

Immigrant Business: Choice or Necessity?

Introduction

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Why do immigrants search out self-employment in small business and is this preference a matter of choice or necessity? This puzzle has long been the subject of scholarly inquiry. In Australia Collins et al (1995), in the landmark study of immigrant¹ small business, *A Shop Full of Dreams: Ethnic Small Business in Australia*, found that, compared to the Australian born, minority immigrant groups were over represented in small business activity. Similarly, international studies find that small business is an important factor in the economic advancement of immigrants (Sanders & Nee, 1996) and that immigrants tend to be more highly represented amongst the self-employed than those born in the host society (OECD, 2010; Wayland, 2011). More recently, the Australian Bureau of Statistics similarly found

¹ The term immigrant rather than ethnic will be used in this special edition and the focus will be on culturally and linguistically diverse (CALD) businesses

that of the 1.1 million other business operators² in Australia, 28 per cent were born overseas and that both the construction and retail sectors have a larger proportion of migrant owned businesses than Australian born (13 and 14 per cent respectively) (ABS, 2008, 2010).

Scholars have attempted to explain the preponderance of migrants in small business through the development of a number of theoretical frameworks which draw upon both push and pull factors for a causal explanation, such as Bonacich's (1973) middleman minority theory and Sanders and Nee's (1996) family as social capital theory. Building on Bonacich's middleman minority theory, Zhou (2004:1041-1042) revisited the ethnic entrepreneurship literature and proposed a useful distinction between middlemen minority entrepreneurs and ethnic enclave entrepreneurs. The former, she argues, trade between a society's elite and the masses by establishing business niches in poor minority neighbourhoods and ghettos deserted by the mainstream retail and service sector, but share few ethnic ties with the ghetto community. Enclave entrepreneurs, by contrast, are bounded by shared ethnicity, are socially embedded and typically run a business within the ethnic enclave, which services their co-ethnics. But there may also be a cross over between the two roles in a multi-ethnic neighbourhood. But why, Zhou (2004:1043) asks, are some immigrant groups, such as Jews, Japanese, Koreans, Chinese, Iranians, Lebanese and Cubans, more likely to be self-employed in small business than other immigrant groups? The answer, she argues, lies in the ability of ethnic social structures to build alternative pathways to social mobility.

In *Immigrant America* (1990), Portes and Rumbaut further refined this explanation by taking into consideration both the conditions and resources available to immigrants at the time of their departure from their home society and the nature of their reception into the host society, to explain the differential and segmented pattern of entrepreneurship among immigrant groups. It is in the interaction of these pre and post migration factors, they argue,

² Other business operators are defined as people who operate their own business, with or without employees, but who are not operating as independent contractors.

that certain opportunities and constraints, such as a lack of start-up capital or a hostile reception in the host society, emerge.

Still other scholars have examined labour market restrictions, or blocked mobility, due to race based policies, such as the White Australia Policy (Monsour, 2010), or structural barriers to employment in the mainstream economy, due to changes in the national and global economy, towards skilled labour and the development of alternate immigrant networks and niche markets (Hyndman-Rizk, 2011). The lack of English language proficiency (ELP) is also a consideration here. But as Collins et al (1995:7) rightly queried, government may hope that the problems of restructuring and unemployment will be solved by immigrant self-employment, yet is small business a dream or a nightmare? While it is true that immigrant business can lead to entrepreneurial freedom and upward mobility, with long working hours, women working unpaid in the family business and high rates of business failure³, it can also be a nightmare.

Given the rich debates in the literature on immigrant entrepreneurship regarding the causes and effects of immigrant self-employment, this special edition of *Labour and Management in Development (LMD)* brings together seven scholarly papers, which explore the question: is immigrant business a choice or a necessity? Additionally, our contributors address a range of sub-questions, including: why do immigrants go into business; labour market restrictions, blocked or limited opportunities, or a voluntary choice? Which immigrants are more likely to go into business? Has this changed over time? What factors influence entrepreneurship among immigrants? What are the effects of linguistic barriers, class, gender, education, employment and immigration policies, as well as access to start-up capital, in shaping the structure of immigrant business? Seeking to interrogate these issues, our seven papers each provide a different case study of immigrant business, are set either in

³ Approximately 80 per cent of businesses fail (Collins et al: 7).

Australia or overseas, and draw on inter-disciplinary approaches including social economics, history, sociology, business studies and anthropology.

In *Korean Immigrant Entrepreneurs in the Sydney Restaurant Industry*, Jock Collins and Joon Shin explain that Australia has a long history of immigrant entrepreneurship. Currently, Korean immigrants have the highest rate of entrepreneurship of any immigrant group in Australia, twice the Australian average. Yet there has been little research into Korean immigrant entrepreneurs in Australia and their transnational social and business links with the global Korean Diaspora. This article presents the results of their recent research into Korean immigrant entrepreneurs with businesses in restaurants and food retailing in Sydney, the city with the highest concentration of Korean immigrants in Australia. The research took the form of a *survey* of 65 Korean immigrant entrepreneurs using a snowballing sampling method and *in-depth interviews* with 10 Korean immigrant entrepreneurs. The article explores their immigration history and business experience in Australia, the role of the family in business, and the use of local and transnational Korean business and social networks. The dynamics of these business enterprises are investigated revealing that an important issue is the clustering of Korean restaurants and food stores in key Sydney areas of Korean settlement: the CBD, Strathfield, Eastwood and Campsie. The article explores the reasons for this spatial clustering.

According to Widad Pitrus, only a small number of studies have focused on the small businesses established by members of Middle Eastern communities of Arabic-speaking backgrounds. Consequently, her paper, *Success Factors for Small Business Owner/Managers Among Members of Middle Eastern Communities in Melbourne, Australia*, investigates the reasons for small business success, in the case of small business owner/managers from Middle Eastern communities in Melbourne, Australia, specifically from Lebanese, Egyptian and Iraqi communities. The analysis indicates that personal networks and social support, specifically, existing informal and formal personal networks and social support sources, were the primary attributes for success. Additionally, Pitrus found that trust, honesty, respect,

ambition, hard work, English language proficiency, speaking LOTE and satisfying customers' needs were also viewed as important aspects of business success.

In *Ethnic Chinese Business Start-ups: a Complex and Uneven Process*, Yurong Wang and James Warn utilise interview data to explore the business start-up experiences of ethnic Chinese entrepreneurs in Sydney and Canberra. Their research suggests that the selection of a particular business sector for a start-up business emerges from a dynamic and complex interaction of opportunity structures available in the Australian economy and various ethnic and class resources possessed by the Chinese immigrants. Different cohorts of Chinese immigrants arrived under different immigration programs and faced differing sets of opportunities due to the ongoing restructuring of the Australian work force as well as the exit of local labour from jobs that were low paying or had less desirable working conditions. Although economic factors may have opened up different business opportunities, the actual entry into the business sector depended on the different kinds of class resources possessed by the individual entrepreneur. In particular, start-up capital, educational qualifications, language proficiency and previous work experience were found to be important resources.

In *Traders by Nature or Circumstance: The Occupational Pathways of Early Syrian/Lebanese Immigrants in Australia*, Anne Monsour uses a combination of sources to establish that in the period 1880 to 1947 the majority of Syrian/Lebanese immigrants in Australia were self-employed traders. Despite a tendency to explain the predominance of self-employment in commercial occupations, such as hawking and shopkeeping, as the result of Phoenician ancestry, Monsour proposes that the historical reality is more complex. She argues the dominant occupational pathway followed by the early immigrants was the result of a complex interaction between pre-migration experiences and economic and political circumstances within Australia. Limited options, due to significant legislative discrimination in employment, the role of the Syrian/Lebanese warehousemen in Redfern, Sydney; and the individual immigrant's need to make money quickly, largely explain why the path of hawking to shopkeeping was so consistently adopted. However, she concludes, ultimately,

hawking was such an enduring occupation for these immigrants because it fulfilled a general economic need. In Australia, many people lived away from the major cities sometimes in quite isolated locations. By taking goods directly to these people, hawkers were fulfilling a consumer need that would later be met by other services made possible by improved transport and communication facilities. Also significant was the preparedness of the early Syrian/Lebanese immigrants to settle and to establish businesses in regional Australia.

A large section of the Brazilian population today is of Lebanese origin and these people, who are concentrated mainly in the economic hub of São Paulo, are the focus of Elsa El Hachem-Kirby's paper, *Immigrant Business - Both a Choice and a Necessity for Upward Social Mobility: The Case of the Lebanese Entrepreneurs in São Paulo, Brazil*. Comprising several million individuals, this population was formed by successive waves of immigrants; the first dating back to the last quarter of the 19th century. Unusual in many immigrant populations, this group has experienced remarkable entrepreneurial success, and consequentially a sociological phenomenon of outstanding upward social mobility has occurred within its ranks. Hence, although they initially made their living as 'mascates' (hawkers), they subsequently managed to branch out into predominately commercial entrepreneurship. Today they are deployed, horizontally, in almost all fields of economic activity and, vertically, have climbed the ladder into the highest spheres of economic, social and even political life. El Hachem-Kirby studies the upward social mobility of these immigrants and their descendants on both the horizontal and vertical levels. The aim of the study is twofold: on the one hand, she traces the pattern underpinning the phenomenon in question, and on the other, she clarifies the causes which made it possible. The findings of her study shed light on the personal characteristics of those concerned, which came into play as a result of major economic and social changes Brazil was encountering in the period under review. Her account traces the transition of the Lebanese in Brazil from intermediate minority entrepreneurs, to their successful integration into the host society, by adopting a model peculiar to Brazil, and as such, this population did not renounce their specific 'Lebaneseness' as a component of their own identity. This article provides an interesting contrast to Monsour's discussion of the experience of the same immigrant group in Australia.

In *Entrepreneurship through Transnational Migration: The Resources of Early Migrants*, Laura Hougaz and Michela Betta present entrepreneurship as a phenomenon closely connected with the experience of migrants to Australia. They present the oral stories of seven migrants who became successful entrepreneurs, and founded and developed long-lasting multigenerational family businesses. This article focuses on the personal experiences of these migrants, and how their personal resources effectively link the old and new cultures. They suggest that the migratory and cultural experiences of the founding generation could inform new studies on entrepreneurship and family business, whereby migration is understood as a process of transformation of the individual. To this purpose, the article elaborates on how personal and cultural resources can make a difference in terms of social and economic success in spite of the macro conditions under which individual migrants operate.

Finally, in *Migration, Wasta and Big Business Success: The Paradox of Capital Accumulation in Sydney's Hadchiti Lebanese Community*, Nelia Hyndman-Rizk reflects upon the process of capital accumulation amongst a group of immigrants from the village of Hadchit in North Lebanon, who have formed a 500 household migration cluster in the suburbs surrounding Parramatta in Sydney's west. The paper starts with a brief overview of Lebanese emigration and then discusses the specificities of the Hadchit community's migration experience since the 1970s and their socio-economic location in a downsizing manufacturing sector. Four case studies are presented to illustrate the development of ethnic entrepreneurship within an emerging enclave economy (Zhou 2004). Hyndman-Rizk argues that business networking, based on the Lebanese concept of *wasta*, became an important strategy of community settlement and business development, which enabled Hadchiti immigrants to transcend their blocked mobility within an increasingly segmented labour market by moving into the construction industry. This resulted in comparatively lower unemployment rates within the enclave relative to other migrant groups. Some Hadchiti entrepreneurs were even able to transcend the enclave economy and find big business success

in the secondary sector of the mainstream economy. However, intensified community rivalry over competing claims to *markaz* and *najeh* (status and success), driven by the emergence of *nouveau riche*, with ostentatious displays of wealth, points to the concomitant downside of capital accumulation: social stratification. But, Hyndman-Rizk concludes that newly acquired capital can also be capricious and results in a paradox of material wealth and spiritual poverty.

Together, these papers present a unique set of case studies, which will advance the scholarly debate on whether immigrant entrepreneurship and self-employment is a choice or a necessity. However, these papers go beyond this simple binary to examine the complex interaction between pre-migration and post migration experiences, the availability of start-up capital, the role of social capital, as well as intergenerational and transnational networks in facilitating the development of immigrant business. Moreover, this special edition shows that as long as there is a demand for immigrant business which services both a community and an economic need within and beyond the ethnic enclave, there will continue to be a preponderance of immigrant business.

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