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Transnational entrepreneurial activities: A qualitative network study of self-employed migrants from the former Soviet Union in Germany

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ABSTRACT

During their careers, migrant entrepreneurs may get involved in different types of transnational entrepreneurial activities and use their social capital to activate transnational business-related ties. Based on content analysis of semi-structured interviews and networks maps with self-employed migrants from the former Soviet Union in Germany this study identified four empirically grounded types of migrant transnational entrepreneurial activities and analysed transnational networking strategies for each type. The study demonstrates that different types of social capital are mobilised for different types of transnational business strategies, with intensive transnational entrepreneurial activities requiring larger pre-existing networks in the country of origin of both strong and weak ties, that are gradually extended, while a more limited set of mostly informal weak ties suffice for more sporadic transnational activities in the country of origin. Transnational entrepreneurial activities with other countries or with multiple countries, on the other hand, involved a more formal network of relationships.

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1. Introduction

Cross-border economic activities are not a new phenomenon and international trade fostered by various diaspora across the world has existed for a long time before the globalisation era (Light 2008). However, progress in communication technologies, lower transport costs, increasing migration, restructuring of international trade as well as globalisation of capital and labour have increased the intensity and diversity of transnational entrepreneurial activities (Itzigsohn et al., 1999; Light 2008). In the last two decades, transnational entrepreneurship of migrants has gained increased attention in migration studies (e.g. Portes et al., 2002; Zhou 2004; Light 2008; Drori 2009, Bagwell 2015).

Migrants involved in transnational entrepreneurial activities can take advantage of their language skills, knowledge of international markets as well as ability to flexibly operate between different cultural systems and structural frameworks. In addition, social networks across borders are seen as an important resource

for transnational entrepreneurship (Chen and Tan, 2009). However, little is known about how migrants' social capital is accessed and used for different types of transnational entrepreneurial activities. In order to partially fill this gap, this paper explores the accessibility and use of social capital for different types of transnational entrepreneurial activities. The theoretical framework of the study focuses particularly on the concepts of *Social Capital* (e.g. Bourdieu 1986; Coleman 1988; Portes 1995; Lin 2001) and *Mixed Embeddedness* (Kloosterman and Rath, 2001) and integrates further relevant concepts dealing with the nature of social ties from migration and entrepreneurship research (e.g. Ryan, 2011; Faist, 2014; Uzzi, 1997).

A qualitative approach is particularly suited for studying the complexity of social capital as well as the context, dynamics and structural conditions framing transnational activities of migrants (Hollstein, 2011). In this paper, we use such an approach to identify types of migrant transnational entrepreneurial activities and analyse the networking strategies for each type, based on the interviews with self-employed migrants from the Former Soviet Union (FSU) in Germany. Since the 1990s, about 2.6 million FSU migrants (mostly *Aussiedler* – ethnic Germans from the German minority group in the FSU) arrived in Germany from the successor countries of the former Soviet Union (Sommer, 2011). Compared to other migrant groups in Germany, due to their ethnic background, most FSU migrants have a

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privileged legal status, which is reflected in their access to German citizenship and inclusion into the German welfare system. Also, compared to other migrant groups in Germany, FSU migrants have a relatively low self-employment rate (Leicht et al., 2005). Until now only a few studies describe the self-employment of FSU migrants (Kapphan, 1997; Leicht et al., 2005; Sommer, 2011). They show that FSU migrants mainly operate on the local market in Germany with no particular spatial or branch-specific concentration. Despite the fact that a large proportion of FSU migrants have dual citizenship, which is favorable for transnational entrepreneurship, only few FSU migrants have companies that use transnational business interactions as their central strategy. Sporadic temporary transnational entrepreneurial activities that are used as a complementary strategy are more common.

Our study explores what kind of social capital FSU migrants use (in terms of its geographic composition and contact paths of the formation of business networks) when they get involved in different types of transnational entrepreneurial activities. We are using the term *transnational entrepreneurial activities* (TEA) rather than transnational entrepreneurship in this paper as we refer to a wide range of business activities involving regular or occasional cross-border interactions that can be of different nature, intensity and level of formalisation, and that do not necessarily build the central strategy of the firm requiring frequent cross-border contacts as in the case of transnational entrepreneurship (Portes et al., 2002). Our study demonstrates that different types of TEA are characterised by a different use of social capital and that migrants can be involved in several types of TEA during their entrepreneurial career.

An analysis of social capital of migrant entrepreneurs could benefit from incorporating theoretical concepts from sociology, in particular from social capital research, and from migration and entrepreneurship research. This paper uses insights from these different fields. The paper is structured as follows: Section 2 introduces the main theoretical concepts in the research field of social capital that are relevant for our analysis of the network characteristics of migrant entrepreneurs. Section 3 gives a brief overview of research of transnational entrepreneurial activities from scholarship on transnationalism. Section 4 describes the sample and the applied methodological procedure. Section 5 presents the derived types of transnational entrepreneurial activities among FSU migrants in Germany. Empirical findings are supported by some selected examples using business network maps for illustration purposes. Section 6 summarises the findings and shortcomings of the study and presents some suggestions for future research.

2. Social capital and migrant entrepreneurship

Economic action is embedded in social structure, which to some extent determines the scope of economic activities (Granovetter 1985; Uzzi, 1997). Studying migrant entrepreneurship, Kloosterman and Rath (2001) extended this general embeddedness approach by adding the dimension of institutional context to emphasise the highly institutional nature of businesses in Europe. Their *mixed embeddedness* approach considers the interplay between migrants' resources (social, cultural and economic capital), opportunity structure (e.g. demand for products and services, costs of production and labour, legal framework), and institutions operating between them (e.g. migration policies, welfare regimes). In our study we apply the *mixed embeddedness* approach as our conceptual framework, but we use it through a transnational perspective (which implies analysing resources and the opportunity structure in at least two different national contexts and interactions between them at the transnational level).

Related to the notion of the social embeddedness of economic action is the concept of social capital with its various definitions

and interpretations has been widely used in migration research since the 1990s (Portes, 1995; Hagan, 1998; Wilson, 1998; Evergeti and Zontini, 2006; Haug and Pointer, 2007; Gamper et al., 2013; Gamper, 2015). According to Bourdieu (1986), social capital refers to resources that can be mobilised in order to enable access to collective capital, and its strength lies particularly in its convertibility into economic capital. Therefore, it is an important resource for entrepreneurial activities. Coleman (1988) and Lin (2001) also emphasised the functional and purposive nature of social capital. Social capital is not simply the sum of all existing social ties, but reflects those ties that are actually available and can be accessed for certain purposes.

Three main sources of social capital are generally differentiated in migration studies: the migrant community in the country of destination, ties with the host population in the country of destination, and transnational ties in the country of origin (Haug and Pointer, 2007). Most empirical studies on migrant entrepreneurship (e.g. Portes and Sensenbrenner, 1995; Kloosterman and Rath, 2001; Pütz, 2004) showed that especially in the early business establishment phase, migrants often rely on resources from dense migrant networks in the country of destination. These resources are mainly used for the acquisition of the financial start-up capital, recruitment of employees and suppliers and for information exchange. The access to these resources is often associated with *ethnic solidarity*, which is based on the expected norm of mutual support between members of the same migrant community due to "cultural similarity" and to difficulties accessing formal support systems (Faist, 2000). Although dense multiplex networks are often based on trust and solidarity reducing transaction costs, there are also some potential downsides that can be contra-productive for further business development as they place high personal obligations on their members with increased social control and prevent their members from accessing broader business networks (Portes and Landolt, 1996). Several studies show that relying only on resources from the migrant community can result in a mobility trap and lead to isolation from the mainstream economy (Bates 1994; Goebel and Pries, 2006). Granovetter (1995) describes the mechanism of *coupling and decoupling* whereby migrants draw on the resources from the migrant community (mainly strong ties to family and peers) in the initial phase of business establishment but over time successful entrepreneurs tend to broaden their business ties beyond this group favouring *specialised ties* (Wellman, 1984) in order to gain more autonomy and to be able to operate in larger markets.

Although most studies of migrant business emphasise the importance of ethnic intra-community social capital for the business formation, they rarely look at its content and the context of accessibility, assuming that it is simply available to all members of migrant community prior to business start-up. However, social capital within a migrant community is not evenly distributed and available to all migrants of the same origin (Franzen and Pointer, 2007). Also the value of social capital that can be gained from the migrant community depends on *horizontal* (ties between individuals in the same social position) and *vertical ties* (between individuals in different social positions, Ryan, 2011) to members of this community, as members have different hierarchical social statuses. Tolciu (2011), studying Turkish migrants in Germany, criticises the assumption of natural ethnic solidarity and adopts the concept of *bounded rationality* put forth by Simon (1993) where entrepreneurial outcomes are a matter of optimisation under constraints. Unable to achieve optimal rationality due to external (e.g. institutional context) and internal (e.g. limited access to mainstream business networks and financial resources) constraints, migrants choose a satisfactory alternative instead. They use social capital from their migrant community not necessarily because of their ethnic identification or ethnic solidarity but rather because they understand their ethnic social capital as a strategic, economic

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