

Business Issues and Business Prospects of Immigrant Entrepreneurs in New Zealand: An Empirical Analysis of Structural Equation Modelling (SEM)

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Immigrant entrepreneurs are widely perceived as being highly sought after for innovation and economic growth. This view is commonly shared by many developed countries where immigration policies favourably reflect special visas and entry programmes to attract immigrant entrepreneurs. It is also widely acknowledged that business ownership is not only higher, but also growing among the foreign-born population rather than the native-born population in a country. New Zealand is not an exception to this, as immigrants turn more frequently to self-employment and start up their own than do native-born workers. This paper seeks to examine whether a relationship between certain business issues and business prospects of immigrant entrepreneurs in a constructed Structured Equation Modelling (SEM) approach exists. This analysis is carried out on the basis of a face-to-face questionnaire survey on the 262 immigrant entrepreneurs of small retail businesses in Auckland. A step by step approach was utilised by means of a quantitative analysis starting from an exploratory factor analysis (EFA) followed by confirmatory factor analysis (CFA) to comply with the structured model. Subsequently, structural equation modelling (SEM) was used to obtain results. The finding shows that the ratio of Chi-square (χ^2) to the degree of freedom (df) is 2.072. The value of CFI is 0.922 and RMSEA is 0.074, satisfying the goodness of measures in the model constructed. Furthermore, the structural path (relationships) between immigrant business issues in relation to business prospects is significant ($p < 0.05$). The study concludes that there are specific issues or factors that positively contribute to business prospects of immigrant entrepreneurs. With the increase in the awareness of business issues which immigrant entrepreneurs are confronted with, there is a greater possibility that business prospects will also be promising. This may reflect the overall growth of small businesses in which the immigrant entrepreneurs are involved, given the possibility that they would potentially contribute to economic growth activities in New

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1. INTRODUCTION

Immigrant entrepreneurs and their businesses are increasingly recognised as being essential to economic growth throughout the world. They are widely perceived as highly entrepreneurial and are regarded as highly essential for innovation, economic growth, and economic sustainability in the countries to which they migrate. Positive perception and recognition is based on the fact that the presence of immigrant entrepreneurs leads to economic prosperity, physical capital investment and job creation for local workers and also contribute to overall economic growth and development (Lin, 2015; Ribeiro-Soriano and Mas-Verdú, 2015). In addition, immigrant entrepreneurs are said to be innovative, creative and in that their survival strengths and strategies are said to be much higher comparatively (Desiderio, 2014).

This is really reflected in the immigration policies of the Organization for Economic Cooperation and Development (OECD) countries. Many of these countries are said to be the market economies that work with each other to promote economic growth, prosperity, and sustainable development. Immigrant entrepreneurs are viewed as one of the central approaches to favorably create special visas, lenient entry requirements, and business migration programmes in attempts to attract immigrant entrepreneurs. Some argue that the push-pull factors of spatial imbalances in the distribution of production factors force them to leave their place of origin for a relatively high expected outcome in the country of destination (Todaro and Smith, 2014). Immigrants with entrepreneurial flair and management skills, some experience and physical capital who also seek a better place for starting up, expand and develop business are complimentary to this “push” factor. This becomes a basic source of entrepreneurial activities in the host country. Immigrant entrepreneurs also search for and consider the best place that offers an opportunity for profit in a more conducive business environment, more business freedom and are presented with a huge economic opportunity in a host country are also related to the “push” factor.

As one of the top settlement countries along with Canada, Australia, the United Kingdom, and the United States, New Zealand has increasingly recognised the presence of migrant entrepreneurial activities, economic competitiveness and innovation in the economy (Desiderio, 2014). The rigorous New Zealand’s government policies to encourage skilled and business migration under several accommodating Immigration Acts (see Immigration New Zealand [INZ], 2016) allowed a substantial increase in immigrant businesses to the country in recent years. Since then, immigrant entrepreneurs are considered as essential sources of physical capital inflow, expanding business opportunities, create increased supply chain activities and hence, contributing to wider and faster economic growth and development in New Zealand.

Significant contributions made by immigrant entrepreneurs are widely recognized in New Zealand. Whilst immigrants tend to start-up businesses at higher rates than their native-born counterparts, they are also confronted with numerous obstacles or issues when starting up, maintaining and expanding their businesses. Much is said regarding accessibility to credit facilities and securing finance, local authority regulations, cost of business operations, freedom of innovation and training provision which have prevented immigrant entrepreneurs from releasing their full potential to

foster socio-economic revitalisation, growth, innovation and development in host countries. Their business prospects subsequently revolve around how governments in host countries have supported immigrant entrepreneurs into mainstream business support programmes for the country as a whole.

The primary aim of this paper is to examine how issues confronting immigrant entrepreneurs affect their business prospects based on a specific model established through Structural Equation Modelling (SEM). In the model, the study specifically attempts to examine to what extent business issues confronting immigrant entrepreneurs affect their perceived business prospects in the model. This is carried out based on a survey of 262 immigrant entrepreneurs in small retail businesses interviewed in Auckland City during September to November 2015.

2. A REVIEW OF THE PRESENCE OF IMMIGRANT ENTREPRENEURS

Despite growing interest and research regarding immigrant entrepreneurship which has developed over the last number of years, records and data about immigrant entrepreneurs is not easily obtainable in many countries. This review of immigrant entrepreneurs focus on their issues and business prospects in some countries where the data are accessible. In general, it is noted that business ownership is higher among the foreign-born than the native-born inhabitants in many developed countries such as the United States, United Kingdom, Canada and Australia (Lofstrom, 2014). Some developed countries have also created special visas and entry requirements for immigrant entrepreneurs in an attempt to attract immigrant entrepreneurs.

The United States of America (USA), for example, have special preferences for admission which are given to immigrants who invest US\$1 million in businesses and create or preserve at least 10 full-time jobs for USA workers. In the United States, immigrants are said to have made substantial contributions to business ownership, business income and employment. As a direct result, immigrant entrepreneurship has become increasingly important in both immigration and foreign-born business ownership which has grown steadily over the last decades. It is estimated that there were 2.4 million immigrant business owners, representing 18.2 percent of all business owners between 2006 and 2010. Immigrants constitute 16.3 percent of the total United States work force, implying a higher business ownership rate than the USA-born rate. Indeed, 11.0 percent of immigrants own a business, compared with 9.6 percent of the United States-born work force.

According to Fairlie and Lofstrom (2013), the business formation rate per month among immigrants is 0.51 percent; that is, of 100,000 nonbusiness-owning immigrants, 510 start a business each month. This rate proved to be higher than the non-immigrant rate of 0.28 percent, or 280 of 100,000 U.S-born non-business owners per month. Moreover, self-employment grew strongly and immigrants continued to increase their share of business owners over the same period. This resulted in an increase of close to 7 million business owners from 1980 to 2010. In addition, substantial contributions of immigrant entrepreneurs to the technology and engineering sectors of the economy, especially in Silicon Valley in the USA occurred (Lofstrom, 2014).

The presence and contribution of immigrant entrepreneurs in the United Kingdom (UK) are equally important. Desiderio (2014) found that a total of 456,073 immigrant entrepreneurs and another 464,527 of the UK companies were started by migrant entrepreneurs. They represent 14 percent of all UK companies (Centre for Entrepreneurs [CFE] and DueDil, 2013). This indicates that immigrant entrepreneurs in the UK contribute considerably to the economy, job opportunities and employment creation (Desiderio, 2014).

In Canada, the government shifted its immigration policy objectives over the past decades focusing on attracting highly skilled entrepreneurs, interested in developing businesses in high-growth markets. The new Start-Up Visa Program and the Express Entry system reflects this shift in objectives that facilitate business start-up and growth. Data shows that a total of 431,471 business immigrants (including self-employed, investors, and entrepreneurs) arrived in Canada for the period 1980 to 2010 (Longitudinal Immigration Database [IMDB], 2008). This figure represented approximately 7.0 percent of Canada's total immigration over that period. Over the same period, entrepreneurs contributed to the proportionate share of the total business immigration levels, totaling 202,272 individuals, or 46.9 percent. It is also recorded that Ontario and Nova Scotia were the key provinces of destination for entrepreneurs (Deanna, 2015).

The leading source country among entrepreneurs into Canada in the year 2010 was from Iran, at 14 percent, followed closely by India (12 percent), Egypt (10 percent), and China, at 9 percent. It is recorded that the top ten source countries accounted for roughly 40 percent of all entrepreneur immigrants from 1980 to 2010 (IMDB, 2008).

International migration has a big impact on New Zealand. About one-quarter of the population being foreign born from a total of about 4.4 million population which is well above the OECD average of one in 10 (International Migration Settlement and Employment Dynamics [IMSED], 2010). It is agreed that understanding the economic impact of immigration is particularly important for supporting and developing New Zealand's economy. Prior to 1987, traditional reliance of migration was mostly from the UK. The new Immigration Acts (1987, 2009 and 2013), however, preferred and classified migrants based on their skills, personal qualities, and potential contribution to the New Zealand economy (INZ, 2016). The Acts resulted in the emergence of immigrants from mainly Asia and other parts of the Asian continent. According to INZ (2016), nearly 100,000 people were issued work permits to work in sectors ranging from information technology to horticulture in the 2005 to 2006 year. Meanwhile, a total of 52,000 people were approved for permanent New Zealand residents in the two years of 2005 to 2006. Over 60 percent were approved under the skilled or business categories are discussed below.

A revised Immigration Act 2007 allowed a total amount of NZD\$2.5 million as the minimum for the Business Investment Migrant Category, allowing a potential source of immigrant entrepreneurs into New Zealand. The top five countries of birth of New Zealand residents in 2013, excluding New Zealand born citizens, being 74.5 percent were from the United Kingdom (6.4 percent), China (2.4 percent), India (1.7 percent), Australia (1.6 percent) and South Africa (1.36 percent). More than 80 percent of migrants who came to New Zealand, settled in Auckland. Furthermore, about 97 percent of New Zealand businesses consists of small business with less than 20 full-time

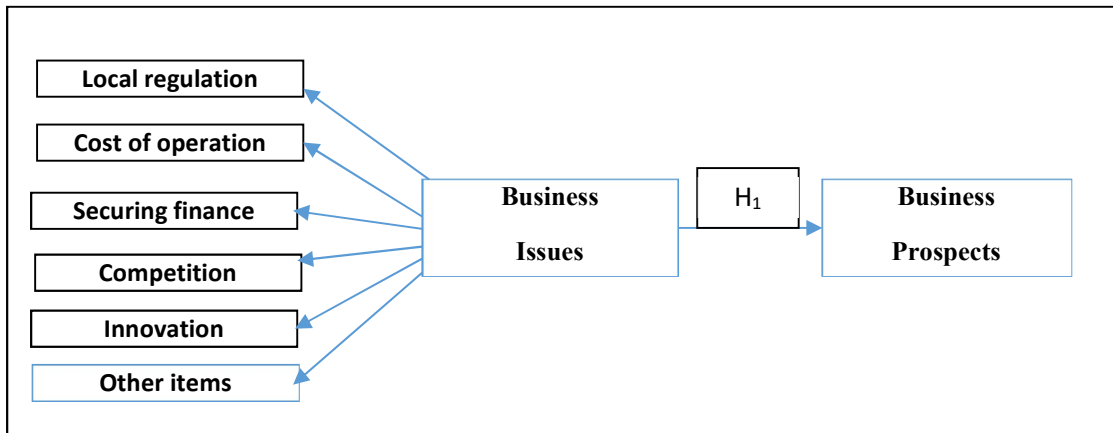
employees with about 420,207 businesses employing five employees and below according to the Business and Economic Research Limited (BERL) (2013). Small businesses account for 40 percent of the national economic output. The majority of these businesses are in the retailing sector which again predominantly involves the retailing and services sector (Auckland Chamber of Commerce, 2015).

This research considers a conceptual framework that is integrated into a model of (SEM) to be tested in the analysis. It comprises a number of variables in the component of the business issues and component of business prospects. The main business issues confronting immigrant entrepreneurs include; capital/finance, cost, training, quality and safety, competition and local authority's rules and regulations as the major business issues and challenges (20 items). Similarly, a component of variables (9 items) for business prospects are numerous, namely; expected increase in sales turnover, expected increase in total revenue, expected increase in profit, expected increase in market share and number of employees as well as expected decrease in cost per unit of product sold (Garrigos-Simon and Marques, 2004; Marques et al., 2005; Tracey and Tan, 2001). Based on the literature reviewed (Adamu et al., 2013; Ghen and Liu, 2004; Martinez and Chernatony, 2004), this research adopted six major items listed in Figure 1.

Based on the literature, a conceptual framework is presented in Figure 1 below. Flowing from the literature, 1 hypothesis was established and is stated below.

Hypothesis 1: There is a significant relationship between immigrant business issues and their business prospects.

Figure 1 (Conceptual Framework of the Research)



3. RESEARCH METHOD

A quantitative approach is followed for this research project. While secondary sources were derived from the relevant empirical evidence of earlier studies, primary data was secured from a face to face questionnaire survey carried out on immigrant entrepreneurs of small retail business

in Auckland. The fieldwork was conducted from July to November, 2015. Respondents were identified by quota random sampling from the data base of the Auckland growth retail centres published by the Auckland City Council in 2015. An initial target of respondents was 450, however, a total of 262 completed and usable responses were received. A high rate of response, namely 58.2 percent was achieved. This sample size was also considered reasonable for its analysis using SEM (Hair et al., 2010).

A questionnaire comprising three main components was compiled. First, entrepreneurs' profiles such as gender, age, academic qualification, experience, training, employment history etc. Second, business profile such as type of retail business, year of establishment, location of business, number of employee, amount of capital invested, size of the enterprise and source of capital. Third, included questions on the issues and business prospects of the entrepreneurs. Altogether, the questionnaire consisted of 20 items that measure various dimensions of business issues and challenges, and 9 items of business prospects. Lastly, 262 responses were analysed using SPSS version 22.

3.1 Measurement and Data Analysis

The conceptual model of this research is explained through a two-dimensional construct consisting of business issues and business prospects. The measurement of these latent constructs was made by adapting different measures based on a 5-point Likert scale with 1 representing highly unimportant to 5 referred as highly important. Factors that uncover immigrant business issues largely include securing finance, competition, innovation, training, cost, local authority (regulating business) and competitive nature of the business environment. Business prospects for immigrant entrepreneurs were also measured based on similar indicators. These indicators forecasted business trends for immigrant entrepreneurs for years to come. A step by step approach was used in quantitative analysis starting from the exploratory factor analysis (EFA) followed by confirmatory factor analysis (CFA). Subsequently, structural equation modelling (SEM) was used to conclude results.

4 FINDINGS

The descriptive findings reveal that the immigrant entrepreneurs in Auckland comprise a relatively young age with 63.3 percent of the respondents are below 40 years old. About 40 percent of the respondents have a diploma or higher degree, while 22.5 percent and 21.4 percent have a first degree and postgraduate diploma respectively. A business visa category represents the largest group, representing 30.5 percent as compared to skilled migration (24.4 percent), family migration (16.8 percent) and working visa (12.2 percent). Immigrant entrepreneurs from China score the highest with 33.6 percent, followed closely by entrepreneurs from India who consist of 32.1 percent and South Korea who make up another 8 percent. It appears that 25.1 percent of them involves in food and beverages, while petrol kiosks, clothing and apparel and souvenir shops respectively consist of 16 percent, 10.3 percent, and 9.9 percent. The majority of them (56.9

percent) are employing fewer than 5. This reflects the small size of retail business operations. A total of 34.4 percent of the enterprises employ 5 to 9 employees.

4.1 Results of Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA)

The research aimed to explore business issues that were affecting business prospects. Therefore, exploratory factor analysis (EFA) was initially employed as the most appropriate technique that complies with the nature of the study. The Cronbach’s alpha (α) was initially calculated to establish alpha reliability used to ascertain internal consistency of the measures used. The results indicated a value of 0.86 for this research, which was very convincingly reliable data. Subsequently, analysis from EFA highlighted communalities as well as Kaiser-Meyer-Olkin (KMO) values to interpret findings. The communalities were revealed in Table 1 by all the (seven) factors. The results indicated all values greater than 0.5 satisfying the statistical requirements of ≥ 0.5 (Hair et al., 2010). Further, KMO test was conducted to test sampling adequacy. For KMO, the closer the value to ‘1’, the more suitable the sample would be. A value of 0.858 for this research obtained, thus ensuring an adequate sample of data was realised.

Table 1: Results of the Exploratory Factor Analysis

Items	F1 Business Prospects	F2 Innovation	F3 Training	F4 Finance	F5 Cost	F6 Quality & Safety	F7 Local Authority
C30	.847						
C29	.823						
C31	.803						
C36	.776						
C32	.738						
C33	.727						
C34	.685						
C37	.676						
C21		.823					
C22		.799					
C23		.789					
C28		.693					
C25		.650					
C27		.617					
C8			.774				
C12			.770				
C6			.730				
C9			.722				
C18				.882			
C17				.852			
C19				.776			

C15						.774	
C16						.743	
C14						.662	
C5						.584	
C11							.857
C10							.816
C13							.706
C1							.769
C2							.768
C3							.759
Initial	8.146	4.076	2.619	2.029	1.717	1.474	1.225
Eigenvalues							
Percent of variance	26.278	13.148	8.448	6.545	5.537	4.755	3.951
Cumulative percent	26.278	39.426	47.874	54.419	59.957	64.712	68.663

The findings of Bartlett's test of sphericity suggested a significant value of $p < 0.001$, affirming the requirement of sufficient correlation between the variables in a constructed model (conceptual framework). Moreover, the results indicated 7 factors (based on eigen values of more than 1) with a cumulative variance of 68.663 percent, hence satisfying the benchmark value of 60 percent and above. The individual percentage variance by each factor in Table 1 (the highest in Factor 1, 26.278 percent and lowest in Factor 7, 3.951 percent). The other five factors have percentage variance representing certain percentages (such as Factor 3, 13.148 percent; 8.448 percent by Factor 4; 6.545 percent by Factor 5; 5.537 percent by Factor 6; and 4.755 percent in Factor 7). It is important to note that the majority of the factor loadings of extracted items were less than 0.85, followed the standardized values for normal statistical interpretation for the analysis. To finalise EFA, seven factors were categorised under the two main constructs, namely business prospects, and business issues. Similarly, the α -reliability value of each item was examined that ranged from 0.715 to 0.924 (all items were above 0.7) to ensure individual item reliability.

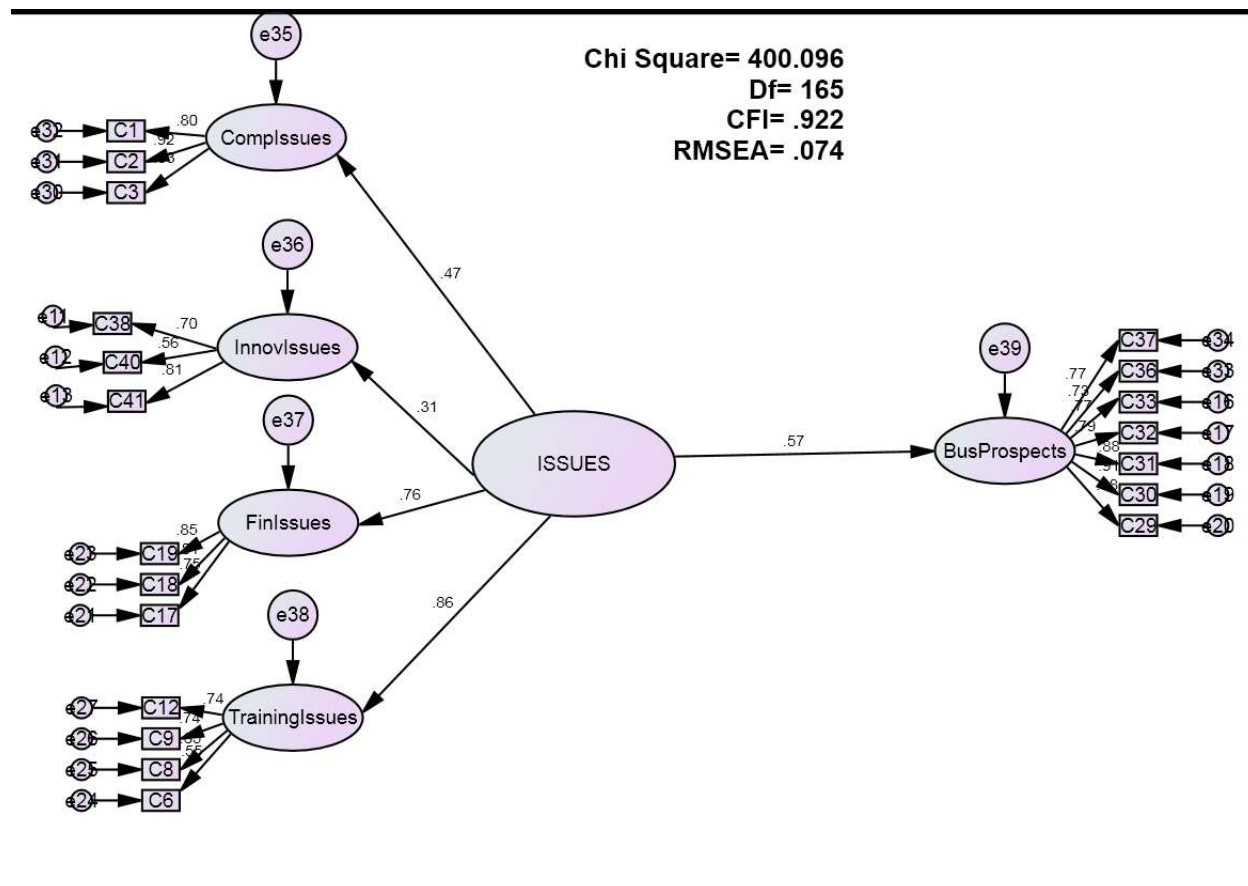
CFA was subsequently initiated using analysis of moments of structures (AMOS) software, applied to the two major factors. Maximum likelihood method was used to assess three measurement models for respective factors. To enable to test CFA results, different fit indices were taken into account. Commonly used indices such as comparative fit index (CFI) and root mean square error of approximation (RMSEA) were considered appropriate to test CFA results (Byrne, 2010; Hair et al., 2010; Kline, 2011). These fit indices were examined and the values were analysed to achieve the best/improved model fitness. Later, the models were modified and analyses were run again to avoid discrepancies from the standardised acceptable values as mentioned previously. Items which could not achieve acceptable factor loadings were removed to reach satisfactory results (Hair et al., 2007).

4.2 The Findings of the Structural Equation Model (SEM)

Finally, a structural equation modelling (SEM) was employed to examine the causal relationship between the two grouped variables in the constructed model (business issues and business

prospects) as in Figure 2. Of particular importance is that the finding shows the ratio of Chi-square (x^2) to the degree of freedom (df) is less than the par value of 3 (i.e. $x^2/df = 2.072$) indicating a useful and significance relationship within the constructs. Furthermore, the value of CFI (Comparative Fit Index) was found to be 0.922, greater than the allowable threshold value needed (should be greater than 0.9). Meanwhile, the RMSEA value is 0.074, (which is less than the required value of less than 0.08). The two indicators satisfy the goodness of measures in the model constructed. Furthermore, the causal relationships were found significant ($p < 0.05$) as explained by the structural paths. The two paths as shown in conceptual framework (see Figure 1) include (first) immigrant business issues in relation to their business prospects. Path coefficients between entrepreneurial issues and business success factors are 0.57 with a significance level of ($p = 0.000$). Similarly, path coefficients between individual items of competition, innovation, securing finance and training issues significantly fit into the model constructed to form the business issues. In summary, the significantly positive relationship between entrepreneurial business issues and their business prospects support the hypothesis stated earlier.

Figure 2 Structural Equation Model (SEM)



5. Discussion and Conclusion

From the research framework, the study concludes that there are specific issues or factors that positively contribute to business prospects of immigrant entrepreneurs. With the increase in the awareness of business issues that immigrant entrepreneurs are confronted with, there is a better chance that business prospects will also be promising. This may reflect the overall growth of small businesses in which the immigrant entrepreneurs are involved, giving the possibility that they would potentially contribute to economic growth activities in New Zealand. In view of this, the finding appears to confirm earlier scholars' findings who gave due recognition to establishment and expansion of new small businesses in a country (Lin, 2015; Ribeiro-Soriano and Mas-Verdú, 2015). Indeed, to enable long-term economic growth, the involvement of entrepreneurs is also essential and meaningful (Forsman, 2011; McKeever et al., 2014) and integration of immigrant entrepreneurs into the mainstream economic activities is equally essential. Moreover, it can be further pointed out that immigrant entrepreneurs can be a great source of entrepreneurial development and future economic impetus to the country concerned, which is in line with the United Nations (UN) Report on International Migration and Development 2013 on global migration in general (UN, 2013).

The research through its empirical finding offers several important findings. Firstly, specific issues have positively contributed to the business prospects of immigrant entrepreneurs. It further endorses the previous similar studies of Bates (1999), Rahmandoust et al. (2011), and Lin (2015) who found that the benefits of immigrant entrepreneurs in the host country are not only as sources of physical capital investment, but job creation for local workers as well. These immigrants are also able to introduce diverse products and services. Secondly, greater contributions towards the country's GDP could be reaped, should the understanding of business issues confronting them be moderated into the positive policy remedies. Nonetheless, a coverage of policy should be much wider as Wadhwa et al. (2007) revealed that social embeddedness, market orientation and new business development are challenging areas for immigrants entrepreneurs as well. Thus, further research encompassing the stated concerns should not be delayed.

Based upon the findings, a number of inferences can be drawn from the structural model that business issues positively affects business prospects for immigrant entrepreneurs of small retail enterprises for the local authority and relevant parties in Auckland city specifically and New Zealand generally to further consider some possible policy recommendations, including:-

- First is competition. As competition forms one of significant component path of business issues that significantly affected business prospects. It seems that a stonger competition within small retail business can lead to a better result in terms of efficient and productivity that eventually can contribute to higher preceived business prospects. Hence, open up greater business opportunities that lead to competition contribute to better business prospects for Auckland entrepreneurs. Any step in the policy that creates competition can have greater implication for a better business prospects.
- Second is innovations. In this particular regards, innovation and creativity relating "online" sale of products, a range of new products, computerised customer base, website based-products and promotions, and improvements to employee reward system were found to be highly revealing for small retail business in Auckland city. Thus, policy recomendations

- that relate to innovation and creativity eventually can lead to brighter business prospects among entrepreneurs.
- Third is training. Any training availability and accessibility in any form such as language training, upgrading language, technical skills training, and managerial trainings, can make a huge difference in business issues that eventually lead to a better business prospects for immigrant entrepreneurs in the country.
- Fourth, financial issues appear to be one of the essentially crucial forms of business issues. As finance is a bloodline of any business, logically it implies that greater financial availability and accessibility to immigrant entrepreneurs of small retail business are significantly contributed to positive business prospects. Thus, greater financial provisions are needed, creating promising business prospects in the Auckland city.
- Last but essentially not least is that any policy supports planned, introduced and implemented for immigrant entrepreneurs in the Auckland city in particular and New Zealand in general, should be regarded as an integral and vital part of the overall mainstream policy support programmes for the country.

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