

Integration through Entrepreneurship in Norway: Current Situation, Opportunities and Policy Implications

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Abstract

This master's thesis has addressed the topic of immigrant entrepreneurship that is becoming increasingly important in Norway along with the increased immigration. The thesis has reviewed the most up to date research on the topic from Norway and abroad and developed a model that explains the phenomenon of immigrant business. Also the current situation with respect to innovation and entrepreneurship in Norway is reviewed. The theoretical model is tested empirically through carrying out 11 interviews with immigrant entrepreneurs in Bergen, Drammen and Oslo. The thesis concludes that immigrant entrepreneurship is a phenomenon that is releasing creativity and innovation and leads to a better integration and life quality of immigrants and thus should be encouraged by the policy makers. The major obstacles immigrant entrepreneurs face in Norway are lack of financing and hardships dealing with the laws and regulations and the thesis makes a number of policy suggestions to overcome these.

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Foreword

This thesis has addressed a topic – immigrant entrepreneurship that is becoming increasingly important in Norway along with the increased immigration. Thus it has been very exciting to work on this thesis and I hope that the findings revealed here will be useful for the Norwegian policy makers, concerned with immigration, integration and entrepreneurship.

I am very thankful to all people that have helped me when writing this master's thesis. First and foremost all the interviewees that found time in their busy schedules to spend couple of hours for an interview and without whom this thesis would have not been possible. I am also grateful to my thesis supervisor Kåre Petter Hagen who was always willing to read, comment and correct my thesis and was always very supportive and encouraging. I am very grateful to the Norwegian Integration and Diversity Directorate for the generous financial support to this thesis that enabled my fieldwork in various parts of Norway. Last, I am utterly thankful to the A Wilhelmsen Foundation that made financially possible my master's studies at the NHH in Bergen, which has certainly been among the best periods of my life.

Now, I am happy too look back at an exciting period of thesis writing and hope that my readers will enjoy reading this thesis as much as I have enjoyed writing it.

Maris Miglans

Riga, June 2010

Introduction

Norway is a country that is attracting a steadily increasing flow of immigrants from all over the world. Currently there are approximately 508 thousand persons living in Norway that have immigrant background. 422,6 thousand of these are born abroad and have emigrated to Norway and 85,6 thousand are born in Norway with immigrant parents. Additionally there are 230 thousand people living on Norway that have one Norwegian born and one foreign born parent. (data from beginning of 2009). Immigrants are hence approximately 10,6 percent of the total population. The largest immigrant groups by the region of origin are Europe – 46%, Asia – 37%, Africa – 12%, South America – 3%, North America and Oceania – 2%. Norway was a country of net emigration until the 1960s and immigration to Norway took off only in 1970's and was initially dominated by immigrants from the other Nordic countries and Western Europe. However the immigration was moderate until the end of 1980's when increasingly more immigrants started to arrive from Asia, Africa and South America. This was followed by a wave of eastern European immigrants that started in the end of 1990's. In total over 377 thousand persons immigrated to Norway from countries outside the Nordics in the period 1990 – 2008. In 2008 alone, around 50 thousand people migrated to Norway meaning an increase of the total population of more than one percent in a single year. Also the number of asylum seekers in Norway is growing. Majority of new immigrants come from European countries with Poles being decidedly the largest group – in total 36 thousand poles have immigrated to Norway in the period 2003 – 2008. Immigrants are unevenly spread across country with largest population in the counties of eastern Norway with Oslo having the largest population of immigrants – 26% of the total city population. Largest ethnic groups are Poles, Swedes, Pakistanis, Iraklis, Somalis and Germans (SSB, 2009). In total there are 214 immigrant groups in Norway out of which 53 consist of 100 or more individuals (Vinogradov, 2008, SSB 2009).

This raises the issue of integration of immigrants into the Norwegian society and labor market. The unemployment rate of immigrants in Norway is steadily above the unemployment of the rest of the population. The latest data from the Norwegian Statistics Bureau (SSB) indicates that by the end of August 2009 the unemployment rate among immigrants living in Norway was 7,5 percent or 20153 persons - an increase from 4,6 percent a year earlier. In the same period the unemployment rate for the rest of the population increased from 1,5 percent to just above 2,5 percent. Thus immigrants both have higher

unemployment and are harder hit by the unemployment increase resulting from global financial crisis. Among the immigrants the lowest unemployment was among the immigrants coming from the Western Europe and the Nordics and highest among Africans and Asians. The largest unemployment is among Somali immigrants, there only 31,7 percent are employed. In total, people with immigrant background accounted for 26 percent of the total unemployment in Norway (SSB, 2009). For those immigrants that are in employment the median wage is below the wage earned by the native born. This salary gap is of similar order as that observed in other OECD countries (Liebig, 2008).

The attitudes towards immigrants in the Norwegian labor market are quite positive. A report from SSB published in November 2009 revealed that 70 percent of Norwegians find that immigrants have positive impact on the Norwegian labor market. However around 30 percent of Norwegians also find that immigrants abuse the social benefits system in Norway and are a source of unsafety in the society (SSB, 2009).

In the mean time immigrants have proved to be rather active in starting own businesses. From all businesses started in 2005, 4.3 percent were started by immigrants with western background and 7.8 percent by immigrants of non-western background. The primary sectors for non western immigrants are hotel and restaurant, transportation and retail and detail trade including primarily fast food restaurants and taxi companies. Also there is a considerable amount of real estate related businesses owned by non-western immigrants. For the western immigrants the largest sectors are real estate, construction and health services (SSB, 2006). Even though the share of self employed among all groups of immigrants is below the national average, some groups, including e.g. Chinese, Pakistanis and Indians have levels of self employment well above the national average. In general it is immigrants from Western countries and Asia who show the highest levels of self employment, while immigrants from Africa and Eastern Europe are underrepresented (Vinogradov, 2008).

Immigrants have thus been proved to display marked propensity towards starting own ventures. This is often explained by the disjunction between their status aspirations and the status opportunities available for them in host countries due to e.g. labor market discrimination. This disjunction leads the immigrants to seek to overcome the structural barriers through innovative and creative economic ventures. Another reason for immigrants being active in starting own ventures is the fact that they have to take considerable risks when

leaving their home countries, making immigrants a more dynamic and risk taking group when they arrive in the new host country.

This thesis has been inspired by the research field developed in the United States under the name of “ethnic entrepreneurship” or “immigrant business”. Some of the most well known contributors to this research are Roger Waldinger and Ivan Light whose works have been used in the consequent parts of this research.

Even though research on immigrant or ethnic entrepreneurship in Norway is scarce there has been an increase in the research devoted to this topic in recent years. The positive effects of immigrants engaging in entrepreneurial ventures are numerous. First of all immigrant entrepreneurship may help to reduce the high unemployment rates among immigrants and also provide employment for the natives. Second immigrant entrepreneurship may promote creativity and innovation, through e.g. new products introduced in the market. Lastly, entrepreneurship may help to integrate people born abroad in the domestic society. (Ljungar, 2007). Some other benefits of ethnic entrepreneurship include improvement of stagnating industries and neighborhoods, increase of trade between the receiver and sender countries etc.

Ljungar (2007) observes that in Sweden the immigrant entrepreneurs primarily start business in industries that are already occupied by large proportion of immigrant entrepreneurs. So instead to adding to creativity and innovation many entrepreneurs just take over the industries that are found unattractive and left by the locals. Another fact observed by Ljungar (2007) is that immigrants often start businesses that underutilize their skills and education. The author therefore questions whether labor market integration through entrepreneurship can be seen as synonym to social integration, since immigrant entrepreneurship often seem to underutilize the potential of the persons with foreign origin. So entrepreneurship of immigrants can be seen as positive creativity releasing and integrative process but also as a failure of the integration policies when immigrants are forced into starting own ventures in the absence of plausible labor market alternatives. It is important to realize also that immigrant entrepreneurship is not limited just to food or kebab stores but is a much more dynamic and wide phenomenon, including businesses varying in industries, sizes and target markets.

This thesis will research the topic of ethnic entrepreneurship based on empirical study of immigrant entrepreneurs mainly in the urban areas of Bergen and Oslo.

This thesis aims at answering the following research questions

- 1. What are the reasons for immigrants to start new ventures?*
- 2. What are the government/municipality support measures available for immigrants willing to start own business? To what extent do immigrants use these mechanisms?*
- 3. What are the main hindrances immigrants face when starting own ventures?*
- 4. Does immigrant entrepreneurship lead to an increased integration?*
- 5. How should the governmental policy measures be designed towards immigrant entrepreneurship?*

The research questions will be answered by carrying out interviews with immigrant entrepreneurs and other stakeholders and reviewing the research literature on the topic.

This thesis aims at analyzing if and how immigrants in Norway are encouraged to start own business and what hindrances are there preventing immigrants from starting own business. The thesis will also give a review of the relevant research literature on the issue. Hence, the thesis will provide a status quo analysis of the situation in Norway and produce policy guidelines for the Norwegian lawmakers.

The thesis will proceed as follows. The first section will focus on entrepreneurship in general, describing the current situation with regard to entrepreneurship and innovation in Norway. Second section will analyze ethnic entrepreneurship as a vehicle of integration and review the most up to date research on ethnic entrepreneurship in the Nordics and around the world, making a distinction between the European and American schools of research. As a result of this section's analysis an empirical model will be set up to be used in the fieldwork/case studies. Third section will analyze the general business environment and the entrepreneurship support framework that exists in Norway and also the research that exists on optimal entrepreneurship support systems. This section corresponds to the demand side of the model developed in section two. Fourth section will, based on empirical fieldwork and secondary data analysis, describe the current situation and challenges for ethnic entrepreneurs in Norway and link the results to the theoretical model developed in section two. Fifth section will conclude and, based on previous sections, produce a set of policy suggestions that may be useful for policy makers concerned with integration and entrepreneurship support.

Section 1: Entrepreneurship in Norway

The purpose of this section is to give an insight in the concept of entrepreneurship and describe the current situation regarding entrepreneurship in Norway. These findings will be useful when I later discuss the concept of ethnic entrepreneurship.

Definition

There are many definitions of an entrepreneur in the research literature. Henrekson and Stenkula (2007) give a summary of definitions by Schumpeter, Kirzner, Knight and Say. According to Schumpeter, entrepreneur is first and foremost an innovator who identifies and introduces new innovative combinations of available factors of production. Schumpeter defines innovation in the following forms – new products, new methods of production, new markets, new production resources and new organizations or forms of organization. On the other hand, the Austrian economist Kirzner emphasizes entrepreneur as an arbitrageur who identifies and acts on unused profit opportunities in the economy. These opportunities can exist due to imbalances or due to ineffective use of resources in the economy and exploiting them does not necessarily need to involve innovation. Frank Knight defines entrepreneur as someone who takes decisions under ambiguity and is hence harnessing this ambiguity. Lastly, Jean-Baptiste Say describes entrepreneur as a coordinator - who coordinates, supervises and takes decisions about how and for what, knowledge, labor and capital shall be organized and used. Without this role of an entrepreneur there would be no entrepreneurial activity. Some more definitions are presented by Spilling (2006): for instance Drucker defines entrepreneurship as an innovative activity which with departure in existing resources organizes new value creating activity. Shane on the other hand gives the following definition of entrepreneurship – entrepreneurship is to organize new activity that has not existed before, based on identifying, evaluating and use opportunities to introduce new products, services, organization modes, markets, processes and raw materials. The definitions of entrepreneurs and entrepreneurship are countless but a good summary of the functions of an entrepreneur is given by Spilling (2006), according to him there are five main functions of an entrepreneur: (1) take risk, (2) create new opportunities, (3) coordinate the usage of limited resources, (4) search for new opportunities and (5) be a capitalist. Spilling thus integrates the roles of an entrepreneur mentioned before - innovator, coordinator, risk taker and arbitrageur.

Even though the definitions of entrepreneurship vary, the overriding idea is the one of bringing something new in terms of the product, market or use of resources. Therefore one must note that not all business activity can be classified as entrepreneurship. The following model by Spilling helps to differentiate between entrepreneurship and other forms of business activity.

| Type of activity | Way of organizing the activity | |
|-------------------------|---------------------------------------|--------------------------|
| | <i>New business</i> | <i>Existing business</i> |
| <i>Innovation</i> | (1) Entrepreneurship | (2) Intrapreneurship |
| <i>Imitation</i> | (3) Imitating start-up | (4) Immitative expansion |

Table 1: Types of Business Activity. Source: Spilling (2006)

Thus all business activity is not necessary entrepreneurship. This distinction will later be useful when talking about ethnic entrepreneurship.

The entrepreneurship literature often makes a distinction between opportunity based and necessity based entrepreneurship, where the first one is entrepreneurship based on identifying and seizing an opportunity while the second one is an entrepreneurship e.g. stemming from lack of other employment opportunities. Much of entrepreneurship literature as summarized above focuses on innovation as a vital part of entrepreneurship; therefore necessity based entrepreneurship may even not be regarded as entrepreneurship in a strict sense since necessity entrepreneurs often enter markets already saturated. This would therefore rather qualify for imitating start up as was discussed above. However it is important to note that necessity based entrepreneurship may be seen as the first step towards opportunity based entrepreneurship as the necessity entrepreneurs discover an unused niche or innovation (Henrekson and Stenkula 2007).

Why focus on entrepreneurship

The focus on entrepreneurship and small entrepreneurial ventures reemerged in 1970's when the global economic turmoil challenged the benefits of large companies to serve as the change agents and creators of wealth in an economy (Henrekson and Stenkula, 2007). Two factors have contributed to the increased focus on entrepreneurship and small ventures. Firstly, the IT revolution has enabled cost efficiency in small companies compared to large companies that traditionally benefit from scale economies. Second, the increased globalization and

integration of the world economy has created demand for specialized niche products thus facilitating with smaller, specialized ventures, as opposed to large scale producers (Førre, 2007). The trend described is confirmed by looking at company statistics from the 1970s onwards. For instance the aggregate employment by Fortune500 companies in the USA fell from 20% in 1970 to just 8,5%.(Førre, 2007). Several researchers have pointed out the importance of entrepreneurship for the overall development of an economy. Braunerhjelm and Wiklund (2006) for instance talk about entrepreneur as the spreading agent which is the motor driving the economic development whilst knowledge is the fuel. Braunerhjelm and Wiklund (2006) also report a clearly positive relationship between the number of small entrepreneurial companies and the economic growth in the country. In the same time they find that the relationship is much less pronounced for investments in R&D and economic growth. Thus investment in R&D alone would not lead economic growth in the country if the entrepreneurs that commercialize the results of the research are absent. Similarly Caree and Thurik (2003, quoted in Baycan-Levent, 2006) find that both higher rate of new business start-ups and higher rate of turbulence (the sum of start-ups and closures) enhance, after a certain time lag, economic growth and job creation. Also Tuft (2009) cites a research by Global Entrepreneurship Monitor (GEM) which finds that entrepreneurship can explain about 1/3 of a country's economic growth. Also Waldinger et al. (1990) concludes that economic growth depends on a society's ability to encourage and foster the birth of new , small firms, whether ethnic or not. Finally focus on entrepreneurship may be particularly important in the environment of current economic crisis. It has namely been proved that entrepreneurship is one of the mechanisms that can help turn around recession by reallocating resources (Acs et al., 2008 quoted in Tuft, 2009). Same conclusion is made by OECD (2009) who conclude that it is a combination of innovation and entrepreneurship that can return countries to the path of sustained economic growth.

There is of course also some criticism of the focus on entrepreneurship. For example, Rudzitis (2010) refers to the American economist Scott Shane who concludes that the focus should be on supporting existent enterprises, instead of promoting establishment of new companies. According to him the newly established companies in the USA go bankrupt on average after 5 years and their owners earn on average 35 percent less than what they would have earned in a salaried job.

Entrepreneurship in Norway - current situation

The purpose of this section is to show how Norway is positioned in an international context with regard to entrepreneurship. Other Nordic countries are used as comparative sample for Norway.

Norway is one of the countries covered by the Global Entrepreneurship Monitor (GEM). In 2008 Norway's TEA score (percentage of entrepreneurs in the population aged 18 - 64) was 8,7 % which consists of 5% percent of the population that is in the process of establishing a business and 4% that are involved in businesses started in the last 42 months (and a small percentage that is doing both). Thus early stage entrepreneurial activity is engaging over 256 thousand Norwegians in 2008. 7,7 percent of the population owns an established company older than 42 months. Additionally 10.7% of the Norwegian population expect to start a business within the next 3 years. 39% of the population perceive there to be good business opportunities in the area where they live. The TEA Score places Norway in the 5th place among innovative economies and in the third place in Europe only after Iceland and Greece. With exception of 2007, the TEA score of Norway has constantly been above 7% thus placing Norway among the most entrepreneurial nations in the developed world. As can be seen in Figure 1, Norway is leading in terms of early stage entrepreneurial activity in the Nordics only surpassed by Iceland.

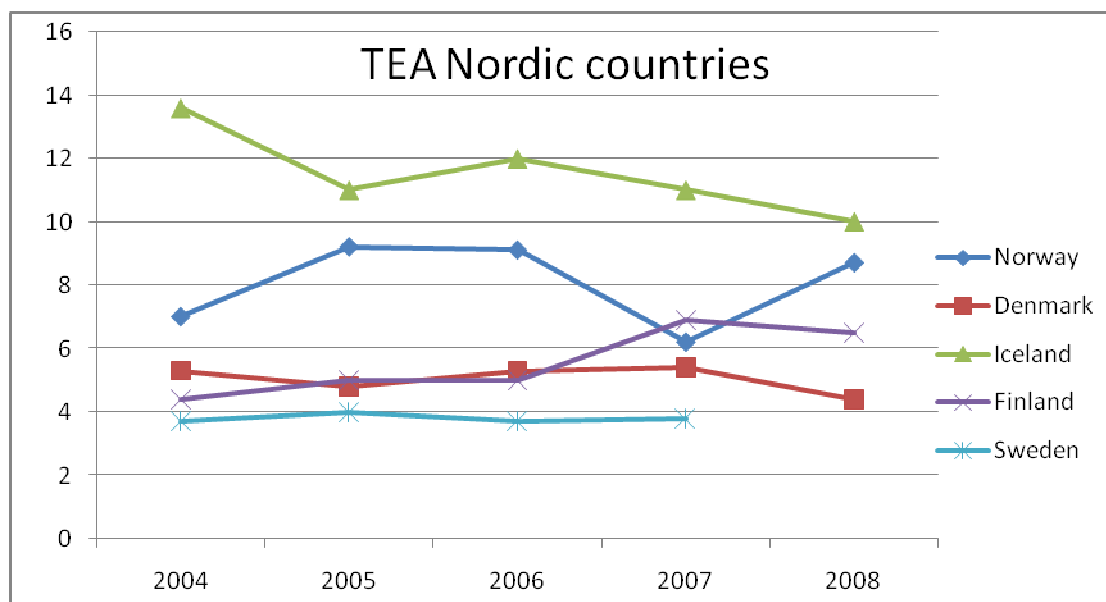


Figure 1: TEA indicators for Nordics, Source: GEM (Index for Sweden 2008 n/a)

Also in the period between 2002 and 2008 there were between 1,1 and 1,5 persons trying start a new business for every person who is owning and running a business older than 42 months. This is clearly above the average for developed countries which is 0,95.

So, generally Norway appears to have a rather dynamic entrepreneurial culture and large part of the population is choosing entrepreneurship instead of employment. This is a very positive sign, especially given the very low unemployment figures in Norway. In fact according to GEM report 2008, 93% of the companies started are motivated by opportunity so the forced entrepreneurship as the only alternative to unemployment is low in Norway, even though the figure may be higher for immigrant entrepreneurs. Norwegians seem to be rather confident when it comes to trust in own capabilities and knowledge to start and run own business. In 2008, 49 percent of Norwegians considered themselves to have sufficient capabilities to start own business. This can be compared with the average for developed countries which is at 36%. Also 54,9 percent of the population see entrepreneurship as an attractive career choice. According to OECD (2009) population in Norway also has among the most positive views towards entrepreneurs in Europe – very few regard entrepreneurs as selfish and exploitative.

It is however important to note that another statistics, compiled by OECD (2009) estimate the total self employment rate in Norway to around 6% of the working population, with a slightly higher proportion for foreign born Norwegians. This places Norway behind its peers Sweden and Denmark. For an overview of OECD entrepreneurship indicators for Norway see Appendix 1.

Innovation in Norway

According to European Innovation Scoreboard 2009 published by the European Commission, Norway's overall innovation performance is below the EU 27 average. All the other Scandinavian countries are in the group of innovation leaders, with innovation levels well above the EU27 average. Norway scores behind most west European countries but also such less developed countries as Czech Republic and Estonia. The rate of improvement of innovation is also below the EU27 average (Pro Inno Europe, 2009).

The Norwegian businesses also seem to under prioritize research & development and spend just over 1% of industry value added on R&D, placing Norway in the bottom league in Europe. The R&D intensity is almost four times bigger in Sweden and Finland who are both

European leaders. Also, the proportion of firms with new to market product innovations are much lower in Norway than in e.g. Finland and Sweden (OECD, 2009). For review of innovation indicators see Appendix 1.

Thus, summarizing, there seems to be a place for improvement both when it comes to entrepreneurship and especially so innovation in Norway.

Section 2: Immigrant entrepreneurship and integration

Important definitions

Immigrant Entrepreneurship

To start with one needs to arrive at the definition of immigrant entrepreneurship. In fact, the term immigrant entrepreneurship is often used together with another term, namely ethnic entrepreneurship, referring to roughly the same concept. Some authors use the term “ethnic entrepreneurship” to refer to entrepreneurship referring to certain ethnic groups and “immigrant entrepreneurship” to refer to entrepreneurship performed by all groups of immigrants in the country (Dalhammar and Brown, 2005). Some on the other hand use the term “immigrant entrepreneurship” to strictly refer to the immigrants that have arrived to the host country over the past few decades, thus excluding the ethnic minority groups that have lived in the country for several decades such as e.g. Afro – Americans in the USA (Volery, 2007). However I chose to use both terms interchangeably in the later parts of this thesis. Vinogradov (2007) defines an immigrant entrepreneur as a business owner born outside Norway with both parents born abroad who is involved in activities characterized by economic innovation, organization creation and profit seeking in the market sector. Baycan-Levent et al. (2006) refer to ethnic (migrant) entrepreneurship as self-employment of ethnic minority groups. Baycan – Levent et al. (2006) have also assembled three main definitions given by Butler and Green (1997), Waldinger et al. (1990) and US Department of commerce (1997). According to the three sources, foreign entrepreneurs can be defined as “immigrant entrepreneurs”, “ethnic entrepreneurs” and “minority entrepreneurs”. Immigrant entrepreneurs are people who start their own business just after their arrivals to the host country using their individual connection with former immigrants and non-immigrants with a common origin (Butler & Green, 1997). Ethnic entrepreneurs create “a set of connections and regular patterns of interaction among people sharing common national background or migration experiences (Waldinger et al., 1990). US Department of Commerce defines foreign business owners such as “minority entrepreneurs” who are not of the majority population (US Department of Commerce, 1997).

In my research I refer to both persons immigrated to Norway as well as born in Norway with both parents immigrated as immigrant or ethnic entrepreneurs. Referring to the previous discussion about the definition of entrepreneurship, I decide to call any sort of self

employment by a minority – entrepreneurship, even though it may not qualify for entrepreneurship in a strict Schumpeterian sense. Many immigrants are namely just copying business models used by their compatriots, giving little or no place for innovation. However, I chose here to equalize self employment by minorities with entrepreneurship, due to the fact that starting own business for an immigrant involves a great deal of risk and risk is an essential part of entrepreneurship as can be seen from the definitions of entrepreneurship reported in section one.

Integration

Since part of this thesis will be exploring immigrant entrepreneurship in terms of integration, it is relevant to give a workable definition of integration. Ljungar (2007) defines three types of integration. First, personal integration – whether the individual considers himself or herself integrated, second economic integration – whether the individual has a job and last social integration – whether the individual has social relationships with the majority population. Another term which is often used alongside with integration is segregation which means a situation when the minority population lives in social isolation from the majority population. A somewhat extreme form of segregation is the so called *enclave economies* when people of same ethnic origin gather in a separated geographic region, often in larger cities and develop own economies. Examples of enclave economies include among others china towns in the US, Pakistani district in Birmingham, UK (Ljungar, 2007).

Opportunity and Survival Entrepreneurship

Lastly, I feel that the concept of entrepreneurship needs to be complemented somewhat from the discussion in the previous chapter. An interesting division is done by Ljungar (2007) who speaks about entrepreneurship and survival entrepreneurship. Entrepreneurship is starting business because the individual wants to seize an opportunity and realize an idea concerning a business idea. Meanwhile survival entrepreneurship is engaged when the individual “must” start business in order to survive. Similarly, Baycan-Levent et al. (2006) speaks about the same concepts when referring to “forced entrepreneurs” and “voluntary entrepreneurs”. The idea of survival versus regular entrepreneurship will be developed further in the consequent parts of this thesis trying to answer the question whether immigrant entrepreneurs in Norway are seizing opportunities or just trying to survive.

Research on Ethnic Entrepreneurship worldwide

Research on the topic of immigrant entrepreneurship has been comprehensive in the United States which has experienced a large inflow of migrants ever since the borders of the country were opened in the 1960's. Also some countries in Europe notably UK and the Netherlands have attracted large inflow of immigrants from e.g. former colonies hence motivating research on immigrant entrepreneurship. Research in the Nordics has been scarcer but will nevertheless be discussed in a separate section of the thesis. According to Kloosterman and Rath (2003, quoted in Slavnic 2008) there were a total of 1700 books, papers and articles published worldwide on the topic of immigrant and ethnic entrepreneurship by the end of 2003, indicating the importance of the topic in the international research.

Two US based researcher groups have become a benchmark in the field of immigrant business and are quoted in almost all sources of research about immigrant business. Those are on one hand American sociologist Ivan Light, which has together with other writers carried out a large number of both quantitative and qualitative studies over years, and on the other hand - Waldinger, Aldrich and Wards who have published one of the most comprehensive works on ethnic entrepreneurship – *Ethnic Entrepreneurs, Immigrant Business in Industrial Societies* from 1990. Both works will be consequently reviewed and will serve as the basis for further research and fieldwork. The recap of research by Light and Waldinger et al. will, where necessary, be complemented with research by other authors adhering to similar principles in their work.

Ivan Light

Ivan Light together with a number of other researchers has developed a theoretical basis to explain which factors affect the choice of certain immigrant groups to start own business. Light focuses both on the resources and qualities in the group but also the outer factors such as local society frameworks and norms (Ljungar 2007).

Light & Rosenstein (1995 quoted in Fossum, 1999) speak about two main drivers of self employment among immigrants – (1) resource disadvantage where self employment is a solution of unemployment due to lack of sufficient resources e.g. education, network, skills etc and (2) labor market disadvantage where unemployment is a consequence of labor market discrimination, where individuals having sufficient skills remain unemployed due to unfair treatment on the labor market. For instance Ljungar (2007) speaks about Korean immigrants

to the USA that were not entrepreneurs before coming to the US, nevertheless started up ventures in response to discrimination in the American labor market. Similarly Baycan-Levent (2006) explains the tendency of immigrants to turn towards self employments as a consequence of their lower socio economic situation caused by lack of education and skills. Another theory brought forward by Light (1990, quoted in Ljungar, 2007) is the so called interaction theory, stating that in order to explain why certain groups start business one needs to look at the factors within the certain immigrant group as well as the factors in the host country. Light defines these factors as supply and demand factors some of which will be outlined later. Supply factors are the factors that place emphasis on the qualities and skills of the individuals that become entrepreneurs. Demand or structural factors on the other hand place emphasis on the outer factors affecting immigrant entrepreneurs, e.g. institutional and political framework, presence of labor market discrimination etc. Speaking about the supply factors Light emphasizes the class resources and ethnic resources. He concludes that some resources are only accessible by membership in a certain class while others are based on belonging to a certain ethnicity as a whole. The four types of class resources outlined by Light are economic, cultural, social and symbolic capitals which are accessible to a different degree depending on the social class of the individual. Light concludes that immigrants or immigrant groups with a wide array of class resources are also more likely to start own ventures. According to Light immigrant groups that belonged to the higher social classes in their home country are overrepresented among entrepreneurs. For instance Korean immigrants in the USA are generally well educated, rich in human and cultural capital and therefore are more inclined to start business. Speaking about Latino and African immigrants in the USA, Light (1990, quoted in Ljungar, 2007) mentions the double – disadvantage when the immigrants lack both class resources and are discriminated in the labor market. According to Light those are the groups least likely to start business. Often it is believed that the most discriminated groups are also the least active in starting own ventures. For instance Farlie and Meyer (1996 quoted in Ejrnaes, 2001) finds that the most discriminated immigrant groups with respect to wage also have the lowest fraction of self employed. Previous research in e.g. US confirms that the levels of entrepreneurship differ among different ethnic groups. For example afro-Americans and people with Latin origin – allegedly the most discriminated immigrant groups, also show levels of entrepreneurship far below the national average whilst groups with Asian origin – Chinese, Koreans, Iranians, Pakistanis, show entrepreneurship levels that are above the national average (Ljungar, 2007).

Waldinger, Aldrich and Wards

In their work *Ethnic Entrepreneurs, Immigrant Business in Industrial Societies* Waldinger et al. present a model to explain why certain groups are overrepresented among entrepreneurs. Their model includes three main headings – (1) Opportunity structure, (2) Ethnic strategies and (3) Group Attributes as displayed in Figure 1. Hence similarly to Light’s model Waldinger et al. explains immigrant entrepreneurship as a result of qualities and resources attributable to certain immigrant groups and the structural factors in the host country.

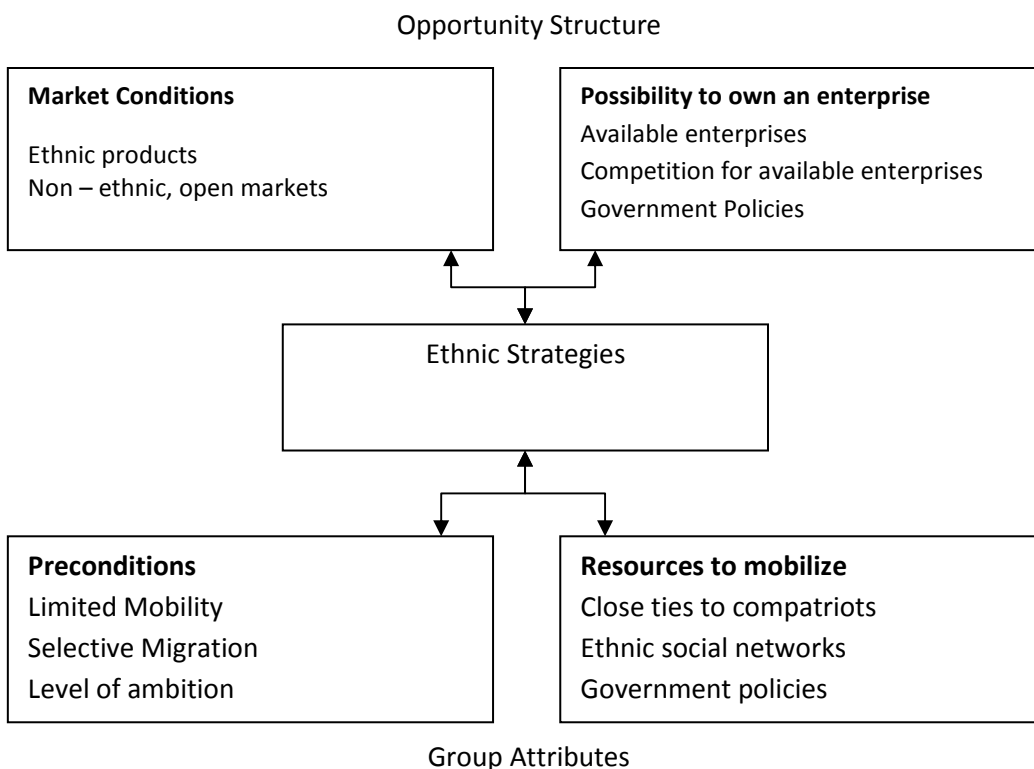


Figure 2: Model of Ethnic Entrepreneurship. Source: Ljungman, 2007

The following is the outline of the model developed by Waldinger et al. (1990) as outlined by Ljungman (2007) and complemented by the author of this thesis.

Opportunity structure

This part of the model considers the opportunities there is for ethnic entrepreneurs to enter markets and offer their products or services. The sub factors of this section include (1) market conditions – which considers whether there are both ethnic and non-ethnic marketplaces available for ethnic entrepreneurs to offer their products and services and (2) whether there is a possibility for ethnic entrepreneurs to own an enterprise – regarding the availability of

niches and enterprises that immigrant entrepreneurs can enter as well as the state regulations with regard to acquisition and ownership of enterprise by ethnic minorities.

Group attributes

This part of model consists of (1) preconditions of ethnic minorities to start own business and (2) resources to be mobilized by the ethnic entrepreneurs. The first factor contains (1) limited mobility – considering the fact that ethnic entrepreneur due to e.g. language barrier or discrimination is not able to engage freely in a paid career, (2) selective migration and (3) level of ambition which both regard the fact that ethnic minorities often start own ventures due to the fact that migrants are people with special level of ambitions and skills that enable them to start own business. The second factor – resources to be mobilized by the ethnic entrepreneurs regards whether there exist close ties to compatriots and ethnic social networks which ethnic entrepreneurs can use e.g. for finding initial funding for the enterprise. This factor also includes government policy in terms of providing financial and other support for an entrepreneurial start up.

Ethnic strategies

This part of the model relates to how different group attributes are used and combined to start business given the opportunity structure present. Ethnic strategies are the solutions to the specific problems ethnic entrepreneurs face as a result of the interaction between the opportunity structures of the host society and the characteristics of their group (Waldinger, 1990).

Taken together the model explains the phenomenon of ethnic entrepreneurship and why certain minority groups are more likely to start own business.

Niches attractive to immigrant entrepreneurs

In the same book Waldinger (1990) explains the creation of new business as combination of two crucial factors – *niche maintenance* or processes that maintain favorable environment for small business and *niche succession* or processes that create vacancies in those niches.

Waldinger identifies five niches that are attractive for immigrant entrepreneurs due to having small entry costs and absence of substantial scale economies. Those are:

- 1) **Underserved markets** – markets that are underserved by the large, mass-marketing organizations e.g. shopping areas in city cores that may be ill-suited for large retailers.

- 2) **Markets with low economies of scale** – since returns to scale in these markets are limited there are very few or no capital intensive, high volume competitors, thus opening up possibilities for immigrant entrepreneurs.
- 3) **Segmented product markets** – when demand can be divided into stable and unstable portions and the two components can be separated from one another, into non competing branches. One branch is dominated by large firms handling staple products, second composed of small scale firms catering to the unpredictable and fluctuating part of demand. The small scale sector with its low entry barriers offers ethnic entrepreneurs and accessible route to the general market
- 4) **Ethnic consumer markets** – these are protected markets that arise when ethnic communities have a special set of needs and preferences that are best served by those who share these needs and know them well. In this case the ethnic entrepreneurs have advantage in relation to the native owned competition due to a more intimate knowledge of the needs of the ethnic groups.
- 5) **Markets for exotic goods** – native interest in exotic goods allows immigrants to convert both the contents and symbols of ethnicity into profit making commodities, Ethnic entrepreneurs are likely to be the only ones that are in possession of such products and can deliver them in seemingly authentic ways (Rath, 2000).

Speaking about niche maintenance, Waldinger points out that successful exploitation of niches often involves certain degree of self exploitation – meaning that immigrant entrepreneurs work long hours and involve family members to make the business go around.

Talking about niche succession, Waldinger points out that natives have a tendency to leave the small scale businesses over time opening up opportunities for newly arrived immigrants to take their place.

Similarly Baycan-Levent et al. (2006) conclude that ethnic entrepreneurs usually set up their business in the sectors where informal production would give them a competitive advantage and where the network of ethnic people provides them an opportunity for an informal way of doing business and exchanging information.

In general the viability and success of immigrant business as well as SME's in general is made possible due to the shift away from scale economies and mass production, some of the

factors enabling small immigrant businesses to compete successfully are some of the following: (1) availability of cheap computing power, (2) fragmentation of markets where consumers look for more individual or group specific products, (3) the greater need for innovation and the focusing on core skills stimulated by intensifying global competition have opened for small firms in manufacturing and (4) rapid expansion of services with small place for scale economies (e.g. child-care, house-cleaning, catering etc.) (Kloosterman and Rath, 2001).

Middleman Minorities – Edna Bonacich

A review of American research on immigrant entrepreneurship would be incomplete without mentioning the concept of ‘middleman minorities’ and Edna Bonacich who is probably the most important contributor in the field. In general, the term ‘middleman minorities’ refers to minority entrepreneurs who mediate between the dominant and subordinate groups. Their customers are typically members of marginalized racial or ethnic groups that are segregated from the majority group. Middleman minorities thus serve as intermediaries between the majority group and other segregated minority groups. Middleman minorities share neither an ethnicity nor a residential area with their clientele: they typically live outside of the neighborhoods where their segregated minority clientele live.

In response to discrimination from the majority population, middleman minorities develop a very strong solidarity, trust and loyalty within the group. A key characteristic of this is the tendency of middleman minorities to be sojourners—people who intend to return to their country of origin. Due to their sojourner status and their strong ingroup ties, middleman minorities develop a competitive business edge. In particular, these entrepreneurs minimize their labor costs through their reliance on family members and fellow ethnic workers willing to work long hours for little pay. Another example of the solidarity is the provision of capital and knowledge between the members of middleman minority network. Sojourners also tend to engage in activities that do not tie them to the host country such as money lending or trading. These circumstances allow middleman minorities to establish positions of economic dominance. Historically the most common middleman minorities groups in the US have been Chinese, Indians and Jews. In modern times the Korean entrepreneurs in the US have become the most prominent group of middlemen minorities (Douglas and Saenz, 2007). Other examples of middlemen minorities that are more likely to enter business ownership in the

areas of trade and commerce are for example Jews in Europe, Chinese in Southeast Asia, Asians in East Africa and Armenians in Turkey (Douglas and Saenz, 2007).

The approaches to ethnic entrepreneurship discussed above are primarily American based and can therefore be criticized not to suit European contexts. The European research on the topic of ethnic entrepreneurship pays larger attention to how institutional and structural context affects the possibilities and initiative for ethnic minorities to start own ventures. Also this thesis pays particular attention to how institutional structure in Norway affects ethnic minorities' entrepreneurship; therefore we find it relevant to give a recap of a European approach towards ethnic entrepreneurship.

European studies of ethnic entrepreneurship

Welfare state and ethnic entrepreneurship

Countries in Europe having most developed research on ethnic entrepreneurship are Great Britain and the Netherlands also being among the countries having experienced most pronounced immigration in Europe. The Dutch sociologist Robert Kloosterman is among researchers that have analyzed the models of e.g. Waldinger et al. and Light with relation to ethnic entrepreneurship in Europe. Kloosterman and Rath (2001) find that people with minority background start business to a lesser extent in Europe than e.g. in the USA or Canada due to the fact that Europe has more developed so called welfare states. This is particularly relevant to this study as countries in the Nordics, including Norway have been among front runners in terms of building welfare states. The presence of welfare states has impact in several ways. First the government sector takes care of provision of larger proportion of goods and services in the economy, thus decreasing the possibilities for private entry. Second welfare state have more regulated labor market and higher benefits in the case of unemployment thus decreasing the incentives for unemployed ethnic minorities to start own business. Also, welfare states and European economies in general have focus on ex ante regulation of business entry, meaning that start ups needs to comply with a variety of regulations before establishing the business, thus making business entry even harder. In the US on the contrary, business entry is not heavily regulated but the control and monitoring is done ex post. Another impact of higher social guarantees in Europe as compared to America is that it is harder to get even a relatively low skilled job due to the higher minimum wage and other social guarantees. Therefore in Europe the motivation to start business stems from an

alternative of otherwise being unemployed. On the other hand in USA with much less social guarantees, the unskilled jobs are more readily available, however at low wages. Therefore in the USA starting own business is done in order to earn more rather than in absence of employed labor opportunities as the case is in Europe. This has been proved also empirically, for instance a study by Rajzman and Tienda (1999, quoted in Richtermeyer, 2002) studied immigrant entrepreneurs of various ethnic groups in the USA – Hispanic, Korean, Non-Hispanic White and Middle Eastern/South Asian and found that one reason for becoming a business owner is the desire of all respondents – regardless of ethnicity – to improve their economic situation. Therefore it is often more skilled immigrants that start own business in the USA due to unwillingness to remain in low wage jobs while in Europe own business is a solution to being unemployed (Ljungar, 2007). So in other words immigrants in the USA are pulled towards self employment due to limited upward mobility in the jobs available to immigrants, rather than by lack of jobs as such. Kloosterman and Rath (2001) also note the self selection process whereby immigrants with relatively high human capital opt for countries with a relatively unequal distribution of income, which offers them the prospect of high earnings, whereas immigrants who are less well endowed tend to go to more egalitarian countries with high minimum wages and substantial social benefits. Finally the statement above is confirmed in a number of quantitative studies who find that education is positively correlated with self employment in the US and negatively correlated in the EU (Wit and Winden, 1989, Blanchflower, 2004 quoted in Baycan Levent et al., 2006). This relation seems to hold also in Nordics according to the Swedish economist Mats Hammarstedt, who finds that highly educated people both immigrants and locals have the lowest likelihood to start own business. Another interesting finding by Hammarstedt is, that highly educated immigrant entrepreneurs earn on average as much as their less educated co-ethnics whilst highly educated local born entrepreneurs earn substantially more than less educated local born entrepreneurs (Hammarstedt, 2004 quoted in Slavnic, 2008). Christopher (1998, quoted in Richtermeyer, 2002) studies minority entrepreneurs in the US and finds that owner's formal education is positively correlated with the probability of minority business survival.

Mixed Embeddedness

Concept of mixed embeddedness was developed by Kloosterman together with another Dutch sociologist – Jan Rath. The concept addresses the drawbacks of the American models by combining the ethnic factors explaining immigrant entrepreneurship with structural factors

from the local society. According to them, immigrant entrepreneurs are on one hand embedded in the own ethnic networks and on the other hand in the local legal and economic frameworks. This concept of mixed embeddedness thus refers to the complex way in which immigrant businesses are inserted, on the one hand, in the specific socio-economic and institutional context of the host country (also named – opportunity structure) and, on the other hand, immigrant contexts and which involves diverse configurations of financial, human, and social capital. Complex configurations of mixed embeddedness enable immigrant businesses to survive - partly by facilitating informal economic activities - in segments where indigenous firms, as a rule, cannot. Immigrant entrepreneurs are not just responding to the existing opportunity structures but are also able to change and mould them through innovative behavior. Kloosterman and Rath also mention two dimensions of the opportunity structure that are necessary for understanding the emergence of ethnic entrepreneurs. Those are first accessibility – markets have to be accessible for newcomers to start business and second the growth potential of the markets (Kloosterman and Rath, 2001).

Neo American model

Talking about the choice of the industry by the immigrant entrepreneurs, Kloosterman and Rath (2001) develop a demand and supply side model similar to the one used by e.g. Ivan Light. On the supply side Kloosterman defines typical immigrant as someone who distinguishes himself or herself from the main population by having inadequate or inappropriate education or skills, possessing little financial capital, and lacking access to relevant indigenous social networks. Additionally, a typical immigrant may lack proficiency in the local language and suffer from discrimination. Consequently a typical immigrant entrepreneur is channeled towards niches with no economies of scale, low entry costs, small initial capital outlays, no specific educational qualifications and low technical barriers. This materializes in immigrants starting business with small scale, low value added and labor intensive with a small capital to labor ratio. On the demand side, the global economy of today has meant that opportunities for small scale, low tech businesses in developed countries have become limited due to competition from low cost countries. There thus has to be a specific reason for such businesses to be located in advanced economies, otherwise they will be forced out of business by low wage competitors from abroad. According to Kloosterman there are two subgroups of businesses that immigrants engage in. The first category of services includes traditional economic activities that have receded due to the trend of ever increasing

scales of production. These include for example groceries, bakeries, snack bars and cafes that are left by the indigenous entrepreneurs and taken over by immigrant entrepreneurs and are tottering on the brink of survival with no or little chance of expansion. The process of indigenous groups leaving the above mentioned niches is called vacancy chain and the businesses vacated by the indigenous can be seen as remnants of the previous industrial era. The second category of small scale business activities are in contrast related to the rise of postindustrial society that is characterized by extensive subcontracting and outsourcing of activities, both by firms and households. This opens up for small scale service businesses e.g. pizza delivery, dog walking, mail delivery etc and also certain small scale, low tech manufacturing activities that need to locate close to their markets. In terms of manufacturing this is particularly the case for markets characterized by highly volatile, uncertain demand and non-standardized products also with requirement of close contact between the customer and the supplier for example garment manufacturing. Institutionally, the model above is more valid for the American context which is geared towards generating low wage jobs, thus sustaining the existence of small scale, low tech firms.

European Model

Kloosterman contrasts the European model with the American model by showing that in Europe there is generally higher unemployment among immigrants; however the highly skilled immigrants are able to break the discrimination and become part of the ranks of the insiders, with high salaries and other benefits. The motivation to start own business is therefore lowest for the most skilled immigrants in Europe and highest among the low skilled immigrants, who see entrepreneurship as the only way to break out from unemployment. The reverse is true for the USA. There are plenty of low skilled jobs for the immigrants; however entrepreneurship provides the highest pay off for the skilled immigrants. Thus it can be noted that institutional structure means that different groups of immigrants start business in USA and Europe respectively. Moreover the European model with high minimum wage hinders the development of personal services to be supplied by immigrant entrepreneurs. Another factor is that there is still a male dominated job market meaning that females stay at home and take care of the household, thus minimizing the demand for external suppliers. Similarly the high wage policies of Europe block the development of small scale manufacturing. So the immigrants faced with unemployment have no other choice than to flock to the vacancy chain type of establishments, described previously. So Kloosterman (Rath, 2000), summarizes that

European welfare states push many unemployed immigrants towards self employment but offer little scope for the setting up of small businesses with strong growth prospects as most immigrants engage in vacancy chain type of activities. The findings above are confirmed empirically by a number of empirical studies. For instance Phizacklea and Ram (1995) study immigrant businesses in the UK and France and find that absence of satisfactory work in the mainstream employment or unemployment is by far the most frequent reason for setting up business both in the UK and France. In the mean time, a research conducted by the European Comission suggests that discrimination even though a non-negligible factor behind immigrant entrepreneurship is less important than pull factors such as desire to be independent and autonomous and realize own ideas as well as to gain higher social status (European Comission, 2008).

Following table summarizes the conceptual differences between the American and European research literature on the ethnic entrepreneurship as well as the systematic differences between the two regions.

| | Opportunity structure | Education | Motivation | Welfare state | Migration | Integration |
|------------------------|--|--|--|--|---|--|
| American school | Taken as given | Positively related to entrepreneurship | Pull factors (e.g. higher income dominate) | Stimulates ethnic entrepreneurship (e.g. lack of social benefits) | Positive self selection of potential ethnic entrepreneurs | Positively related to ethnic entrepreneurship |
| European school | Can be changed by ethnic entrepreneurs | Negatively related to entrepreneurship | Push factors (e.g. unemployment) dominate | Discourages ethnic entrepreneurship (e.g. due to high minimum wages) | Negative self selection of potential ethnic entrepreneurs | May be negatively related to ethnic entrepreneurship |

Table 2: American and European Schools of Immigrant Entrepreneurship. Source: Developed by Author.

Ethnicity, culture and entrepreneurship

Numerous studies have shown that immigrant entrepreneurship is not a phenomenon which is uniform across all ethnicities that immigrate. Some ethnicities are proved to be more active in starting own businesses than others and often show higher levels of entrepreneurship than the

indigenous population. This stems from a combination of cultural factors that characterize different nationalities. Some of the cultural factors favoring ethnic entrepreneurship are for example internal solidarity and loyalty, flexibility, personal motivation, hard working ethics, informal networks and contacts with people of the same ethnic group. The culturalist approach takes for granted that specific cultural values, skills and features make certain ethnic groups suitable for entrepreneurship (Baycan-Levent, 2003). For example the South-Asian communities in the UK show involvement in entrepreneurship that is above the white population (Bank of England, 1999 quoted in CEEDR, 2000). Similarly self employment rates are over 20% for Asian minorities in the UK but less than 7% for African-Caribbean people. Also Waldinger, Aldrich and Wards (1990) finds that Asians and Cubans are exceptionally active and successful in terms of starting own business whilst the self employment rates among Afro-Americans remains far below the national average. Similarly a study by Basu (1998, quoted in Masurel, et al. 2001) finds differences in motives to start business among different immigrant groups. For example Indian immigrant entrepreneurs seem to experience push factors (such as e.g. discrimination on the labor market) of less importance in their decision to start a business in comparison with Bangladeshi and Pakistani entrepreneurs. Finally, Boissevain and Grotenberg (1986, quoted in Masurel et al., 2001) in their study of immigrant entrepreneurs in Amsterdam found that the relative success of immigrant entrepreneurs vary according to their ethnic background. For instance Chinese and Hindustani immigrants appeared both more successful and active in terms of starting own business than the Creole immigrants. Also, Hindustani immigrants were overwhelmingly active as shopkeepers, whereas Creoles chiefly owned restaurants and cafes. Sometimes there is a great deal of variation even within the ethnic groups. For example Collins (2002 quoted in Vinogradov, 2008) finds that ethnic Chinese born in Singapore, Malaysia and Hong Kong are underrepresented among the self-employed in Australia compared to those born in China. Thus the business activity and motivation among different immigrant groups is a consequence of a complex interaction between opportunity structures and group characteristics. Ethnic groups show as great variation in terms of attitudes, motives and behavior in the area of entrepreneurship.

Ethnic Entrepreneurship in the Nordics

Nordic countries have in recent decades become attractive destinations for foreign migrants, hence increasing the interest in ethnic entrepreneurship. The Nordic countries – Denmark,

Sweden and Norway are characterized by the Nordic welfare state, which has the following qualities as summarized by Marianne Røed (2002): (1) high average income and even income and salary distribution, (2) high education level in the working population, (3) high tax level and universal rights to social benefits, also high minimum level of consumption and (4) high degree of public ownership. Røed also notes that there is negative selection of immigrants migrating to welfare states in terms of migrants' human capital. It is said that people with high human capital are rather motivated to migrate to countries with more uneven income distribution, which is why it is USA rather than Scandinavia that is attracting Indian IT engineers. On the other hand, Scandinavia is likely to attract persons that are likely to fall outside the labor market and depend on social transfers (Røed, 2002). This is confirmed by Barth et al., (2002) who finds that immigrants in the USA earn more than immigrants in Norway. Also there is a much smaller income gap between immigrants and natives in the USA than in Norway and faster catch up rate of the immigrant income relative to indigenous income. Barth concludes that these differences between Norway and USA are due to self selection of immigrants (with most educated going to USA) and the fact that USA is by tradition a multicultural immigrant society (Barth et al., 2002). In contrast, in their study of ethnic entrepreneurs in Sweden Brundin, Bögenhold and Sundin (2001, quoted in Slavnic, 2004) find that immigrant entrepreneurs have higher levels of formal education than their native Swedish counterparts, in sharp contrast with most other research literature.

Motivation of ethnic entrepreneurship

Östen Wahlbeck (2007) in his study of Turkish ethnic economy in Finland finds that employment in the ethnic economy often is the only way out of unemployment for Turkish immigrants and may be a stepping stone that migrants can use to achieve advancement in the society. However Wahlbeck also notes that for many immigrants the work in the ethnic economy turns out to be a trap in a marginal business sector with bad working conditions and salary and no chance of advancement. Wahlbeck (2007) gives the following definition of an ethnic economy: "an ethnic economy exists whenever an ethnic group maintains a private economic sector in which it has controlling ownership stake, regardless of whether the customers are or are not co ethnics". Wahlbeck finds that kebab store business in Finland has turned into Turkish ethnic business where majority of business owners and employees are immigrants. An interesting observation from Finland is done Joronen (2002). She finds that the successful immigrant entrepreneurs have experience of long term employment in Finland

before turning to entrepreneurship; meanwhile the struggling immigrant entrepreneurs often have unemployment in their backgrounds. This supports the thesis of entrepreneurship as employment of last resort. Also successful entrepreneurship may best be encouraged by first aiding the immigrant entrepreneurs in finding employment in the labor market.

In her study of African entrepreneurs in Finland Evariste Habiyakare et al. (2009) finds that good customer relations, access to money and knowledge of the local language are the main determinants of the survival and success of a foreign entrepreneur in Finland.

Ljungar (2007) reviews studies done in Sweden and exemplifies that entrepreneurship among minorities is seen as a solution to an alternative of being unemployed. The entrepreneurs studied in Sweden are generally not happy with being entrepreneurs but see it as the first step towards labor market and social integration.

Also Baaycan-Levent (2006) finds that self employed immigrants in Sweden and Denmark have lower incomes than immigrants having other types of employment, they also have lower incomes than native self-employed and non-self employed persons.

Resources used by ethnic entrepreneurs

Dalhammar and Brown (2005) present a view that immigrants run businesses in all kinds of industries and settings including high tech environments and are not limited to restaurants and service related businesses. Based on their analysis of immigrant entrepreneurs in Sweden, Dalhammar and Brown conclude that the service based immigrant business draw on ethnic resources (e.g. financial capital, human capital, social capital and ethnic market) to a greater extent than the high tech firms. Ethnic resources are defined as socio-cultural and demographic features of a whole ethnic group from which co-ethnic entrepreneurs actively or passively benefit. These include for example – money from co-ethnics (financial capital), co-ethnic labor, ethnic traditions of business ownership/business expertise and ethnic consumer demand. Similarly Jonathan Feldman (2006) finds that immigrant owned high tech firms in Sweden do not show a larger tendency to employ educated personnel of immigrant origin. High tech immigrant entrepreneurs are thus relying more on the class resources rather than ethnic resources. Similar conclusion is found by Najib (1996 quoted in Fossum 1999) who attributes different degrees of reliance on ethnic resources among immigrant business to such factors as time of residence in the host country, education, industry knowledge and contacts. Najib concludes that the more class resources the entrepreneur has the less ethnic resources

he/she needs. So it seems that it is mainly the low-tech and vacancy chain type of firms that depend on ethnic resources for their survival. However, Feldman (2006) also finds that a combination of ethnic and class resources and an outsider status are crucial in promoting an entrepreneurial career.

In their research of successful immigrant entrepreneurs in the greater Copenhagen area, the Danish Centre for Business Start-up, Growth, and Development (2009) finds that successful ethnic entrepreneurs are good at combining their class resources e.g. education, work experience and business skills with their ethnic resources, where family and ethnic networks have been the most important sources to labor, loans, customers and suppliers. Also immigrant entrepreneurs use their ethnic background in developing their business concept. Bager and Rezaei (2000, quoted in Ejrnæs, 2001) find that immigrant businesses in Denmark are concentrated in a number of sectors and in particular geographical areas – mainly the suburbs of the big cities in Denmark. Ejrnæs et al. (2001) finds that self-employment among immigrants in Denmark is often “employment of last resort” which means that self-employment is an escape from a long period of being unemployed. This could result in a self-employment with no real economic prospects and generate a underclass of immigrant entrepreneurs. However Ejrnæs (2001) notes also that liquidity constraints and self employment traditions play a role in the choice of self employment.

High tech ethnic entrepreneurs

The studies of high tech immigrant entrepreneurs in Sweden are correlated with the emergence of a new type of highly skilled immigrant entrepreneur worldwide. Examples of these include for instance Chinese and Indians in Silicon Valley and Taiwanese IT entrepreneurs in Hamburg, Germany (Kloosterman and Rath, 2002). The same trend is observed by Tuula Joronen (2002) who concludes that immigrant business was indeed limited to the traditional business areas (e.g. small shops, restaurants, garment industry) until the 1980's but since the 1990's the image of immigrant business is changing and continues to change, becoming more international and high-tech. A country that has for a long time benefited from the skilled immigrant entrepreneurs is the USA. An article in Business Week from March 2009 for instance reports that despite the fact that they constitute only 12% of the U.S. population, immigrants have started 52% of Silicon Valley's technology companies and contributed to more than 25% of US global patents. Another study from the US published in Washington Post in 2008 revealed that immigrants in the US are 30% percent more likely to

start own business than non-immigrants and constitute 17% percent of new Business owners in the US. The same study shows that immigrant business owners generated \$67 billion or 11,6 percent of the \$577 billion total U.S. business income for 2008 (Washington Post, 2008).

Finally, Swedish economist Ahmadi (2007) develops a model similar to the interaction models described in the previous sections. According to him the entrepreneurial process is an interaction between culture (informal institutions) and socio-economic structure (formal institutions). The development of an immigrant business is thus influenced by the existing formal and informal frameworks in the society. However also the immigrant entrepreneur can influence the existing institutions and contribute to their change and development (Ahmadi, 2007 quoted in Slavnic, 2008).

Ethnic Entrepreneurship in Norway

Immigration in Norway is a more recent phenomenon than in the other Nordic countries except perhaps Finland. Until the 1970's the immigrants were primarily from the western world or Nordics. During the 1970's Norway experienced an inflow of labor migrants from such countries as Pakistan and Turkey. Those were primarily single young men who took employment in the booming industry sector. From the 1980's there was an increased influx of refugees and family reunification immigrants. In later years especially since 2000 the eastwards expansion of the EU there has been a growing influx of people from Eastern Europe (Brøgger and Wiberg, 2006).

In his extensive review of studies exploring the topic of immigrant entrepreneurship, Vinogradov (2008) does not find any studies on immigrant entrepreneurship in Norway that match the predefined quality criteria. Vinogradov concludes that research on immigrant entrepreneurship in Norway is scarce and of limited scope. He also describes the tendency of Norwegian research to focus on ethnic restaurants and shops, thus ignoring the variety of immigrant businesses. Moreover most of the research is purely descriptive and does not cover the full range of the ethnic backgrounds represented in Norway. In another research paper by Vinogradov (2008), the author analyzes whether there is self selection of individuals more likely to start own ventures among the immigrants from Russia in Norway. He finds evidence of self selection with a greater degree of entrepreneurialism among Russian emigrants compared to the stay at home population. Vinogradov (2008) also notes that the level of self employment among immigrants in Norway is still lower than among the native population.

Krogstad (2001) studies immigrant entrepreneurs in different urban contexts in Norway and concludes that immigrant entrepreneurs obtain a comparative advantage vis-à-vis their domestic counterparts through access to cheap, loyal and flexible labor from the family and ethnic network. Krogstad also concludes that immigrant businesses have the largest chance to succeed, in markets where their products, knowledge and behavior matches the consumption patterns of the majority population either through similarity or as something exotic. Another interesting finding by Krogstad (2001) is that immigrant owned shops and cafes in Norway are important meeting places for ethnic minorities and also one of the few places where natives and immigrants may interact socially. Finally Krogstad (2002 quoted in Vinogradov, 2008) finds that self exploitation e.g. by working very long hours is a typical feature of immigrant businesses. Speaking about ethnic resources Krogstad (2002, quoted in Vinogradov, 2008) finds that some groups rely more on ethnic resources than others. In Norway, immigrants from Tunisia, Marocco, Palestine and Greece have been found to avoid reliance on co-ethnics while e.g. Pakistanis perceive their ethnic group as an important source of resources needed for business venturing. Krogstad (2006 quoted in Hidle, 2007) also concludes that ethnic entrepreneurship allows immigrants to use resources that they would not be able to use elsewhere.

Brøgger and Wiberg (2006) in their study of immigrants in Oslo and Drammen find that immigrants tend to enter business areas with low thresholds in terms of specific requirements for education or skills, low initial capital outlay and few bureaucratic hurdles and red tape. Also the network effect of friends, relatives and co-ethnics being in certain sectors and sharing expertise and insight has an impact.

Another two papers by Vinogradov (2008) published as part of his doctoral thesis explore the impact of cultural factors on immigrant self employment in Norway and survival of immigrant businesses in Norway. He finds that education attainment in the country of origin is positively related with self employment in the destination country - Norway. Reasons for this may be due to the fact that self employment requires intensive learning, the fact that international degrees may not be recognized, thus pushing immigrants into self employment. Also better educated immigrants may gain additional trust from the natives, which is important when establishing a business outside the ethnic economy. Also, Vinogradov finds that home country culture is a good predictor of self employment levels in the destination country. The conclusion of the second paper by Vinogradov is that businesses started by

immigrants in Norway are less likely to survive compared to those founded by natives. Vinogradov does not find that differences in human capital may explain the differences in survival. The factors that seem to explain the lower survival rate of immigrant businesses are the perceived novelty and predominantly urban locations of immigrant businesses. Immigrants often seem to introduce untraditional products and services with origin in their country of origin, this may be risky and lead to lower survival rates thus questioning the advantages of 'ethnic strategies' found elsewhere. The urban locations chosen by immigrants may lead to lower survival rates due to larger competition and presence of alternative employment opportunities in urban locations.

Hidle (2007) studies ethnic entrepreneurs in Agder and concludes that ethnic entrepreneurship is not just a result of labor market discrimination but also has a great deal of creativity releasing effects. Hidle notes that immigrants often start businesses that otherwise would not have been started, thus contributing to the overall value creation.

Effects of immigrant entrepreneurship

There are several effects of immigrant entrepreneurship reported in the research literature. Some of the effects of immigrant entrepreneurship reported by Vinogradov (2007) include (1) achieved upward social mobility by groups with blocked mobility in labor market (due to e.g. non recognition of their qualifications) (2) increased aggregate employment rate in the economy. In another paper by Vinogradov from 2008 he also mentions that immigrant entrepreneurship may improve the living conditions of immigrants, reduce demand for social benefits, revitalize declining regions and industries and bring a variety of new ideas and products to the market. The effects of immigrant entrepreneurship may thus resemble the general effects of entrepreneurship reviewed in the previous section and should thus be encouraged. An interesting issue that will be further discussed in this thesis is whether ethnic entrepreneurship leads to an increased integration in all its different forms as discussed above. Majority of American researchers emphasize that ethnic entrepreneurship gives an opportunity for people of minority background to enter and integrate in the society of the host country. There is much less consensus in the European research and many European researchers point out that ethnic entrepreneurship can instead lead to a permanent segregation through creation of an alternative labor market with lower standards of salaries, employment security etc (Ljungar, 2007). Ljungar (2007) for instance concludes that ethnic entrepreneurs may achieve satisfaction with their condition (i.e. personal integration) and economic

integration, still remaining socially not integrated due to lack of contacts with the majority population. The same author finds also that many ethnic entrepreneurs remain in a state of a single person enterprise, thus remaining socially isolated with regard to the rest of the population. Similar conclusions are reached by the Swedish researcher Abbasian (2000, quoted in Slavnic, 2004) who studies Iranian, Turkish and Chilean immigrants in Gothenburg and concludes that "... entrepreneurship does not imply any positive change of existing labor market segmentation and segregation." This questions the political assumption which takes for granted that immigrant small business contributes to the better integration of immigrants in Swedish society". Similarly Hedi Bel Habib (2001, quoted in Slavnic, 2004) criticizes the romanticized picture of immigrant entrepreneur revealing the sad social reality of discrimination in the labor market that forces immigrants to start their own business as the only alternative. This results in an emergence of an impoverished class of immigrant entrepreneurs, who in fact earn less than other immigrants in regular jobs emerges. The same result is found by Hjerm (2001 quoted in Slavnic, 2004) who concludes that immigrants who run their own businesses have lower incomes than immigrants who are employed. This can be contrasted to the studies in the USA where it is found that self employed immigrants earn more than their wage earning co-ethnics (Portes and Zhou, 1996 quoted in Vinogradov, 2007). This seems to be the case also in some European countries, for example Constant and Shachmurove (2004) find that self employed immigrants in Germany earn 22 percent more than their salaried counterparts. Khosravi (1999, quoted in Slavnic, 2004) studies Iranian entrepreneurs in Stockholm and finds that discrimination and unemployment pushes them into self employment. However self employment provides them with income, freedom and independence and most important dignity, even though still remaining a marginalized group in the society. In contrast, Brundin, Bögenhold and Sundin (2001, quoted in Slavnic, 2004) find that independence and opportunity to realize own ideas are more important motivators for immigrants to start own ventures than unemployment which is traditionally perceived as one of the most important factors. Similarly, Sanandaji (2009) notes that many immigrants come from nations that put great emphasis on entrepreneurship, thus encouraging immigrant business the European states may breach the entrepreneurial gap (i.e. lower entrepreneurial activity than e.g. US) and solve the problem with immigrant unemployment thus achieving a better integration of the immigrants. Sandaji (2009) also notes that immigrants in general have a greater preference to start business. However the same groups of immigrants that in the US

show high degree of self employment (for example Somalis) are underrepresented among entrepreneurs in e.g. Sweden. This is thought to be a result of differing labor market policies.

Another interesting question to ask is whether immigrant entrepreneurs squeeze out the native born entrepreneurs. A study by Light and Rosenstein (1995, quoted in Richtermeyer, 2002) studying this question in the US relative to Korean immigrant entrepreneurs finds that ‘neither immigrant entrepreneurship in general, nor specifically Korean entrepreneurship reduces either the self-employment of the native blacks nor their money returns from self employment’. Light and Rosenstein (1995) conclude that this implies that foreign entrepreneurs in African-American communities filled niches that went unfilled when no foreigners were available to fill them. The same authors conclude that immigrant entrepreneurs increase the aggregate self employment in the economy without reducing either the rate of or mean money returns to self employment among the native born population.

Road towards self employment

Several authors have reviewed the process of immigrant integration in the labor market after arrival to the new host country. Waldinger et al. (1990) outline four stages of immigrant integration – (1) substituted labor – referring to immigrants engaging low prestige jobs that locals are unwilling to do, (2) ethnic niche – when immigrants abandon their low wage jobs and engage in self employment that serves other members of the ethnic groups the immigrants represent, (3) Middle man mentality – when immigrant entrepreneurs start serving parts of the local population hence becoming the middle man between different ethnic groups and (4) economic assimilations when immigrants become economically integrated either by serving all parts of the local population or integrating in the local labor market. Similarly Baycan-Levent et al. (2006) describes the process in the following way – “ After the first wave of orientation towards ethnic products, ethnic markets and customers, or indigenous ethnic business strategies, in recent years ethnic entrepreneurs have become an indigenous and significant part of the local economy, especially in big cities and metropolises, since an expansion of their market potential towards a much broader coverage of urban demand has occurred. ” Baycan-Levent (2006) calls this expansion of market to include the indigenous population – break out and talks about different break out strategies immigrant entrepreneurs use.

Summary

As described in the preceding section, immigrant entrepreneurship is a result of a complex interaction of cultural, social, economic and structural factors. Parker (2004 quoted in Vinogradov, 2008) outlines the most common monocausal explanations for the fact that the rates of entrepreneurial activity are often higher among immigrants than natives. Some of these explanations have been covered before, some have not but all will be explored in the empirical section of this work, therefore I find it relevant to list them here: (1) Better average educational levels of immigrants, (2) utilization of ethnic resources unavailable to natives, (3) blocked mobility, (4) self selection of immigrants with respect to risk taking behavior, (5) gravitation to self employment among illegal immigrants and (6) concentration of immigrants in the occupation and industries characterized by high rates of entrepreneurship. As I have stated before, monocausal explanations fail to appreciate how for example host country society and institutions interact with immigrant entrepreneurs, therefore more interactive explanations in line with e.g. models by Waldinger and Light are preferred.

The decision to become entrepreneur is a consequence of interaction between cultural, social, economic factors that interact in different ways thus shaping the emergence of immigrant business.

The main purpose of this section was to give an insight in the topic of ethnic entrepreneurship. These insights will consequently be used to develop a model that can be used designing the field work of this thesis. The model will be tested by confronting it with the reality when interviewing immigrant entrepreneurs in Norway. I start with outlining the main supply and demand factors for ethnic entrepreneurship as inspired by Ivan Light and consequently use these factors and the information in the previous parts of this section to develop a comprehensive model that will be tested empirically.

Supply Factors

Supply factors are the economic factors or resources that immigrants possess and can use to start up new businesses (Ljungar, 2007).

Ethnicity

Having a certain ethnicity may be an explanation why certain ethnic groups are more likely to start business. It has been proved that presence of culturally or religiously bound qualities e.g. solidarity, high work morale, high family orientation can explain why certain ethnic groups

start own business more frequently. Also the status of being an entrepreneur may vary across different ethnic groups thus serving as an explanatory variable for ethnic entrepreneurship (Ljungar, 2007). Proclivity towards entrepreneurship has been proved to vary between different ethnic groups (Rath and Kloosterman, 2001). Examples of how entrepreneurship varies between ethnicities were given in the previous parts of this work.

Class Resources

Belonging to a certain class can often explain why individuals turn to entrepreneurship. Individuals of higher social class often possess higher level of e.g. human capital (education, experience etc.) and also financial resources thus enabling them to more easily become entrepreneurs. The four types of class resources outlined by Light are economic, cultural, social and symbolic capitals, levels of which vary depending on the social class of an individual. Thus likelihood to become entrepreneur varies within an ethnicity depending on the social class the individual belongs to before coming to the host country. It is thus the class that the immigrant has from home rather than the class he/she acquires after arrival in the host country that matters. People of higher social class before emigration are often motivated to start up own business in a quest to intake the former social standing. Immigration is often associated with a decline in social status and entrepreneurship may offer an opportunity to maintain social status. However the class attributed to entrepreneurship is bound to different cultural and social factors. For instance a study of Iranian entrepreneurs in Stockholm revealed that for the immigrants who were high-level officials in their home country, working as an entrepreneur signified a drop in status, even shame (Joronen, 2002). American research has shown that minorities who engage in entrepreneurship after arrival often advance to employed positions in the following generations. On the other hand, self employed immigrants in Europe are often stuck in an ethnic economy after arrival with little or no chance of social advancement (Ljungar, 2007). Also it has been shown that higher education in the home country is correlated with a higher likelihood to start business after emigration. Another factor that affects entrepreneurship is access to financial capital which also is class determined.

Social capital/ethnic resources

Access to social network of compatriots may be helpful e.g. for raising capital for a start up, but also for accessing labor, customers as well as knowledge and know-how about ethnic

customer preferences and how to start and run business. For example Kloosterman (2000) finds that through their networks of relatives, co-nationals and co-ethnics, new immigrant firms have a privileged and flexible access to information, capital and labor. This is sometimes referred as social capital that was mentioned in the previous section that can often prove to be as important as economic capital. In fact social capital can compensate for deficiencies in other forms of capital – for example human capital. An interesting study is done by Greene and Chaganti (2009) who test the hypothesis that ethnic entrepreneurs who possess social capital in the form of involvement in the ethnic community will have lower levels of education, industry experience, and other forms of human capital. Survey results reveal that ethnic entrepreneurs do indeed possess more social than human capital and that these resources in social capital may compensate for the deficiencies in personal resources or human capital. Similar observations are made by Rajzman and Tienda in the US (1999, quoted in Richtermeyer, 2002) who find that informal sector and informal relationships is the way many immigrant entrepreneurs gain human capital needed to form a business of their own. Also Portes and Zhou (1996, quoted in Richtermeyer, 2002) find that successful entrepreneurs are not isolated individuals.

In a broader sense, Vinogradov (2008) outlines the following ethnic resources: ethnic ideology, industrial paternalism, solidarity, social networks, ethnic institutions and social capital. Social capital is defined as ‘features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit (Putnam, 1995 quoted in Vinogradov, 2008).

An interesting outline of the importance of ethnic resources is presented by Light and Gold (2000, quoted in Richtermeyer, 2002), who state:

“Thanks to both their cultural orientation and their trusting relations with coethnics, members of ethnically defined groups are able to mobilize resources that help them in economic life. Class resources alone cannot explain how undocumented, non-English speaking Mexican migrants can quickly find jobs in many US locations, why the incomes of Israelis in southern California exceed those of other Middle Eastern groups even though they have fewer year of education, why Chinese-Vietnamese entrepreneurs in the US can efficiently locate and import large shipments of perishable foodstuffs previously unknown outside Asia or how Cuban

refugees with meager financial assets could open businesses within a few years of their US arrival.”

Social networks however can have negative effects as the immigrant entrepreneur is supposed to e.g. employ and buy services from compatriots despite of economic irrationality. Also social network may be a limitation in cases when a successful entrepreneur seeks to ‘break out’ to a more promising and larger market segment (Masurel et al., 2001). Similarly Granovetter (1995, quoted in Joronen, 2002) describes a situation when the solidarity of ethnic networks is uncontrolled and ethnic business is faced with too many claims that do not promote its development financially. Also a study by Dyer and Ross (2002, quoted in Richtermeyer, 2002) notes that: ‘the most striking finding was the ambivalence of the respondents’ remarks about their co-ethnic customers. The positive comments about ethnic networks in general and their clientele in particular, were balanced by frequent criticisms of co-ethnic clients.’

Demand factors

Demand factors are opposite to supply factors and refer to external factors or resources that affect ethnic entrepreneurs starting own businesses such as market conditions and institutional framework in the host country.

Market conditions

To be able to start business there needs to be a market that is accessible to the entrepreneurs to sell their products and services. As described by Waldinger et al. above, one can make a distinction between open markets and closed or so called ethnic markets. Often it is easier for immigrants to enter ethnic markets by selling goods and services to the people of the same origin. Often these ethnic markets develop also parallel labor markets characterized by e.g. lower salaries and less labor security. Ethnic markets often transform into open or semi open markets by starting to serve also members of the main population.

Institutional and political conditions

Different factors characterizing e.g. legal and political framework in the country may affect ethnic entrepreneurship and explain the differences in ethnic entrepreneurship among countries. Important such factors include legislation with regard to SME’s, tax level and legal burden. Ljungar (2007) for instance explains the differences in the ethnic entrepreneurship

levels in USA and Canada on one hand and the north European countries on the other hand as arising from much heavier legislative burden in the latter group. This results into smaller number of start ups in general and ethnic businesses in particular.

Discrimination

One reason why ethnic minorities often start business is that they have not got a possibility to take part in the regular labor market due to discriminatory practices. Of course discrimination alone does not lead to a higher level of entrepreneurship among minorities. In fact, such minorities as Latinos and Afro-Americans in the USA who are allegedly discriminated in the labor market are also underrepresented in terms of entrepreneurship (Ljungar 2007). This corresponds to the interaction theory by Light, which notes that discrimination alone is not enough to induce entrepreneurship, but the would-be entrepreneurs need to be in possession of certain resources. The American research often points out that immigrants often have lower positions and salaries than would correspond to their education and skills. Therefore starting own business may be seen as a way to retake the original class in the society before emigration.

Model

The model developed here is a combination of theories by Waldinger et al., Light and Kloosterman and others which have been discussed in the previous sections. The model summarizes the various findings reported above. This model will be tested empirically by conducting a series of interviews and case studies between immigrant entrepreneurs in Norway.

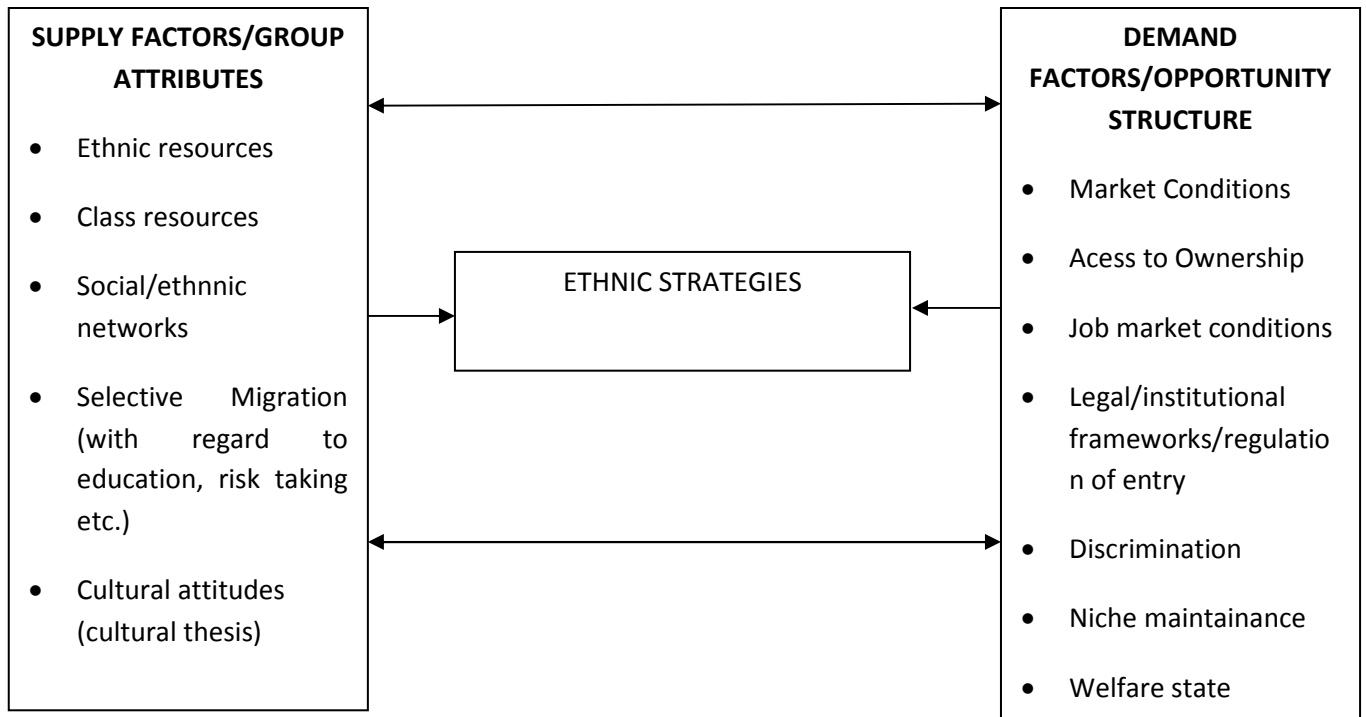


Figure 3: Interactive Model of Ethnic Entrepreneurship. Source: adapted from Waldinger et al. (1990) and Volery (2007)

Section 3: Entrepreneurship support framework and business environment in Norway

This section of the thesis will explore the entrepreneurship support system that exists in Norway especially focusing on the support available for immigrants that want to start own business in Norway. Also, the section will document the overall conditions for entrepreneurship and SME activity in Norway. This section hence covers the demand factor part of the model developed in the previous section, describing the environment in which ethnic entrepreneurs operate.

First, however, I want to review some of the research literature there exists on the topic of state support to immigrant business.

Review of research on support measures to immigrant business

Optimal design of support measures

There exist some papers that try to analyze how the state support measures to immigrant business should be organized. Stein (2000) for example concludes that political action should not have a tendency towards positive discrimination favoring small businesses of immigrants. Policies should instead aim to improve the general social climate to benefit and stimulate all small businesses – including the ones run by immigrants. Sanandaji (2009) concludes that countries with open labor markets, strong incentives to work and generally business friendly climate – such as for example US, are more successful in terms of integrating immigrants. For example in 2000 in the US the labor incomes of individuals born in Turkey and Iran were 14 respectively 36 percent higher than those of the native US born individuals. In Sweden on the other hand, the work incomes for the same groups of immigrants in the period 1993-2000 were 26 respectively 39 percent lower than those of native Swedes. Sandaji (2009) finds that reforms geared especially towards stimulating immigrant business are generally less successful than general business friendly reforms aimed at all entrepreneurs. Similarly Waldinger et al. (1990) note that governments do not have the resources and foresight to pick winners and losers from among competing small businesses whether owned by majority or minority group members. Therefore the governments should focus on creating conditions under which ambitious and resourceful entrepreneurs are tempted to start their own businesses. Waldinger et al. (1990) conclude that effective policies for ethnic entrepreneurship might be developed along two lines: (1) building and infrastructure that fosters small business

development in general and (2) enacting and enforcing systemic policies of equal economic opportunity for ethnic and racial minorities.

Most favorable support mechanisms

According to Sandaji (2009) immigrant businesses are particularly sensitive to complicated rules and public bureaucracy, both during start-up and during management of business. Also, immigrant businesses are very sensitive to labor market regulations. Thus general improvement in these areas is more desirable than special aid to immigrant business that may promote inefficiency. In the mean time Phizacklea and Ram (1995) find that there is a place and need for state support agencies that help immigrants willing to start own business. Thus targeted help to immigrant entrepreneurs may be an important facet of public policy.

Similarly Baycan-Levent (2006) states that state support to immigrant entrepreneurship should be aimed at correcting possible market failures. Baycan-Levent (2006) identifies three types of possible market failures. First government should prevent situations of monopolistic dominance in markets and promote free entry. Second, a market failure may arise from lack of access to information by newcomers/immigrant entrepreneurs. In such cases informational campaigns, educational courses and training programs may be helpful to ensure equal competitive probabilities for migrant entrepreneurs. And finally government policy may be directed towards the reinforcement of the self organizing power and potential of migrant entrepreneurs, so that self reliance and self mobilization becomes an asset for business performance and success. This may be done by promoting immigrant entrepreneur networks and providing business coaching. In a report from May 2008 European Commission concludes that ethnic minorities represent an important pool of entrepreneurs in Europe that could be used to breach the entrepreneurial gap vis-à-vis the United States. Immigrants are already more active in starting small businesses than nationals, however ethnic entrepreneurship may be further enhanced through policy initiatives helping to overcome the specific barriers which might discourage migrants and members of ethnic minorities to become entrepreneurs. Those barriers include: (1) access to finance and support services, (2) language barriers, (3) limited business skills and (4) over-concentration in low entry barrier activities where the scope for breakouts or diversification into mainstream markets is limited. An interesting and relevant study by CEEDR centre at the Middlesex University in the UK (2000) identifies the most critical areas where immigrant businesses require support, based on a survey of European organizations providing support to immigrant businesses. The top four problem areas facing

ethnic minority entrepreneurs according to CEEDR are (1) access to finance for start up and growth, (2) access to markets (especially to mainstream/non ethnic markets), (3) lack of management/marketing/sales skills, (4) lack of knowledge about available support measures and (5) problems dealing with administrative and regulatory requirements. An interesting finding by CEEDR was that immigrant businesses use formal business support organizations to a much lesser extent than other SME's and instead rely on informal networks of co-ethnics for assistance and advice. CEEDR also found the most preferred support areas based on a survey of ethnic entrepreneurs and support agencies in Europe, those are: (1) start up/investment grants and loan guarantees, (2) specific start up/business training programmes and advisory services and (3) networks of entrepreneurs and mentors. Similar findings are made by Light and Rosenstein (1995, quoted in Richtermeyer, 2002) who state that in addition to financial capital; (potential) immigrant entrepreneurs also need social networks, skills, knowledge, values and attitudes. Light and Rosenstein especially emphasize the importance of the societal value of entrepreneurship when channeling immigrants away from such activities as e.g. crime. Such societal value can be fostered through e.g. education and training. Finally state regulations create a legal framework in which both immigrants and nationals make choices. Kloosterman (1999 quoted in Rath, 2000) mentions some of the factors that affect whether immigrants become self employed – migration laws, social benefits, economic policies toward small firms, availability of venture capital and legal impediments to immigrant entrepreneurs. Finally, Vinogradov (2008) finds that many governmental policies are aimed at promoting the start up of immigrant businesses, while the low survival rates of immigrant business should require an increased focus on supporting the businesses already in operation and helping those to enter the mainstream markets.

Support to entrepreneurship

Norway does not have an overall entrepreneurship and/or innovation policy. Instead the main responsibility for developing national innovation and entrepreneurship policies lies with three different ministries – Ministry of Trade and Industry, Ministry of Education and Research and the Ministry of Local Government and Regional Development. The latter is often criticized since the policies by three different ministries may often lack common direction.

In the following I have outlined and described the most important players and vehicles in Norway concerned with support to entrepreneurship focusing on support to immigrant entrepreneurs.

Innovation Norway

Innovation Norway (Innovasjon Norge) is the leading governmental actors concerned with support to start ups and entrepreneurship in Norway. It is the main actor when it comes to counseling, information and financial support to entrepreneurs in Norway, following I outline the support vehicles of IN as summarized by Thune et al. (2009). Also an interview with Innovation Norway's entrepreneurship responsible person in Hordaland was conducted. On average between 1100 and 1200 entrepreneurs receive grants from Innovation Norway each year. This can be compared with for example the figure of in total 51374 new entities started in Norway in 2006. Thus the proportion of support receivers is rather low (Tuft, 2009). Tuft (2009) also notes that many of the support programs run by Innovation Norway prioritize entrepreneurs in rural areas thus supply of support for larger city entrepreneurs may be inadequate. Innovation Norway does not have any programs that are aimed especially immigrants and they are encouraged to apply for the support on the same basis as other applicants. Innovation Norway also acknowledges that immigrants are underrepresented among the applicants for e.g. founder scholarships. In order to address this issue Innovation Norway has one employee working full time with developing a strategy of how to tailor IN's support measures to potential immigrant entrepreneurs. Finally, Innovation Norway is prioritizing businesses within the sectors of energy, maritime and marine industry, which are hardly the sectors densely populated by immigrant entrepreneurs.

Start up training courses

Innovation Norway runs through its regional offices a number of courses on starting up new ventures. These courses are often run by external providers and around 500 persons complete these courses every year. Additionally a number of other programs are run by Innovation Norway that are aimed at providing knowledge for companies at different development stages, these include: FRAM for SME's that want to grow, Fyrtårn (Lighthouse) for female entrepreneurs and business owners and Navigator – for companies with high development potential.

FRAM program

FRAM (Forward) is one of the largest programs administered by Innovation Norway and is aimed at improving the competitiveness of SME's by providing education in innovation, strategy and leadership. The aim with the program is to achieve better profitability for the companies that participate. In 2008 490 participants from 288 companies participated in FRAM.

Founder scholarships (Etablerer stipend)

Innovation Norway administers around 600 to 700 scholarships annually that are aimed at starting own business. The receivers of these scholarships are recommended to take part in the training courses organized by IN as well as receiving personal guidance and coaching. The scholarship covers up to 50% of the total costs of the project and the entrepreneur is supposed to contribute 25 % of the costs through capital or other forms of contribution.

Loans to entrepreneurs

Innovation Norway has a number of loan programs that are aimed at entrepreneurs to complement or substitute financing from banks. Innovation Norway also provides loan guarantees and subsidies to businesses.

Entrepreneur networks

Innovation Norway has set up and runs a number of entrepreneur networks which are regionally localized and receive support in the form of guidance and coaching.

Seed Capital

Seed capital means investment in a very early phase of company development. The aim of the investment is to develop the idea to the very first milestone. There are currently two institutional investors that are aimed at providing seed capital to start ups – ASEV and FORNY program. Descriptions of these are based on Johansen (2009).

ASEV

ASEV is a seed capital investor which was founded in 1984 by the Norwegian University of Technology, research organization SINTEF and the municipality of Trondheim. ASEV was charged with a duty to invest in start ups mainly coming from the research environment in the city of Trondheim.

FORNY (Renew) program

The experience from ASEV showed that seed capital is a very risky business, which is close to impossible to run on a strictly commercial basis. Therefore FORNY program was established which is run as straight government support program, not a risk capital fund as ASEV. FORNY program is realized by the so called commercialization units which there are 13 of in all Norway. These units have ongoing contacts with the research environments and are entrusted with supporting entrepreneurs with starting new ventures both with knowledge and financial capital.

The Industrial Development Corporation of Norway (SIVA)

SIVA is a state owned enterprise whose focus is on developing strong local environments by providing investment capital, competence and networks for SME's. SIVA runs a number of science parks, innovation centers, incubators and business gardens (Tuft, 2009).

Research Council of Norway

The Research Council of Norway has several support programs to enhance innovation activities within clusters and in different regions in Norway.

In addition there is a variety of other support vehicles such as business incubators and technology transfer centres all over Norway. Giving an oversight of all support vehicles in Norway is beyond the scope of this thesis.

General SME environment in Norway

Global Entrepreneurship Monitor (GEM) 2008 outlines the most important factors characterizing the framework for entrepreneurship and SME's in Norway. Following I have recapped the most important findings of the GEM Report for 2008. The findings are based on interviews with at least 36 experts in Norway. Norway is mainly compared with a sample of 18 innovations driven, developed countries, including countries in the EU as well USA.

Environment for start-ups

GEM Report 2008 indicates that Norwegian entrepreneurs meet quite large barriers when starting new business. In the comparative sample Norway is clearly behind Finland and Denmark when it comes to such barriers. The establishing barriers include the general laws and rules but also industry conditions and customers' attitudes towards start-up companies. GEM experts also conclude that complicated laws and markets require an extensive counseling and support from the public bodies. The current supply of such counseling is ranked as insufficient by GEM experts and clearly behind such countries as Denmark and Finland. In general GEM experts find that it is demanding to be an entrepreneur in Norway due to the massive regulations especially in the fields of building laws, tax laws and employment legislation. GEM experts find that entrepreneurship is not sufficiently prioritized by the political and public institutions. In fact Norway is among the lowest ranked countries in the GEM rich country sample when it comes to public prioritizing of entrepreneurship. One of the reasons for this is the fact that entrepreneurship issues are dealt with by several

ministries and public institutions, thus making this field more anonymous in the public environment.

Another ranking by OECD (2009) places Norway ahead of Finland and Iceland but behind Sweden and Denmark when it come to barriers to entrepreneurship (See Appendix 1).

Access to capital

Finance and capital is the most widely recognized regulator of the participation in entrepreneurship (Levi and Autio, 2008 quoted in Tuft, 2009). According GEM report 2008 Norway is ranked first in terms of access to capital among the developed countries sample. Experts note that in the recent years lots of effort has been put into developing different financing instruments and thus access to capital is relatively good in Norway. However, the experts also note that many instruments are giving support at relatively late phases in company lifecycle and there still is lack of seed and early phase capital. Norway also has relatively high activity of informal investors or the so called 'business angels' – in total 4,4% of the adult population in Norway are business angels (in year 2008). This is the fourth highest percentage in the developed countries sample and from the Nordic countries only Iceland has a higher proportion of business angels. However the total amount of informal investment as percentage of GDP is low, in 2006 this percentage was 0,4%, among the lowest scores in Europe (Bygrave and Quill, 2006 quoted in Tuft, 2009). The average amount invested by business angels is thus very low. It is important to note that the current economic crisis is having a very negative impact in terms of access to capital as both formal and informal investors have more restrictive lending policies. The lack of capital is especially affecting the technology based enterprises and potential high growth firms in early stage of development. The so called survivalist entrepreneurs who are the majority of start-ups in Norway are less affected.

An interesting work is done by Tuft (2009) who analyzes the framework conditions for entrepreneurship in Norway. She concludes that there is a lack of financing, especially in the early stages of entrepreneurial start ups. Moreover, Norway has a complex environment and would be entrepreneurs require assistance and guidance which is often inadequate.

Finally, Tuft (2009) cites a study done by OECD (2007) which finds that compared to the rest of Europe, the Norwegian banking system is efficient and has plenty of available bank loans,

also without collateral. Tuft (2009) also reports good accessibility of venture capital financing for new and growing firms in Norway.

Doing Business in Norway

Another relevant ranking that I find reviewing here is the Doing Business Survey compiled by the World Bank and is reviewing business environment in a total of 183 countries worldwide. The overall rank of ease of doing business for Norway is 10th place in the world. This can be compared to the placements of the other Nordic countries: Denmark – 6th, Iceland – 14, Finland – 16th, Sweden – 18th. The following table summarizes the global rank of Norway for each of the ten sub categories included in the Doing Business ranking. As can be seen Norway is ranked top 20 or above in 6 out of 10 indicators which places the country in the top position in the Nordics only surpassed by Denmark. However, Norway ranks last among the Nordic countries in the world competitiveness index 2009, taking 11th place among the 57 economies ranked (Denmark – 5th, Sweden – 6th, Finland – 9th).

| Rank | Doing Business 2010 |
|-----------------------------------|---------------------|
| Ease of Doing Business | 10 |
| Starting a Business | 35 |
| Dealing with Construction Permits | 65 |
| Employing Workers | 114 |
| Registering Property | 8 |
| Getting Credit | 43 |
| Protecting Investors | 20 |
| Paying Taxes | 17 |
| Trading Across Borders | 9 |
| Enforcing Contracts | 4 |
| Closing a Business | 3 |

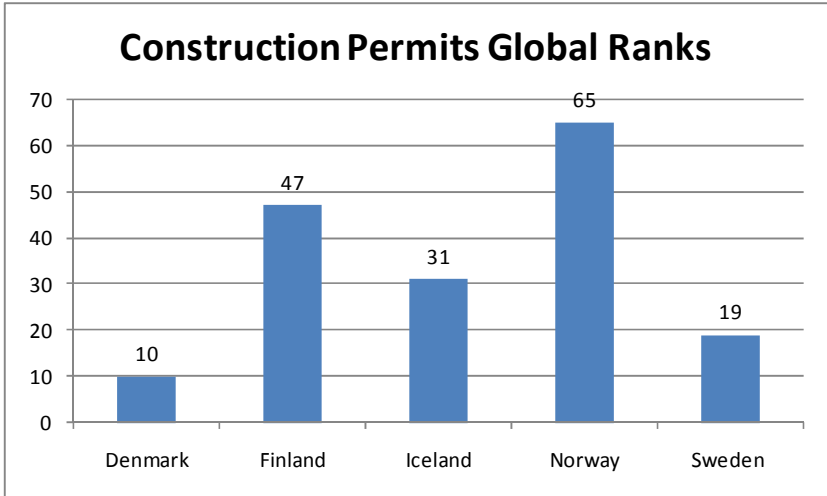
Following, I have outlined the areas where Norway is ranked lower relative its overall ranking and its Nordic neighbors. I have chosen particularly these areas as those are the ones where there is area for improvement and any policy aiming at assisting immigrant businesses should cover these areas, either by policy or legislative change or counseling type of support.

Starting a Business



It takes on average seven days to complete the five procedures involved in registering a business in Norway. Norway ranks above the OECD average when it comes to time, number of procedures and cost involved in starting a business. However the minimum capital required to start a business in Norway was above the OECD average. Norway also ranks behind three out of its four Nordic neighbours. World Bank experts point out that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead they constrain private investment, push more people in informal economy, increase consumer prices and fuel corruption. Therefore Norway should look into ways how to ease the process of starting a business.

Dealing with construction permits



It takes at least 252 days and 14 procedures to complete a building project in Norway. This can be compared to 116 days in Sweden and just 69 days in Denmark. Norway ranks better than the OECD average when it comes to number of procedures and costs involved in obtaining all necessary building permits, but it takes more than 100 days more in Norway to complete all procedures, compared to the OECD average. Also, Norway clearly ranks behind all of its Nordic neighbors in this aspect. According to the World Bank experts (2009) granting construction permits is a tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable. In many economies, especially the poor ones, complying with building regulations is so costly in time and money that builders opt out and resort to e.g. paying bribes or building illegally. Thus extensive regulations in the field of construction makes the builders move into informal economy leading to lower construction standards and thus achieving the opposite of what the regulations were put into place for in the first place. Not surprisingly the construction industry in Norway is often in the media e.g. for employing cheap labor from Eastern Europe illegally. These problems may be prevented by making the construction permit granting process speedier and thus less costly and time consuming for the builders.

Employing workers



The labor market legislation is presented in two measures – rigidity of employment index and redundancy cost measure. The rigidity of employment index is an average of three sub-indices – difficulty of hiring, rigidity of hours and difficulty of redundancy. The measures included in these indices include flexibility of contracts, minimum wage regulations, regulations of

working time, workers’ protection against dismissals, The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary. Norway scores 44 percent in the employment rigidity index (with 100 being the most rigid) and redundancy costs amount to 13 weeks of salary for a worker. Comparing with OECD, the rigidity of employment index in Norway is by far above the OECD average (which is around 25 percent), however the redundancy costs are below the OECD average. Norway scores behind two of its Nordic neighbours and generally it can be noted that Nordic welfare states (with exception of perhaps Denmark) are characterized by strict labor market regulations. Labor market regulation needs to find the right balance between worker protection and labor market flexibility. The analysis by the World Bank concludes that while labor market regulation generally increase the tenure and wage of incumbent workers, overly rigid regulations have negative side effects including less job creation, smaller company size, less investment in research and development and longer spells of unemployment, thus reducing productivity and growth in the country.

Getting credit



Getting credit ranking is based on a number of indices that measure how well the credit market is functioning. A functioning credit market is important for companies to grow and develop. In this aspect Norway ranks behind three out of four of its Nordic neighbors, thus getting credit may be quite problematic in some cases. Getting credit is likely to be even more Research shows that banks ignore the uncommodified social capital possessed by many

immigrants. This shortcoming in capital access can be overcome by e.g. rotating credit associations or Grameen-style microcredit lenders who appreciate the social capital possessed by immigrants when taking the lending decision (Light and Gold, 2000 quoted in Richtermeyer, 2002).

Summary

Norway is a country where it is comparatively easy to do business as indicated by the country's high rank in the doing business survey. The barriers to starting business are average for Europe, albeit behind Finland and Denmark. However there are a number of areas where improvement is necessary as was discussed above. Those are areas especially crucial for immigrant business. As was discussed above immigrant businesses often struggle increasingly more dealing with the legislation regarding start up of business. Also many immigrant businesses never manage to grow out of a stage where all employees are family members, due to the relative rigidity of labor market in Norway. Lastly, access to credit that is problematic for SME's is especially hard for immigrant businesses that lack credibility and collateral when dealing with banks. Especially early stage financing is problematic in Norway.

Section 4: Empirical studies: of ethnic entrepreneurship in Norway

The contents of this section are based on the model developed in section two and various inputs in the model are gathered from field interviews with ethnic entrepreneurs as well as other actors in Norway. I have chosen to interview ethnic entrepreneurs having a range of ethnicities as well as range of businesses/sectors they are involved in. In shaping the questionnaire I have used the factors reported by a number of writers in the topic (see for example Masurel et al., 2001) and the model developed in section two. The interviews were semi structured, using the interview guide in Appendix 3 as the point of departure. The duration of interviews ranged between one and two hours.

Background: immigrant entrepreneurs in Norway

The issue of immigrant entrepreneurship has only quite recently come into the public debate in Norway. Norway is experiencing a steadily increasing flow of immigration and this accentuates the possible risks but also the opportunities that immigration brings with it. In a recent article by Petter Soltvedt and Arnt Farbu (both from Høgskolen i Buskerud) in Dagens Næringsliv on February 19, 2010, the authors conclude that knowledgeable immigrants can be an important source for innovation and entrepreneurship in the society. This is especially important for Norway that according to the authors is behind the European average when it comes to entrepreneurship and innovation. However the authors also note that in order for ethnic entrepreneurship to have an integrative effect one needs to make sure that immigrant entrepreneurs do not establish a so called ethnic enclave where both customers and suppliers are of immigrant origin. Instead immigrants should be encouraged to employ people of different ethnic origins as well as ethnic Norwegians. Another recent report by Arbeidsforskningsinstituttet (Enehaug et al., 2009) concludes that immigrants in Norway often chose to establish themselves in the fields of business such as shops, kebab stores and cleaning businesses that are all characterized by an already great deal of overestablishment by mainly other immigrants. In addition immigrant entrepreneurs meet a great deal of problems associated with financing and complying with the regulatory burden in Norway. Similiar conclusions are reached by another study completed by Mamut ASA (Hanoa, 2005) who surveys 1000 SMEs in Norway, mostly non immigrant enterprises and concludes that the biggest challenges connected to starting own business are – (1) understanding the current laws and rules, (2) dealing with taxes and fees and (3) dealing with and reporting to public

institutions. Similar challenges are likely to be faced by immigrant entrepreneurs who face a number of additional problems e.g. language barrier.

The following part of the thesis will try to empirically address and confirm/ reject the empirical fundamentals developed in the previous parts of the thesis.

Sample

During the writing of this thesis I have carried out 12 interviews in total, out of which 11 are with immigrant entrepreneurs from the cities of Oslo, Drammen and Bergen. 10 of the immigrant entrepreneurs interviewed are born outside Norway, one is born in Norway and has both Pakistani parents. 11 of the interviews were carried directly by meeting the interviewees, one was a phone interview. I have tried to achieve a variety in background, ethnicity and type of business. The immigrant entrepreneurs interviewed are from a variety of industries – fashion, shop, logistics, restaurant, trade, IT, consulting, recruitment etc. They also represent a great variety of countries of origin – Russia, USA, Nigeria, Senegal, Pakistan, Iran, Italy, Turkey. Thereby this thesis has aimed to create a complete portrait of an immigrant entrepreneur in Norway. The overview of the interviewees and a short description of their background can be found in Appendix 2.

Findings

This section of the thesis outlines the findings of the field work based on the framework developed in the first sections of the work. I summarize the results of the interviews following the supply side/demand side model developed in section 2.

Motivation

The motivation to start own business varies among the sample. There are both the so called necessity entrepreneurs and opportunity entrepreneurs with a larger percentage of the latter. Thus my research contrasts with the wide spread belief that in Europe the immigrant entrepreneurs are solely motivated by necessity, reviewed in section two. The stories are various when it comes to the motivation to start own business.

Necessity entrepreneurs

Necessity entrepreneurs start their business in the absence of other opportunities. It is often believed that most of immigrant entrepreneurs are just necessity entrepreneurs however

opportunity entrepreneurs dominate in my research. Many of the interviewees, however, express a view that most immigrants start business in absence of adequate job opportunities.

For Olga from Russia starting own business was the easiest way how to get job and earn money for her and her daughter. Also she saw own business as the best way to utilize her skills and education. Also for Patience from the USA starting own business was the only way how to stay in Norway, because even after sending out 500 job applications she had been unable to find a job. Abba's brother – educated engineer, started own company when unable to find a job. For Suat from Turkey losing a job was the triggering event that made him become an entrepreneur.

Necessity entrepreneurship is definitely a much broader phenomenon than revealed by my research. Zahra Moini who has a broad experience of working with immigrant entrepreneurs points out that most immigrant entrepreneurs start business in the absence of employment opportunities or in cases when employment is not fully utilizing their skills and capacities.

However starting and running a business in Norway is not quite easy as will be discussed in later parts of this thesis. So a motivation to start and run a business must be stronger than just absence of a paid job. Even though higher among immigrant, the unemployment is still comparatively low in Norway, so there are still relatively ample opportunities for finding a job. This is confirmed by the interviewee sample where most immigrant entrepreneurs conclude that finding a job has never been impossible.

Opportunity entrepreneurs

Opportunity entrepreneurs start business because they see a opportunity that can give them good returns. Also, they are more often motivated by factors other than money and often give up more lucrative income alternatives in order to follow a dream of owning a business.

For instance Dario from Italy saw that there was a lack of real Italian ice cream bar in Oslo, in the same time when Norwegians are among the most eager ice-cream consumers in the world. Dario also expressed that being his own boss was important for him something that he shares with many other immigrant entrepreneurs. Similarly Kate from Nigeria saw that there was a demand for African food and cosmetics but very little supply. Also her motivation to start

own business was the willingness to be in control of her life. Patience from the USA saw that there was a lack of formal education in the glass arts in Norway and saw opportunity for a business that would be an intermediary between glass artists and consumers. Her motivation to start a glass company and later buying a stake in a consulting firm was that she found it frustrating to work for other people and feels that she can learn more as an entrepreneur. Raja from Pakistan saw an opportunity starting a recruitment agency especially aimed at immigrants. His motivation was to be his own boss and capitalizing on a market opportunity. Lastly, Abba from Iran saw an opportunity in starting an exotic food store that would have a higher standard than the traditional immigrant stores. He even plans to grow his food stores into a chain.

Most of the ethnic entrepreneurs interviewed express that money is not the most important motivator for them. On the contrary they are willing to give up lucrative jobs in Norway to realize the dream of having own business in Norway as Gulay from Turkey for example:

Reason for my decision to start own business in the IT industry was a combination of the fact that I was not satisfied with how things were in my old job and a willingness to try something new and create something. At the time I left my old job I was boss over 800 people and I did not hope that I could achieve similar level in terms of position or income as an entrepreneur.

Some of the immigrant entrepreneurs have good education from Norway and could earn more in a salaried job, still they chose entrepreneurial career, like Raja from Pakistan:

I could possibly earn more in a regular IT job which is the area where I am educated. However these jobs are often very uniform and I feel that I get more challenge as an entrepreneur. I enjoy the variety of tasks involved in being entrepreneur and the fact that I meet new people and new situation every day. It is however also much tougher to be an entrepreneur – it is very insecure income.

Finally, for some, as Abbas from Iran salaried employment has never really been an option:

I have never wanted to work for someone, but always wanted to run my own business. I enjoy doing and organizing things my own way and started a business just four months after arriving in Norway.

Most of the immigrant entrepreneurs interviewed were satisfied with their lives as entrepreneurs and positive about their children pursuing an entrepreneurial career. This is another sign that majority is opportunity entrepreneurs and do not see entrepreneurship as a forced activity due to unemployment.

Ethnic Resources

Immigrant entrepreneurs capitalize on a number of ethnic resources, i.e. resources that are particular to a certain ethnic group when they start own business. For instance Olga from Russia benefited from the fact that Russian music education is well renowned around the world, which helped her to attract customers to her music school. Similarly Dario from Italy started ice cream café and production that had strong links to his native Italy. Natalia from Russia used her Russian background and connections for organizing production of her fashion collections in Russia and Eastern Europe. Joe from Senegal started a business of importing sun battery flashlights to his native Senegal. Raja from Pakistan used his immigrant background and connections when starting a recruitment and HR agency aimed at immigrants. Iranian Abbas started a clothe store, based on his knowledge about fashion that he had learnt after many years in Italy. Several of the interviewees have earned money from translating books from Norwegian to their native languages.

The common factor in these stories is that immigrant entrepreneurs have an access to ethnic resources in terms of know-how, ideas, market knowledge, connections, even capital that can compensate for their disadvantages compared to ethnic Norwegians.

Several of the interviewees also expressed that their culture has given them a certain disposition for entrepreneurship. For example Dario from Italy notes that business is “in blood” for some cultures which also explains why he as an Italian has started business because “one grows up with business” in Italy.

Some of the immigrant entrepreneurs interviewed express that there is a great deal of cooperation between members of ethnic minorities in Norway, that exchange e.g. capital or advice. This is more pronounced in some cultures e.g. Pakistani, African and less so in others – e.g. Russians. Raja from Pakistan expresses it in the following way:

We have another culture than Norwegians we are warmer to each other and help each other for example through lending money. There are very strong family and friendship bounds. I think that is something many Norwegians do not have.

Several of the immigrant entrepreneurs interviewed have lent or have thought of lending money to other immigrant or co-ethnics. An example of this is Joe from Senegal who has lent money to co-ethnics on a number of occasions with mixed success of the business. Also Gulay from Turkey who has achieved a high entrepreneurial success in the IT industry has thought of lending money to immigrant entrepreneurs, however she has not done so, mainly due to lack of time for evaluating business ventures.

Access to capital is something that ethnic networks can help with. For instance Zahra Moini mentions an example when in a selling of business transaction between two immigrant entrepreneurs the selling party agreed to wait until the buyer earned some money from the business to be able to pay the acquisition price.

Overall, the ethnic entrepreneurs interviewed seem to rely on ethnic resources only to a limited extent. A possible explanation could be, as discussed before, the fact that they are relatively well endowed with class resources. However, I do not find any clear correlation between class resources (e.g. education) and the level of reliance on ethnic resources. Some of the least educated members of the sample also rely little on the ethnic resources. Thus, the level of reliance on class resources might be culturally determined.

Customers

Few of the immigrant entrepreneurs that I have interviewed benefit from customers that are of the same ethnic origin or another immigrant origin. Even the entrepreneurs that offer strictly ethnic goods such as foreign food products have many Norwegian customers and emphasize the importance of the latter, as Raja from Pakistan for example:

To be able to do good business in Norway one needs Norwegian customers. The interesting thing is that more Norwegian customers also attract more immigrant customers. Example of this is Byslett Kebab in Oslo which started with many Norwegian customers and thereby became interesting even for immigrant customers. In the same time with the increased immigration also immigrants are getting more important as a customer group and increasingly more companies are targeting them especially, including companies run by native Norwegians. Example for the latter is the telecommunications company Telio.

The importance of ethnic Norwegian customers is expressed by several interviewees, but most concretely by Abbas from Iran who runs an exotic food store in Bergen:

My business idea is to have both Norwegian and immigrant customers. If we do not manage to get at least 50 % of Norwegian customers, there is something wrong with our business model. Currently the percentage of Norwegian customers is well above 50 %.

Abbas also tells that Norwegian customers are more stable once they chose a place where to shop and much less price sensitive than immigrant customers.

Zahra Moini on the other hand concludes that immigrants often start business by selling to other immigrants and later address the broader market. Businesses that sell only to immigrants are usually pressed on price; therefore it is much more attractive to address the broader market that gives higher margins.

In general, I find very little reliance on ethnic markets among the immigrant entrepreneurs interviewed.

Employees

A widespread belief is that immigrant entrepreneurs just employ other immigrants, causing a secondary market of lower salaries and other benefits. I find very little evidence for this in my sample. Dario from Italy is willing to employ other Italians since it would suite his business

concept, not to discriminate in terms of salaries or otherwise, he has employed Norwegians and people all over the world. Also Natalia from Russia has employed immigrant employees due to the fact that she was unable to find Norwegians that were equally well qualified. Also Joe from Senegal mentions a case when a Lithuanian construction company owner employs other Lithuanians due to the fact that they are willing to work longer hours, not because they are cheaper. Also Abbas from Iran tells that immigrant employees are sometimes preferred as they have an intimate knowledge of the goods his shop sells. Also they are more willing to go the extra mile to get a start up business to go around.

However there are also cases when immigrant entrepreneurs benefit from their ethnic network when searching for employees. For instance Kate from Nigeria has compatriots working for free for her, without which her business would not go around. It is hard to imagine that ethnic Norwegians would do the same. Thus ethnic employees can be an asset that is crucial for survival of the business.

In general, most of the companies surveyed have just a couple of employees and several are one man businesses. Majority of the entrepreneurs that have employees, employ also other immigrants.

Network

Most of the immigrant entrepreneurs interviewed have some sort of ethnic network with friends of similar ethnic origin. However none of the interviewees regard himself/herself as active member of the immigrant community.

Also involvement with ethnic Norwegians varies. Some of the interview subjects admit having many Norwegian friends, some none at all despite many years in Norway. However most interviewees stress network of other immigrants as well as ethnic Norwegians as a very important factor when finding a job or starting a business, as Raja from Pakistan puts it:

Network is very important when searching for a job. It is often the Norwegians that have the good network and they do not want to include immigrants in their network, therefore immigrants end up in the end of line. I have myself a very broad network that helps me a lot in my business.

Network is also important for business and having a good network may enable a business venture. For example Suat from Turkey started his logistics business with contacts to customers and lorry drivers that he had amassed during his time as an employee.

The problem for qualified foreigners is that no one believes in their qualifications as Patience from the USA puts it:

I sent out around 500 job applications and only got three responses. Even though my Norwegian was at a good level, I lacked network in Norway and people did not believe in me and in my knowledge. I had too little Norwegian references to refer to.

Another advantage of having a network according to Zahra Moini is that network can be an important forum for discussing the business idea and adapting it to the Norwegian conditions. Several of the entrepreneurs surveyed used their network to receive advice when starting business.

Thus my sample somewhat confirms e.g. the findings by Baaycan-Levent (2006) who notes that ethnic entrepreneurs usually set up their business in the sectors where network of ethnic people provides them an opportunity for an informal way of doing business and exchanging information. However the reliance on ethnic network varies between nationalities and a network of native Norwegians is as important as that of co-ethnics.

Class resources

Class resources are resources that are accessible through a membership in a certain social class, prior to the migration. Often one finds that international migration is selective with respect to class resources: more well-off and better educated are more prone to leave poorer countries for more opportunities in the West. Several of the entrepreneurs that I have interviewed indicated that they belonged to a higher social class in their home country before coming to Norway. Even interviewees coming from very poor countries in e.g. Africa indicated that they had a good life at home. Some of the most important class resources in my sample were – education, entrepreneurship experience in the family and a higher level of ambition and self confidence. Several of the interviewees expressed that they were unwilling

to have jobs that were below their qualification and experience, even if those would pay better in the start phase. Also the fact that they were from a higher social class helped them with family backing financially at the start phase of the business. For instance Olga received money from her family in Russia for several years until her music school became profitable. Also majority of the interviewees in the sample had parents or relatives that had been engaged in business, thus starting own business was natural for many. Many also had had businesses before in their home countries before coming to Norway. Interestingly, most of the ethnic entrepreneurs started business in Norway in different sectors than what they had been engaged in before coming to Norway. However, as Iranian Abbas puts it – the key facets of running a business are the same no matter what sector.

So summarizing, it is clear that most ethnic entrepreneurs in the sample are also rich on class resources. This corresponds e.g. to research by Ivan Light who concludes that immigrants or immigrant groups with a wide array of class resources are also more likely to start own ventures. Also, my findings indicate that reliance on ethnic resources in terms of labor and customers is very limited. This corresponds to research by Najib (1996) previously reviewed who finds that the more class resources the entrepreneur has the less ethnic resources he/she needs.

Education

The theoretical foundation developed in section two concluded that European countries are both receiving the least skilled immigrants (compared to e.g. US) and have the least incentive for the skilled immigrants to start business. My sample contrasts with this stand point developed e.g. by Kloosterman.

The immigrant entrepreneurs interviewed have various levels and fields of previous education. Most of them have some sort of higher education and are generally well educated. Thus I do not find evidence to a negative correlation between education and entrepreneurial aspirations as suggested by some theoretical studies reviewed in previous sections. However it is important to note that very few of the interviewees have a formal business related education. None of the interviewees stressed the importance of business education for starting and running business. For example Suat from Turkey notes that more education is good for career as an employee but it is not necessary for an entrepreneurial career.

What is interesting is that most immigrant entrepreneurs interviewed acknowledge that being an entrepreneur is fully utilizing their skills and potential. Several also mention that they would not have been able to find a paid job that would utilize their skills to the same extent as entrepreneurship does. Also all interviewees are well endowed with class resources and find their peers – other immigrants to be well endowed as well. So I find very little evidence of negative self selection of immigrants coming to Norway. Norway has certainly plenty of talented immigrants that can achieve a lot if given the right conditions.

Work

Self exploitation is often attributed to immigrant entrepreneurs, who work very long hours to make the ends meet for their business. I find some evidence for this in the sample reviewed. However there are also immigrant entrepreneurs who work regular working hours or less. However majority of the sample works at least ten hours a day.

Some of the interviewees express that hard work is the key for success for the immigrant enterprises. An interesting point was made by two interviewees, namely that Norwegians when starting business know that in the case of failure the social security net will take care of them. Immigrants do not have this security and therefore must work 110% as Italian Dario puts it.

However, it is important to note that even though working longer hours than rest of the population, immigrant entrepreneurs are generally satisfied with that and are content with their lives.

Financing

Only one of the immigrant entrepreneurs interviewed has received a loan from a bank despite good business ideas and numerous attempts to receive bank financing. Dario from Italy received bank loan from Italy that his parents signed for. Suat from Turkey worked in a warehouse for several months to save money for a start up and then used his savings and a bank overdraft to start his business. While working in the warehouse Suat used the breaks from work in order to call potential customers. Kate from Nigeria used childcare benefits and borrowed from family and friends to start her business.

Common in these stories is that immigrant entrepreneurs showed great determination when starting own business and worked hard to overcome the problems with financing. The fact that immigrant entrepreneurs have such problems finding financing contrasts sharply with the international rankings that put Norway as a favorable place in terms of access to financing.

There is a limited number of microcredit vehicles in Norway – such as Nettverkskreditt and Cultura Bank. However, most of the immigrant entrepreneurs interviewed were unfamiliar with these support vehicles. Those who were, found that the financing available is too small relative to the time required to apply. For instance Nettverkskreditt only gives an initial payment of 25 thousand NOK, far too small to be meaningful according to the most interviewees. It is important to note that Nettverkskreditt is financed by the EU and there is no similar state owned initiative in Norway.

An expert of immigrant entrepreneurship – Zahra Moini concludes that lack of financing is the most important factor hindering the emergence of more immigrant businesses. According to her there are too few good investors in Norway, most are short sighted and risk averse. There is too little seed capital available since most investors want to invest in later stages, this corresponds well with the research presented in previous sections.

From the sample the most common sources of capital for immigrant entrepreneurs are family and friends as well as own savings. It is also quite common to have a secondary job to earn money for sustaining entrepreneurial activities. Some of the interviewees have also used high interest consumer loans to start business. Researcher Arnt Farbu talks about the necessity to create a link between formal and informal capital as a solution to the lack of capital by immigrant entrepreneurs:

One should consider also informal sources of capital when evaluating giving financing to immigrant entrepreneurs. For example if a family member has given money to an entrepreneur that means that the business idea has been evaluated and accepted, thus also a bank should do the same.

Iranian Abbas who was the only one to receive a bank loan when starting his business points out two factors that enabled him to get bank financing despite being a newly arrived

immigrant: (1) availability of start capital which he had accumulated during his previous entrepreneurial pursuit in Italy, (2) knowledge of how to prepare and present a bank loan application and how a banking system works in a western country, also that learnt in Italy. He also had to take all risk on himself and be willing to lose all his start capital. Abbas also notes that one should have a public financing system which accepts the loan proposals along with the bank and might give its support when the bank says no.

Integration

All of the immigrant entrepreneurs that I have interviewed speak flawless Norwegian and seem to have good understanding of the Norwegian culture and society. However their own understanding of their integration varies. For instance Olga from Russia expresses that she has never cared about integration and for her it is just important that she is able to work and earn money for herself and her family. Similarly Suat from Turkey states that he does not want to be Norwegian, even though many people often say to him that he is like a Norwegian. Also Dario from Italy – successful owner of several businesses in Norway - does not want to be integrated. May be the best summary of what integration really is and what matters is given by Zahra from Iran:

Integration means being able to work with head straight up – to be able to provide for yourself and your family and contribute to the society. So it does not really matter if you turn into a Norwegian or not, as long as you are a full blooded member of the community.

Entrepreneurship and integration

Several of the interviewees acknowledge that entrepreneurship has helped them to become more integrated in the Norwegian society. For instance Natalia from Russia expresses:

Soon after opening my fashion saloon I realized how important it was to learn Norwegian to be able to communicate with customers. I have almost only Norwegian customers so understanding language and culture was essential, even if I first thought that Norwegian was too small language to make sense to learn it. My business has definitely helped me to become more integrated.

Even though personal views on own integration vary most interviewees acknowledge that entrepreneurship has made them more integrated. Similar conclusion is made by Zahra Moini who has an extensive experience of working with immigrant entrepreneurs:

Integration means being able to walk with head high and that is something entrepreneurship helps with. I hence think that immigrant entrepreneurs are more integrated than non-entrepreneurs. Most of them have a broad market so I do not think there is reason to worry about economic enclaves.

Some of the interviewees point out that level of integration depends on the type and level of position one holds. For example Joe from Senegal finds that one becomes more integrated when having a higher position, while entrepreneurship might be better integration wise compared to a regular employment.

The general conclusion seems to be that entrepreneurship can give the opportunity for immigrants to gain self respect and prove that they can achieve something. So entrepreneurship won't necessarily turn immigrants into Norwegians but it will allow them to contribute to the society and feel like full-fledged members of the community. The possible long term benefits of immigrant entrepreneurship are outlined by Patience Allen:

Immigrant entrepreneurship means that immigrants do not have to receive social benefits, which saves money for the government in the short run. In the long run the fact that immigrants are self sustaining will decrease the prejudice against them and allow them to easier get jobs, access to bank financing etc.

Similarly, Iranian Abbas states that the good examples of immigrant entrepreneurs could and should be used

Several other interviewees also expressed that being an entrepreneur has given them a higher social status and helped to be integrated that way. According to Zahra Moini, there has traditionally been some skepticism with regard to entrepreneurs in Norway, however that is changing and there is an increasingly positive attitude.

Discrimination

Most of the immigrant entrepreneurs interviewed acknowledges that there is some sort of discrimination against immigrants in Norway. Some of the interviewees have met discrimination either in terms of problems finding job or receiving a lower salary once job is found. Discrimination is a phenomenon that affects all immigrants irrespective of nationality. According to the American Patience, discrimination affects western immigrants as much as non-western, even though the support mechanisms are mainly addressing the non-western immigrants. The phenomenon of discrimination is emphasized by Patience Allen who states:

I have a large network of other immigrants in Norway and I do not know anyone who has come to Norway without a job and has found a job in his area within less than 3 years. Same applies to highly educated and non-educated, western or non-western. After three years they have built up a network in Norway and can get a job. Norway is a homogenous country, one needs to be like the others to get a job.

The discrimination affects not only job searchers but also ones pursuing an entrepreneurial career, as Iranian Abbas's brother experienced:

My brother graduated from NTNU in Norway but was unable to find a job within a year after the graduation. In fact he was not even invited to any interview, despite having good grades and Norwegian education. So, instead, he started an engineering design firm. The business went slowly, because the customers were still suspect of his foreign name. So to overcome this, he teamed up with his former Norwegian course mate. Having a Norwegian co owner onboard meant that business took off notably and rapidly grew to approximately 10 employees. My brother experienced that customers were more willing to send jobs abroad than hire a local immigrant entrepreneur.

However, it is interesting to note that all interviewees perceive discrimination as much smaller factor than is often believed. Many interviewees express that finding a job has never been a big problem, however they chose to start own business since they perceived that to be a much more exciting an attractive option.

Also several interviewees express that it at least partly depends on the immigrant itself whether he/she is discriminated. For instance Suat from Turkey states that he has experienced very little or no discrimination due to a fact that he learnt fluent Norwegian very fast. Similarly Natalia from Russia states:

I feel myself integrated in Norway, since I have been open and willing to adjust myself to the new culture. I dislike Russians that come in my shop and complain that there is nothing to do in Norway and the culture life is bad. If you don't like it here you should not stay. Of course there is not Hermitage in Norway, but there are other things which you can find in Norway but not in Russia. I like that people are very natural in Norway.

Interesting point is made by Joe from Senegal who concludes that discrimination is a two way process and it is up to the immigrant to decide whether to be or not to be discriminated.

In general, it seems that discrimination on the labor market has certain impact on immigrants' likelihood to start business. However the importance is much less than is often believed. It is only one interviewee in my sample who started business due to inability to find job despite of above average qualifications and education. However it is important to note that the most discriminated groups are also the least active in starting own ventures (Waldinger et al., 1990), so my sample may certainly underestimate the importance and prevalence of discrimination in Norway.

Start up support

Only one of the immigrant entrepreneurs interviewed has received scholarship from Innovation Norway. Several others have tried unsuccessfully. The response that many immigrant entrepreneurs got from Innovation Norway was that their idea is not unique enough, or as Patience from the USA puts it:

Innovation Norway mostly gives money to entrepreneurs and companies that are already well established – to big companies and big ideas. Most ideas are much smaller and simpler and for those there is no support available.

In some cases immigrant entrepreneurs do not even know that there is support available for start ups. For instance Kate from Nigeria states the following

I have never received any support from government for my business and actually I do not know about such support mechanisms. I would gladly have attended a course for start-ups but I have never heard about such courses.

So despite owning two shops/hairdresser saloons in Oslo, speaking fluent Norwegian and being married to a Norwegian, Kate is unfamiliar with the support measures there exist for entrepreneurs.

Dario from Italy who was the only one to receive Innovation Norway scholarship received support from Drammen Centre of Multicultural Value Creation when preparing the application. According to Dario he would not have managed to prepare the application without support.

Thoughts about start up support

All of the immigrant entrepreneurs surveyed have experienced how it is to start business and deal with all the difficulties that involves. They are also the best ones to ask what support immigrant entrepreneurs need.

For example Gulay from Turkey states:

There should be a complete package offered for people who want to start and run business in Norway - someone who holds the new entrepreneur in hand throughout all the process. Additionally there should be less entry barriers in terms of start-up capital, less tax initially, no requirement to have an auditor etc. I do not think there should be special financing mechanisms for immigrants, instead one should have microfinance that is accessible for everyone with little own capital and no access to traditional bank financing.

Russian Natalia who has experienced trouble when not complying with the regulation due to lack of knowledge notes the following:

It would have been nice if there was a possibility to meet someone who knows the system and go through all the practicalities and responsibilities, when one starts a business.

Also Joe from Nigeria stresses the importance of financing and expresses a need for micro credit mechanisms to help immigrant entrepreneurs. Patience from the USA states that it would be best if support to ethnic entrepreneurs would be run by private organizations, which are much more efficient than state run support bodies. She also notes that it is not enough with just a onetime start up course, but there needs to be a follow up system along the way.

Similarly Abbas from Iran gives his conclusion on the efficiency of state run support bodies:

The problems with support systems to entrepreneurship is that one makes too big support mechanisms with many people, that wastes the money. Small activities not requiring masive investments could be more effective, e.g. social benefits for some months for the one who starts a company. For big and scientific ideas there are currently support mechanisms e.g. Innovation Norway, but for small ideas the support mechanism should be much more down to earth.

Zahra Moini stresses that immigrants should be a separate group of support, the same way that youth and women which are both prioritized groups at Innovation Norway. Finally Arnt Farbu concludes that individuals working with immigrants should be immigrants themselves. This would make the contact easier and create more mutual trust. Many immigrants have fear from institutions and authorities from their home countries thus they often do not use the support mechanisms available. Arnt Farbu also concludes:

The integration and support mechanisms currently present in Norway are designed to turn immigrants into Norwegians with Norwegian culture and products. Instead one should respect what they have and use the unique resources they possess to create new products and services. This would result in much more creativity and value creation.

Business climate in Norway

The opinions about business climate in Norway vary a great deal. General opinion about the business climate in Norway is quite positive; however a number of shortcomings are also

pointed out. Several of the interviewees also point out that there are many opportunities for business in Norway and market is less saturated than in many other countries. One thing that many interviewees point out are the problems dealing with the regulatory authorities and following the laws and regulations e.g. in the area of reporting and accounting. For instance Suat from Turkey states that there is a rule and regulation jungle in Norway and there is no one who is helping to get through that jungle. As Italian Dario puts it:

Laws and regulations are hard in Norway. One needs to follow all the time, even if one has an accountant. My company has had several accountants but I haven't found one that knows all the regulatory details, so I have to follow with all the time, since I have the ultimate responsibility not the accountant. The regulatory authorities are very stiff in Norway and hard to deal with.

Similarly Nigerian Kate states the following:

I feel that entrepreneurship is not encouraged in Norway. I have to pay money and fees all the time without getting anything back. It is also hard to employ new employees due to different forms of employer taxes. There is generally a whole lot bureaucracy and fees in Norway, especially in the food importing business.

The fact that the regulation system is complicated and that there is little guidance available can lead to lots of trouble as fashion designer Natalia experienced:

During the first years of starting business my former husband was doing the reporting and accounting for my company. Then after two years I got a tax bill of over a million NOK, since the tax had not been reported and paid properly. At that moment, it would have been easier for me to give up and leave Norway, but I decided to stay and struggle through the situation.

Natalia expressed that she would have liked to have someone who would follow up and warn her in beforehand that things were not done properly. On the other hand, Abbas from Iran expresses that the law and regulation system is still very predictable and orderly compared to e.g. Italy where it is often that laws contradict each other.

Also Natalia from Russia and several other interviewees express a view that Norway is a country that is favoring employees instead of self employed. According to her it is expensive to employ personnel and very hard to fire people. Therefore many businesses remain very small since it is complicated to grow and employ more people. Natalia also notes that employees receive lots of social security while self employed have very little of it.

Many of the interviewees express that Norway may be losing lots of creativity and innovation that could be created if people were encouraged to start business. A good example is given by Gulay from Turkey:

I know a lady that came to Norway from Turkey and at first had many ideas about starting own business. After a while she realized how difficult it is and has instead got a job at kindergarten. This is not to say that job at kindergarten is bad, but I think she would have realized herself more as an entrepreneur. The factors that stopped her were lack of support in dealing with laws and rules, lack of capital and lack of someone who could look at her idea and say if it is bad or good. In Norway one is often alone as an entrepreneur, there is very little support and people do not know about the support there is - for example Innovation Norway.

Similarly, Abbas from Iran observes that many of the immigrants first come to Norway with many ideas of how to start a business. Most of these ideas disappear as the immigrants get to know the Norwegian market, customer tastes etc. Nevertheless, immigrants are still an important source of creativity and entrepreneurship according to Abbas:

Immigrants have a larger potential to become entrepreneurs because they see opportunities that Norwegians do not see, due to different backgrounds and environments they come from. They have larger potential to generate ideas

Interesting observation is made by Patience from the USA who states that in Norway one is not accepted when being a successful entrepreneur. Instead one is often seen as greedy. Thus culture in Norway does not seem to encourage entrepreneurship. In the mean time one speaks a lot about entrepreneurship in Norway, but little is done, according to Patience. For

instance there is a stated ambition to make Akershus the most innovative region in the Northern Europe – but almost nothing is done to achieve this. The same problem is outlined by Zahra Moini who points out that there are many ideas and creativity in Norway not least among the immigrants but nothing is done to take care of these ideas. The result is that they either die or go abroad.

Company form

Company form and regulations with regard to setting up a company in Norway is an issue that came up frequently during the interviews, so it deserves a separate section.

In general most of the ethnic entrepreneurs expressed discontent with the high capital required to start up an AS (the most common company form in Norway) – 100 thousand NOK. The alternative for most immigrants is to start with a sole proprietorship (enkeltmannsforetak) and later upgrade to an AS. However the downside of sole proprietorship is the high tax rate and the high personal risk involved in starting and running a sole proprietorship, as Patience Allen puts it:

One can have had 15 million in turnover in a sole proprietorship for three years but after three years one has the same rights for social security as someone who has been unemployed all this time. Another disadvantage is that one cannot have employees in a sole proprietorship.

The disadvantages of having a sole proprietorship were experienced also by Suat from Turkey:

When I started my business, I did not have enough money to register an AS so I registered a sole proprietorship. During my first year I had a net income of 1,4 million NOK and I had to pay a tax of 700 thousand. After the first year, I upgraded to an AS but the money that could have used for growing my business was already spent on a exceedingly high tax bill.

So in a nutshell immigrant entrepreneurs are demanding a company form that would have smaller startup capital but would give the same rights as an AS. A solution for this used to be

NUF (Norwegian Branch of a Foreign Company), however the laws have been changed and NUF entrepreneurs no longer qualify for social security, similar to sole proprietors. In addition according to Zahra Moini, the state and the banks are skeptical towards NUF. However, Zahra Moini still expresses support to AS legislation:

The high startup capital for an AS is good because it signals that the company is a serious player. Most immigrant entrepreneurs that I work with start with a sole proprietorship and later upgrade to an AS, as the business gets going.

Thoughts about Norway

Many of the interviewees express a view that Norway is not a country where entrepreneurship is encouraged. As Joe from Senegal puts it:

Most Norwegians are satisfied with the job they have and do not want to take risk to start business. Norwegians are generally not keen on taking risks or trying new things. The immigrants are often much more entrepreneurial.

Also several other immigrant entrepreneurs express a view that Norwegians have much less drive and often are just content with having a regular job and lots of free time. However if Norway is to be an entrepreneurial nation it needs people that are creative and willing to go the extra mile. Immigrants in general and immigrant entrepreneurs in particular can prove to be an important source of creativity and innovation. Talking about innovation in Norway, Patience Allen concludes:

Norway is not a country where innovation is welcome. People want things to stay the same and are unwilling to try new things. All the society needs to change in order to achieve more entrepreneurship and innovation.

Supply versus Demand factors

Relating to the theoretical model developed in the initial stage of this thesis, it seems that the supply factors have a greater impact on the immigrants' choice to become self employed and also matter more during the process of setting up and running a business. Despite the fact that the institutional conditions are often cumbersome, pure ethnic markets are absent and welfare state discourage entrepreneurship – many immigrants still decide to become self employed

and are willing to overcome the difficulties involved. The demand factors from the model that are most important in explaining whether immigrants become entrepreneurs are access to ownership (through AS, NUF etc), legal/institutional frameworks and general business environment (niche maintenance). It seems that there are still plenty of unsaturated niches for immigrant entrepreneurs to enter.

Summary: Profile of immigrant entrepreneur in Norway

The following table summarizes the findings of the previous section and outlines the main characteristics of an immigrant entrepreneur in Norway.

| Area | | | |
|--|--|-------------------------------|-----------------------------------|
| Motivation | Opportunity (9) | Necessity (2) | |
| Ethnic Resources | Rely heavily (2) | Rely Somewhat (6) | Do not rely (3) |
| Class resources | High (8) | Low (3) | |
| Previous entrepreneurship experience (family, own) | Yes (6) | No (5) | |
| Employees | Mainly other immigrants (9) | Mainly Norwegians (1) | No employees (1) |
| Customers | Mainly other immigrants (5) | Mainly Norwegians (6) | |
| Education | University (9) | Pre University (2) | |
| Financing | Own savings/family/friends (9) | Bank (1) | Innovation Norway (1) |
| Discrimination | Perceived high, experienced personally (2) | Not perceived high (9) | |
| Integration | Consider integrated (9) | Consider not integrated (2) | |
| Preferred start up support | Financing (10) | Consulting, guidance (7) | Tax, legislation improvements (5) |

According to my research and sample, a typical immigrant entrepreneur in Norway is someone who is motivated by opportunity, relies somewhat on ethnic resources, is well endowed with class resources, is well-educated and has previous experience from entrepreneurship. He/she has a tendency to employ mainly other immigrants and has mostly ethnic Norwegian customers and has used own saving or loans from family/friends when starting a business. Such typical ethnic entrepreneur also considers himself/herself to be integrated and has not experienced severe discrimination on the labor market. Finally her/she sees financing as the most crucial area where state support would be required. Also typical immigrant entrepreneur starts business in areas with low economies of scale and works more than the average working week.

Thus this thesis has achieved to draw a picture of an immigrant entrepreneur that should be relevant for any policy maker in Norway concerned with the issue.

Section 5: Conclusions and policy suggestions

This thesis has made an extensive literature review of the most up to date literature on the topic of immigrant entrepreneurship worldwide and combined that with an empirical study of immigrant entrepreneurs in Norway. This thesis will therefore serve as a good tool for any policy maker who wants to gain an impression about the phenomenon – immigrant entrepreneurship.

The thesis has shown the importance that entrepreneurship has in the shift from value creation in large conglomerates to small companies that has been enabled by e.g. the IT revolution and increased demand for specialized niche products and services. I have also shown that entrepreneurship and innovation plays a vital role in country's economic development, not least in terms of overcoming the current economic turbulence. Following, I provide the answers to research questions stated in the beginning of this thesis:

What are the reasons for immigrants to start new ventures?

There are a number of push and pull factor. However it is clear that immigrant entrepreneurship is definitely not purely an activity forced by lack of other options. Even though the immigrant entrepreneurs experience discrimination on the labor market, the main motivation to become an entrepreneur are e.g. opportunity seizing, willingness to be own boss, willingness to create something etc. Very often immigrant entrepreneurs, in a truly Schumpeterian way, act on an unexploited opportunity in the market.

What are the government/municipality support measures available for immigrants willing to start own business? To what extent do immigrants use these mechanisms?

The variety of government/municipal support measures available to immigrant entrepreneurs in Norway is very limited. Even though there is a range of support mechanisms for new ventures most of these fail to address the immigrant entrepreneurs. Despite trying immigrants are unable to access the support available to entrepreneurship and are forced to rely on themselves. Even more interestingly, many immigrant entrepreneurs are not even familiar with the support mechanisms available to entrepreneurship. This accentuates the need for

immigrants becoming a separate group of support for public authorities, the same way as e.g. women or youngsters are today.

Innovation Norway which is the chief organization charged with promoting innovation and entrepreneurship in Norway in most cases turn down the applications by immigrant entrepreneurs judging them to be too little innovative. However I find that each of my sample entrepreneurs corresponds to the Schumpeterian definition of innovation be it new products (e.g. African food, Italian ice cream or why not software), new methods of production (outsourcing to the Baltics, quality immigrant foodstore), new markets (Norwegian goods in Senegal) or new forms of organization and coordinating (as in Suat's logistics business). Therefore maybe Innovation Norway should think twice before turning down the immigrant entrepreneurs' applications. Indeed everyone in my sample, including the necessity entrepreneurs have acted as Kirzner style arbitrageurs (see section two) who identify and act on unused profit opportunities in the economy.

What are the main hinders immigrants face when starting own ventures?

Immigrant entrepreneurs face a number of challenges. The most pronounced are two: lack of access to financing and problems dealing with the regulations and laws in Norway including company registration. Some of the other hinders faced by immigrant entrepreneurs are lack of business skills, lack of network, lack of knowledge about available support measures. Also, many of the entrepreneurs feel that entrepreneurship is not encouraged in Norway and has a dubious public image. These areas correspond surprisingly well to the international research reviewed in section three of this thesis.

Norway has rather high entry barriers for young entrepreneurs and is not sufficiently prioritizing entrepreneurship, as concluded by the Global Entrepreneurship Monitor (GEM), thus becoming an entrepreneur is not an easy choice for an immigrant. However, most immigrants are able and willing to work hard to overcome the difficulties involved in being an entrepreneur in Norway. This determination is a resource that should be utilized.

Does immigrant entrepreneurship lead to an increased integration?

I find very little evidence for the negative impacts of immigrant entrepreneurship such as enclave economies, ethnic markets, self exploitation, secondary labor and wage markets, underutilization of education and resources. Many of the interviewees for example acknowledge that they are earning more as entrepreneurs than they would in a regular employment. And even in cases when they feel that they could be earning more in employment, the other benefits of entrepreneurship – e.g. the satisfaction of being own boss outweigh the income loss. The sample interviewed are generally satisfied with their lives and feel that they are utilizing their capabilities in the role of an entrepreneur. This is in sharp contrast with much of the research literature reviewed by e.g. Ljungar (2007) who reports that immigrants are critically underutilizing their skills and capacities as entrepreneurs and are dissatisfied with their lives. This does not seem to be the case in my sample.

I find that immigrant entrepreneurs are realizing themselves and contributing to the society. Thereby they become more integrated and respected by other immigrants and Norwegians. This has a long term effect in terms of improving the image of immigrants that will help them to become more integrated also in the labor market. Even more so, immigrant entrepreneurs are creating value and turning Norway into more dynamic and innovative country to live in.

Following the three types of integration outlined by Ljungar (2007), from my sample all entrepreneurs are economically integrated – they all have work and income. Economic integration is often key to other types of integration and most of my sample consider themselves integrated (personal integration) and have a network of Norwegian friends and acquaintances (social integration). However there are also cases when immigrant entrepreneurs despite of long time in Norway and succesful business admit not having too many Norwegian friends.

How should the governmental policy measures be designed towards immigrant entrepreneurship?

The government policies should be designed to address the shortcomings identified by this thesis:

- **Access to finance** – the loan market by banks is seemingly excluding immigrant entrepreneurs, therefore one needs to implement market failure correcting measures by the government. The current mechanisms e.g. by Innovation Norway fail to address immigrant entrepreneurs.
- **Regulations and rules** especially tax laws and labor laws – are burdensome for all entrepreneurs but particularly so for the immigrant entrepreneurs. The legal and tax environment seems to favor employment, not entrepreneurship.
- **Starting business legislation.** The capital needed to start an AS in Norway is above the OECD average and is perceived as a major hinder by many ethnic entrepreneurs.

The optimal solution to the challenges would be a combination of training and counseling support for aspiring entrepreneurs with a corresponding financing mechanism. Some of the research reviewed indicates that immigrant business may be characterized by low survival and growth rates. Thus the support mechanisms should be instituted not only during the start up phase but also during later stages of the corporate development.

In general my conclusion when it comes to policies relative to immigrant entrepreneurship are generally in line with Waldinger et al. (1990) who conclude that effective policies for ethnic entrepreneurship might be developed along two lines: (1) building an infrastructure that fosters small business development in general and (2) enacting and enforcing systemic policies of equal economic opportunity for ethnic and racial minorities.

Norway currently ranks far below the EU27 average when it comes to innovation. The standings in terms of entrepreneurship are less conclusive, but even there Norway has ample space for improvement. Numerous sources of international research point out the importance of entrepreneurship and innovation in securing long term economic growth of a country. Traditionally Norway and Norwegians have been a nation favouring employment instead of self employment. The Nordic welfare state model practised in Norway and its neighbouring countries has proved to discourage entrepreneurship due to e.g. larger state involvement and regulations and generous social benefits. Therefore for Norway to rise through the ranks in terms of innovation and entrepreneurship there needs to be a paradigm shift.

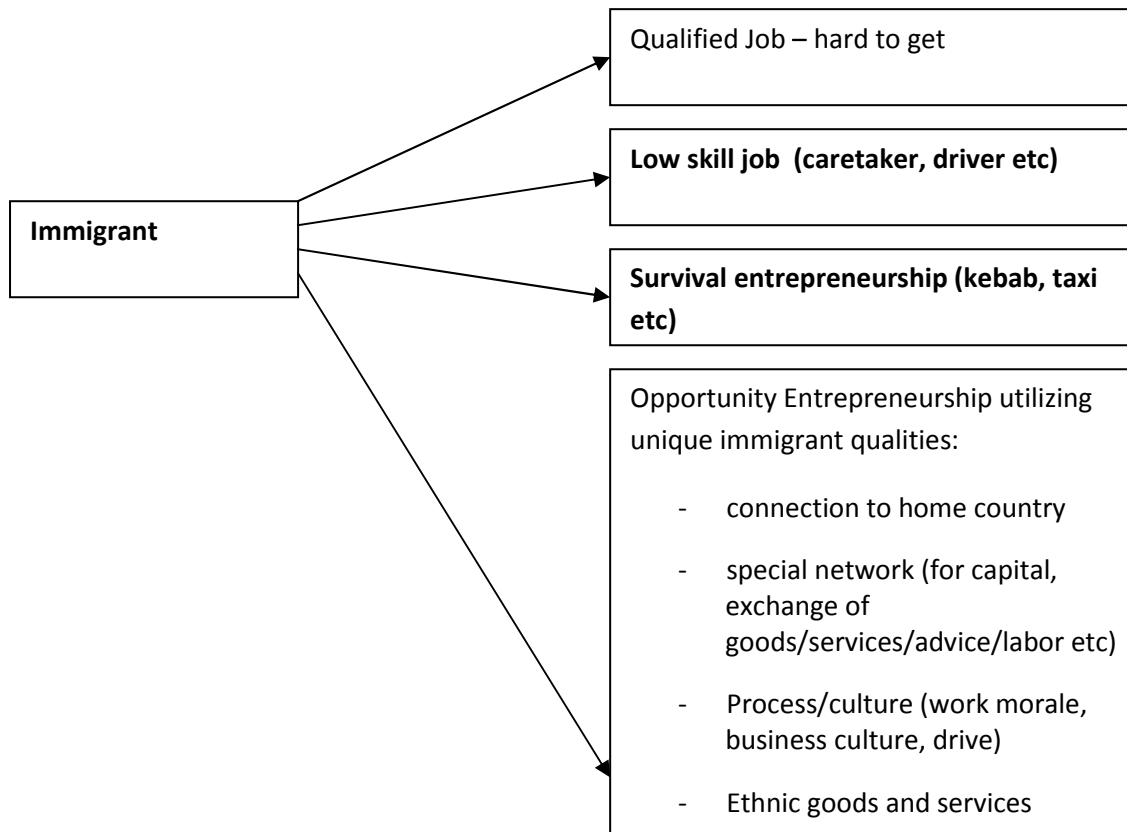
Immigrant entrepreneurs can be the tool for shifting the paradigm since they bring new fresh ideas and ways of being and working from abroad. Therefore should immigrant

entrepreneurship be encouraged and supported as the benefits exceed the potential drawbacks and challenges.

Even though the research literature often favours support mechanisms that are not geared particularly towards immigrants but towards entrepreneurship in general, I find evidence that corrective intervention especially aimed at immigrants is necessary. An illustration of this is e.g. the fact that Norway is a country where financing is well accessible according to international rankings; nevertheless all immigrants surveyed have experienced large difficulties particularly with financing. Thus there is evidence for presence of market failure that should be addressed by the government (see my discussion about market failures on page 41).

Norway along with the other Nordic countries is characterized by a strong welfare state, which results in a situation when it is hard to achieve wealth but also impossible to become impoverished. This results in a fact that most ambitious and resourceful immigrants do not chose Norway but instead go to less egalitarian countries such as the USA. The international research also suggests that most immigrant entrepreneurs in Europe start business in absence of employment. This is caused partly by the European welfare model with high minimum wages that make even relatively low skill jobs less accessible. This research has shown that there are still many immigrant entrepreneurs that are resourceful, ambitious and with ideas. So in fact resourceful immigrants may still be coming to Norway as suggested by other researchers e.g. Vinogradov (2008). The Nordic model is also characterized by stability (of laws, regulations and policies) and social security (one is captured by the social security net if failed). These two factors make a good environment for entrepreneurship and risk taking and make Norway more attractive for people with entrepreneurial aspirations.

Finally the following model, developed together with Arnt Farbu describes the choices an immigrant faces when entering Norway.



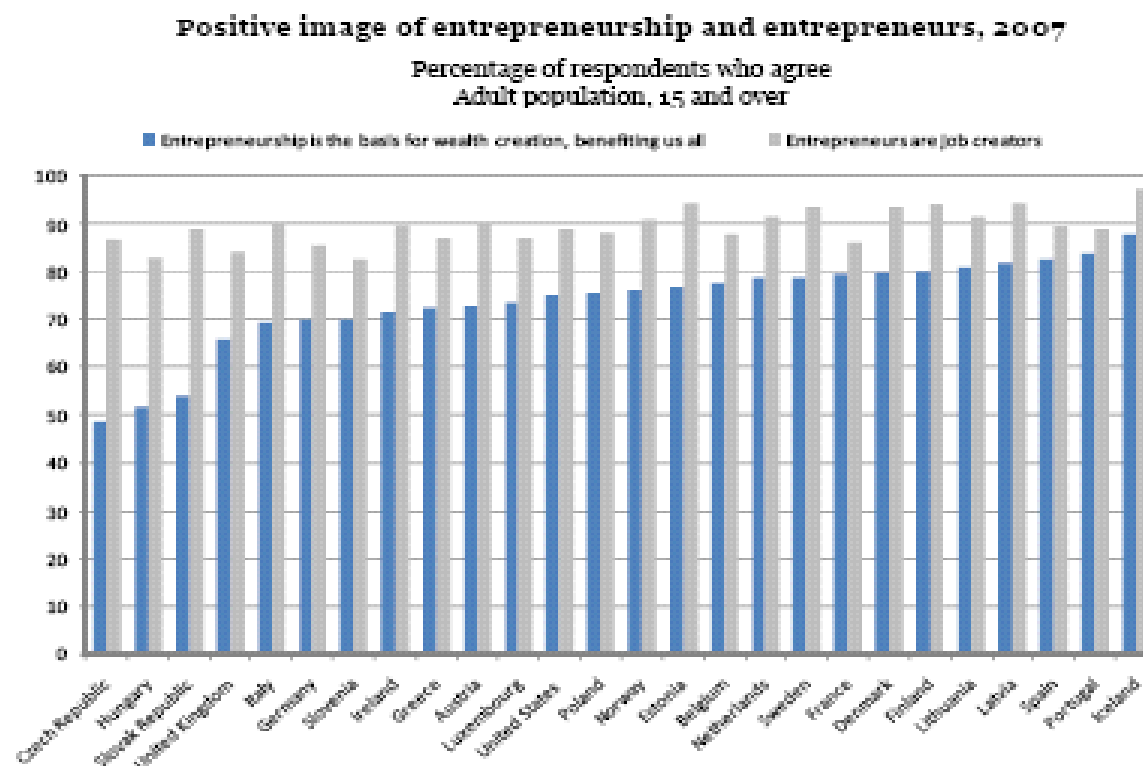
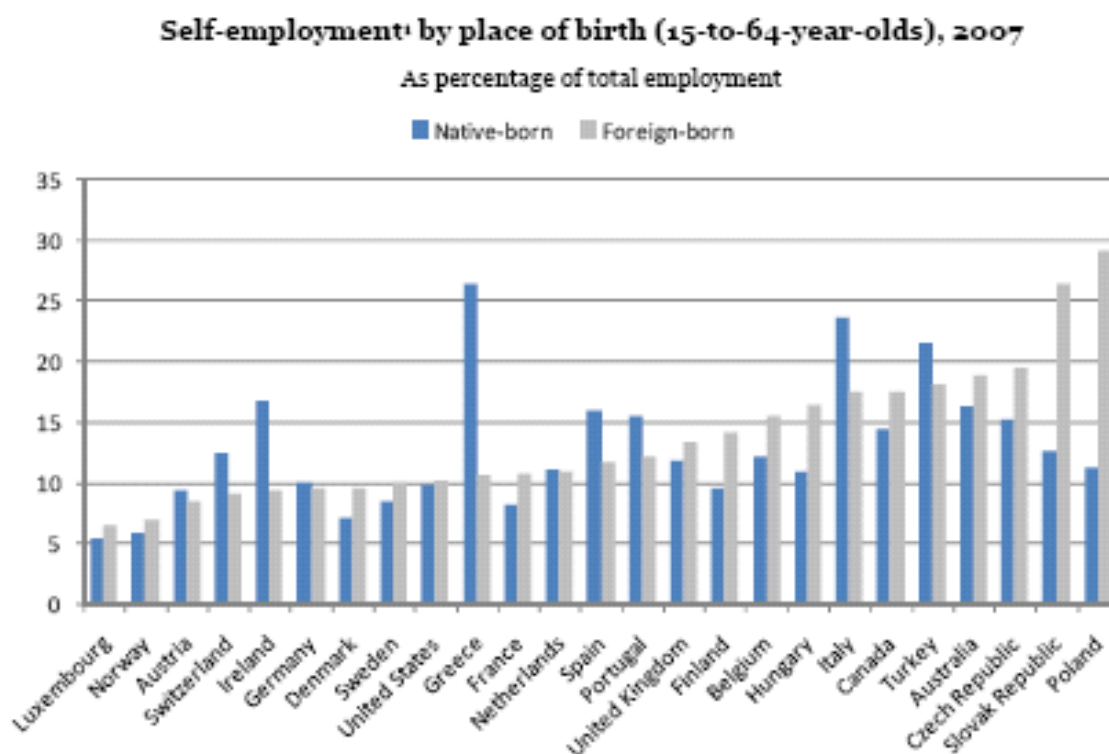
From the general research literature and partly the sample of this thesis it seems that most often immigrants either are forced into an employment that underutilizes their qualifications and skills or start up a business to survive. Both of these outcomes are undesirable in most cases. What is desirable is that immigrants either get a job that corresponds to their qualifications and skills or start a business that utilizes some of the unique resources immigrants possess. Thus the public policies should be shaped to achieve these outcomes.

From this research, my conclusions correspond to the one of Ljungar (2007) that was previously reviewed. The three main potential benefits of immigrant entrepreneurship are: (1) reduction of unemployment rates among immigrants and additional employment in the economy, (2) promotion of creativity and innovation, (3) better integration of immigrants in the domestic society. All of these factors are very crucial for Norway thus public policies should be shaped to encourage ethnic entrepreneurship.

Summarizing, this thesis has sought to portray the phenomenon of immigrant entrepreneurship and thus should be interesting for any policy maker that wants to better understand it. Immigration is and will be an ever increasing part of Norwegian society and as this research has shown it goes very well together with entrepreneurship, which is a resource that should be tapped into.

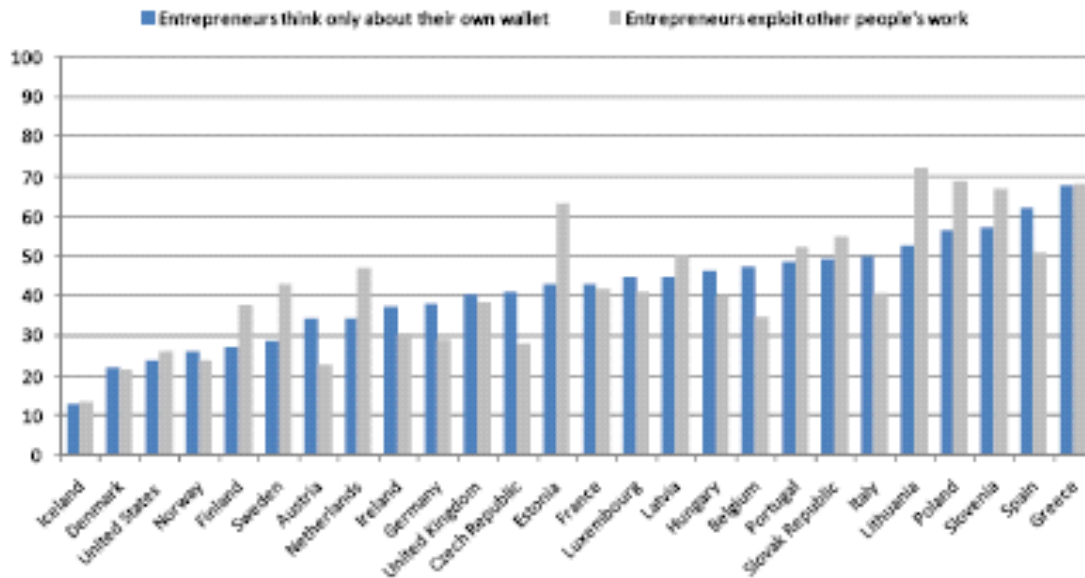
Appendix 1: Selected Indicators of Entrepreneurship and Innovation

Source: OECD (2009) and Pro Inno Europe (2009)



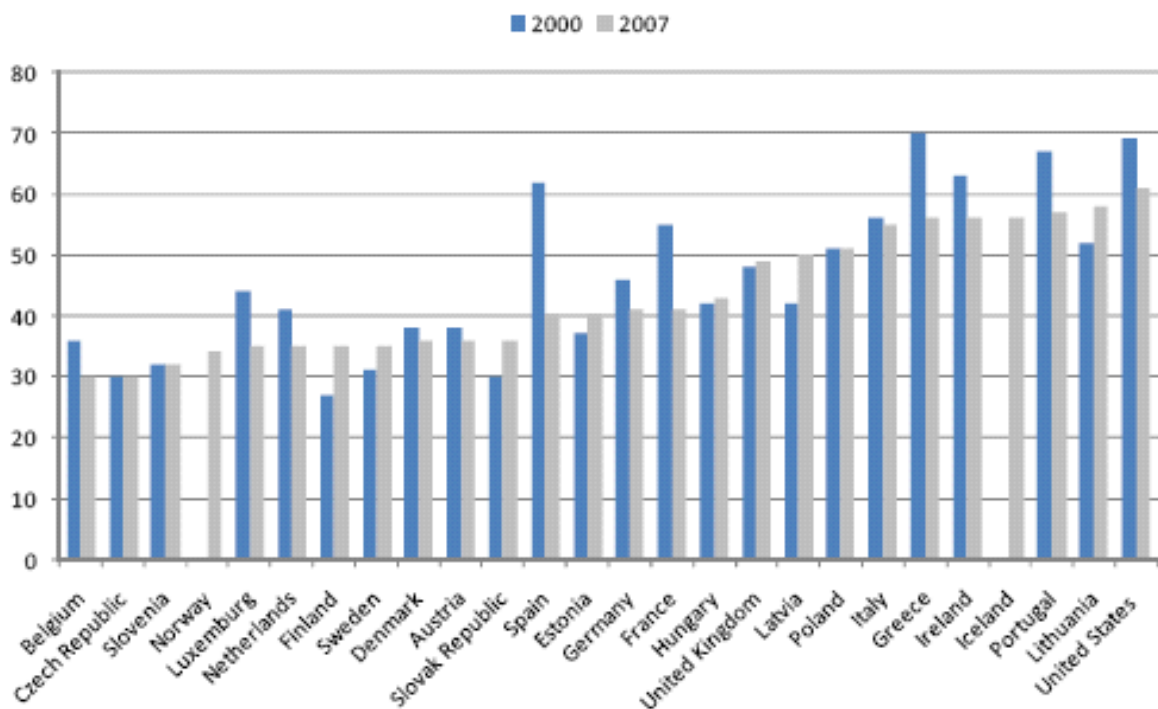
Negative image of entrepreneurship and entrepreneurs, 2007

Percentage of respondents who agree
Adult population, 15 and over



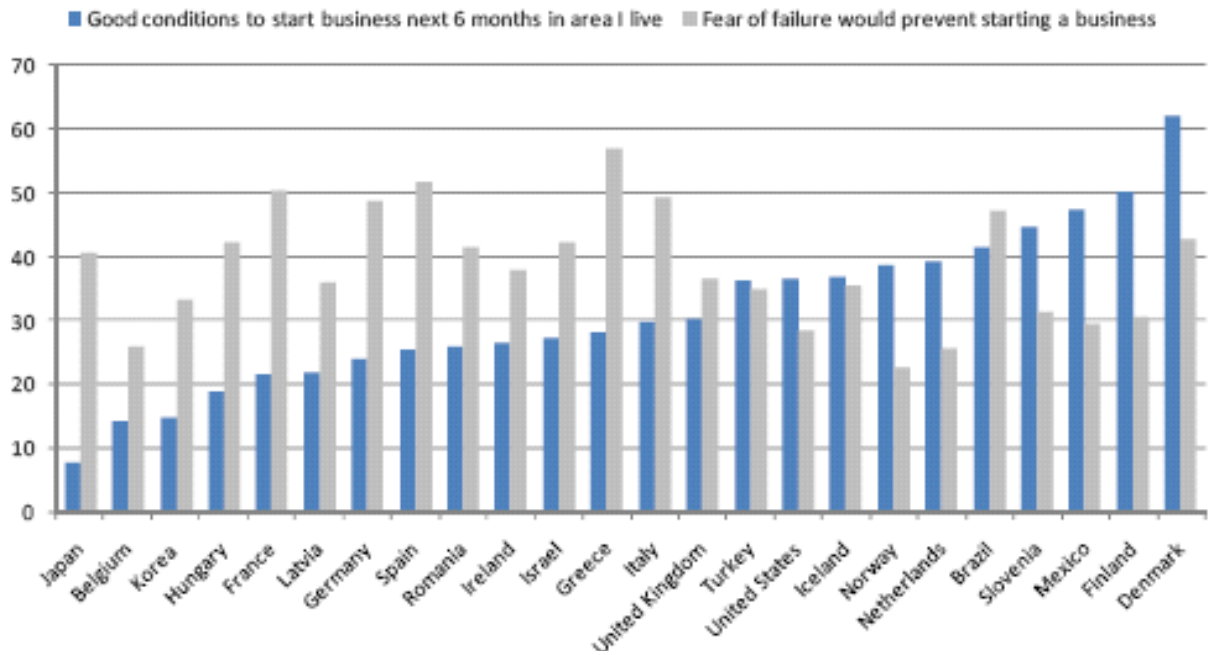
Preference for self-employment, 2007 and 2000¹

Percentage of respondents who choose being self-employed over being an employee



Entrepreneurial perceptions, 2008

Percentages



Barriers to entrepreneurship, 2008 and 1998

Scale from 0 (least restrictive) to 6 (most restrictive)

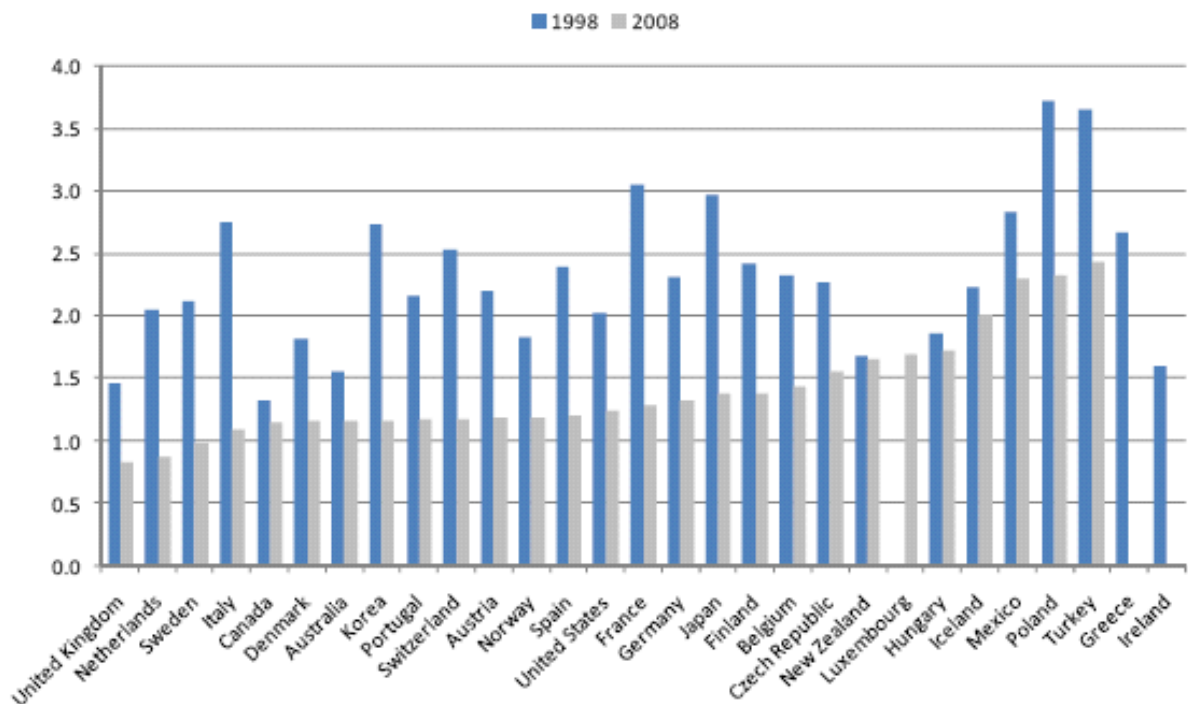
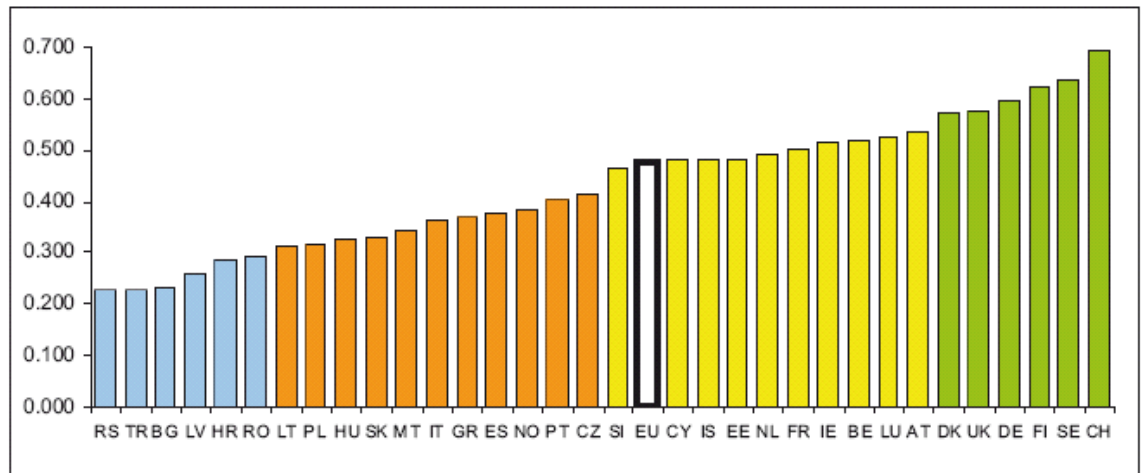


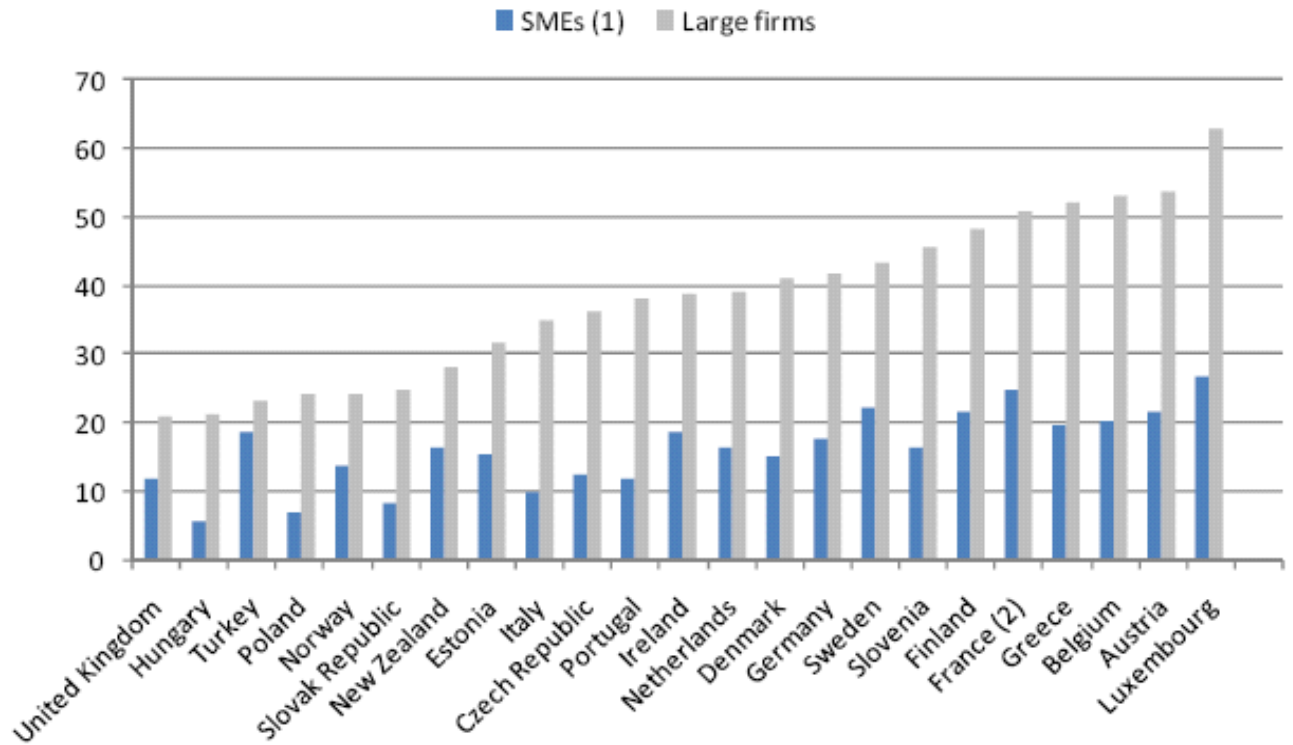
FIGURE 2: INNOVATION PERFORMANCE (2009 SUMMARY INNOVATION INDEX)



Data for the underlying indicators are for 2005 (3.4%), 2006 (34.5%), 2007 (13.8%) and 2008 (48.3%).

Firms with new-to-market product innovations, by size,¹ 2004-06

As a percentage of all firms



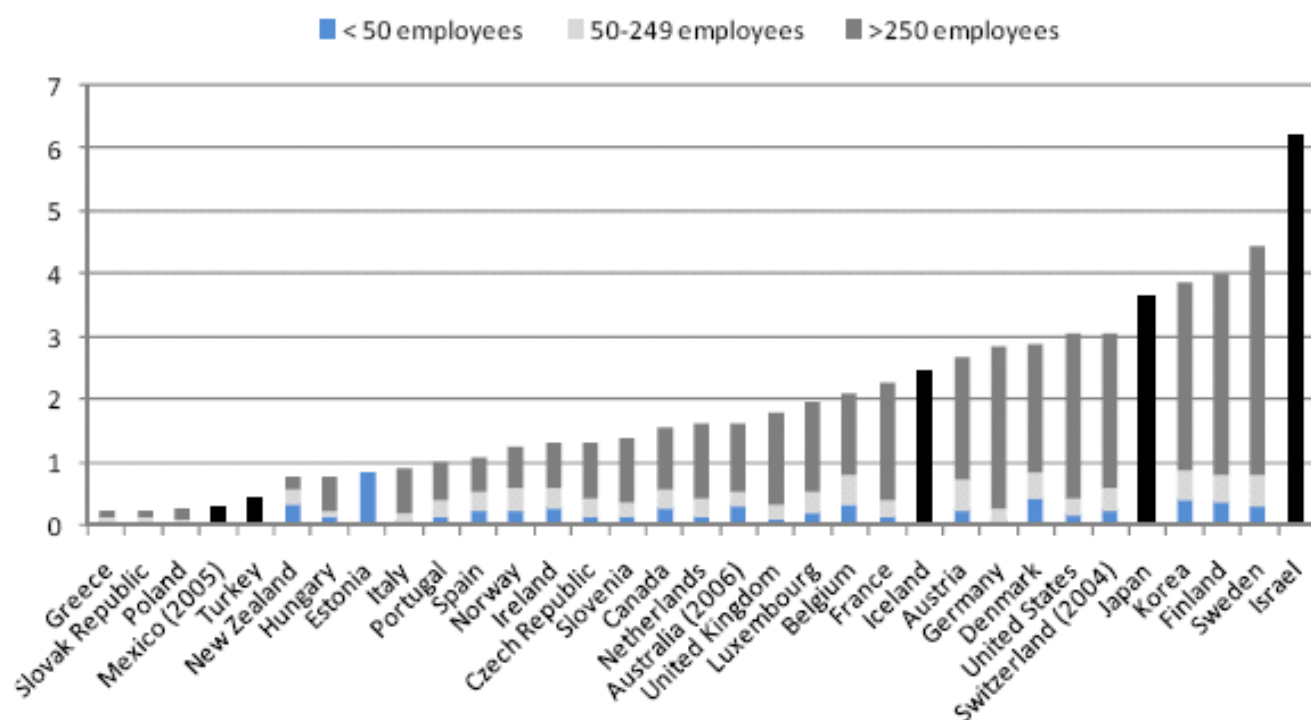
1. SMEs: 10-249 employees; 10-99 for New Zealand.

2. France: manufacturing only.

Source: OECD (2009), *Science, Technology and Industry Scoreboard*.

Business R&D intensity, by size class of firms,¹ 2007

As a percentage of industry value added



Appendix 2: List of Interviewees

| Name | Origin | Business | Story |
|---|---------|---|--|
| Joe Ndye (JN International) | Senegal | Import of floorings to Norway/import to Senegal | Joe came to Norway in 1980 to study. After graduation and several jobs in Norway and job for a Faeroe fish company in Senegal he got a job as a finance director in Simrad in Bergen, there he worked from 1992 to 2006. After the company moved its production site from Bergen he quit and started his own business importing floorings from China to Norway and products from China and Norway to Senegal. |
| Dario de Simone (Parad Is) | Italy | Ice cream bars | Dario came to Norway in 1997 after having met a Norwegian girl. He had dent technician education and first got a job in his profession. However he did not enjoy being an employee and started an Italian ice cream bar in Oslo in 1999 together with two other Italians. In 2008 he sold his share in the former business in Oslo and after a short break started an own business – ice cream bars in Drammen and Tonsberg. |
| Kate Imafidon (Vicky Tropicanas) | Nigeria | Beauty saloon/shop, ethnic food store | Kate came to Norway to live together with her Nigerian husband who had studied in Norway and was a Norwegian citizen. At first Kate did not have any job in Norway but soon after arrival she started a business together with her husband in 1991. Currently runs two cosmetic saloons/exotic food shops in Oslo and is married to another husband – ethnic Norwegian. |
| Natalia Leikis (Leikis Design) | Russia | Fashion | Natalia came to Norway to work as a designer. Before that she had a fashion business in Russia. In 2002 she started her business of designing and producing individual collections for high end customers. Her collections are produced in Riga, Latvia. |
| Olga Holter (Barnemusikk akademiet) | Russia | Music school | Olga came to Norway after marrying a Norwegian husband. After she got divorced she had to stay in Norway due to her daughter who was born in Norway. She started a piano school and has ever since made her living working as a piano teacher in her own school and is also writing books on the subject. |
| Patience Allen | USA | Consulting | Patience Allen received a scholarship to finish her MBA |

| | | | |
|--|----------|-------------|--|
| (Forretningsutvikling AS, Nytt Norsk Glass AS) | | | studies at NHH in Bergen. After graduating she decided to stay in Norway and being unable to find a proper job, she started company New Norwegian Glass in 2006. In 2008 she became a co-owner of a consulting company there she had previously been working. |
| Raja Amin (Inkludi.no) | Pakistan | Recruitment | Raja is born in Norway and has Pakistani parents. He has an IT education and has worked in the field. In 2006 he started Inkludi.no which is a recruiting agency specializing in immigrant recruits. |
| Suat Sarigul (TOSS) | Turkey | Logistics | Suat came to Norway in 2000 after marrying his wife who is half Norwegian, half Turkish. Before coming to Norway he had a tourism business in Turkey. He got a job soon after coming to Norway and worked in the same company until the owner died and the company was sold. After the sale he was fired and started own business in the same sector taking over many of the previous customers. |
| Gulay Kotal (Eon) | Turkey | IT | Gulay came to Norway in 1984 to study. After graduating in 1991 she got a job in an IT company. In 1999 she started own IT company together with Norwegian partners. In 2006 the company was sold to Ergo Group and she became an employee again. |
| Zahra Moini (Norsk senter for Flerkulturell Verdiskaping) | Iran | Consulting | Zahra has been in Norway for 28 years and came here to work after having finished education. She has worked in different positions in the IT&T industry and also has had her own consulting business. Currently she is the leader of the Multicultural centre in Drammen – which works with supporting immigrants that want to start own business. |
| Arnt Farbu | Norway | Researcher | Arnt is a researcher on the issue of immigrant entrepreneurship at the University College Buskerud in Drammen. |
| Abbas Hezari (Global Food) | Iran | Trade | Abbas came to Norway as a political refugee in 1986. Before that he had lived in Italy that was not accepting third world immigrants on permanent basis at that time. Soon after arrival he started a clothe shop in Bergen, after that in 1990 a food store and has had various businesses (cafes, stores, import, construction) in Norway since then. |

Appendix 3: Interview guide

Demographic characteristics:

Ethnic group

Age

Sex

Education

Time in Norway

Reason for coming to Norway

Motivation

What was your motivation/reason for starting own business

- a. Money/profit
- b. Break out of unemployment
- c. Desire to take risk/adventure
- d. Exploit business idea/information advantage
- e. Social exclusion
- f. Lack of education and skills
- g. Unable to transfer qualifications/diploma
- h. To be own boss
- i. To be independent
- j. Hitting the glass ceiling

Class resources

Prior activity before becoming an entrepreneur

Did you belong to a higher social class in your home country before coming to Norway?

Class capital

- a. Economic
- b. Social
- c. Cultural
- d. symbolic

Familiarity with entrepreneurship before start (e.g. through family)

Do you have education in business or related field?

Ethnic resources

Has your ethnicity been helpful when starting and running a business?

- a. Capital from compatriots
- b. Advice from compatriots
- c. Ethnic business strategies

Is the fact that you come from another ethnic background helpful or is hindering your work as an entrepreneur?

Do you have social involvement with co-ethnics and other immigrants?

Financing and growth of the business

- e. Own savings
- f. Loans from family and relatives
- g. Loans from compatriots
- h. Loans from informal ethnic societies e.g. rotating credit associations
- i. Microcredits
- j. General bank loans

What were the most important hindrances when starting own business?

Psychological characteristics

What characteristics do you regard as the most important to become a successful entrepreneur?

- k. Need for achievement
- l. Belief in control of one's life
- m. Propensity to take risks

What has been the key for your success as an entrepreneur?

Do you regard yourself as being more ambitious than average?

Do you regard yourself as being more risk loving than average?

Cultural factors

Which characteristics from your culture contributed to you becoming entrepreneur/succeeding in the role of entrepreneur?

- n. Values
- o. Flexibility
- p. Strong work ethics
- q. Informal social networks
- r. Close family ties
- s. Religion

Customers

Markets (markets abandoned by indigenous or big firms/reliance on co ethnic market/level of competition in the markets)

Who are your main customers – indigenous population or immigrants? (Internal or external orientation)

Have you tried/plan to address other markets/groups of customers? (Break out strategies)

Integration

Do you regard yourself to be integrated in the Norwegian society?

Has entrepreneurship contributed to your level of integration in the Norwegian society?

Do you think you could earn more if pursuing a salary earning career?

Do you think that you are fully utilizing your knowledge and education by being an entrepreneur?

Do you regard yourself to be discriminated on the Norwegian labor market?

Do you want that your family members continue with the entrepreneurial occupation?

Employees/Family/work hours

Do you employ your family members?

Do you employ other co-ethnics?

Do you employ other people with immigrant background?

What are your average work hours per week?

Do you feel that are working too much relative to your income?

Do you think that you are fully utilizing your capacities, education and skills in the role as an entrepreneur?

Role of state support bodies

Have you ever received support from state support bodies when starting your business?

Did you use any formal/informal advice before starting business?

How was the cooperation with state support bodies?

How do you regard the overall business climate in Norway?

Do you find it hard to deal with bureaucracy and requirements in Norway?

Are there many opportunities for new business start-ups in Norway?

Is one encouraged/supported to start own business in Norway?

Which areas of state regulation do you find most difficult?

- a. Employment laws
- b. Building permit laws
- c. Starting business
- d. Getting necessary licenses and permits

What support would you like to receive from state?

- a. Finance/capital for start up and development of business
- b. Training in management/marketing/ sales and other business skills
- c. Assistance in dealing with administrative and regulatory requirements
- d. Networks for meeting other immigrant and non immigrant entrepreneurs
- e. Reduction of entry barriers in the markets (e.g. monopolistic dominance)

Characteristics of the business

What has been the sales growth and profitability of your business over the past years?

How do you compete with larger companies?

Gender perspective

Why do you think there seems to be more female immigrant entrepreneurs than males?

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