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First-generation Ghanaian entrepreneurs in the Netherlands

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2. Theoretical Reflections on Immigrant Entrepreneurship

2.1 Introduction

In the 1990s, new groups of migrants from former Yugoslavia, Iran, Iraq, Somalia, Afghanistan, but also from Ghana came to the Netherlands (Gijsberts 2004). They were fleeing political, ethnic, religious or other forms of persecution, or they were just seeking a better life in a country where the grass seemed greener. They arrived at a time when the Dutch economy climbed out of the long recession of the 1980s and was, after 1995, one of the best performing developed economies in terms of overall economic growth and of job creation (Visser and Hemerijck 1997). The Dutch job machine was churning out jobs - almost exclusively in the service sector- at a fast rate and migrants had, in principle, plenty of opportunities to find a job or to set up shops themselves since businesses in the service sector, typically, do not require much start-up capital. Within the new groups of migrants, Ghanaians were, again in principle, relatively well positioned as they tend to have, on average, comparatively good educational qualifications. In addition, they all speak English fluently which enables them to communicate at least verbally with almost anyone in the Netherlands. Moreover, many of the Ghanaian migrants already had business experience in their own country as either they or their parents owned a business.

The study of entrepreneurship among immigrants from non-Western countries in the developed countries has generated much research interest among geographers, economists, sociologists, anthropologists and policymakers both in America and in Europe. The case of Ghanaians clearly shows that migrants from less well-developed countries do not only settle in their host countries as wage labourers in a variety of jobs at the lower stratum of the labour market but are also keen on becoming entrepreneurs.

In order to acquire a better understanding of what immigrant entrepreneurship is as an academic research subject, the next section firstly introduces the concept of entrepreneurship (2.2.1). The next section briefly discusses the role of social embeddedness in immigrant entrepreneurship (2.3). Mixed embeddedness as a more comprehensive model is then introduced (2.4). The demand side of mixed embeddedness, which comprises the opportunity structure, is discussed (2.4.1). After that I examine the supply side which deals with the entrepreneur and his/her resources (2.4.2). A brief analytical framework of the model is described in section 2.5 A brief comparison is made using the analytical framework of the model between the first-generation Ghanaian immigrant entrepreneurs and the first-generation Moroccan and Turkish ('guest workers') entrepreneurs (2.6) and finally the research hypotheses based on the opportunities and the resources discussed in the model are developed (2.7).

2.2. What is Entrepreneurship?

The word 'entrepreneur' is derived from the French verb 'entreprendre' which means to attempt, to try in hand, to contract for or, to adventure, to try (Girard 1962). Individuals who are driven towards entrepreneurship are labelled entrepreneurs. Different scholars have defined entrepreneurship in different ways. According to Sahin (see 2012), entrepreneurship as a subject has brought about many debates and investigations over the last few decades. It is now seen as an important factor generating economic growth and introducing innovations. There are many definitions of the term 'entrepreneurship' and, as a result, there is no generally accepted definition (ibid: 10).

The Irish economist of French descent Richard Cantillon (1697-1734) defined entrepreneurship in a rather broad fashion as "someone who organizes and assumes the risk of a business in return for the profits" (Casson 2006). Consequently, according to Cantillon (ibid: 55), as long as a person was not hired or working for wages then he was an entrepreneur – 'the beggars and even the robbers' are entrepreneurs. The concept of entrepreneurship almost sank into oblivion in the second half of the 19th century, but was revived by 20th century scholars like Schumpeter and Drucker. Their conceptualisation of entrepreneurship was narrower and more focused on the innovative and creative aspects of entrepreneurship. In the case of Schumpeter, the entrepreneur became the driving force of capitalism. Greenfield and Strickon (1986: 5) state that Schumpeter made the entrepreneur the 'focal point and key to the dynamic of economic development and growth'. As these entrepreneurs come up with innovations - new combinations - they may change the production system in numerous ways (ibid.: 11). Schumpeter's notion of an entrepreneur functions primarily to create innovations and consequent wealth in the production process has greatly impacted the literature on entrepreneurship. Drucker (1985) also looks at entrepreneurship as the creation of new organisation whether this organisation has the ability to sustain itself or not, let alone is able to make profit. The idea that an individual starts a new business venture would be sufficient for him or her to be labelled an entrepreneur. Although Drucker's understanding of entrepreneurship seems quite simple it shows that entrepreneurship involves risk taking and uncertainty bearing.

According to Kirchoff (1994: 62), entrepreneurship 'is a process which involves the following (1) identifying an invention which is worthy for commercialisation; (2) converting it into a saleable product or service; (3) creating or finding a firm to sell the product or service; (4) obtaining the resources to operate the firm and sell the product or service and (5) successfully operating the firm and generating product or service sales necessary for the firms survival and growth.' Kirchoff's idea of entrepreneurship amply shows the economic value of a product or a service and how this relates to the continuous existence of the firm which creates it.

Other definitions of entrepreneurship have also emphasised its economic importance. Entrepreneurship is viewed as activities related to perceiving and creating new economic opportunities and exploiting them in the market (Wennekers and Thurik 1999). Sahin (2012: 11) in quoting Carree and Thurik (2010), states that ‘entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organisations, to perceive and create new economic opportunities and to introduce their ideas to the market in the face of uncertainty and other obstacles by making decisions on location, form, and the use of resources and institutions’.

The aforementioned definitions of entrepreneurship and entrepreneurs show that entrepreneurs have the ability to sense opportunities and turn them into workable ideas, are risk-takers and uncertainty bearers, are able to make efficient use of scarce resources, and in addition initiate and implement innovative activities (see Sahin 2012: 10). The entrepreneur also organises, manages and assumes the risks of business (Bird 1989; Kuratko and Hodgetts 1989). ‘The entrepreneur is someone who specialises in taking responsibility for and making judgmental decisions that affect the location, form, and the use of goods, resources, or institutions’ (Hebert and Link 1989: 47). The entrepreneur also has an eye for the market for the product or service, preferably for a financial reward (profit). Entrepreneur as a generic term encompasses the natives and the immigrants of a country. The next section discusses immigrant entrepreneurship.

2.2.1 Immigrant entrepreneurship

This section presents a more general theoretical overview of immigrant entrepreneurship. Brettell and Alstatt (2007: 383) mention that before 1970s entrepreneurship had a ‘neglected but potent influence upon the economic and social integration of immigrants’ (see also Light and Bhachu 1993). More specifically, the role of immigrant networks, often pivotal in creating businesses, was not given due attention (Brettell and Alstatt 2007: 383). Many scholars had written extensively on immigrant entrepreneurship in the past few decades. (cf. Light and Roach 1996; Rajjiman and Tienda 2000, 2003; Logan et al. 2003; Zhou 2004; Brettell and Alstatt 2007; Ram et al. 2012; Aliaga-Isla and Rialp 2013; Nkrumah 2016). Most of these scholars were sociologists whose main concerns were about three issues: immigrants’ propensity to become entrepreneurs, their choice of urban centres where businesses, workers and customers/clients are physically close, and the choice of businesses they set up (Brettel and Alstatt 2007: 383).

Two theses on immigrant entrepreneurship have been advanced (Bui and Hun 1995; Brettell and Alstatt 2007: 383). First, the cultural thesis explains that the inherent values and beliefs that immigrants possess from their countries of origin, enable them to start and/ or survive in their businesses in the host country (Brettel and Alstatt 2007). The cultural theory thus, suggests that ethnic and immigrant groups are

culturally endowed with dedication to hard work, have strong community ties and membership, are able to accept risk, comply with social values, solidarity and loyalty, all of which orient them towards self-employment (Masurel et al. 2004). In other words, immigrants, by virtue of the strong community ties, solidarity and loyalty, which exist among them in their respective host countries, have pulled their resources together in the form of rotating credit associations, ethnic labour and an enclave economy, all of which are helpful and pertinent to self-employment (Borjas 1986; Yoon 1991; Marger and Hoffman 1992; Min and Bozorgmehr 2000; Brettell and Alstatt 2007). The critique on the cultural thesis by Barrett et al. (1996) is that American scholars have placed undue importance on immigrants' inability to speedily adopt and adapt to the culture of the host country as the main reason to start their own businesses.

The second thesis highlights immigrants' restricted access to job opportunities in the host country. It states that an inadequate level of language proficiency, unrecognized or low educational qualifications and other forms of discrimination, are the crucial in pushing immigrants into self-employment (Min 1988b; Brettell and Alstatt 2007). According to Brettell and Alstatt (2007: 383), many scholars have captioned this second thesis as the 'disadvantage hypothesis' (Min and Bozorgmehr 2003; Kim 1981; Bonacich 1993; Mata and Pendakur 1999).

According to Kloosterman and Rath (2003), the importance of cultural values had perhaps been the oldest approach to minority business in Britain. However, European scholars were initially attracted to the American views on immigrant entrepreneurship, which did not always fit in very well with European conditions (Kloosterman 2000; Engelen 2001) because of the undue importance of ethno-cultural characteristics of the immigrants as factors which influence entrepreneurship among immigrants. Engelen (2001: 203), for example, rightly states that the literature in this field has come to be 'dominated by American approaches and assumptions' notably 'the emphasis on social capital and ethnic networks'.

Many American researchers tended to see 'ethnic identity as an asset brought into being as a reaction to the host country conditions' (Jacobs 2012:15). Consequently, 'entrepreneurial behaviour was seen as a product of ethnic characteristics and ethnic identity' (ibid.). The American literature on immigrant entrepreneurship seems to have limited immigrant entrepreneurship to an ethno-cultural phenomenon without recognising economic and institutional factors (Engelen 2001). Quite a few writers have also overemphasised ethno-cultural characteristics as factors which influence entrepreneurship among immigrants (Rath 2000b; Kloosterman and Rath 2001).

Many studies have, however, shown that immigrant entrepreneurship is not only determined by social and ethnic capital but also by individual resources, particularly human capital, and by the interplay with adequate opportunities (Light 1972; see Waldinger et al. 1990; Sanders and Nee 1996) as well as the institutional dimension (see Kloosterman et al. 1999; see Engelen 2001). It has been shown that

immigrants not only become entrepreneurs due to 'cultural' and 'disadvantage' theories (see Waldinger et al. 1990; see Kloosterman et al. 1999; see Engelen 2001), However, most of the literature in the USA seemed to have been more ethno-culturally oriented. There is less empirical information available on immigrant entrepreneurs in Europe, especially on their success conditions (Nijkamp et al. 2009).

Notwithstanding the paucity of literature on the success of immigrant entrepreneurs in Europe, immigrant entrepreneurship over the years has gradually become part of European socio-economic life. In the first half of the 20th century, Europe was first and foremost an emigration continent. After World War II, this changed. Unemployment was very low in many European countries in the 1960s as economies boomed. Immigrants met the rising demand for labour. Initially, the immigrants were seen as temporary workforce doing jobs which required little or no skills and who could easily be replaced by a succession of sojourners (Waldinger et al. 1990a). Besides the temporary workers who came as 'guest workers', notably from Mediterranean countries, other migrants came to Europe as economic migrants, post-colonial migrants, refugees and asylum seekers.

With the passage of time, the immigrants began to settle down and the preconditions for immigrant businesses also started to evolve slowly. In most cases, it was their own community which created the demand for specific ethnic goods and services which effectively could only be produced and distributed by co-ethnics with the knowledge of tastes and buying preferences (Flap et al. 2000). Evidently, self-employment among immigrants and ethnic minorities in most of the advanced economies of the world is said to have increased between the 1990s and the first decade of the 21st century (Engelen 2001; see Jacobs 2012). The European Commission, for example, recognises that 'ethnic minority businesses in Europe display a strong entrepreneurial capacity and potential' (European Commission 2003: 14, 2011).

Studies on Post-World War II immigration in the Netherlands only started at the end of the 1970s and early 1980s when the Dutch government started to become more aware of the permanent character of the residence status of the 'guest' workers who initially came to the Netherlands in the 1960s for temporary residence (see Jacobs 2012). The delay in any interest in studying these migrants until the end of the 1970 could be attributed to the following reasons. Though the Netherlands has become a country of immigration (see Kloosterman and Rath 2003), it is rather a reluctant one (Cornelius et al. 1994) and the inherent unwelcoming attitude also made it hard to appreciate immigrant entrepreneurship (see Kloosterman and Rath 2003). Immigrants, that is, mainly the Turkish and Moroccan 'guest' workers were primarily seen as temporary workers and not as more permanent business owners.

Consequently, policymakers and social scientists' interests in the economic incorporation of immigrants were not considered in terms of self-employment and, hence, entrepreneurship was virtually overlooked (ibid). Even when policymakers considered immigrant entrepreneurship as a means of immigrant incorporation, they viewed it as a form of socio-economic self-help and, they therefore, saw no need to

discover the reasons for self-employment among immigrants, particularly those from the non-Western countries.

The Netherlands is no exception in Europe and has become part of the general trend in migrant entrepreneurship. Although immigrant entrepreneurship has been evident in the Netherlands since the early 1980s, it greatly increased among people of different immigrant groups in the Netherlands only in the 1990s when the Dutch economy underwent a spectacular improvement (see Rath and Kloosterman 2003). Twenty per cent of all new businesses in the Netherlands were set up by a migrant entrepreneur (see Nijkamp et al. 2009). The increase in the number of immigrant entrepreneurs in the Netherlands also brought about a significant increase in the number of studies on immigrant entrepreneurs (see Rusinovic 2006). In their quest to research immigrant entrepreneurship in the Netherlands, most of the Dutch researchers, like the Americans, have been heavily interested in the ethno-cultural characteristics and process of ethno-cultural incorporation. According to Rath (1991; 1993) they regard entrepreneurship primarily in ethnic terms.

Having said that some Dutch researchers in the 1980s made significant theoretical contributions to immigrant entrepreneurship in the Netherlands which were suitable for international publications and these included researchers such as Blom and Romeijn 1981; Bovenkerk 1982; Bovenkerk et al. 1983; Bakker and Tap 1985; Boissevain and Grotenberg 1988; Vermeulen et al. 1985; Veraart 1987). In addition to an ethnic bias, most of these researchers devoted little attention to more structural political and economic dynamics as crucially relevant in the studying of immigrant entrepreneurship (see Kloosterman and Rath 2003: 140). It appeared to many of them that market conditions and regulations are of little importance (ibid.), since little or no attention was given to the context in which immigrant entrepreneurs do their business. Kloosterman and Rath explicitly depart from these research traditions and link the subject with more general economic, sociological and geographical perspectives (see Jacobs 2012).

According to Rusinovic (2006: 25) recent scholars have paid more attention to the structural socio-economic embeddedness of immigrant entrepreneurs as well. This shift in perspective is related to the rising prominence of broader views on processes of migration (see Sassen 1991; Waldinger 1996; Rath and Kloosterman 2000) and, more specifically, of views on the role of the politico-institutional context in determining socio-economic developments (Esping-Andersen 1990, 1999). In the next section, I will explore the role of social embeddedness with regard to migrant entrepreneurs.

2.3 Social Embeddedness

Many researchers have emphasised the importance of the resources that an entrepreneur, or for that matter, an immigrant possesses, for the success of their business. Some researchers have indicated that,

without much financial capital, or even a lack of it, immigrants are still capable of starting businesses because they are socially embedded (Portes and Sensenbrenner 1993; Panayiotopoulos 2006). In other words, individual immigrants accrue some benefits from being embedded in a social network and the use of these derived benefits is simply termed social capital. In their study of ethnic / immigrant entrepreneurs in the Netherlands, for example, Flap et al. (see 2000: 153) concluded that immigrants who start businesses can be hindered by limited or lack of collateral, discrimination by banks in terms of loan acquisition and distrust of bureaucratic agencies. Instead, individual entrepreneurs are often able to obtain flexible loans from family members or friends to start their own businesses.

The concept of social embeddedness therefore means that 'economic action is embedded in structures of social relations (Razin 2002: 163). According to (see Flap et al. 2000: 146), the idea of social embeddedness also ushers in the concept of economic sociology which emphasises that 'transactions in real markets, whether consumer markets, labour markets or product markets, are embedded in ongoing relations and social networks'. Economic sociology is defined as a sociological perspective applied to economic phenomena (see Rusinovic 2006). Rusinovic (ibid), quoting Polanyi (1957), asserts that the economy is submerged in social relationships. An individual does not act in the economy primarily for his or her economic motives and, for that matter, for his or her material possessions. Instead he or she acts to safeguard his or her social standing, his or her social claims and his or her social assets.

Uzzi (1997: 35) captures the seminal thoughts in the development of the concept of embeddedness by stating that 'Polanyi (see 1957) used the concept to describe the social structure of modern markets'. There is a realisation that businesses not only suffer primarily from production costs but from transaction costs which include the costs of information and the making of enforceable agreements and that social structure has an impact on these costs (Flap et al. 2000). Granovetter's (1985) initial formulation of the concept of embeddedness states that all economic exchanges are necessarily embedded in social networks. In his essay *The Problem of Embeddedness* Granovetter (ibid.: 481) asserts that 'much of the utilitarian tradition, including classical and neo-classical economics assumes rational, self-interested behaviour which are affected minimally by social relations'.

In other words, embeddedness contextualizes economic activity in patterns of social relations and shows that an economic actor's activities depend on his or her embeddedness in the larger social structure. Consequently, any attempt to separate economic action from social relations is a grievous misunderstanding. According to Rusinovic (2006: 25), Granovetter (1990) shows in his concept of embeddedness that 'economic action, outcomes and institutions are affected by actors' personal relations and by the structure of overall network of relations'. The work of Granovetter has been criticized for emphasizing the importance and influence of social relations to the disregard of influences of culture,

politics and neglecting the macro level (Portes and Sensenbrenner 1993.). More recently, Dutch researchers have presented a more comprehensive and inclusive model of mixed embeddedness.

2.4 The Mixed Embeddedness Model

There is no doubt that the concept of social embeddedness has contributed to the development of entrepreneurship in general and to immigrant entrepreneurship in particular (see Granovetter 1985, 1995; Waldinger 1986; Uzzi 1996, see 1997; see Portes and Sensenbrenner 1993; Cahn 2008). It appears, however, to have emphasised the importance of the social context and structure in which entrepreneurs operate and has failed to consider the set of opportunities that are (potentially) available to be exploited by entrepreneurs. To substantiate their argument, Kloosterman et al. (1999) stated that the set of options that entrepreneurs are faced with is also influenced by macro-structures. This led to the introduction of the mixed embeddedness framework, which is essentially an interactionist approach pioneered by Waldinger et al. 1990, whereby individual resources are matched with structural opportunities for businesses (see Kloosterman et al. 1999; Kloosterman and Rath 2000, 2001; Rath 2000a; 2002; see Engelen 2001; see Kloosterman and Rath 2003; see Kloosterman 2003b; see Light 2005; see Rusinovic 2006; Brandellero and Kloosterman 2009; Kloosterman 2010a, 2010b).

From this perspective, trends in immigrant entrepreneurship can be analysed by looking at the changes in resources with which (aspiring) migrant entrepreneurs are endowed *in conjunction* with the changes in the opportunity structure due to shifts in the urban economy and its wider institutional framework. According to this framework, businesses not only depend on the resources that the (aspiring) entrepreneurs possess and can garner, but also on the markets in which the services or goods have to be sold. Besides that, local and national rules and regulations should be flexible enough to allow newcomers, both immigrants and indigenous, to access the market (Kloosterman 2001) in order to start businesses. The rules and regulations have changed in recent decades. By way of an illustration, to reduce high unemployment especially among immigrants, the Netherlands as well as other European countries resorted to promoting self-employment (see Rusinovic 2006; see OECD 2010). Through the policy of ‘deregulation’ the Dutch Authorities abolished numerous rules and regulations applicable to starting a business in the Netherlands (ibid.; Kloosterman 2003a; Kloosterman et al. 2007). This statement implies that the availability of openings in the opportunity structure is also determined by the ‘political-institutional framework’.

The mixed embeddedness framework combines the micro-level of the individual entrepreneur and his or her resources with the local opportunity structure (meso-level) and links the latter in a looser way to the macro-institutional framework. It can also be used for more dynamic analyses of the trajectories of the self-employed, in particular regarding breaking-out to more profitable markets and eking out a more

secure living (see Kloosterman 2010). This framework also allows us to make a systematic comparison with the earlier groups of migrant entrepreneurs.

In order to facilitate a better understanding of the mixed embeddedness model, I start with a brief overview of its key components. First I address the more structural aspects of the opportunity structure or the demand side of the mixed embeddedness model. After that I examine the individual resources of the (nascent) entrepreneurs, that is, the supply side of the mixed embeddedness model. I then operationalise both sides of the concept in an analytical framework to determine how the resources these entrepreneurs possess enable them to set up businesses in different markets. In both instances I not only identify the key components, but also explore the differences between the Ghanaian entrepreneurs on the one hand and their Turkish and Moroccan predecessors on the other. I then elaborate on the implications by proposing a limited set of hypotheses concerning the position and the dynamics of Ghanaian entrepreneurs in the Netherlands.

2.4.1 The demand side/the opportunity structure of the mixed embeddedness model

The opportunity structure is referred to as the demand side of the mixed embeddedness model. Opportunities for entrepreneurs depend on the dynamics of the ‘entrepreneurial market’ (see Jacobs 2012). The kind of business an immigrant starts and its role in the integration process are not only determined by the resources this potential immigrant entrepreneur possesses but also by the time-and-place specific opportunity structure (see Waldinger et al. 1990; Light and Rosenstein 1995). This proposition shows how equally important the opportunity structure is in relation to immigrants setting up businesses and their integration trajectories.

According to Kloosterman et al. (see 1999), the shape of the opportunity structure is a crucial part of mixed embeddedness model. Market conditions determine in which segments these kind of openings occur. Markets and other economic conditions are embedded in institutional frameworks (ibid). However, these markets have to be economically accessible. The mixed embeddedness model departs from the notion that, for almost any business to survive and, for that matter, be successful, there needs to be an economic opportunity: the actual or potential existence of a market for its products out there. No market, no profits and, hence, no business either in the short or longer term.

Markets also have to be accessible for aspiring or nascent entrepreneurs. If, for instance, entrance to a market requires huge start-up costs due to economies of scale, then accessibility for newcomers is close to zero. Similarly if entrance is highly regulated, as regards, educational qualifications (as in the case of dentists) accessibility will also be low. In the mixed embeddedness model, the assumption is that migrants tend to lack (access to) financial capital and that they are, consequently, dependent on those opportunities which require relatively low start-up costs (see Kloosterman 2000, see 2010). This excludes many types

of manufacturing, but comprises a wide range of services where there are plenty of openings for small-scale business.

Markets must also be institutionally accessible. In other words, these markets have to be devoid of high economic and institutional barriers. Institutions, such as the welfare system, the organisation of markets, rules and regulations, housing policies which influence residential distribution of immigrants and business associations all affect the opportunity structure on national, sector and local levels (see Kloosterman et al. 1999; see Kloosterman and Rath 2001). In the Dutch corporatist welfare state, for example, the opportunity structure at the lower end is curtailed by high minimum wages and this has the potential to hinder low-value added activities such as sewing shops and post-industrial personal services such as childcare and housecleaning (ibid).

In the view of Kloosterman et al. (see 1999), immigrant entrepreneurs are also embedded in Dutch society in rather concrete ways as they operate in cities with their own particular socio-economic and cultural traditions and institutions, as well as in sectors with more or less established traditions of doing business. Membership of mainstream entrepreneurial associations, such as a shop-owners' association and an employers' association, makes immigrant entrepreneurs become embedded in Dutch society. These organisations may provide mutual assistance and a common set of rules regarding business practices and may also protect their members by setting up high minimum requirements entry barriers for newcomers (see Jacob 2012).

The spatial concentration of immigrant population in the Dutch cities of Amsterdam, The Hague, Rotterdam and Utrecht where most immigrants live, especially those from non-Western countries, is low due to the particular history of migration to the Netherlands in combination with Dutch housing policies (Deurloo and Musterd 1998). Usually the majority of immigrant entrepreneurs are spatially concentrated in neighbourhoods with high proportions of immigrants. The nature of the Dutch housing policies means that immigrants in the Netherlands are rarely spatially concentrated and are found in diverse racial neighbourhoods. Consequently, there are no mono-ethnic neighbourhoods as in the United States (Tesser et al. 1995). This diversity has the potential to hamper the prospects of immigrant entrepreneurs who want to provide for ethnic demands and create an ethnic market (see Kloosterman et al. 1999).

The concept of mixed embeddedness emphasises that the entrepreneurial success of these immigrants largely depends upon their level of embeddedness in the overall Dutch context (Maas 2011). In other words, their entrepreneurial success partly depends on the Dutch national or urban and local opportunity structures that enable immigrants to set up businesses. Light (see 2005), however, states that entrepreneurs not only operate in local or national economic environment but also in a global environment. Entrepreneurs who use their contacts and associates in other countries - especially their country of origin - for their products or services also operate in economic environments outside the

national or local one. These entrepreneurs are called 'transnational entrepreneurs' (Portes 2000: 258; see also Rusinovic 2006).

According to Light (see 2005) these entrepreneurs are now embedded in the global and distribution networks, a development which was hitherto rare because, in the past, entrepreneurs were mainly integrated into local economies. The recent emergence of transnational entrepreneurs has been facilitated by new technologies in communication and transportation. Examples are the use of mobile phones and the numerous regular flights to various destinations offered at relatively lower prices (see Portes 2000). Rusinovic (see 2006:110), concurs with Light (see 2005.) and mentions a specific example of an entrepreneur in Amsterdam operating his or her business using staff in India and expecting the order to be returned within a week, a development which is attributable to the transportation and communication revolution. As a result, local ethnic economies have become globalised and embedded in global production and distribution chains.

The increasing interdependence of economies emanating from globalisation consequently enables immigrants to take advantage of belonging to two or more cultures (ibid.). Immigrant entrepreneurs are embedded in new structures and forces which they exploit to start businesses beyond the national and local economic context in which they are embedded (see Zhou 2004). Mass (see 2011:37) asserts that immigrants' socio-economic incorporation into the host society might not necessarily depend on the domestic context of that host society. However, it is impossible for a(n) (immigrant) business started formally in a country to operate without due regard for its institutional framework. In other words, the business will, at least, be embedded in the regulatory framework and, more especially, the business laws and tax regimes of the host country (see Kloosterman et al. 1999).

2.4.2 The supply side of the mixed embeddedness model

Entrepreneurs need resources in order to start a business and to survive. As Greene and Brown (1997) noted, the success rate of a business is affected by its resource profile. There are many relevant typologies of resources and forms of capital. However, according to Aldrich and Martinez (2001), there are three essential forms of capital for the success of (nascent) entrepreneurs, namely human, financial and social. These three essential resources of the nascent entrepreneurs make up the supply side of the entrepreneurial market (see Kloosterman 2010). Although these resources are examined in detail later in the chapter, I want to discuss them briefly here, starting with human capital.

Human capital

Sequeira and Rasheed (see 2004) assert that any discussion about the likelihood of a start-up and subsequent growth of an entrepreneurial venture is incomplete without recognising the role played by the

immigrant's human capital. Human capital enables the entrepreneur to gain an effective understanding of the institutional environment in which he/she is embedded as this environment influences the entrepreneur's values, perception and exploitation of opportunities, practical management strategies and ultimately, business success. An entrepreneur, for example, with a high-level educational qualification is more effective and better prepared for the business sector in which he/she is engaged. In addition, according to Dutch laws and regulations (nascent) entrepreneurs can only access some producer service businesses such as accountancy and architectural engineering if they have the required qualifications and certificates (see Kloosterman 2010). In other words, human capital in general, and particularly in the Dutch context, has become a determining and regulatory factor for establishing certain kind of businesses.

Social capital

Social capital allows individuals to obtain resources that are otherwise unavailable to them (see Aldrich & Martinez 2001). Social capital refers to the resources that an individual is able to mobilise on demand' (Portes 1995:12), while the resources per se do not constitute social capital. To elucidate this statement Portes (1998:6) states that the ability to mobilise resources on demand by virtue of membership of social networks and other social structures' constitutes social capital. Entrepreneurs are able to obtain scarce resources by being embedded in formal or informal social networks (see Rusinovic 2006). Immigrant entrepreneurs, for example, are often able to raise or borrow capital from family members. They are also able to use the services of their family or co-ethnics without pay or with wages which are much lower than the legal minimum wage. Immigrant entrepreneurs, in particular, are able to use the services of their family members and co-ethnics (more or less) freely because of the strong mutual ties and the greater trust they have in each other (Granovetter 1982; Kloosterman et al. 1998; see Flap et al. 2000; see Rusinovic 2006;). The over reliance by immigrants on informal social capital to set up a business is helpful in the initial stages but less helpful for business growth and success because of their inability to access information and resources beyond those available in their own social circles.

Financial capital

Financial capital is often required to start an enterprise. Without adequate financial capital, it would be impossible to set up a business, no matter whether the entrepreneur is a native or an immigrant. Financial resources can be acquired through one's own savings, by informal means by acquiring loans from family and friends and/or by formal means through banks and other financial institutions (see Flap et al. 2000; Wolff and Rath 2000; see Rusinovic 2006).

Other resources

Besides these three essential resources mentioned above in this section, personality factors, motivational factors (either 'push' or 'pull') as well as cultural characteristics also play a role in immigrant entrepreneurship (see Masurel et al. 2004; see Rusinovic 2006, see Sahin 2012). However, personality factors have, for example, been criticised on empirical grounds because sociological and economic explanations that point to 'the amount of financial and human capital brought to the start-up process fare better in empirical research' (see Flap et al. 2000:143). Having mentioned the constituents of both the demand side and supply side of the mixed embeddedness approach which show it to be a more comprehensive and inclusive model for explaining (immigrant) entrepreneurship, I will now briefly place both sides of the concept in an analytical framework to determine how the resources these entrepreneurs possess enable them to set up businesses in different markets.

2.5 Analytical Framework of the Mixed Embeddedness Model

The analytical framework is a product of the mixed embeddedness model created by Kloosterman (see 2010). This analytical framework takes into account the entrepreneurs' resources, the local opportunity structure and the institutional framework. The analytical framework practically brings together the individual entrepreneur and his or resource(s) (micro-level) particularly the human capital, with the local opportunity structure (meso-level), and links the latter to the macro-institutional framework (see Kloosterman 2010). The mixed embeddedness model identifies two key dimensions. The first dimension concerns the threshold with respect to educational qualifications. There are opportunities which are accessible to entrepreneurs who have only a modest level of educational qualifications (only primary school or even less) and there are opportunities which demand secondary or even specialised vocational or academic schooling. The second dimension distinguishes opportunities in markets which are structurally shrinking and those which are structurally expanding. Combining these two dimensions gives us a two-by-two matrix with four types of opportunities (see Figure 2.5). Each of these four types has its own characteristic resource profile and each type also has either its own specific trajectory or dynamics or not.

The bottom left quadrant of the model includes markets that are easily accessible and consequently attractive to many aspiring immigrant entrepreneurs, especially the first generation who are generally known to have inappropriate human capital or lack the adequate educational qualifications or skills to start a business (see Kloosterman et al. 1998; Kloosterman 2000; Kourtit and Nijkamp 2012). Many first-generation immigrant entrepreneurs are lured into this market because of unemployment in the mainstream labour market or due to a lack of alternative pathways for higher socio-economic mobility. The markets here deal with small ethnic businesses such as groceries, bakeries, snack bars and cafés.

Entrepreneurs who start in this quadrant of the model usually need only a small amount of money to get going. On top of this virtually no high-level educational qualifications are required. These low financial and educational barriers make it easy for many first-generation immigrants to start businesses in this quadrant. The market then becomes saturated and fierce price competition becomes the only marketing tool option. As a result, however, the growth potential in this part of the model is less promising as profits are very low and demand in these markets is, at best, stagnating. The only way entrepreneurs can escape from this (potentially) saturated market into more promising markets is either to improve their human capital, acquire substantial financial resources, or expand their social networks beyond their own ethnic community. Entrepreneurs who escape from these lower-end stagnating markets tend to leave behind vacancy-chain openings which new entrepreneurs can fill with their businesses, though the working conditions and prospects are the least attractive (see Rusinovic 2006).

The left-hand upper quadrant is more difficult to conceptualise because it entails a high level of human capital but then in conjunction with a market which has virtually no growth prospects. It is assumed that those who have high levels of education will not choose to set up businesses in stagnating markets. However, sheer discrimination or a lack of recognition regarding the educational qualifications obtained in the country of sending may force entrepreneurs with relatively high levels of human capital reluctantly to start a business in stagnating markets. Besides this, the recent global financial crisis is also likely to force many (salaried) workers who also have high human capital but are redundant to set up businesses in this part of the model.

If the entrepreneurs already have access to the more socially and ethnically mixed networks, they may start a business in expanding mainstream markets right from the start. These opportunities in expanding mainstream markets can be divided into those which require high educational qualifications and those which only demand basic schooling (see figure 2.5). The bottom-right quadrant consists of markets which require low-thresholds of human capital. However, these markets have high and promising growth potential. (Nascent) entrepreneurs who are open to innovation are able to set up personal service businesses such as housecleaning and crèche in this quadrant.

Finally, the upper-right quadrant of the model also consists of markets with high growth potential. However, unlike the bottom-right quadrant, this part of the model is suitable for (nascent) entrepreneurs who possess a high level of human capital, even though the businesses they set up may not necessarily require much start-up capital. Producer service businesses, such as dentistry, technology-oriented services, financial services, and legal and consulting firms are few examples.

Setting up a firm in any these two markets is, potentially, promising as competition is still relatively weak due to the rate of expansion. Setting up a business in one of these markets, both the low and high human

capital types, is attractive in the short and the long run and people are not so much *pushed* towards these markets but rather *pulled*.

The distribution of these types of opportunities varies from place to place and across time (see Kloosterman 2010). The distribution is mainly contingent on the sectoral composition of the economy, the division of labour between the state, the private sector and the households and also on the regulation pertaining to entrance of firms and competition. Between the time when the first-generation ‘guest’ workers started their businesses - in the late 1970s and first half of the 1980s - and the time of arrival of large numbers of Ghanaian migrants in the Netherlands in the second half of the 1990s, the opportunity structure has significantly changed.

Figure 2.5: A typology of the opportunity structure: markets split according to accessibility and growth potential

		Growth	
		Stagnating	Expanding
Human capital	High thresholds		Post-industrial/high-skilled
	Low threshold	Vacancy-chain openings	Post-industrial/low-skilled

Source: Kloosterman (2010)

During the 1990s the Dutch economy transformed from one which was lagging behind in growth with high unemployment and a low rate of active labour participation, notably by women, to one of the strongest performers in the EU. With high job growth, the queues of job seekers shortened and unemployment among migrants even went down considerably in the second half of the 1990s, thereby reducing the push towards self-employment. The growth of the Dutch economy also created opportunities for new businesses.

The following shifts in the opportunity structure of the Netherlands were identified in the 1990s (see Kloosterman 2000). These shifts in the opportunity structure created new and innovative business activities which are mainly service-oriented, a reminiscent of the post-industrial economy.

- A slow-down in de-industrialisation, meaning the decline in employment in manufacturing, which had run its course (trends in industrial employment).
- Rapid expansion of personal and producer services (and cultural industries) (trends in service employment).
- A shift to services in combination with digitisation has led to decrease of minimum efficient scale of production thereby tilting the opportunity structure more towards small firms (trends in number of small firms per sector).
- A rapid rise in singles and two-earner households with income boosted outsourcing by households.
- Privatisation: outsourcing by the state (e.g. public gardening).
- Outsourcing and subcontracting by firms concentrating on the core components of their businesses.

The shifts in the opportunity structure in the 1990s led to more opportunities for small firms in expanding sectors and more of a 'pull' given the abundant chances for small businesses. Hence, there were more opportunities for entrepreneurs, including immigrant entrepreneurs (Sassen 1991). Consequently, immigrant entrepreneurs have not only increased numerically but also increased in new ideas, products, practices, market and contacts (Brandellero 2008).

2.6 Application of the Analytical Framework: Comparison between First-generation Ghanaian Entrepreneurs and 'Guest' Worker Entrepreneurs.

The analytical framework of the concept of mixed embeddedness linked together the micro-level of the individual and his or her resources to the meso-level of the opportunity structure and the macro-institutional framework. In this section I attempt to determine in which sectors the first-generation Ghanaians and the 'guest' workers who chose self-employment set up their businesses, by using the components of the micro-level, that is the supply side of the individual entrepreneurs namely human capital, social capital and financial capital. Many first-generation immigrant entrepreneurs from non-Western countries are known to have predominantly established businesses in the traditional, wholesale retail, catering (Rath 2000a; van den Tillaart 2001). This research will ascertain whether the first-generation Ghanaians and the 'guest' workers are overrepresented in the traditional business sector, especially after shifts in the opportunity structure of the Netherlands in the 1990s where new service

businesses are proliferating. I compare both groups and establish whether there could be any differences between them in terms of the resources each group possesses and how these resources are likely to influence the sector(s) in which the businesses they establish will be inserted. To facilitate the comparison, the following assumptions are made.

1. Both groups will possess the following resources, namely human capital, financial capital and social capital to start their own businesses.
2. The openings in the opportunity structure for setting up businesses are readily known and available to both groups to exploit and there is no impediment to both groups accessing them equally.
3. The resources that they possess will enable them to identify the openings in the opportunity structure to set up businesses of their choice.
4. We have chosen the 'guest' workers, and particularly first-generation Moroccans and Turks, for this comparison rather than Surinamese and Antillean immigrants because the latter group has by history more linguistic and cultural affinity with the Dutch.

Human capital

With regard to entrepreneurship, formal education, previous work experience or informal training and skills are the basic forms of human capital (Light and Gold 2000; see Aldrich and Martinez 2001:298; Unger et al. 2011). First-generation Ghanaian immigrants are generally considered to be better educated than their counterparts from Turkey and Morocco as most of the Ghanaians in the Netherlands had gained at least secondary school education before they migrated. Many of the traditional first-generation 'guest' workers from Turkey and Morocco only had primary school education. Most of the 'guest' workers were recruited from the rural areas of both countries. They were primarily contracted to work in the heavy manufacturing industries of the Netherlands and had almost no previous business experience. Most of the first-generation Ghanaian immigrants were living in the cities and in large towns of Ghana prior to their migration, some were engaged in a different kind of business as their main occupation or were in part-time income-earning activities as a supplement to their monthly incomes from public or private employment (see Choenni 2002). This pre-migration information about both groups indicates that first-generation Ghanaian immigrants are better positioned to become self-employed.

An important post-migration aspect of human capital critical for both immigrant groups is a command of the Dutch language. Being able to speak, read and write Dutch enables immigrants to obtain critical and relevant information either to start as an entrepreneur or to find a more suitable wage employment. Dutch language proficiency is, invariably, lowest for the first-generation immigrants from Turkey and Morocco (CBS 2005). Only between a quarter and a third of the first-generation immigrants from Turkey and

Morocco reported that they have no difficulties speaking Dutch (SCP 1999a). This information is probably more evident among the 'guest' workers who were mostly illiterate before migrating to the Netherlands. No research has been carried out to show that first-generation Ghanaian immigrants have a better command of Dutch either, though most of the first-generation Ghanaian immigrants are known to have an average (*'matig'*) level of Dutch language proficiency (ACB Kenniscentrum 2011).

However, it could be inferred from the relatively high levels of literacy among them that they could read, write and speak Dutch better than the 'guest' workers if they chose to learn Dutch. The brief information on the level of human capital between these immigrant groups reveals that first-generation Ghanaian immigrants have more access to up-to-date information about the Dutch business market, particularly with regard to new and innovative businesses. Hence, it is more likely that first-generation Ghanaian immigrants will gravitate towards setting up businesses in the more promising and expanding sectors of the Dutch market than the traditional 'guest' workers.

Furthermore, first-generation Ghanaian immigrant entrepreneurs who start businesses in the vacancy-chain openings of the opportunity structure will be able to break-out into more expanding sectors which include personal and producer services. These propositions are made based on the arguments put forward by Jacobs (see 2012) who agrees with the findings of Unger et al. (2011) that human capital increases the capability of entrepreneurs to perform general entrepreneurial tasks such as discovering and exploiting business opportunities.

Social Capital

Social capital refers to the 'importance of the resources that are available to a person through his or her social relations with others' (Rath 2000: 147). Social capital, hence, resides not so much with the individual as with the social networks in which the entrepreneur is embedded. Rath (2000: 147) quotes Boissevain (1974: 158-163) by stating that social resources comprise the 'wealth, status, power and social ties with other persons'. The ability of the individual entrepreneurs to acquire and use these scarce resources by being embedded in social networks is of crucial importance (Rusinovic 2006). The resources that members make available to assist individuals in the social relations, depends on the size and the 'density' of the membership and readiness of members to assist when the need arises (Bourdieu and De Saint Martin 1978: 28; Rath 2000). There are two types of networks; the informal which consists of family, kin and close friends and the formal which includes acquaintances, colleagues and casual friends (Kloosterman et al. 1998; Rath 2000; Rusinovic 2006). Basically the cultural distance from the Netherlands is much larger in the case of both first-generation Ghanaians and 'guest' workers than in the case of Surinamese and Antilleans. Hence, the degree of co-ethnic group identification, orientation and tendency towards self-sufficiency seems more pronounced. This is partly due to shared religious norms,

in this instance Christianity for Ghanaians and Islam for the ‘guest’ workers respectively. Besides that both groups have established ethnic and home country associations to address their social, political and cultural issues in the Diaspora as well as those of their home countries. Due to the tendency of both groups to incline towards using informal social networks or strong ties to address their wage-employment or self-employment, the importance of formal social capital tends to be rather limited and this can diminish the access to vital information and resources beyond their own immigrant group.

Nevertheless it seems likely that first-generation Ghanaian immigrants will be able to enlarge their social capital base beyond the informal because of the high level of pre-migration human capital they already possess, based on them following additional courses in the Netherlands to enhance their human capital position. In this regard first-generation Ghanaians entrepreneurs are more likely to be embedded in formal networks which will enable them to have much more access to information about openings in the opportunity structure, about expanding sectors, contacts with professional and business bodies, financial institutions like banks, local governments and chamber of commerce than the ‘guest’ workers. Formal networks are likely to provide access to strategic information about the market (see Jacobs 2012). Hence, first-generation Ghanaian immigrants will be relatively better positioned to set up businesses and operate in mainstream markets quite beyond the patronage of their ethnic groups.

Financial capital

The typical immigrant described in this chapter is considered to possess little financial capital (see Kloosterman 2000). In other words, as a migrant, he/she comes to the host country with little or no financial capital. In addition, as an immigrant without the requisite human capital, (s)he finds employment in poorly paid, dirty, dead-end jobs (ibid). Hence, the income he/she earns from these jobs is insufficient to accumulate financial capital to start a business. As stated by Wolff and Rath (2000) aspiring entrepreneurs in general, and immigrant entrepreneurs in particular, tend to lack financial resources or are less able to raise capital from formal institutions, such as banks (see Granovetter 1995; see Rusinovic 2006).

According to Light and Gold (see 2000:217) ‘bankers have historically ignored the capital needs of small business owners’. Therefore, small business start-ups have always mostly depended on the savings of owners, followed by loans from family members or friends (ibid.). Yet, this applies even more to aspiring immigrant entrepreneurs (see SER 1998:49). One important reason is that immigrant entrepreneurs often have no property that can be used as a collateral (see Flap et al. 2000:153). In addition, immigrant entrepreneurs typically request relatively small loans, which are usually less interesting for banks (see SER 1998). Another reason why immigrant entrepreneurs are more dependent on family capital is that they want to set up a small grocery shop or a ditto restaurant in which already many migrant

entrepreneurs are active and which tend to be characterised by meagre profits and relatively high risks (ibid: 49). Any business venture that a first-generation Ghanaian immigrant or a 'guest' worker starts, then, is more likely to depend on the owner's own resources and on the owner's immediate environment because they have limited resources and lack knowledge and legitimacy (Pfeffer and Salancik 1978).

Hence, most of the immigrants are expected to be found operating in left bottom quadrant of the market where virtually no barriers to entrepreneurship exist (Sahin et al. 2009). Unfortunately, according to Kloosterman (see 2010), in this market, growth is less promising and profits are low due to cutthroat (price) competition. With regard to the above, it seems that many non-Western immigrant entrepreneurs, including both first-generation Ghanaian and the 'guest' workers, seem to be captivated in this non-promising market and that there is no chance for first-generation non-Western immigrant entrepreneurs to move up the rungs of the socio-economic ladder of the Dutch society.

The above discussion of the resources of both the first-generation Ghanaian immigrants and the guest-workers has shown that first-generation Ghanaian immigrants are quite different from 'guest' workers in terms of the human capital development. With their relative high level of human capital, Ghanaian immigrants are also more likely to be embedded in mixed social networks which enable them (potentially) to benefit from both informal and formal capital. With a relatively high level of human capital and access to mixed social networks, Ghanaian entrepreneurs will be able to obtain information about new business opportunities and market trends and loans from banks which will enable them to start businesses in the more promising quadrants of the mixed embeddedness model.

Alluding to the high level of human capital which most of first-generation Ghanaian immigrants possess before migration, any improvement in their human capital, either through further schooling or through acquiring more practical experience in the Netherlands, will enable those who have already set up their businesses in the vacancy-chain market to break out into business openings which are in both the post-industrial low and high threshold markets. Nascent first-generation Ghanaian entrepreneurs will also have a larger 'playing field' and leeway to set up mainstream and service-oriented businesses which have the potential for growth and success.

2.7 Research Hypotheses-Matching Opportunities with Resources.

The discussions about the concept of mixed embeddedness, the framework on which this research is based, have shown that the supply side and the demand side of the entrepreneurial market are crucially important for determining immigrant entrepreneurship. Apart from the important role that an entrepreneur's human capital, financial capital and social capital play in the setting up and performance of their businesses, the market in which the entrepreneurs operate is also important for explaining the

success or failure of these businesses (Jones et al. 2000: 238). The key question is then whether the first-generation Ghanaian agency factors together with the changes in the opportunity structure of the Netherlands have enabled them to set up businesses particularly in the more promising and expanding sectors which will lead to business success or otherwise.

This research is based on the following hypotheses:

1. First-generation Ghanaian entrepreneurs who identified promising opportunities to start businesses were pulled rather than pushed into self-employment.
2. a. Given their relatively high educational qualifications first-generation Ghanaian entrepreneurs were able to start businesses in the upper right-hand quadrant of the opportunity structure. In other words, they were able to start businesses in the cognitive-cultural activities.
b. First-generation Ghanaian entrepreneurs, with their fluency in English language and their relative proficiency in the Dutch language, had more access to the opportunities structure of the Netherlands and were able to set up businesses in the promising and expanding sectors.
c. Given their time of arrival in the Netherlands and the available opportunity structure at that time first-generation Ghanaian entrepreneurs were able to identify and exploit the promising openings in the opportunity structure of the Netherlands to start businesses.
3. First-generation Ghanaian entrepreneurs who were embedded in mixed social networks were able to access both formal and informal financial and non-financial resources to set up businesses in either the post-industrial low-skilled or post-industrial high-skilled quadrants of the mixed embeddedness model.
4. First-generation Ghanaian entrepreneurs had the right mix of human, financial and social capital and personal characteristics which enabled them to identify promising business opportunities in the Netherlands and were motivated to start and run successful businesses.

These hypotheses will be discussed in more detail and tested in Chapter 6 of this dissertation.