



Fakultät für Wirtschaftswissenschaften
Faculty of Management and Economics



Institut für Soziologie
Department of Sociology

IfS Discussion Paper 03/2018

**When the ethnic enclave does not
provide shelter: migrant
entrepreneurs and their business
survival**

Muhammad Zubair &
Jan Brzozowski

Discussion
PAPERS

Muhammad Zubair & Jan Brzozowski

When the ethnic enclave does not provide shelter: migrant entrepreneurs and their business survival

IfS Discussion Paper 03/2018

Institut für Soziologie, Alpen-Adria-Universität Klagenfurt

Department of Sociology, Alpen-Adria-Universität Klagenfurt

IfS Discussion Paper

ISSN 2306-7373 (Internet)

© 2018 by the authors

Muhammad Zubair is a doctoral student at the Alpen-Adria-Universität Klagenfurt, Department of Sociology, Faculty of Management and Economics, Austria
m1zubair(at)edu.aau.at

Dr. Jan Brzozowski is Assistant Professor at the Department of European Studies, Kraków University of Economics, Poland
jan.brzozowski(at)uek.krakow.pl

Institut für Soziologie
Fakultät für Wirtschaftswissenschaften
Alpen-Adria-Universität Klagenfurt
Universitätsstr. 65-67 | 9020 Klagenfurt | Austria

Tel. +43 2700 3400
Fax +43 2700 993400

<http://www.aau.at/soziologie>
sozio(at)aaau.at

All papers published in this series can be accessed here:

<http://www.aau.at/soziologie>

Select *Publications/Discussion Papers* from the menu bar

Table of Contents

Abstract	4
1 Introduction	5
2 Ethnic enclave economy, mixed embeddedness, and migrants' business performance	6
3 Methodological issues	9
3.1 Rationale for destination choice	9
3.2 Data collection	10
4 Empirical analysis	11
4.1 Starting a business in a host country	11
4.2 Sustainability of the current business model: challenges.....	12
4.3 Sustainability of the current business model: opportunities	14
5 Conclusions.....	16
Literature	18
Appendix	21

Abstract

The studies on migrant entrepreneurship point out at the heterogeneous roles that the ethnic enclave economy plays in the development of migrant firms. On one hand, the ethnic enclave provides a specific shelter for migrant start-ups, on the other it is criticized for hindering the further growth of migrant firms due to high uncertainty and competition, low income and limited development perspectives of the ethnic market. However, in the case of the recent migrant communities, the ethnic enclave economy in a host country is in the early stage of development or simply does not exist. In such a case, the literature on migrant businesses does not give a precise explanation what are the perspectives of ethnic business development in a host country.

In this explorative paper, we analyze the perspectives of the business sustainability in the case of the visible minority entrepreneurs who have no access to the ethnic enclave economy resources and institutions. Consequently, we connect two important theoretical approaches in the studies on migrant entrepreneurship: ethnic enclave economy and mixed embeddedness theory. Based on selected case studies of Indian-Pakistani and Afghani entrepreneurs in Klagenfurt (Austria) and Arab and Vietnamese entrepreneurs in Kraków (Poland), we investigate which factors play a role in the ethnic business development and to which extent the migrant entrepreneurial activities constitute the sustainable economic strategy in a host country. Our explorative findings show that in the case of migrant entrepreneurs from poorly developed ethnic economies, the embeddedness of migrant beyond just simple co-ethnic network and its extension to other migrant communities is crucial for the sustainability of the business. Therefore, these results confirm the predictions of the mixed embeddedness theory.

Keywords: visible minorities, migrant entrepreneurship, ethnic enclave, socio-economic integration

1 Introduction

According to Castles and Miller (2009), the dynamic inflow of migrants to most developed countries is associated with increasing challenges to the economic integration of newcomers. This is because of low human, social and financial capital resources, migrants face limited opportunities in the labor market of the residing developed country. (Bates, 2011). Therefore, the international migration, a rapid increase in developed countries and migrant's contribution to the host country's economy is attracting the attention of scholars and policy-makers (Wong & Primecz, 2011; Head & Ries, 1998; Dana 1993). In this regard, entrepreneurship activities of migrants represent one of the most significant features of international migration (Dana, 2007; McDougall and Oviatt, 2000), not only due to the creation of new job opportunities, but also for their contribution to the wealth creation of the host country (Chrysostome & Lin, 2010, p. 78). It has been observed that entrepreneurship might constitute a strategy that helps migrants to become integrated into the formal economy (Sanders and Nee, 1996) and enables them to achieve upward economic and social mobility (Danes et al., 2008).

This entrepreneurial propensity among migrants is usually explained by the interplay of push and pull factors (Szarucki, Brzozowski & Stankevičienė, 2016). Among many different concepts existent in the literature (McEvoy & Hafeez, 2009), from the perspective of this study, an interesting explanation of self-employment propensity is provided within the ethnic/migrant enclave theory (Wilson & Portes, 1980; Hou, 2009). The migrant enclave economy provides additional possibilities and benefits for migrant entrepreneurs, which are unavailable at the secondary labor market, yielding higher returns to past human capital investments and allowing for an alternative strategy for socio-economic advancement in the host country. Moreover, the entry to self-employment is relatively easy for insiders thanks to the strong ethnic ties (Andersson & Hammarstedt, 2015). Yet, many authors claim that there are also some substantial costs stemming from ethnic enclave economy for migrant entrepreneurs, as their businesses located in the ethnic markets have very limited growth perspectives, have to struggle with high competition, hard working conditions and low profit margins (Hjerm, 2004; Rath & Swagerman, 2016). Some authors claim that breaking out of the ethnic enclave and entry to a mainstream market should provide better growth perspectives for migrant entrepreneurs (Arrighetti, Bolzani & Lasagni, 2014).

Therefore, the dominant approach in the entrepreneurship literature stresses the importance of the ethnic enclave economy in the initial phase of the business creation, while the most successful businesses should gradually leave the ethnic enclave and move into the mainstream economy (Beckers & Blumberg, 2013). Little is known, however, how the migrant populations are starting and developing their business activities in conditions in a situation, when the ethnic enclave is poorly developed.

This is mostly the case of the relatively recent migrant populations and their entrepreneurial activities. In the case of new (i.e. recently arrived in or at the host country) ethnic communities, their short migration spells usually do not allow for an establishment of ethnic enclave institutions and markets. This issue is even more pronounced in the case of visible minorities. Such groups are found to experience much bigger obstacles in the economic advancement, as the ethnic and racial discrimination might play an important role (Raza, Beaujot & Woldemicael, 2013). In this case, it is still not clear whether these, especially

vulnerable individuals from visible minority groups should choose entrepreneurship as a viable strategy that facilitates their socio-economic integration in the host country, especially when they cannot rely on the ethnic resources such as suppliers' networks, staff, credit associations and the ethnic market in the first phase of their business development.

When considering the impact of migrant entrepreneurship on the socio-economic well-being of a migrant and one's family, the issue of business sustainability is one of the key concepts that need to be discussed. In this vein, albeit many immigrants seek to create and develop their firms, the prosperity and survival of these enterprises in the long run is a serious matter (Adendorff, & Halkias, 2014), as the survival rates of such businesses is substantially smaller than in the case of natives (Vinogradov & Isaksen, 2008). Therefore, we define a sustainability of a visible minority entrepreneur as a situation in which this business becomes a stable source of income and the socio-economic security of the entrepreneur and his/her family (Yeasmin, 2016).

Therefore, our study aims to address the aforementioned gaps in knowledge on migrant entrepreneurship, by providing a response to the following research question: how the absence of the ethnic enclave economy influences the development of migrant enterprises? To be more precise, our research project aims to analyze to which extent such entrepreneurial activities are sustainable in the long-run. In our explorative paper, we focus on a group of visible minority entrepreneurs originating from Arab, Vietnamese, Indian-Pakistani and Afghani ethnic groups, who conduct their business activities in Kraków (Poland) and Klagenfurt (Austria). All of the ethnic groups in both locations are relatively small in number, and their presence in the host country is relatively short (ca. maximum 25 years) and thus reduced to first-generation migrant entrepreneurs (i.e. foreign-born persons). This means, that our interviewees cannot rely on ethnic enclave in the process of starting, developing and sustaining their business activities. Applying the case study approach, our study contributes to the ethnic and migrant entrepreneurship literature through the analysis of a potentially venerable group of visible minority entrepreneurs, who are especially endangered by discrimination and subsequent socio-economic marginalization. Albeit our study is explorative in nature and the results cannot be generalized, we believe that it also offers interesting incentives and inspirations, both for the academics and for the practitioners and policy-makers.

The structure of our paper is as follows: in the next section, we critically review the relevant theoretical and empirical literature on ethnic enclave economies and their impact on migrant entrepreneurship performance. The third section provides the methodological description of the study. The fourth section presents the results of an empirical analysis. The fifth section concludes the paper and provides testable propositions for further studies on the dynamics of migrant entrepreneurship.

2 Ethnic enclave economy, mixed embeddedness, and migrants' business performance

Migrants who decide to start their own business in a host country, have at least two different strategies at their disposal: either to exploit the niche within the ethnic enclave economy, in which they have a competitive advantage over the non-migrant population, or to enter the dominant marketplace, competing on equal terms with native entrepreneurs (Ndofo

and Priem, 2011). Some authors suggest that the safest strategy for individuals is first to start business activity in the ethnic enclave, and then try to expand it, with the final aim to reach the mainstream market (Brzozowski and Pędziwiatr, 2015).

In the case of an ethnic enclave, we adopt the definitions proposed by Light and associates (1994), who indicate that the host country's economy is divided into the general economy (or a dominant market, cf. Ndofor and Priem, 2011), and the migrant/minority business and employment sector. Migrants might look for employment possibilities and create their businesses in those two sectors. Within the migrant/minority sector, there is an ethnic economy, which is mostly comprised of self-employed individuals from the same ethnic group and their co-ethnic employees. Finally, there is an ethnic enclave, a sub-section of the ethnic economy characterized by a large number of migrant-owned business in which a significant proportion of migrants from the same ethnic group are employed. Moreover, there is a special clustering of migrant businesses, which enables threshold benefits. Through this geographical concentration, the economic efficiency is increased, as the firms located in the enclave can rely on vertical and horizontal integration: the co-ethnic suppliers and customers, ethnic informal institutions which provide access to financial capital, know-how, and co-ethnic workers. In this vein, Light and associates claim that "every migrant group or ethnic minority has an ethnic economy, but only a few have an ethnic enclave economy" (Light et al., 1994: 73).

Various authors have indicated the potential gains for migrant entrepreneurs who operate within the ethnic enclave economy. Among the most commonly mentioned benefits, there are: limited competition from the non-ethnic population (Ndofor and Priem, 2011), access to financial capital through rotation credit associations (Raijman & Tienda, 2003), the potential solidarity of co-ethnic community (Danes et al., 2008), "learning by doing" entrepreneurial adjustment (Light et al., 1994) and the access to the co-ethnic network of suppliers and clients (Raijman & Tienda, 2003). Still, there are also some limitations for the entrepreneurs who stay permanently in the ethnic enclave, including low profits or distributive pressure (i.e. expectation to share income) from co-ethnic population hindering business growth (Brzozowski, 2017).

In this aspect, Curci and Mackoy (2010) develop a theoretical framework of migrant entrepreneurship, by identifying four basic types of enterprises: highly segmented, market-integrated, product-integrated and highly integrated. The highly segmented migrant businesses operate within the ethnic enclave economy. Albeit such business model is beneficial in the early phase of entrepreneurial activity due to low entry barriers for co-ethnic individuals, in the long run, it is associated with some important constraints. The biggest obstacle in the further development of the migrant businesses within the ethnic enclave is the size of the ethnic market, which is obviously limited. In the absence of the constant inflow of new migrants to the ethnic enclave, such market might be shrinking due to gradual assimilation and socio-economic mobility of the migrant populations. This is also the limitation of the product-integrated firms, which offer mainstream goods and services (f.i. real estate, car repair) to the co-ethnic within the ethnic enclave. Therefore, migrants can develop different business models that enable them to go beyond the ethnic enclave. The natural choice is the market-integrated approach, in which the migrant firm offer typical ethnic goods and services for the non-ethnic/general community. The examples of such business include Ayurveda medicine and spa centers or ethnic restaurants. Such firms have a bigger potential for

development than the highly-segmented and product-integrated ones, yet still limited, as there are some barriers to the growth of demand for ethnic-related goods and services in the general population. Finally, there are highly integrated migrant businesses that offer mainstream products and services to the general population and in the mainstream market, competing on equal terms with the native entrepreneurs and the international firms. If they are able to survive this fierce competition, the perspectives for their business development are the greatest out of these four types of enterprises Curci and Mackoy (2010).

The overall picture from these studies is at best ambiguous, as there is very little evidence that businesses located outside of the ethnic enclave economy should fare better to the ones who cater only co-ethnic population (Brzozowski, 2017). There is no clarity whether the ethnic enclave economy contributes to the performance of migrant entrepreneurs in the long run. Yet, what is missing in the theoretical literature is the answer to the following questions: what happens to the migrant entrepreneurs who cannot rely on the ethnic enclave economy in the starting phase of their entrepreneurial activity? How are they able to survive, being drawn into the mainstream market from the very beginning of their entrepreneurial activities? How the initial adoption of market-integrated and highly integrated business strategies affects the business sustainability?

The lenses which facilitate the answer to these questions are provided by the mixed embeddedness theory. Mixed embeddedness is a concept that pictures the ethnic entrepreneurship as the result of the interplay of various factors (Kloosterman & Rath, 2001; Barberis, 2017; Solano, 2016). The mixed embeddedness identifies the structures of a local economy and legal institutional factors, which in general apply a strong influence on the creation and existence of the small business economy. According to Rath, Kloosterman and Razin (2002), the influence of these factors on the access of migrants to small business is even larger. These factors include both personal characteristics of an individual (human capital, access to financial capital, experience) and of the ethnic group (the size of ethnic networks, ethnic cooperation & solidarity), combined with the structural conditions of the host country, such as market conditions and regulatory issues (Rath & Swagerman, 2016). All of them create a specific opportunity structure, which should be analyzed in detail at both national, regional and local level, preferably including comparisons and of business patterns and migrant entrepreneurial trajectories between countries.

Kloosterman (2010) extends the concept of mixed embeddedness by providing a model with three interconnected levels of analysis, which is very useful for describing the opportunity structures for migrant businesses. The macro level relates to the host country: its economic, socio-cultural and legal framework, with a particular attention paid to the regulations which influence business activities. Such regulations can either promote or halt entrepreneurial initiatives of migrants. The meso level describes the markets, which are accessible to migrant businesses, which are crucial for opportunity structure. In this sense, the access to the co-ethnic market or declining sectors left by indigenous entrepreneurs is relatively easy for the initial stages of entrepreneurial activity, but operating in such sector can be later associated to the lower potential for further business development. On the other hand, the access to more promising and attractive markets is more difficult, as the numbers of competitors are bigger. Finally, there is a micro level, which includes the individual resources available to migrant entrepreneur, including personal human, cultural, financial and social capital endowments. In this sense, the co-ethnic social capital could be

crucial for the business survival, as it often supplements deficiencies in other forms of capital (Bagwell, 2017). Therefore, from the mixed embeddedness perspective the ethnic economy includes meso and micro levels of opportunity structures for migrant entrepreneurs, namely the co-ethnic market and the social networks available to the ethnic businessman in the host country. Yet, it still is not very clear to which resources the migrant should appeal when the ethnic enclave is non-existent or poorly developed. The mixed embeddedness suggests that the answer lies in the specific opportunity structures at the meso and micro level, which can compensate the shortages of the co-ethnic market and co-ethnic networks.

3 Methodological issues

Our empirical exercise aims to investigate the deficiencies of the ethnic enclave economy, trying to analyze which opportunity structures are exploited by migrants to secure their business sustainability. In order to get a more complete picture, we compare the entrepreneurial performance of migrants in two distinct locations: Klagenfurt (Austria) and Kraków (Poland). The first case represents a more saturated market of a developed country, the other one the fast-evolving market of the emerging/transforming economy. In both situations, the development patterns of migrant businesses are analyzed for the visible minority entrepreneurs, who are forced to operate outside the ethnic enclave. Based on selected ten case studies (5 in Klagenfurt and 5 in Kraków) we look for the specific trajectories of firm development and we try to assess whether such business models are sustainable in the long run.

3.1 *Rationale for destination choice*

Our choice of two distinct destinations for analyses of migrant entrepreneurship was motivated by the need to include heterogeneous socio-economic context in which migrant business operates. Kraków is a relatively large (750 thousand inhabitants) city in a post-communist Poland, characterized by a fast economic development in the B2B sector, education services and tourism. Klagenfurt is a smaller (100 thousand inhabitants) city in Austria, in which light industry and tourism are particularly important for regional economic development. Yet, both locations have some similarities: first, the importance of the tourism sector in which many migrant businesses are active and the relatively modest number of migrant population. In such context, there are no typical ethnic districts and neighborhoods in which migrant populations tend to cluster, which in turn influences the economic behavior of minority entrepreneurs. In what follows, we shortly describe the migration history in Klagenfurt and Kraków, linking it to the socio-economic structure which affect the migrant businesses.

Poland is perceived as a traditional country of emigration, as an estimated 2.4 million Poles were residing abroad in 2015. On the other side, the migrant population in January 2015 was estimated at mere 175 thousand persons, less than 1 promile of the population (Brzozowski and Pędziwiatr, 2015). Consequently, Poland is a country with a very short immigration history. The immigration in Poland started in the late 1980s and in the beginning of 1990s. This was a quite specific period in terms of economic possibilities for nascent entrepreneurs: on one hand, Poland was recovering from a huge crisis caused by the communist rule and the country was relatively poor compared to other west European countries.

As the result, the few migrants who have moved to Poland in that period - mostly Vietnamese, but also immigrants from MENA region (predominantly Arabs) could easily start business activities in the trading sector. Due to the initial stage of market development the entry barriers to this sector were relatively low. Actually, this initial phase of entrepreneurship was characterized by petty trade conducted at open-air fairs, where migrants were selling clothes, shoes and simple household appliances at rudimentary and simple trade stands, without any extra infrastructure. After 2000, the petty trade on fairs started to be less profitable, as this type of trade has been gradually replaced by huge shopping malls. Poland has become a high income economy, and some of the markets became saturated, implying the necessity to restructure existing business models. Some of the migrant businesses were able to move from “traditional” trade fairs to more profitable gastronomy and even hospitality sectors. Still, in this transition of business activity, the migrants were could not rely on ethnic enclave economy, as it was not existent due to the modest number of migrant population in Kraków and entire Malopolska region (Brzozowski and Pędzwiatr, 2015).

Austria is a landlocked country in Europe while having a long history of migration. It has developed his economy after the Second World War and it has participated in all forms of international migration, including emigration, transit migration, and immigration. The share of the immigrant’s population amounts to 1.813 Million, 21.4% of the total population, which increased from 18.6% in 2011 (Statistics Austria 2016).

Carinthia is a southern Austrian region and Klagenfurt is the capital city of Carinthia. Migrants from Afghanistan, India, and Pakistan could not make ethnic enclave in Klagenfurt. According to the Austrian Statistics, the number of migrants from these three countries in the entire region of Carinthia (populated by ca. 560 thousand persons) in 2016 was rather modest, including 1955 Afghans, 312 Indians and 173 Pakistanis (Statistics Austria, (2017). The cultural and social institutions of these migrants are poorly developed, only for the Muslim community, there is a single mosque in Klagenfurt where they are getting together and planning about business activities and cultural events. Yet, not all of the migrants coming from these countries are Muslim, as there are also Hindu, Sikhs and representatives of other religions, who do not have the same support structures.

3.2 Data collection

The data for our empirical analysis was collected through a two rounds of in-depth interviews: forty interviews were conducted in Kraków in a period of January-February 2014 and eight interviews were conducted in Klagenfurt in November 2016. All the respondents were selected via snowball sampling¹. The interviews lasted 60-90 minutes and were conducted according to the same scenario, which included questions on migration experience, business origins, and development, usage of business networks, the role of ethnic clients and workers. In all cases, the interviews have been recorded, transcribed and cross-checked by the members of the research team. For our study, we have selected ten case studies of migrant entrepreneurs: five from Kraków and five from Klagenfurt. The most important selection

¹ The interviews conducted in Krakow were carried out within a Project „Analysis of the situation and needs related to the integration of foreigners into Polish society on the example of third-country nationals settling in the Małopolskie Voivodeship (2013-2014)” and included both migrant entrepreneurs and wage-employed immigrants, while the interview in Klagenfurt included only migrant entrepreneurs. [For the purpose of our study](#), we have only selected interviews with migrant entrepreneurs, who at the same time were members of visible minorities.

criterion for the case studies was the visible minority status and potentially higher risk of the discrimination, which also played an important role in further business development. Consequently, the migrant entrepreneurs from Kraków are of Arab, Armenian and Vietnamese ethnic origin, while the migrants from Klagenfurt come mostly from a larger Indian Subcontinent. Another selection criterion was the availability of heterogeneous business experiences: therefore, we tried to balance the numbers of the successful and less successful entrepreneurs². The respondents and their testimonials are marked with KRX and KLX symbols, where KR and KL stands for Kraków and Klagenfurt, respectively, and the X is the number of each respondent (1-5).

4 Empirical analysis

The main socio-economic characteristics of our respondents are provided in Tables 1 and 2 in the Appendix. Most of the surveyed entrepreneurs were male (9), and there is only one female respondent. In Kraków, the respondent's mean age is 46, while in Klagenfurt the entrepreneurs chosen for the interviews are much older, with an average age of 50 years (please note that this result is additionally improved by one "outlier" - a young entrepreneur from Afghanistan, aged 25). Most respondents have also a considerable experience living in Poland and Austria - 18 years in Kraków and 29 years in Klagenfurt, respectively. Consequently, all of them have a regularized status of a migrant, being either the permanent residents of the host country or even having its citizenship. In what follows, we describe our case studies, starting with the presentation of the origins of the business foundation. Then we turn to the current business model, investigating its sustainability, and the role of the ethnic community in this regard.

4.1 Starting a business in a host country

In the case of migrant entrepreneurs in Kraków, most of them arrived to Poland taking the advantage of the migration networks, usually helped by the friends and/or family members. As described the Vietnamese female entrepreneur:

After the graduation from studies in Russia I have returned to Vietnam, but I could not find a job there (...) My uncle who lived in Poland at that time told me that here there is a chance to find a job and get good income. He promised to find a job for me, initially, I had been working at his restaurant [KR1].

The same can be said about the respondents from Klagenfurt, for instance, an Indian entrepreneur recalls that:

Actually, without my brother's help, it was impossible for me to stay here in Austria. He helped me to come here and live. He helped me to find a job for me in Villach because, at that time, I could not speak the German language. He arranged my residence here and he gave me some money to survive. [KL3]

Therefore, the initial support stemming from the personal migration network was usually crucial in getting an economic foothold at a destination, and - later on - to start a business activity in a host country. However, this co-ethnic sense of solidarity - albeit crucial for

² In Klagenfurt, the share of stable & succesful to decreasing migrantbusiness in a full sample was the same as in the selected cases, while in Kraków the number of problematic businesses in the full sample was much higher (ca. 55% of migrantbusinesses were facing some sustainability problems).

business foundation - should not be mistaken for the support stemming from the ethnic economy, as the number of the co-nationals at the beginning of the settlement was too small to make a substantial market and create a dense and efficient network of clients and suppliers. This is, for instance, visible in the case of Indian entrepreneur of Sikh origin:

At that time, when I came to Austria there were not a lot of Asian people living here (...) But later we Asian immigrants made a social network. We were actually 6 people here in Klagenfurt. One Pakistani and five Indians. We tried to enjoy our time and we were helping each others. [KL4]

or in the case of the Tunisian entrepreneur in Kraków:

We all stick together. All of my friends are Arabs (...) We help each other: if somebody needs a job or to settle administrative matters, we help him (...) or we provide the information. [KR1]

As the consequence, many of the businesses were either funded with the financial support of the family members (KR2, KR3, KL1, KL3, KL5) or the friends from the same ethnic group (KR1, KR5, KL4). This support was crucial at the very first moments of the business creation, but, as we will see in the further sections, such importance of the family and ethnic networks would decrease with the evolution of the business model.

4.2 Sustainability of the current business model: challenges

As one can see on the Tables 1 and 2, all of the interviewed migrants in Kraków and Klagenfurt, in spite of the relatively long time of the entrepreneurial activity run rather small businesses. The number of people employed in the firms chosen for our case studies ranges from one³ to seven persons. Therefore, these are mostly micro and small enterprises, which are predominantly a source of income for a migrant and one's family both at the destination or in the home country:

We 3 people me, my wife and my brother are working here and we are not unemployed. (...) I just wanted to settle and support my family (...) I am sending money around 5000 euro per year back to my family residing in Pakistan. [KL1]

If you have a family you want to work, because the family needs a source of income. (...) For us [Arabs - authors' comment] the work is very important. We have to work. When you have a family you cannot just leave [KR1]

Yet, the looking at the evolution of the migrant enterprises, we can see a heterogeneous picture: while some of the business are stable in terms of economic development (KR3, KL2, KL4) or even increase their scope of operations (KR1, KR2, KL5), there is a number of firms which are in trouble (KR4, KR5, KL1, KL2). In this latter case, the decline of the migrant business is mostly due to decreasing profitability of the business model. Very often happened that migrants have started their firms, seeing an unexploited niche in the market and were usually very successful at the beginning:

³ In the case of the number of persons employed, we do not consider entrepreneur in person, so for instance in the case of 2 workers it means that an migrant employes two additional people.

The old times were the best period. [KR3]

First three years my business was good [KL1]

but as the market saturated due to increased competition, the profit margins decreased, which in turn affected business sustainability and also family life, as in this case:

No, I don't think so that I expanded my business over the years. (...) Now my income and profit are going low because of competition. (...) Due to self-employment or my business activity, I have no more family life. I couldn't find time for my family. [KL1]

The entrepreneurs who see that their business model is no longer sustainable, usually consider switching to a new business:

Actually, at the beginning, I created 7 jobs and most of them were Austrian. But now a days, only me and my wife are working here. Due to less customers and low income, I can't afford too many workers here. (...) I am searching to sell this restaurant. Later, I would love to become a yoga trainer and if possible I would also like to become food and beverage coach for the Indians or Asians immigrants. [KL3]

Another strategy is the exploitation of the business which is becoming less profitable until the children are old enough and then consider homecoming:

From last few years is becoming more and more difficult. I do not earn that much I used to. (...) We talk a lot about it [our return to Vietnam - authors' remark], in some years to come, when the children will finish school we want to go back to Vietnam and live with my parents. [KR5]

The idea of homecoming and closing the business is often reinforced by the fact that the children of migrants are often much more acculturated than parents' generation and are not interested in the succession of the family business:

I intend to stay in Poland for now. Then it depends on children. (...) My children are more resembling Poles. I do not know how to talk to them. My son thinks as a Pole. I am a Vietnamese and he is a Poloe. (...) So when I turn old, I would go to Vietnam. [KR4]

Another reason for the decreasing attractiveness of the current business model in the case of Vietnamese traders in Kraków was the xenophobic-driven violence, which was connected to the problems with the criminal organizations who wanted that immigrants pay them tribute. As one of the members of the Vietnamese community⁴ relates:

We had a lot of problems with our trading activities. (...) Our colleagues had been bullied (...) Some people were beaten, legs were broken. Four years ago [in 2010 - authors' remark] I have arranged journalists to write about in the journal. They have written an article, but no one helped us. We had called the Police, but no one helped. The attackers were Polish. At that time we had trading stands dispersed. So we could not help each other. (...) Then

⁴ This is a 51-years old Vietnamese male entrepreneur (coded as KR6), which has been finally not included in our case studies due to limited space. The KR5 respondent has signaled however the very same problem, but was not eager to provide more details.

we have talked to our Embassy. They have sent a person who has talked to the Police and from that time we do not have more trouble [KR6]

All of these declining business, although different from business models (KR4 - wholesale trade, KR5 - clothes trade stand, KL1 - kebab fast food kiosk and KL3 - ethnic restaurant), have initially relied on the co-ethnic community as the source of the know-how, financial capital, and pool of the cheap workforce. Moreover, in the case of Vietnamese traders from Poland (KR4 and KR5), both of them have relied on suppliers from Wólka Kosowska - an important wholesale trade located near Warsaw (ca. 4 hours driving distance from Kraków). Albeit in this case the quasi-ethnic enclave in Wólka Kosowska has provided these entrepreneurs with initial competitive advantage, the Vietnamese ethnic community is not strong enough to provide support to its members, as the example described above shows. The Vietnamese in Kraków at the moment of the survey were still struggling to start their own business and cultural association, but with little success.

Therefore, reliance on the elements of the ethnic enclave proved to be beneficial only at the beginning of the business launching, but in the latter course of events could not provide a fertile ground for the firm development. The most notable example in this regard is the Asian restaurant in Klagenfurt, which relied on mostly Asian customers (KL3).

4.3 Sustainability of the current business model: opportunities

Yet, most of the migrant companies considered in our study, perform rather well in spite of the weak ethnic economy and almost non-existent ethnic institutions to which they could recur in a case of need. Therefore, what are the opportunity structures for such migrant businesses, both in Klagenfurt and Kraków? Which strategies of the firm development are the most promising?

The first and most obvious choice is to go beyond the simple ethnic network and expand it, including migrants who are close culturally and geographically (in the case of countries of birth). This is the case of the migrant entrepreneurs in Klagenfurt, which both tend to cooperate with a broader community of Asians in Carinthia. A typical example of such strategy are the owners of the Asian grocery store - in our case studies, both of Sikh origin, which offer typical food products not only from their home countries:

Here people can buy Indian, Afghani, Pakistani and Thai Products. [KL5]

In the case of the migrant entrepreneurs in Kraków, broadening the scope of clients and business partners beyond the simple ethnic enclave requires even more non-standard approaches, which sometimes means forgetting about the typical stereotypes and long-lasting conflicts between ethnic groups. The perfect example of this purely pragmatic approach is a Palestinian restaurant owner, who cooperates not only with Arabs, but also with Jewish entrepreneurs⁵:

This is a harmonious cooperation, we can say (...) there are so many tourist trips from Israel, which come to Kraków (...) then they come to my place, because they know I do not serve pork. And I know that while preparing special food for them, I should not mix cheese

⁵ In this context, it is to say that Kraków, which is located just 70 kilometers from Auschwitz, is a very important place for Jewish tourists both from Israel and all over the world.

with meat (...) I rent a place in which I run a restaurant from a Jewish owner for 20 years. Sometimes I pay for 2-3 months in advance without a formal confirmation, but if there is a crisis, he waits for me those 2-3 months, because he knows I have only temporary hardships. And there is no problem with that. [KR2]

Another useful approach is to extend the pool of clients beyond the ethnic community, by creating a mainstream business. This is a typical example of the Pakistani entrepreneur who owns a bar and a café. However, in this case the innovative approach is crucial in order to find a competitive advantage over the non-ethnic entrepreneurs who run similar businesses:

I expanded my business year by year and now we are offering a lot of new drinks. (...) I am trying my best to provide a friendly environment. I have different opening timings than others. When all other bars are closed. It's my opening time. From 8AM to 12. Then from 4PM to 11PM. And on Fridays and Saturdays from 4 PM to 2AM. [KL2]

The innovative approach is mostly visible in the case of the Asian grocery shop in Klagenfurt, which is in fact a form of refugee entrepreneurship. It was funded and started by the Sikh family who fled from Afghanistan. The business was initiated as a "traditional" food store, offering typical ethnic food for Asian customers. However, the innovations were a must due to increasing competition and replication of the former business model by other Asian entrepreneurs:

After that when I started my business, there are almost three others Asian shops opened in Klagenfurt. I am providing new products in the market. Which are not available in the market. [KL5]

Consequently, the owners of the firm decided to expand the product offer:

I started my business with 100 products in 2014 and now we have more than 500 products. I am trying my best to expand it more. [KL5]

This expansion of product offer includes not only typical food products but also phone cards, smartphones, cosmetics, kitchen equipment and telecommunication and money transfer brokerage services. The new products and services are advertised on a FB page, which is updated almost on a daily basis. The shop also offers tickets and advertises some cultural events, like the festival of Bollywood movies at a local cinema. From the moment we had interviewed the owner, the business has expanded and has now a second location in Villach.

Consequently, in the case of the surveyed entrepreneurs, the reliance on the poorly developed ethnic enclave proved to be not efficient. As the result, in order to survive and develop their business, migrant entrepreneurs in Kraków and Klagenfurt had to look for non-traditional allies, extending their ethnic community through a cooperation with other migrant communities at both locations. Moreover, successful entrepreneurs needed to be more innovative than other migrants, but also native entrepreneurs. The origins of such innovative approaches stem not only from the entrepreneurial spirit but from the former embeddedness in the host country but also more generally speaking European economy and culture. For instance, the Sikh owner of the grocery store (KL4) was able to raise money for his business thanks to a former work episode as an engineer in Greece. The owner of Kebab kiosk from Tunisia (KR1) became a successful entrepreneur only after a first, unsuccessful

attempt in Poland. In his case learning from former mistakes and already high levels of accumulated cultural capital (f.i. knowledge of Polish language) were crucial for his subsequent business success. Finally, the owner of the bar and café in Klagenfurt has gained profound experience of the profession and the entire sector, as he worked before as a bar attendant for 20 years.

5 Conclusions

The results of our study demonstrate that migrants from visible minority groups who conduct entrepreneurial activities in a host country do not necessarily have to rely on the ethnic economy. In the case when the ethnic community at the destination is scarce and their institutions and markets are poorly developed, the ethnic enclave does not provide a shelter for business activity, especially in the startup phases. Therefore, the businesses conducted in such way are not sustainable in a long run. This problem is visible in the case of Vietnamese petty traders at trade fairs in Kraków (KR4, KR5) and the Indian owners of ethnic restaurants in Klagenfurt (KL1, KL3). In most of these cases, the migrant entrepreneurs planned to close their business activity, while the migrant KL1 is trapped in the entrepreneurial activity, unable to change the business model and to start a more profitable firm or job.

Therefore, when there is no support from the ethnic economy, migrant entrepreneurs have to go beyond traditional ethnic community and reliance on co-ethnic social capital to make their businesses sustainable. In Klagenfurt, the main strategy of migrants is to extend the network outside the migrants from the home country, and to cooperate within a broader community of Asian migrants (KL4, KL5). In Kraków, where the migrant communities are even smaller and less concentrated within the geographical area (so there are no ethnic/migrant districts yet), the migrant entrepreneurs have to be even more innovative in the terms of the alliance-seeking, as demonstrated by KR2, a Palestinian owner of the restaurant, who cooperates with the Jewish entrepreneurs in spite of the potential hostility between these two ethnic groups. In this sense, the surveyed entrepreneurs go beyond the typical dichotomy of opportunity structures, proposed in the seminal contribution of Aldrich and Waldinger (1990). Instead of developing a business that serves ethnic community needs, they broaden the network of suppliers and business partners by adding entrepreneurs from other ethnic groups, therefore bypassing the traditional dominance of non-ethnic/indigenous businessmen who usually control the access to the mainstream market. The results of our analysis correspond with the study of Arrighetti, Bolzani and Lasagni (2014), who coined the term multicultural hybridism. In their understanding, migrant entrepreneurs who try to enter the mainstream market are aware, that in order to succeed economically, a different combination of information, skills and other resources are needed than those which are available in the ethnic community. The right answer to such challenge is to create a multicultural hybrid in a firm, in which inter-ethnic managerial and labor resources are used. Our understanding of opportunity structures is very close to this multicultural hybridism developed by Arrighetti and associates (2014), but we focus more on individual small-scale entrepreneurs than on the managerial level of the enterprise.

Our study, albeit explorative in nature contributes to a better understanding of the role of the migrant entrepreneurs who operate outside the ethnic economy. We show that the mixed embeddedness concept is very useful in explaining the evolution of such businesses, as the embeddedness of migrants in the host country institutions and communities is crucial.

Yet, the usage of the opportunity structure of micro and meso level should be considered in an inclusive and holistic way: not only the own ethnic community is important, but also indigenous population (as demonstrated in the case of KL2 - Pakistani bar owner, who worked for 20 years as bar attendant) and other ethnic communities. Consequently, the further studies on the performance and sustainability of migrant businesses should at least control for the efficiency/inefficiency of the ethnic economy and alternative opportunity structures.

From the perspective of policy implications, our results as the study is purely explorative have to be analyzed with caution. However, it might be interesting to consider the promotion of extended business and cultural cooperation between heterogeneous ethnic groups at a given location. This policy can be carried out within multicultural centers, which apart from promoting an ethnic culture of various migrant groups, could also offer workshops and further training for entrepreneurs. Such events, apart from increasing entrepreneurial skills, could also add a potentially synergic effect, facilitating the new contacts between migrant entrepreneurs of various ethnic origins and enabling their further business cooperation.

Literature

Achidi Ndofor, H., & Priem, R. L. (2011). Migrant entrepreneurs, the ethnic enclave strategy, and venture performance. *Journal of Management*, 37(3), 790-818.

Adendorff, C., & Halkias, D. (2014). Leveraging ethnic entrepreneurship, culture and family dynamics to enhance good governance and sustainability in the migrant family business. *Journal of Developmental Entrepreneurship*, 19(02), 1450008-1 - 1450008-23.

Aldrich, H. E., & Waldinger, R. (1990). Ethnicity and entrepreneurship. *Annual Review Of Sociology*, 16(1), 111-135.

Ambrosini, M. (2013). Immigration in Italy: Between economic acceptance and political rejection. *Journal of International Migration and Integration*, 14(1), 175-194.

Andersson, L., & Hammarstedt, M. (2015). Ethnic Enclaves, Networks and Self-Employment among Middle Eastern Immigrants in Sweden. *International Migration*, 53(6), 27-40.

Arrighetti, A., Bolzani, D., & Lasagni, A. (2014). Beyond the enclave? Break-outs into mainstream markets and multicultural hybridism in ethnic firms, *Entrepreneurship & Regional Development*, 26(9/10), 753-777.

Barberis, E. (2017). Diversity, entrepreneurship and local embeddedness. A case study in Milan, Italy.

Bates, T. (2011). Minority entrepreneurship. *Foundations and Trends in Entrepreneurship* 7 (3-4), 151-311.

Beckers, P., & Blumberg, B. F. (2013). Immigrant entrepreneurship on the move: a longitudinal analysis of first-and second-generation migrant entrepreneurship in the Netherlands. *Entrepreneurship & Regional Development*, 25(7-8), 654-691.

Brzozowski, J., (2017). Entrepreneurship and economic integration of immigrants: a critical review of literature, *International Journal of Entrepreneurship and Innovation Management*, online first, doi: 10.1504/IJEIM.2017.10009134

Brzozowski, J., & Pędziwiatr, K. (2015). Pushed to the mainstream market: the case of migrant entrepreneurs in Lesser Poland [in:] L. Falt'an (ed.), *Cross-Border Migration and its Implications for the Central European Area*, Institute for Sociology of the Slovak Academy of Sciences, Bratislava [ISBN 978-80-85544-88-6], 178-198.

Castles, S., & Miller, D. (2009). *The Age of Migration: International Population Movements in the Modern World*. Guilford Publications, New York, US.

Chrysostome, E., & Lin, X. (2010). Migrant Entrepreneurship: Scrutinizing a Promising Type of Business Venture, *Thunderbird International Business Review*, 52 (2), 77-82.

Dana L.P. & Morris M. (2007). Towards a synthesis: A model of migrant and ethnic entrepreneurship. In: LP Dana (Ed.): Handbook of Research, Cheltenham: Edward Elgar Publishing, 803-812.

Dana, L. P. 1993. Towards a Synthesis: A Model of Migrant and Ethnic Entrepreneurship: Case Studies of Business Creation among Immigrants in Montreal. *Journal of Small Business & Entrepreneurship* 10 (4), 16-31.

Danes, S. M., Lee, J., Stafford, K., & Heck, R. K. Z. (2008). The effects of ethnicity, families and culture on entrepreneurial experience: An extension of sustainable family business theory. *Journal of Developmental Entrepreneurship*, 13(03), 229-268.

Head, K., and J. Ries. (1998). Immigration and Trade Creation: Econometric Evidence from Canada. *The Canadian Journal of Economics [Revue canadienne d'Economique]* 31 (1): 47-62.

Hjerm, M. (2004). Migrant Entrepreneurship in the Swedish welfare state. *Sociology*, 38(4), 739-756.

Hou, F. (2009). Immigrants working with co-ethnics: Who are they and how do they fare?. *International Migration*, 47(2), 69-100.

Kloosterman, R., & Rath, J. (2001). Migrant entrepreneurs in advanced economies: mixed embeddedness further explored. *Journal of Ethnic and Migration studies*, 27(2), 189-201.

Kloosterman, R., and J. Rath. 2003. *Migrant Entrepreneurs: Venturing Abroad in the Age of Globalization*. Oxford: Berg Publishers.

Light, I and Gold, S (2000). *Ethnic Economies*. San Diego, CA: Academic Press.

Light, I., Sabagh, G., Bozorgmehr, M., & Der-Martirosian, C. (1994). Beyond the ethnic enclave economy. *Social Problems*, 41(1), 65-80.

McEvoy, D., Hafeez, K., and Keoy, K.H. (2010). Special Issue: Ethnic Minority Entrepreneurship and Management: Introduction from Special Editors. *International Small Business Journal* 28(2), 131-135.

Rath, J. (2006). Entrepreneurship among Migrants and Returnees: Creating New Opportunities. *International Symposium on International Migration and Development*, UN: Turin, 1 - 10.

Rath, J., & Swagerman, A. (2016). Promoting Ethnic Entrepreneurship in European Cities: Sometimes Ambitious, Mostly Absent, Rarely Addressing Structural Features. *International Migration* 54(1): 152-166.

Raza, M., Beaujot, R., & Woldemicael, G. (2013). Social capital and economic integration of visible minority immigrants in Canada. *Journal of International Migration and Integration*, 14(2), 263-285.

Rath, J. C., Kloosterman, R. C., & Razin, E. (2002). The economic context, embeddedness and migrant entrepreneurs. *International Journal of Entrepreneurial Behaviour & Research*, 8(1/2), 162-167.

Sanders, J.M., & Nee, V. (1996). Migrant self-employment: the family as social capital and the value of human capital. *American Sociological Review*, 61 (2), 231-249.

Solano, G. (2016). Multifocal entrepreneurial practices: the case of Moroccan import/export businesses in Milan. *International Journal of Entrepreneurship and Small Business*, 29(2), 176-198.

Statistics Austria, (2017), *Statistic Year Book on Migration and Integration 2016*.
https://www.statistik.at/web_en/statistics/PeopleSociety/population/population_change_by_demographic_characteristics/109239.html

Szarucki, M., Brzozowski, J., & Stankevičienė, J. (2016). Determinants of self-employment among Polish and Romanian immigrants in Germany. *Journal of Business Economics and Management*, 17(4), 598-612.

Vinogradov, E., and Isaksen E.J., (2008). Survival of new firms owned by natives and immigrants in Norway, *Journal of Developmental Entrepreneurship*, 13(1): 21-38.

Wilson, K. L., & Portes, A. (1980). Migrant enclaves: An analysis of the labor market experiences of Cubans in Miami. *American Journal of Sociology*, 86(2), 295-319.

Wong, L., & Primecz H. (2011). Chinese Migrant Entrepreneurs in Budapest: Changing Entrepreneurial Effects and Forms. *Journal of Asia Business Studies* 5 (1), 61-76.

Yeasmin, N. (2016). The determinants of sustainable entrepreneurship of immigrants in Lapland: An analysis of theoretical factors. *Entrepreneurial Business and Economics Review*, 4(1), 129-159.

Appendix

Table 1 Migrant Entrepreneurs in Kraków

	KR1	KR2	KR3	KR4	KR5
Ethnic origin	Tunisian	Palestinian	Armenian	Vietnamese	Vietnamese
Gender	Male	Male	Male	Male	Female
Age	49	43	47	41	48
Marital status	married, Polish wife	married, Palestinian wife	married, Armenian wife	married, Vietnamese wife	married, Vietnamese husband
Children	2	2	2	3	2
Educational background	secondary level, home country	tertiary, Poland	secondary level, home country	secondary level, home country	tertiary level, university in Russia
Length of stay in Kraków	5	24	23	14	24
Initial economic activity in Poland	first stay (1999-2002) not successful, came back because of marriage with Polish woman	came to study at Polytechnic University	initially micro-entrepreneur in trade (illegal)	formerly umbrella wholesaler in Gdańsk	Initially worked at uncle's restaurant in Warsaw
Length of current business activity	3	15	14	10	24
Business model and sector	kebab kiosk (small restaurant)	small restaurant	firm specialized in trade	shoe wholesaler	clothes trade at trade fair
Business size (no. persons employed)	3	7	2	4	1
Ethnic composition of workforce	co-ethnic and other foreign	mostly Polish	Armenian, family members	half Vietnamese, half Polish	Vietnamese, family member
Ethnic composition of clients	mostly Polish	mostly Polish, but also foreign tourists including Israeli	mostly Polish	mostly Polish	mostly Polish
Usage of networks (transnational & diaspora, ethnic, family, native/autochthonic)	Strong co-ethnic business network (with other Arabs in Kraków)	Family business (cooperation with brother), plus cooperation with Jewish entrepreneurs (hotel owners)	Cooperation with Polish and Vietnamese entrepreneurs	Cooperation with Polish and Vietnamese firms, mostly from Wólka Kosowska	Loan from other Vietnamese to buy an apartment, main suppliers at Wólka Kosowska
Business sustainability (stable, increasing, decreasing)	Increasing	Increasing	Stable	stable/decreasing	Decreasing, planning to close and return to Vietnam

Table 2. Migrant Entrepreneurs in Klagenfurt

	KL1	KL2	KL3	KL4	KL5
Ethnic origin	Pakistan	Pakistan	India	India (Sikh)	Afghanistan (Sikh)
Gender	Male	Male	Male	Male	Male
Age	49	58	59	61	25
Marital status	Married	Married	Married	Married	Married
Children	3	4	2	4	0
Educational background	Secondary level in home country	Secondary level in home country	Tertiary education in home country	Tertiary education in home country (engineer)	Secondary education in home country
Length of stay in Klagenfurt	27	40	37	37	4
Initial economic activity in Austria	Worked in Mc Donald's	Worked for 20 years as a bar attendant	manual worker at hotel in Villach, then 7 years of work and training in gastronomy sector	worked at a shipping assistant engineer	Asian grocery store
Length of current business activity (years)	7	19	20	18	3
Business model and sector	Kebab kiosk (small restaurant)	Café and pub	Restaurant	Asian grocery store	Asian grocery store
Business size (no. persons employed)	2	5	3	1	2
Ethnic composition of workforce	co-ethnic (other family members)	mostly Austrian	co-ethnic and other foreign	co-ethnic (wife)	co-ethnic (other family members)
Ethnic composition of clients	mostly Austrian	Austrian & European	mostly Asian	Asian, African and Western-Europeans	mostly Asian and Arab, but also Austrian and other European
Usage of networks (transnational & diaspora, ethnic, family, native/autochthonic)	Mostly relies on family network, supports family in Pakistan	No usage of ethnic network	Strong co-ethnic business network (with other Asians in Klagenfurt)	The importance of ethnic ties at the beginning of business foundation, now weaker	Mostly relies on family network, supports wife in India
Business sustainability (stable, increasing, decreasing)	Decreasing	Stable	Decreasing, planning to close and change business model	Stable	Increasing