Exploring the Drivers of Entrepreneurship in Indian Migrants to New Zealand. An enquiry into the personal, labour market and economic factors prompting entrepreneurial behaviours

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Abstract

This study examines the factors prompting Indian immigrants to become entrepreneurs in New Zealand. The study defines an entrepreneur as someone who has a business and employs at least one employee. Using this definition, and informed by census data it employs analysis of in-depth interviews with 11 Indian migrant entrepreneurs in Auckland. The participants were chosen through a purposive sampling method. Qualitative analysis was carried out using Nvivo data management software. The study discovered several factors relating to personal experiences, labour market trends and economic pressures which led to the participants taking an entrepreneurial path. Most of the motivating factors experienced by these Indian immigrant entrepreneurs are similar to entrepreneurs in general and are both positive and negative.

Introduction

New Zealand has been a destination for migrants since the first Polynesian settlers arrived about 1000 years ago. In 2009 thirty-seven percent of the people (i.e. more than a third of Auckland residents) were born overseas (Statistics New Zealand, 2009). There was an increase of 68.2% in this nation’s Indian population between 2001 at the last official census count in 2006 (Statistics New Zealand, 2006), making the Indian population, at 104,583 second only to Chinese among Asian ethnic groups (Statistics New Zealand, 2006). Many Indian migrants run businesses, especially in retail, grocery and fast food. While research has been carried out on the economic, social and environmental impact of immigration (Singer, 1997; Poot and Cochrane, 2004), little attention has been given to the phenomenon of immigrant entrepreneurship in New Zealand. Given that the 2006 national census data shows 17.4% of Indians in the total labour force were self-employed (Statistics New Zealand, 2006), the primary aim of this study was to investigate the motivations held by people in this category to pursue entrepreneurship and become self-employed in Auckland.

Literature Review

The definition of an entrepreneur used in this enquiry involved the meeting of two criteria. The first being that the person was a business founder, a common definition used in other entrepreneurship research (Hamilton, 1987; Shane, Kolvereid and Westhead, 1991), and the second that an entrepreneur is an employer of others, thus distinguishing the sole-trader or the self-employed (without employees) from an entrepreneur. Most immigrants leave their home to search for a better life for themselves and their children (Singh and Denoble, 2004). Some find employment in the general labour market, depending on the education and language skills, or in the ethnic labour market (Portes, Guarnizo and Haller, 2002). Others pursue self-employment and follow a path of entrepreneurship to economic mobility. Watson, Keasey and Baker (2000) argue that, by starting a business, they create their own job, which helps them avoid the barriers they may face in looking for a job in the labour market. Immigrant
entrepreneurship is an important research topic from many perspectives, but it has taken time for this view to become widespread (Kloosterman and Rath, 2004). This recognition was first observed in United States, and later in the United Kingdom (Kloosterman and Rath, 2004). By 2004, the literature on immigrant entrepreneurship consisted of more than 1700 books, reports, monographs, chapters and journal articles and special issues (Kloosterman and Rath, 2004).

Theories of Immigrant Entrepreneurship
Several conceptual theories have been developed on immigrant entrepreneurship. Opportunity for a new immigrant can be found in locations where there are already businesses set up by the same ethnic group. This has been theorised as ‘ethnic enclave theory’ (Altinay, 2008). The second theoretical approach is the ‘middleman minority theory’ (Min and Bozorgmehr, 2003). This refers to the role a minority group has played in becoming a middleman between the immigrant market and suppliers of the dominant group (Bonacich, 1987; Min and Bozorgmehr, 2003). The third theory is called labour disadvantage theory, where immigrants face disadvantages in the primary labour markets, compared to the native-born people (Min and Bozorgmehr, 2003). According to this theory, there is no other option for some immigrants but to become self-employed for their economic survival. The fourth theory is cultural theory which was developed out of the field of sociology (Volery, 2007). Cultural theory suggests that ethnic and immigrant groups have culturally determined features such as commitment to hard work, living in austerity, membership in a strong ethnic community, accepting social value patterns and orientation towards self-employment (Masurel, Nijkamp and Vindigni, 2004). These features provide an ethnic resource that facilitates and encourages entrepreneurship and supports the immigrant entrepreneur (Fregetto, 2004). The fifth theory developed is called opportunity structure where ethnic resources such as family members, relatives and friends can provide an opportunity structure for a new migrant (Min and Bozorgmehr, 2003).

Motivations of Migrants
The main motivating factors for entrepreneurship extant in the cited literature for which empirical results are available and appear most frequently are as follows; independence, money, work-related factors, family-related factors, need for challenge, and opportunity. In research on entrepreneurial motivation, a distinction is also made between “pull” and “push” factors (Storey, 1994). Pull factors suggest positive motivations like a desire to be independent, have control over one’s future and increased social status (Morrison, 2001; Cassar, 2007). Push factors suggest negative experiences like the inability to find a job in the mainstream sector, underemployment, facing discrimination in the labour market, underpayment and possibility of redundancy (Basu and Goswami, 1999; Morrison, 2001; Dobrev and Barnett, 2005). Research findings suggest both push and pull factors to be important motivating factors for entrepreneurship (Kirkwood, 2009).

There has been little research done on the motivation of immigrants to become self-employed in New Zealand. Research has been done on discrimination faced by immigrants in the labour market (Butcher, Spoonley and Trlin, 2006), but studies related to the phenomenon of immigrant entrepreneurship and especially the reasons for entrepreneurship are lacking. The researchers have reviewed research on the labour market experiences of migrants which will help us relate to the “Labour disadvantage theory” and understand the phenomenon of immigrant entrepreneurship in New Zealand context. This study therefore focuses on exploring the motivational factors of Indian migrants in Auckland. To this end the following research question was investigated: What are the dominant variables that prompt
entrepreneurial behaviours on the part of Indian immigrants to New Zealand?

Methodology

There are two dominant research paradigms: positivistic and phenomenological. Studies have been conducted on entrepreneurial motivations based on a positivist paradigm (Kirkwood and Campbell-Hunt, 2007) and observed from a psychological perspective (Segal, Borgia and Schoenfeld, 2005). The motives for becoming entrepreneurs are complex and a checklist approach cannot “capture the complexity of the decision process” (Stevenson, 1990, p.442). These concerns make the phenomenological paradigm more attractive and better suited to understanding a complex phenomenon (Kirkwood, 2009). Qualitative approaches are widely used and research is often conducted using the phenomenological paradigm (Perren and Ram, 2004). Such a paradigm is more suited to understanding the motivation to become an entrepreneur in this study, which is consistent with other studies that have been done on entrepreneurship motivation (Kirkwood, 2009).

Sample Selection, Data Collection and Data Analysis

This study is on Indian migrants who fell under the skilled migrant category of Immigration in New Zealand and are self-employed, so standard probability-sampling methods would not succeed in locating this section of the Indian population. Purposive sampling was adopted in this study because it allowed the researcher to use his judgement in selecting participants who were best able to answer the research questions and meet the research objective (Saunders et al., 2009). The primary data was collected by semi-structured face-to-face interviews with the entrepreneurs themselves. Total of 11 interviews were conducted for this research. In this study, the researchers considered general analytical procedure to deal with qualitative data. Miles and Huberman (1994) define general analytical procedure as three linked processes: data reduction; data display; and conclusion drawing. The data was analysed using thematic content analysis focusing on investigating recurring answers in the data obtained (Miles and Huberman, 1994). Themes were chosen according to recurring answers for the questions provided. The software package Nvivo was used for data management (Richards, 2000). To ensure the research met ethical standards (Tolich and Davidson, 1999), ethics committee approval was obtained, participation in this study was voluntary, and participants’ anonymity was preserved. The following factors were investigated using the methodology outlined: motivation, labour market experience prior to entrepreneurship, the intention the participants had to open a business prior to migration and their previous skills and experience.

Results of the Study

The entrepreneurs in this study demonstrated six broad motivational variables - Money, flexibility, gap in the market, make a living, necessary change and negative experience in the labour market. Nine participants mentioned money as one of the important motivating factor. Ten participants reported negative experience in the labour market as one of the factors. Eight participants mentioned seeing a gap in the market. Five participants cited flexibility as a motivating factor. Three participants needed change and two participants wanted to make a living through entrepreneurship.
The experiences the participants had in the labour market prior to entrepreneurship was also multifaceted. Ten participants had the desire to work in New Zealand after migration with all but one failing to get paid employment. Five reasons for this emerged from the interviews namely hard to find a job, less satisfaction in jobs available, no good job, racism and accent issues. Four participants found it hard to find a job at all in the labour market. Eight participants reported that the jobs they were doing did not give them any satisfaction. Three participants stated that they had good jobs and were satisfied. Two participants mentioned that racism in their workplace had contributed dissatisfaction with employment. Five participants reported issues with their accent in the job or while applying for jobs.

The intentions the participants had to open a business prior to migration were again multiple. Four major themes have been identified for this section from the interviews held. They are other options, business experience, business structure and good experience with business. Ten participants stated that they had options other than self-employment. Five participants had prior business experience and six participants had no business experience before migrating. Nine participants mentioned that they found the process of opening a business in New Zealand very easy. Three participants mentioned that they had good experience with business compared to the experience they had with jobs.

Previous skills and experience was another variable considered to aid determine its impact on participants’ choice of going into entrepreneurship. Five participants mentioned that previous skills and experience helped them greatly, two mentioned that it had helped them a little and four participants said that their previous skills and experience had not helped them.

Discussion

Five participants stated that their previous experience helped them in their ventures in New Zealand. This is consistent with past studies that found business experience assists in the development of a mindset for entrepreneurship and problem-solving abilities that help them identify and exploit future opportunities (Shane, 2000; Ucbasaran, Westhead, Wright and Binks, 2003). It also supports findings of past studies that stated previous experience has a positive relation with self-employment of immigrants (Politis, 2008). However, four other participants found their previous skills were of no value in New Zealand. This was because they were working in new industries which offered no opportunity to make use of previous knowledge. Eight participants were unhappy as they could not find jobs in the fields of their expertise and had to take up unskilled jobs for survival. Due to this reason, it is probable they will at the earliest possible start their own entrepreneurial ventures. Motivation to start a business due to lack of job satisfaction is a push factor that often initiates the beginning of an entrepreneurial career (Dobrev and Barnett, 2005).

Seven of the participants stated that they had opportunities to get skilled jobs in the labour market. But, they had other reasons such as monetary gain, family-related issues and need for independence for going into self-employment. They also found that opening a business in New Zealand to be very easy. This view is consistent with the favourable position New Zealand’s holds in rankings of countries according to the ease of doing business (Doing business, 2010). Three others enjoyed running their own business more than being an employee in a New Zealand enterprise. Shinnar and Young (2008) found professional migrants gained satisfaction in running their own businesses after migration.

Four participants mentioned that they found it very hard to get a job in the labour market.
They said the main barrier was lack of New Zealand experience. This is consistent with the literature where immigrants have faced problems in getting jobs due to lack of recognition of their previous experience and qualifications (Valenzuela, 2000). A study done by Butcher, Spoonley and Trlin (2006) in New Zealand found that immigrants have faced barriers in the labour market due to lack of recognition of overseas experience. Five participants had faced problems with their accent while looking for jobs or in the job Butcher, Spoonley and Trlin (2006) found that migrants face difficulties in the labour market due to differences in their accent.

Monetary gain is found to be an important motivator to becoming an entrepreneur (Alstete, 2003; McDowell, 1995). It is considered an important pull factor (Kirkwood, 2009). Five participants mentioned flexibility as a reason to become self-employed. This is consistent with past studies that found flexibility to be an important driver of self-employment (DeMartino and Barbato, 2003). Eight participants mentioned that the opportunity they identified in the market motivated them to start their entrepreneurial businesses. This is consistent with past studies that found identification of a market opportunity to an important motivator to start a new business (Hisrich and Brush, 1986; Lee-Gosselin and Grise, 1990; Kirkwood and Walton, 2010).

Two participants mentioned that they were motivated to become self-employed in order to make a living. They were not profit-driven. Past studies have found many driven to self-employment due to difficulties in finding a job that provides for basic living (McGregor and Tweed, 2000; Benzing and Chu, 2009). Negative experiences in the labour market were another reason identified in this study for Indian immigrants to venture into entrepreneurial businesses. North (2007) found that some employers gave a high importance to New Zealand work experience and qualifications to the disappointment of job seeking new immigrants. This aspect is sufficiently highlighted in the labour market disadvantage theory of entrepreneurship. Both push and pull factors are identified as drivers of entrepreneurship for Indian immigrants. Findings of this study also provide support to theories on immigrant entrepreneurship, namely, the labour disadvantage theory, and ethnic enclave theory.

**Conclusion**

The results of this research reveal that the participants found it hard to secure employment in the New Zealand labour market for reasons not dissimilar to immigrants in other places as described in the literature. Because of this, many were forced to settle for unskilled jobs. The fact that they were working jobs unrelated to their education created dissatisfaction among many participants. Negative experiences in the workplace and the general labour market were an important motivator for Indian immigrants in this study to become self-employed in New Zealand.

The study discovered that the interviewees were motivated by several factors such as: money; seeing a gap in the market and wanting to fill it; the need for a change; to make a living; to get more flexibility with their time; lowered job satisfaction as an employee; and lowered access to good jobs. Most of the motivating factors experienced by these Indian immigrant entrepreneurs are similar to entrepreneurs in general and are both positive and negative. This research complements other studies that have found both push and pull factors motivate immigrants to become entrepreneurs (Raijman and Tienda, 1996; Khosravi, 1999; Nwankwo, 2005), as well as entrepreneurs in general, in both New Zealand (Kirkwood, 2009) and overseas (Baker, 1995; Wang, Walker and Redmond, 2006).
References


