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The urban growth potential of second-generation migrant entrepreneurs: A sectoral study on Amsterdam

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ABSTRACT

A rise in second-generation migrant entrepreneurs and an increasing focus on modern economic sectors have become new trends in migrant entrepreneurship in recent years. Although traditional sectors are still the most popular among the first-generation migrant entrepreneurs, because of the increasing pressure and their high competitiveness in traditional areas, nowadays new market niches are rapidly developing. While the first generation has more often become active in new areas such as the producer services sector which includes finance, insurance, real estate and business-related professional services, the second generation has contributed to the emergence of new areas of immigrant business activity such as the ICT sector and the creative industries.

Against this background, this study focuses on the external orientations of the second-generation migrant entrepreneurs by addressing in particular the way – and the extent to which – the choice for entrepreneurship is made by higher-educated young ethnic generations. This is a new field of entrepreneurship research in many European countries. The empirical data of our study is based on in-depth personal interviews held in the first half of 2007. We employed a recently developed multivariate qualitative classification method, coined rough set analysis, in order to investigate the motivation, goals and strategies of second generation Turkish entrepreneurs in the ICT and the financial services sector in the Netherlands.

The results of our study show that the second generation Turkish entrepreneurs in the Netherlands have started to be involved in new and non-traditional sectors like ICT and financial services sectors. The motivation and driving forces of the second-generation Turkish entrepreneurs are stemming from both their personal characteristics shaped by their higher educational level and their previous working experience as an employee or entrepreneur in the same sector. The demand for and a gap in the sector as well as the growing and promising structure of the sector play also an important role in pulling the second generation Turkish immigrants to become entrepreneur in these new sectors.

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1. The new demography as an entrepreneurial driver

Innovation – a significant improvement (and market acceptance) of (part of) our production or governance systems – has been a central instrument of any market-driven economy since the early history of mankind. It has been a focal point of economic theory and applied economic research since the postwar period, with different cycles of interest in the past 60

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years. A first wave of economic interest can be found in Schumpeterian theory on innovation and entrepreneurship (see Schumpeter, 1957). Next, the recession in the beginning of the 1980s prompted a new phase of interest instigated by a revival of long wave (Kondratieff) theory (see Kleinknecht, 1982). And finally, in recent years we have witnessed another wave of interest in innovation and entrepreneurship, mainly as a result of global competition on the one hand and reinforcement of local growth potentials on the other (see de Groot et al., 2004).

The competition dynamics in different parts of the world and with multiple stakeholders has shifted the attention from conventional market pull versus technology push dilemma's towards the acceptance of a Triple Helix paradigm, in which the interface between industry, knowledge institutions and governance agencies has become a central field of attention (see Leydesdorff & Etzkowitz, 1998). In this context, new economic analysis frameworks – in particular, endogenous growth (see Aghion, 2002; Lucas, 1988; Nijkamp & Poot, 1998; Romer, 1990), the new economic geography (Fujita & Krugman, 2004), and evolutionary economics (see e.g., Boschma & Lambooy, 2001; Nelson & Winter, 1982; van den Bergh et al., 2007) have highlighted the importance of strategic behavior of economic actors and entrepreneurs at a micro scale on a local or regional level.

Economic analysis of spatial-economic dynamics and innovation has mainly centered around new technological regimes, market regimes and institutional regimes. Far less attention has been given to demographic regimes (see Poot, 2007 for an interesting exception). But it ought to be recognized that demographic forces – mainly as a result of international migration – exert a significant impact on economic development and innovative potential of countries and regions. For example, a large share of the innovation success of the USA can be ascribed to the influx of foreigners who created an innovative spirit in an uncertain economic climate.

In an open and globalizing world it seems plausible that international mobility will be on a rising edge, starting from the business, R&D and knowledge sector, but increasingly spreading out to other sectors of the economy (e.g., medical care, consultancy, etc.). The entry into the labor market of host countries by foreign workers is often fraught with many problems (due to the existence of language, institutional and cultural barriers), and hence many migrants are stimulated to seek for self-employment. Self-employed migrants are increasingly resorting to so-called ethnic (or migrant) entrepreneurship (see Baycan-Levent, Masurel, & Nijkamp, 2003, 2006; Jones & Ram, 2007; Rath, 2000; Stiles & Galbraith, 2004; Waldinger et al., 1990; Ward & Jenkins, 1984). A wealth of scientific contributions and reviews on ethnic entrepreneurship can be found in Dana (2007). Migrant entrepreneurs are typically found in traditional sectors of the urban economy, for instance, in the retail, hospitality and repair sector. But in recent years, we have observed a gradual upgrading of these entrepreneurs towards higher levels, e.g., consultancy, ICT services, legal services and so forth, in particular by second-generation migrant entrepreneurs. This stepping-stone effect of migrant entrepreneurship will most likely lead to drastic changes in the composition and performance of migrant entrepreneurs. The present study is mainly exploratory in nature and will address the urban growth potential of the next generation of migrant entrepreneurs. Thus, our paper will offer a novel addition to the extant literature on entrepreneurship by migrants by tracing the conditions for business performance.

The present paper aims to address the shift in migrant entrepreneurship towards promising and modern urban economic sectors. It takes for granted the proposition that business involvement in modern or high-tech sectors will prompt an upgrading of migrant entrepreneurs, which may lead to socio-economic emancipation. As an example, we will take the involvement of migrant entrepreneurs in the ICT and the financial services sector in the city of Amsterdam. We will offer an analysis of critical success conditions and barriers for these businesses, based on extensive structured interviews with these entrepreneurs. The – mainly qualitative – information from these interviews will be systematically integrated in a coded nominal (alpha-numerical) survey table, which will be further analyzed by means of a rather novel technique from the artificial intelligence literature, viz. rough set analysis. This exploratory study aims to lay the foundation for a novel analysis of the 'next-gen' growth potential of migrant entrepreneurs in cities. The paper will be concluded with some retrospective and prospective remarks.

2. The second cycle in migrant entrepreneurship

Europe has become an 'epicentre' of immigration (van de Kaa, 1996). European cities have demonstrated a remarkable demographic change, with a large influence of foreign migrants in the past decades. Between 1975 and 2000, the population of Europe grew from 349 to 375 million (Brücker et al., 2002). Several districts in European cities have nowadays a majority of foreigners and within two decades several European cities will have a majority of first and second-generation migrants. European cities tend to become cultural melting pots (see Jacobs, 1961).

The influx of many migrants into the urban economies of many European countries has led to a socio-economic differentiation accompanied by persistent disparities on urban labor markets that is mirrored by (i) relatively high unemployment rates of migrants and (ii) a concentration of migrant workers in lower segments of the labor market leading to a dual labor market (see Piore & Sabel, 1984). Many migrants do not appear to meet the requirements for professional human capital in a modern economy and hence are condemned to resort to lower qualified types of jobs. However, next to professional human capital, any developed economy also needs entrepreneurial human capital (see Iyigun & Owen, 1998). However, entrepreneurial spirit is a scarce good that can be acquired by training, education or learning mechanisms through the pressure of economic circumstances (as is also witnessed in the resource dependence theory). There is an abundance of literature on entrepreneurship (see for surveys Audretsch & Thurik, 2001; Hébert & Link, 1989; Lumpkin & Dess, 1996;

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