreneurship, we see that in the Danish surroundings it may be weak. Therefore, the inner causes of the differences between different groups may locate in the features of each group per se. However, what contributes most to the features per se? Seeing the results that there are relative few discrepancies among each group, for example Scandinavian and North American immigrants, we conclude that it’s the general cultural and ideological features, i.e., cultural capital, in each group make the biggest contribution. It attributes to many aspects, like language, custom, religion, conception, etc. Because cultural capital is the inner constituent of a nation or a series of nearby nations, they cannot be studied or derived, thus it cannot change a lot via immigrant process to keep its feature per se. Nevertheless, western immigrants have relative similar cultural capitals like Danish, like general Indo-European language system, common Christian religion (mostly), etc., which help them fuse into native Nordic atmosphere, vice versa for non-westerns. Obviously, our epidemic theories don’t pay enough attention to this element, so they cannot predict concisely the real condition in Denmark even Nordic countries.

To sum up, the research gives us more deep inspirations, which implies us the possible important elements like cultural capital may be ignored. We also see that Nordic countries, special economic and political entities, may need special modified theories for them, which may be also true for the rest parts of the world.

Acknowledgements

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References


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Notes

1 We operate with the Statistics Denmark’s definition of first and second generation immigrants: a person is defined as a first generation immigrant when he/she is born outside of Denmark and neither of parents is born in Denmark and has Danish citizenship. If information of parents is unavailable and the person is born outside of Denmark then he/she is also considered a first generation immigrant. Second generation descendants are defined as being born in Denmark and having neither parent born in Denmark and holding a Danish citizenship (Statistics Denmark, 2008).

2 Working age population is here defined as 16–64 year olds, as coherence with definition used by Statistics Denmark.

3 Western countries are defined by DST as EU15, 12 new EU members, other Nordic Countries (Iceland and Norway) plus other western countries (Andorra, Australia, Canada, Liechtenstein, Monaco, New Zealand, San Marino, Switzerland and the Vatican).