

**IMMIGRANT ENTREPRENEURS IN MALAYSIA: AN EXPLORATORY STUDY ON THEIR  
BUSINESS SUCCESS AND PROSPECTS IN SMALL RETAIL BUSINESS**

**By**

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# 1. INTRODUCTION

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It is commonly agreed that international migration is as old as human history. International migration also continues to define and reshape nations as well as affecting the culture and daily life of many people. While it would not be always correct to argue that its impact has always been benign, it is increasingly evident that migration consistently benefits the countries of destination and origin, as well as the migrants themselves. Similarly, it is undeniable that the economic development of a nation (both developed and developing alike) largely depends on the emergence of dynamic innovative entrepreneurs and new enterprise creation. Economic activities carried out by immigrant entrepreneurs and their enterprises could also be a huge potential source of entrepreneurial and economic impetus for the respective recipient countries. Their presence, role and contribution to the establishment and growth of new businesses, especially small business, in a country usually leads to economic prosperity and job creation (Ribeiro-Soriano & Mas-Verdú, 2015). The benefits of having immigrant entrepreneurs in the host country such as physical capital investment, job creation for local workers and contribution towards the country's GDP receive considerable recognition (see Lin 2015). Congruent to this also, some countries provide special visas and entry programmes to the immigrant entrepreneurs in order to promote business activities and obtain foreign investment. Lofstrom (2014), for instance, notes that efforts to attract global immigrant entrepreneurs has not been limited to developed countries but also includes developing countries alike.

While knowledge on the importance of immigrant entrepreneurs for socio-economic development exists from the traditional view of pull and push factors, there are at least two different views of the migratory pathways of international immigration. One argues that the push-pull factors of spatial imbalances in the distribution of production factors forces them to leave their place of origin for a relatively high expected outcome in the country of destination. In this regard, international migration offers technical skills and unskilled labour for receiving countries. Another view is that the immigrants with entrepreneurial and management skills are the basic source of entrepreneurial activities in the host country. These pathways of international migrants include those who search for the best place that offers opportunity for profit and to create their own jobs and employment for others.

Like other countries, Malaysia is not exceptional in hosting many immigrants and some of them become entrepreneurs in their own ways, (Rahmandoust, Ahmadian, & Shah, 2011). As their presence in entrepreneurial pursuit is becoming increasingly noticeable, there is a need to explore their issues, challenges, and business prospects along with their antecedents. This is simply due to the fact that there is a dearth of knowledge and little empirical research that has been made available. As immigration continues to be a significant presence in Malaysia, it can be stated that some migrants are forced by circumstances to migrate. Others are attracted by the prospect of greater economic, social and educational opportunities for themselves and their families. Whilst many migrants take up positions in paid employment, a considerable proportion of them migrate specifically to initiate new venture startup activities. What are the specific characteristics of these entrepreneurs? What are their challenges, their successes, and their prospects for the future? What conclusions can be drawn? This article attempts to address these questions based

on a survey on 314 immigrant entrepreneurs in Kuala Lumpur conducted early this year (2015).

## **2. A REVIEW OF THE LITERATURE**

Immigrant entrepreneurs and their presence represent a complex issue. It is quite demanding for immigrant entrepreneurs to survive and sustain their business ventures (Dinh, 2015). With the growing importance of immigrant entrepreneurs, it is essential to understand the problems and challenges faced by them in host countries. Many previous researches have highlighted the challenges faced by business immigrants that include difficulties in identification of opportunities in a new environment (Portes & Yiu, 2013). The identification of such opportunities indeed requires thorough research and insights into new market trends and coming up with innovative ideas (thinking out of the box) to spot changing in buying preferences (Spinelli, Adams, & Timmons, 2012). This part provides a review of some notable issues and challenges that affect the success of immigrant entrepreneurs. Their success and the prospects which affect immigrant entrepreneurs are equally given some insightful consideration in this review, before a conceptual framework of the research is designed.

### **2.1 Issues and Challenges Faced by Immigrant Entrepreneurs**

There has not been a comprehensively compiled list of issues and challenges faced by immigrant entrepreneurs in the literature. Some scholars suggest that education is vital for ethnic entrepreneurs to develop entrepreneurial skills and that lack of education affects their business growth (Altinay & Altinay, 2008). Educated entrepreneurs are found to understand and comprehend the needs of their customers, suppliers and all stakeholders better than uneducated ones; which ultimately strengthens their business. Azmat (2013) further describes language as a barrier to most immigrants, having a significant influence on their entrepreneurial endeavors by affecting their ability to communicate with host country stakeholders as well as to seek business advice and understand social phenomena.

Similarly, Kloosterman (2003) illustrates a typology for business issues and opportunities at government level for immigrant entrepreneurs. The typology is based on three direct and indirect channels with respect to government policies to favour immigrant enterprise. The direct approach towards policy making and implementation includes privatization, deregulation of previous policies e.g. waiving certain requirements like educational qualification etc. and prompting exports for small business especially for migrant entrepreneurship. Indirect approaches to facilitate immigrant entrepreneurs include eroding self-provision by encouraging female labour participation, reducing the price of resources like capital and labour and strategizing macro-economic policies.

Some recent studies suggest that financial institutions bear low confidence to meet financing requirements of immigrant entrepreneurs (Johannisson, 2004; Kloosterman, 2000; Yoo, 2014). This capital is further categorized in social, financial and human capital - a tri-polar model of capitalizing the entrepreneurial venture (Johannisson, 2004). This three-dimensional model segregates the capital requirements for entrepreneurs into three categories that include financial, social and human capital. Financial and social capital, as explained by Johannisson (2004), are

two different dimensions. The former refers to money as an entrepreneurial source to start business activities; either through financial institutions or individual savings whereas the latter explains the ability of an entrepreneur to socialise by communicating with others through mutual understanding, cooperation and trust (Hazleton & Kennan, 2000; Min & Bozorgmehr, 2000; Nahapiet & Ghoshal, 1998). Human capital refers to the manpower of an enterprise but also includes knowledge and the processes through which the manpower collaborate with each other (Davidsson & Honig, 2003).

Although lack of capital and financial resources are indeed major challenges for immigrant entrepreneurs, other challenges, including perceived discrimination, language and cultural predispositions as well as market penetration and inexperience also have a drastic impact on immigrant enterprise (Teixeira, Lo, & Truelove, 2007). Moutray (2008) argued that immigrant entrepreneurs have to cope with taxes and other regulatory requirements that differ from country to country. In addition, tax and regulations, global competition roots, lack of market information, unequal distribution of opportunities, lack of awareness regarding regulatory policies and procedures and lack of understanding about cultural differences, values and business traditions are equally noted by early empirical findings, (see Enow, 2010 and Azmat & Zutshi, 2012).

The literature reviewed above shows that business issues that affect immigrant entrepreneur success are numerous and complex. It also varies from one empirical finding to another in different countries. It would represent a monumental task for this exploratory research to compile and pursue all the issues; this means that an exploratory research of this nature could not accommodate them all. Realising this, the researchers decided to meaningfully focus on some operationally individual essential issues that affect the success of immigrant businesses including capital/finance, cost, training, quality and safety, competition and local authority's rules and regulations

## **2.2 Success and Prospects of Immigrant Entrepreneurs**

There has not been consensus on the definition of business success in the literature. The term 'business success' is usually used as the achievement of a small business within a specified period of time. One views business success as a measure that determines how well an organization or business attains its goals. Pinho and de Sá, (2014), for instance, acknowledge that the definition of success cannot be explained in a single line although a small, privately owned firm may regard its continued existence as a satisfactory indicator of high performance, even though it cannot claim to have a strong return on assets or growth in market share. Another views business success as encompassing an entire venture in which financial and non-financial items can be the parameters. Financial business success refers to the success that is measured in terms of financial indicators. More specifically, if a small business measures its success or failure with various financial indicators like profit, sales turnover, share prices, revenue, and so on; this is specified as financial business success (Grant, Jammine and Thomas., 1988; Garrigos-Simon and

Marques, 2004; Marques et al., 2005; Tracey and Tan, 2001). This is basically an extent or a degree of numerical values taken from a small business or an enterprise's financial statements. According to Groppelli and Nikbakht, (2000), there are many standard ratios which may also be used to evaluate the overall financial performance that indicates business failure or success. In small business, the financial measurement can be used by managers where the financial analysts use financial indicators to evaluate the business success. A number of studies found that individual owner/founder goals are related to success (Hisrich and Brush, 1987; Lerner, Brush and Hisrich, 1997).

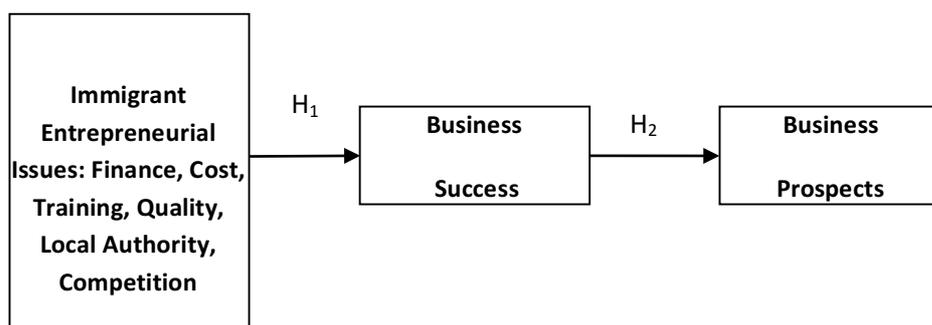
Non-financial business success refers to a situation where a business measures its success by other than financial indicators like number of employees, efficiency, reputation, perception, market share and others. Recent studies (Zack *et al.*, 2009; Tseng, 2010) have emphasized the number of employees, future strategies and other stakeholders as the non-financial indicators with which to measure the business success. Usually, non-financial indicators are known as qualitative measures. For example, company goodwill and reputation creates branding and that is how customers achieve positive perception and satisfaction as well as how the business achieves customer loyalty (Aaker and Keller, 1990; Smith and Park, 1992; Martinez and Chernatony, 2004; Ghen and Liu, 2004). However, the concept of 'business success for non-financial measures' mainly indicates how the business is exposed over time with the support of proper financial practice even though it is saying it is a non-financial business success. According to Ahmad (2011), entrepreneurial success is based on the following criteria: (a) satisfaction with non-financial performance and (b) satisfaction with financial performance. Of particular focus, Adamu (2014), through his recent research, measures accumulative success by immigrant entrepreneurs using eight major indicators, among others; improvement of sales turnover and growth; profitability; return on investment; market share; customer satisfaction; customer loyalty; relationship with shareholders; relationship with board of directors; employee satisfaction; relationship with suppliers and business image and branding.

Based on a review of the literature, this research adopts six major items after a factor analysis has been conducted, namely; increased total revenue, increased sales turnover, increased demand, increased profit, increase in the number of employees recruited. All these are measured from the past three year record. Subsequently, a measurement for the immigrant business's prospects is also based on similar indicators, but with the perception on those stated indicators in the coming years. Based on the above discussion, it is hypothesized that:

*Hypothesis 1: There is a significant relationship that exists between immigrant entrepreneurial issues and their business success.*

*Hypothesis 2: There is a significant relationship that exists between immigrant entrepreneur success and their business prospects.*

**Figure 1** Conceptual Framework of the Research



### **3. RESEARCH METHOD**

#### **3.1. Population and Sampling Technique**

This research employs a survey research method. The population is immigrant entrepreneurs in small retail businesses around Kuala Lumpur. While an accurate number of the target population is hard to determine as there has not been any study on immigrant entrepreneurs before, identification of major retail business areas within the city boundary of Kuala Lumpur is established. This is made available through the researchers' knowledge of whereabouts the immigrant businesses are located in relation to the respective retail centres. For this purpose, a set questionnaire was designed comprising of two sections. Section A is related to gathering demographic information regarding the respondents whereas Section B contains items pertaining to the business success and business prospects of the immigrant entrepreneurs. The size of the sample was determined by expert's opinion (Hair et al. 2010). A simple random sampling was employed to select the respondents among the study population. To do this a total of 10 business retail centres were identified. In each individual retail centre 50 respondents were targeted. When a particular retail centre was identified, a snow-balling technique was adopted to reach a sufficient number of the targeted respondents in each respectively identified centre. After a pilot survey was conducted, the questionnaires were distributed to 500 respondents. Using a designed and structured questionnaire is the most economical method of data collection; this allows for a wide distribution and is best suited to handling complex questions. The fieldwork survey was carried out from February to March 2015. The study generated 316 usable questionnaires which resulted in a response rate of 63.2 percent.

#### **3.2 Measurement and Data Analysis**

There is a three-dimensional construct consisting of issues, business success and business prospects in the model. The measurement of these three major latent constructs (issues, business success and business prospects) was accomplished by means of scales consisting of a 5-point Likert type scale ranging from 1 (highly unimportant) to 5 (highly important). The immigrant business issues focus on finance, training, cost, quality, local authority and competition. The immigrant entrepreneurial success consists of nine items which measure their success; these have also been adapted from the scale of Adamu (2014), namely increase in total

revenue, increase in sale turnover, increase in demand, increase in profit and increase in the number of employees recruited. All are based on the above-mentioned success indicators over the previous three year record. Subsequently, a measurement for the immigrant business prospects was also based on similar indicators, but with their prediction based on those stated indicators for the coming years. Prior to that, in the first section, respondents were asked to fill in their demographic profile.

The data collected through the questionnaires was analysed through SPSS. Initially, the data was cleaned and screened followed by the descriptive analysis. The purpose of doing descriptive analysis is to explore the demographic information of the immigrant entrepreneurs. In order to explore the dimensions with respect to the underlying items, exploratory factor analysis (EFA) is conducted. After conducting EFA, confirmatory factor analysis is applied to the measurement model using AMOS Version 22. Lastly, a structural model is developed and tested based on the hypotheses.

### **3.3 Sample Characteristics**

Descriptive statistics indicate that the majority of respondents were male, comprising 87.3 per cent of the total sample, whereas females were only 12.7 per cent. In terms of age, the immigrant entrepreneurs aged between 30 to 39 years had the highest percentage i.e. 41.1 percent. The education acquired by the majority of respondents (30.1 percent) is secondary school certificate. Most of the respondents in the sample come from three countries i.e. Bangladesh (40.8 percent), Pakistan (22.2 percent) and Indonesia (18.7 percent). Pertaining to the immigrants' duration of stay in Malaysia, the highest percentage of respondents (33.9 percent) belong to the category of 6 to 10 years, followed by 25 per cent who have been staying for less than 1 year.

The purpose of migration of the majority of the respondents (84.8 percent) was to do business. Among several categories of businesses, the majority of respondents (23.1 percent) are engaged in retail clothing and apparel businesses followed by retail food and beverages i.e. 19.9 percent. Most of them (64 percent) have been involved in business for more than one and less than 10 years. Most (26.6 percent) of the respondents have their business in Kuala Lumpur, followed by 20.3 percent in Gombak. The reason behind immigrant entrepreneurs' choice of business is due to the personal interest of the majority of respondents (65.5 percent). The capital which most of the respondents (85.8 percent) invested in their businesses came from their personal savings. In terms of reliability to measure the internal consistency of the scale, Cronbach's alpha ( $\alpha$ ) is calculated. Generally, the  $\alpha$  value obtained from this analysis lies between 0 and 1. According to the rule, the closer the value is to 1, the higher will be the consistency of the measurement scale. For this research, the  $\alpha$  value obtained is 0.878 which is closer to 1. Therefore it indicates that the instrument is highly consistent as well as stable.

## **4. QUANTITATIVE RESULTS AND DISCUSSION**

The quantitative findings of the research can be presented in the two major components, i.e. Exploratory Factor Analysis and Confirmatory Factor Analysis, and Structural Equation Model (SEM).

#### 4.1 Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA)

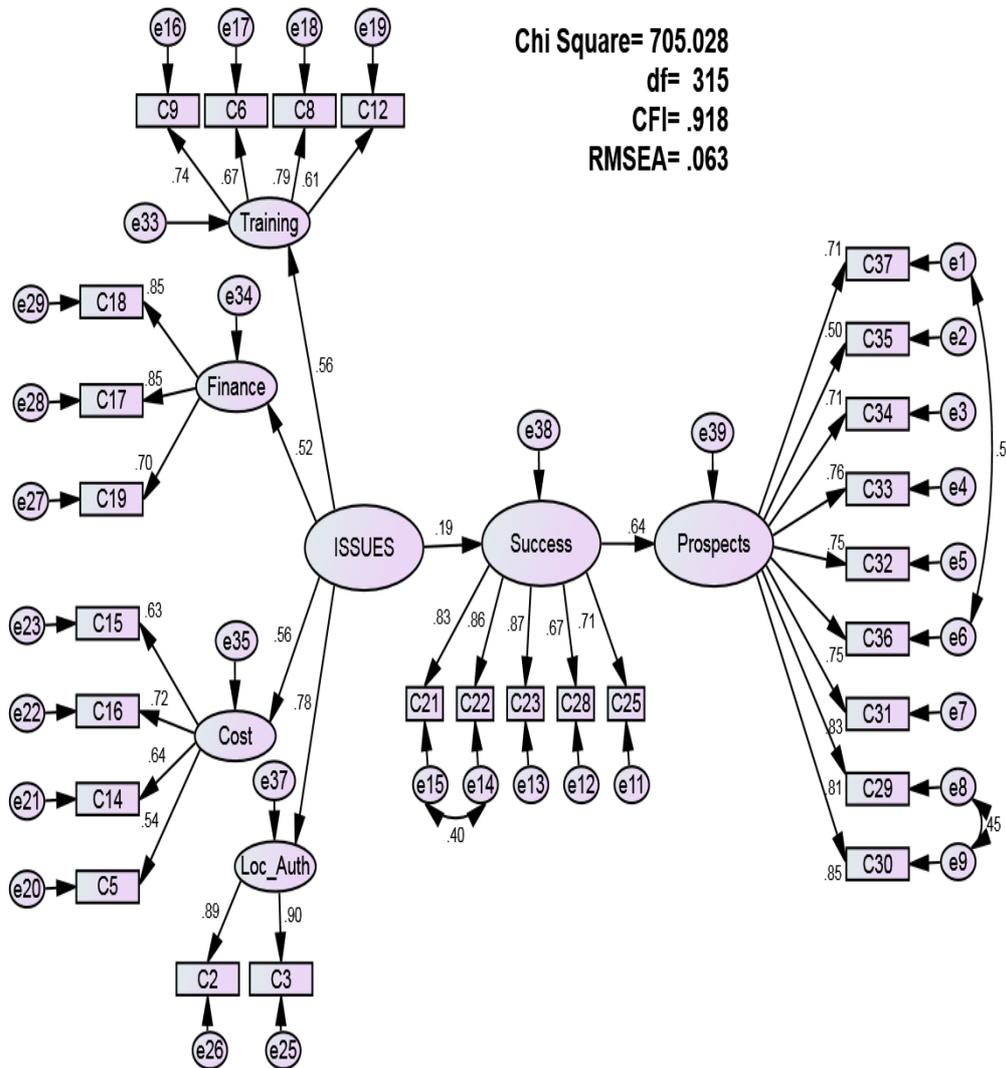
Considering the exploratory nature of this research, exploratory factor analysis (EFA) was chosen to be the most appropriate analytical technique. According to Hair, Black, Babin, and Anderson (2010), the communality values should be greater than 0.5. The results of this study showed that all the values are more than 0.5, hence meeting the required criteria and showing the adequacy of the results. Secondly, the sampling adequacy was analyzed using Kaiser-Meyer-Olkin (KMO). As per the rule, the value of KMO should be more than 0.7. KMO for this research was found to be 0.868 which indicates that the sampling was adequate. In order to know whether sufficient correlation exists between the variables, Bartlett's test of Sphericity was checked. It was found significant at  $p < 0.001$ , hence fulfilling the requirement. Cumulative variance explained by 7 factors with eigenvalues more than 1 is 67.24 per cent, which is above the threshold percentage i.e. 60 per cent. Moreover, the percentage variance explained by Factor 1 is 26.27 percent, followed by the variances of the remaining six factors i.e. 12.54 percent, 8.58 percent, 6.19 percent, 5.23 percent, 4.54 percent and 3.86 percent respectively (see Tables A & B in the Appendix). It was also found that the loading of the majority of items was below 0.85. The three main constructs were extracted from the above analysis namely, business prospects, business success and business. The values of Cronbach's  $\alpha$  ranged from 0.79 to 0.92 (all are above 0.7), hence confirming the reliability and internal consistency of the underlying items. Majority loadings in the rotated component matrix are above 0.6 as recommended by Hair et al. (2010) in order to conduct confirmatory factor analysis.

Using AMOS software, Confirmatory Factor Analysis (CFA) is applied on the three major factors extracted from the exploratory factor analysis. Three measurement models are assessed with the help of Maximum Likelihood Estimation (MLE). For this purpose, several fit measures such as comparative fit index (CFI), goodness of fit index (GFI), normed fit index (NFI) and root mean square error of approximation (RMSEA) are employed based on the recommendations of different scholars (Byrne, 2010; Hair et al., 2010; Kline, 2011). The threshold values for each of the above tests were applied on each measurement model. Models were revised in order to obtain the model fit. During revising measurement models, a few items with low factor loadings were omitted. The values obtained from the models (after revising) fulfilled all the requirements with all the values of CFI, NFI, and GFI being above the threshold value which is 0.90.

#### 4.2 Structural Equation Model (SEM)

After the achievement of reliability, validity and model fit during CFA, the causal relationship between the three constructs (i.e. issues, success and prospects) was tested through SEM. The results indicate that hypothetical relationships fit the observed data well as shown in Figure 1. Values obtained from the model fulfill the required criteria. For example  $\chi^2/df = 2.238$  which is below the threshold value of 3. Similarly, CFI=0.918 (above the threshold value of 0.9) whereas RMSEA is 0.063 (below 0.08), hence satisfactory. However, value of NFI is 0.862 (which is below the threshold value of 0.9). Importantly, the structural paths among the causal relationship are statistically ( $p < 0.05$ ). (There seems to be a word missing here!)

**Figure 1:  
Structural  
Equation  
Model**



The Table 1 highlights the hypothesised path coefficients of the model. The table presents the hypothesised paths, coefficients, p-values, and the testing results. The significance tests for the structural model parameters are used as the basis for accepting or rejecting the hypotheses proposed. A significant positive relationship exists between entrepreneurial issues and business success as in the Hypothesis 1 ( $p = 0.012$ ). There is a strong positive relationship between immigrant business success and business performance as in the hypothesis 2 ( $p=0.00$ ). Thus, both of the study's hypotheses are supported by the data from the survey.

Table 1: Hypothesised Path Coefficients

Hypothesized Path	Hypothesized Relationship	Std. Reg Weight	C.R.	Coefficient ( $\beta$ )	P	Remarks
Success ← Issues	<i>H1</i>	.190	2.52	$\beta > 0.20$	0.012	<b>Supported</b>
Prospects ← Success	<i>H2</i>	.640	9.491	$\beta < 0.20$	***	<b>Supported</b>
Statistic		Results				
$\chi^2$ Significance		0.000				
Normed $\chi^2$ (CMIN/df)		2.238				
Comparative fit index (CFI)		0.918				
Normed fit index (NFI)		0.862				
Root mean error square of approximation (RMSEA)		0.063				

## 5. CONCLUSION

From the research framework, the study concludes that there are specific issues or factors that positively contribute to the business success of immigrant entrepreneurs, while business success has a positive relationship with business prospects. With the increase in the business success, there are higher chances that business prospects will also be promising. This may reflect the overall growth of small businesses in which the immigrant entrepreneurs are involved, creating the possibility that they would potentially contribute to economic growth activities in the country. This finding supports earlier scholars who gave due recognition to establishment and expansion of new small businesses in a country (Lin, 2015; Ribeiro-Soriano & Mas-Verdú, 2015). In order to attain long term economic growth, the involvement of entrepreneurs is also essential and meaningful (Forsman, 2011; McKeever, Anderson, & Jack, 2014). The results that indicate a positive relationship between immigrant business success and their business prospects are clearly not exceptional to this. Looking at this finding, it can be further pointed out that immigrant entrepreneurs can be a great source of entrepreneurial development and future economic impetus to the country concerned – in line with the United Nations Report on International Migration and Development 2013 (UN 2013).

Therefore, this empirical study offers several important findings. Firstly, specific issues have positively contributed to the business success of immigrant entrepreneurs and this is consistent with the studies of Bates, (1999), Rahmandoust et al., (2011), and Lin (2015) who found that the benefits of immigrant entrepreneurs

to the host country are not only as sources of physical capital investment, job creation for local workers, and introducing diverse products and services, but also a greater contribution towards the country's GDP. Lastly, the business success of immigrant entrepreneurs has a positive relationship with their business prospects. This finding is indeed evident in the earlier findings of Kloosterman, Van der Leun, & Rath (1998), Alam & Hoque, (2010) and Wadhwa, Saxenian, Rissing, & Gereffi (2007) and Wadhwa, Saxenian, Rissing, & Gereffi, 2007. Nonetheless this concluding remark may be treated with concern as business prospects for migrants should be differentiated between skilled entrepreneurs and unskilled entrepreneurs. Skilled immigrant entrepreneurs apparently do not require as much financial capital, as found in an empirical enquiry (Light, 2004), while Wadhwa, Saxenian, Rissing, & Gereffi (2007) revealed that social embeddedness, market orientation and new business development are areas challenging for low skilled immigrants compared to skilled immigrant entrepreneurs.

### **5.1 Contributions and Potential Implications**

This research provides an overview of conceptualizations on issues and challenges faced by immigrants that affect their business success and business prospects in a receiving country. A conceptual framework outlining the relationships is constructed to illustrate how business issues enhance business success and subsequently business success that contributes to better business prospects of immigrant entrepreneurs. The research has the ability to identify the lessons for understanding immigrant business which can not only develop the managerial skills required but also to operate a small firm successfully (Dana, 2001). By understanding the construct of immigrant business issues and how they affect entrepreneurial success, this research contributes insights into the development of entrepreneurial activities and can thus present practical implications for individual immigrant entrepreneurs and their enterprises to establish entrepreneurial success (Eker 2005; Tracy, 2005; Tseng, 2013).

It also provides a significant referral point for a receiving country to provide a positive approach on policies and regulations enabling these entrepreneurs to grow, expand and substantiate their business so that they can become sources of employment generation and capital accumulation for the economy as a whole. This is clearly stated in the International Migration and Development Report which says that it is important for the countries involved to recognize migration as a key enabler for equitable, inclusive and sustainable social and economic development (UN 2013). In realizing this therefore, policies that recognize the positive contribution of migrants, protect their human rights and better manage their movements and fully realize the potential of migration for the creation of wealth, trade, jobs and social empowerment, are crucially relevant.

This research focusses on specific issues faced by immigrant entrepreneurs. There are some other issues or factors that have not been captured, but can be important determinants of immigrant business success. Thus future research may be conducted in respect of different issues, contexts, cultures or in other nations. Comparative analysis is also necessary to determine the relevance of different demographical variables. In view of this, this research may extend to the next step of similar replication in New Zealand, and thus a good comparative scenario can be presented later.



Appendix: Table A: Exploratory Factor Analysis

Items	F1 Business Prospects	F2 Business Success	F3 Trainin g	F4 Finance	F5 Cost	F6 Quality & Safety	F7 Local Authority
C30	.852						
C29	.820						
C31	.812						
C36	.754						
C32	.739						
C33	.710						
C34	.709						
C37	.687						
C35	.401						
C21		.829					
C22		.817					
C23		.789					
C28		.688					
C25		.683					
C27		.623					
C12			.766				
C8			.759				
C6			.742				
C9			.730				
C18				.880			
C17				.825			
C19				.753			
C15					.789		
C16					.743		
C14					.668		
C5					.574		
C11						.845	
C10						.794	
C13						.704	
C2							.769
C3							.758
C1							.755
Initial Eigenvalues	8.407	4.015	2.747	1.984	1.675	1.455	1.237
percent of variance	26.271	12.547	8.585	6.199	5.233	4.548	3.860
Cumulative percent	26.271	38.818	47.404	53.603	58.603	63.385	67.249

Table B: Reliability of Factors

Factor	Number of Cases	Number of Items	Cronbach's $\alpha$
Business Prospects	316	9	0.92
Business Success	316	6	0.88
Issues	316	17	0.92

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