

Characterizing African Immigrant Entrepreneurship in Finland

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This paper focuses on characterizing African immigrant entrepreneurship in Finland and key factors contributing to their business success/failure. Using both quantitative and qualitative research methods, 57 entrepreneurs were surveyed. The results indicate that experience and length of time stayed in Finland have a significant relationship with the survival and success of the business. Surprisingly, the level of education did not have as high a level of impact as expected. Respondents who had university education were not more successful than those who had high school or vocational school diploma. Most respondents mentioned that skills learned to run their businesses was mainly self-taught. Age, gender, and work experience did not have a significant relationship to the survival and success of the enterprises/businesses. Marital status to some extent had impact on business. Access to capital, to marketing and knowledge of the Finnish language were determinants of business success and of business survival. Respondents who had their start-up capital from their own personal savings or family investments also showed a significantly higher level of success than those who had their source of capital from elsewhere. Access to information on government support and finding right employees were not considered as part of the survival process. Legal issues were seen as causing negative impacts to certain extent as most of respondents felt there is a lot of bureaucracy to follow and complicated taxation Law.

INTRODUCTION

Entrepreneurship has received increasing awareness in Finland among media and policy makers since the recession in early 1990's. The Finnish government has aimed at safeguarding a stable and predictable operational environment for enterprises. (Pukinen et al.2007, 39). The interest in supporting immigrant entrepreneurship awakened already in the latter half of the 1990s. In part, this was connected to immigrant unemployment, which, even as the overall employment situation improved, remained high. In part, it was connected to hopes inspired in the authorities by the degree of business activity among immigrants as evidenced by the large number of small, immigrant-owned shops and restaurants that appeared on the scene in Helsinki. (Joronen T. 2002 p.131-132). Entrepreneurial conditions are good in Finland in terms of physical infrastructure, IPR protection, support for female entrepreneurship and government policy in general (Pukinen et al.2007, 40-41).

According to Statistics Finland and the Trade Register, Finland has around 5,600 enterprises established and led by immigrants. Immigrants are also more willing to start a business than native-born Finns. The amount of entrepreneurs is high among immigrants who come from countries with traditional SME sectors. Those countries for example Turkey (37% of immigrated workforce are entrepreneurs), Thailand 20%, Irak and Iran (16%), former Yougoslavia, UK, Vietnam, China, Germany (11-15%). In comparison less than 2 % of African workforce immigrated to Finland were entrepreneurs.(Nieminen, 2006). Immigrants are running mainly service companies in Finland. Of this, over 25% are in the wholesale and

retail trade, and another 20% each in real estate, rental, and the hotel and restaurants branches. Every tenth company in Finnish hotel and restaurant-branch is immigrant-owned, but the turnover of those immigrants' enterprises is only some 5% of the branch turnover. (Lith, 2006).

There is, however, very little academic research about immigrant entrepreneurs in Finland and almost none about African entrepreneurs. In this paper, we focus on characteristic of African entrepreneurs in Finland and our study aims at finding answers to the following research questions:

- What characterises African ethnic entrepreneurs in Finland and what are the problems and opportunities they face in their business ventures?
- Which factors contribute to success or lack of success of SMES owned by African entrepreneurs in Finland and which strategies and policies could be applied to ensure survival of their enterprises?

It is hoped that this study acts as a catalyst to cast more light on the problem and opportunities for African entrepreneurs in Finland. Our data consist of a survey and interviews of 57 African-owned firms from which 44 responses were usable for analysis. The remaining part of this paper is organized as follow, first a literature review on ethnic and immigrants entrepreneurs is presented, and then we describe briefly the data collection and analysis process. In addition, we present the preliminary findings followed by a short discussion and conclusions.

LITERATURE REVIEW ON ETHNIC ENTREPRENEURSHIP

Of all the players who feature in the management of the modern world economy, it is the entrepreneurs who most attract our attention. Entrepreneurs are seen as heroes, as self-starting individuals who take great personal risk in order to bring the benefits of new products to wider world markets. In addition, there is also an expression of concern at the pace of economic and social change entrepreneurs bring and of the uncertainty they create. People admire their talents or may even question the rewards they get for their efforts. Whatever instinctive reaction to entrepreneurs, it is not possible to ignore their impact on communities. (Wickham 2001, p. 2)

The word 'entrepreneur' is widely used, both in everyday conversation and as a technical term in management and economics. **An entrepreneur** is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them. Although many people come up with great business ideas, few act on their ideas. However, entrepreneurs do (Zimmerer and Scourborough 2006, p. 4). The literature on entrepreneurship are sometimes seen as stemming from three sources - the contributions of economic writers and thinkers; from psychological trait approach on personality characteristics; and a social behavioral approach (see, Deakins 1996, 7)

Much effort has gone into identifying entrepreneurial characteristics and it has diverted research away from other important areas concerning the entrepreneur's ability to learn from problem solving and to gain from their business experience (Deakins 1996, p.21). A closer look at the literature classifies entrepreneurs into different categories yet two major groups emerge from these classifications: *technical entrepreneurs, user and opportunist entrepreneurs* (Wickham 2001, p. 20). These classifications are useful for two key reasons. First it indicates the type of support the entrepreneur will need in order to drive his or her venture forward successfully. The research and producer technical entrepreneur, while in command of the technical aspect of what they are doing, may need support with the commercial management of their ventures. On the other hand user and opportunist entrepreneurs may call upon dedicated technical experts to underpin their commercial moves. Second it enables investors to judge the managerial balance of the ventures to which they are called upon to commit themselves.

The dynamism and entrepreneurial vigor of displaced communities, ethnic and religious minorities is well documented. This is not because such people are 'inherently' entrepreneurial; rather it is because, for a variety of social, cultural, political and historical reasons, they have not been invited to join the wider economic organizations. As a result, they may form their own internal networks trading among themselves and perhaps, with ancestral countries (See Greene, 1997; Shane, 1996; Fairlie & Meyer, 1996 and Wickham 2001). Researchers in large immigration countries (such as the United States of America, England and France) have developed various theories about the ability of particular ethnic groups to exploit small business niches in those economies dominated by large, more sophisticated concerns. This theory is partly corroborated by Najib's (1994, p. 26) concept of middlemen and ethnic enclave.

To explain over-representation of certain ethnic groups in small business activities, Boniacich (1973) developed the concept of the middleman minority. He attributed the drive of the ethnic minorities who become self-employed to their social status, since they remained oriented toward their country of birth; they regarded their enterprises as a temporary arrangement. They did not reinvest heavily, preferring to keep their accumulated capital as liquid as possible. They saved for an eventual return home. As they planned to return, they developed few relations with the indigenous population. They were discriminated against and were outsiders, yet depended on indigenous clients. Following from this, their integration was hampered by their isolation from the natives and the intensity of their relations with members of their own ethnic groups. Their most marked characteristics were that they traded exclusively with the indigenous community; because of these specific characteristics middleman minorities were more successful entrepreneurs than other ethnic groups. (Najib 1994, 27)

Reeves and Ward (1984) made another interesting characterization. They attempted to explain why there was a marked under-representation of Afro-Caribbean self-employed immigrants compared to Asian immigrants in Britain. They found that only 4 per cent of West Indian men were self-employed compared with 12 and 8 per cent of Indian and Pakistan/Bangladesh men. They advanced a number of structural reasons for the difference in access to self-employment among Asian and Caribbean immigrants (Najib 1994, 27).

Over the years research on ethnic business has generated considerable controversy over the sources of ethnic entrepreneurial success. During the last few years, however, one may say that three distinctive approaches to this question have now crystallized.

First, one that focuses on the characteristics those immigrants bring with them and make them predisposed to do well in small business. Particular groups of immigrants do well because they are hard-working, disciplined and more risk-oriented than others; and also because family members, other close kin and communities give them access to ethnic resources (such as cheap labor, customers loyalty etc), that others are unable to acquire easily. Another argument is that because immigrants are interested in making quick money and returning home quickly, and as a consequence they are willing to work harder and take more risks than natives. Immigrants can also be said to be predisposed to ethnic business because they usually bring with them some resources (such as capital, prior business experience, transferable skills, etc) that provide an edge in starting out one's own business (See Najib 1994; Marger 2001)

The second major approach emphasizes the importance of opportunity structures as a condition of business success. This structural perspective emphasizes two strands of argumentation (see Aldrich & Auster, 1998, Borjas 1986, Kloosterman & Van de Leun & Rath, 1999): Opportunities for immigrant entrepreneurs are mainly found in industries where entry is easy but the risks of failure are very high; The potential for immigrant business development is greatest when there are vacant business places to which immigrants can succeed.

The third approach points to the interaction between predisposing characteristics of immigrants and the opportunities they encounter in the host society. Two types of argumentation are given (see Najib 1994; Wilson and Martin 1982): The propensity of immigrants towards business is not imported, but rather reactive or situational; in other words, immigrants do not enter business as a way of life but rather it is their best opportunity of making a living when life provides few alternatives; Immigrants are successful in the small business sector because they can use important informal resources through kin and community attachments especially in securing skilled labor, both these informal resources are particularly valuable only in solving the organizational strains inherent in small business environment.

Entrepreneurship success is a difficult concept to define because it is multi-faceted. It may be measured by hard and fast numbers but also by softer qualitative criteria. Success is something which is both visible in public but is also experienced at a personal level. Success can be understood in terms of four interacting aspects: the performance of the venture, the people who have expectations from the venture, the nature of those expectations and the actual outcomes relative to expectations. The performance of the venture is indicated by a variety of quantitative measures. These relate to its financial performance and the presence it creates for itself in the market-place (See Wickham 2001; Zimmerer and Scarborough 2006). Studies by Small Business Administration (SBA) suggest that 50 percent of new business will have failed within four years, because of their limited resources, inexperienced management, and lack of financial stability and that small businesses suffer relatively high mortality rates. Exploring the causes of business failure may help to avoid it. This observation is consistent with Zimmerer and Scourborough 2006, p. 29-35) findings.

Jumponen et. al (2007) also support this on-going thesis that immigrant business owners with close contacts to other ethnic groups, with an advanced and broad competence profile and all other wherewithal for business are most likely to develop firms that grow, restructure and relocate, i.e breaking-out firms. Cross border business relationship are often an inherent characteristic of immigrant businesses. Immigrant business owners frequently run business activities in their countries of origin, but they may also link up with co-ethnic immigrants in other countries, or their business may be sufficiently strong expanding to other countries. The latter option is still rare in a country like Finland, with a short history of immigrant businesses. However, the dominant form of cross border relations is small scale and person driven business activity, but some larger units also may be found in some countries (Bager & Rezaei, 2000).

In sum, previous results on ethnic entrepreneurship in Finland seem to support the global results in many respects. In ethnic enterprises, there are usually business partners with the same ethnic backgrounds, while companies where business partners have different ethnic backgrounds are rare (Lith, 2006). In addition, other researchers found that there are a lot of so-called necessity entrepreneurs among immigrants. These have become entrepreneurs because of unemployment or threat of unemployment. (See Carsrud and Bränbacka, 2007). As the level of unemployment among immigrants of African origin is high (more than 30%) compared with other immigrants groups, it is assumed that most African entrepreneurs will fall in this above category. It is also interesting to know that trade between Finland and the African continent is small. That may also explain a low level of linkages between the African entrepreneurs with other entrepreneurs located in their country of origin. All in all, the Finnish government is interested in the promotion of immigrant entrepreneurship in Finland. Immigrant entrepreneurship has to be studied further for the need to develop and implement entrepreneurial policies. (Lith 2006, Jumponen, et al, 2007).

Research approach and methods

The study started with mapping out the existing secondary data through contacting statistic centers and through reading academic literature on entrepreneurship. Primary empirical data was collected using both quantitative and qualitative methods, as suggested by Bryman and Bell (2003). Primary data was collected through survey and interviews. The aim was to find out what a selected group of participants do, think or feel (Collis and Hussey 2003). Interviews were used in order to delve into the story of the

entrepreneurs (Collis and Hussey, 2003). The survey questionnaire consisted of four parts. The first part comprised demographic information of the respondents. In the second part, respondents were asked about the start-up of their business; in the third part, the financing of the business from the very beginning to the point the business is at the moment of data collection (year 2008). Lastly, respondents were asked about the growth and success of their business in Finland. The questionnaire used a Likert Scale approach. Altogether the questionnaire comprised of thirty questions and only four questions were open ended. Originally we contacted 57 potential respondents, owners of SMEs with African origin. After an intensive search, only small business could be found. The search covered only Southern Finland and this was convenient as most of these entrepreneurs are located in the South and the researchers are also located in the Southern part of Finland. Out of 57 distributed questionnaires, 44 were usable, which gives a relatively high response rate of 83%. Due to this small number of respondents, we have only presented descriptive statistics in addition to the qualitative results in this paper.

Respondents and their background factors

There were a total of 28 men and 16 women and they were between the *ages* of 21 and 70 and have lived in Finland between 3-20 years. *Educationally*, all the respondents had high school diploma. 47% of the respondents also had college or university degree, 25% had a diploma from some vocational school or college, *while* the other 28% have no further education after high school. They have *different skills* in many different areas of business but almost 90% or more are in the service or retail business or a combination of both.

KEY RESULTS

Reasons for starting own business

The answers vary from one person to the other but the results at hand show that the most important push factors was the lack of a well paying job (52%), need to be self-employed (30%), utilization of own education (12%), creation of opportunities for those around them (5%), to be recognized and respected in the community (1%).

Financing and Growth of the Business

Knowing about financial matters was considered important. 74% said that they had saved up their own money and/or borrowed from their relatives to start up their businesses, while 7% took a loan from a bank and the rest had the start-up money from elsewhere mainly from investors who were willing to get a share of the business profit. Entrepreneurs who have been in operation for more than 5 years (i.e. 81%), did not like the idea of borrowing money from local banks to foster their business expansion. They would rather use own savings for that purpose. The reasons for that attitude varied but most of the respondents maintained that banks and the government have not been very helpful in the growth of their businesses in the past years. According to previous research (see Lith, 2006; Jumponen et.al 2007), the Finnish government and Finnish banks are willing to help in financing small businesses. However, for a starting entrepreneur, the bank loans with its attendant interest rates may render your business dysfunctional. It is noteworthy that the respondents who used their own personal savings or getting funding from family investments were significantly more successful in their businesses than those with other sources of capital.

Competition and a limited number of customers

Tough competition played a big role in the growth of the enterprise. Most of the respondents acknowledged that most of their main customers were immigrants. Finnish customers were people who have travelled abroad and developed different product tastes. Sub-Saharan African restaurants had less attraction to Finnish customers. In this respect, the competition was mainly confined within a small segment of the immigrant customer base. This is because there are not very many customers in the market and maintaining the customers is not very easy when there are so many business of the same kind, selling the same products at very close proximity.

Racial issues were also mentioned to play a role in the growth of the businesses. Although not seen everywhere, the respondents claimed that there is racism in the business community and that limits them from expanding in their businesses. As such, immigrant entrepreneurs married to a Finnish person experienced less racism and had more advantage over those who were not married to the locals. This fact was also emphasized when there were institutional and legal matters involving the government since all the documentations are in Finnish.

Finnish language ability was found to play a crucial role because without it, it was evidently difficult to navigate the Finnish business terrain. This, obviously caused major delays in transacting important businesses.

Cost structures

There were varied answers on cost incurred as it had an insignificant role. This is due to the fact that most of the products are bought from one central location. An example of this is the restaurant business, which buys her products from a Finnish subsidized central store known as “Tukku Kauppa” which means, wholesale store. This centralized wholesale store also help the Finnish government in controlling the VAT.

A major for most immigrant entrepreneurs business success is the heavy taxation levied by the government. A considerable number of respondents were least aware of the taxation levels. Subsequently, success also depends on the right people with the right skills. A number of respondents intimated that this is one area where they have faced major difficulty. Three respondents who own African hairdressing business said that finding people who knew how to make hair to the clients’ standards was very hard. In most cases, they had to risk training their newly acquired employees without any contractual obligation to stay for a certain period thus giving them much room to disappear after the training. Overall, most of the respondents said that it was quite difficult to find and retain hard-working people unless they were family members with so much attachment to the business. The respondents were also very positive about the business infrastructure they operated in. A major concern for the immigrants was how to satisfy their customers in order to stay in business.

They stated that as much as they would like to do things in their own manner or in the ways that they see most appropriate, they more often than not have to get out of their comfort zones to fit in the customers shoes and meet up to his expectations. Sometimes they had to go out of their way bring a particular products that the customer is asking for.

Commitment and devotion to the business through good management of resources and time management, was also cited to be of great importance to being successful. The successful entrepreneurs underlined their devotion to their businesses through a meticulous need to know all the small details of the business progression. Every penny in the business had to be accounted for and all the hours input in the business had to be accounted for. Time input in the business at the very beginning was mentioned to be more than most of them initially expected but reduced a bit with time, as the business stabilises.

Access to reliable and timely information applied especially when dealing with information about markets, opportunities, regulations, available forms of assistance and the process involved in dealing with customers and bureaucracies. Respondents, who said that they have taken advantage of the entrepreneurship courses and support offered by the government, mentioned that this has helped them understand the regulations and they have benefited from the support. It has also made them aware of the steps that one has to take to ensure that their businesses do not go under. A monthly newsletter sent to all those who have registered with the Finnish entrepreneurial organization is a good source of information.

The following table summarises the key findings from this preliminary research project.

Background	SME characteristics	Variables related to SME's
<ul style="list-style-type: none"> • Age - • Gender - • Work experience - • Education (x) • Marriage (+/-) • Length of time in the country (x) 	<ul style="list-style-type: none"> • Length of time in operation (x) • Location of the business - • Size of the business- • Source of capital (x) 	<ul style="list-style-type: none"> • Legality - • Access to capital (+) • Technology - • Sales and marketing (+) • Government support - • Access to information - • Employees - • Finnish language (+)

Table: Summary of the main findings

- No significant correlation; (x) Significant correlation; (+) positive significant correlation; (-) negative significant correlation

POLICY IMPLICATIONS AND RECOMMENDATIONS

Based on the research as a whole, the analysis reveals that good customer relations, access to money, knowledge of the Finnish language and sales/marketing are the main determinants of survival and success as a foreign entrepreneur in the Finnish business market. Findings from the study show that most of the involved immigrant entrepreneurs did not bother to ask for any assistance on how to go about running their businesses.

To be successful, we recommend that African entrepreneurs should take advantage of the various courses, seminars or lectures offered by the government. This would make them more aware of everything and maybe give them better ideas on how to run their businesses. High taxation was one of the greatest inhibitors stated by the respondents. There is no way around this one thus the entrepreneur must be ready for the “high” taxation and learn how to get about making a profit.

A part of knowledge of Finnish, which should be a prerequisite for business, access to capital is very important. This should be backed by an organization that could provide guidance to immigrants business. Banks should not discriminate on offering loans to start-up businesses locally

As stated earlier, this study only looked at the situation in Southern Finland. We recommend replicating this study in several cities in Finland to see if there were significant differences between at least 10 major cities in Finland. It could also be possible to search for differences according to the gender or according to the region of origin. Business schools could also start getting more involved in helping immigrant entrepreneurs with the needed multi-skills to start and run their small business. We hope that this study serves as a basis for more debate on how to sustain the emergence of SMEs by immigrants entrepreneurs in Finland.

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How about getting a job in Finland? Skilled hands needed in many fields.