
Trust as a coopetitive strategy in a global co-ethnic market: towards an empirically supported theory

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Abstract: This article aims to push existing theory on immigrant business in a new direction, challenging the present mono ethnic, community delimited and static-structuralist approach with a focus on the processes of migrant business owners who simultaneously compete and cooperate with competitors, be it co-ethnic or cross-ethnic; in what are characterised as ‘coopetitive’ environments. This coopetitive environment has led to interaction, learning and innovation within the context of multicultural communities and business activities, combined with an understanding of the ways such units are embedded in contemporary processes of globalisation rather than living locally isolated ‘lives of their own’. Trust, identification-based trust, bounded solidarity and enforceable trust seem to be some of the empirically supported catalysts that on one hand act as an initiating factor and on the other hand, as a prohibitive factor; respectively enabling or hindering entrepreneurial migrants to achieve success in their ventures.

In order to support this theoretical perspective, the article presents some empirical evidence from Denmark on immigrant businesses, combining longitudinal registry data with survey data.

Keywords: globalisation; ethnic business; trust; bounded solidarity; coopetitive environments; longitudinal registry and survey data; Denmark.

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1 Introduction

Migration leads, usually with significant time lag, to formation of immigrant businesses in recipient countries. In its narrowest sense, an immigrant business may simply be defined as 'a firm owned by an immigrant'. As such, the phenomenon is interesting only from the point of view of immigrants themselves, opening an alternative route into the economic life of their new societies, and from a quantitative point of view as immigrants may influence the venture creation process in their new economies due to differences in the entrepreneurship levels of immigrants and the majority population. Immigrant businesses are, however, also interesting from a qualitative point of view. They are usually heavily infused with cultural-ethnic elements influencing what they produce, how they are managed, the composition of the staff, how they relate to other businesses, and how they build their international relationships. In other words, they add variation and international outlook to the economy of the recipient country. Some immigrant groups have been identified as particularly entrepreneurial in their adopted countries, so much so that in some countries offer a host of government-funded programmes to encourage entrepreneurship by minorities (Hamilton and Dana, 2008; Robb, 2002).

The current process of globalisation is obviously not only about increasing cross-border flows of capital, goods and services, but also about people moving from far-flung areas to other places in search of a better life (Sassen, 1991). Besides, or because of taking their habitus and social, economic, cultural and symbolic capitals with them to the new territories and institutional setups, these immigrants are affecting advanced urban economies in numerous (see, i.e., Bager and Rezaei, 1999, 2000, 2001; Barrett et al., 1996; Light, 1972, 1983, 2007, 2010b; Razin, 1993; Waldinger, 1997; Rath, 1998; Rezaei, 2000, 2001a, 2001b, 2003; Rezaei and Goli, 2009; Almás, 1993; Ardener, 1964; Bager, 1994, 1996, 1997; Benton and Pieke, 1998; Blaschke et al., 1990; Bonnano et al., 1994) – and sometimes quite unexpected – ways, e.g., by revitalising formerly derelict shopping streets, introducing new products (e.g., 'exotic' foods) or by fostering the emergence of new spatial forms of social cohesion.

Immigrant businesses are not distributed randomly in the economy of the recipient country. They are predominantly belonging to certain national of origins, small-scale family firms, clustered in specific business lines and urban areas (Light, 1972, 1983; Waldinger et al., 1990; Rezaei, 2001a, 2001b). This reflects the competitive advantages they enjoy in some business fields compared to businesses owned by the majority population. Competitive advantages for immigrant businesses vis-à-vis the market are significant for goods with a significant ethnic component such as clothes and food. This is particularly true in immigrant dense areas where the 'home market' provides immigrants with better business opportunities than entrepreneurs from the majority population due to co-ethnic trust, bounded solidarity and enforceable trust and communication mechanisms (Portes, 1995; Portes and Sensenbrenner, 1993; Rezaei, 2001a, 2001b, 2003, 2007). However, it also applies to immigrant businesses which in culture loaded fields deal predominantly with the majority population, because these customers may find that they are more convincing and competent producers or traders of such products (Aldrich et al., 1989). Immigrant businesses may also benefit from co-ethnic solidarity [in Portes' and Sensenbrenner (1993) terms 'bounded solidarity'] and resource mobilisation which influences how they get started, with whom they do business, and the way employment patterns are shaped. Immigrant groups often choose to employ and do business with co-ethnics because trust relations are easier to build-up with

those of shared cultural backgrounds and because they are, as a group, under pressure from their new society and in need of in-group solidarity in order to cope with that pressure (Zimmer and Aldrich, 1987; Portes and Sensenbrenner, 1993). Nonetheless, the share of immigrants with entrepreneurial activities differs significantly among different national origins.

Immigrant businesses are the quintessential economic nodes in social networks of immigrants linking production and consumers in concrete organisational and spatial ways. These processes are not confined to the formal economy in the strict sense of the term, but sometimes go beyond its boundaries. These businesses are mainly concentrated in city centres (Waldinger et al., 1990; Karnow, 1994; Morgan, 1998) and pretty much like the old fashion bazaar type economy (Dana et al., 2008), while they on one hand roughly competing on the other hand cooperating; hence here, the identificational-based trust (Lewicki and Bunker in Kramer and Tyler, 1996; Rezaei, 2001a, 2001b) as catalyser and initiator of embedded social and business networks (Rezaei, 2001a, 2001b). The processes of migrant business owners in simultaneously compete and cooperate with competitors; create what Brandenburger and Nalebuff (1996) characterised as co-competitive environments. This co-competitive environment has led to interaction, learning and innovation within the context of multicultural communities and business activities, combined with an understanding of the ways such units are embedded in contemporary processes of globalisation rather than living locally isolated 'lives of their own'.

2 Theoretical perspectives

Towards a new approach to the study of immigrant business modern societies are moving rapidly away from a stable and established structure towards a state of fluidity in which, among other things, mobility of people (commuters, migrants) tends to become a visual landmark. The action radius of spatial mobility steadily increases from the local or regional scale to national and global levels, and current internationalisation and globalisation processes lead to an increasingly diffuse pattern of social, political and economic life, with people fluctuating between the local, national and global levels and orientations (Sassen, 1991; Bager and Rezaei, 1999). Hence, the uniformity of the industrial-capitalist societies is likely increasingly to be replaced by diversity and pluralism, with future societies, also economically, becoming increasingly fragmented, network-based and multicultural (Castells, 1996).

This restructuring and reorientation pushes for a reformulation of our understanding of the immigrant business phenomenon. While it was justified to regard such businesses and networks as isolated and exotic islands in national seas with only limited and temporary importance, this view now needs revision due to the shifting balance between local, national and international levels in the economic system as well as change in the character of immigrant businesses. In fact, immigrant businesses may eventually become one of the cornerstones in the emerging global economy, with each and every of the many local immigrant business communities being linked to other such communities around the world as well as immigrants' countries of origin (Bager and Rezaei, 1999). Bager and Rezaei (1999) exemplifies this by the example of Chinese restaurants across the globe using the same 'symbols' such as 'red lamps', 'lions' and such.

The immigrant business phenomenon, which is often labelled 'ethnic business', has been studied intensively within the field of economic sociology, particularly in the USA

(Portes, 1995; Granovetter and Swedberg, 1992; Smelser and Swedberg, 1994), but one also finds numerous studies which focus on the business and organisational side (Zimmer and Aldrich, 1989; Aldrich et al., 1989; Light, 1972; Light and Rosenstein, 1995; Redding, 1990; Waldinger et al., 1990; Bonus, 1986; Borjas, 1990; Burgers and Engbersen, 1996; Nijkamp and Spiess, 1994; Ekberg, 1998; Geerts, 1962; Goodman, 1997; Greenwood, 1997; Hofstede, 1984; Jones et al., 1994). Moreover, the field clearly benefits from general economic and organisational theory on entrepreneurship, small-firm networks and institutional mechanisms in organisational life (e.g., Perrow, 1992; Dimaggio and Powell, 1991).

From the very outset, the discourse has been intensely polarised, by a large dispute between those who see immigrant business ownership as a generally successful exercise in upward social mobility propelled by ethnically specific entrepreneurial values and social capital (Basu, 1998; Werbner, 1980; Burgers and Engbersen, 1996; Nilsson, 1992; Nyéri, 1999; Ollila, 1989; Pahl, 1984; Pinch, 1993; Pior and Sabel, 1984; Pugliese, 1993; Rezaei, 2006); and those for whom see it as a largely horizontal shift from low level employment into low level self-employment propelled by deindustrialisation and discrimination (Jones et al., 1992; Ram and Hillin, 1994), a shift pithily described by Barrett et al. (1996): "Having filled unwanted jobs, South Asians now filled unwanted business opportunities".

The dynamics of ethnic businesses are usually understood as the result of structural features of the recipient country, labelled 'opportunity structure', and the characteristics of minority groups such as their entrepreneurial experience and network traditions, labelled 'group characteristics' (Waldinger et al., 1990). Traditionally, ethnic businesses start as small family units, but over the years some spin-off of larger immigrant controlled companies is normal. In some cases, however, particularly in East Asia, immigrant businesses also encompass numerous large firms, which may even dominate economic sectors or entire national economies [cf., Redding's (1990) study of Chinese businesses in East Asian countries]. Increasingly, the traditional ill-educated and poor type of immigrant is being substituted by the well-educated and wealthy immigrant, particularly in countries like Canada, the USA and Australia which are open to this type of immigration via point system and entrepreneurship visa granting permanent residence permit. This modern type of migration and immigrant business is more international in its orientation than the traditional type, and often such immigrants operate businesses in more than one country (Ong et al., 1994; Li, 1993; Chan, 1992; Yeung and Olds, 1999; Rezaei and Goli, 2006, 2007; Robertson and Khondker, 1998; The Group of Lisbon, 1993; Thunø, 1996, 1998; Watson, 1977; Whitley, 1992a, 1992b; Young, 1993).

These studies in various parts of the world suggest that both the old type of loose coupling of immigrant businesses across borders, as well as the modern and more systemic type of international integration of immigrant businesses, may be of relevance to our understanding of how immigrant businesses in one country are linked to similar business communities in neighbouring countries, as well as to immigrants' countries of origin. Internationalisation processes are usually understood as large firm driven, with large firms becoming international or global more quickly and more extensively than SMEs, with SMEs often being understood only as sub-suppliers to the large, international units and hence as reactive rather than proactive (cf., Bager and Rezaei, 1999).

Although this conceptualisation seems to capture the main current in the internationalisation process, there are strong indications of a serious large firm bias in this standard conceptualisation. Small firms may group together horizontally in national or

international networks to gain international competitive strength and a more proactive role in the restructuring process; or SMEs may be born international rather than sticking to the standard model of local/national growth preceding internationalisation; or SMEs may be embedded in international social networks which link together even tiny business units at the international scene and sometimes result in surprising semi-standardisation of certain types of businesses across borders (cf., Bager and Rezaei, 1999). A substantial proportion of international business is still conducted by family firms organised along kinship lines [cf., Iyer and Sharipo, (1999), p.83] and through trading diasporas. Trading diasporas share several features, such as strong ethnic identity and mutual dependence, informal networks-based on mutual trust and family reputation, and a belief in the utility of knowledge from all possible sources (cf., Kotkin, 1992). The formation of international business centres through trading diasporas around the world, such as London, New York, Hong Kong, Dubai and Hamburg, has created supranational suppliers of goods and services which through formal and informal business networks function as commercial and financial connection points between immigrant business communities and immigrants' countries of origin. The formation of immigrant business networks across countries can be understood as a 'bottom-up' globalisation process, which complements the standard large firm/top down one (Rezaei and Goli, 2009).

Immigrant businesses tend to be characterised by low pay, hard work and low qualification-levels, and they are mainly tiny family firms in the retailing and food sectors. However, there are larger ones, too, and growing numbers outside these sectors. That raises the question: will they eventually integrate completely into the national business system that surrounds them, or will they still, due to their cultural and social roots as well as international linkages, remain 'foreign' and embedded in the international business system rather than the national one?

Of great importance here is to observe the dynamics of immigrant business, i.e., whether or not the produce ethnic goods, sell to particular ethnic groups, move out of immigrant dense areas, and grow in size. The overall pattern over the years seems to reveal two rather adverse ones: the formation of increasing numbers of true ethnic firms in a growing number of economic sectors, and 'normalisation' of ethnic firms. This balance between abandoning or sticking to ethnic orientation may well be affected by the changing character in the economic system as well as immigrant businesses. The choice in the future is not between sticking to ethnicity and remaining small and local, or abandoning ethnicity and growing bigger and national. A third option seems to grow in importance: sticking to ethnic roots while growing in size and internationally (Bager and Rezaei, 1999).

In order to analyse this issue empirically, a typology has to be elaborated. Ram and Jones (1998) suggest a typology of four market spaces

- a being the 'true' ethnic firm in immigrant communities
- b being immigrant firms outside immigrant dominated areas
- c being immigrant firms with immigrant costumers, but with main markets outside immigrant communities
- d being the non-ethnic firms in mainstream markets [Ram and Jones, (1998), p.41].

This model doubtlessly captures important sides of the present process, but requires some elaboration. First, one needs to define to a clearer extent what 'ethnic' means: Do we

refer to mono ethnicity or multiethnicity? Do we also refer to firms that are ethnic in the sense that they produce ‘ethnic’ goods while being owned and run by a ‘non-ethnic’? – Particularly in the restaurant business, this identity between product and owner is often inconsistent. Second, ‘non-local’ markets deserve to be divided into national and international levels, as suggested by Bager and Rezaei (1999, p.5), where he develops a model for an international ethnic business network with two immigrant business communities linked to a national business system, dominated by one ethnic group or as suggested by Rezaei (2001a, 2001b, p.39), where he divides and develops the original Ram and Jones (1998) model into ‘local, national and global dimensions’ in order to capture the trend of some immigrant firms that become oriented towards the international level.

Bager and Rezaei (1999) describe immigrant business as being located in three different ways:

- 1 located in isolation, i.e., spread around the country, continent or globe (such as Chinese restaurants)
- 2 network-located in multiethnic communities such as inner city areas with several ethnic groups running businesses side-by-side (as is the case in most European cities)
- 3 network-located in monoethnic communities, labelled ‘ethnic business enclaves’ (Portes, 1995), i.e., a territory dominated socially and economically by only one ethnic group (such as the Chinatowns in the USA and Asian cities).

This difference in location depends upon various factors such as business field and segregation mechanism. Usually, immigrant businesses emerge in immigrant dense areas, using the demand of co-ethnics for ethnic goods as a point of departure.

Most studies in the field have predominantly studied the ethnic business phenomenon through the lens of a mono ethnic group, or compared a few such groups one by one. What seems needed, however, is rather to study such multiethnic urban areas and their economic activities in a wholistic and dynamic perspective, looking at the mixing of experiences, models, traditions and such, over the years as well as the ways such city districts are rooted in the national and international economy. The key features of the two models can be summarised this way:

Table 1 Different approaches to ethnic business

<i>Prevailing approach</i>	<i>Alternative approach</i>
Structuralist/culturalist	Constructivist
Particularistic	Wholistic
Mono ethnic	Multiethnic
Static	Dynamic
Transfer of known models	Invention of new models

Source: In Bager and Rezaei (1999)

Light (2010a, 2010b) looks at the phenomenon through other lenses – namely through the enhancement of diasporatic and global ethnic solidarity. Strengthening ethno-religious ties or sub-ethnic ties, ethnic entrepreneurs can obtain a positional advantage for their group relative to other trading groups in the market. For example, the Arab entrepreneurs can extend more effective help and support to one another than they once did, obtaining

thereby economic advantages for their group relative to the Jews, Armenians, and Persians who also trade in the same market. This policy of ethno-religious nationalism eventuates in the formation of multiple ethnic business networks that relate to one another, as networks, in a state of co-competition rather than pure competition or pure cooperation (Light, 2010a). Sometimes the ethnic business networks cooperate; sometimes they compete. Such is, indeed, the typical organisational form of the old fashion bazaar and new global city markets.

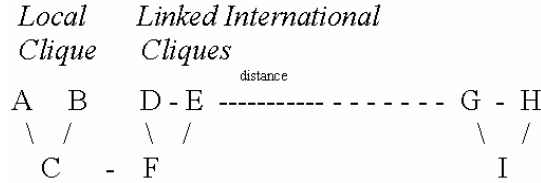
Ethnic diasporas are organised into a hub and spoke structure in which the ethnic homeland is the hub and the outlying settlements are on the spokes (Light, 2007). The construction of an ethnic diaspora integrates otherwise isolated spoke settlements into a globe-spanning international unit. This globe-spanning unit greatly expands the opportunities for international trade that all the co-ethnic merchants enjoy, but none can establish a diaspora all by him or herself. The construction of an ethnic diaspora is a collective achievement that endows all the individuals with economic advantage. Individuals obtain economic advantage from this collective innovation (Light, 2010a, 2010b).

The globalisation of economic life is often understood as a top-down process, spearheaded by transnational corporations which disseminate uniform technologies, industry structures and organisational patterns across national economies, hence, fragmenting coherent national business systems into globally linked subsystems (Dicken, 1992). Doubtless, this is an important part of the process, but it is not the whole story. The globalisation process not only results in growing homogeneity in the business world, but also in growing heterogeneity, and the process is influenced by bottom-up streams, driven by small firm networks, as well as top-down streams, driven by transnational corporations (Bager and Rezaei, 1999).

Light (2010a, 2010b) and Rezaei et al. (2010) see global migrant entrepreneurs in a whole new light, where bridging social capital, co-competitiveness, locally embeddedness but globally oriented in order to the global reach of symbiotic co-ethnic trust-based networks. Migrant business brings together many different regional, ethnic, religious, and kinship groups. Members of an ethnic economy are members of their own ethno-religious and kinship groups within which relationships of solidarity prevail (Light, 2010a, 2010b). However, beyond those ethno-religious and kinship borders, inter-group relationships became perilous and subject to opportunistic exploitation. Bridge-building ethnic entrepreneurs establish strong and weak professional relationships outside their own ethno-religious group. By learning a foreign language, and establishing relationships of trust with non-co-ethnic merchants, migrant entrepreneurs gain individual access to resources that their own group does not control. For example, multi-lingual migrant entrepreneurs may thereby acquire access to skills, raw materials, or labour pools that their own group cannot normally access. Thus, bridge-building migrant entrepreneur open access to new resources without losing control of those their own group routinely controls. A migrant entrepreneur who bridges into someone else's diaspora attains many of the advantages of the other group's diaspora. The outside resources may permit the individual migrant entrepreneur to expand markets for their goods or to improve the quality of the goods they offer while reducing their price. The advantages of bridging social capital are especially strong if other mercantile groups are organised around an international diaspora but one's own is not. Dana et al. (2008, pp.110–111) declared that in a bazaar economy, 'Internationalisation is a function of multi-polar networks involving special relationships'. Figure 1 illustrates the individual advantage obtained by C, a

member of clique ABC upon bridging to the DEF clique that connects internationally to the GHI clique abroad. Thanks to her friendship with F, who is not a co-ethnic, C has access to E, and thanks to E can trade with GHI abroad. C’s clique has no co-ethnic trading partners abroad, but C is sharing some network advantages that belong to another group’s diaspora. This is indeed strengthening of the weak ties.

Figure 1 Individual advantage obtained by bridging



Light (2010a, 2010b), emphasises the importance of the global reach of symbiotic co-ethnic trust-based networks. Why is co-ethnic-based trust so important and how does it differ from different kinds of trust? Rezaei (2001a, 2001b) tries to answer these questions by relating Lewicki and Bunker’s (1996) work to encompassing ethnic communities and ethnic entrepreneurial environments. Trust can build on established social and ethnic relations among people, with their informal sanctions in case of a breach of trust. Trust in professional relationships can also be developed from scratch, starting with a small, calculus-based conditional trust, which over time can develop into a more convenient form of trust (Rezaei, 2001a, 2001b). Lewicki and Bunker (in Kramer and Tyler, 1996) suggests a breakdown of trust concept in the context of professional relationships in three main types, namely ‘calculus-based trust’, ‘knowledge-based trust’ and ‘identification-based trust.

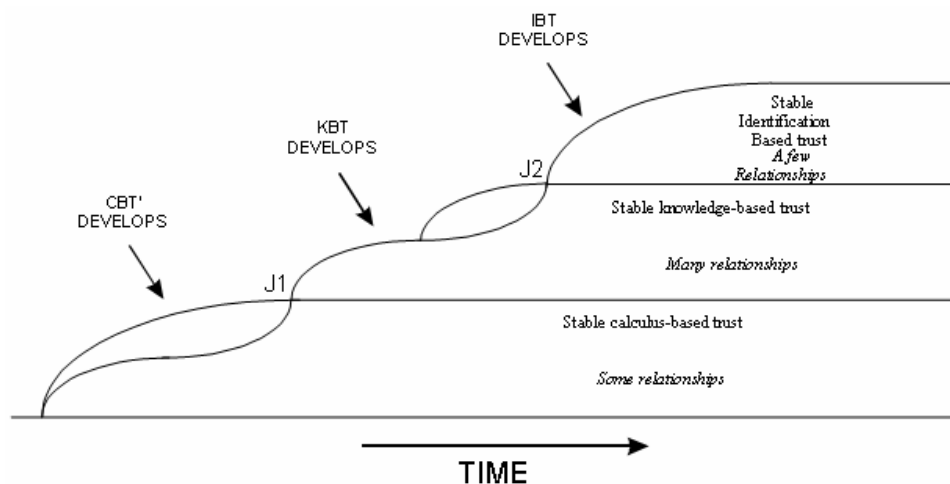
“Calculus based trust’ is based on behavioural reliability: that actors act the way they have said that they would do (Lewicki and Bunker, 1996). The behavioural reliability is maintained through threat of punishment, for example: the relationship termination or damage to your reputation. Thus, the threat of punishment often is more important motivation than the expectation of reward. Seen from this perspective it represents a continuous confidence, market oriented, economic calculation which value stems from the profits to be obtained by building and maintaining a relationship in proportion to the costs to maintain and preserve it.” (Rezaei, 2001a, 2001b)

Williamson (1975) describes this kind of confidence seen in an organisational and market context in which players’ behaviour is governed by threats of being frozen out of a collegial community:

Knowledge-based trust is based on one party’s knowledge of the other so that the other acts are predicable (Lewicki and Bunker, 1996). Knowledge-based trust is therefore more information-based than based on threats of punishment. The better one party knows the other, the easier he or she has to anticipate the other’s actions. Predictability contributes in itself to confidence, because the way the other could possibly break the trust could be predicted. Through continuous communication with each other an exchange of information about the wishes, preferences and approaches to problems place. Without that communication connection to the other is lost and one is no longer able to anticipate the other’s actions (Rezaei, 2001a, 2001b). Identification-based trust is based on one party’s identification with the other’s wishes and intentions (Lewicki and Bunker,

1996). At this level, works trust through a mutual understanding and recognition of each other's needs to such an extent that one party can act on behalf of the other. Thus, one party performs acts on the other's behalf without the other party needing to monitor and control such acts. Because knowledge and identification are developed, the parties do not just know and identify with each other, but achieve an understanding of how to maintain the other's trust (Rezaei, 2001a, 2001b). According to Lewicki and Bunker (in Kramer and Tyler, 1996) trust can be developed and changed over time. If a relationship undergoes its full development, it goes from first to build on calculus-based trust, on to the knowledge-based trust and on to identification-based trust. A trust relationship starts as being calculus-based when there are people without knowledge of each other. If there is no breach of trust and resulting penalties, the parties will gradually build an understanding of each other, which in turn transform the relationship to be built on knowledge-based trust (point J1 in Figure 2). Similarly, relations based on knowledge-based trust, ascend to build upon identification-based-trust when parties know each other better and gain understanding of each other's needs, preferences and priorities, reaching a point where individuals do these things in order to benefit. This occurs at point J2 in Figure 2.

Figure 2 The stages of trust development



Source: Lewicki and Bunker in Kramer and Tyler (1996, p.124) and Rezaei (2001a, 2001b, p.46)

Breach of trust in relationships built on calculus-based trust will often lead the relationship back to square one. Either the relationship ends completely, or the parties must start to build trust again from scratch. The aggrieved party will often feel disappointment, but not more than one can shrug their shoulders at and say 'easy come, easy go' (Rezaei, 2001a, 2001b).

Breach of trust in relationships based on knowledge-based trust arises only when one of the parties personally carries out acts that create trust breach. If there were external circumstances, this would not be perceived as a real breach of trust. If there are personal acts, the aggrieved party must incorporate the incident occurred into the experience-based perception he or she has of the other party. The relationship between the two parties thus

becomes redefined in light of the incident. If the redefined relationship is consolidated, it will be maintained with this new background. If the incident however, is so serious that the feeling of no longer knowing the other party cannot overcome, it will mean destabilisation of the relationship.

Breach of trust in relationships built on identification-based trust can be serious relation transforming events. Such breaches of trust cause more than just unforeseeable detail. Breach of trust occurs when incidents against common interests and agreements take place. The framework of relationship values builds upon and creates a sense of a moral violation. Such breach of trust is very challenging to repair. The aggrieved party is thus in a situation where he or she must recognise that the decision to trust the other party was based upon a weak foundation. Such insights are challenging for individual self-identity and will often be rejected by self-preservation as assigned (Rezaei, 2001a, 2001b).

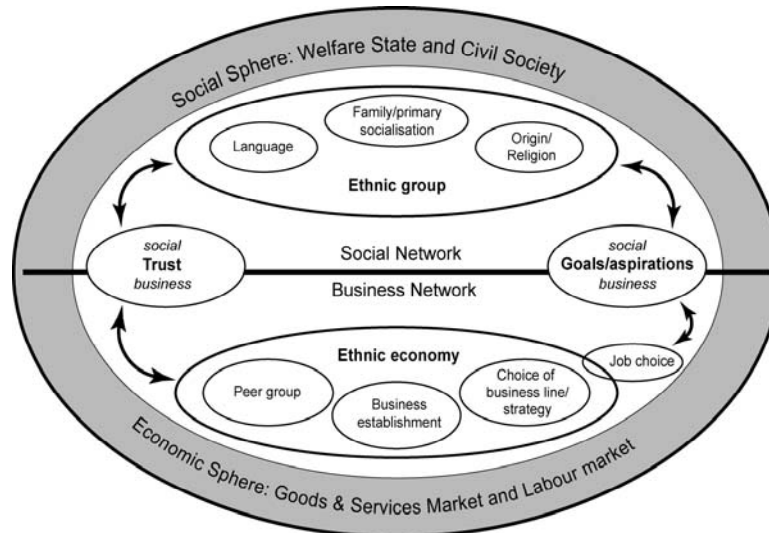
Trust-based relationships functions as a factor for reducing risk. Social networks represent a structure that is composed of trust-based relationships. Uzzi (1997, p.43) suggests that the distinction between trust and risk are useful in explaining trust in embedded relationships. Williamson (1994) argues that trust in embedded relationships differs from calculated risks in connection with face-to-face transactions in two ways:

“First, the distributional information needed to compute the risk (i.e., the expected value) of an action was not culled by trusting parties. Rather, in embedded ties, there was an absence of monitoring devices designed to catch a thief. Second, the decision-making psychology of trust appeared to conform more closely to heuristic-based processing than to calculativeness that underlies risk-based decision making.”

The trust-based relationship, which has led to the formation of ethnic social networks, is based on a mutual identification (Rezaei, 2001a, 2001b). The shared cultural background, migration history and shared experiences related to settlement in the receiving country, the conditions, and the basis created for immigrants to establish identificational-based trust over a relatively short-time. Under these circumstances calculus-based trust as well as knowledge-based trust can be overlooked. The reality is that migrants, through shared cultural background, and shared experiences in the receiving country, achieve an understanding of each other’s needs, preferences and priorities (see J2 in Figure 2) over a relatively short-time and can use this as a source of competitive advantage (Rezaei, 2001a, 2001b).

Using ‘Identificational-based trust’ as the starting point, Rezaei develops a model for “The composition of self-employed migrants network” [Rezaei, (2001a, 2001b), p.59] where he argues that co-ethnic trust must be seen as a catalyser that enables embeddness of migrants social network into their business network, summarised in a model of an embedding system which constitutes self-employed immigrant networks. The model shows the relationships between different functional components of immigrants’ social and business networks. The model in Figure 3 illustrates that the social network is within the framework of the social sphere comprising the welfare state and civil society. The figure illustrates the connections in a Danish structural framework context, where the welfare state is a major element in the social sphere.

Figure 3 provides the theoretical framework that has established an approach designed to provide the framework for the empirical data presented here and further analytical work.

Figure 3 Composition of immigrant entrepreneur's network

Source: Rezaei (2001a, 2001b)

Figure 3 in its entirety, illustrates how migrants social and business network functions for the individual, both as a resource and/or as an inhibiting factor. On a positive note, one can argue that it may be possible to obtain the necessary resources or get access to information from an specific network, e.g., in connection with business upstart or recruitment of employees. Conversely, the risk mitigating role as trust-based relationships play, implies that the groups are closing around itself, similar to an embedded situation. This leads to consistency with the information circulated among team members. Burt (1992, p.72, in Nohria and Eccles) explains, in his theory of 'structural holes', with referenced to Granovetter (1985), this relationship:

"Information circulates to a high velocity within these clusters. Each person tends to know what the other people know. Therefore, and this is the insight of the argument, the spread of information and new ideas and opportunities must come through weak ties that connect people in separate clusters... Hence, the strength of weak ties. Weak ties are essential to the flow of information that integrates otherwise disconnected social clusters into a broader society."

For members belonging to these mono-ethnic closed knitted networks, there is a balancing act between the Granovetter [in Portes, (1995), p.145] designating the coupling and decoupling of certain social groups. Dependence on a particular group membership, in terms of social obligations and unilateral social relations can hamper a firm's development. This makes these companies encased in closed ethnic business networks.

3 Empirical evidence: combining registry and survey data

The results are based on two data sources: individual registry microdata and a survey among 279 immigrant business owners in the greater Copenhagen area.

The individual registry microdata consists of micro-data on the socio-economic characteristics of the entire population living in Denmark in 1982, 1989 and 1996 and all privately owned firms in Denmark 1992 to 1996. The database, maintained and available at Statistics Denmark, links information from various official statistical registers.

The data includes information on individuals by socio-economic status, place of birth, place of work, age, gender, education, income, source of income, employment, periods of unemployment, tax payments, ownership of house or business, citizenship, date of immigration, date of emigration, date of death, marital status, number of children and a wealth of other variables. The same type of information can also be obtained on parents, spouses and in-laws with the possibility of cross generation information where parents or spouses live, or have lived, in Denmark.

The data also includes registry information about firms, e.g., owners' place of birth, citizenship status, date of a firm's establishment, date of immigration (if immigrant), number of employees and their place of birth and citizenship status, turnover, exports, tax payments, business line, number of businesses, level of education, socio-economic status before starting up as self-employed, date of shutdown (where relevant), socio-economic status following a shutdown, and a great many other variables.

In this study, we have used a cross-national sample of all immigrants and their descendants (between the ages of 18 to 59 years) living in Denmark in 1982, 1989 or 1996 and a 5% control group of native Danes.

The registry analysis of firms is based on all immigrants owned ones (with owners in the age group 18 to 59 years) and a 5% control group of firms owned by native Danes for the period 1992 to 1996.

For calculation purposes, individual observations taken from the 5% control group have been weighted in order to represent the true distribution across the total population.

A questionnaire survey was carried out to supplement the registry-based analysis, e.g., on intra- and inter-ethnic business owner networks that cannot be studied satisfactorily by registry data.

The questionnaire survey response rate was 40.9% (279 respondents out of a sample of 682 business owners, interviewed between November 1998 and May 1999). The sample population was drawn from a total number of 2,329 business owners in 1998, who originated from five selected countries of origin, and were living in Copenhagen and its surrounding suburbs (using individual-based ID numbers). The ID numbers were then combined with the firm's registration at Statistics Denmark. The five countries in question are (in alphabetical order): China (PRC, Taiwan and Vietnam), Ex-Yugoslavia, Iran, Pakistan and Turkey.

The reasons the five groups were selected are as follows: Pakistanis, Turkish and Ex-Yugoslavians were selected because they are the three major groups of immigrants from the late 1960s when labour immigration to Denmark was still possible. An additional reason is the significant difference in the self-employment rate for the three groups, particularly between Pakistanis and Ex-Yugoslavians who have almost the same immigration history and population size. Chinese were selected because they were reputed for having a high self-employment rate combined with a strong specialisation in catering. Iranians we selected because they seemed to have a higher educational level than the other groups and because their self-employment rate has increased significantly during the 1990s (from 10.6% in 1989 to 29.3% in 1996).

All five groups encompass all immigrants from the selected countries, regardless of whether or not they have become Danish citizens.

Selection of the 682 respondents was based on a stratification methodology. Initially, ten business owners were chosen from each combination of business line and national origin. A sample size of 20 represented Turkey, as many immigrants from Turkey are of Kurdish origin, and have different motivations/backgrounds for setting up a business. The selection was furthermore stratified into 12 business-lines, structured in such a way that business lines with a high share of immigrant business owners were exposed, e.g., splitting service firms into cleaning ones and others. Finally, the survey population was geographically limited to the greater Copenhagen area. This was done due to practical reasons as well as the fact that the explorative study had shown that the only significant difference between the capital and provincial regions of Denmark consists of a time lag in the development of the business structure.

An analysis of the response/non-response levels for the different immigrant groups and their lines of business showed, based on background data available for both groups through registry data, only revealed insignificant variation which could be explained as a random, non-systematic deviation.

All tables and figures in the paper have been produced by the authors, and are based on either data provided by Statistics Denmark or survey data.

3.1 The inflow of immigrants during the 1980s and 1990s

In the late 1960s, Denmark experienced a significant labour in-migration. The demand for labour in the expanding industry resulted in foreign recruitment in Pakistan, Turkey and Former Yugoslavia, by Danish employers. Immigrants were regarded by the vast majority a net-gain for the society. However, the refugee immigration into Denmark from mid-1970s (mainly Chilean and Vietnamese, and during 1980s mainly Middle Eastern) until today has been characterised by a substantially different pattern. The immigration of unskilled labour has been accompanied by large groups of educated people, which held other expectations about their stay in Denmark. Over the years, large groups of both well-educated and unskilled immigrants have entered into Denmark from various parts of the world. Their success in labour market performance has varied, but generally problems for immigrants to integrate into the Danish labour market have increased substantially during recent years.

It goes without saying that urban policy-makers are faced with many problems in this age of mass migration. At the same time, a policy which would mainly imply financial assistance and thus, bring new immigrants under the regime of the social security system will likely not become very popular among policy makers and the public at large, certainly not in a period with tightening government budgets (Hill, 1994). Consequently, it seems to be wise policy to look for alternative policy strategies and actions. A currently rather popular idea is to create a system of self-reliance, where new immigrants are held more responsible for their own economic wellbeing. Rather than being treated as passive problem cases to be taken care of by the public sector, it makes more sense to regard them as mature citizens who are able and encouraged to look after themselves with a fine-tuned but limited support of the public sector (cf., Light and Rosenstein, 1995; Waldinger, 1997).

The previous considerations and observations would then imply a societal attitude and policy in which foreign migrants are not to be seen as guaranteed sources of evil, but as promising sources of new opportunities for the socio-economic life – and even revitalisation – of cities (Ward and Jenkins, 1984). Consequently, apart from providing

educational facilities (skills training, language courses, etc.) and socio-cultural participation programmes in order to encourage a better entrance to the labour market and the host society at large, self-employment would have to be propagated and implemented as a necessary policy strategy for assisting foreign immigrants on the urban labour market. This is once more a promising endeavour, as the size of ethnic groups in many cities has reached a sufficiently large critical mass so as to stimulate ethnic entrepreneurship.

Figure 4 All 18 to 59 year-olds by national origin (see online version for colours)

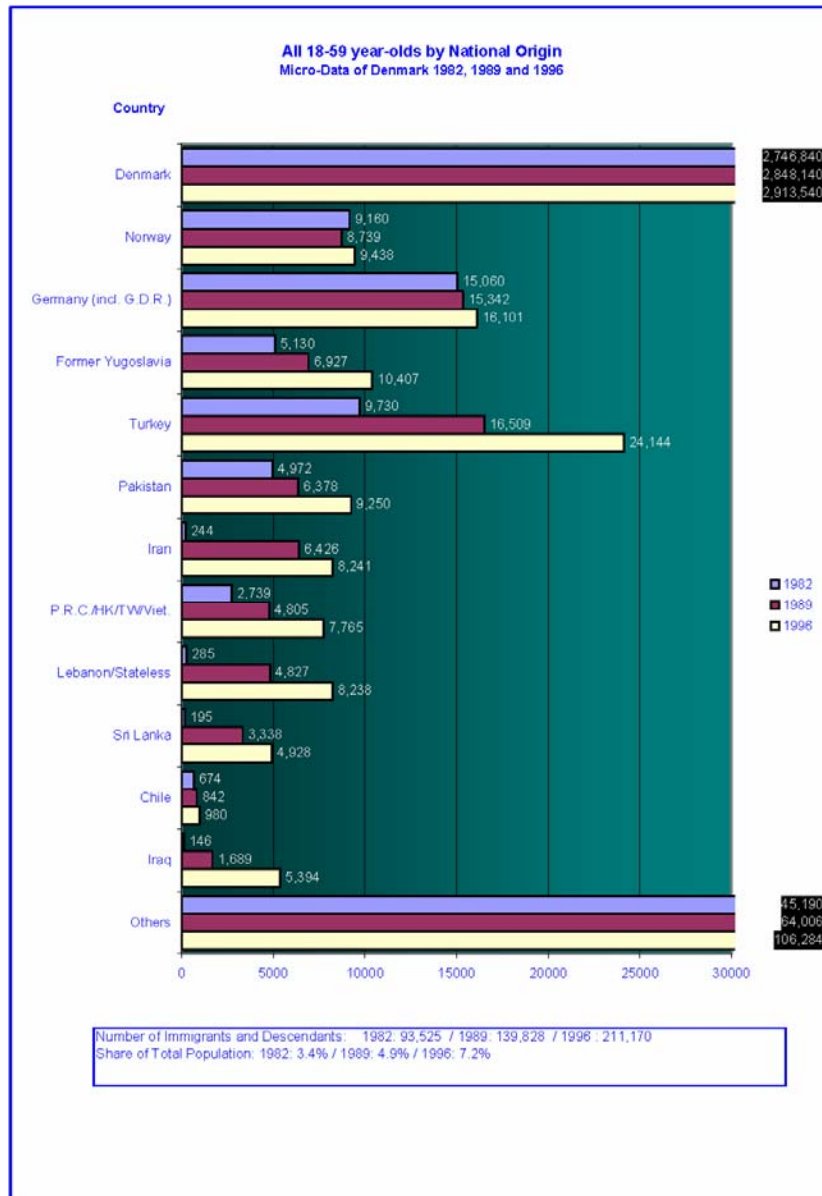
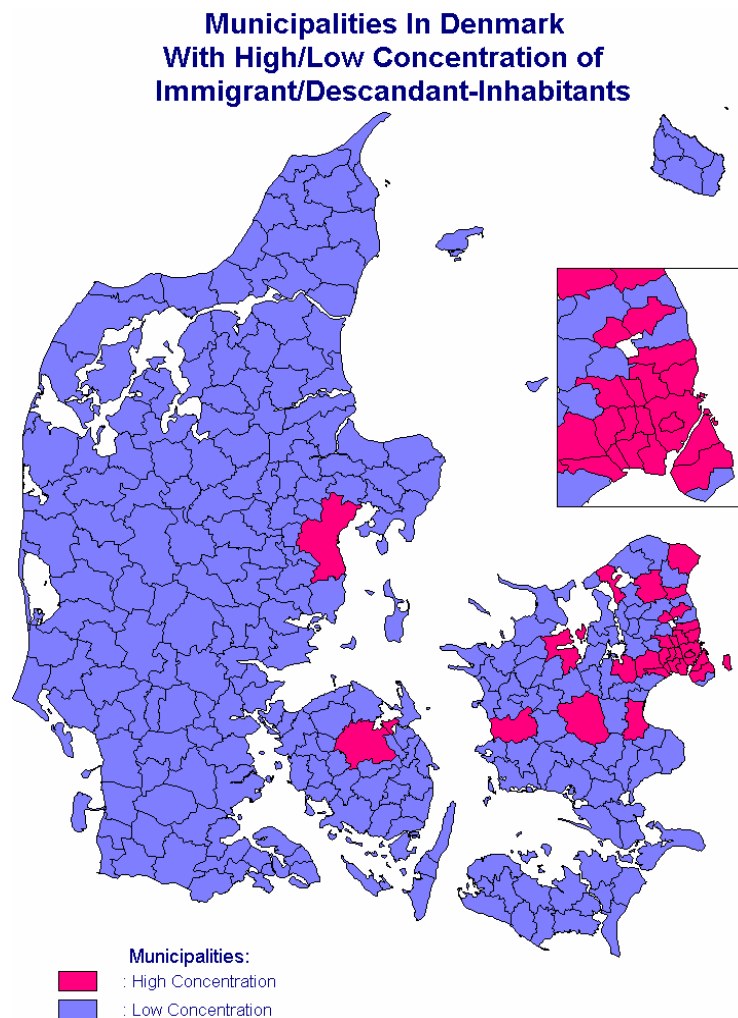


Figure 4 based on registry micro-data illustrates immigrants and descendants population of Denmark (between ages of 18 to 59) in a 14 years period (1982–1996). The early immigrant groups from The Former Yugoslavia, Turkey and Pakistan remain a major group, but new refugee groups such as those from Iran, Vietnam, Iraq and Lebanon (Stateless) are also significant, in addition to some European minorities.

Figure 5 based on registry micro-data illustrates the municipalities with a high (red areas) and low (blue areas) level of concentration of immigrant and descendant inhabitants. A high residential concentration level of immigrant descendants is defined as one of the 30 most concentrated of the 275 municipalities in Denmark, with a total number of 18–59 year-old inhabitants above 10,000. It is clear that the highest concentration levels are found in Copenhagen and its suburbs. (See also the detailed map of this area in Figure 5).

Figure 5 Municipalities in Denmark with high/low concentration immigrant/descendant-inhabitants (see online version for colours)



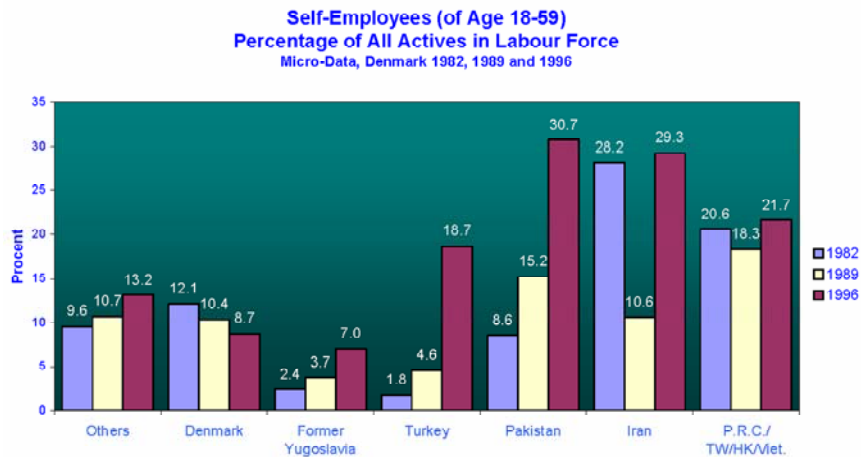
3.2 The growing share of self-employed amongst the immigrants

The recognition of the incubation potential of foreign immigrants in urban areas has already a long story in Denmark and it is note worthy that the phenomenon of migrant entrepreneurs is nothing new in the business history of Denmark. For example, King Christian the V of Denmark issued a law on March 31, 1688, in which he describes under which circumstance ‘The German Jewish Immigrants’ were allowed to make businesses in Copenhagen.

The percentage of self-employed in Denmark for the age group of 18 to 59, and their development over a 14 years period for selected national origins are as shown in Figure 4. The figure is based on micro-data and covers the years 1982, 1989 and 1996. It is evident, that the self-employment rates of the nationalities in question have changed considerably over the years. It shows clearly that the self-employment rate has grown significantly for Turks, Pakistanies and Iranian (note here that the change for Iranians from 28.2% in 1982 to 10.6% in 1989 is mainly a result of the small number of immigrant population of Iranians in Denmark in 1982. The huge immigration of Iranian refugees has occurred from 1983 to 1984 until the late 1980s (more details can be observed in Figure 4).

Another important issue here is the decreasing share of self-employed amongst the native Danes over the years. The important issue to notice here is the fact that we are only dealing with ‘small, single owned firms’ in our micro-data analyses and have excluded ‘private limited companies’ in which an increase in the same period can be observed. The choice in the ownership patterns influences the decline in the self-employment rate for native Danes and underestimates the level compared to other groups.

Figure 6 Self-employees (of age 18 to 59) percentage of all actives in labour force (see online version for colours)



3.3 The questionnaire investigation

A questionnaire investigation was carried out to explore questions concerning intra- and interethnic business owner networks, which could not be answered satisfactory by registry data, such as pre-start financing, role of family, etc.

The questionnaire investigation ended up having 279 respondents out of a sample of 682 firm owners. This sample was drawn from the total number of 2,329 business owners in 1998, from five selected countries, in the Copenhagen area and suburbs (using individual-based ID numbers). The ID numbers were then assembled with the firm registry at Statistics Denmark.

Selection of the 682 follows a stratification methodology. To start with, ten firm owners were chosen from each combination of business line and national origin, except for Turkey, which were deliberately doubled in size in comparison to the other countries, due to the fact that most of the immigrants from Turkey are of Kurdish origin, and have different motivations/backgrounds for setting up a business. In cases where ten (or 20 for Turkey) business owners could not be found, we had to settle for less. Out of the 682 firm owners 279 were interviewed in the period of November 1998 to May 1999. The following part encompasses some of the results of the questionnaire investigation.

Nations in questions, business lines and market-share percentages are as follows.

The values in Table 2 are illustrated in Figure 7. It shows that there is a tendency towards concentration of firms in certain business lines amongst owners with certain national origin. Furthermore, the table indicates no existents of business owners from the PRC/Taiwan in two of the business lines, 'transportation' and 'cleaning service, etc.'

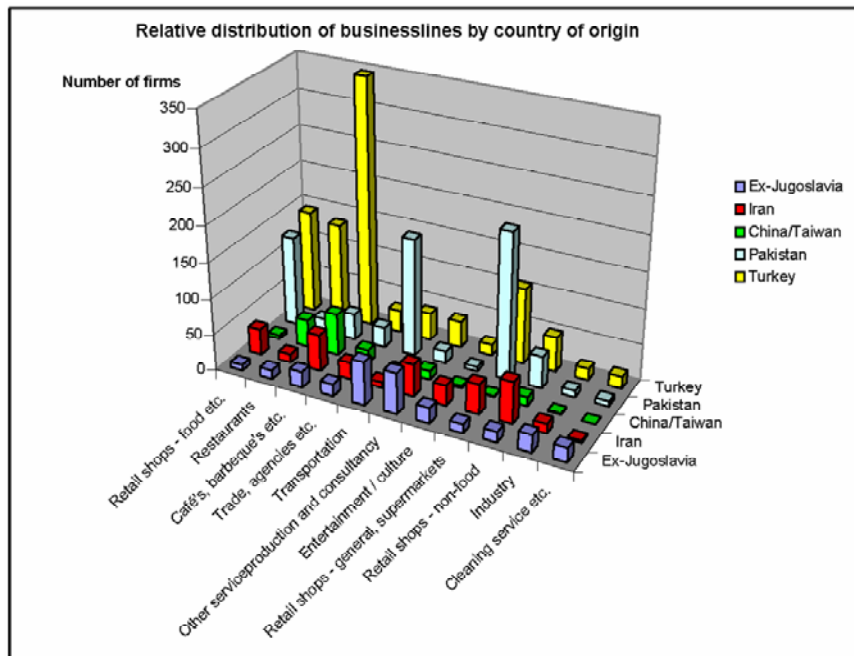
Table 2 Relative distribution of business lines by country of origin

<i>Sum of population</i>	<i>Country</i>					<i>Total</i>
	<i>Former Yugoslavia</i>	<i>Iran</i>	<i>PRC/Taiwan</i>	<i>Pakistan</i>	<i>Turkey</i>	
<i>Business line</i>						
Retail shops – general, supermarkets	4.5%	13.2%	0.7%	30.9%	11.4%	15.7%
Retail shops – food, etc.	3.0%	11.3%	3.4%	19.1%	15.3%	13.7%
Retail shops – non-food	5.6%	18.2%	8.1%	6.8%	5.3%	7.7%
Restaurants	4.5%	3.8%	25.5%	2.7%	14.4%	9.2%
Café's, barbecue's, etc.	8.2%	16.0%	38.9%	5.5%	37.1%	22.0%
Industry	8.9%	4.1%	1.3%	1.4%	1.7%	2.7%
Trade, agencies, etc.	6.3%	7.2%	12.1%	4.2%	3.3%	5.0%
Transportation	22.3%	2.5%	0.0%	24.8%	4.1%	11.6%
Other service production and consultancy	21.2%	14.1%	8.1%	2.6%	4.0%	7.2%
Cleaning service, etc.	7.4%	0.9%	0.0%	1.1%	1.8%	2.0%
Entertainment/culture	8.2%	8.8%	2.0%	0.9%	1.6%	3.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Number of firms	269	319	149	660	932	2,329

Note: Area: Copenhagen and suburbs; $N = 2,329$.

Figure 8 shows the number of non-respondents and respondents, respectively, distributed by country of origin and business line. With this diagram, an illustration of a well-covered business line analysis has been attended. A total response percentage of 40.9% was achieved.

Figure 7 Relative distribution of business lines by country of origin (see online version for colours)



3.4 Business line structure and dynamics

Table 3 shows the number of businesses in the selected business lines for the five immigrant groups.

The figure in Table 2 shows that there is, in each group, a tendency toward the concentration of firms in certain business lines. Furthermore, the table indicates a complete absence of Chinese business owners in two of the business lines: 'transportation' and 'cleaning'. When looking at the business line 'service', a difference between Pakistanis and Ex-Yugoslavians appears. The latter are over-represented here. The Pakistani group, however, has the highest representation in the low-profit-margin business line of 'supermarkets, kiosks, etc.', which are known for their hard working environments and long working hours.

Table 3, which appear on the next pages, show the results of four multi- and bivariate logistic regression-analyses of business line changes for firms that were in business in 1992 and were still active in 1996, based on quantitative longitudinal registry micro-data. The models are operationalised so that the dependent variable is a binary one: The business line of a business owner's firm in 1992 is compared with the business line of that same person's firm in 1996. If a change in business line has occurred over this period, the value of the dependent variable is set to one. If no change has taken place, the value is set to zero.

The model used for each analysis (including the independent variables), is shown in the box in the top-right corner of the table.

Table 3 Number of family businesses ($N = 168,669$), distributed by Business Line and Owner's Country of Origin, 1996

	<i>Iran</i>	<i>Pakistan</i>	<i>Ex-Yugoslavia</i>	<i>Turkey</i>	<i>China ea.</i>	<i>Denmark</i>	<i>Other countries</i>
Restaurants	48 6.4%	14 1.4%	5 1.7%	102 5.8%	48 7.9%	420 0.3%	113 1.5%
Cafeteria, barbecues, etc.	167 22.4%	21 2.1%	18 6.1%	248 14.1%	189 31.1%	1240 0.8%	276 3.7%
Food and nutrition	37 5.0%	135 13.7%	13 4.4%	171 9.7%	17 2.8%	940 0.6%	235 3.2%
Supermarkets, kiosks, etc.	65 8.7%	247 25.0%	15 5.1%	142 8.0%	20 3.3%	560 0.4%	205 2.8%
Special retail shops	53 7.1%	31 3.1%	7 2.4%	41 2.3%	22 3.6%	6440 4.1%	466 6.3%
Trade and agencies, etc.	35 4.7%	30 3.0%	19 6.5%	41 2.3%	27 4.4%	5980 3.8%	600 8.1%
Cleaning	1 0.1%	3 0.3%	10 3.4%	11 0.6%	0 0.0%	2120 1.4%	146 2.0%
Transportation	6 0.8%	15 1.5%	12 4.1%	6 0.3%	0 0.0%	3800 2.4%	97 1.3%
Service	71 9.5%	32 3.2%	55 18.8%	80 4.5%	22 3.6%	30500 19.4%	1655 22.3%
Manufacturing	12 1.6%	1 0.1%	6 2.0%	6 0.3%	11 1.8%	4100 2.6%	217 2.9%
Others/NA	252 33.7%	460 46.5%	133 45.4%	916 51.9%	252 41.4%	100740 64.2%	3418 46.0%
Total	747 100.0%	989 100.0%	293 100.0%	1764 100.0%	608 100.0%	156840 100.0%	7428 100.0%

Source: Based on statistics Denmark

The odds-ratio values shown in Table 3 refer to the possibility of a business line change having taken place, given

- 1 the national origin of the business owner
- 2 which business line (s)he was in during 1992
- 3 the concentration level of immigrants and descendants in business owner's residential area in 1996¹
- 4 the increase or decrease in certain economic key figures from 1992 to 1996
- 5 his/her citizenship status in 1996.

Table 4 Logistic regression analysis of business line change Denmark 1992 and 1996, compared (longitudinal data)

	χ^2	Odds ratio	95% CI	Prob.
National origin (selected)				
Stateless/Palestine	NA			
Norway	0.01	1.050	0.400–2.760	0.92
Sweden		1.000		
Netherlands	0.17	1.378	0.304–6.244	0.68
Italy	0.57	0.783	0.415–1.478	0.45
Former Yugoslavia	0.01	1.053	0.308–3.595	0.93
UK	1.36	1.638	0.715–3.756	0.24
Turkey	11.82	0.424	0.260–0.692	< 0.001
Hungary	0.25	0.585	0.071–4.801	0.62
Germany (incl. G.D.R.)	0.68	1.304	0.693–2.456	0.41
Morocco	3.59	0.364	0.128–1.035	0.06
Chile	NA			
Afghanistan	NA			
Iraq	1.00	0.447	0.092–2.173	0.32
Taiwan	0.01	0.905	0.095–8.595	0.93
Hong Kong	NA			
PRC	0.97	0.610	0.227–1.636	0.33

Notes: $N = 2,357$ (number of active single-owned firm owners in both years)

Dependent variable = has a change in business line from 1992 to 1996 taken place?

Model (multivariate): Change (dependent) =

- National origin (offset = Sweden)

- Business line (offset = others)

- Municipality (high/low percentage of immigrants and descendants, offset = Low)

- Increase from 1992 to 1996 in turnover, export, etc. (for each value; offset = decrease or status quo)

- Citizenship (offset = foreign).

How to read the table: The χ^2 -value, is identical to the predicted value for the parameter (a binary 'dummy'-variable), it ranges from 0 to infinity.

The higher the value, the higher the level of reliability for the individual parameter estimates. A value of around 4 indicates an 'acceptable' level of reliability (double sided χ^2 -test).

The χ^2 -value is inversely proportional to the prob.-value. The former ranges from 0 to 1, i.e., a low value indicate a high level of reliability. A prob.-value lower than 0.05 indicates an 'acceptable', lower than 0.01 a 'moderate' and lower than 0.001 a 'high' level of reliability, respectively.

The odds-ratio is an expression of the estimated probability of the occurrence of a change of business line between the two years, given the individual parameter. For instance, if one lives in a 'high-percentage-municipality' in 1996, her risk (or chance) of changing business line between 1992 and 1996 is 1.379 times higher than if she lived in a 'low-percentage-municipality'.

The 95%-confidence interval (CI), relates to the reliability of the estimated odds-ratio.

Source: SAS/STAT, Users Guide, Vol. 1, Ver. 6, 4th ed., p.446

Table 4 Logistic regression analysis of business line change Denmark 1992 and 1996, compared (longitudinal data) (continued)

	χ^2	Odds ratio	95% CI	Prob.
National origin (selected)				
Bangladesh	NA			
Sri Lanka	0.14	0.641	0.064–6.452	0.71
Iran	4.85	0.421	0.195–0.909	< 0.05
Israel	0.68	0.584	0.163–2.093	0.41
Lebanon	3.31	0.409	0.156–1.072	0.07
Vietnam	0.88	0.713	0.351–1.446	0.35
Pakistan	12.55	0.356	0.201–0.631	< 0.001
Croatia	NA			
Slovenia	NA			
Bosnia-Herzegovina	NA			
Macodonia	NA			
Bosnia-Herzegovina	NA			
Macodonia	NA			
Serbia-Montenegro	NA			
Somaila	NA			

Notes: $N = 2,357$ (number of active single-owned firm owners in both years)

Dependent variable = has a change in business line from 1992 to 1996 taken place?

Model (multivariate): Change (dependent) =

- National origin (offset = Sweden)

- Business line (offset = others)

- Municipality (high/low percentage of immigrants and descendants, offset = Low)

- Increase from 1992 to 1996 in turnover, export, etc. (for each value; offset = decrease or status quo)

- Citizenship (offset = foreign).

How to read the table: The χ^2 -value, is identical to the predicted value for the parameter (a binary 'dummy'-variable), it ranges from 0 to infinity.

The higher the value, the higher the level of reliability for the individual parameter estimates. A value of around 4 indicates an 'acceptable' level of reliability (double sided χ^2 -test).

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The odds-ratio is an expression of the estimated probability of the occurrence of a change of business line between the two years, given the individual parameter. For instance, if one lives in a 'high-percentage-municipality' in 1996, her risk (or chance) of changing business line between 1992 and 1996 is 1.379 times higher than if she lived in a 'low-percentage-municipality'.

The 95%-confidence interval (CI), relates to the reliability of the estimated odds-ratio.

Source: SAS/STAT, Users Guide, Vol. 1, Ver. 6, 4th ed., p.446

Table 4 Logistic regression analysis of business line change Denmark 1992 and 1996, compared (longitudinal data) (continued)

	χ^2	Odds ratio	95% CI	Prob.
Business line (1992)				
Food and nutrition	0.04	0.889	0.296–2.669	0.83
Special retail shops	0.01	1.046	0.363–3.018	0.93
Restaurants	14.10	0.138	0.049–0.388	< 0.001
Cafeteria and barbeques	1.53	0.523	0.187–1.461	0.22
Manufacturing	0.49	1.543	0.461–5.165	0.48
Trading/agencies	0.07	0.873	0.308–2.473	0.80
Taxi driving	NA			
Other services	1.83	2.038	0.727–5.712	0.18
Cleaning	3.37	0.306	0.087–1.083	0.07
Entertainment/culture	NA			
Other transport	0.47	0.542	0.095–3.106	0.49
Municipality (1996)				
High pct. of immigr. and desc.	3.71	1.379	0.995–1.912	0.05

Notes: $N = 2,357$ (number of active single-owned firm owners in both years)

Dependent variable = has a change in business line from 1992 to 1996 taken place?

Model (multivariate): Change (dependent) =

- National origin (offset = Sweden)

- Business line (offset = others)

- Municipality (high/low percentage of immigrants and descendants, offset = Low)

- Increase from 1992 to 1996 in turnover, export, etc. (for each value; offset = decrease or status quo)

- Citizenship (offset = foreign).

How to read the table: The χ^2 -value, is identical to the predicted value for the parameter (a binary 'dummy'-variable), it ranges from 0 to infinity.

The higher the value, the higher the level of reliability for the individual parameter estimates. A value of around 4 indicates an 'acceptable' level of reliability (double sided χ^2 -test).

The χ^2 -value is inversely proportional to the prob.-value. The former ranges from 0 to 1, i.e., a low value indicate a high level of reliability. A prob.-value lower than 0.05 indicates an 'acceptable', lower than 0.01 a 'moderate' and lower than 0.001 a 'high' level of reliability, respectively.

The odds-ratio is an expression of the estimated probability of the occurrence of a change of business line between the two years, given the individual parameter. For instance, if one lives in a 'high-percentage-municipality' in 1996, her risk (or chance) of changing business line between 1992 and 1996 is 1.379 times higher than if she lived in a 'low-percentage-municipality'.

The 95%-confidence interval (CI), relates to the reliability of the estimated odds-ratio.

Source: SAS/STAT, Users Guide, Vol. 1, Ver. 6, 4th ed., p.446

Table 4 Logistic regression analysis of business line change Denmark 1992 and 1996, compared (longitudinal data) (continued)

	χ^2	Odds ratio	95% CI	Prob.
From 1992 to 1996, increase in:				
Turnover	5.50	2.295	1.146–4.596	< 0.05
Export	2.68	0.637	0.372–1.093	0.10
Own capital	17.82	2.622	1.676–4.102	< 0.001
Sum of balance	1.97	0.585	0.277–1.237	0.16
Sum of wages	0.93	0.848	0.606–1.186	0.33
Purchase of goods	1.46	0.773	0.508–1.174	0.23
Increase of value	0.58	0.776	0.404–1.489	0.45
Loaned capital	2.29	0.622	0.336–1.151	0.13
Profit	1.27	1.203	0.872–1.659	0.26
Citizenship (1996)				
Danish	2.98	1.325	0.962–1.825	0.08

Notes: $N = 2,357$ (number of active single-owned firm owners in both years)

Dependent variable = has a change in business line from 1992 to 1996 taken place?

Model (multivariate): Change (dependent) =

- National origin (offset = Sweden)

- Business line (offset = others)

- Municipality (high/low percentage of immigrants and descendants, offset = Low)

- Increase from 1992 to 1996 in turnover, export, etc. (for each value; offset = decrease or status quo)

- Citizenship (offset = foreign).

How to read the table: The χ^2 -value, is identical to the predicted value for the parameter (a binary 'dummy'-variable), it ranges from 0 to infinity.

The higher the value, the higher the level of reliability for the individual parameter estimates. A value of around 4 indicates an 'acceptable' level of reliability (double sided χ^2 -test).

The χ^2 -value is inversely proportional to the prob.-value. The former ranges from 0 to 1, i.e., a low value indicate a high level of reliability. A prob.-value lower than 0.05 indicates an 'acceptable', lower than 0.01 a 'moderate' and lower than 0.001 a 'high' level of reliability, respectively.

The odds-ratio is an expression of the estimated probability of the occurrence of a change of business line between the two years, given the individual parameter. For instance, if one lives in a 'high-percentage-municipality' in 1996, her risk (or chance) of changing business line between 1992 and 1996 is 1.379 times higher than if she lived in a 'low-percentage-municipality'.

The 95%-confidence interval (CI), relates to the reliability of the estimated odds-ratio.

Source: SAS/STAT, Users Guide, Vol. 1, Ver. 6, 4th ed., p.446

Models used for all different regression analyses are extrapolated from the one shown in the box. Studying the figures in Table 3 more closely, reveals that immigrants and descendants from European countries are more likely to change from on business line to another than immigrants from other countries. For example, odds-ratios for Germany is 1.304 and for the UK 1.638 whilst those from Turkey, Iran, Pakistan and Lebanon is 0.424, 0.421, 0.356 and 0.409, respectively, with probability levels being high

(all probabilities are computed in relation to immigrants and descendants from Sweden, i.e., Sweden is the offset parameter).

Another look at Table 4 shows that immigrants and descendants who owned a firm that had an increase in turnover and assets/own capital, also were more likely to change business line (2.295 and 2.622, respectively) than firms that had a decrease in these values (offset). An increase in exports and growth in loaned capital seems to have had a constraining effect on the degree of willingness to change business line.

Finally, Table 4 reveals that immigrants and descendants who had achieved Danish citizenship in 1996 were 1.325 times more likely to change business line, than those with a foreign citizenship. Similar tables show that those self-employed who were in the 'other service' business line (odds-ratio: 1.982) and in 'manufacturing' (odds-ratio: 1.268) in 1992 were more likely to be in another business line in 1996, than self-employed in one of the other ten business lines in 1992. This tendency is not only stronger but also more significant for the 'other service' business line (prob.-value = 0.18) than for 'manufacturing' business (0.69), even though 0.18 indicates a relatively weak level of significance.

National origin and business line in 1992 played a less significant role for business line change, than factors such as the residential concentration level of immigrants and descendants in a municipality, increases/decreases in certain economic key figures, and citizenship status as at 1996. However, this picture is not wholly clear.

3.5 *Intra- and inter-ethnic business owner networks*

In this section, some of the questions in the questionnaire investigation will be analysed. The titles of the figures are English translations of the questions asked in Danish. The aim of the section is to give an overview of intra- and inter-ethnic business owner networks.

When asked 'Who helped you (practically, financially, etc.) With establishing your business?', most respondents replied that their family and relatives played a significant role. Note that the answers from business owners from the PRC/Taiwan indicate a particularly close dependency on family relations, combined with weak ties to other minorities.

The role of 'others' (i.e., mostly immigrants/descendants from Western European countries), however, is very insignificant indeed.

On the question in Figure 9: 'Which Danish institutions or persons helped you getting started?' most business owners replied, that it was an accountant or lawyer who assisted them in the initiating legal and practical formalities that are needed for starting up a business. Hence, there are no compulsory legal procedures demanded by authorities, when setting up a single owned firm, other than registration at the tax-department. The follow-up significant category is banking contacts, except for the Iranians who are more dependent on public business advisory and aid from local (municipal) authorities/public job-centres.

Figure 8 Who helped you (practically, financially, etc.) with establishing your business? (see online version for colours)

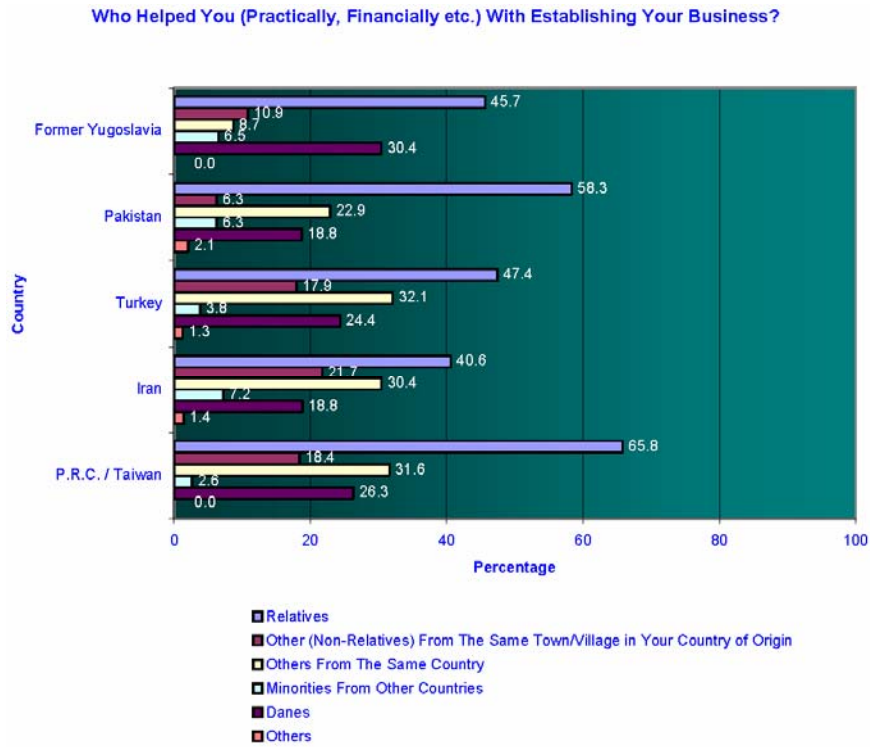


Figure 9 Which Danish institutions or persons helped you getting started? (see online version for colours)

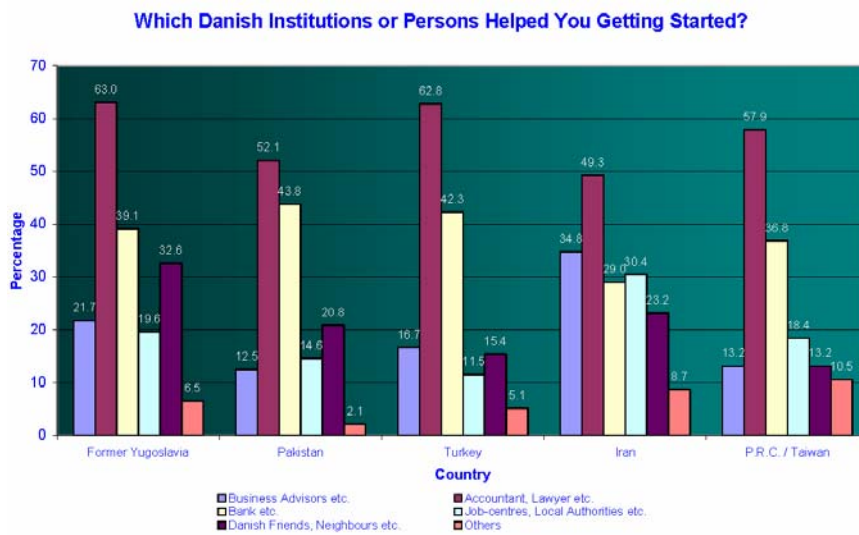
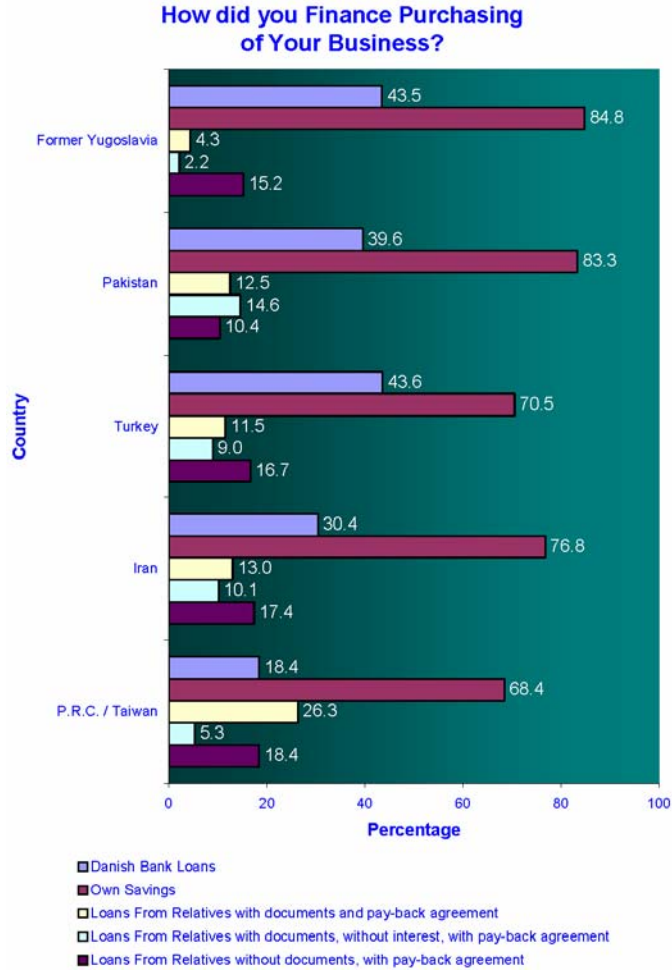


Figure 10 How did you finance purchasing of your business? (see online version for colours)



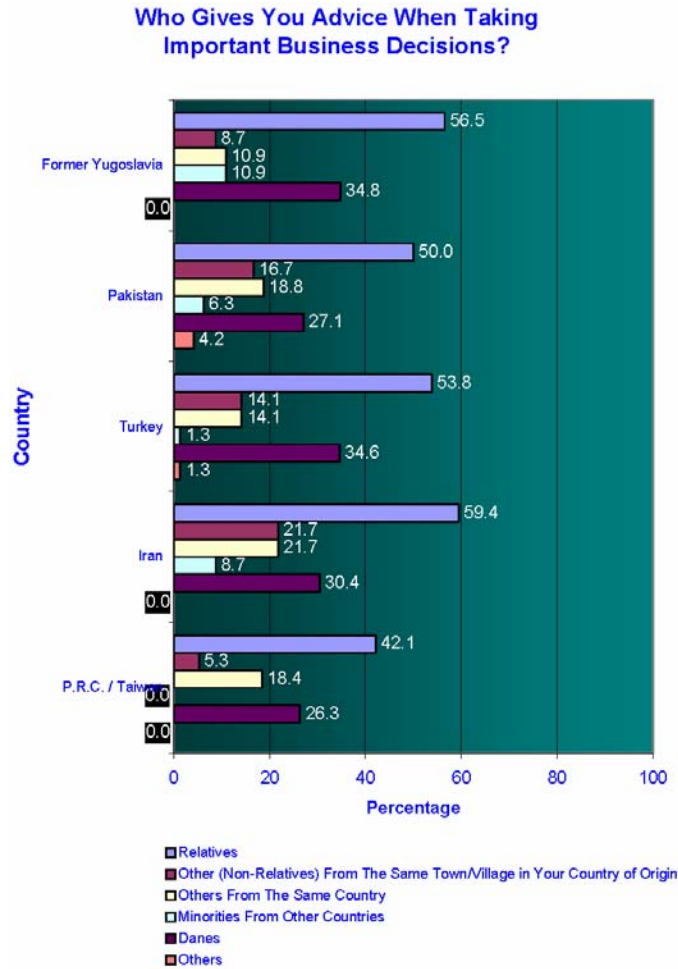
Business owners from the former Yugoslavia mostly favour help from Danish friends/neighbours. Business owners from Turkey and the PRC/Taiwan favour this to a significantly lower extent.

When it comes to the question of ‘How did you finance purchasing of your business’ the answers are very clear, ‘own savings’ is the dominant financial source. Danish Bank source comes as second, except for business owners from the PRC/Taiwan where loans from relatives plays a more significant role. As multiple answers are possible in this particular question due to prioritisation, the sum of percentages is more than 100.

On the question of ‘Who gives you advice when taking important business decisions?’ the network has, more or less, the same composition amongst all groups. The Danes here are surprisingly well represented. One important reason is that many of the business owners have Danes as their employees.

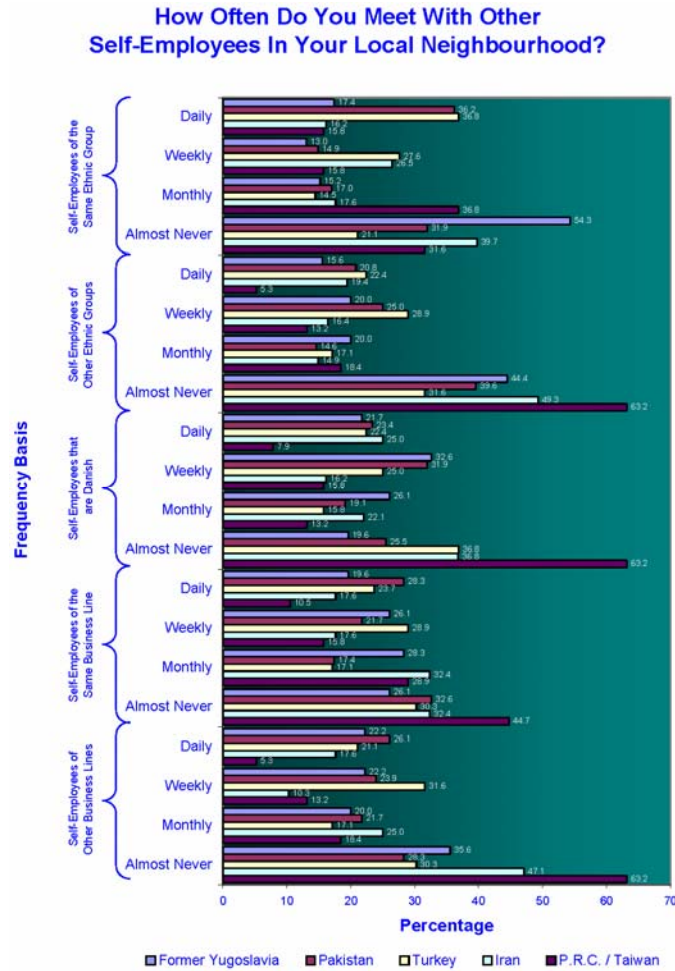
As multiple answers are possible in this particular question due to prioritisation, the sum of the percentages is more than 100.

Figure 11 Who gives you advice when taking important business decisions? (see online version for colours)



The most important point seen from the answers given to the question ‘How often do you meet with other self-employees in your local neighbourhood’, is the fact that the business owners from PRC/Taiwan are ‘top-scorers’ on the ‘almost never’ scale, except for the category ‘self-employee of the same ethnic group’. This observation supports the picture drawn so far of the Chinese business owners as being a relatively isolated and socio-economically under-privileged group compared to business owners with other national origins. The ‘enclosure’ shown here and in connection with other questions, as well as socio-economic analysis of the statistical micro-data is an empirical evidence of the theoretical issues presented earlier. The overall picture indicates a versatile span of contact in the local neighbourhood.

Figure 12 How often do you meet with other self-employees in your local neighbourhood?
(see online version for colours)

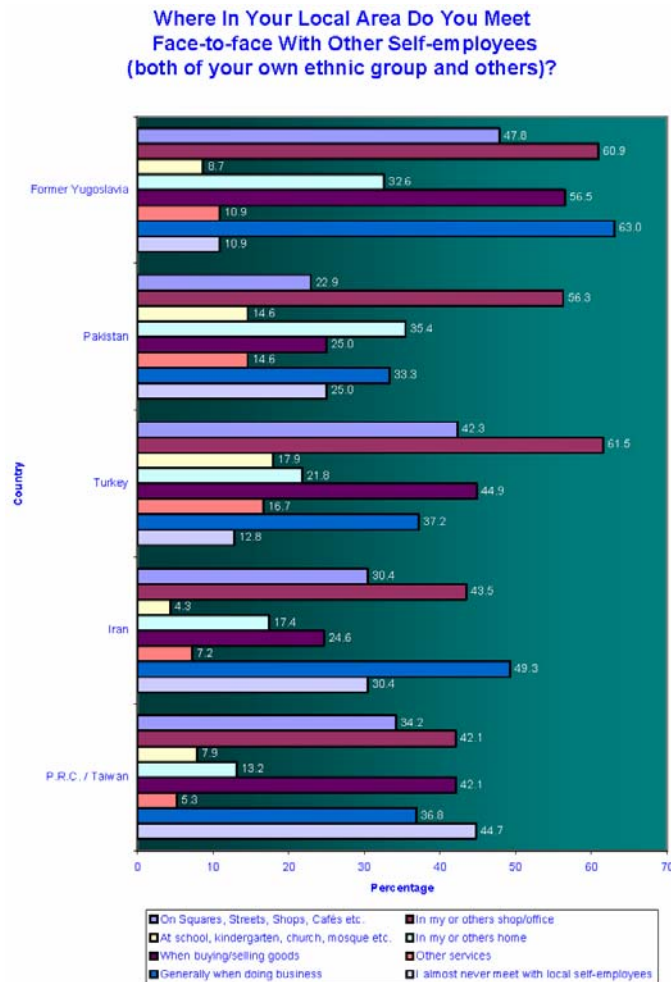


The question ‘Where in your local area do you meet face-to-face with other self-employees?’ further emphasises the enclosure-issue regarding the Chinese. Nevertheless, this tendency can be seen amongst Iranian business owners as well, especially when it comes to the categories ‘in my or others shop/office’, ‘at school, kindergarten, church, mosque, etc.’ and, on the opposite end of the spectrum, ‘I almost never meet with local self-employees’.

The answers to the question ‘Are you aware of any ‘rotating credit associations (RCA)’ within your own ethnic group?’, separates business owners from the Former Yugoslavia, from the rest. The Yugoslavians are at most unaware of this model. However, this unawareness is so common, that only 69 out 279 respondents admitted any knowledge of RCA’s. What is also interesting is that 1.3% of Turkish and 2.9% of Iranian respondents does not deny knowledge of the existence of such associations by answering ‘No’, but simply reject answering the question. Degressive conversations

during the interviews indicate sensitivity in dealing with this issue. Another phenomenon revealed is the awareness of the existence of RCAs in the country of origin, except amongst Iranian business owners. This indicates that a process of adoption of new business ideas has taken place after arriving and entering business life in Denmark. Iranians do not use RCAs in Iran and some Iranian respondents labelled the model: ‘The Turkish model’.

Figure 13 Where in your local area do you meet face-o-face with other self-employees (both of your own ethnic group and others) (see online version for colours)



The question ‘Who participates in ‘RCA?’ has only been answered by those who admitted existence of RCA’s (see Figure 12), within their own ethnic group. The respondents indicate that ‘relatives’ and friends, etc. Belonging to the same ethnic group are the most frequent participants in these networks due to the necessity of existing mutual trust.

Figure 14 Are you aware of any 'RCA' within your own ethnic group? (see online version for colours)

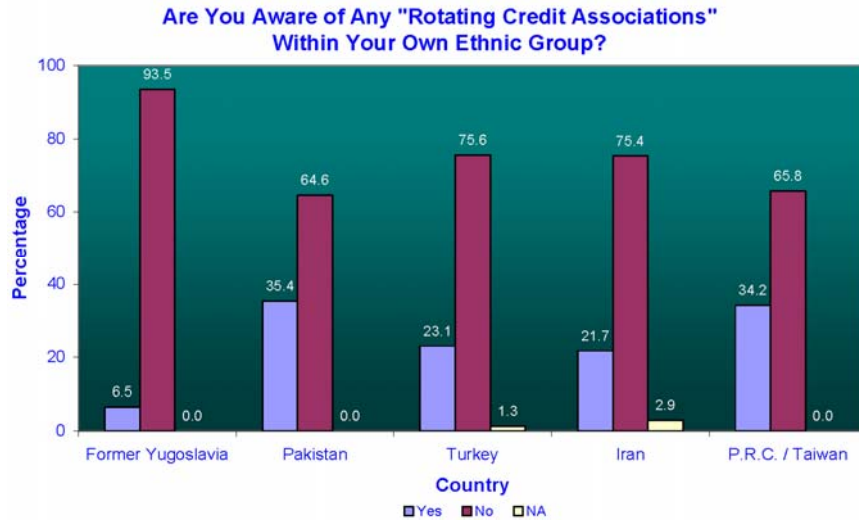
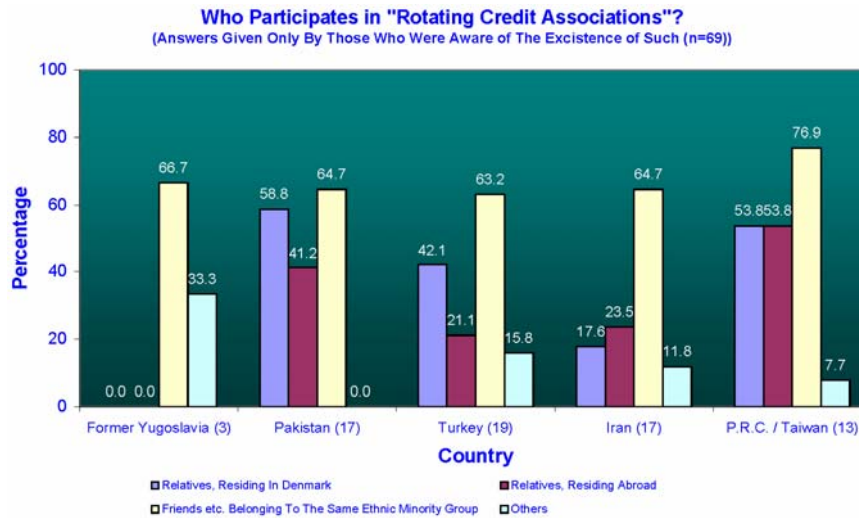


Figure 15 Who participates in 'RCA'? (see online version for colours)



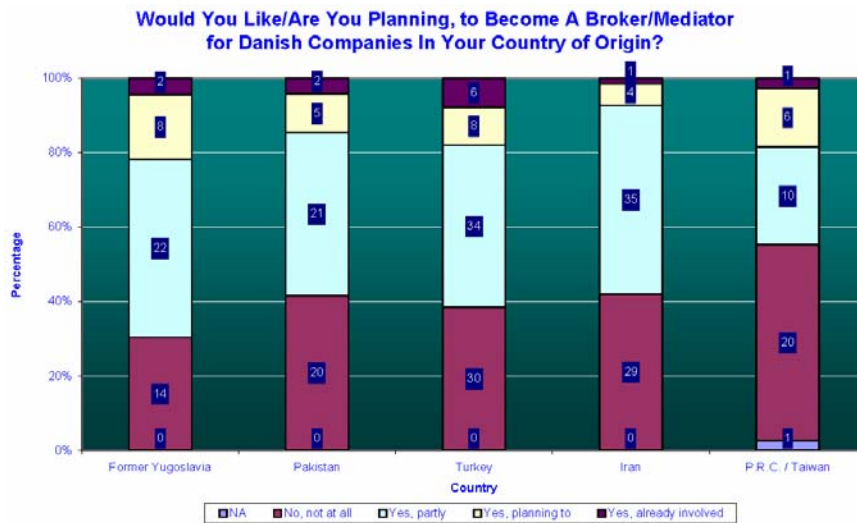
Note: Answer given only by those who were aware of the existence of such (n = 69).

3.6 The broker role and investments in country of origin

Answering the question, 'Do you have business investments in your country of origin?', also seems to be sensitive for most respondents. Approximately 25% of Pakistanian and Iranian respondents answered the question positively. Degressive conversation during interviews with Turkish Kurds reveals the fact that they used investments in Turkey earlier, but have become reluctant to still have them. Overall, this result shows that

Studying the answers to the question ‘Would you like/are you planning, to become a broker/mediator for Danish companies in your country of origin?’, reveals that business owners from the Former Yugoslavia and the PRC/Taiwan are, respectively, the most and least willing to become a broker/mediator. Business owners from Turkey are relatively more active in this field; approximately 8% of them are already acting as broker/mediator for Danish companies in Turkey.

Figure 18 Would you like/are you planning, to become a broker/mediator for Danish companies in your country of origin? (see online version for colours)



The factors of importance of this part in combination with other data and literature are summarised as follows:

- The percentage of all single owned firms owned by immigrants and descendents in Denmark has changed considerably over the years. Some of the groups have changed drastically, e.g., Turkey, Pakistan, Iran, although they are relatively enclosed due to sectoral specialisation abound, some others still have a tendency of continuing as wage-earners (e.g., immigrants from The Former Yugoslavia).
- Although the percentage of business owners from The Former Yugoslavia is relatively small, but the data indicates that they choose different business lines compared to the other groups.
- Chinese business owners are relatively enclosed due to sectoral specialisation abound.
- The intra- and inter-ethnic business owner networks dynamic does exist.

4 Conclusions

The focus of this article is on immigrant entrepreneurs, their businesses, and the socio-economic context in which they appear. This is done with special emphasis on how the establishment of networks influences the socio-economic mobility of self-employed immigrants. For this purpose, comprehensive empirical data have been gathered.

In most of the statistical analyses, national origin has been chosen to be the criterion defining an ethnic group (group of immigrants). This choice has been taken on practical grounds in terms of completion of the analysis. The network analyses (based on Figure 3), shows evidence of ethnic business networks formed on the basis of language, religion, and connection to certain regions in the country of origin, which to a greater extent has influenced the formation of ties more than that of shared national origin.

The key theoretical concepts of the framework and the findings of the analysis are to be found within economic sociology. It is shown that a situation of utmost pressure, i.e., the marginalisation of immigrants in a recipient country, leads to the fact that through shared frames of reference, such as language, religion, and connection to certain regions in the country of origin, the groups appeal to the mutual 'bounded solidarity' confirming the community and making it even stronger. The trust resulting from that is reflected in the formation of strong network relationships and implies a reduction of risk – having the effect of self-encapsulation. This leads to the fact that information circulating between group members remains one-sided and mono ethnic. The business strategy of a group of immigrants is based upon group characteristics and the possibilities given by the surrounding community. Groups of immigrants may draw on their social and business networks as a means of gaining socio-economic mobility. These relationships are based on trust, functioning as an embedding process between social and business networks (see Figure 3).

The empirical section was based on longitudinal registry data and a survey among immigrant business owners from 1999, both of which were structured in a way that allowed comparison between five immigrant business owner groups, coming from Pakistan, Ex-Yugoslavia, Turkey, Iran and China. The empirical data demonstrated that the bulk of immigrant firms are, and remain, small family units within traditional immigrant business lines such as small retail shops, restaurants and fast food outlets. A statistical regression analysis of the position of firms within business lines in the period 1992 to 1996 showed that those owned by immigrants from less developed countries were less likely to shift business line than those owned by immigrants from more developed countries. The registry data did, however, also indicate some breaking-out tendencies: an increasing number of firms are being established outside the traditional immigrant business lines, including knowledge intensive service firms: corresponding with this result, significant growth in average turnover during 1992 to 1996 was found in a number of business lines, such as specialised retailers (Ex-Yugoslavian owned), manufacturers (Turkish owned) and trade/agency firms (Pakistani owned).

Empirical data shows further that the immigrant businesses are concentrated in city centres and may also contribute to an economic rehabilitation of old city centres. But it would then also be a task of urban policy to identify and to alleviate the existing bottlenecks that may impede the flourishing of a migrant entrepreneurial culture. This means that the cultural and innovative strength of a new class of entrepreneurs in a multi-cultural city has to be exploited. In this process, immigrants may play a critical role, since they possess specific socio-economic characteristics which may give them a competitive advantage against natives. In this respect, one can think of the following:

- 1 tight social networks, which provide flexible possibilities for the recruitment of personnel and capital due to mutual trust within the network
- 2 immigrant owned businesses might improve the conditions for urban revitalisation
- 3 successful immigrant business owners may reinforce the ties with the countries of origin and in this way contribute to internationalisation.

Furthermore, indicates the empirical data that immigrants can reinforce the ties to other co-ethnic across the globe and in this way contribute to bottom-up globalisation. More interesting is that immigrants can place themselves in an advantaged cooperative situation compared with those not having these identificational-based co-ethnic global linkages.

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Notes

- 1 A high residential concentration level of immigrant's descendants is said to exist in the top 30 most densely populated municipalities, out of a total of the 275 municipalities in Denmark, with the number of inhabitants between the ages of 18–59 years old totalling above 10,000. The highest concentration levels are found in the greater Copenhagen area.