



ACE Research Vignette #050: What makes new migrant businesses grow? Connections or location?

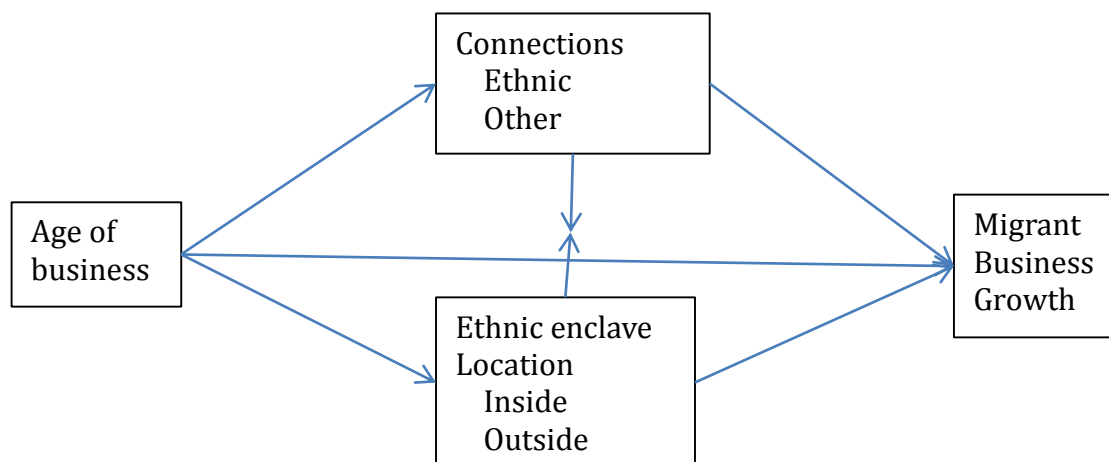
This series of research vignettes is aimed at sharing current and interesting research findings from our team of international Entrepreneurship researchers. In this vignette, Dr. Roxanne Zolin and Dr. Artemis Chang consider both the role of ethnic connections and location in an ethnic neighbourhood on new migrant business growth.

Background and Research Question

According to the United Nations there has been a dramatic increase in international migration of 37% in the last 20 years. This leads to major migrant receiving “host” countries, such as Australia, the United States (US), Canada, the United Kingdom and Western Europe, experiencing high growth rates in their migrant populations, and a more visible presence of migrant business in major cities. The rapid increase in rates of self-employment and the number of migrant -owned business enterprises in many countries has revitalized research on ethnic business.

A [recent review of published literature on migrant entrepreneurship](#) found that studies mainly focused on either business connections or location in the “ethnic enclave”; a neighbourhood with a noticeable ethnic population (e.g. China Town). Migrant entrepreneurs tend to start businesses within the ethnic enclave because it has their familiar society and culture, which makes it easier to make business contacts. Until now few studies consider both business connections and ethnic enclave location in predicting migrant business growth.

Our research investigates the relative impact of ethnic enclave location and business connections on migrant business growth. Is it the development of ethnic business connections or connections with others that leads to migrant business growth? Or is it location within the ethnic enclave and the associated local conditions that facilitates migrant business growth? Or both?



How we investigated this

We tested our ideas that both ethnic and other connections and location in the ethnic enclave location will affect migrant business growth. We also tested whether migrant businesses continue to grow in the ethnic enclave compared to outside and whether they needed more than ethnic business connections to do so.

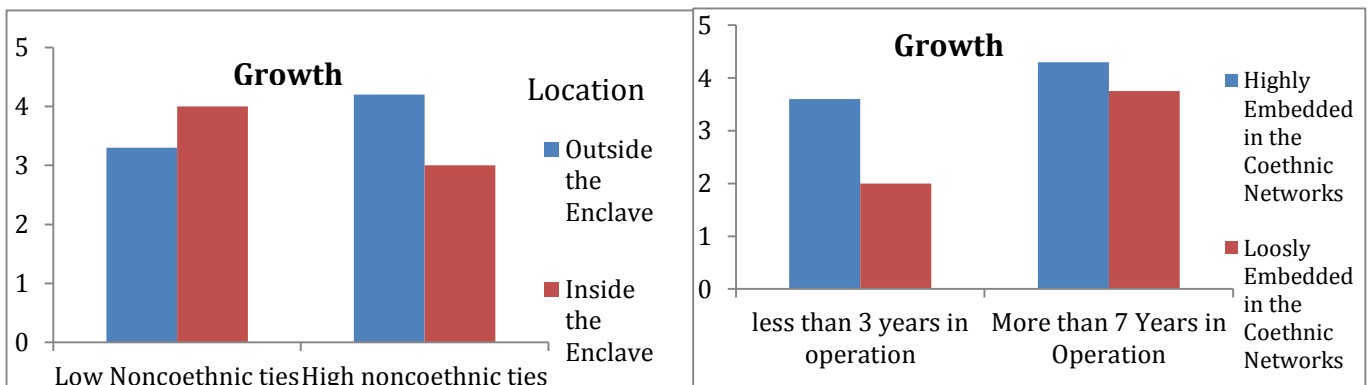
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We tested these hypotheses by analysing data from all 110 Chinese restaurants in Brisbane, located in South East Queensland, Australia. We choose this context because Australia is one of the major migrant receiving countries, such as the United States (US), Canada, the United Kingdom and Western Europe. Like cities, such as San Francisco and Toronto, Brisbane has a Chinatown and Chinese ethnic enclaves as part of its population of over two million residents.

What we found

So we discovered that ethnic business connections are critical to the growth of a migrant entrepreneur's business, particularly in the early years. For young businesses, being highly connected within their own ethnic community is important to growth. The impact of these strong coethnic ties lessen over time. There was no direct effect of other business connections or location in the ethnic enclave on business growth. However, strong connections outside one's own ethnic community did have a positive impact on business growth for migrant businesses located outside the ethnic enclave.



Contributions to Business and Policy Advice

The findings of this study are relevant, not only to host country policy makers, but also future migrant business owners and ethnic community leaders trying to better understand how to promote healthy and sustainable economic communities. We contribute to the management and entrepreneurship literature by distinguishing the effects of ethnic and other business connections from the effects of location inside and outside the ethnic enclave.

This study has practical implications for immigration policies. If a host country wants its new migrants to contribute to society in a productive way its migrant policies should encourage new migrants to develop new businesses in ethnic enclaves.

This research vignette was written by: Dr. Roxanne Zolin, Associate Professor (<http://staff.qut.edu.au/staff/zolin>), Dr, Artemis Chang, Associate Professor (<http://staff.qut.edu.au/staff/chang3/>) and coauthors from other universities.

Check the source & learn more from: Zolin, Roxanne, Chang, Artemis, Yang, Xiaohua, & Ho, Elly Yi-Hsuan (2015) Social capital or ethnic enclave location? A multilevel explanation of migrant business growth. Thunderbird International Business Review.

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