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### Growth aspirations and growth determinants of immigrants early stage entrepreneurs

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## Growth Aspirations and Growth Determinants of Immigrants Early Stage Entrepreneurs

Karin ŠIREC – Polona TOMINC\*

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### Abstract

*Paper analyses the differences between early stage immigrant and native entrepreneurs regarding growth determinants and growth aspirations, across southeast (SeECs) and north and west (NwECs) European countries as well as the associations between their growth determinants and growth aspirations. The study used data from the Global Entrepreneurship Monitor Adult Population Survey. Results 1) significant differences between growth aspirations of immigrant and native early stage entrepreneurs were found only in the group from north and west European countries; 2) growth determinants stimulate early stage entrepreneurs' growth aspirations in both regions; 3) significant differences between growth determinants of immigrant and native early stage entrepreneurs were found only in the group from north and west European countries. For this region, it was confirmed that immigrants' early stage entrepreneurs are using new technologies and introduce new products/services as well as are internationally oriented to a significantly greater extent than native early-stage entrepreneurs.*

**Keywords:** *immigrant entrepreneurship, growth aspirations, innovation activity, international orientation, South-East European countries, North and West European Countries*

**JEL Classification:** M13, L26, J61, F22

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### Introduction

Existing globalization-accelerated migration has become a social phenomenon that is having a significant impact on modern societies. The speed and scale of intensified immigration to Europe call for a “new geography of migration”, which

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needs to concentrate on various new insights into the socioeconomic and spatial effects that highly diverse immigrants generate within particular local/regional labour markets (Marozzi, 2016; Kourtit and Nijkamp, 2012; Baycan-Leventa and Nijkamp, 2009). The increase of international immigration in developed countries and their contribution to economic growth and regional development encourages researchers to study the immigrants' phenomena and their participation in the labour markets – not only as employees, but rather as entrepreneurs (Head and Ries, 1998; Wong and Primecz, 2011). The development of any economic and social system is undoubtedly grounded to a large extent in the development of entrepreneurship (Acs and Szerb, 2011; Acs, 2002). Entrepreneurship has become one of the most important factors for economic development due to the creation of new enterprises and employment as well as the creation of jobs within existing companies (Wennekers and Thurik, 1999; Van Stel, Carree and Thurik, 2005; Wong, Ho and Autio, 2005). Therefore, strengthening the knowledge of regional differences (in our case, between two regions: South-east and North-west European Countries (SeECs and NwECs, respectively) regarding entrepreneurial growth aspirations and their determinants – the main focus of the present research – is of the utmost importance.

Immigrant entrepreneurship (through ethnic participation in terms of self-employment) has been seen as a powerful economic force and a contributor to solving structural labour market imbalances in many industrialized countries. It has, for example, become one of the driving forces for the growth of national and regional economies, particularly in the USA, but also in many European countries, by increasing the employment opportunities for ethnic segments in the urban population and in resolving social tensions and problems (Kloosterman, van der Leun and Rath, 1998; OECD, 2006; Baycan-Leventa and Nijkamp, 2009; Rocío and Rialp, 2013). Recent waves of immigration in Europe have transformed the demography as well as social, economic, and political structures of urban and suburban areas. Therefore, investigating immigrant entrepreneurship is vital for social, academic, and political interest. Entrepreneurship might be seen as a way to curb unemployment and combat exclusion among certain groups (i.e., immigrants) who suffer social and labour discrimination and marginalisation.

The research primarily focused on finding the relationship between the potential growth of the early stage entrepreneurs (observed through the early stage entrepreneur's growth aspirations) and their innovation as well as international orientation. This study expects the findings to contribute to the better understanding of the so-called quality entrepreneurship (e.g., growth and innovation-oriented entrepreneurship) dimensions among immigrant and native entrepreneurs. Against this background, the aim of this paper is to examine and compare growth determinants

of immigrant and native early stage entrepreneurs<sup>1</sup> in two European regions (i.e., SeECs and NwECs) in order to identify a systematic relationship between the investigated variables and highlight important elements of immigrant entrepreneurship in Europe.

Growth aspiration has proved to be a key predictor of actual business growth (Wiklund and Shepherd, 2003; Delmar and Wiklund, 2008); therefore, examining the expectations of early stage entrepreneurs' job creation and its determinants (innovation and international orientation) might offer valuable insights into the issues and challenges they are facing. Entrepreneurs must also accept decisions in terms of whether they want their firms to grow or not. Most persons involved in new firm formation have no growth aspiration (Wennekers and Thurik, 1999; Henrekson, 2005). Although not all expectations materialize, growth aspirations have proven to be a good predictor of eventual growth (Davidsson and Wiklund, 2000). Because an entrepreneur's aspiration for firm growth is important for actual business growth, the identification of the key determinants that contribute to the formation of entrepreneurs' aspiration is equally important. One of the few theories incorporating entrepreneurs' growth intentions when attempting to explain variations in actual firm growth is the theory of planned behaviour (TPB) (Ajzen, 1991). Central to this theory is an individual's intentions to perform a given behaviour. Intentions or aspirations are assumed to be accurate predictors of actual behaviour. Their main disadvantage lies in the fact that they combine elements of growth willingness and growth ability. A firm's innovation and international orientation are assumed to have stimulating effects on eventual firm growth and have recently attracted increased interest among policymakers, researchers, and business leaders (Koellinger, 2008; Williams and Shaw, 2011; Močnik and Širec, 2016).

Many studies have explored the determinants of entering into entrepreneurship and the differences in self-employment rates across racial and ethnic groups, but the research field has remained quite fragmented. The current paper stemmed from the desire to address this gap by analysing the differences in perceived growth aspirations among early stage immigrant and native entrepreneurs in SeECs and NwECs as new firms might have a direct impact on economic performance of a country/region with their successful development and job creation. Data for our research are derived from the 2012 (for Slovakia) and from 2013 Global Entrepreneurship Monitor (GEM) research (other countries included into

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<sup>1</sup> The main focus in this chapter is early stage entrepreneurial activity which is, according to GEM, measured by the share of adults (18 to 65 years old) who are personally involved in the creation of a new venture and/or are at the same time employed as owners-managers of a new firm that is less than three and a half years old or are in the process of establishing a new firm.

this research).<sup>2</sup> The SeECs that participated in the GEM and completed a survey on immigrant entrepreneurship included Bosnia and Herzegovina, Croatia, the Czech Republic, Hungary, Slovakia and Slovenia; from the NwECs group, participating countries were Belgium, France, Germany, Great Britain, Luxemburg, the Netherlands, and Sweden.

This paper proceeds as follows. First, the historical and geographical contexts are provided, followed by the theoretical foundations and the outline of the research method. The results of the research are then presented. The paper concludes with a discussion of policy implications arising from the results.

## 1. Historical and Geographical Contexts of Migrations

More than 26 million people have migrated to the EU in the last 20 years and, today, almost 7% of citizens living in the EU are non-communitarian (quite unevenly distributed in the various member states) (Gilardoni, D'Odorico and Carrillo, 2015). The history of migration within Europe reveals that, traditionally, the entry point of many labour migrants in Europe has been the north-west and central European countries, including Germany, Switzerland, Austria, France, and the Benelux countries. Since the 1980s, emigration countries such as Italy, Spain, Portugal, Greece, Ireland, Norway, and Finland have begun to experience significant immigration, especially in the 1990s and 2000s. Southern European countries have also become immigration countries, receiving people from Northern Africa, the Balkans, and the Eastern Mediterranean, mostly through illegal immigration due to the closeness to these regions, the geographical features (e.g., coastlines, mountainous regions) that facilitate entry, and the perception that these areas are often transit countries (Lazaridis and Poyago-Theotoky, 1999; Cavounidis, 2002; Stalker, 2002; Zimmermann, 2005). The new EU member states, which joined in 2004 or after, are experiencing emigration, transit migration, and immigration at the same time (Penninx et al., 2014). With respect to intra-European migration, the Baláž and Karasová (2017) study revealed that Italy, Spain and the UK were the major migration targets. Italy and Spain emerged as principle destinations for inflows from Romania and UK accounted for a substantial increase in the absolute stocks of intra-European migrants.

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<sup>2</sup> Within the Global Entrepreneurship Monitor, the importance of migrant entrepreneurship was recognized and analysed in 2012 and 2013 as a special topic included in the adult population surveys of participating countries. The justification for the division of investigated sample into two distinctive regions (SeECs and NwECs) is precisely described in chapter 2. Since migrants' entrepreneurship block was the optional block in 2013, seven NwECs and five SeECs are included into our research, while Slovakia participated in this part of the survey in 2012 only.

The trend is expected to continue in the coming decades as well due to push and pull factors. Push factors are due to high socioeconomic inequalities between more and less developed countries, which foster unemployment, war, and authoritarian regimes that create asylum seekers. Pull factors stimulating migrations are the decline and aging of the indigenous population in most European countries and the unwillingness of many native workers to perform lower-tier jobs. The structural inefficiencies in the EU labour markets cause economic costs (Roed and Schone, 2012; Constant and Zimmermann, 2013), which could be mitigated through efficient migration policy because migrants bring in useful skills and compensate for labour shortages (Quintini, 2011). More recent empirical study by Baláž and Karasová (2017) discuss contemporary intra-European movements that are quite complex and different from traditional economic motives. According to Verwiene, Weisböck and Teitzer (2014) work, social and family related motives are the primary reason for migration. Another aspect emphasize the mobility from a life course perspective; where young student migrate due educational reasons, retired people for example migrate from north to south being motivated among others by a higher quality of life and lower costs of living etc. The right of free movement within the EU has opened up a space for multiple forms of mobility (Castro-Martín and Cortina, 2015). Return and circular migration are especially important in post-enlargement Europe (Baláž and Karasová, 2017). The Eastern European migrants, for example, are more likely to engage in temporary circular (serial) and transnational mobility (Favell, 2008).

Because of the different migration experiences and diverse local and regional circumstances, European countries exhibit marked differences in their immigrant entrepreneurship experiences. Table 1 provides a basic overview of investigated countries within two distinctive European regions – SeECs and NwECs – to show the broader context in which the entrepreneurship processes take place. Basic economic data, such as GDP per capita and unemployment rates, are presented. Some data on the business supportive environment are included – namely, rankings on competitiveness, the ease of doing business, and the ease of starting a business as well as self-employment rates of immigrants and natives and the proportion of immigrant and native self-employed with employees. As Table 1 indicates, considerable differences exist among these two groups of countries.

The division of our research into two distinctive country groups derived from the historically different immigration waves within Europe as well as the different migration ramifications, including the cultural and socioeconomic characteristics of migrant groups and the socio-political circumstances in the host countries. They have caused a variety of recent immigrant entrepreneurship experiences of different European countries and regions (Baycan-Leventa and Nijkamp, 2009).

Table 1  
Demographic and Economic Data of the SeECs and NwECs

Country	GDP per capita (current USD), 2015*	Unemployment rate, 2016**	World competitiveness ranking, (among 140 countries), 2015 – 2016*	Ease of doing business rank (among 189 countries), 2015***	Ease of starting business rank (among 189 countries), 2015***	Self-employment rates of immigrants, 2013****	Self-employment rates of natives, 2013****	Proportion of immigrant self-employed with employees, 2013****	Proportion of natives self-employed with employees, 2013****
<i>South-East European Countries</i>									
Slovenia	31,007.44	9.8	59 <sup>th</sup>	51	15	10.2	12.3	35.3	26.3
Hungary	26,221.99	4.4	63 <sup>rd</sup>	54	57	11.7	10.7	53.4	47.6
Croatia	21,581.43	11.7	77 <sup>th</sup>	65	88	16.6	17.5	39.2	23.0
Bosnia and Herzegovina	10,491.80	39.65	111 <sup>th</sup>	107	147	–	–	–	–
The Czech Republic	31,549.49	4.1	31 <sup>st</sup>	44	110	26.7	16.6	25.4	19.6
Slovakia	29,720.06	7.4	67 <sup>th</sup>	37	77	16.8	15.5	–	20.2
<i>North and West European Countries</i>									
Germany	46,893.17	3.9	4 <sup>th</sup>	14	114	–	10.7	–	45.2
Sweden	47,922.24	7.2	9 <sup>th</sup>	11	32	10.0	10.4	38.6	36.4
Netherlands	49,165.83	5.1	5 <sup>th</sup>	27	21	15.4	15.6	20.2	25.1
Belgium	43,584.99	6.8	19 <sup>th</sup>	42	14	15.2	14.0	30.5	30.3
Great Britain	41,158.91	4.6	10 <sup>th</sup>	8	45	16.7	13.8	15.6	17.7
France	41,180.70	9.6	22 <sup>nd</sup>	31	28	11.4	10.8	39.4	39.6
Luxemburg	98,987.19	6.0	20 <sup>th</sup>	59	82	8.6	8.3	30.0	33.7

Sources: \* WEF (2015); \*\* <http://www.tradingeconomics.com>; \*\*\* World Bank (2015); \*\*\*\* Eurostat (2014).

## 2. Theoretical Background and Proposed Hypotheses

Immigrant entrepreneurship is described as the process by which an immigrant establishes a business in a host country (or country of settlement) which is not the immigrant's country of origin (Dalhammar, 2004, p. 14). Hart and Acs (2011) argue that empirical studies on immigrant entrepreneurship are dominated by the study of self-employment, ethnic enclaves, and – most recently – transnationalism. These literature findings give somewhat contradictory results. Some authors claim that immigrants are more likely to start companies than the native born (Fairlie, 2008; Light and Rosenstein, 1995), suggesting that they may have a significant positive effect on the hosting country's level of entrepreneurship (Zelekha, 2013). Other authors emphasize that, although immigrant entrepreneurship can be a promising avenue enabling individuals to gain economic mobility and social recognition (Kontos, 2003; Ram and Smallbone, 2003), it is

commonly discredited on the grounds of being a low value-added, rarely innovative, and only marginally profitable experience (Light and Rosenstein, 1995). As the volume of migrant groups in Europe as well as the share of business ownership among these groups is expected to continue to grow, more knowledge shedding light on these conflicting results is needed.

When studying the impact of entrepreneurial activity of early stage entrepreneurs on national economies, it is a rather narrow group of ambitious entrepreneurs who are especially important for economic growth (Wong, Ho and Autio, 2005; Stam et al., 2012). Ambitious entrepreneurs are those individuals who attach importance to performing (more than) well with their business (Stam et al., 2012). Previous research has identified many determinants on different levels of analyses when trying to explain growth aspirations and ambitions. In practice, ambitious entrepreneurs are more likely to achieve substantial firm growth, although findings at the personal level indicate that growth aspiration might not be sufficient for the realization of subsequent firm growth. In order to achieve actual growth, actions such as strategic planning, innovation practices, and internationalisation are needed (Guzmán and Santos, 2001). Hermans et al. (2015) literature review showed that recent studies regarding aspiring entrepreneurs neglect the impact from such organizational characteristics. Stam (2015) claimed that aspiring entrepreneurs innovate and internationalize more than “average” entrepreneurs. Verheul and Van Mil (2011) found that firm internationalization is positively associated with growth aspiration, suggesting that export strategies help entrepreneurs fulfil their growth ambitions. On the other hand, no consensus exists about the actual role of innovation with regard to growth aspiration. Bosma and Schutjens (2009) showed that high levels of innovation orientation do not necessarily coincide with growth ambitions, whereas Stenholm (2011) demonstrated that innovation practices such as the development of new products have a positive and direct effect on growth and, interestingly, that innovation negatively moderates the effect of expectations on realized growth. Given these contradictory results, it is still unclear whether or not innovation is a prerequisite for growth aspiration; therefore, the role of innovation requires further investigation.

From the perspective of policy implications, it is very important that supporting measures not be directed towards general support of entrepreneurship, but rather be focused particularly on those who are opportunity driven and express higher inclination towards ambitious entrepreneurial activity (in the case of our research, those who aspire to achieve job growth). In this study, the focus is on growth aspiration among immigrant and native early stage entrepreneurs from two distinctive regions. Early stage entrepreneurs are faced with the decision as to whether or not to aspire for continued growth or to remain at the status quo.



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As already described, we build on the TPB (Ajzen, 1991) in order to identify key attitudes and subjective norms that predict early stage entrepreneurs' growth aspirations. The research follows the assumption that immigrants have a particular configuration of their human and social capital. Their behaviour influencing early stage entrepreneurial activities is therefore different than that of their native-born counterparts (Achidi and Priem, 2011).

### **2.1. Growth-Oriented Entrepreneurship and Immigrations**

The willingness and ability of firm growth is a complex issue for early stage entrepreneurs because of the absence of certain resources (Penrose, 1959), environmental uncertainty, and the different perceptions of entrepreneurs (Chen, Zou and Wang, 2009). Therefore, it needs to be emphasized that firm growth is neither a self-evident phenomenon nor a matter of chance. According to the literature, firm growth depends upon various factors (individual, institutional, environmental, etc.) and presents one of the most important policymakers' objectives, which is to create employment.

GEM provides information on how many employees (other than the owners) early stage entrepreneurs currently have and expect to have in the next five years. This measure presents entrepreneurs' growth aspirations, which is one of the main drivers of firms' future growth. The growth aspirations of early stage entrepreneurs are their goals; as the entrepreneurs estimate such goals themselves, they are not necessarily objectively possible. As such, it is likely that entrepreneurs in the early stages of entrepreneurship are subjectively projecting higher potential growth than those who have been entrepreneurs for a longer period. This phenomenon of self-perception has been extensively explored in the literature (Bager and Schott, 2004; Tominc and Rebernik, 2007). Research results indicate that some early stage entrepreneurs' estimates might be inaccurate due to incompetence or over-optimism, whereas others are more modest. It is also more likely that the first group will abandon their early stage business sooner than the latter one (Davidsson, 2006). At the same time, it has been well established that growth realization is seldom achieved without growth aspirations (Stam et al., 2012).

Cassar (2006) showed that an entrepreneur's growth aspirations are influenced by opportunity costs related to the use of human and financial capital, which differ considerably among immigrant and native early stage entrepreneurs. Immigrant entrepreneurs often limit their opportunity recognition to their co-ethnic community's needs and find it difficult to break out of co-ethnic markets and access the mainstream economy. Moreover, firms run by immigrant entrepreneurs in the EU are present in low-skill industries, where price competition is

extremely high (CEEDR, 2000; Marucci and Montedoro, 2010). Similar findings are evident within a study from Italy revealing that immigrant-owned businesses have little growth potential because they are not active in innovative activities (Di Maria and De Marchi, 2008). Vargas (2005, p. 579) and Dana and Morris (2007, p. 7) summarized the barriers to the performance of immigrant entrepreneurs to include lack of capital, lack of skills, lack of support, excessive compliance costs, excessive regulations, high taxes, discrimination, language, and crime.

However, the evidence from Saxenian (2002) started another stream of immigrant entrepreneurship research challenging the stereotypical association of immigrant entrepreneurs with low value-added and low growth potential businesses. The growing body of literature suggests that many highly skilled immigrants launch successful firms because their access to two different cultures – their birth country and a new country – increases the search area in which entrepreneurs can look for opportunities to grow their businesses (Hart and Acs, 2011). An investigation of the differences between first- and second-generation immigrant entrepreneurs revealed that second-generation immigrant entrepreneurs may be better positioned for growth because they are able to enter into a broader set of industry sectors than their parents (Ndofor and Priem, 2011).

Immigrants face many specific differences compared to native early stage entrepreneurs, and they are driven to look for some kind of a competitive advantage, including placing more emphasis on creating unique economic initiatives such as cooperation with other immigrants and/or with their homeland country's economic activity (bilateral trade or investments) (Zelekha, Sharabi and Bar-Efrat, 2012) where they can gain advantages in exploiting international networks. On the other hand, many immigrant entrepreneurs have relatively poorly developed business networks, which can be even worsened by the lack of their language skills. CEEDR (2000) demonstrated that immigrants in EU countries have difficulties accessing financing due to short or non-existent credit histories.

Entrepreneurs' aspirations are highly dependent on the impact of external environmental influences. Park (2005) identified the external environment as a key influencing factor in the process of new firm foundation. Individuals' behaviours often change as they gain experience and knowledge by interacting with the world around them. A stepwise process is proposed – involving innovation, a triggering event, implementation, and growth – to outline how the combined interactions of both individual personality and external environment factors can influence each of these stages. Baycan-Levent and Nijkamp's (2009) study showed remarkable differences in migrant entrepreneurship between northern and southern European countries – first due to the already described migration history, second due to geographical characteristics and the difference in strictness

of policy measures, third due to the difference in labour market structure, and finally due to the specific nature of the southern European economies, where a thriving informal economy and a rapid expansion of the tertiary sector exist and have, in turn, led to the creation of many opportunities for immigrants. Storper and Scott (2009) also showed that regions richer in human capital (in our case, north-west European countries [NwECs]) are more able to attract and successfully assimilate immigrants. In light of the evidence from previous studies and the features of SeECs' and NwECs' macroeconomic and sociodemographic circumstances, we test the following hypothesis:

Hypothesis 1: *Immigrant early stage entrepreneurs have higher growth aspirations than native early stage entrepreneurs, with the difference being more emphasized in northern and western countries of Europe than in south-eastern countries.*

## **2.2. Growth Determinants and Immigrations**

Further research concentrates on examining growth determinants of immigrants and native entrepreneurs. Two growth determinants that have provided a long-term contribution to economic growth, innovation, and international orientation have been studied.

Innovation in a given economy depends not only on individuals (entrepreneurs), networks of innovative enterprises and research organizations, suppliers, and customers, but also on various institutional factors, such as the public financing system of research, the nation's system of schooling, training, and financial establishments. Such innovation can be seen as the outcome of mutual activities of various members of the whole system (OECD, 1997). Thus, the functioning of these joint constituencies of the system, whose outcome is represented by innovation, is greatly dependent on economy-specific formal (e.g., regulatory frameworks) and informal (e.g., rules, conventions, and norms) institutions (Acs, Anselin and Varga, 2002). As a result, innovation activities are not equally distributed in space (i.e., Stohr, 1986; Crnogaj, Rebernik and Bradač Hojnik, 2015), although it is possible to face them with different development levels of regional innovation systems (i.e., Acs, 2002; De la Mothe and Pacquet, 1998). Besides environmental conditions, entrepreneurial innovativeness depends on individual factors and the environment (firm specific) in which the individual acts. According to TPB, in our paper, the important question is the identification of individuals' attitudes toward innovation. In order to include this aspect of innovations in one's entrepreneurial activity, the proxy (which may have some weaknesses) included in our model is the GEM measure of innovativeness – namely, age of technology entrepreneurs are using, level of competition they are facing, and newness of products they are offering.

Previous research examining immigrants' innovation activity has revealed contradictory findings. Stephan and Levin (2001) found that, in the United States, foreign-born or foreign-educated individuals presented a disproportional percentage of researchers who have made exceptional contributions to science and engineering projects. Saxenian (1999) confirmed that, in Silicon Valley, 32% of the scientists and engineers in the high-technology workforce were foreign-born. Kerr (2008) found that immigrant groups of Chinese or Indian ethnic origin express higher overall patenting activity than the average American population. Similarly, Hunt and Gauthier-Loiselle (2010) showed that skilled immigrants improved innovation performance in the United States during the 1990 – 2000 period. More recently Kerr, Kerr, and Lincoln's (2013) study demonstrated that skilled immigration expands skilled employment and firms' innovation rates. All of the described studies concentrated on high-skilled immigrant groups. Studies investigating the general immigrant population, on the other hand, have shown that immigrants have a smaller start-up size and that their founders are younger when they start their company (Mueller, 2014). Consequently, they face difficulties accessing capital and contribute a less innovative performance.

Exporting firms have been shown to record significantly higher levels of absolute growth (Westhead, Wright and Ucbasaran, 2001); thus, international orientation was the second determinant included in our empirical investigation. Terjesen and Szerb (2008) found that aspirations for growth are consistent with aspirations in terms of innovation, exports, outside investment, and the estimated size of the start-up capital required for starting the firm. Verheul and Van Mil (2011) also established that an international orientation is significantly correlated with growth ambition. International markets may speed up the growth process of early stage business, as they offer new business opportunities.

An alternative analytical approach in international migration studies, referred to as "transnationalism," has also been introduced (Portes, Guarnizo and Haller, 2002; Rusinovic, 2008). According to Portes, Guarnizo and Landolt (2002), transnational entrepreneurs are immigrants whose firms' success depends on their connections in another country, primarily their country of origin. Transnational entrepreneurship has the potential significance for the course of immigrants' economic adaptation to the receiving societies and for the development of sending nations (Portes, Haller and Guarnizo, 2001, pp. 7 – 8). Studies in Italy, for example, have shown that the linguistic and cultural know-how of foreign-born entrepreneurs could provide a secure element of advantage in the implementation of internationalization strategies (Di Maria and De Marchi, 2008). Having the advantage of knowing more than one culture can be beneficial when internationalizing and growing the business in international markets.

According to Light (2010), this is most easily accomplished by first-generation ethnic minority entrepreneurs who have an intimate knowledge of their parents' culture and the culture of their native country.

Terjesen, Hessels and Li (2016, p. 163), who systematically examined comparative international entrepreneurship, clearly stated that "internationalization decisions are based on the features of the entrepreneur, firm, and external environment." In light of the described circumstances, it can be assumed that NwECs might stimulate early stage entrepreneurs to be more ambitious in the sense of growing their business through innovation and internationalization. In addition, positive associations of growth determinants and growth aspirations of early stage entrepreneurs in both groups of countries are assumed. In line with this understanding, the following two hypotheses were formed:

*Hypothesis 2: Immigrant early stage entrepreneurs express higher growth determinants than native early stage entrepreneurs, with the difference being emphasized more in northern and western countries of Europe than in south-eastern countries.*

*Hypothesis 3: Growth determinants of early stage entrepreneurs are positively associated with their growth aspirations in northern and western countries as well as south-eastern countries of Europe.*

### **3. Methodology**

#### **3.1. Data Collection and Sample**

This research is based on the Global Entrepreneurship Monitor. GEM research was designed as a comprehensive assessment of the role of entrepreneurship in national economic growth (Reynolds et al., 2005). The GEM conceptual model includes a wide range of factors associated with national variations in entrepreneurial activity and the major contextual features.

GEM enables research and analyses of the characteristics, relationships, and dependencies at the individual level as well as on the aggregate country level. As conceptualized by the GEM research framework, the entrepreneurial process consists of several consecutive phases that are explored: entrepreneurial intentions phase, nascent, new and established entrepreneurs as well as exits from entrepreneurial activity. Our research is focused on early stage entrepreneurs, where the distinction between immigrant and native entrepreneurs is being made. Total early stage entrepreneurial activity (TEA) rate in a country is defined as "the prevalence rate of individuals in the working age population who are actively (as owners and managers of firms) involved in business start-ups, either in the phase of the birth of the firm (nascent entrepreneurs) or in the phase of spanning

over 42 months after the birth of the firm (new entrepreneurs) (Amoros and Bosma, 2014, p. 7), with the birth of a firm considered as a time when firm is paying wages for more than three months. Established entrepreneurs are those that have been in existence for more than three and a half years, but our research does not include them into an investigation.

The data used were collected within the 2012 and 2013 GEM research cycles. Our research focuses on countries of the southeast Europe on one side and on countries in North and West Europe on the other. Countries included in our research have performed the part of the survey designed to identify immigrant entrepreneurs among early stage entrepreneurs. Representative samples of the adult populations in each country were surveyed, with respondents' weighting factors that take into account age and gender distribution of samples in order to match the standardized U.S. Census International Data Base. A detailed data collection design within GEM is reported by Reynolds et al. (2005). Sample characteristics of countries included in our research are presented in Table 2. In Appendix descriptive statistics and correlation coefficients for growth determinants variables are presented.

Table 2  
National Samples' Characteristics

Countries	Sample size*	TEA rates	% of early stage entrepreneurs among immigrants in the sample
<i>South-East European countries</i>			
Bosnia and Herzegovina	2,004	10.34	9.4
Croatia	2,000	8.27	8.8
The Czech Republic	5,009	7.33	11.5
Hungary	2,000	9.68	10.5
Slovakia	2,000	10.22	9.6
Slovenia	2,002	6.45	4.6
<i>North and West European countries</i>			
Belgium	2,001	4.92	7.5
France	1,567	4.57	4.7
Germany	5,995	4.98	6.9
Great Britain	9,012	7.14	6.6
Luxemburg	2,005	8.69	9.7
The Netherlands	2,441	9.27	8.7
Sweden	1,820	8.25	6.6

Notes: \* Number of respondents 18 – 64 years old.

Source: GEM (2013).

### 3.2. Variables

Early stage entrepreneurs were asked additional sets of questions, which help us to identify their growth aspirations as well as growth determinants and immigrant background.

*Growth aspirations:* early stage entrepreneurs are asked how many employees (other than the owners) they currently have and expect to have in the next five years. This measure relates to the entrepreneurs' expectations about the potential for their businesses, but, in most cases, this is also reflecting their ambitions to grow their ventures (Amoros and Bosma, 2014). On the basis of the identified differences, the variable »growth aspiration« was obtained, having the value of 0 if the difference equals 0 or less and 1, if the difference was positive value; therefore, any growth expectations (greater than zero) are taken into account, avoiding the calculation of the exact number of expected new employees.

*Immigrant or native entrepreneurs:* early stage entrepreneurs are also asked questions about their possible migrant status with the purpose to identify the first- and second-generation migrants. If this is the case, the variable equals 1 and 0 otherwise.

*Growth determinants:* Innovative aspects of early stage entrepreneurs are, in GEM, identified by the perceived extent to which an entrepreneur's product or service is new to some or all customers, whether few or no other businesses offer the same product and by the novelty of technology used to produce outputs (products or services). When comparing economies, it must be kept in mind that what may seem new to customers in one economy may already be familiar to customers in another; nevertheless, a higher degree of innovative orientation is still expected to have a positive impact on growth aspirations; the same holds true regarding the assessment of novelty of technologies used. Also the international orientation is taken into account; a specific GEM measure assesses the extent to which entrepreneurs sell to customers outside their economies:

- *New products:* If the early stage entrepreneur assesses that the product or service of his/her business is new to all or several potential customers, the variable equals 1 and 0 otherwise.

- *New markets:* If the early stage entrepreneur assesses that there are no or just few competitive producers of product or service of his/her business, the variable equals 1 and 0 otherwise.

- *New technologies:* If the early stage entrepreneur assesses that the available technology is used for his product/service no longer than a year, the variable equals 1 and 0 otherwise.

- *International orientation:* If the early stage entrepreneur assesses that at least 25% of his customers are living outside the origin country, the variable equals 1 and 0 otherwise.

Control variables are *age*, *gender*, *educational level* and *entrepreneurial experiences*. Age of an individual is measured in years, while gender is binary variable: 0 for males and 1 for females. Educational level is categorical variable (categories: primary education or less, some secondary/vocational education,

secondary education, post-secondary/higher vocational education and graduate experience (master, doctorate)). Entrepreneurial experience is binary variable: 1 if an individual assesses that he/she has entrepreneurial experience/knowledge/skills, 0 otherwise.

### 3.3. Methods

To study differences among immigrant and native early stage entrepreneurs regarding the growth aspirations and growth determinants (H1 and H2) the chi-square and Fisher's exact tests at  $p < 0.10$  significance level were used: the hypotheses that the proportions of early stage entrepreneurs with growth aspirations or those assessing the individual growth determinants are the same in the group of immigrant and native entrepreneurs were tested.

In order to test hypothesis H3, we use the binomial logistic regression models, for samples of respondents from each group of countries separately: for southeast European countries and for countries from north and west Europe. The binomial logistic regression estimates the probability of an event happening, which, in the case of our research, is the presence or absence of growth aspirations. We ran two binomial logistic regression models for each group. The first included the control variables, and the second included both, control variables and growth determinants of early stage entrepreneur, as well as country dummy variables.

The analysis does not assess the overall adequacy of the model (because only a selected part of the growth intention model is taken into account (the logistic regression assumption are fulfilled; Tabachnick and Fidell, 2013), but it emphasizes the association of a migrant status as a factor determining entrepreneurial growth aspirations at the individual level and especially the nature of the potentially founded firms as compared with those founded by non-immigrant entrepreneurs. In order to test the significance of the individual regression coefficients, the Wald test with  $p < 0.10$  significance level is used. Also the  $\text{Exp}(\beta)$  (odds ratio) is reported, which represents the exponent of the regression coefficient. For binary variables, it approximates how much more likely or unlikely it is for an outcome to be present (i.e., growth aspirations) among those respondents with a predictor value equal to 1 as compared to those who have a predictor value of 0.

## 4. Results

The results in Table 3 show that no significant differences between growth aspirations of immigrant and native early stage entrepreneurs were found in the group of early stage entrepreneurs from south-eastern European countries.



Although more than 63% of early stage entrepreneurs with immigrant backgrounds reported growth aspirations, compared to 57.7% of native entrepreneurs, the difference is not significant. On the other hand, a significant difference was found in the group of early stage entrepreneurs from northern and western European countries; thus, a significantly higher proportion (55%) of immigrant early stage entrepreneurs expressed positive expectations about the growth potential for their businesses than native entrepreneurs (45%). Therefore, hypothesis H1 is partly confirmed, because a significant difference was found regarding growth aspirations of immigrant and native early stage entrepreneurs for northern and western European countries.

A similar situation occurred regarding the growth determinants of immigrant and native early stage entrepreneurs. No significant difference was found in the group of south-eastern European countries whereas, in the group of northern and western European countries, immigrant early stage entrepreneurs are using new technologies and introducing new products/services and are internationally oriented to a greater extent than native early stage entrepreneurs. Again, hypothesis H2 is partly confirmed for northern and western European countries. The part of an answer might lie in already described intra-European migration motives from East to West, where according to Favell (2008) more educated and high-skilled individuals from the east are making use of the EU's parallel freedom of establishment laws setting up their own business in more opportunities promising West.

Table 3

**Chi-square and Fisher's Exact Test**

Variables	Proportion in the group of immigrant early stage entrepreneurs	Proportion in the group of native early stage entrepreneurs	Chi-square	Asymp. Sig.	Fisher's exact Sig.
<i>South-East European countries</i>					
Growth aspirations	63.7	57.7	1.285	0.257	0.272
New technologies	17.6	15.0	0.447	0.504	0.543
New markets	52.7	45.4	1.827	0.177	0.191
New products	36.3	42.1	1.184	0.277	0.321
International orientation	25.0	22.7	0.253	0.615	0.600
<i>North and West European countries</i>					
Growth aspirations	55.0	45.0	10.382	0.001**	0.001**
New technologies	13.0	9.0	3.088	0.079*	0.094*
New markets	53.0	53.0	0.016	0.900	0.901
New products	52.0	42.0	9.694	0.002**	0.002**
International orientation	27.0	17.0	17.328	0.000**	0.000**

Notes: \*\*  $p < 0.05$ ; \*  $p < 0.10$ .

Source: Authors.

Tables 4 and 5 present the logistic regression results for each group of countries, with control variables (Models A) and with control and growth determinants variables as well as with country dummies (Models B). Logistic regression results indicate that the logistic regression models are significant at the 0.05 level and the percentage of correct predictions in models B is over 60.0%. Although the Nagelkerke R<sup>2</sup>, that indicates the power of explanation of the model is low, the purpose of the model to analyse the differences according to the hypotheses defined, is fulfilled. In the group of south-eastern European countries (Table 4) as well as the northern and western European countries (Table 5), age is, as expected, significantly and negatively associated with the growth aspirations; being a female is also negatively associated with growth aspirations, but significantly so only in north-western European countries, while the educational level is not significant overall. Meanwhile, an individual's assessment of having experiences, skills, and knowledge for entrepreneurship is positively and significantly associated with the growth aspirations of early stage entrepreneurs.

Table 4

**Logistic Regression Models; North-West European Countries**

Variables	Model A			Model B		
	Coeff.	Wald	Exp( $\beta$ )	Coeff.	Wald	Exp( $\beta$ )
Gender	-0.425**	15.465	0.654	-0.384**	12.076	0.681
Age	-0.014**	10.386	0.987	-0.013**	9.552	0.987
Education:						
• None		4.672			4.519	
• Some secondary	-0.376	0.948	0.687	-0.232	0.336	0.793
• Secondary	-0.497*	5.175	0.608	-0.454*	3.936	0.635
• Post secondary	-0.372*	4.141	0.689	-0.303	2.430	0.739
Graduate experience	-0.226	1.754	0.797	-0.207	1.260	0.813
Entrepreneurial experience, skills and knowledge	0.313**	4.022	1.368	0.346**	4.680	1.413
New technologies				0.361**	3.667	1.433
New markets				0.328**	8.887	1.388
New products				0.355**	9.861	1.427
International orientation				0.277*	3.784	1.319
Entrepreneur – immigrant				0.265*	3.198	1.303
North and West Europ C.						
The Netherlands					3.642	
Belgium				-0.249	0.287	0.779
France				-0.260	2.002	0.771
Great Britain				-0.067	0.927	0.935
Sweden				0.125	-0.232	0.883
Germany				0.071	2.622	1.074
Luxemburg				-0.229	0.138	0.795
<b>Model</b>						
Constant	1.087*	11.839	2.965	0.329	0.869	1.390
Step $\chi^2$ (df)	35.456** (7)			49.943 ** (11)		
Model $\chi^2$ (df)				86.408 ** (18)		
% correct classifications	54.9			60.2		
R <sup>2</sup> (Nagelkerke)	0.032			0.074		

Notes: \*\* p < 0.05; \*p < 0.10.

Source: Authors.

Table 5  
**Logistic Regression Models; South-East European Countries**

Variables	Model A			Model B		
	Coeff.	Wald	Exp( $\beta$ )	Coeff.	Wald	Exp( $\beta$ )
Gender	-0.172	1.962	0.842	-0.126	0.948	0.882
Age	-0.024**	22.114	0.976	-0.028**	24.717	0.973
Education:						
• None		5.808			4.652	
• Some secondary	0.825	3.560	2.282	0.903*	3.968	2.466
• Secondary	0.441	1.282	1.554	0.566	1.906	1.762
• Post secondary	0.641	2.566	1.898	0.564	1.817	1.758
Graduate experience	0.512	1.579	1.668	0.684	2.546	1.983
Entrepreneurial experience, skills and knowledge	0.398**	6.235	1.488	0.328*	3.800	1.388
New technologies				0.455**	6.166	1.576
New markets				0.431**	10.956	1.540
New products				0.156	1.367	1.169
International orientation				0.412**	7.125	1.509
Entrepreneur – immigrant				0.211	0.724	1.235
South-East Europ. C.						
Slovakia					3.808	
Hungary				0.180	0.595	1.197
Croatia				0.275	1.225	1.317
Slovenia				-0.033	0.016	0.968
BiH				-0.020	0.007	0.981
The Czech R.				-0.094	0.241	0.910
<b>Model</b>						
Constant	0.632	1.724	1.881	0.231	0.194	1.260
Step $\chi^2$ (df)					42.028** (9)	
Model $\chi^2$ (df)		36.013**(7)			77.943 ** (16)	
% correct classifications		59.4			62.3	
R2 (Nagelkerke)		0.038			0.085	

Notes: \*\* p < 0.05; \*p < 0.10.

Source: Authors.

Growth determinants are significant when estimating growth aspirations' prevalence; thus, the relationships are all positive. The odds ratios for growth determinants show that early stage entrepreneurs that create new markets, that create new products (this is significant for the NwECs group but not for the SeECs group) and that are technologically innovative and export-oriented are much more likely to perceive the potential and ambitions for growth than those who do not. The importance of all four control variables remains practically the same with the included growth determinant variables as well, while the country dummy variables show that the above described relationships are stable across each group of countries. Therefore, hypothesis H3 was supported.

Regarding the immigrant background of an entrepreneur in the group of northern and western European countries, we can confirm the significant positive relationship with an entrepreneur's growth aspirations; thus, those identified as immigrants (first or second generation) are approximately 1.3 times more likely

to report growth aspirations than those who do not. The significance of this relationship in the binary logistic regression model for the south-eastern European countries is not confirmed.

## 5. Discussion and Conclusions

The recent wave of immigrants in Europe calls for sound and in-depth investigation of economic integration as well as the potential for this specific group of people. The need to create appropriate structural conditions for immigrant entrepreneurship has never been more necessary. Thus, understanding the patterns of immigrant versus native early stage entrepreneurial activity sheds light on these important phenomena and highlights the need for future policy actions.

The presented study addresses the paucity of empirical research on the growth of immigrant-run firms (Efendic, Andersson and Wennberg, 2016). This paper adds to the literature by directly investigating growth aspirations and growth determinants at the individual level. Thus, it offers some new insights in differences between native and immigrant early stage entrepreneurs. It also contributes to the literature by studying the correlation between the innovation and international orientation on one side and the early stage entrepreneurs' growth aspirations on the other within two distinctive groups of early stage businesses: immigrant versus native early stage entrepreneurs. Finally, it also departs from the identified gap within the immigrant entrepreneurship study field, where most research thus far has been performed fragmentally, covering specific countries or even smaller regions and a metropolis. The present study uses data sets for two distinctive groups of countries (i.e., SeECs and NwECs), allowing us to compare native and immigrant early stage entrepreneurs, which is also quite rare within entrepreneurship research.

The empirical study in our paper reveals that, as expected, in both groups of countries, innovative aspects of early stage businesses as well as their international orientation are significantly correlated with the growth aspirations of early stage entrepreneurs, but immigrant and native early stage entrepreneurs in the group of NwECs only significantly differ in regard to their expectations about future growth: Those identified as first- or second-generation immigrants are approximately 1.3 times as likely to report growth aspirations than those who do not. Country differences among countries themselves in each of the two groups were not found. Immigrants and natives in the NwECs (but, again, not in the SeECs) are starting companies with, on average, significantly different characteristics in terms of innovative and international orientation; thus, it was confirmed that immigrant early stage entrepreneurs are using new technologies and

introducing new products/services as well as being internationally oriented to a greater extent than those started by natives.

Support for hypotheses H1, that immigrant early stage entrepreneurs have higher growth aspirations than natives, and H2, that immigrant early stage entrepreneurs express higher growth determinants than native early stage entrepreneurs, was found only for the northern and western European countries. This is also reflected in the link between the type of entrepreneur (immigrant entrepreneur/native) and growth aspirations. In fact, the link can be found only for the group of early stage entrepreneurs in northern and western Europe. But, as expected, for south-eastern countries and in the northern and western countries of Europe, hypothesis H3 was confirmed, in which growth determinants of early stage entrepreneurs are associated with their growth aspirations. It was also confirmed that age and being a female are significantly negatively associated with growth aspirations.

Our findings demonstrate that entrepreneurship in the form of early stage growth aspirations may be relevant for the socioeconomic inclusion of immigrant groups, but not equally within both investigated regions. Opportunities for socioeconomic advancement in terms of potential growth of early stage businesses are noticeable in NwECs but not so among early stage entrepreneurs from SeECs. According to Marozzi (2016), it is important to understand how society reacts to immigration. Are they perceived as a resource or as a threat? Our study implies a large potential for quality entrepreneurial engagement among immigrant early stage entrepreneurs. The results suggest that policymakers and governments must develop and sustain a healthy climate for starting and running businesses as well as supporting an immigration policy that creates the climate and conditions for the entrepreneurial engagement of immigrants. As innovation contributes to the long-term economic growth of a specific country and/or region, policies aiming to attract aspiring and ambitious immigrants as well as immigrants willing to create growing businesses are desirable. Most countries exercise separate policies for entrepreneurship and for immigration; therefore, new, improved practices of inclusive entrepreneurship are essential. This suggestion is also in line with the OECD-European Commission Project 'Inclusive Entrepreneurship in Europe' and the recent findings of Peroni et al. (2016), who showed that smart policies for immigration strengthen the National System of Entrepreneurship and thus promote growth and development. Through effective policy programmes, more people can be encouraged to start growth-oriented enterprises; thus, focusing growth support on those individuals motivated for growth is necessary. The OECD-European Commission Project provides best practices and policy examples from across Europe (OECD/European Union, 2015).

The current study also comes with limitations, several of which offer opportunities for future work. First, the data, unfortunately, do not allow us to establish the causal direction of the relationship. In other words, we cannot establish whether internationalization and innovativeness are determinants of entrepreneurial growth aspiration or if, instead, the individuals' aspirations to grow increase international and innovative activities of early stage entrepreneurs. Should the causality of innovativeness and internationalization be confirmed by further research, findings that these variables are highly correlated to the likelihood of having growth aspirations are important because of their potential policy implications. Second, although we were able to include individual-level variables (measured as the perception of early stage entrepreneurs), the research lacks a wide array of firm-specific factors (e.g. first vs. second generation migrant companies, opportunity vs. necessity driven companies, sector, companies' size) that we could not include in the model. Third, an important limitation concerns the heterogeneity of immigrants depending on their country of origin (Efendic, Andersson and Wennberg, 2016). Our research focused on a broad population study rather than a narrow study of one or a few specific immigrant groups. Those kinds of immigrants' distinctions may yield different results. This leads also to the additional (fourth) limitation, namely the potential bias, associated with diverse migration motives of migrants in SeECs and NwECs countries (as already emphasized in the second chapter of our paper), that may lead to different entrepreneurial characteristics of migrant entrepreneurs in both regions, especially since different motives for migration may lead to diverse forms of entrepreneurship by migrants. Fifth, our measures for innovation activity and international orientation are based on early stage entrepreneurs' perceptions, which certainly differ among more and less developed economies. Other variables like product/technology measures (e.g. patents or patent applications, process innovations), financial measures (e.g. relationship to R&D spending and sales of new products), and subjective measures (e.g. team innovativeness, organizational innovation) with respect to innovation activity as well as international orientation variables like for example the number of foreign markets involved, the proportion of foreign assets, sales, profit or staff of the firm, the proportion of foreign ownership or management in the firm etc., may further help explain this pattern, which represents a potentially fruitful line of further research in this age of increasing internationalization and migration.

The conclusions of this paper led us to establish a series of proposals for future studies. One possible line of research would be the extension of the comparison between selected entrepreneurs (for example, early stage and established entrepreneurs from different age groups, experiences, knowledge, and networks).

In order to verify the reliability of the self-reported measures of growth aspirations included in this study, calculating the correlation between these measures and objective measures of growth (sales, employment, and assets growth) is recommended. The development of a longitudinal study would enable us to use multiple time measurements to evaluate the influence of several variables on entrepreneurs' growth aspirations. Finally, it would be of great importance to study in-depth the relationship between entrepreneurs' early stage aspirations and their businesses' long-term success.

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## Appendix

Table A

### Descriptive Statistics and Correlation Coefficients for Growth Determinants Variables

Variables	Mean	St. deviation	1.	2.	3.
<i>South-East European countries</i>					
1. New products	0.42	0.493			
2. New markets	0.46	0.499	0.259		
3. New technologies	0.15	0.359	0.023	0.073	
4. International orientation	0.23	0.420	0.113	0.141	-0.006
<i>North and West European countries</i>					
1. New products	0.10	0.298			
2. New markets	0.44	0.496	0.273		
3. New technologies	0.53	0.499	0.159	0.129	
4. International orientation	0.19	0.391	0.162	0.059	0.129

Source: Authors.