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### Ghanaian entrepreneurship

*First-generation Ghanaian entrepreneurs in the Netherlands*

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## **6. Ghanaian Business Sectoral Orientation and Success**

### **6.1 Introduction**

In 1980 John migrated from Ghana to Amsterdam in the Netherlands in search of a better and more prosperous life. In 1974 John had started a 3-year High National Diploma (HND) in Maritime Studies at the Regional Maritime University (RMU) located in Accra, Ghana after completing his secondary school education. Between 1975 and 1979 John worked as an Able Seaman for the now-defunct Ghana Black Star Line, a state-owned shipping corporation. Since his position as a seaman in a commercial ship enabled him to visit many European cities, including Amsterdam, he quit his job with the Black Star Line on one of their shipping trips to Europe and settled in Amsterdam. He then applied for different maritime jobs in the Netherlands maritime sector but all his applications were turned down because he was then an undocumented migrant living in the Netherlands with a false British passport. He also had no knowledge of the Dutch language. In 1986 John legally obtained his Dutch resident permit and became a Dutch citizen 5 years afterwards. Given that he was now a legal resident of the Netherlands John formally enrolled in Dutch courses at a Dutch language school in Amsterdam and, after two years of intensive studies, had an excellent command of Dutch. Between 1986 and 1993, he worked as a factory hand at various manufacturing companies in Amsterdam. In 1994 he and another Ghanaian friend who, was then also resident in Amsterdam, started C Express Shipping Company in Amsterdam 'Bijlmermeer'. The idea was primarily to help Ghanaian migrants in the Netherlands who had bought used automobiles ship them to Ghana. In the 1990s the Ghanaian population in Amsterdam began to increase and, as a result, the number of used automobiles that Ghanaians shipped to Ghana also rose considerably. The business made good profits in the first three years of its existence, but the company was declared bankrupt at the beginning of the fourth year. John's business partner unexpectedly decided to migrate to the United States of America and demanded his share of the investment and profits. His partner's share of the investment and profits in the business was much bigger than John's share, hence John could not continue with the business because his share was inadequate after the split. However, with his academic qualification in maritime studies and a few years' experience as an employee of a shipping company, as well as his 3 years of experience in the shipping business in the Netherlands, John was always eager and motivated to start another shipping-related business as a sole proprietor because he had already seen and identified the opportunity for a successful business in shipping. In addition to the increase in the Ghanaian population in Amsterdam, John had also observed the presence in Amsterdam of migrants from Nigeria, Sierra Leone and a few other African countries in the same city and thought this would be another good reason to expand his business. In 2002, with a start-up capital of

10,000 euros, which consisted of 6,000 euros of his own money and 4,000 euros loaned from two friends, namely Adusei and Osei Appiah, he started another shipping business in Amsterdam 'Bijlmermeer'. Apart from the financial help from his friends, John, had established a business network with Jan van der Laar, a native Dutch citizen in Rotterdam and Alec, a Flemish citizen of Antwerp, who had haulage and cargo businesses in the ports of Rotterdam and Antwerp respectively. John's relationship with both businessmen in the same industry was facilitated and enhanced by his ability to communicate fluently with them in Dutch. Both Jan van der Laar and Alec helped John to secure places for his vehicles on ships in either Rotterdam or Antwerp at short notice. John disclosed that, with the help of these two men, his automobiles do not pile up at the two ports. The automobiles he shipped reached their destinations on time and he therefore gained the admiration, trust and confidence of the majority of his clients. In addition, John's business now had a steady flow of clients from different African and Asian countries. He registered his company with the Dutch Shippers Council for legal and policy support. John's business has, therefore, attracted a steady flow of clients since its inception in 2002. According to John many shipping businesses that other Ghanaians started in Amsterdam have folded since 2008 due to the economic recession. John's shipping company still existed in 2014 and he expected he would attract more clients in future. In a nutshell, John stated that the activity he identified for his business is one of several opportunities in the Netherlands which have the potential for commercial success. Above all John attributes his business success to his good Dutch language skills, which enable him to communicate with different clients as well as with his suppliers in the Netherlands. His fluent command of Dutch, high level of education, pre-migration and post-migration business experience, the time of arrival in the Netherlands, the time at which he started his business and the assistance he received from his mixed social networks, enabled him to start and run a successful business.

John's story shows and exemplifies how immigrants in the Netherlands keep on searching for different economic activities which maximise their motivation for upward socio-economic mobility. Self-employment is one particular way in which a migrant can fulfil this objective. John's story clarifies how migrants use their resources, such as human capital comprising pre-migration and/or post-migration educational qualifications, pre-migration business experience, the host country's language proficiency, and financial and social capital to identify the best and most suitable business opportunities. Although John funded his business through informal sources, the benefits he derives from mixed social networks which involve non-ethnic Ghanaian business partners, as well as from being a member of a formal business association, have contributed immensely to the survival of his business. John's story also shows that many immigrant businesses, and for that matter Ghanaian businesses in the Netherlands, are to some extent prone to failure in the first few years. This is exemplified by the partnership business he started

with a friend which only lasted for three years. Furthermore, his client base transcends the Ghanaian ethnic community. John has located the business in a geographic location with high demand for his services which has also contributed to the business's survival. John has a positive view of himself due to him being his own boss. To conclude, John and other first-generation Ghanaian entrepreneurs that have managed to keep their businesses going in the midst of a challenging economic environment have unequivocally combined their human, financial and social capital to exploit the opportunities in the market to start their businesses.



A Ghanaian entrepreneur in his travel agency talking to partners in Ghana

Chapter 6 discusses the sectoral orientation of the Ghanaian businesses in reference to the mixed embeddedness model. In other words, the chapter uses the mixed embeddedness model to explore and locate which business activities first-generation Ghanaian entrepreneurs are engaged in. The chapter focuses briefly on the analytical framework of the mixed embeddedness model in chapter 2. Assuming that opportunities for businesses are accessible for aspiring entrepreneurs without much financial capital, there are two main dimensions to the mixed embeddedness model. The first one relates to the dynamics of the opportunities for new businesses. To keep it simple, just two sets of possibilities are distinguished: on the one hand, opportunities which expand because of the underlying structural development of the urban economy and, on the other, opportunities which stagnate or even shrink. The latter may still offer

chances for aspiring entrepreneurs if the outflow of the established entrepreneurs exceeds the pace of shrinkage (see Waldinger 1996). The second dimension addresses the differences in the level of educational qualifications of the aspiring entrepreneurs or (formal) human capital. Some types of businesses require relatively high levels of human capital in the form of formal educational qualifications beyond primary or even secondary schooling (e.g. consultancy or financial services), whereas others do not (e.g. a grocery or a temping agency). On the basis of this, a two-by-two matrix can be constructed with four distinct sets of opportunities.

First, there are opportunities in structurally stagnating markets. For migrant entrepreneurs, the bottom-left quadrant, opportunities in stagnating markets requiring little or no educational qualifications, is especially relevant. These opportunities can be labelled as the classic vacancy chain where migrant entrepreneurs replace established businesses run by, typically, older entrepreneurs of either indigenous or (earlier) migrant origin. As the entry barriers are relatively low, markets tend to be near or even past the point of saturation resulting in cut-throat competition and, consequently, low profits. Informal economic strategies are often used to survive in these markets such as employing relatives and (co-ethnic) acquaintances without notifying the tax authorities. These informal strategies tend to rely on homogenous (co-ethnic) social networks (see Portes and Sensenbrenner 1993; see Panayiotopoulos 2006). Because of the lack of growth and the fierce competition, these businesses in these markets do not easily contribute to upward social mobility. Breaking-out to more promising markets is the only way up (see Engelen 2001). Setting up shop in these markets, hence, is then primarily driven by push motives – there are even worse or no alternatives in the labour market.

The second set of opportunities in stagnating markets does require relatively high levels of educational qualifications. Given the bleak prospects in these markets, entrepreneurs would only opt for them because they do not have access to relevant sources of information (not being part of ethnically mixed social networks) on more promising opportunities or because opportunities in expanding markets are blocked due to barriers pertaining to the educational qualifications (for instance, a lack of recognition of foreign credentials for particular expanding activities) as well as more informal obstacles (e.g. discrimination).

Dynamic urban economies do comprise, however, also structurally expanding markets. In the mixed embeddedness model two types are distinguished: post-industrial/low-skilled and post-industrial/high-skilled (see Kloosterman 2010). Here, we have renamed them, in line with Scott's (see 2008, 2012) terminology, cognitive-cultural and servile activities which are two poles of the emerging division of labour in advanced urban economies.

The servile activities, the bottom-right quadrant, are those low-skilled activities which sustain and support the high-end, cognitive-cultural activities. According to Scott (2012: 43) '[t]he low-wage

service-oriented economy segment of the new economy is focused on jobs like housekeeping, child care, health care, food preparation and serving, janitorial work, taxi driving, and home repair ...'. The markets behind the opportunities, then, are generally created by outsourcing by firms and households. We expect that, although profit margins (and wages for workers) are typically low, the rising demand and expanding markets make these opportunities more rewarding and therefore more attractive than the stagnating low-skilled counterpart. The mixed embeddedness model assumes that self-employment in these activities is not so much born out of a necessity or push, but is based on a more positive motivation or pull. However, to be successful in these markets, migrant entrepreneurs have to have knowledge of the needs and practices of a more mainstream clientele instead of just their own co-ethnics.

This implies heterogeneous social capital or, in other words, access to mixed social networks. This latter also holds true for the top-right quadrant. There, however, entrepreneurs not only need heterogeneous social capital but also relatively high educational qualifications – beyond secondary schooling. The opportunities are located in the technology-intensive sectors, business and financial services, and in the creative or cultural economy (see Scott 2012: 41-42). The software specialists from India in Italy (Cucculelli and Morettini 2012), as well as Asians in the creative industries in London (Smallbone et al. 2005) or the Turkish consultants in Rotterdam (see Rusinovic 2006) belong to this category. For migrant entrepreneurs with considerable resources related to human as well as (mixed) social capital, these opportunities are attractive and offer good chances of upward mobility. This implies that entrepreneurs are *pulled* towards these opportunities and, given their options on the labour market, do not start a business out of necessity. The above information on mixed embeddedness is used to formulate hypotheses which will be verified in the various sections of this chapter.

Empirical data in Chapter 4 and the empirical results in Chapter 5 of this thesis are used to describe and discuss the hypotheses formulated in this Chapter 6. Data on motivation/ driving force for self-employment and type of business opportunity are taken from Chapter 4. In Chapter 5, the year of arrival, educational qualification, Dutch language skills, business experiences, and social embeddedness (financial and non financial sources) are selected. The data and the results are plotted against the type of opportunity which first-generation Ghanaian entrepreneurs identified and exploited. The empirical results in Chapter 6 either justify or refute the hypotheses of whether first-generation Ghanaian entrepreneurs only started businesses which conform to the resources they possess. In other words, first-generation Ghanaian entrepreneurs with low educational achievements, for example, will invariably and conveniently start businesses in the low-skilled stagnating sectors, also known as vacancy-chain openings, or vice-versa. Chapter 6 also discusses the success and failure of Ghanaian businesses.

## 6.2 Hypotheses Formulated

From the mixed embeddedness perspective in Chapter 2, I expect new migrants, and for that matter, first-generation Ghanaian migrants to be motivated or attracted to entrepreneurship rather than being forced into it. In other words I expect them to be mainly oriented towards the right-hand quadrants representing the expanding markets. Moreover, I expect Ghanaians with higher levels of education to be able to exploit opportunities in the top-right quadrant. On the basis of this overarching hypothesis regarding the sorting pattern of Ghanaian entrepreneurs and their expected orientation towards expanding activities, I can derive hypotheses from the mixed embeddedness model regarding the nature of their markets, the composition of their social networks, and their motivation. Furthermore, I expect that the time first-generation Ghanaian migrants arrived in the Netherlands would probably affect the type of businesses they chose to establish. In the next section, I explore these conjectures in the elaborated hypotheses I formulated in Chapter 2.

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. Thanks to their fluency in English language and their relative proficient in the Dutch language, first-generation Ghanaian entrepreneurs have more access to the opportunities structure of the Netherlands and be 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. With the right mix of human, financial and social capital and personal characteristics first-generation Ghanaian entrepreneurs were able to identify promising business opportunities in the Netherlands and were motivated to start and run successful businesses.

The chapter is organised into seven parts to examine the above hypotheses. After the introduction which is presented as a case, I followed it with a theoretical review of the analytical framework of the mixed

embeddedness model in section 6.1. The hypotheses from Chapter 2 are revisited in section 6.2. In section 6.3, I discuss from the empirical data the motivations for self-employment among the Ghanaian entrepreneurs. Based on the empirical results from Chapter 5, the level of formal education and its impact on business activity is also examined in this section (6.3.1). In addition the level of Dutch language skills and its impact on the choice of business activities is discussed in section 6.3.1. In the last part of this section, the time first-generation Ghanaian immigrants arrived in the Netherlands and the business environment at the time are also looked at in terms of their contribution to Ghanaian entrepreneurship. With respect to the empirical results in Chapter 5 on social capital, I examine the kind of social capital and its impact on business activity orientation (section 6.4). Section 6.5 discusses the successes and failures of Ghanaian entrepreneurs. I present a brief theoretical framework on business success in section 6.5.1. Using logistic regression analysis (binary logistic), an assessment is made of the impact of key variables on the likelihood that the business existed in 2014 and was therefore successful. In the next section the problems that led to closure of some Ghanaian businesses are discussed (section 6.5.2). Finally, I conclude Chapter 6 in section 6.6.

### **6.3 Entrepreneurial Motivation and Type of Opportunity**

With regard to entrepreneurial motivation, people become entrepreneurs either by being pushed or pulled (Masarel and Nijkamp 2004; see Rusinovic 2006; see Sahin 2012). People are pushed into becoming entrepreneurs when they encounter blockages in the wage labour market. The blockage in the labour market is believed to be an important force that drives immigrants toward entrepreneurship in the Netherlands (Jansen 1999; see Rusinovic 2006). This barrier in the labour market has been explained from the view of an institutional context (see Esping-Andersen 1999; see Kloosterman 2000). The institutional set-up of the Netherlands before 2000 was characterised by an elaborate welfare system with relatively high social benefits and a high minimum wage contributing to a sharp division between ‘insiders’ and ‘outsiders’ with immigrants specifically being subject to long-term unemployment. In the 1980s and the 1990s, some of these migrants, not satisfied with existence based on welfare, opted to bypass these barriers and started their own businesss (see *ibid*:105).

As was shown in Chapter 4 over one quarter of the respondents were pushed by the conditions in the labour market to start their own businesses. These respondents gave reasons such as unemployment, rigid and rigorous controls over welfare benefits, low wages and overbearance and discrimination at the workplace. Since these factors pushed them into self-employment, these respondents were convinced that starting a business on their own was the panacea to their problems without much regard for its strategic economic performance. It can also be deduced from Table 6.2.0 that about one fifth of the

respondents who were pushed into self-employment are in the low-skill stagnating activities which entail retail.

Hulda was one of the respondents who were pushed into self-employment. In 1995, Hulda migrated to the Netherlands to join her husband. While in Ghana she worked as a sale person in her mother's retail shop at Kumasi. In 1999 Hulda and her husband moved to The Hague, after having lived in Rotterdam for three years. Hulda worked as a factory hand in a meat-processing factory. In 2000 she lost her job because the company went bankrupt and Hulda applied for unemployment benefit from the Employment Insurance Agency (UWV). According to Hulda she received unemployment benefit for six months. It took three months after filing for the benefit before her request was honoured. Apart from the initial delay, the Employment Insurance Agency (UWV) was constantly asking her to bring evidence from employment agencies which showed that she was regularly searching for a job. She felt this was too much pressure to bear so she decided to find a way out of unemployment. In 2001 Hulda and her husband registered a company to distribute folders and flyers. Hulda disclosed that although the work is demanding and tiresome, the persistent disappointments from companies and the office for unemployment benefits means it is a better alternative. Being self-employed earns her respect from her co-ethnics.

Another respondent also claims that he went into self-employment as a protest against much overbearance at the workplace. Edward left Ghana for the Netherlands and Amsterdam in 1993. A few years later he resettled in Haarlem because he wanted to live in a smaller city where life seems much quieter than Amsterdam. In addition, he was employed as a cleaner by ISS cleaning company at Haarlem train station, meaning that he had to commute daily by train between Amsterdam and Haarlem. Edward was the first employee to be assigned to work at the train station. Later three other native Dutch employees were assigned to work with him. He trained and instructed the other three about their tasks at the station. After three months of working with the three new employees, the district foreman of ISS cleaning service officially made one of them a supervisor over Edward and the others. Edward also saw he was assigned a bigger portion of the daily task than any of the other workers and was constantly threatened he would be sacked if he refused to take orders from the new supervisor. Edward felt the pressure was overwhelming. He could not stand that action any longer and therefore ended his contract unilaterally with ISS cleaning services. Since he stopped the work voluntarily, he was refused unemployment benefits. In 1998 Edward was pushed by the circumstances to start his own cleaning company. Fortunately, he managed to agree cleaning contracts with two companies for which he had previously worked as a cleaner via ISS cleaning services.

There are other immigrants who exhibit more pull factors, such as finding new market opportunities or striving for independence (see Masurel and Nijkamp 2004). As shown in Table 6.2.0, 74 per cent of the

respondents said they decided to start their own business because they saw an opportunity to succeed. The Table 6.3.1 shows that businesses which first-generation Ghanaian entrepreneurs set up were mostly in the servile and cognitive-cultural activities. These businesses include money transfer services, travel services and hair/beauty salons, cleaning services, day care centres (crèche), folder and flyer distribution services, ICT services, financial services and shipping services. However, there were a few retail business owners who asserted that they were also pulled towards self-employment. These are uniquely-culturally derived goods which only insiders have the knowledge, expertise, contacts and, above all, credibility to supply such goods and services (see Jones et al. 2000:41). According to these entrepreneurs, they saw opportunities in the Dutch business market which they felt meant they could offer their services beyond their co-ethnic market. All first-generation Ghanaian entrepreneurs who claimed to have been pulled felt they would be better off if they became self-employed instead of being wage or salaried workers. In other words, they anticipated 'self-employment bonus', that is, an income advantage compared to wage or salary employment.

Naana is one of the few respondents who believed that starting a travel agency was a business opportunity she could not afford to miss. While in Ghana she completed secondary school education and obtained an advanced level certificate at the age of 18. In 1981, at the age of 24, Naana migrated to the Netherlands and settled in Amsterdam. Naana studied Dutch language at a college in Amsterdam and obtained her diploma in Dutch which enabled her to pursue courses in business at the same college. She worked for different companies as an account manager for at least ten years. While working as an employee Naana saw that the Ghanaian immigrant population in Amsterdam, especially in the 'Bijlmermeer' was growing rapidly and therefore decided to start a travel agency. In 1995, after attending part-time courses in travelling and ticketing, Naana opened a travel agency in Amsterdam. Before she started her business, most Ghanaian and other West African immigrants in Amsterdam and other cities in the Netherlands who travelled to Africa bought their tickets from native Dutch agencies.

James is another example of Ghanaian entrepreneur who was pulled towards entrepreneurship. He runs a financial and real estate business. In 1995 James left the Netherlands for the USA to do a Master's in Business Administration and graduated in 1997. In the same year James returned to the Netherlands. In 1998, he started a financial services company in The Hague specialising in money transfers and real estate services for Ghanaian and Nigerian immigrants in the Netherlands. James was motivated to start this business because there was a drive among Ghanaian immigrants in the Netherlands to build houses in Ghana. James also started a niche business activity. He translates for Ghanaians who could not read and speak the Dutch language, negotiates debt-repayment with debt-collecting agencies for his clients and he also interprets Dutch immigration laws for new Ghanaian and Nigerian arrivals in the Netherlands. By doing all these, James asserted that he was happy and satisfied that he could be of help

to others. Another respondent who was pulled to entrepreneurship is Gyasi in the open case of this chapter.

### 6.3.1: Motivation and Type of Opportunity

Motivation	Type of Opportunity			Total
	Low,skilled stagnating activities	Servile activities	Cognitive activities. Cultural	
Pushed	18 (21%)	3 (4%)	1 (1%)	22 (26%)
Pulled	10 (12%)	42 (50%)	10 (12%)	62 (74%)
Total	28 (33%)	45 (54%)	11 (13%)	84 (100%)

Source: Research data

#### *6.3.1 Human capital and type of opportunity*

This section discusses the formal education of first-generation Ghanaian entrepreneurs, their level of Dutch language proficiency and the time they migrated to the Netherlands. The time and period that first-generation Ghanaians arrived in the Netherlands underscores their migration experience (see chapter 5). It is conceivable that these aspects of human capital determined the kinds of business and the types of opportunity that first-generation Ghanaians started and exploited respectively.

#### **Formal education**

Human capital consists of education attainment, experience, knowledge and skills (see Unger et al. 2011). Entrepreneurial motivation, on the other hand, defines the force that drove some first-generation Ghanaian immigrants in the Netherlands to become self-employed. With respect to human capital and entrepreneurial motivation, I examine separately, how formal educational qualifications and Dutch language proficiency as variables influenced the different types of opportunity which first-generation Ghanaian entrepreneurs exploited for their businesses.

In Chapter 5 it was established that education contributes to entrepreneurship. Individuals with high level of educational achievement are said to increase their stock of information and skills which are essential for pursuing an entrepreneurial opportunity. In Table 6.3.2 the educational qualifications of first-generation entrepreneurs are grouped into low level and high level. The low level qualifications consist of primary school, secondary school and low vocational and high-level education comprises high vocational/professional and university. The empirical results in Chapter 5 and Table 6.3.2 indicate that

over 25 per cent of first-generation Ghanaian entrepreneurs are relatively highly educated. It can also be deduced from Table 6.3.2 that 11 per cent started businesses in cognitive-cultural activities.

One respondent who used his university qualification to start a cognitive-cultural activity business is Alvin. Alvin set up an Information and Communication Technology (ICT) business. Alvin has a Master's degree in computer science from De Montfort University, United Kingdom. In 1999 he relocated to the Netherlands to reunite with his wife after his education. In 2004, Alvin started his company in Amsterdam specialising in web designing, hosting and database development for SME in the Netherlands. Alvin hinted that there are many Africans in Amsterdam, The Hague, Rotterdam and other cities who want to become computer literate. Hence, he saw that there was a (potential) high demand in the African niche market for software installations, internet connections and basics computer skills. His general client base is also growing to include non-Africans. The high demand for his services has enabled him to extend his services beyond the city of Amsterdam. Alvin claims the business is more rewarding and has prospects for growth.

Apart from Alvin, other respondents with relatively higher educational qualification chose instead to set up businesses in the low skilled stagnating activity sector. One of these respondents is Nana who owns a candy business in Amsterdam. Nana migrated to the Netherlands and settled in Amsterdam in 1980 and received her residence permit in 1985. In that same year Nana initially undertook Dutch language courses which enabled her to pursue Dutch secretarial and administrative courses. In 1998 she successfully completed a high vocational degree (HBO) at a professional university and was employed by one of the banks in Amsterdam. In 2001 she lost her job with the bank through downsizing. In 2002 she established her candies retail shop in Amsterdam 'Bijlmermeer'. Although Nana is relatively highly educated, she decided to set up a retail business because her products were unique and also her shop was the first of its kind in Amsterdam 'Bijlmermeer'. Nana was firmly convinced she had chosen the right type of business because it has high prospects for success. In addition Nana defines her shop as a mainstream business because her products are bought by both natives and immigrants. The results in Table 6.3.1 show that most respondents with low level of education set up businesses in low skilled, stagnating and servile activities, (N=9) respondents from the twenty-one respondents chose to start businesses in cognitive-cultural activities which reflected their level of educational qualification.

In conclusion, first-generation Ghanaian entrepreneurs who are relatively highly educated were pulled towards starting businesses in cognitive-cultural activities. By contrast, those with relatively low educational qualifications were pushed by the constraints in the labour market to start business in the servile and in the low skilled, stagnating sectors.

**Table 6.3.2:** Level of Education and Type of Opportunity

Education	Type of Opportunity			Total
	Low skilled, stagnating activities	Servile activities	Cognitive-Cultural activities	
Low level	23 (27%)	38 (45%)	2 (2%)	63 (75%)
High level	5 (6%)	7 (8%)	9 (11%)	21 (25%)
Total	28 (33%)	45 (54%)	11(13%)	84 (100%)

Source: Research data

### **Dutch proficiency and type of opportunity**

Most of first-generation Ghanaian entrepreneurs are proficient in English, with 67 per cent showing a good command of the language, a legacy of the colonial era. About one third of the respondents are fluent in Dutch, while more than half indicated that they have a good ‘spoken’ level (i.e. they are able to understand and speak Dutch to a certain level but find it difficult to write). About 15 per cent of the research population have poor Dutch language skills. However, these entrepreneurs are often able to communicate in English, which is spoken by many people in the Netherlands (see Table 5.1.2). All the same, a first-generation Ghanaian immigrant who is fluent in Dutch and is able to speak, read and write Dutch, increases his chances of obtaining relevant business information which enhances the prospects of starting at best, a cognitive-cultural business activity such as shipping services, IT services or financial services, provided he/she is highly educated. Generally, immigrant entrepreneurs are better positioned to communicate with a larger group of potential customers when they have a good command of the host country’s native language (see Evans 1989; see Clark and Drinkwater 2000; see Jansen et al. 2003). The majority of first-generation Ghanaian entrepreneurs who were able to speak fluent English and Dutch language were motivated to start businesses in the Netherlands and oriented these businesses particularly around expanding cognitive-cultural activities.

As Table 6.3.3 shows, half of the 11 entrepreneurs who have started businesses which include IT services, financial services and shipping services are fluent in Dutch. A respondent who exemplifies the need for Dutch language fluency to start a buoyant business in the financial services is Douglas. Douglas migrated to the Netherlands in 1982, after having resided in Germany for 3 years. While in Ghana he studied a 3-year Economics degree at one of the universities in Ghana and graduated in 1979. Douglas worked with the Ghana Commercial Bank as a manager trainee for a year. In 1992 he completed his Master’s degree in Economics at one of the universities in the Netherlands. Douglas later worked as a financial analyst with an international company in Amsterdam but resigned from the company in 1998.

In 2000 he started his own business in Amsterdam providing financial services which included money transfers to Ghana and advisory services on diverse investment portfolios for Ghanaians in the Netherlands. Initially, he thought his target market was the Ghanaian immigrants in the Netherlands and therefore fluency in the Dutch language was not necessary. Four years later the business expanded beyond Ghanaians into the wider African community in Amsterdam South East. Douglas realised that, in addition to the English-speaking Africans who transacted business with his company, all his other clients, especially Asians and South Americans, preferred to speak Dutch. In order to satisfy and to respond effectively to the needs of the larger clientele, Douglas attended one-year intensive Dutch course at a college in Amsterdam which greatly improved his Dutch language skills. Douglas now writes and speaks the Dutch language and that has also enlarged his business which now boasts of clients from South America, Asia and Africa.

The same Table 6.3.3 shows that one-third of all 45 Ghanaian entrepreneurs engaged in servile activities speak fluent Dutch. Most of these entrepreneurs are found in cleaning services, air travel services and catering services. A respondent who owns and operates a servile activity is Johnson. In 1992 Johnson migrated from Ghana to the Netherlands to seek greener pastures and settled in Rijswijk. He was attracted to the Netherlands because he was convinced that life there would be much better for him than in Ghana where he was jobless after his five-year secondary school education. He received his residence permit in the Netherlands in 1998 and in the same year got a job as a cleaner in a hotel in Leiden. In 2000 Johnson was promoted to the position of supervisor, overseeing the work of the other cleaners. He realised that he would be able to work better in that capacity if he had a better command of Dutch. Consequently, in 2001, Johnson enrolled in a part-time Dutch language classes in the evenings and, within one and half years, he became fluent in the Dutch language. Johnson's goal was to start his own cleaning and, as a result, he attended a 6-month diploma course in cleaning courses in 2003. Accordingly, he chose to become self-employed in cleaning services because he saw the opportunity for a successful business.

The stories of both respondents show that first-generation entrepreneurs who are fluent in the Dutch language and who have higher educational qualifications than primary education started businesses in more promising activities in either the servile or cognitive-cultural activities rather than in low skilled, stagnating activities.

### **6.3.3: Dutch language proficiency and type of opportunity**

Dutch language	Type of Opportunity			Total
	Low, skilled stagnating activities	Servile activities	Cognitive-cultural activities	
Poor	8 (9%)	5 (6%)	0 (0%)	13 (15%)
Good spoken	15 (18%)	25 (30%)	5 (6%)	45 (54%)
Fluent	5 (6%)	15 (18%)	6 (7%)	26 (31%)
Total	28 (33%)	45 (54%)	11 (13%)	84 (100%)

Source: Research data

### **Time of arrival in the Netherlands and type of opportunity**

The time first-generation Ghanaians migrated to the Netherlands as well as the number of years they have resided in this country significantly contribute to their post-migration experience which (potentially) facilitates self-employment. The remarks which different respondents made under post-migration experience of Chapter 5 of this dissertation attest to that. More evidently, the empirical results in section 6.3.4 on the time of arrival and years of residence in the Netherlands amply show that first-generation entrepreneurs were able to explore different business opportunities.

The Dutch economy started to de-industrialise in the 1970s resulting in a long period of stagnation and even contraction. In the second half of the 1980s, the economy and employment started growing again, driven by a rapid expansion of the service sector. With this structural shift a new opportunity structure emerged creating more openings for small businesses (see Kloosterman 2000). In the same period, neo-liberal deregulation policies were launched, coinciding with the economic upswing. Both the favourable economic environment and the deregulation policies gave an impetus to the establishment of new and small businesses (see Kloosterman and Rath 2003).

As can be seen in Table 6.3.4, 25 per cent of the businesses in the servile and cognitive-cultural activities were established by first-generation Ghanaians who migrated to the Netherlands before the 1990s and who identified the emergence of opportunities for these activities. In other words, first-generation Ghanaians who migrated to, or domiciled in, the Netherlands in this period saw increasing opportunities for servile businesses such as barber shops, day care centres, beauty salons, air travel services, money transfer, temporary employment agencies and cleaning services. A few respondents also saw the emergence of opportunities for cognitive-cultural activities and therefore started businesses in IT services, shipping services and financial services.

**Table 6.3.4:** Time of Arrival in the Netherlands and Type of Opportunity

Time in NL	Type of Opportunity			Total
	Low, skilled stagnating activities	Servile activities	Cognitive-Cultural activities	
Before 1980	1 (1%)	-	-	1 (1%)
1980-1989	20 (24%)	16 (19%)	5 (6%)	41 (49%)
1990-1999	7 (8%)	26 (31%)	6 (7%)	39 (46%)
2000-2009	-	3 (4%)	-	3 (4%)
Total	28 (33%)	45 (54%)	11 (13%)	84 (100%)

Source: Research data

#### 6.4 Social Embeddedness and Type of Opportunity

Social embeddedness as defined in Chapter 5 explains that (immigrant) entrepreneurs belong to social networks and, by virtue of that membership, derive assistance from these networks to start and run their businesses. These social networks are informal and formal. The assistance which accrues to them is both financial and non-financial. The financial and non-financial assistance that first-generation Ghanaian entrepreneurs derived from their social networks is briefly highlighted.

##### Financial assistance

One of the main problems for entrepreneurs in general and immigrants in particular is to raise capital from formal institutions, such as banks (see Granovetter 1995; see Rath 2000). Dominic is one of the few respondents who had his loan application approved by a bank, though his business is in the low-skilled stagnating sector which is known to be less lucrative and profitable due to an overconcentration of businesses in this sector (see section 5.2.3 of Chapter 5 for Dominic's full remarks).

##### Non-financial assistance

Starting a business entails more than combining a (nascent) entrepreneur's human capital and financial capital. Obtaining relevant non-financial assistance such as information on market, workers, suppliers and regulation is crucial as well and social networks play an important role in providing such information (see Kloosterman et al. 1998). Entrepreneurs, therefore, not only exploit informal and formal social networks for financial assistance but also use both sources to obtain non-financial resources. Most of first-generation Ghanaian entrepreneurs, (N=64) received assistance in the start-up of their business and in most cases they received help from family members or friends (see Table 5.4.5). A story by Eric in Chapter 5, who runs a barber shop in The Hague, illustrates how first-generation

Ghanaian entrepreneurs use their membership in an ethnic association to recruit employees.

Ghanaian diasporan churches and hometown associations are of great importance to the socio-economic lives of Ghanaian immigrants (Mazzucato 2006, 2008; Fumanti and Werbner 2010). They do not just provide spiritual leadership, but also help their members to get jobs, housing and in, some instances, become self-employed. This can also be observed in our sample in which 38 respondents received assistance from the church with setting up/running their business. The assistance from the church mainly consists of helping to find customers and/or employees. One respondent who talks highly of the church for its support for his service business was James. James owned a money transfer agency in The Hague in 2000 (Also for James' remarks see section 5.3.5 of Chapter 5).

With this background information describing how first-generation Ghanaian entrepreneurs used both informal and formal social networks to start their businesses, we explore in more detail how these social networks enabled them to identify the type of opportunity they exploited for their businesses. As Table 6.4.1 shows, the majority (N=55) of the 66 first-generation Ghanaian entrepreneurs received assistance from informal social networks sources started businesses in all the three sectors.

As the results in Table 6.4.1 show most of these entrepreneurs of these entrepreneurs set up businesses in the low-skilled, stagnating and servile activities respectively. As the results in Table 6.4.1 also show, only 12 per cent (N=8) entrepreneurs of the entrepreneurs obtained scarce resources from being members of mixed social networks to start businesses in the low,skilled stagnating, servile and cognitive-cultural activities.

Although first-generation Ghanaian entrepreneurs have relatively good levels of human capital and many of them have a good command of Dutch and English, they still rely mainly on their co-ethnics, that is, family, relatives and friends, as well as churches and related organisations, to set up and run their business. It seems, therefore, that their relevant networks are more ethnically homogeneous and thereby limit access to information on starting more businesses in cognitive-cultural activities suitable for the mainstream markets. The empirical results shown in Table 6.4.1 clearly show that a few first-generation Ghanaian entrepreneurs who had access to mixed social networks sources did start and operate cognitive-cultural businesses.

**Table 6.4.1:** Non-financial assistance from Social networks and Type of Opportunity

Assistance	Type of Opportunity			Total
	Low, skilled	Servile	Cognitive-	

	Stagnating Activities	activities	Cultural activities	
Formal	0 ( 0%)	3 ( 5%)	0 ( 0%)	3 ( 5%)
Informal	19 (28%)	28 (42%)	8 ( 12%)	55 (83%)
Both	3 ( 5%)	2 (3%)	3 ( 5%)	8 ( 12%)
Total	22 (33%)	33 ( 50%)	11 (17%)	66 (100%)

Source:Research data

**6.5 Success and Failures of First-generation Ghanaian Businesses**

This section discusses the success and failure of Ghanaian businesses in the Netherlands. It looks at the meaning of business success from different perspectives and selects the most suitable definition of success in the Ghanaian business context. Rusinovic (see 2006: 142) quoting (see Flap, Kumcu and Bulder 2000: 142-143) said ‘defining business success is problematic as the definition of business success is not unequivocal’. Often, measures of business success - such as profitability - contain biases. Entrepreneurs may own more than one business and may choose to invest profits in one of these businesses for tax-related reasons. Such a situation makes it difficult, if not complicated, to evaluate the success of these individual businesses. On the other hand the success of a business would probably be underestimated because, although the business might not be growing, the owner would be accomplishing other goals that are important. Success in terms of profitability is also overestimated in some cases because some small entrepreneurs refuse to pay taxes on their business activities and employ their workers informally as well.

Due to the problematic understanding of business success based on the profits a business makes, a more cautious definition of business success is applied which entails the survival of the business over the years (see Rusinovic 2006; see Jacobs 2012; see Schutjens 2013). Using business survival as success, a Ghanaian business in this study is said to be successful if the business still existed in 2014. Although this indicator too is not without a weakness because the number of years various businesses have been in existence differs, it is, arguably, the least problematic. I have decided to use survival as success in this study for various reasons. First, it enables me to eliminate all biases and subjectivity that are associated with profitability as a measure of success. Second, as far as immigrant businesses are concerned, growth in terms of business expansion is elusive because many immigrant businesses might not be expanding, despite the businesses surviving. Third, like other immigrants immigrant entrepreneurs have an inclination towards investments in their home countries. As a result, business success based on the activities in the host country might be misleading.

By contrast, business failure, and for that matter closure, is defined as businesses which did not exist in 2014. By this definition, any first-generation Ghanaian businesses which did not exist in 2014 had failed. With reference to business success and failure, I take a snapshot of the number of businesses of first-generation Ghanaian entrepreneurs in 2014.

#### **A snapshot position of the research population as at 2014**

To find out whether or not the businesses of first-generation Ghanaian entrepreneurs still existed in 2014 I visited more than three-quarters of the 84 first-generation entrepreneurs and their businesses. The visits were intended to enable me to familiarise myself with the businesses and their performance. These visits were made in 2011 and in 2014. In 2014 I discovered that only twenty-nine businesses of the 84 first-generation Ghanaian businesses existed. According to EIM (see 2004), immigrant businesses in the Netherlands have a lower chance of survival and only one out five survives in ten years. A cursory prognosis of the survival rate of first-generation Ghanaian businesses over a period of 10 years confirmed EIM's findings (see *ibid.*). To concur with the definition of business success, these twenty-nine Ghanaian businesses were successful (see Rusinovic 2006; see Jacobs 2012; see Schutjens 2013). By contrast, fifty-five first-generation Ghanaian businesses were found to have failed in 2014. The next section discusses the factors behind the survival and, for that matter, the success of the twenty-nine Ghanaian businesses.

##### ***6.5.1 Factors behind business success***

To explore the underlying causal relationships, a logistic regression (binary logistic) was performed to assess the impact of a number of variables on the likelihood that the business still existed in 2014 and was, for that matter, successful. In this logistic regression, key characteristics of the entrepreneurs were used as independent variables. These were age, year of arrival in the Netherlands, level of education, proficiency in Dutch language, motivation to start a business, social capital (informal or formal assistance in starting their business), and their business activities. The dependent variable was whether or not the respondent still existed in 2014. One should remember that a respondent's survival simply refers to the existence of his or her business in this regard.

The logistic regression shows that respondents who are under 40 years old have a higher chance of survival compared to older respondents (odds ratio 1.875). What is more, the duration of stay in the Netherlands influences survival chances: entrepreneurs who have been in the Netherlands longer have a higher chance of surviving (odds ratio .519). In addition, a positive motivation for starting a business ('pull') also increases the chances to survive, compared to entrepreneurs who are pushed into entrepreneurship. With the inclusion of proficiency in Dutch language, the analysis shows that

entrepreneurs who have a good command of the Dutch language have a higher chance of survival, as do highly educated entrepreneurs (university or higher vocational education) compared to lower educated entrepreneurs (significant, 5 per cent reliability, odds ratio .277). These results are an indication of the importance of human capital for survival.

With regard to the importance of social capital, the logistic regression shows that entrepreneurs who receive both informal and formal assistance in the start-up phase have the highest chance of survival in comparison (significant, 1 per cent reliability) to entrepreneurs who only receive formal or informal assistance. The findings indicate that social capital, as well as human capital, influences an entrepreneurs' chances of survival.

To conclude one can state that if the business activities in which the entrepreneurs are involved are included, it would appear that entrepreneurs who are involved in cognitive-cultural activities have a higher chance of survival compared to entrepreneurs in servile activities (significant, 10 per cent reliability). The smallest chance of survival applies to entrepreneurs involved in low, skilled stagnating activities. Having discovered that more than 65 per cent of the sample had failed, I describe the causes for this colossal failure in the next section.

### ***6.5.2 Causes of business failure***

With respect to the eighty-four first-generation Ghanaian entrepreneurs interviewed between 2005 and 2012, almost two out of every three businesses had closed down in 2014. Kruiderink (2000) found that the percentage rise of starters in the Netherlands is far higher for ethnic groups than for domestic groups. However, their failure rate is also much higher, which results in a relatively low survival rate. The overall survival rate for businesses started by natives and non-natives in 1994, only one-third still existed in 2004. For the businesses started by non-western immigrant entrepreneurs, only 20 per cent still in existed in 2004 (see EIM 2004). The common problems of immigrant entrepreneurs are: administrative and regulatory barriers, a lack of capital and credit, a lack of management skills and constraints regarding access to formal business networks (Baycan-Levent et al. 2003). First-generation Ghanaian entrepreneurs that closed down their businesses cited problems such as financial, institutional, management and unexpected events.

#### **Lack of adequate financial resources**

As seen in Chapter 5, only 11 per cent of the businesses received funding from the banks to start their businesses. Consequently, 89 per cent had to rely on informal sources of finance and private means. It is also evident from Table 6.5.2 that (N=13) out of the 21 businesses which failed were involved in the low-skilled, stagnating activities. These findings concur with the findings by Kloosterman, Van der Leun

and Rath (1997) as well as by Rath (1998a, 1998b) that immigrant businesses generally gravitate towards businesses at the lower end of the market. This market is characterised by low barriers of entry and fierce competition. Many potential immigrant entrepreneurs prefer to enter this market and duplicate the businesses of other co-immigrants. Hence, survival is generally difficult as profits are very low, and even non-existent in many cases. Businesses usually compete on price instead on the quality of product or service (see Barrett, Jones and McEvoy 2003). Businesses which operate in the low-skilled, stagnating market normally find it difficult, if not impossible, to receive financial support because these businesses are strategically unproductive and unviable.

Some of the entrepreneurs who could not continue with the businesses even 5 years after they had been established claimed that they were faced with inadequate financial resources due to significant decrease in the demand for their services. One respondent whose business had to close down because of insufficient operational capital was Patrick. Patrick migrated to the Netherlands in 1980 and settled in The Hague. He was engaged in diamond business while in Ghana. Before he started his retail business and communication centre in the Transvaal zone of The Hague, he was informally involved in the retail of gold and diamond trinkets and rings which he bought from Paris and sold to his co-ethnics in the Netherlands. In 2001 he established a combined business of a tropical food and groceries shop and communication centre. During the first three years the business was quite profitable, but the number of customers unexpectedly declined because similar retail businesses sprang up in the same neighbourhood. In addition, some of the food items he imported from Ghana went bad and, at times, the communication centre had virtually no clients. All the profits he earned in the early years were used to pay overheads. He could not find a new source of financing and, as a result, he sold the shop and used the proceeds to relocate to Spain to start a similar business there. In 2011 he told me when he returned to the Netherlands that the business in Spain was more disastrous and disappointing because the loss he incurred from the Spain business far exceeded what he had in the Netherlands.

Another entrepreneur who had to close down her business due to inadequate financial resources is Selina. In 2000 Selina migrated to the Netherlands at the age of 39 due to family formation. While in Ghana Selina had a business as travel agent in Accra for Air Afrique and therefore had a lot of experience in that line of business. In 2004 she established Afrique Travels to sell air tickets to travellers to the African continent. In 2008, when I visited her business location in The Hague, I could not find her office because Selina had closed down the business because she could not attract enough clients due to the fierce competition she faced from established Ghanaian travel businesses like Royal Africa Travels and other immigrant travel agencies in The Hague 'Schilderwijk' where her business was located. I learned from one of her friends that she had wanted to relocate her business outside The Hague, but did not have any financial resources to do so. Her friend further disclosed to me that, during the same period

(2008) Selina and her husband divorced and, as a result, she decided to return to Ghana to continue with her air ticketing business there. According to the friend Selina had closed down the business even before the marriage troubles began because the business did not have adequate capital to continue. She could not pay the rent for the last six months that the business existed. Before Selina closed down her business, she already had an outstanding debt of 10,000 which her ex-husband had to settle on an instalment basis since he was a signatory to the rent contractual agreement.

### **Institutional problems**

The results of Table 6.5.2 also show that 20 per cent of the businesses which failed across the board faced institutional problems. These businesses were forced to close down or simply failed because their owners contradicted some of the Dutch business laws and policies. Of the 17 businesses which failed due to institutional problems, (N=11) of them were in the servile activities. Although the concept of mixed embeddedness postulates that the post-industrial low skilled quadrant involves businesses that have potential for growth and success, entrepreneurs engaged in servile activities must have knowledge of the needs and practices of a more mainstream clientele instead of that of their own co-ethnics. In this regard, entrepreneurs must have adequate information about the market and the laws and policies which pertain to the successful operation of such businesses. Consequently some (immigrant) entrepreneurs with inadequate information of the market and the laws and policies which regulate it start businesses in servile activities by virtue of the available opportunities. Furthermore, since starting a business in the servile activities sector does not necessarily require high educational achievement, the entry bar is low and many servile firms work with businesses which, either consciously or unconsciously, violate the regulatory laws and policies.

The mixed embeddedness model highlights the important role that the macro-institutional framework of a country plays in moderating the supply and the demand sides of the opportunity structure. For example, the business laws and the policies of the Netherlands determine and influence, to some extent, the success or failure of a business, quite apart from the fact that it is instrumental in creating an enabling business environment. An entrepreneur who, for example, violates the business laws of the Netherlands by employing illegal residents and paying them off the books can be faced by dire consequences. Whenever the employees of the Tax and Customs Administration (Belastingdienst) check the financial records of a company or make an unexpected visit to companies to check and verify the identity of the workers, especially in a factory, any fraudulent practices discovered are severely penalised.

One respondent whose employment agency went bankrupt due to employment irregularities is Kwasi. Kwasi migrated to the Netherlands with his family in 1989 after having lived in Germany for a few

years. In 2001 he started his employment agency after working for different companies as a factory hand. Kwasi's business could not be traced at his business address in the Schilderwijk neighbourhood of The Hague when I visited in 2011. I checked his residence through the help of an acquaintance. Kwasi disclosed to me that the business no longer existed. In 2008 the police and the tax officers made an unannounced visit to a factory and six of his workers who were alleged to have worked with fake identity papers were arrested. He was fined 60,000 euros, an amount which he could not pay. In 2009 his business was terminated after the Tax and Customs Administration (Belastingdienst) filed for its bankruptcy.

### **Management problems**

It can also be deduced from Table 6.5.2 that 7 per cent of the entrepreneurs closed down their businesses due to poor management practices. The impression exists that immigrant entrepreneurs are more often moderately or poorly prepared than the natives when they start businesses (Choenni and Choenni 1998). Immigrant entrepreneurs often do not seek advice from business consultants before they start their businesses. The findings in Chapter 5 on institutional embeddedness clearly show that about 40 per cent of the Ghanaian entrepreneurs solicited some form of support from state agencies. The rest relied on their friends, family and ethnic associations for information which did not contain any relevant business advice.

A case in point is Georgina who established a business in flyer and folder distribution. Prior to coming to the Netherlands, Georgina was a textile retailer at Kumasi Central Market in Ghana. Georgina migrated to the Netherlands in 1993. In 1996 she obtained her permit to stay in the Netherlands. She worked at a meat factory in Sassenheim for five years during which time her intention was to start her own business in the retail of Holland wax prints and Ghanaian imported textile prints in the city of The Hague where she lives. However she was convinced by a friend, whose husband was in the folder and flyer distribution business, that, she could earn more with folder and flyer distribution than retail. In 2002 Georgina established the flyer and folder business and entrusted the daily management of the business to her fiancée while she still worked at the meat factory. Georgina never sought advice on recruitment of personnel, payment of VAT and annual income tax returns. Her fiancée employed two workers that he paid informally and, over a period of five years, Georgina did not pay enough tax to the Tax and Customs Administration (Belastingdienst). In 2007 the agency responsible for the implementation of employees' insurances (UWV) and the tax office wrote that they wanted to audit her books, which she did not have. Georgina hired a bookkeeper to help put the business in financial order which cost her 8,000 euros. She paid over 70,000 euros to both state institutions after her business books had been audited. Georgina had already deposited 80,000 euros in a blocked account for operational

taxes. The Tax and Customs Administration (Belastingdienst) confiscated that amount and after that, she had to pay a penalty of 10,000 euros. Georgina asked a business lawyer to close down the business. *“The business was profitable, but I made a lot of management and operational mistakes at the start by failing to seek professional business advice”* she lamented.

#### *Unexpected events*

Three entrepreneurs had their businesses closed down because they met their untimely death and one of these entrepreneurs is Kwabena. Kwabena migrated to the Netherlands in 1984. He owned KOY Trading and Shipping Business, which retailed Ghanaian food items and also shipped cars for African clients to different destinations in Africa. In 2005, when I interviewed Kwabena, he was 45 years old and KOY Trading and Shipping had been in existence for eleven years. In 2011 I visited the KOY business premises only to find a new owner and a new business. I inquired of the whereabouts of Kwabena. I was informed that Kwabena had died in 2008. After his death it was discovered that the company was heavily indebted to its suppliers so Kwabena’s wife sold the shop to defray part of the debt and through the help of her lawyers declared the business bankrupt. Information I gathered from friends and acquaintances indicated that two other entrepreneurs had died and that had led to their businesses being folded up. These entrepreneurs were Faustie of ABB Cosmetics and General Goods and Daniel of Darko Krantendepot.

#### **New migration motives**

Finally Table 6.5.2 indicates that 18 per cent of first-generation Ghanaian entrepreneurs abandoned their businesses and moved out of the Netherlands to other European countries where they were convinced there were better economic prospects than in the Netherlands. Ghanaians in the Netherlands are known to be economic migrants who would prefer to migrate to countries where the economy seemed better. Although there is no official information on Ghanaian immigrants who relocated to other countries, it is obvious that some of first-generation entrepreneurs and other Ghanaian immigrants in the Netherlands moved to other Western countries where information shows that their economies are in a relative better shape than the Netherlands. It is not unequivocal that some of the Ghanaian entrepreneurs stopped their businesses in the Netherlands and emigrated. It can also be deduced from Table 6.5.2 that 90 per cent of first-generation Ghanaian entrepreneurs who closed down their business based on new migration motives were involved in servile activities.

One respondent who left the Netherlands for Great Britain on the conviction that he could have a better life there was Kofi who started a servile activity business in the Netherlands. Kofi migrated to the Netherlands in 1989 and settled in The Hague. For many years Kofi worked as a cleaner with different cleaning companies. In 2002 he started a flyer and folder distribution business. Kofi closed down the

business in 2010. Kofi's depot, where his consignment was kept, had been taken over by one Joe who was in the same business. According to Joe, Kofi left for Great Britain where he felt life was economically better than in Holland. Joe told me that Kofi's brother in Great Britain had informed him that he could earn more income with his business if he migrated and started the same business there. In 2008, Kofi visited his brother in Great Britain on holidays and eventually he moved there with his family.

Another respondent is Kwaku who had a communications centre company in The Hague. In 1990 Kwaku migrated to the Netherlands and also settled in The Hague. In 2000 he established a communications centre where clients made local and international calls, sent local and international faxes and also received and sent mails via the internet. In 2007 Kwaku terminated the business in the Netherlands and re-established it in Belgium because the Belgium business tax regime was more favourable.

It is evident from Table 6.5.2 that cognitive-cultural businesses that a few first-generation Ghanaian entrepreneurs started, across the board, were the least likely to fail. This result could be attributed to multiple factors. The empirical results in Chapter five show that the first-generation Ghanaian entrepreneurs who engaged in cognitive-cultural activities have relatively higher human capital and are also embedded in both formal and informal networks. These are critical resources pertinent to the survival (success) of a business and, more particularly, an immigrant business.

### 6.5.2: Factors for Business Closure and Type of Opportunity

Factors Business closure	Type of Opportunity			Total
	Low, skilled stagnating activities	Servile activities	Cognitive-Cultural activities	
Inadequate finance	13 (24%)	8 (15%)	0 (0%)	21 (38%)
Institutional problems	3 (5%)	11 (20%)	3 (5%)	17 (31%)
Management problems	0 (0%)	3 (5%)	1 (2%)	4 (7%)
Unexpected events	1 (2%)	2 (4%)	0 (0%)	3 (5%)
New Migration motives	1 (2%)	9 (16%)	0 (0%)	10 (18%)
Total	18 (33%)	33 (60%)	4 (7%)	55 (100%)

Source: Research data

## 6.6 Conclusion

The self-employment profiles of first-generation Ghanaian entrepreneurs have not only clearly shown that Ghanaian migration to the Netherlands in the 1990s coincided with a period when the Dutch

economy was a conducive breeding environment for both self-employment and regular wage employment, but also became an impetus for some first-generation Ghanaian migrants to re-establish themselves in some already familiarised economic activities. Consequently, a few first-generation Ghanaian migrants used their resources in the form of human capital, financial and social capital to start different business activities in the Netherlands. Apart from their own resources, the existing opportunity structure which was mediated and facilitated by the Dutch institutional framework was instrumental in the Ghanaian self-employment move.

Using the mixed embeddedness model, first-generation Ghanaian entrepreneurs' human capital was pivotal to the identification and exploration of the business opportunities in which they started their businesses. The educational qualifications that individual Ghanaian entrepreneurs possessed, for example, somewhat determined the kind of business activities they became involved in. Different markets can be identified based on the human capital of entrepreneurs and the available business opportunities which (immigrant) entrepreneurs explore. Those which, according to the mixed embeddedness model (see Kloosterman 2010), are structurally stagnating and then there are others that are expanding. The model identifies four markets, but for its practicability and applicability to the Ghanaian context three markets are used. These are low-vacancy chain, post-industrial/low-skilled and post-industrial/high-skilled.

To borrow Scott's (2008, 2012) terminology, the post-industrial/low-skilled market is renamed as servile while the post-industrial/high-skilled is referred to as cognitive-cultural. The servile activities which are usually businesses started by entrepreneurs with relatively lower educational qualifications, sustain and support the high-end cognitive-cultural activities. Cognitive-cultural activities attract entrepreneurs with relatively high educational qualifications such as high vocational and university degrees and these activities are technology-intensive, business and financial services as well as businesses in the creative or cultural economy (see Scott 2012). A total of 45 servile businesses were started by first-generation Ghanaian entrepreneurs and these included money transfer, day care, distribution of folders and flyers, catering, hair/beauty salons, travel services, cleaning services, removal of household goods and a few others. In addition, eleven first-generation Ghanaian entrepreneurs started cognitive-cultural businesses which include IT services, financial and shipping services. In addition, twenty-eight first-generation Ghanaian entrepreneurs were found in vacancy-chain activities which are characterised by low-skilled, stagnating and predominantly retail businesses.



A hairdressing salon in The Hague

Both the low-skilled, stagnating and servile activities are presumed to be generally exploited and utilised by entrepreneurs with relatively lower educational qualifications. Servile businesses have more prospects for growth and expansion than those businesses in the vacancy-chain which are stagnating and on the brink of extinction. Although entry into servile businesses is equally high as in the vacancy-chain, the rising demand and expanding markets make these opportunities more rewarding and, hence, more attractive than their low-skilled, stagnating counterparts. With respect to the motivation to start businesses in these different markets as the mixed embeddedness model assumes, most of first-generation Ghanaian entrepreneurs in both the servile and the cognitive-cultural activities are not so much started out of necessity or pushed as usually occurs in the low-skilled stagnating markets but are based on a more positive motivation or pull factors to entrepreneurship.

Furthermore, most of first-generation Ghanaian entrepreneurs arrived in the Netherlands in the 1990s and this period played a decisive role in their self-employment initiative. The Dutch economy at the time was booming, was witnessing rapid deindustrialisation as well as the introduction of neo-liberal policies. These circumstances led to many major firms sub-contracting their non-core business activities to new firms which had emerged. The empirical results in Table 6.3.3 show that more than half of first-

generation Ghanaian entrepreneurs were engaged in servile activities and these are businesses typical of the 1990s and afterwards.

Before starting their businesses, (nascent) entrepreneurs do not only need to have human capital and financial capital, they also need to obtain relevant non-financial assistance such as information on the markets, workers, suppliers and the existing regulation (see Waldinger et al. 1990; see Kloosterman et al. 1998). Social networks conceivably play an important role in providing such information (ibid.; see Rusinovic 2006). Entrepreneurs, therefore, not only exploit informal and formal social networks for financial assistance but also use both sources to obtain non-financial resources. First-generation Ghanaian entrepreneurs have utilised both informal and formal social networks to obtain financial capital, to receive relevant information, to recruit employees and as sources for client/customers for their businesses.

However, the empirical results in this chapter indicate that first-generation entrepreneurs accessed and obtained more resources from their informal social networks than from formal sources. Surprisingly, fifty-five respondents were heavily embedded in their informal social networks as regards starting and operating their businesses. The empirical results also show that (N=3) entrepreneurs obtained non-financial assistance from formal state and local agencies and that, in total, only (N=8) entrepreneurs used heterogeneous social capital or, in other words, accessed non-financial resources from mixed social networks to start and operate their businesses. With regard to the the empirical results, (N=3) accessed mixed social networks to establish businesses in the cognitive-cultural activities, (N=2) in the servile activities and (N=3) in the low, skilled stagnating activities. This clearly shows that there is a sort of equality in the number of entrepreneurs that used mixed social capital in establishing their businesses (see Table 6.4.1).

Evidently, the ability of first-generation entrepreneurs to use mixed social capital does not depend on the business activity the entrepreneur has chosen but rather on the uniqueness of their services. For example two entrepreneurs who accessed business information from formal institutions through business training and advice are in the retail businesses which are in the low skilled stagnating, vacancy chain. This piece of information, at least, alludes to the fact that the ability of (nascent) entrepreneurs to access mixed social capital to start and run their businesses is not based on the exclusivity of businesses that are started in the expanding sectors. Both entrepreneurs run retail businesses, though their human capital achievements are relatively high. The products these entrepreneurs retail target mainstream customers. Based on the hypotheses formulated and the findings from the empirical results of this chapter, the following inferences are made based on the prerequisites of the mixed embeddedness model.

Hypothesis 1.a which states that Ghanaian entrepreneurs who identified opportunities for business were

pulled rather pushed into self-employment is vindicated by our empirical results in Table 6.3.1. The results show that only about a quarter indicated that they were pushed into self-employment. These entrepreneurs were, typically, unemployed before they became self-employed. The majority of our respondents, however, were pulled towards self-employment. These entrepreneurs said they decided to start their own business because they saw the opportunity to succeed as well as the possibility to become their own bosses. The predominance of pull factors would also imply that most of these entrepreneurs are to be found in expanding markets where chances for making money are more evident than in stagnating sectors.

With regard to hypothesis 2a, most first-generation entrepreneurs with relatively high educational qualifications were expected to start businesses in cognitive-cultural activities. However, most of them started businesses in servile activities. The empirical results instead show that first-generation Ghanaian entrepreneurs with high vocational and university degrees started (N=11) businesses in the cognitive-cultural activities, hence the hypothesis is partly vindicated.

Table 6.3.2 shows that the majority of first-generation Ghanaian entrepreneurs who have good Dutch language skills inserted their businesses in the servile or cognitive-cultural activities, which have prospects for business growth and expansion. It could be concluded that

hypothesis 2b, which states that first-generation Ghanaian entrepreneurs have greater access to the opportunities structure of the Netherlands and are able to set up businesses in the promising and expanding sectors given their fluency in English language and their relative proficient in the Dutch language, is justified.

First-generation Ghanaians who migrated to the Netherlands in the 1990s were confronted with an opportunity structure which enabled and facilitated (nascent) entrepreneurs to start small businesses predisposed to servile and cognitive-cultural activities. Evidently, 57 per cent of the servile and cognitive-cultural businesses in the sample were started by Ghanaians who came to the Netherlands in the 1990s, indicating that hypothesis 2c is vindicated.

As can be seen from Table 6.4.1 only (N=8) of first-generation Ghanaian entrepreneurs accessed both formal and informal resources for financial and non-financial resources to start and run their businesses. In other words first-generation Ghanaian entrepreneurs relied overwhelmingly on homogeneous informal social networks to start and operate their businesses, irrespective of the business activity. Hence, hypothesis 3 is unjustified. This orientation might hamper access to crucial information on mainstream markets and business opportunities and, notably, also on the regulatory environment (especially the tax system) even in the case of highly educated migrants.

With respect to business survival, and for that matter the success of first-generation Ghanaian businesses, the logistic (binary) regression analysis that was performed showed that first-generation

Ghanaian entrepreneurs with relatively higher human capital are better positioned to succeed than those with lower human capital. Furthermore, first-generation Ghanaian entrepreneurs who received assistance from mixed social networks are favourably positioned to succeed. However, looking at the insignificant number of first-generation Ghanaian entrepreneurs who received assistance from both informal and formal sources to start and run their businesses, receiving assistance via mixed social networks as a critical factor for Ghanaian business survival is indeterminate. The age of the entrepreneurs, the time and the number of years in the Netherlands impacted positively on the type of business the entrepreneur started and the survival of that business. In a nutshell, these variables assisted entrepreneurs to gain a lot of knowledge of the Dutch business environment which enabled them to identify promising opportunities for businesses rather than being forced to start businesses which were 'dead for the very beginning'

Most first-generation Ghanaian entrepreneurs grounded themselves in the low-skilled, stagnating and servile activities despite the fact that most of them are relatively highly educated. Besides that most of them asserted that they were pulled rather than pushed to self-employment because they identified an opportunity to succeed but ended up more with businesses in the servile activities which have lower prospects for survival than cognitive-cultural activities. The Ghanaian context appears to play down on the assertion that migrants with high human capital are better positioned to start businesses in the post industrial high-skilled sectors or be more involved in cognitive-cultural activities. It might be the case that the pre-migration educational qualifications are inadequate to start businesses in some cognitive-cultural activities, apart from the fact that most of them are not fluent in the Dutch language. Furthermore, the inability of first-generation Ghanaian entrepreneurs to obtain assistance from mixed social networks, also help in explaining the funnelling towards more marginal activities.