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## Country of origin as a source of business opportunities

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**Abstract:** This paper presents an idea-generation tool that aims to help immigrants to recognise opportunities for self-employment. The tool is based on the literatures on opportunity-recognition and on immigrant entrepreneurship. Research has shown that the ideas for possible business opportunities that people generate depend to a large extent on prior knowledge. For immigrants, the country of origin is a vital source of opportunities, since much of their prior knowledge pertains to their home country. In this research, an attempt is made to systematically categorise opportunities deriving from the country of origin. Then, a second step is taken by mapping all categories of opportunities on a human figure (thus literally creating a model). The areas of the body represent opportunity categories, from the feet (import-export opportunities) to the top of the head (styles of haircutting pertaining to country of origin). As a result, a visual, easy-to-understand, highly accessible instrument is created.

**Keywords:** opportunity-recognition; immigrant-entrepreneurship; immigrant-business ownership.

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### 1 Introduction

Immigrant new business formation is a topic of vital importance for nearly every region in the world. Immigrants may start businesses because of a preference for business ownership, because of the inability of the labour market to absorb the immigrant stream, or because of glass ceiling effects. In either case, immigrants look for business

opportunities. The objective of this research is to provide immigrants with a practical tool that stimulates opportunity-recognition. Specifically, we will analyse in what ways the country of origin can be a source of opportunities for immigrants. Basing our approach on the opportunity-recognition literature, an attempt is made to systematically categorise opportunities that derive from the country of origin.

In order to arrive at a practical tool, we take a second conceptual step. Our approach is to map all categories of opportunities on a human figure (thereby literally creating a model). The areas of the body represent opportunity categories, from the feet (import-export opportunities) to the top of the head (styles of haircutting pertaining to country of origin). Opportunities are represented in this fashion in order to create a visual, easy-to-understand, highly accessible instrument, which can, for example, be handed out to immigrants as part of information packs or introduction programmes. After presenting the model, it is anchored to the literature on immigrant-entrepreneurship, its strengths and weaknesses are outlined, and applications are discussed.

## **2 Prior knowledge and opportunity-recognition**

As a scholarly field, entrepreneurship has recently been redefined as being concerned with how opportunities are discovered, evaluated and exploited (Shane and Venkataraman, 2000). Entrepreneurial opportunities are defined as situations in which new goods, services, raw materials, markets and organising methods can be introduced through the formation of new means, ends, or means-ends relationships (Eckhardt and Shane, 2003). Uncertainty plays a key role in the evaluation of entrepreneurial opportunities, as parameters such as price and market demand cannot be relied on to assess their value. Rather, the evaluation as well as the discovery of entrepreneurial opportunities depends on the mindset and experience of individual actors. Shane (2000) showed that the actual opportunities that are inferred from a new technology depend on the entrepreneur's prior knowledge. Similarly, Hiebert (2002) argues that people will typically recognise opportunities in the industry in which they have work experience. Still, even within an industry, the prior knowledge of individuals is idiosyncratic. It depends on the particular life experiences, educational trajectories, and information sources that a person has been exposed to. Prior knowledge of individuals is highly contextual. As a consequence, each person may discover different opportunities, and each person may have different beliefs about the value of these discoveries.

One element that constitutes the prior knowledge of the immigrant is the knowledge about the country of origin. When the immigrant combines experiences and information obtained in the host country with his or her knowledge about the home country, the immigrant may recognise certain business opportunities. This may hold true for people who immigrated decades ago or even for second generation individuals who were born in the host country.

Some of these opportunities may be considered purely entrepreneurial. New combinations according to Schumpeter (1934) are made, when elements from the home country and the host country that were previously disconnected, are connected in a profitable way. Saxenian (2002), for example, provides a description of such activities by immigrant entrepreneurs in Silicon Valley. Immigrants may also recognise opportunities concerning situations in which profit can be generated within previously established

means-ends frameworks (Kirzner, 1997). For example, a immigrant sets up a restaurant serving food from his home country, in spite of many such restaurants already having been established in town. The model presented in the next paragraph is intended to point out the various business possibilities that derive from the country of origin as a source of opportunities, regardless of whether the eventual firm is to be considered entrepreneurial. Therefore, we shall from now on refer to (business) 'opportunities' instead of 'entrepreneurial opportunities', on the assumption that their degree of entrepreneurialism is emergent.

### **3 The COSBO model: country of origin as a source of business opportunities**

Our first step was to identify the possible opportunities for immigrants that have the country of origin as their source. Our starting point was to collect a sample of country-of-origin-based activities currently undertaken by immigrant business owners. We started out by collecting these activities from existing academic literature on immigrant entrepreneurship. Articles that take a historical perspective and that trace the entrepreneurial activities of particular ethnic immigrant groups form a rich source for this purpose (*e.g.*, Collins, 2002; Light and Bonacich, 1988; Morawska, 2004; Schover, 2001; Wong and Ng, 2002). In most articles however it is mentioned in passing what immigrant business owners actually do, if at all. If immigrant business activities are described, it typically concerns a study of a single industry, or a description of business activities on an aggregate level (*e.g.*, manufacturing, trade, services). Therefore we first embarked on a rather unsystematic strategy of collecting these activities by reading academic articles, newspaper reports, studying directories and listings of immigrant-businesses, and visiting markets and shopping streets in neighbourhoods with many immigrants.

Then we verified whether our initial collection was complete by studying country of origin-related business opportunities for a particular group of immigrants, namely immigrants from the former USSR. We chose this group for two reasons: first, the category 'former USSR immigrants' is very broad, and there are many differences such as ethnicity, history and background, social class, language and religion. Thus, we expected a great variety to be present along a broad range of opportunity categories. The second argument runs along similar lines. Immigrants from the former USSR are very often highly educated. As a consequence, they are likely to pursue not only opportunities in low-entry, low-profit, and highly competitive markets. We again expect variety in the available business opportunities, which helps us to complete our sample.

We investigated country of origin-based business opportunities for former USSR immigrants in two ways. Firstly, by doing desk research on the entrepreneurial activities of those former USSR immigrants that have been studied most often, namely, those that went to Israel (Gandal *et al.*, 2004; Menahem, 1999; Razin and Scheinberg, 2001; Stier and Levanon, 2003). Secondly, by looking at the entrepreneurial activities of former USSR immigrants in The Netherlands. We did this by studying the database of the Dutch office of the Russian Chamber of Commerce and Industry, and the Benelux Companies almanac for Russia and Commonwealth of Independent States (CIS).

Both studies did not add to our list of activities, but added to our confidence that our list of activities was sufficiently large. We then built our model by categorising these activities in terms of different parts of the human body. The different areas of the body

represent different opportunity categories. The categories are presented graphically for the sake of accessibility and for their heuristic value. The categories are admittedly broad, vague and sometimes overlap. However, detailed accuracy is not what is sought for – the purpose is to inspire immigrants to think of opportunities.

Because we collected opportunities represented by the country of origin by studying immigrants from the former USSR, our model depicts the Matryoshka figure. All categories of opportunities that have the country of origin as their source have been mapped onto this Matryoshka figure (thus creating a doll model). The Matryoshka model is not a conceptual model. It does not relate different variables to each other, but rather represents a categorisation of opportunities.

**Figure 1** The COSBO model: country of origin as a source of business opportunities



When discussing the categories, we will sometimes refer to their potential for serving co-ethnics. Ethnicity is an adjective that refers to differences between groups of people. Belonging to an ethnic group implies that members have some awareness of group

membership and a common origin and culture, or that others think of them as having those attributes (Yinger, 1985). This defines our use of the term co-ethnics. Please note that the following categorisation only includes ideas for which the country of origin is relevant. Traditional immigrant industries such as construction, taxi driving, or operating a launderette are not discussed, as the country of origin is irrelevant to them. However, these types of industries may also represent business opportunities in the country of origin. This is for example the case with Dominican Republic wage labourers in New York who are at the same time small business owners in their home country (Morawska, 2004).

We will now discuss and exemplify the different parts of the doll model provided in Figure 1.

#### *Hair*

Immigrants may have a different hairstyle from the majority in the host country. For example, African hair is decidedly different from European hair in the way it is styled. An immigrant barber may treat the hair of fellow immigrants, or the particular hairstyle may be popular with some people within the host culture. An example would be the dreadlock hairstyle.

#### *Brains*

This is a generalised category that encompasses every type of specialised knowledge that may be prevalent in the country of origin. For example, the Dutch are good at clearing mud and draining water. It may be that the immigrant possesses the knowledge himself or herself; it may also be that he or she can serve as an intermediary creating the relationship between the expertise in his home country and demand in the home country. Of course, the reverse situation also applies in which the immigrant brings specialised knowledge from the host country back into the home country.

#### *Eyes*

Tourism is an opportunity that has the country of origin as its source. This can go two ways: the immigrant may bring people in from his or her home country to visit the host country; or the immigrant brings people from the host country into the home country. The better the immigrant becomes acquainted with the language, history and culture of both countries, the more feasible this opportunity may be. The immigrant may add a personal touch by involving his own network in his home country, or become a guide. When there is a sizeable body of people in the host country originating from the home country there are possibilities for a travel agency.

#### *Ears*

Music has long been a source of income for travellers, from the troubadours in the Middle Ages until today's guitar playing backpacker. The immigrant himself or herself may perform music from his home country. Other possibilities would be to sell recorded music or to bring musicians in, organising the event and taking care of the publicity. A radio station may be set up. As with the previous categories, it may also be that the immigrants bring the music from this host country into his home country.

### *Nose and the cheeks*

People from different geographical regions tend to have different preferences for smells and cosmetics. This can be traced back to the differences in plant vegetation. For example, India is blessed with an extreme variety of soils and climatic conditions that support plant wealth. Perfumes and cosmetics from the country of origin can be supplied to co-ethnics, but sometimes to the wider market. Incense is an example of the latter.

### *Mouth*

Language is a valuable source of opportunities. To every language there is a connected need for teachers, translators and interpreters. Proficiency in the host language as well as the home language is sometimes a requirement. Especially anybody who speaks, reads and writes English well can be self-employed conveying his language in a non-English speaking culture.

### *Neck*

Different cultures tend to have distinct styles of jewellery. From the Maori in New Zealand to the Inuit in Alaska, cultures produce their own types of body decorations. This is a typical peddler business. It is easy to set up as jewellery is small and relatively light weight, easy to carry around and to import.

### *Heart*

This is a general category that represents the culture and community of the country of origin. We discern three sub-categories:

- 1 The heart may refer to values that are espoused by a particular culture and that are subsequently commercialised. An example is the Irish pub. Capitalising on the image that the Irish are great people to hang out with in bars, Irish pubs have flourished all over the world.
- 2 Artistic achievements that could be brought to the home country, whether reproduced or live. Examples are theatre groups, ballet groups, the visual arts – paintings, sculptures and novelists and their literature.
- 3 The need for immigrants to bond and unite. Dating agencies or websites may be set up to connect people coming from the same home country. Apart from forming relationships, in a more general sense, services may be created that bring people from the same background together. Often these will be offered by non-profit organisations.

### *Stomach*

Food of the country of origin is the immigrant opportunity for self-employment that is most often encountered. Food can refer to retail stores and to restaurants. An ethnic clientele may be served, but food can also be marketed to a wider customer base in the host country, whether adapted to the taste of the host culture or not. Ethnic food retail stores typically also sell pots and pans that are associated with their type of cuisine. Demand for ethnic food can be strengthened by dietary rules.

*Hands*

The hands symbolise pre-migratory manual skills that an immigrant may have, or that may be prevalent in the country of origin. Historically, the possession of a particular manual skill meant business opportunities abroad. In the context of 19th century Europe, Schrover (2001) lists French umbrella makers, Belgian straw hat makers, Lipper tile bakers, Italian chimney sweeps, and Italian terrazzo workers from Friuli, Oldenburger stucco workers, and file makers from the Enneperstrasse as examples. Persian carpets are a current day example. Typically, specialised manual skills are developed in relation to particular resource conditions in the home country (Porter, 1990).

*Internal body*

The internal body stands as a symbol for medicinal practices. Many immigrants are accustomed to medicinal practices that are different from what is now offered in their host country. Some medicinal practices will just be used by co-ethnics, others have the potential for achieving a mainstream clientele. An example is acupuncture.

*Body surface*

Different cultural regions typically have different types of clothing. Co-ethnics are interested in buying clothes from their country of origin, but in some cases the wider population of the host country may show interest. Sometimes a piece of clothing can attain a cult status within the host country, for example the PLO shawl in Europe. Even within cultural regions, the country of origin may provide opportunities. For example, because of the opposed seasons, leftovers from the USA and Europe can be sold on Australian and New Zealand markets.

*Feet*

Carrying products physically from one country to another is represented by the feet. Import possibilities are offered by anything in the country of origin that may be cheaper, better or different from what is on offer in the host country. Conversely, the host country may be able to supply products that could be in demand in the home country. Not only products can be transported. Mismatches on the labour market can also provide opportunities. For example, a business was set up in The Netherlands that brought nurses from South Africa in, while another business exported physiotherapists to Germany. In addition to doing the actual importing and exporting, there are also service opportunities for facilitating the operations of the import/export firms. These business services typically exploit local knowledge concerning such topics as bureaucratic red tape, the language, market structures and customer characteristics. In addition they serve a networking function.

*Below the feet*

Our final category concerns where it all ends. Undertaking practices vary greatly per culture. Home country practices can be offered to co-ethnics, but legal boundaries should be investigated and abided by.

#### 4 The COSBO model positioned in research on ethnic entrepreneurship

Most research relevant to immigrant-entrepreneurship can be classified under the rubric of ethnic entrepreneurship (another label is minority entrepreneurship). Immigrant-entrepreneurship is a broader category than ethnic entrepreneurship as it may concern immigrants who belong to the majority culture in the host country (who are usually not investigated under the heading of ethnic entrepreneurship, *e.g.*, an English person migrating to the USA). On the other hand, the term is narrower than ethnic entrepreneurship as it concerns people who only recently entered the host country. In contrast, there is no time restriction for making up ethnic groups (for example, the French Swiss, Italian Swiss and German Swiss). The purpose of this paragraph is to embed the COSBO model in the ethnic entrepreneurship literature, thereby clarifying how the model relates to the body of knowledge in this field. We will discuss *ethnic resources*, *social capital*, the *transnational migrant firm*, *mixed embeddedness*, *disadvantage theory*, and *break-out theory*.

When the country of origin is investigated as a source of opportunities, we can regard it as a particular type of *ethnic resource* (Light, 1984; Aldrich and Waldinger, 1990; Light and Gold, 2000). Light and Gold (2000) discuss five types of ethnic resources: skills and motivational resources; consumer demand and sources of goods to meet it; financial capital; (access to) labour; and political resources. The latter three types of resources influence whether an opportunity can be exploited and are thus unconnected to our model. The COSBO model is only concerned with opportunity-recognition, not with opportunity evaluation or opportunity exploitation. The first two categories, however, – skills and ethnic consumer demand – are extensively covered by the model. The COSBO model fits perfectly in what Light and Gold (2000) label the toolkit approach to ethnic resources: tools being the unique knowledge, skills and other attributes that immigrants bring with them from their homeland.

*Social capital* may also be regarded as a potential ethnic resource, and has often been studied with respect to immigrant entrepreneurs (Light, 1972; Waldinger *et al.*, 1990). The essential idea is that norms of trust, obligation and reciprocity are established through memberships in social networks (Coleman, 1988). Social capital involves networks of social relations that engender mutual trust and enforcement of norms. This provides what is referred to as embeddedness (Granovetter, 1985; Portes and Sensenbrenner, 1993). In the case of the immigrant entrepreneur, the network will consist of kin and friends, and in addition all people with whom a common ethnic identity is shared (Aldrich and Waldinger, 1990). Social capital can be exploited to obtain resources: information, finance and co-workers. However, there may be a disadvantage: social capital comes with obligations as well, for example when one is expected to hire co-ethnics, or to give them credit. Social capital is relevant to our model as people in the network serve as information channels that may provide leads to interesting business opportunities. Its contribution to the actual realisation of the opportunity, in acquiring and mobilising resources, is not relevant to our model.

The model connects very well with the literature on *the transnational migrant firm*. The transnational firm has operational components of the enterprise located in different countries with the immigrant travelling back and forth in order to operate it (Portes *et al.*, 2002; Wong and Ng, 2002). They connect peoples in multiple countries, thus bridging structural holes (Burt, 1992). One example concerns Chinese global traders and bankers who work from multiple bases, for example North America, Taiwan or Hong Kong, and

China (Morawska, 2004; Wong and Ng, 2002). A different example is provided by Dominican wage labourers in New York providing not only capital for their business operations back home, but also designs, producer goods, and commodities (Morawska, 2004). Yet another example concerns the indigenous Otavalan people of Ecuador. These people travel all over the world not making their living from wage labour but from the sale of goods they bring with them from Ecuador (Kyle, 1999). As all categories in the Matryoshka model refer to business opportunities having country of origin as their source, transnational forms of organisation can easily develop.

Research on ethnic resources and social capital focuses on the characteristics of the (group of) immigrant entrepreneurs. The literature on mixed embeddedness emphasises that it is just as important to study the socio-economic, and political-institutional context to which these characteristics are linked (Kloosterman *et al.*, 1999; Kloosterman and Rath, 2001; Kloosterman, 2003). The 'other side' of embeddedness encompasses macro-economic structures, meso phenomena such as the customs and culture of a particular industry, and local features such as the neighbourhood characteristics. Together, they make up the opportunity structure (Engelen, 2001). The purpose of the COSBO model is to outline possible opportunities, but it does not take into account the socio-economic or political-institutional context.

*The disadvantage theory* argues that disadvantages such as insufficient mastery of the native language, poor education, lack of career-related skills, and discrimination push certain groups into self-employment. As a consequence, extreme competition emerges in markets with low-entry barriers (Barret *et al.*, 1996). Entrepreneurs compete by means of self-exploitation such as low pay and long hours, for oneself as well as for family members. Human capital is destroyed when highly skilled or experienced people have no other choice but to drive taxis or mow the grass for a living. How does the disadvantage theory relate to the COSBO model? First, the model emphasises the unique attributes that immigrants bring with them, being a mediator between the home and the host country. Being a linchpin between countries is potentially an advantage.

Second, the model outlines opportunities that require highly specialised knowledge or training, as well as low-entry barrier markets with little human capital requirements. Stalker (1994) discerns five types of immigrants: settlers (people who enter the country to live there permanently), contract workers (people who are admitted on the understanding that they will work for a limited period), professionals (people with a higher level of education or training whose skills transfer easily from one country to another), illegal immigrants (people who have entered the country illegally or who have overstayed their visas), and asylum seekers and refugees (people who have left their country to escape danger). Each of these categories may contain highly knowledgeable and skilled immigrants who are capable of being innovative and competitive in the knowledge economy (see for example, Saxenian (2002), for a description of the activities of immigrant entrepreneurs in Silicon Valley). It should be noted, however, that a discriminatory environment in the host country will make it very difficult for every immigrant to reach his or her potential.

Finally, we discuss the *break-out theory*. Although an ethnic clientele may be a prime factor promoting ethnic entrepreneurship, it may simultaneously undermine business growth and development. The ethnic market is often small, the clients may be relatively poor, and the competition from other ethnic businesses may be fierce (Aldrich and Waldinger, 1990). According to some theorists, immigrant-businesses should not only seek a non-ethnic clientele, but also use mainstream business methods (Waldinger *et al.*,

1990). A immigrant-business displaying innovation and growth is called a 'break-out' (Engelen, 2001). The COSBO model is neutral to the potential of the opportunities it outlines, whether it is innovation, growth, obtaining a non-ethnic clientele or assimilation into the host country. In principle all listed categories can lead to growth, be subject to innovation, or be targeted for co-ethnics as well as for the mainstream host society.

## **5 Conclusion**

Immigrant new business formation is an important issue in many areas on the globe. The melting pot of North America has traditionally sought to expand its economy by means of immigrants starting businesses. In the European Union, immigrant workers from Eastern and Southern EU regions will have access to Northern and Western EU labour markets, but not to the welfare and social benefit schemes prevalent in these regions. Many will therefore resort to self-employment. Australia and New Zealand have high numbers of foreign born, with many attempting to make a living by being self-employed. Many immigrants do resort to self-employment, whether by free will, or by necessity. In either case, they may wish to consider the opportunities that are offered by their country of origin.

The country of origin as a source of business opportunities is at least one distinguishing characteristic in how immigrant entrepreneurs differ from the population of business owners at large (Ram *et al.*, 2000). The COSBO model has been developed in order to draw attention to the many ways in which the country of origin can serve as a source of opportunities. Its primary purpose is heuristic: to inspire immigrants in the opportunity-recognition process. The different categories were mapped on a human figure for the sake of accessibility.

As we have made clear in this paper, the COSBO model is limited in that it only suggests opportunities. It does not take into account the context of the home country and it does not cover subsequent idea evaluation and implementation. Still, the opportunity-recognition process is a core element of new business formation. The COSBO model is intended to be a valuable tool for the economic integration of immigrants via entrepreneurship. Future research must establish whether the COSBO model indeed helps migrants to think of opportunities. The model must now be applied by having migrants use it as an idea generation tool. If successful, the COSBO model can, for example, become part of immigration information packs and training programmes. As such, it can be helpful in turning migrants 'peripheral' position into an opportunity.

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