



Turun yliopisto
University of Turku

THE ROLE OF DIASPORA NETWORKS IN OPPORTUNITY EXPLOITATION BY ETHNIC ENTREPRENEURS IN FINLAND

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Author:
Elkhan Jafarov

Supervisors/Ohjaajat:
D.Sc. Birgitta Sandberg
D.Sc. Valtteri Kaartemo

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Turku



Turun kauppakorkeakoulu • Turku School of Economics

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1 INTRODUCTION

1.1 Ethnic entrepreneur and diaspora phenomenon in context of Finland

According to a report by Statistics Finland, the contemporary flow of immigrants to Finland is the highest since independence (OSF, 2014; see more in the section 2.6.1). As a result, the growing number of immigrants became a facilitator in the creation of ethnic diasporas in Finland and the phenomenon of ethnic entrepreneurship. Linguistically, the word diaspora has its origins in Greek as a term describing the scattering and dispersion of ethnic Greeks to colonies and controlled territories. In its contemporary sense, diasporas refers to ethnic groups that immigrate and live away from their country of origin and comprise an ethnic minority in their current country of residence (Isenberg & Kerr 2011, 2).

Today, diaspora related phenomena are widely accepted as a field of study for sociologists, researchers in international business, and other scholars. In the context of International Business, diaspora provides a tremendous potential for novel research owing to their significant effect on global trade and investment flows. A significant amount of literature has focused on diasporas' Foreign Direct Investments (FDI) to the home country. For example, data concerning Chinese and Indians diaspora investments in their respective home countries (Wei & Balasubramanyam 2006, 1600).

From a network perspective, diasporas can be considered as a fascinating topic for a research due to the potential construction of a network relationship between different cultures as parts of the network as a whole. What do we know about the utilization of the diaspora networks in International Business? Do we know enough about diaspora networks in Finland? In this regard, the author will concentrate on the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs in Finland. Some previous studies on the Indian diaspora networks in the United States of America indicate significant benefits and value creation through the exploitation of diaspora networks (Isenberg & Kerr 2011, 5).

1.2 Diaspora networks and ethnic entrepreneur

This thesis focuses on the commercial exploitation of diaspora networks by ethnic entrepreneurs in Finland. Growing global population mobility, modern communication technology, and processes involved in globalization lead to a requirement for a more

detailed consideration of the potential and extent of the effects diasporas have on economic development. Currently, according to the International Labour Organization (2008, 1), if immigrants were to form a country they would be the 5th largest nation, surpassing Brazil. Generally, such factors as international ties with former colonials create an attractive economic situation, and easy immigration policy could seriously facilitate the growth of immigration flow (Stalker 2002, 152–159). Whereas Finland has no colonial background and previously Finland was a country of emigration, it could be said that questions regarding immigrants, or working migrants, were not so important in a social and economic context. However, recent increases in ethnic diversity changed the situation (Pitkänen 2008, 32) and, currently, we can observe a continuous increase in the flow of immigrants into Finland (OSF 2014, see diagram on the page 63). Such an increase of inflow facilitates the creation of ethnic diasporas, along with issues regarding immigrants' adaptation and employment in the new environment, where ethnic entrepreneurship could be one of those panaceas which can improve the employment rate of immigrants (Aaltonen & Akola 2012, 1–5). The importance of self-employment could be also demonstrated by work spillover effects among the ethnic community as ethnic entrepreneurs could create jobs for the other members of the ethnic community and be, to some extent, good examples for others who are currently unemployed (Zhou & Cho 2010, 84–85). At the same time, community in general also has some amenities to offer to the ethnic entrepreneur for synergy, since the ethnic community could be seen as a network that could be utilized by ethnic entrepreneurs.

Generally, based on a review of the academic literature, it could be said that diaspora is integral to many aspects of the ethnic community; it has social, economic, cultural, and also political applications. In this study, diasporas are mainly viewed as a source which can assist ethnic entrepreneurs to exploit business opportunities. Based on international examples, it could be stated that diasporas can provide access to certain resources which ethnic entrepreneurs may utilize and, through them, achieve a certain competitive advantage (Kitching, Smallbone & Athayde 2009, 695–693). Multiple international studies provide the ideas of what diasporas can offer to the community member for opportunity exploitation, however, the results are not homogeneous.

An overview of the relevant literature will provide an understanding that diaspora network and ethnic entrepreneur relationships may vary from country to country, from industry to industry, and from community to community. However, some general outlines could be drawn based on international practices and examples. Diasporas may be seen as a basic social network where actors connected to each other. A typical Social Network is often invisible in comparison to formal inter-organizational networks, but it can provide necessary ties and contribute to the eventual success of entrepreneurs (Zucchella & Scabini 2007, 92) The general network theory developed by Granovetter (1973) considers networks as, at least, important for information flow. Other studies

emphasize the role of diaspora networks as an important element of the business advancements of ethnic entrepreneurs. Moreover, such statements could be observed over the decades. For instance, Light (1984, 199) reported about extraordinarily well-developed social networks of immigrants, or Aldrich and Waldinger (1990, 114) noticed the importance of ethnic networks and their *possibilities for resource mobilization*. Contemporary researches attest to diaspora networks as being a valuable asset during the opportunity exploration, and at the later stages of opportunity exploitation (Kitching, Smallbone & Athayde 2009, 690, 697). Nevertheless, the most prominent impact of diaspora networks on ethnic entrepreneurs, based on the literature review, will be highlighted in the theoretical part of this study. Diaspora networks, including family and community connections, could facilitate the internationalization of ethnic entrepreneurs. Moreover, members of entrepreneurs' families often have been used as the employees. Many ethnic entrepreneurs turn to their ethnic communities when family resources are not sufficient for their businesses. In some cases, such diasporas' support with human resources could be critical for the entrepreneurs in terms of the survival of their businesses (Jones, Ram, & Edwards 2006, 133,139). On the macro level diasporas could be a market for enterprises, with all substantial actors as buyers, customers, and suppliers. For instance, retailers of ethnic grocery products could use co-ethnics as suppliers and have customers or buyers from the ethnic community living nearby in ethnic clusters (Curci & Mackoy 2010, 109, 110).

Finance is another sphere where diaspora could play a role. Immigrants might experience significant financial problems and it takes time until they can start own business with their own money. Thus, external financing is an essential element for their businesses as well. However, in some cases due to discrimination or due to the small scale and type of their businesses, ethnic entrepreneurs might not be such an attractive investment for external finance institutions such as banks or venture capitalists (Smallbone et. al 2003, 292 see also Chaudhry & Crick 2004, 42). Finally, access to technology and information sharing are those advantages which could be held by diasporas, and which diasporas might be ready to share with ethnic entrepreneurs. If technological spillovers between members of ethnic communities might occur through the social ties of employees working in the same or similar industry (Agrawal, Cockburn & McHale 2003, 3), information flow is the basic process continuously happening inside ethnic communities where members of the network share and interchange information which, at some moments, could be crucial for individuals and their businesses (Grossman 2010, 2–4).

1.3 Structure and purpose of study

Several valuable researches have been conducted on the topics of diasporas and ethnic communities' political influence, economic, and social adaptations. In some researches, the importance of diasporas for the home country economy were stressed since the ethnic community could produce significant remittances which, in turn, could comprise serious amounts for developing country economy (Vaaler 2011, 1133). Others reported about special role of diasporas in lobbying home country interests internationally, and creating special ties and relationships between home and host countries (Shain & Barth 2003, 471). However, the main focus of this study is on the area of interrelationship between a diaspora and its ethnic entrepreneur members, and *understanding how the ethnic community affects the business of entrepreneurs at the stages of opportunity exploitation*. Using qualitative data collected on ethnic entrepreneur owned businesses in Finland, the roles of diaspora networks will be examined and described. Furthermore, the global practice of the utilization of diaspora networks will be compared with findings from interviews. In order to progress with the understanding of role of diaspora networks in opportunity exploitation by ethnic entrepreneurs in Finland the following sub-questions were addressed:

First Sub-question:

How can ethnic entrepreneurs in Finland use diaspora networks for opportunity exploitation?

Second Sub-question:

How significant are diaspora networks in comparison with governmental and official institutional support?

The first question deals mainly with the ways in which ethnic entrepreneurs use diaspora networks and amenities that could be offered by diasporas to their co-ethnic entrepreneurs. The second question underlines the significance of diaspora networks in comparison with government and other official institutions such as banks and other credit or business support organizations.

In order to explore and describe the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs this paper is structured as follows. First, this study describes a profile of entrepreneur with his / her internal and external motives to start the business. Then the paper continues with a separate section about the specific characteristics of ethnic entrepreneurs, their industry, and geographic clustering. After the description and some comparisons between ethnic and non-ethnic entrepreneurs' profiles, an opportunity structure will be illustrated. After the general description of ethnic entrepreneurs international practices, the focus of the thesis will be directed to the ethnic

entrepreneurs in Finland. Despite of the lack of academic studies on ethnic entrepreneurs in Finland (Aaltonen & Akola 2012, 2) this part of the paper will give a general understanding of this phenomenon in the Finnish context and stress the importance of self-employment and draw attention to the industries. The historical element of the diaspora phenomenon is an introductory part, which leads to the diasporas' economic face, followed by the implied international business and entrepreneurship contexts of diasporas. At the same time, this discussion will be supported by fundamental studies on social networks, for instance Granovetter's (1973) findings will throw some light on the elementary aspects of social networks and actor relationships.

After the general discussion on the diaspora phenomenon, and fundamental points on networks, multi-face concepts of diaspora network will be overviewed. A theoretical framework of the roles of diaspora networks in ethnic entrepreneurs' businesses will be drawn based on an academic literature review. Followed the theoretical framework, a methodological part will rationalize the method applied in the study and explain the motives for the qualitative interviews, their techniques and details. The section explicates the selection of interviewed entrepreneurs, data collection and data analyses specificity and, finally, emphasizes maintaining the trustworthiness of the study. The empirical part will assist in understanding the specific features of the relationship between ethnic entrepreneurs and diasporas in Finland as the main purpose of study is to investigate how can ethnic entrepreneurs use diaspora networks in opportunity exploitation and how significant are governmental support and collaboration with other official institutions is in comparison with diaspora networks. Taking into account the fact that study will stay at a general or macro level, analysis of interviews will focus on the diaspora roles. The study avoids overconcentration on particular cases. At the end of the study, conclusions are drawn and summary replies on the main sub-questions will be provided.

1.4 Diasporas and ethnic entrepreneurs in Finland

The focus on such an aspect of entrepreneurship as how ethnic entrepreneurs utilize diaspora networks *in Finland* gives a geographical attachment to the study. It can even be noticed that in comparison with other countries in Western Europe, Finland has not historically attracted a large number of immigrants. However, since the end of the twentieth century the situation has changed. The collapse of the Soviet Union opened migration flows from Russia and other former Soviet Republics; moreover, integration of Finland to the European Union and adoption of changes in immigration legislation has turned Finland into a country of immigration (Joronen 2002, 134). Currently, we can observe a steady increase of immigration flow into the country and the formation of

ethnic communities which may be used as social capital by ethnic entrepreneurs (Aaltonen & Akola 2012, 3, 5). At the moment, immigrants from North Africa, the Middle East, Central Europe, Turkey, and former Soviet Republics have begun to form communities, which could assist ethnic entrepreneurs in opportunity exploitation (Joronen 2002, 156).

The lack of immigration until the recent years explains the scarcity of information and academic studies in this sphere. At the same time, the increasing significance of immigrant employment and their integration into Finnish society makes the generation of substantial knowledge about this sphere important. The ethnic entrepreneur or *maanmuuttajayrittäjä*, a Finnish term which could be translated as immigrant entrepreneur, became a more important element of the business landscape (Penninx 2012, 22). Based on the given explanations, it could be stated that the situation with ethnic entrepreneurs in Finland might be differ in compassion with other European countries. Moreover, some researches stressed the divergence between Finnish and global practice with respect to the ethnic entrepreneurs in Finland, at least based on the studies done on Russian ethnic entrepreneurs (Jumpponen et al 2007, 16). However, some other researches noticed that, despite these non-similarities, ethnic entrepreneurs are akin to their co-ethnic entrepreneurs in other countries in that they use diaspora networks and have similar industry clusters (Wahlbeck 2013, 494, 495, see also Wahlbeck 2004, 104).

Historically, unemployment among immigrants has been higher in comparison to the native population. However, in the 1990's, after increasing immigrant flow to Finland and economic crisis, the situation deteriorated (Valtonen 2001, 422). In addition, unemployment of immigrants may be one of the factors which facilitate entrepreneurship in Finland. Consequently, push factors may dominate in the country (Wahlbeck 2004, 113, see also Jumpponen et al 2007, 9). When talking about immigrant employment, it is important to note that ethnic entrepreneurs not only create jobs for themselves and reduce unemployment by being self-employed, but also employ co-ethnics once they have chance to do so (Joronen 2002, 121–122).

1.5 Limitations

The increasing numbers of immigrants to the European Union and the United States of America have fostered an interest in ethnic entrepreneurship. Typically the ethnic entrepreneur is the creator of a small and medium enterprise (SME). Today, SMEs play an important role in many economies as principal job creators in many sectors. The cultural background of minorities, their skills and experience can reshape previous templates of the entrepreneurial environment (Waldinger, Aldrich & Ward 1990, 13–17). Continuing growth of the various new ethnic groups in Finland raises questions relating

to the integration and employment of these groups. Frequently, a lack of specific knowledge and insufficient integration into the host country society are reasons for a high unemployment rate among immigrants and ethnic groups. At the same time, this motivates them to be entrepreneurs. Based on the study done by Aaltonen and Akola (2012, 3–6), it could be seen that the percentages of self-employed people differs from one community to another. Such a disparity gives the author space for further considerations regarding the entrepreneurial performance of one ethnic group in comparison to another. However, as the topic is too broad to be executed within the boundaries and parameters set for a master's thesis, the author will concentrate on the role of the diaspora network in opportunity exploitation by ethnic entrepreneurs in Finland. Notwithstanding a limited number of valuable studies, e.g. Wahlbeck (2013) or Joronen (2002), this part of the theory is not comprehensively covered by academic researchers in Finland.

The topic of the thesis has already certain boundaries; the main figurants of the study are ethnic entrepreneurs and their diasporas in Finland. The ethnicity of the ethnic entrepreneurs is an additional limitation as, to a wide extent, an ethnic entrepreneur could be indigenous to the country in which he or she resides, or could belong to an ethnic group that has lived in the host country for a long time and which, over many generations, has become accepted as almost native inhabitants of the country or region. In contrast, in this particular study, the ethnic entrepreneur belongs to the first or to the second generation of immigrants to the host country. At the same time, this study has no restrictions in terms of the country of origin and is not looking for comparisons or contrasts between one group of ethnic entrepreneurs with another group or groups of entrepreneurs of different ethnicity. Moreover, study does not take into account factors such as gender, age, financial status, and level of education of entrepreneurs. In addition, there is also no limitation in terms of the type of the ethnic entrepreneur's business, number of employees, and turnover. The thesis investigates general aspects of the utilization of diaspora networks by ethnic entrepreneurs. Moreover, the topic specifies the stage at which possible interaction between ethnic entrepreneur and diaspora could occur: The stage of opportunity commercial exploitation and links between community and entrepreneurs will be examined.

2 THE ETHNIC ENTREPRENEUR

The central unit of analysis of this study is the ethnic entrepreneur. Even though the role of diaspora ties is the broad subject, in this paper, a profile of the ethnic entrepreneur is of great explanatory magnitude, and it is important to consider this profile separately. The multidimensional concept of entrepreneurship provides a broad range of literature for review, and covers different parts of entrepreneurial theory (Verheul et al. 2001, 4). Starting from a basic discussion on entrepreneurship it is logical, then, to move to the subject of ethnically diverse entrepreneurs. There is an opinion that entrepreneurs *share a common type of personality, which “explains” their behaviour* (Gilad and Levine 1986, 45). Thus, a profile of an ethnic entrepreneur could be shaped based on general entrepreneurial theory, characteristics of entrepreneurs and their motives. At the same time, it is necessary to define in advance which part of this multidimensional concept is more relevant to this study. In this part of the thesis I would like to highlight entrepreneurship theory, consider push and pull factors for becoming an entrepreneur, observe literature on the profile of ethnic entrepreneurs in terms of challenges, motivations, and geographical and industry clustering. At the end of the section, the silhouette of ethnic entrepreneurs in Finland and their specific characteristics will be outlined in frameworks drawn from the available literature.

2.1 Entrepreneurial phenomenon review

Before this study turns to the discussion on definitions of ethnic entrepreneurs in academic literature and their specific characteristics, it is necessary to review a synopsis of the entrepreneur’s profile to see to what extent isomorphism is applicable to these two notions.

The entrepreneur, as a notion, describes an individual whose personal features include such functions as creating and managing business. The term itself originates from the French word *entreprendre* what means *to undertake* (de Vries 1996, 856). According to Schumpeter (1947, 151, 153), the entrepreneur is an innovator, who is engaged in *“doing new things or the doing of things that are already being done in new way”*. But, as an extension to the definition Schumpeter notifies that entrepreneurs could be classified *“according to origins or sociological type”*. Besides Schumpeter, many other scholars have defined the entrepreneur. Wayne Long (1983, 54–55), in his work summarizes definitions of entrepreneurs made by other academics (see table 1), but at the same time he argues that theory is still not complete since contemporary entrepreneurship has been changing since the characteristics defined by previous scholars. In their eyes the entrepreneur is a person with the specific characteristics as business owner, manager and

self-employer. The concept of entrepreneurship has been under sustained development for centuries. Evidence of the development of this concept can be found since the Roman Empire, in the Middle-Ages, and also during late industrialization when entrepreneurship theory was shaped.

Table 1 Entrepreneur definitions. Adapted from Long, 1983, 54–55

| | |
|------------------------------------|--|
| Richard Cantillon (circa 1730) | <ul style="list-style-type: none"> • entrepreneur defined as a self-employed person • additional uncertainty accompanies self-employment • entrepreneurs should proportion their activity to market demands |
| Jean-Baptiste Say (circa 1810) | <ul style="list-style-type: none"> • many managerial talents are required to be a successful entrepreneur • many obstacles and uncertainties accompany entrepreneurship |
| Alfred Marshall (circa 1890) | <ul style="list-style-type: none"> • the abilities to be an entrepreneur are different yet complementary with the abilities to be a manager |
| Joseph Schumpeter (circa 1910) | <ul style="list-style-type: none"> • entrepreneurship is at its essence the finding and promoting of new combinations of productive factors • entrepreneurship is the prime creative socio-economic factor |
| Frank Knight (circa 1920) | <ul style="list-style-type: none"> • the courage to bear uncertainty is the essential aspect of entrepreneurship • entrepreneurs are required to perform such fundamental managerial functions as responsible direction and control |
| Edith Penrose (circa 1960) | <ul style="list-style-type: none"> • managerial capacities should be distinguished from entrepreneurial capacities • identifying and exploiting opportunistic ideas for expansion of smaller enterprises is the essential aspect of entrepreneurship |
| Harvey Leibenstein (circa 1970) | <ul style="list-style-type: none"> • entrepreneurial activity is aimed toward the reduction of organizational inefficiency and to the reversal of organizational entropy |
| Israel Kirzner (circa 1975) | <ul style="list-style-type: none"> • the identification of market arbitrage opportunities is the fundamental function of the entrepreneur |

Based on the above table, a profile of the entrepreneur can be delineated and be extended to the ethnic entrepreneur's profile in the subsequent sub-section. The entrepreneur seems to be a well-studied phenomenon. Basically the entrepreneur is self-employed person with certain managerial talent, but different from basic firm managers. He or she deals with uncertainty in the business environment. The entrepreneur is able to recognize and utilize opportunity, make new things, or make old things in a new way. At the same time, the entrepreneur has very multifaceted profile.

2.2 Motives to become an entrepreneur

Before moving to a profile of the ethnic entrepreneur and considering it as an extension to the general definition of the entrepreneur but from a certain ethnic background, it is necessary to point the motives for individuals to become entrepreneurs, and to find the overlap of those motives among ethnically distinct entrepreneurs. According to Hessels et al. (2008, 325), there are various valuable studies on the motives which inspire people to start their own businesses. These motives can be divided into three main groups. The first one describes *motives* or the pull and push factors that motivate a person who starts a business. The second group of studies was made on the decisions explaining (*intent to start a business*) and its implications such as *material and immaterial risks*. The third group of studies explains the psychological drivers which can motivate a person to become an entrepreneur such as, for instance, *need for achievement and need for power* (Hessels et al. 2008, 325). In the context of this study, the author will concentrate on the pull and push factors motivating entrepreneurs to start businesses, risk tolerance, and the need for achievement which, according to literature review, are essential for all entrepreneurs in general. Later, these factors will be matched with ethnic entrepreneurs' profiles and specifics. In this sub-section the necessary comparisons of characteristics and drivers of these factors will be discussed together with the characteristics and drivers of ethnic entrepreneurs.

In regard to entrepreneurial aspirations or drivers to start one's own business, it is important to state that some researchers found that pull factors prevail in decision to become an entrepreneur (Segal et al. 2005, 44). Since the establishment of new firms is an important factor for economic growth, state governments often encourage and support streams of pull factors to increase the number of self-employed people (Praag and Ophem 1995, 513). However, in order to obtain a comprehensive view on inducements to becoming self-employed it is better initially to refer to the study conducted by Gilad and Levine (1986, 46). According to them, even push and pull factors could be considered, to some extent, as being competing hypotheses; where these two factors tend to stimulate a person to start his / her own business. The figure 1, below, summarizes both

sides' factors into one picture as the basis of entrepreneurial motivation; while “push” factors often tend to be considered as the external circumstances provoking a person to move toward self-employment, “pull” factors have a more psychological nature.

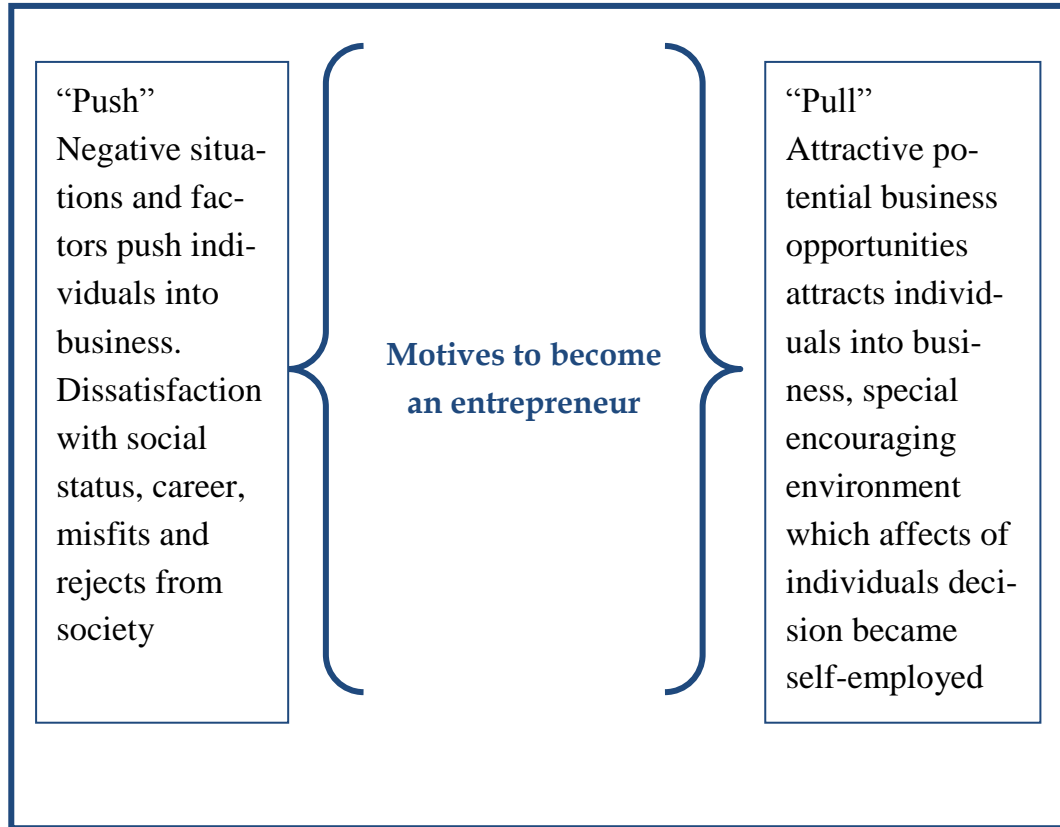


Figure 1 Entrepreneurial motivation and factors affecting the decision to become an entrepreneur

On one hand, such life difficulties as lack of career growth, misfit with society and, to some extent, dissatisfaction with personal social status are challenges, but on the other hand, these factors could be significant motives for an individual to start his or her own business. In contrast to these “*push factors*”, another group of factors named “*pull factors*” attract individuals into entrepreneurship. Pull theory has such arguments as attractiveness of entrepreneurship for a certain group of people due to potential profitability of discovered opportunity (Gilad & Levine 1986, 46–47).

In addition to the above arguments, some other personal motives could lead individuals to start as an entrepreneur. For instance, a review of the literature on the profile of entrepreneurs shows that such phenomena as risk acceptance propensity and low uncertainty avoidance are widely accepted as features of entrepreneurs. Moreover, such concepts as risk and uncertainty are interesting to be considered in one context. According to Sitkin and Pablo (1992, 10), “Risk is a characteristic of decisions that is defined here as the extent to which there is uncertainty about whether potentially significant

and/or disappointing outcomes of decisions will be realized.” For instance McGrath, MacMillan and Scheinberg (1992, 129–130) have postulated that entrepreneurs have greater risk tolerance in comparison with non-entrepreneurs. Based on research by Hofstede, (1980) the authors have stressed an assumption that entrepreneurs should have “low uncertainty avoidance” to deal with ambiguity in the market during start-up and at later stages of a firm’s development. Their findings support a widely accepted hypothesis concerning entrepreneurial low uncertainty avoidance.

Despite the abovementioned hypothesis, not all academics have reached consensus in the matter that entrepreneurs must have high risk tolerance and low uncertainty avoidance. Even though the hypothesis about entrepreneurial risk acceptance has traditionally been widely accepted, there are several valuable researches prejudicing this theory. For instance, Palich and Bagby (1995, 432, 433) have suggested that non-entrepreneurs have similar to entrepreneurs risk propensity, i.e. they are not risk lovers. However, they vary in the cognitive perception of the risk. Entrepreneurial mindset turns threats of future challenges into opportunities and gives to entrepreneurs an “*optimistic outlook*”. Similar to the previous example, Robert Brockhaus (1980, 518) also evaluated the risk-taking propensity of entrepreneurs and managers of companies. According to his findings, there is no significant difference between company managers and entrepreneurs in risk acceptance.

All in all, such features as low uncertainty avoidance and risk tolerance are the measures which continue to attracting scholars’ attention as attributes of the entrepreneurial profile, the same as “*push*” and “*pull*” factors. In the subsequent sub-section these meanings will be expanded and explained in the context of the ethnic entrepreneur’s profile.

2.3 Characteristics of ethnic entrepreneurs

As stated above, the unique nature of ethnic entrepreneurs means that it is important to consider them in a separate section. The ethnic entrepreneur nowadays plays an important role in the socioeconomic life of the many developed countries which can be accepted as immigrants’ main destinations. The economic impact of ethnic entrepreneurs for their adopted countries of residence is proof of such facts. For instance, in the United States of America alone, in 2002, gross sales of ethnic owned businesses were worth 637 billion dollars (Chrysostome & Lin, 2010, 80). When discussing the effects of ethnic entrepreneurs’ activities and importance of ethnic entrepreneurship, it is essential to demonstrate the following types of values created by this phenomenon. Ethnic entrepreneurs become self-employed and create jobs for co-ethnics; self-employed immigrants improve their personal financial situations which eventually affords them to integrate

into the society faster; ethnic entrepreneurs reduce tension on the main labour market as self-employment withdraws them from competition with native-born workers; and, finally, ethnic entrepreneurs become the facilitators of, or good examples for, other ethnic start-ups (Zhou & Cho 2010, 84–85).

Despite many scholars sharing a common opinion about the positive impact of ethnic entrepreneur on a country's economy and ethnic community, there are various definitions of ethnic entrepreneurs. Hereby, it is necessary to highlight the different points of view concerning a profile of ethnic entrepreneurs through the identification and evaluation of essential characteristics of ethnic entrepreneurs and the various definitions for them. In contrast to the literature review, in this research, the profile of ethnic entrepreneurs has explicit limitations (find more in sub-section 1.4). Taking Safrans (1991, 83–84) diaspora definition as a base to characterize ethnic entrepreneurs, it could be said that the ethnic entrepreneur is entrepreneur-migrant who maintains relationship with the country of origin. However, this relationship might or might not have a business tone with home country or with the co-ethnic community. Thus, it is important to emphasize other opinions and definitions. Zhou and Cho (2010, 84) defined ethnic entrepreneurs as “*minority business owners or self-employed workers whose group membership is tied to a common cultural heritage or origin and known to out-group members as having such trails*”. Even with these definitions shedding some light on the ethnic entrepreneur's profile, it is still veiled. In particular, is who can be called an ethnic entrepreneur based on his or her ethnicity, generation, integration into host country society and disintegration from the ethnic community?

Being a generalized character, ethnic entrepreneurs belong to different ethnic groups with religious and cultural backgrounds that eventually might affect the type of business, values and social-economical attributes that they produce (Sahin et al. 2006, 100). Another fact in ethnic entrepreneur taxonomy is differences and commonalities between two terms *immigrant* entrepreneur and *ethnic entrepreneur*. Carbonell et al. (2011, 411) in their research speculated on this topic; in fact, not every ethnic entrepreneur is an immigrant entrepreneur as he or she might belong to the second or third generation of immigrants, or to an indigenous ethnic group. Even though this raises debates regarding the terminology of ethnic entrepreneurship, this study does not attempt to investigate comparisons and categorizations of different ethnic groups (find more in sub-section 1.4). Similarly, regarding cultural aspects, ethnic entrepreneurs might belong to different generations of immigrants. For instance, Masurel and Nijkamp (2004, 17) studied differences in motivation to become an entrepreneur between the first and the second generations of immigrants in Netherlands; it was suggested that the second generation of immigrant should have less motivation to be self/employed due to better integration into the host country society, access to education and language advantages. However,

despite the obvious intrinsic differences between the two generations, researchers have not found significant differences between the two groups' motivations to become an entrepreneur. These differences have appeared to some extent in hypotheses about the prevalence of push factors to become an entrepreneur for the first generation of immigrants and pull factors for the second generation. Within motivation, pull and push factors, it is worth reviewing other research done in the field of motivation of ethnic entrepreneurs and to compare outcomes with the literature reviewed in the previous subsection regarding the motivation and factors influencing non-ethnic entrepreneurs.

One of the motivational variables, which are apparent in most occasions of ethnic entrepreneurship, and is linked to the ethnic entrepreneur's push factors, is discrimination based on belonging to different ethnic or religious groups. The combination of two dimensions of social life, such as unemployment and discrimination, creates disadvantage for one group of people at the hands of another. The disadvantage theory has been advanced to explain why immigrants are pushed towards self-employment. Discrimination in competition with the local population, insufficiency in alternative job prospects, and lack of language skills against an employer's language requirements are those factors which contribute to the decision of self-employment (Light 1979, 35). Furthermore, difficulties on the labour-market, such as inability to find any job or postponed promotions due to discrimination matters, to some extent stimulate immigrants to use their talents in entrepreneurship. Moreover, lack of integration and enclave attitudes mobilizes social ties, which eventually supports ethnic start-ups (Shinnar, et al. 2009, 276 see also Rajjman and Tienda 2000, 701) Obviously, as a sub-final verdict of the reviewed literature, it could be stated that dissatisfaction with the current social status, low income, and difficulties in finding jobs have replicated similar motives for self-employment in ethnic and non-ethnic entrepreneurs. However, in contrast to non-ethnic entrepreneurs their ethnic counterparts very often have issues with proper education, professional and language skills, which is what eventually pushes them into low margin businesses where, in essence, the main ambition is to survive (Barrett, et al. 1996, 789). Another possible motive for the ethnic population to become self-employed, which may also be an outcome of general discrimination on the labour market, is that ethnic people can be *underpaid in their salaried jobs* (Basu 1998, 319). Despite the fact that current literature often presumes push factors as locomotive for ethnic start-ups, pull factors have also been playing a non-trivial role in entrepreneurial motivation.

Before going on to look at pull factors for ethnic entrepreneurs it is important to note that many authors describe a divergence of motivation factors among different ethnic groups' entrepreneurs operating in a similar environment. For instance, Borooah and Hart (1999, 127) came to conclusion that for entrepreneurs belonging to one ethnic group push factors played major role; at the same time, another ethnic group of studied entrepreneurs had alternative motives for becoming self-employed. Similar ideas were

highlighted in study done by Basu (1998, 325); indeed, factors affecting the decision to be self-employed can vary from one ethnic group to another. Even though there is clear evidence of set of factors pushing ethnic entrepreneurs to self-employment, the current debate should be enhanced with an understanding of the pull factors affecting immigrants as well.

In consideration of pull factors, which could motivate ethnically distinctive people towards self-employment, it is important to emphasize the psychological motives of such decisions. Moreover, in the same vein as with push factors, it could be interesting to match an immigrant profile with characteristics of entrepreneurs who were motivated by pull factors. To shift focus to these motives it could be stated that, according to general entrepreneurship theory, pull factors are dominating against push factors in developed countries (Hessels, et. al. 2008, 325). The general appearance of pull factors, as a set of positive drivers, such as: necessity of independence, self-realization, better fiscal remuneration for the job, need for achievement, and other positive outcomes, are widely described by researchers. For instance Basu (1998, 323–324) stressed the importance of pull factors in the entrepreneurial decision to start a business. Based on the results of his research it could be stated that, for ethnic entrepreneurs, such factors as financial independence, personal independence and utilization of opportunity were the most influential. In fact, independence might have economic and non-economic underlying reasons, and fiscal remuneration is only one side of the coin. On the other side, mental freedom and being self-employed is important motivator for the ethnic entrepreneurs. Moreover, specific opportunities also attract ethnic entrepreneurs to accept personal and financial risk to benefit from the possible outcomes. Hereby, such specific knowledge as community preferences or needs for specific service, provides support to ethnic entrepreneurs in their intension to become self-employed. Beside this research, Clark and Drinkwater (2000, 606–607) offer interesting speculations on the topic of pull factors facilitating the decisions of individuals to become entrepreneurs. Among possible reasons which might pull immigrants towards entrepreneurship, the authors suggested the following institutional and social drivers. It was suggested that enclave theory (see more in the section 2.4) could be a reason that makes self-employment an easy choice. A *protected market* that is located inside of an enclave is the market where an immigrant has certain advantages, such as language and knowledge of customer preferences. By utilizing these advantages entrepreneurs can relatively easily set up a business, even though particular businesses could have obvious limits in terms of community size. Ethnic minorities who belong to certain religions could also have an additional social pull factor as in some religions entrepreneurship is a preferred lifestyle. Family ties can also facilitate the decision on self-employment as family could be a source of cheap or, to some

extent, free labour force that eventually can reduce risks and provide a competitive advantage.

Even though overall behaviour and motives, pull and push factors, ethnic entrepreneurs and non-ethnic entrepreneurs, have been highlighted in this chapter, it would be interesting to see what the commonalities are between immigrants and native citizens of a country in terms of their mentality and approaches to life. Talking about the anatomy of entrepreneurs and their motives to start businesses, we can return back to the point that pull factors embody such aspects as aspiration, need for achievement, and certain level of autonomy or independence. In the table 1 (see table 1 on the page 15) Long (1983, 54–55) summarized various definitions of the entrepreneur phenomenon. Based on these definitions we can state that entrepreneurs have such features as the ability to meet challenges and deal with uncertainty. Basically, individuals who have a type of personality with the need for achievement, low uncertainty avoidance and eagerness for independence most likely start their own business (Segal et al, 2005, 55; see also Hessels et al. 2008, 326). In this case, personal drivers, which could be at some point accepted as egoistic behaviour, prevail and individuals with certain propensity become entrepreneurs. It was also suggested (Hessels et al. 2008, 326) that entrepreneurs motivated by pull factors have value systems intrinsic only to themselves which, to some extent, sets them apart from other people and even business managers. However, are these characteristics of individuals with certain ambitions, such as need for achievement, need for independence, and self-expression, also essential for an immigrant profile?

There is an explanation, which focuses on the psychological profile of immigrants. According to Waldinger, Aldrich and Ward (1990, 32–33) this *psychological component* turns an immigrant into potential entrepreneur. They introduced reasons for such behaviour based on the general assumption that immigration itself is a challenging decision made by people, which should have specific characteristics such as risk tolerance. Indeed, leaving one's home country with established ties, known rules, and certain comfort zones, and moving to a new environment to achieve something better is a challenging decision. Moreover, besides risk tolerance, immigrants need some self-confidence to be able to overcome all complexity of the host country (1990, 32–33, see also Ensign & Robinson 2011, 47–49). Regardless, the fact that an immigrant has new environment pressure in terms of his social status or income, this *psychological component*, which comes from the nature of immigrant profile, is tightly linked to the entrepreneurial anatomy.

A brief overview of the factors which facilitate ethnic people to start their own business shows the overall direction of the total picture of commonalities and differences between ethnic and non-ethnic entrepreneurs. Based on the statements above we can ascertain several parallels between external environmental and internal psychological

motives of these two groups and conclude that in general there are big similarities in pull and push drivers. However, some dissimilarity could be observed in research concerning the opportunity structure of ethnic entrepreneurs. According to some research (Fernandez and Kim 1998, 656), ethnic entrepreneurs can, and very often do, use their ethnic or so-called diaspora resources as fundamental springboard for ethnic businesses. Section 3 will discuss this topic in more depth, however, it is necessary to consider *opportunity structure* as a foreword, and link between diaspora assistance classification and entrepreneurial motivations.

However, before moving to the subject of opportunity structure it, would be interesting to review clustering as one of the elements tightly linked to opportunity exploitation by ethnic entrepreneurs.

2.4 Ethnic geographic and industry clusters

Specific industry and geographical clustering of certain ethnic groups can be observed over the years. We can find a lot of historical evidence of industry and geographical concentration of certain ethnic groups all around the world. For instance, it might be Jews in Medieval Europe living in tight communities in certain areas and represented in specific sectors of economy such as banking or jewellery, or it can be Turkish and Italian migrants in Germany working in the restaurant business (Ensign & Robinson 2011, 35). The common examples of Chinatowns and rows of immigrant districts in many countries all around the world exemplify existence of clustering; and overrepresentation of certain ethnic entrepreneurs in particular industries gives idea about clustering at economical level as well. Light's (1979, 35 see also 1984, 198) *disadvantage theory* underlines the overrepresentation of ethnic entrepreneurs in small business, while *protected market hypothesis* emphasises the role of diaspora networks in the strategic choice of business type made by immigrants. These facts to some extent overlap with enclave theory and explain the advantages of geographical clustering for ethnic entrepreneurs; as was discussed above, a concentration of ethnic people in ethnic enclave creates demand and market for specific goods and services to satisfy needs of individuals (Ndofor & Priem 2011, 792–793).

To track and explain the enclave hypothesis it is necessary to review some fundamental works in this sphere. One of the most relevant definitions of cluster in this context could be a definition given by Portes (1981, 291), who defines ethnic enclave as:

immigrant groups which concentrate in a distinct spatial location and organize a variety of enterprises serving their own ethnic market and/or the general population. The

basic characteristic of an ethnic enclave is that a significant proportion of the immigrant workforce works in enterprises owned by other minorities

Going into the details and discussions surrounding the reasons for the actual formation of ethnic enclaves, it could be stated that sometimes these enclaves are the result of limited mortgage lending available to immigrants. An expensive real estate is very often unobtainable for this category of people (Pamuk 2004, 288). At the same time, according to Pamuk (2004, 291) ethnic clusters could be described in two forms, as *enclave* and *community* with the clear geographic concentration of immigrants; while *enclave* presents the more negative image of a low-income area, *community* is a space where immigrant settle by choice. However, in both cases these clusters can provide to ethnic entrepreneurs such competitive advantages as co-ethnic networks and social capital to establish business (Pamuk 2004, 291 see also Light, 1984, 198–204) (see more about ethnic community support in the section 3.3). There are some difficulties in the conceptualization of boundaries of ethnic enclaves and understanding the extent to which ethnic entrepreneurs can be characterized as part of their enclaves (Portes & Shafer 2007, 162–163, 187); however, this phenomenon has generated a large number of works in the academic literature.

Switching back from the geographic to the economic component of clustering, it is noteworthy to highlight industry clustering which is typical for many ethnic entrepreneurs. Moreover, relationships inside the cluster among ethnic groups could also be interesting for discussion as well. As one of vivid example of such a distinctive cluster, the United States of America could be taken as one of the most famous melting pots for immigrants of the contemporary world. Lee (1999, 1399), in her research, highlighted many aspects of economic clustering. For instance, one of the key points of such clustering is the lack of intergroup clustering, i.e., every ethnic group has a specific industry niche. Some ethnic groups concentrate in food and apparel retail, while others prevail in the service business. However, deeper analysis of ethnic group distribution shows that the domination of one group in a specific sector is not random. These groups have competitive advantages which allow them to protect their market from the *strangers*. One of the crucial components of such a niche defence is diaspora ties which prevent the industry cluster from being infiltrated by entrepreneurs representing different ethnic groups. For instance, some ethnic businesses might be vertically integrated which in the long run creates relationships between suppliers, retailers and customers. In this chain, an entrepreneur from different an ethnic group could meet resistance, or have to accept worse business conditions different from their competitors who are integrated into the co-ethnic network (Lee 1999, 1406–1407). This exemplifies that diaspora networks have some influence on the industry clustering of ethnic entrepreneurs.

The kinds of clustering mentioned above may have negative outcomes as well as positive. One of the most widespread issues concerning the negative outcomes of the geographic clustering of immigrants is the lack of integration of immigrants living in the cluster into the host country society. Furthermore, such clusters to some extent can be a breeding-ground for ethnic crime (Velez 2009, 326–327). As was highlighted above, ethnic industry clustering and the utilization of diaspora networks can be a valuable business asset for ethnic entrepreneurs. However, from the perspective of business growth, such kinds of concentration can have negative effects as well. Block mobility hypothesis explains how parochial interest and overconcentration on collaboration with only ethnic co-partners, or serving only the ethnic community's needs, could limit business growth possibilities. The ignoring of mainstream market possibilities prevents the growth of ethnic business (Portes & Shafer 2007, 158).

Curci and Mackoy (2010, 109) proposed a classification framework for ethnic businesses (see figure 2, below). In this framework we can find a four cell matrix which embodies integration of ethnic entrepreneurs' businesses into the host country economy. The category on the intersection of *Ethnic Customers* and *Ethnic Products and Services* was defined as *Highly Segmented*, and covers such specific businesses for ethnic clusters as ethnic food markets and other products and services consumable mainly by enclave members. The size and success of the businesses in this category are usually highly correlated with the size of the ethnic cluster. The other intersection between *Ethnic Customers* and *Nonethnic Products and Services* is the *Product-Integrated* category. Despite this category of businesses targeting mainly ethnic consumers, the range of products and services are not specific to a particular ethnic background.

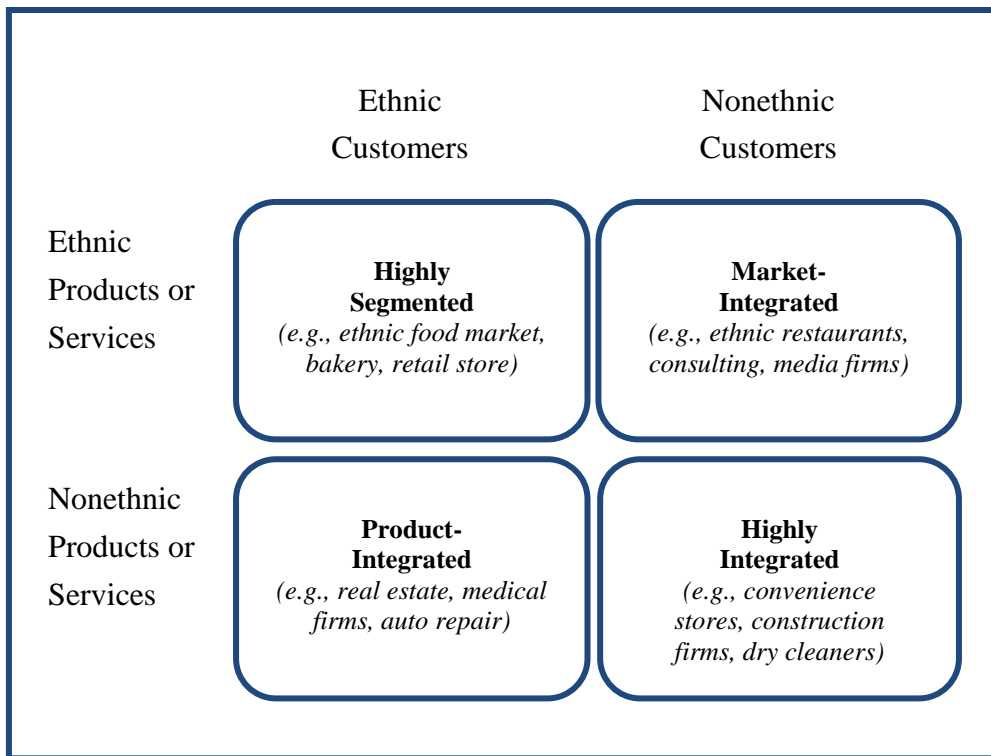


Figure 2 Immigrant business enterprises classification. Adapted from Curci and Mackoy (2010, 109)

Market-Integrated businesses are represented on the intersection of *Nonethnic Customers* and *Ethnic Products or Services*. This is another good example of clustering; this time, with more industry where ethnic entrepreneurs could create successful businesses to supply ethnic products to non-ethnic customers. Finally, the fourth intersection between *Nonethnic customers* and *Nonethnic Products and Services* exemplifies *Highly Integrated* businesses of ethnic entrepreneurs into the host country's mainstream markets. Interestingly, diaspora networks have some influence in ethnic businesses despite the particular position of businesses in above matrix (Curci, Mackoy 2010, 118). Taking ethnic clustering as fruitful ground for ethnic business, we can further consider an opportunity structure of ethnic business as a sub-section of this study.

2.5 Opportunity structure for ethnic entrepreneurs

A symbiosis of factors and resources provides us with an understanding of an *opportunity structure* for ethnic entrepreneurs. One of the pertinent models in the discussion on opportunity structure is the Light's (1984, 199) cultural theory. It explains the nature of ethnic resources as being certain benefits that are created and utilized by ethnic entrepreneurs. For instance Light (1984, 200) stresses the importance of such postulates as cultural heritage and reactive solidarities. Furthermore, Waldinger et. al (1990, 21)

have developed an understanding of opportunity structure. It is suggested that opportunity structure should consist of certain *market conditions* and *access to ownership*. Market conditions are such amenities as a need for ethnic goods and services, which create a specific niche where ethnic entrepreneurs have the advantage of knowhow about the specific preferences of the ethnic community (see more in section 2.4), and the ability to serve non-ethnic markets. At non-ethnic markets ethnic entrepreneurs can operate in the industries, which does not require expensive entry costs. Usually these industries have low entry fee and certain niche, which ethnic entrepreneurs can fill. In addition to market conditions, access to ownership is another important element of opportunity structure. In general, ethnic entrepreneurs can have reliable business vacancies and no governmental barriers to use these vacancies. In conclusion, Waldinger et. al (1990 22 – 33) had proposed a combination of resources and environmental circumstances which form opportunities for ethnic entrepreneurs.

Later, Fernandes and Kim (1998, 659) have summarized an opportunity structure, which eventually evolves into the certain model of entrepreneurs' business participation (see figure 3). The model exemplifies the interaction between two groups of features. One of those groups is specifically the *characteristics of the opportunity structure*, which is linked to the *limited occupation opportunity* for ethnic people in the mainstream labour market, and what is pushing them towards *entrepreneurial opportunity*. The combination of *characteristics of opportunity structure* leads to an overlap with the second group, which is *characteristics of immigrants*. Namely, these are the features that lead to the desire to become an entrepreneur, rather than to be unemployed, underestimated or discriminated against in the labour market.

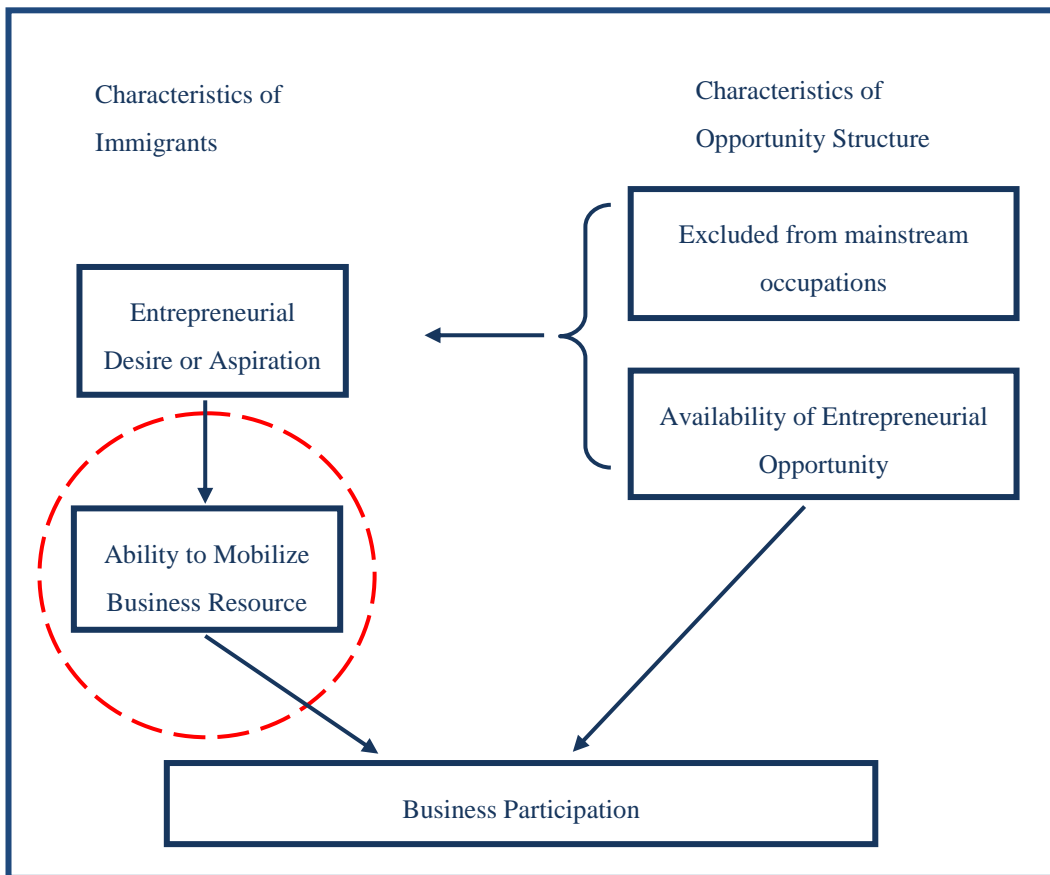


Figure 3 Adapted from Fernandes and Kim (1998, 659) Interactive model of immigrants' business participation

At the same time, desire and aspiration cannot be the only factors which make *business participation* happen. *Ability to Mobilize Business Resources* is the element of the puzzle, which concludes the overview. *Human capital* acquired before and during immigration, social networks weighted by ethnic and family ties, all of these can be accepted as attributes affecting immigrants' self-employment (Fernandes & Kim 1998, 659, 674).

This section has thus far highlighted the specifics pertaining to the central person of this study, the ethnic entrepreneur. Throughout the literature review, the multidimensional concept of entrepreneurship and the ethnic entrepreneur's anatomy have been presented. Push and pull factors were compared, as well as the psychological motives of ethnic and non-ethnic entrepreneurs. In this section, geographical and industry clustering, and cultural background, has also been outlined. However, the nature of diaspora networks from the perspective of opportunity exploitation has not yet been explored.

2.6 Ethnic entrepreneurship in Finland

The focal figures of the present study are ethnic entrepreneurs in Finland and it is important to review the broad-spectrum of their businesses and diaspora related matters in separate a sub-section. As mentioned previously in the introduction, an academic literature review and scanning open sources did not provide an abundance of information about ethnic entrepreneurs in Finland. These types of researches are rather rare in comparison to other countries such as, for instance, The United States of America, Israel or Western Europe where studies on ethnic entrepreneurship and immigrant economy have been conducted for decades (Sahin et al. 2006, 99).

An explanation for such a discrepancy in available academic resources could be as a result of the disparity in immigrant flow. For instance, in the first part of twentieth century Finland was a country of emigration, as the economic situation in Finland forced people to immigrate to such countries as The United States and Sweden. The reverse situation occurred in Finland in the 1980s when general economic growth reduced out-flow; only later changes to Finnish immigration policies significantly increased immigrant inflow from many European, Middle Eastern, African and Asian countries (Valtonen 2001, 422 see also Pitkänen 2008, 32). At the same time, since the number of immigrants in Finland has been growing, topics relevant to their integration and employment have become more important. For instance, we can emphasize studies published in the Finnish Journal of Ethnicity and Migrations, such as studies conducted by Joronen in 2002, or Altonen and Akola in 2012. All these relatively recent studies are examples of increasing academic interest on the topic of the immigrant economy. However, based on an overview of the available literature, and comparison with other European countries, it is obvious that even contemporary research has not comprehensively highlighted the relationship between ethnic entrepreneurs and their diasporas.

Due to the relative shortage of information regarding ethnic entrepreneurship in Finland, this sub-section is an attempt to summarise, and provide an overview of, such aspects of the ethnic economy as industry clustering, utilization of ethnic ties, and factors having an impact on the decision of individuals to become entrepreneurs in Finland.

2.6.1 *Demography and employment of immigrants in Finland*

As mentioned above, in contrast to neighbouring Sweden or Germany, Finland has not historically been a major destination for immigration. An explanation for such a lack of immigration activity could be the difference in immigration policies and labour market conditions between Western European countries and Finland (Stalker 2002, 165),

and a lack of demand for extra labour force (Joronen 2002, 134). Besides the generally low immigration flow, Finland had special regulations which restricted business ownership by non-Finnish citizens; this law was abandoned only in the '90s when Finland joined the European Union (Joronen 2002, 134).

In a contemporary context, the population of Finland can be considered as progressively more diverse (Pitkänen 2008, 32). Discussion about demography and employment can best be elaborated with some statistical data on this topic. According to Statistics Finland's statistics, the official total population of Finland at the end of 2013 was 5451270 (OSF, 2014). The number of people born abroad has been steadily growing and almost doubled over the past decade (see figure 4).

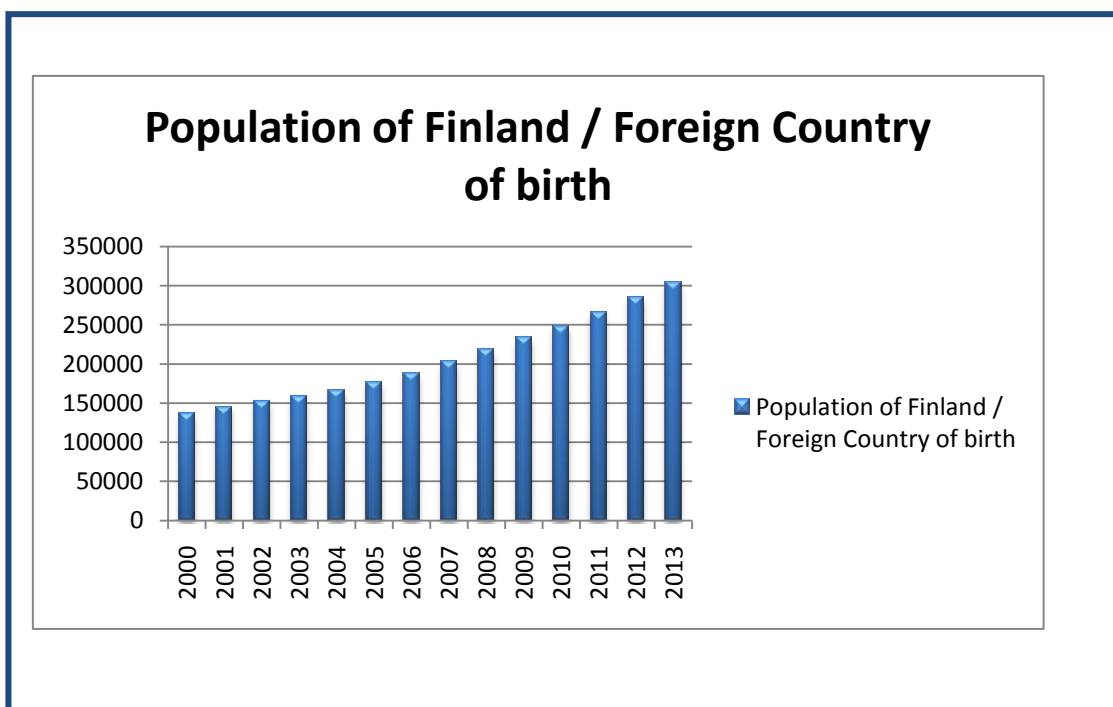


Figure 4 Population of Finland / Foreign county of birth. Based on the data of the (OSF) Official Statistics of Finland

The number of the foreign born individuals continuously increased from around 136 000 people in 2000 to 304 000 people in 2013. The current table representing the general statistics about the number of foreign births includes both genders and all age groups, and introduces the overall immigration trend in Finland.

The influx of immigrants into Finland raises question about the actual number of immigrant groups, which could be divided into diasporas, their employment status and occupational status as self-employed. Research conducted by Aaltonen and Akola (2012) was supported by a table showing the Finnish labour market divided by country of origin (see table 2). Even though this data could be considered as outdated, to some

extent the table shows the main ethnic communities and their general situation with regard to employment.

Table 2 The labor market status of Finnish labor force by country of origin Aaltonen and Akola (2010, 4)

| Country of origin | Population | Labour force | Employees | Self-employed | Unemployed | Total |
|------------------------------|------------|--------------|-----------|---------------|------------|-------|
| Finland | 5 207 322 | 2 509 696 | 81 % | 9 % | 10 % | 100 % |
| Estonia | 29 080 | 17 483 | 81 % | 6 % | 12 % | 100 % |
| Russia | 28 426 | 13 697 | 61 % | 6 % | 33 % | 100 % |
| Sweden | 8 510 | 4 133 | 77 % | 9 % | 14 % | 100 % |
| Somalia | 6 593 | 1 740 | 30 % | 0 % | 70 % | 100 % |
| China | 5 559 | 2 493 | 77 % | 13 % | 10 % | 100 % |
| Iraq | 5 024 | 1 753 | 23 % | 5 % | 72 % | 100 % |
| Thailand | 5 021 | 2 575 | 60 % | 14 % | 26 % | 100 % |
| Turkey | 3 973 | 2 209 | 48 % | 27 % | 25 % | 100 % |
| Germany | 3 715 | 2 055 | 79 % | 12 % | 9 % | 100 % |
| India | 3 468 | 1 494 | 86 % | 3 % | 11 % | 100 % |
| UK | 3 454 | 2 173 | 75 % | 13 % | 12 % | 100 % |
| Former Serbia and Montenegro | 2 903 | 1 296 | 54 % | 7 % | 39 % | 100 % |
| Vietnam | 2 783 | 1 257 | 66 % | 7 % | 27 % | 100 % |
| Iran | 2 584 | 1 084 | 43 % | 9 % | 48 % | 100 % |
| Afghanistan | 2 522 | 880 | 32 % | 5 % | 63 % | 100 % |
| USA | 2 483 | 1 092 | 76 % | 11 % | 14 % | 100 % |
| Poland | 2 241 | 1 222 | 80 % | 5 % | 15 % | 100 % |
| Ukraine | 2 103 | 1 151 | 76 % | 4 % | 20 % | 100 % |
| Other countries | 45 303 | 23 128 | 73 % | 6 % | 20 % | 100 % |

As can clearly be seen in the table, the demographic composition of Finland is quite interesting and there is solid ground for the creation of diasporas based on certain numbers of immigrants coming from the same areas or countries. The above mentioned population groups have clear disproportion, in terms of number of people and their employment status. For instance, Estonians and Russians with the Ingrian re-emigrants (Joronen 2002, 135) could be considered as the biggest diasporas in Finland, while the fourth biggest diaspora, Somalia, has the highest rate of unemployment and the lowest rate of self-employment. At the same time, we can observe a clear upward trend in terms of the number of immigrants who are self-employed (Good News from Finland web page, 2009)

It is interesting to observe the fact that the Turkish and Thai communities have the largest number of self-employed people in comparison with other groups, including Finns. Despite these interesting observations, this particular paper does not investigate differences and capabilities of various diasporas, and does not compare them with oth-

ers investigated in other research where this phenomenon was highlighted as well. The outcomes highlighted regarding Turkish and Thai immigrants are quite typical for these communities, which have the highest level of self-employment, industry clustering, and diaspora support (Wahlbeck 2004, 103, see also, Penninx 2012, 25). The majority of these businesses are small scale in terms of turnover and number of employees; moreover, another specific feature of such self-employment is that they have low entrance barriers (Aaltonen and Akola 2012, 4). However, the discussion about the features of ethnic entrepreneurs' businesses and their motivation is continued the following subsections.

2.6.2 *Industries of ethnic entrepreneurs occupation and reasons to become self-employed*

Since the employment of immigrants is an important issue for every country accepting and accommodating them, it has rapidly become an issue for Finland as well (Altonen & Akola 2012, 4, 8 see also Aklaq 2005, 10–11). However, the concentration of immigrants creates ethnic communities in the place of their residence, which eventually might generate ethnic entrepreneurs focusing on serving these communities (Portes, 1981, 291). Ethnic entrepreneurs, in turn, make multiple contributions to their host and home countries.

Based on the examples of other countries, it could be assumed that the concentration of immigrants in one area turns this area into an immigrant cluster, especially if the majority of inhabitants belong to one country of birth, or the ethnicities of people living in this area are close to each other. This concentration could eventually generate a phenomenon called an enclave economy. However, Finland does not have a vivid observable example of such a phenomenon as a protected market (see more in the section 3.4.4). Probably, one of the reasons for the absence of this phenomenon is that Finland does not have a sufficient size of ethnic markets, namely, not enough large ethnic communities to make this kind of ethnic businesses mainstream for ethnic entrepreneurs. However, there are some evidences of such markets (Joronen 2002, 138).

A concentration of certain ethnic groups in specific industries is another interesting phenomenon taken from the global ethnic business experience (see more in section 2.4). Here, again, from the different studies conducted in Finland we can draw a general picture of the existence of this phenomenon in the contemporary business landscape of the country. For instance, restaurant and cafe businesses owned by entrepreneurs with Turkish origin (Wahlbeck 2004, 103), or Russian trading companies oriented towards the export of Finnish products to Russia (Jumpponen et al 2007, 9), or North Americans or Eastern Europeans concentrated on providing business services (Joronen 2002, 139). In

summary, Finland is becoming a country, similar to other developed countries, with an ethnic business landscape where diasporas contribute to the ethnic businesses in different ways.

It can be concluded, following a review of the literature, that there has not been dedicated research regarding the reasons why ethnic entrepreneurs in Finland become self-employed. Though, in international literature, these factors are widely described (see more in the sections 2.2 and 2.3). However, generally there are only two major groups of factors which influence immigrants becoming entrepreneurs; these factors are of a push and pull nature (see more in the section 2.2). Based on the statistical data it can be assumed that push factors may be dominant, as the immigrant population experiences a high unemployment rate in comparison to native Finns. At the same time, some authors certainly confirm the existence of both push and pull factors in the Finnish context of ethnic entrepreneurship. “Problems related to employment and career advancement were underscored somewhat as motive for immigrants entrepreneurship, but there were also many whose choice to become entrepreneurs was based on pull factors.” (Joronen 2002, 141). Meanwhile, reasons may differ from one ethnic group to another. For instance research which was conducted in the Turku region of Finland reports that non-western countries’ immigrants could have more push factors which affect their final decision about self-employment; these decisions could be an outcome of social disadvantage such as lack of necessary education for employment (Penninx, 2012, 24). A brief overview of the reasons that push or pull immigrants towards self-employment in Finland shows that these reasons overlap with the reasons immigrants in other developed countries make the same such decisions, as highlighted in the previous subsection. The following section will focus explicitly on diaspora networks and their role in opportunity exploitation by ethnic entrepreneurs. Diaspora networks in opportunity creation

2.7 Diaspora phenomenon

To understand the role of diaspora networks in ethnic entrepreneurship this part aims to provide an understanding of the diaspora phenomenon that has been developing for many years. The following sections review insights on the diaspora phenomenon, which may yield a mix of historical, political, and business theories about diasporas. At the end of this section, based on a literature review, a diaspora conceptual map will be illustrated, showing it as a heterogeneous phenomenon for multi-disciplinary studies, with greatest emphasis placed on the its economic and business aspects due to the general focus of current research. A general understanding of the diaspora phenomenon can be a

“springboard” for the consideration of diaspora networks in the context of entrepreneurship.

While some scholars consider all the people in the world to be a diaspora formed after the great movement out of Africa which began 100 000 years ago (based on archaeological evidence), the term “Diaspora” has, itself, a Middle Eastern and Mediterranean origin, the same as the historical roots of the first described diasporas themselves (Palmer 2000, 27–28). In fact, the diaspora phenomenon has an abundant historical context. Hebraic and Greek diaspora models are vivid examples of the formation of diasporas in the ancient world. If the Jewish diaspora was initially formed under such external factors as coercion from the empires of Assyria and Babylon, the predominant factors behind the formation of Greek diasporas were for trade, work, and colonial purposes. Moreover, these two examples are not the only ones that can be used for the description of historical accounts of the diaspora phenomenon, but also early Christianity and Hansa trading alliances can be considered in the context diaspora development (Rogman 2011, 636, 650).

Considering the histories of diasporas, three major phases can be identified. Reis (2004, 43, 49–44), in his study, defined these three critical phases of diaspora formation waves as *Classical*, *Modern*, and *Contemporary*. The first is the *Classical Period* that is mostly linked to ancient diasporas. The second phase of global diasporisation was during the *Modern Period*, which covers such historical events as colonization and slavery. The third phase, which was classified as the major, *Contemporary* or *Late-modern* period, started after the Second World War. However, today a diaspora symbolizes a community of people, quite often immigrants, refugees, expellees and expatriates who could be visually united into, and distinguished from, the surrounded population category by such characteristics as language, religion, race, and ethnicity. In addition to the basic diaspora community dimensions, there are some practices which can assist us in understanding the diaspora phenomenon. Safran (1991, 83 – 84) provides extensions to the characteristics of diaspora communities in the following definitions:

1) they, or their ancestors, have been dispersed from a specific original “centre” to two or more “peripheral”, or foreign, regions; 2) they retain a collective memory, vision, or myth about their original homeland its physical location, history and achievements; 3) they believe that they are not and perhaps cannot be fully accepted by their host society and therefore, feel partly alienated and insulated from it; 4) they regard their ancestral homeland as their true, ideal home and as the place to which they or their descendants would (or should) eventually return when conditions are appropriate; 5) they believe that they should, collectively, be committed to the maintenance or restoration of their original homeland and to its safety and prosperity; and 6) they continue to re-

late, personally or vicariously, to that homeland in one way or another, and their ethno communal consciousness and solidarity are importantly defined by the existence of such a relationship. (Safran 1991, 83–84)

However, before moving further to the conceptualization of diasporas from a business point of view, it is important to look into communities through their political influence, and to characterize the people inside their communities on the level of their interaction with the community's and homeland's related affairs. General levels of interaction can be classified as: *Core Member* – a highly motivated diaspora member, constant participant and organizer of all communities' activities; *Passive member* – is another level of members' interaction, while he or she is just a frequent participant of the diasporas' events, and; finally, *Silent member* – under this category we can define a large group of people in communities who are generally not involved in diaspora activities but can participate under other members' leadership in cases in which the issue is very important for a community (Shain & Barth 2003, 452).

Considering the diaspora phenomenon from a political point of view unveils diasporas as a very productive tool in international relations between home and host countries; diaspora communities can facilitate lobbying of home county interests at an international level (Shain & Barth 2003, 471). At the same time, the behaviour and achievements of diasporas in international relations are of various character (Koinova 2009, 42). Diasporas can contribute into dialogues between two countries; in fact, big and organized diaspora communities in the host country are a worthy resource for those diasporas' home countries, which can help decrease political gap between them (de Lange 2013, 2 see also Koinova 2009, 42). In some cases diasporas' support might be crucial for attaining important political benefits by the home country.

As an example of the political influence of diasporas, Shain and Barth (2003, 449) describe such influence of diasporas in the United States of America, and argue that diasporas can be politically influential in different ways, *constructive and destructive*. Such activities as promoting multicultural policies, support in delivering the home country's position towards a regional geopolitical situation, the liberation of a homeland, etc. could be classified as the *constructive* influence of diasporas. However, sometimes a diaspora can cause insurgencies in the homeland or be source of violence, which indicates the *destructive* influence of diasporas that might occur in certain situations. Taking into account the possible political efficiency of diasporas, many countries make efforts to establish firm links between the home country and diasporas for control and utilization of these resources at both national and international levels. In discussing the relations between home countries' governments and their overseas diasporas, it is nec-

essary to mention the special ministries and committees which aim to support and extend these relations (Patterson 2006, 1900 see also Shain & Barth 2003, 461).

Besides the political amenities which host country can obtain through the utilization of diaspora networks, there are other benefits which can be used for various business aims (Patterson 2006, 1898; see also Wei & Balasubramanyam 2006, 1600). Again, these provide evidence that, in the context of international business, diasporas offer a large stratum for future research; moreover, using sets of economic dimensions we can draw an explicit picture of the diaspora phenomenon from a business point of view. Firstly, a diaspora is the source of remittance, funds that migrants send to home country families and friends. Usually this fiscal stream moves from developed to developing countries (Vaaler 2012, 1123). In some cases the amount of remittances could comprise a substantial portion of the recipient country's Gross Domestic Product (GDP). For instance during the 2000s in such countries as Haiti, Jordan, Lebanon and Moldova, this amount was equal or more to 20% of these countries' GDPs (Vaaler 2011, 1133). Secondly, interrelationships between diasporas and home countries can facilitate Foreign Direct Investments (FDI) into the home country's economy. In fact, diasporas can be one of the most valuable sources of FDI for a home country. Apart from the will to contribute into the home country prosperity's, within a diaspora is possessed the necessary confidence and knowledge about local market conditions and capacities. For instance, China received about 80% of its whole FDI inflow from its diaspora between 1979 and 1992; in the 2000s these indices decreased to 45%. However, the Chinese diaspora remained as one of the most valuable source of FDI for the home country economy. Moreover, diasporas can also impel FDI to the home country from non-diaspora sources (Wei & Balasubramanyam 2006, 1602).

Another valuable implication of the diaspora phenomenon from an economical point of view is access to knowledge, where a diaspora can participate as a knowledge or know-how donor (Kuznetsov & Sabel 2006, 46) and provider of human capital for home country science and technology development (Talib, et al. 2012, 240). As a diaspora is a community of ethnic people with different professional backgrounds, it can be concluded that ethnic professional organizations are extensions of the diaspora phenomenon, which facilitate knowledge sharing among community members (Chand 2010, 584, see also Kuznetsov & Sabel 2006, 46–47). In addition to the previously discussed business extensions and economic impact of diasporas for home country economies, diasporas can also facilitate the internationalization of domestic companies. These companies can benefit from utilization of the established diaspora networks. Such cooperation between diasporas and home country entrepreneurs is an additional commitment of the diaspora phenomenon. Naturally, such commitment is in the national interests of home country, thus, a government might support and facilitate diaspora activities in this direction (Patterson 2006, 1900).

Before we proceed to look at the conceptual map of this sub-section, it is important to briefly consider the diaspora phenomenon from ethnic entrepreneur's point of view. For instance, some authors consider a diaspora as a market space, which could be measured and segmented very precisely (Aldrich & Waldinger, 1990, 123–124 see also Aldrich et al. 1985, 1008). Eventually, social and cultural links inside diasporas can be valuable for ethnic entrepreneurs from the community as these links can provide new, and extend existing, means of opportunity exploitation and exploration (Kitching, Smallbone & Athayde 2009, 690,697). The conceptual map (see figure 5) of the diaspora phenomenon is structured as follows: the general diaspora phenomenon is subdivided into following academic and social stratum: History, Politics, Social Science, and Economics

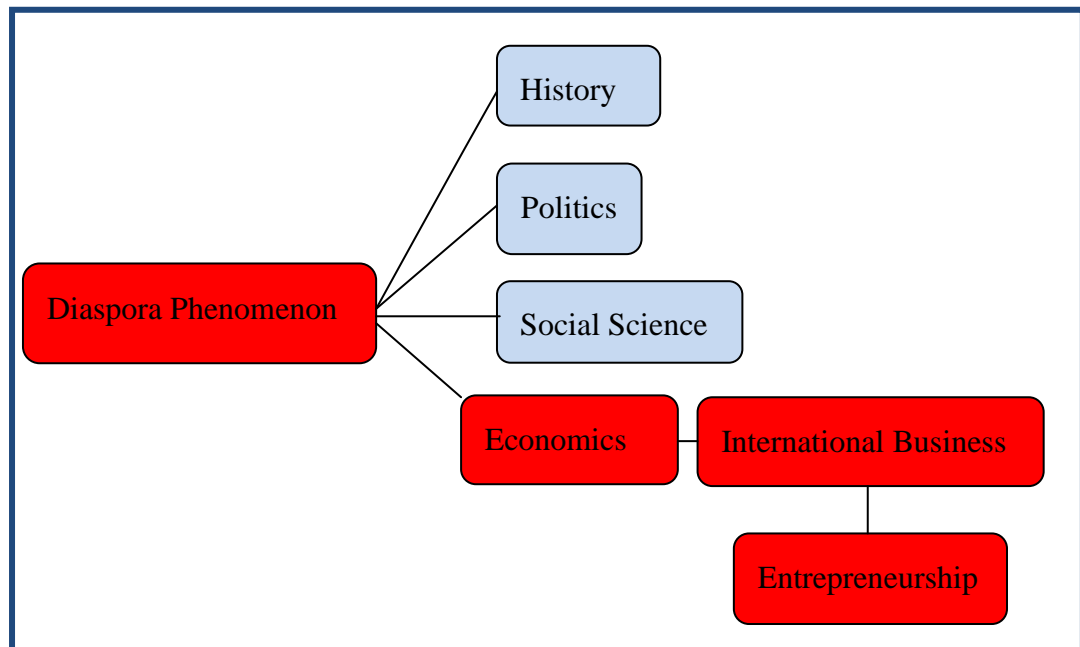


Figure 5 Diaspora phenomenon. Conceptual map

Despite there being general interest in all forms of the diaspora phenomenon, this paper concentrates on the Economic factors of diasporas and their extensions, such as International business and ethnic entrepreneurship. At the same time, some cross studies and overlapping between the mentioned academic and social stratum are essential. From the above discussion it rapidly becomes clear that the diaspora phenomenon has various vectors, historical stages, and contemporary extensions. At the same time this study seeks to investigate diaspora networks and their role in ethnic entrepreneurship. Thus, the next part of the chapter is dedicated to the characteristics of diaspora networks.

2.8 Characteristics of diaspora networks

The current section provides a general discussion on the characteristics of diaspora networks. In order to understand diaspora network characteristics, the sub-section attempts to cover the typical features of basic social and business networks. The section starts with coverage of the common understandings of such social notions as networks, business networking approaches, their fundamental issues, advantages and external capabilities. Following this, the section continues and concludes with the specific characteristics of diaspora networks in the context of entrepreneurship. Heterogeneity in the literature reviewed and the diversity of academic disciplines drawn from in this section afford, once again, an emphasis on the versatility of the diaspora network concept in the context of its influence on ethnic entrepreneurship. Hereby, it is important to review all the general aspects of diaspora networks, especially those which may have a correlation with ethnic entrepreneurs.

2.8.1 Social networks

This sub-section commences with a consideration of diaspora networks from the perspective of social relationships and interpersonal behaviour needs. First of all, it is interesting to look at sociological explanations for social identity influenced interpersonal behaviour and identify the key determinants of such activities. From an economic understanding, networks have an obviously business-orientated definition as a “*collection of actors that pursue repeated, enduring exchange relations with one another*” (Podolny & Page 1998, 59). From a sociological point of view, a network is “*a set of actors who know each other’s relevant characteristics or can learn them through referral*” (Rauch 2001, 1179)¹. In this study, the given definition can be a starting point for facilitation of a general understanding of the network phenomenon from a sociological perspective and further review of the social aspects of network theory.

A basic network can be illustrated with a simple example where actors are connected to each other. However, before we start to look at the basic network features, it is important to consider how the nodes of network must be named. Following the example illustrated in Burt’s (1980, 81) study, it could be more convenient to label the nodes as *actors*. According to Burt, *actors can be a person, informal groups or corporate groups* i.e., *actors* become the explicit term for understanding the universal aspects of a net-

¹ Granovetter, M. S. (1995) *Getting a Job: A Study of Contacts and Careers*. 2nd ed. University of Chicago Press, Chicago

work. Actors in the network are interconnected by two types of ties (see figure 6). Each actor has minimum of one connection; at the same time, actors *A* and *F* play the role of hubs for the two small networks (Granovetter 1973, 1376).

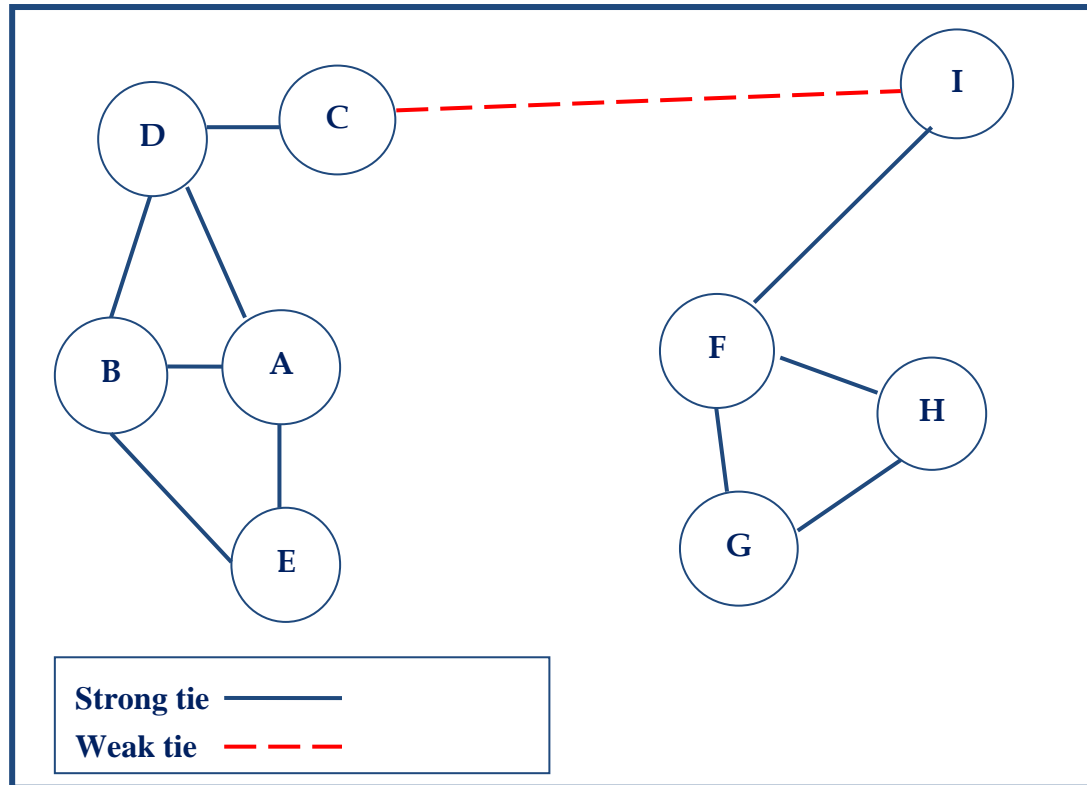


Figure 6 Basic network actors with ties (adapted from Granovetter 1973, 1360, 1376 Brown and Reingen 1987, 351–352)

Granovetter (1973), in his study, emphasized ties which could be *strong* or *weak*. Strong ties are ties between actors with closer personal relationships, such as friends and family, meeting as regularly as at least twice per week. Weak ties have a mostly occasional character; relationship with meetings more than once a year (see figure 6). According to Granovetter, even weak ties create important information flows from one part of a network to another. In general, weak and strong ties could be represented as the necessary bridges for network connections (Granovetter 1973, 1360, 1376; see also Brown and Reingen 1987, 351–352). Consequently, these ties might extend an actor's network much further than is illustrated in the above figure. A combination of direct and indirect interpersonal bonds can create a massive social network around a single actor. Therefore, additional categorisations of the actor's network can be made by applying a *combination of criteria* to certain actors, according to which an initial large network could be classified. For example: females who live in a certain area and practice a certain religion (Tilly 1977, (3) 17 (3) 18). Based on the essential argument that a network is *set of actors* linked to each other by strong and weak ties, and that these ties could be

utilized for information flow from one actor to another, we can consider a network from a business and entrepreneurship perspective.

2.8.2 *The nature of the networks from entrepreneurial perspectives*

Networks are a necessary element of international business and companies' competitive strategies, which provide to companies access to vertical and horizontal resources and capabilities through the inherent communication bridges and ties (Gulati, Nohria & Zaheer 2000, 203–204). Håkansson and Ford (2002, 2) define a network as an abstract structure “where a number of nodes are related to each other by specific treats”. As was explained above, these ties between actors can be strong or weak, and depend on the previous experience shared between actors. Beyond, previous experience Granovetter (1973, 1361) defines other factors which affect the strength of the ties. These factors are: *amount of time, emotional intensity, intimacy, and reciprocal services* between actors.

Based on historical cases, Ford and Redwood (2005, 648–649) highlighted other specific characteristics of business networks. It has been stated that networks are neither controlled nor created by a single firm. The organic nature of the network simply accepts newly emerged firms into it. Of course, such an acquisition modifies the existing network but does not create a new one. Understanding a firm's position in the network can provide the entrepreneur with additional competence to understand that firm's competitive advantages. In industrial networks, a firm must often secure its own position in the network as an element of competitive strategy, and to achieve this position the firm invests in the development of strong and weak relationships with other network actors. At the same time, these investments do not necessarily guarantee the firm's privileged position in accessing resources and activities in the network (Low 1997, 190).

Other authors (Ford & Redwood 2005, 653) suggested that not only do firms receive unique competitive capabilities from the network they are interacting with, but also networks change their characteristics because of the complex influence of every firm or actor involved in the network. As illustrated in figure 7, the relationship between network and firm has several implications which are named network paradoxes. The understanding of these paradoxes can assist managers in understanding how their firms are placed within a network, and explain how a firm should behave within the boundaries of its network.

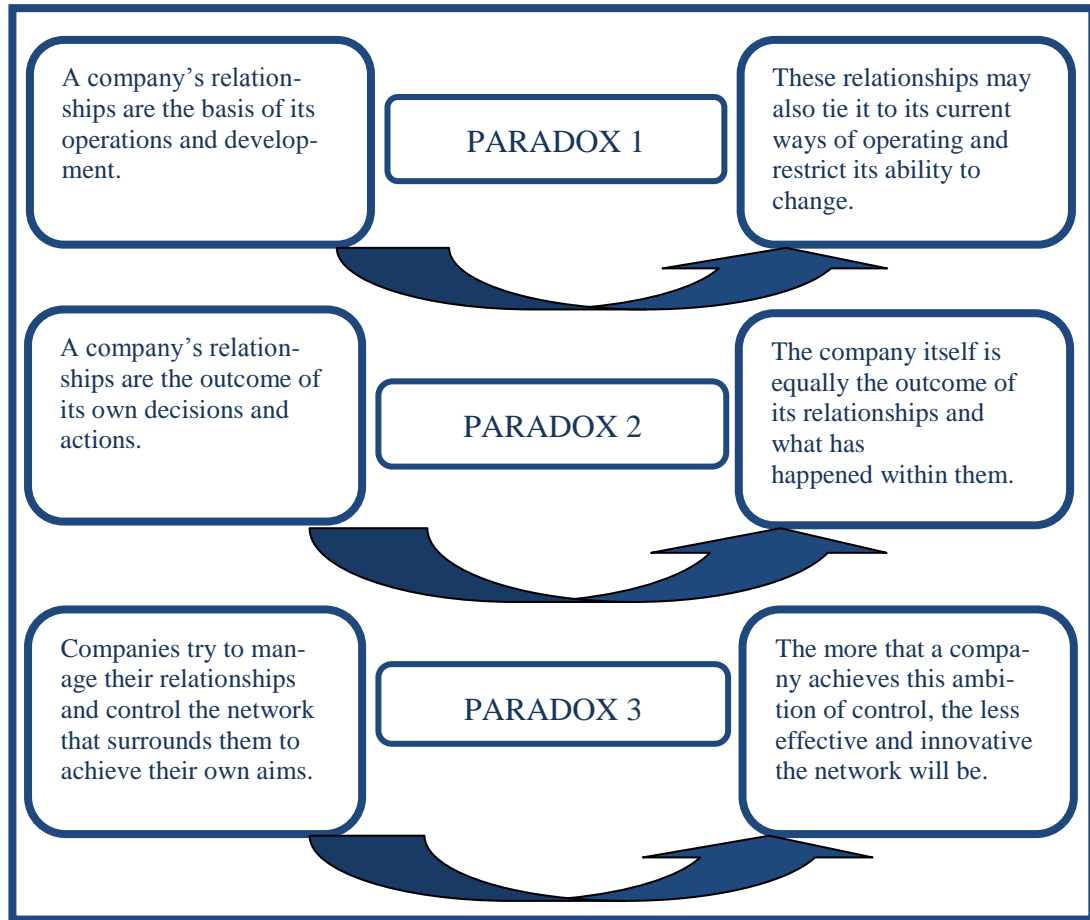


Figure 7 The three network paradoxes. Adapted from Ford and Redwood 2005, 649 and Håcansson and Ford 2002, 3–6

Ford and Redwood (2005, 649; see also Håcansson & Ford 2002, 3–6) have underlined an ambivalence approach to network and firm interaction in *The Three Network Paradoxes* (see figure 7). Paradox number one is that companies in a network are not free and cannot operate in isolation from others; the second paradox is that a company's outcomes influence the network, but the network inevitably has an influence on the company as well; and, the third paradox is that a company can try to have certain power over network, but the more power a company achieves, the less effective the network becomes for the company. This brief overview of the nature of business networks shows the overall leverage and reciprocal influence of actors within the network.

In order to envelop a more general understanding of business networks, it is necessary to overview the positive consequences of the utilization of the business network by firms and entrepreneurs. One of the basic features of networks in business is their being a source of access to information. This feature could be used at both stages of exploring opportunity, and exploiting it. At the same time, for opportunity exploitation, networks can play a more sophisticated role as a source from which a firm might accrue and sustain competitive capabilities; in addition, these capabilities that could be obtained by

interaction between firms within network might be different from firm to firm, even if both firms are operating in the same industry and geographical area (McEvily & Zaheer 1999, 1133, 1152). Another fascinating aspect of business networks is the fact that restriction to a certain geographical area is not an insurmountable obstacle for them. Some studies (Coviello & Munro 1995, 58–59) highlight the importance of the role of networks in the internationalization of entrepreneurial firms. Moreover, networks can affect a firm's organizational performance at different stages of internationalization (Coviello 2006, 716, 721, 723). Johanson and Vahlne (2009, 27–28) have, in detail, explained the precept of such facilitation of internationalization. Based on the basic assumptions of the Uppsala model, they concluded that networks can provide to the firm the information necessary for successful internationalization, and knowledge which will assist the firm in reducing liabilities of foreignness. Speaking broadly, we could suggest that the network facilitates opportunity development by merging such concepts as opportunity exploration and exploitation. The role of networks in opportunity exploitation is part of the central subject of this study and it will be further examined in the following section.

Back to the ethnic entrepreneurial implications of network theory, there were several valuable studies emphasizing the role of co-ethnic social networks in entrepreneurship which provide entrepreneurs with necessary resources and capabilities; eventually a co-ethnic network becomes an important factor in their businesses (Jones & Wadhvani 2006, 15). In contrast to those authors who espouse the role of network in entrepreneurship, others suggest the importance of the network should not be overestimated as the success of entrepreneurs is a more complex phenomenon which can be explained by combination of different factors (Chung & Whalen 2006, 55). However, the next subsection will focus exclusively on the co-ethnic specifications of networks to assist us in understanding the differences, historical formation processes, and viability of ethnic networks or, in context of this study, diaspora networks.

2.8.3 *Diaspora network*

For a greater understanding of the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs it is necessary to recognize the specific features of ethnic networks that distinguishing them from the general business-entrepreneurial networks, at the same time as drawing between them parallels and discussing commonalities. In this sub-section some historical turns of diaspora networks will be considered, specific features of this type of social network identified and, based on other studies identified examples of diaspora networks, formal and informal characteristics identified.

Based on the early Greek diaspora examples, it could be argued that diaspora networks trace their roots to the history of the ancient world when the diaspora phenomenon was emerging, and the networks that were utilized since ancient times. Colonial expansion by the Greeks combined with trade opportunities were those reasons which contributed to the wealth of the Athenian Empire (Gorman 2011, 635, 641). In the general history of classical historical diasporas, they can have trading implications (Brubaker 2005, 2). Probably one of the most vivid historical examples of some form of trading diaspora in the territory of Finland, which included whole Baltic region, might be Hansa. The dominance of Germany at that time afforded merchants to create and sustain the Hansa network (Gerner 2002, 59; see also Grafe & Gelderblom 2010, 505). Globalization provided an additional impulse to sustain and develop diaspora networks. The development of communication technology and transport facilities are those factors which have been contributing to the maintaining of diaspora links and reducing the distance between diasporas and home countries (Reis 2004, 48 see also Grossman 2010, 288).

Social networks are valuable research fields for several academic disciplines and ethnicity is one more angle for consideration (Grossman 2010, 287, 297). What are the specifics of ethnic networks and their distinction from basic social networks? Granovetter (1973, 1362), in his study of *Strength of Weak Ties*, cited that connection between actors in network is stronger the more similar they are. In the context of this study, ethnicity is the similarity that eventually provides actors with specific network capabilities. Based on the orientation of this study it would be logical to accept Rauch's definition of a diaspora or co-ethnic network: "*coethnic networks are communities of individuals or businesses what share a demographic attribute such as ethnicity or religion*" (Rauch, 2001, 1178). Granovetter (1973, 1361) characterized strong ties as comprising the closest circle of a network's actor, i.e. friends and family members. For diaspora network this range of *strong ties* could be an initial starting point for the business. At the same time, ignorance or underestimation of weak ties i.e. contacts with the non-co-ethnic community, or certain level of unsociability and lack of trust, creates community lock-in issues which often cause the limitations to a diaspora network's role in ethnic business (Bagwell 2008, 378, 380). In some cases the negative impact of overreliance on only strong ties can be a reason for business stagnation. For instance, some Chinese small businesses, which mostly rely on strong ties in management, having prejudice against reliance on a wider range of network actors show a lack of growth in comparison with other ethnic communities businesses (Peng 2000, 242). However, there is a difference between the first and the second generations of ethnic network's entrepreneurs in terms of education and the types of businesses they start. These differences could be evidence of the transformation of ethnic network behaviour (Peng 2000, 240–

241; Bagwell 2008, 382; see also Masurel & Nijkamp 2004, 17). Similarly, the business performance of different ethnic group's transnational diaspora links can have variations (Kariv et al. 2009, 239–241). In addition, various ethnic groups might have different views on such business and sociological dimensions as uncertainty avoidance, individualism versus collectivism, power distance, femininity versus masculinity, and long and short term business orientation. Similarly, cultural, ethnic, race and religious divergence between entrepreneurs could be some reasons for the different interrelationships between them and their networks (Drakopoulou & Patra 2002, 118; see also Grossman 2010, 288).

In contrast to the previous example, which showed how reliance only on one's own social community's strong ties could prevent business growth, some other studies demonstrate the unification of different ethnic groups under a common religion umbrella, and utilization of both strong and weak ties in diaspora networks. Here we come to discussion about the diaspora community's own perceptions and interactions with other actors of networks. Tajfel (1979, 2), in his study, argued that groups of people can be defined based in their *external* and *internal* criteria. *External* criteria are more of a title nature, such as profession, level of education or current family status, while *internal* criteria include such elements as ethnicity, race and religion. Diaspora networks, in this case, could be illustrated as even more complex mechanisms of ties and actors, which absorb several criteria into their own group and extends the network boundary. A recent study about Muslim diaspora networks demonstrated such multiple criteria for adoption by Muslims immigrants. On the figure below (see figure 8) we can see that a diaspora might accept the multiple identities of host country (red triangle), home country (yellow triangle), and religious identity, in the given example, Muslim (green triangle). Eventually these identities might create network bridges between the diaspora and other actors such as companies, organizations and ethnic professional unions (blue triangles).

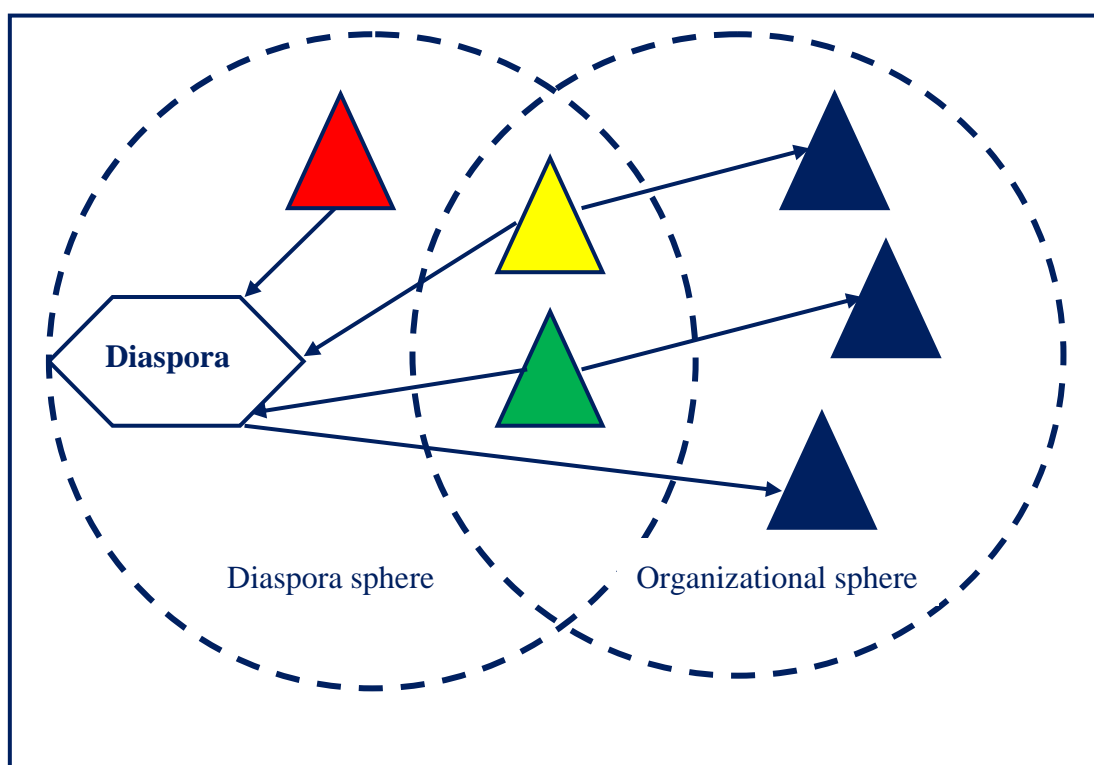


Figure 8 Multiple (Triple) identity model. Adapted from Schotter and Abdelzaher 2012, 13

At the same time, these identities are not equal in the level of adoption by the ethnic group; namely, the ethnic group identifies itself first according to the country of origin and ethnicity, then they can identify themselves as Muslims living in other country or community; consequently the ties relevant to the red triangle are stronger than the ties with the green one (Schotter & Abdelzaher 2012, 2, 13–14).

Back to the organizational part of the figure (see figure 8), Schotter and Abdelzaher (2012, 13–14) illustrated the ties of the diaspora with OIC (Organization of Islamic Conference) firms. Such interaction of the ethnic community in the social and business lives of the host and home countries creates and sustains an interlocking transnational network (Kariv et al. 2009, 240). In fact, the understanding of the concept of diaspora networks through understanding the grouping of ethnic companies with interlocking businesses is one more angle from which to view the diaspora networks' general approach.

The debate surrounding diaspora networks within this research is based on the field of entrepreneurial understanding with relation to diaspora network. According to one perspective, ethnically grouped Asian companies, known as Chinese Guanxi, Japanese Keiretsu and Korean Chaebol, are ethnic networks connecting business actors in different countries, which can be used by ethnic entrepreneurs (Peng 2000, 232). Similar to

ethnic businesses connections, many ethnic communities create their own professional unions and organizations assisting co-ethnic entrepreneurs and increasing the networks capacity (Chand, 2010, 583–584; see also Kuznetsov & Sabel 2006, 54). The importance and value of diaspora networks is well understood not only at entrepreneurial level, but also at a governmental level. A diaspora and its network can be an effective tool for increasing the diaspora's home country's competitiveness, and enhancing trade and investments into the home country's economy. Thus, governments create special official units, such as committees and ministries, responsible for sustaining and developing relations with diaspora network actors (Chand, 2010, 583–584). Such units and committees are evidence of attempts at the institutionalization of diaspora networks. Moreover, institutionalized and non-institutionalized network chains are comprised not only of the dyadic relationships between a host country's ethnic community and home country, but these links can have widespread ties with other communities of the same ethnic group living in other host countries (Bhat and Narayan 2010, 16–17).

For the reason mentioned above, it can be said that the contemporary diaspora network as a concept has a historical background, consists of formal and informal actors linked to each other by strong and weak ties, nowadays can be sustained more easily because of globalization, and has been happening all around the world. Moreover, not only ethnic ties, but also religion ties could be among those factors that contribute to the extension of diaspora networks. All together these networks, despite the various diversities of different diasporas in different countries, could offer ethnic entrepreneurs additional business capabilities which will be discussed separately in the next subsection of this study.

2.9 Classification of the roles of diaspora networks in opportunity exploitation by ethnic entrepreneurs

As mentioned earlier in this study; despite the dissimilarity of ethnic groups' lives in different countries, diaspora networks in general may play a significant role for ethnic entrepreneurs and have business capacity to offer them. It is accepted that the network is an important element of every business at different points of its cycle (Greve & Salaff 2003, 16). Moreover, the lucrative character of ethnic networks is well exploited by those entrepreneurs who utilize them in different ways at different stages of business (Isenberg 2008, 109). There are many valuable studies on the cognitive character of networks in opportunity recognition, for instance, Muzychenko's 2008 paper. Some of these studies investigated the role of social networks and interpersonal trust in opportunity recognition (Scott, 2006), other studies, in Belgium and Finland, stress the impor-

tance of the types of networks that affect opportunity recognition (Arenius & De Clerq, 2005).

In this part of the thesis attention will be directed towards how diaspora networks are utilized in opportunity exploitation by ethnic entrepreneurs. First, we will address the literature stressing the general aspects and importance of diaspora networks for ethnic entrepreneurs at the opportunity exploitation stage. Second, this section will classify the methods of opportunity exploitation highlighted in the literature. Each method underlined in the literature will be discussed in its own sub-section. The third section of this chapter will present a theoretical table of the possible ways of diaspora networks may be utilized. However, before we move forward with the role of diaspora networks in opportunity exploitations, it is important to consider where opportunity exploration ends and opportunity exploitation starts.

The literature review by Susanna Slotte-Kock and Coviello (2010, 35, 50) analyses the dyadic nature of networks influencing entrepreneurs' opportunity identification and utilization. In moving forward with the central theoretical body of this study it is necessary to note that networks affect and substantially contributes both to firm and entrepreneurs at different stages of business formations. Nevertheless, the central part of this study does not attempt to justify a connection between ethnic entrepreneurs and diaspora networks at the stage of opportunity exploration. Instead, it investigates the role of diaspora networks at later stages of the businesses - during opportunity exploitation (see figure 9). As can be seen in the figure below, the network affects the business from the very beginning of opportunity exploration and concept creation. Throughout further stages of organizational transformation such as commercialization, growth and stability, the business has continuous interaction with the network. The boundaries of the current study allow us to concentrate on the later stages of interaction. As shown in the below picture, this study covers such stages as commercialization, growth and stability. By answering the sub-questions: How can ethnic entrepreneurs in Finland use diaspora networks for opportunity exploitation? And; how significant are diaspora networks in comparison with governmental and official institutional support? we will be able to understand the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs in Finland. However, before moving the discussion on to the empirical section of the study, the theoretical underpinnings of this research need to be addressed.

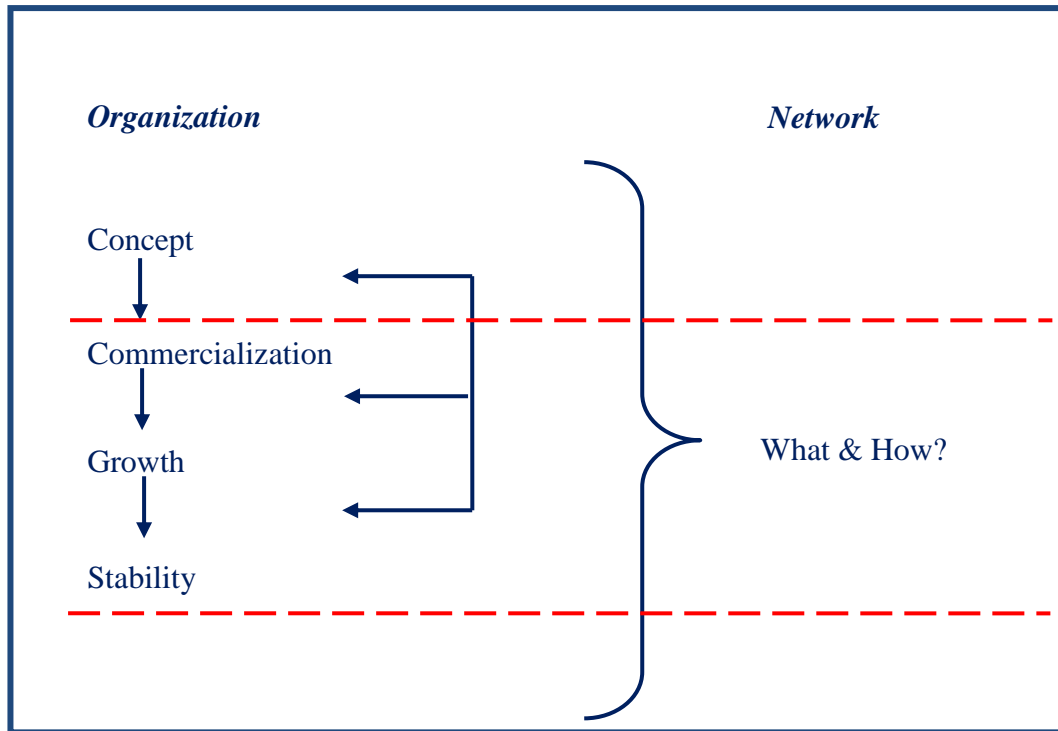


Figure 9 Modified from conceptualizing networks development, Slotte-Kock and Co-viello 2010, 50

This study highlights the fundamental assumption that diaspora networks are important for ethnic entrepreneurs in opportunity exploitation. A review of network research by Klyver and Hindle (2007, 21) argues that entrepreneurs can expect the following amenities from networks: *information*, *access to finance*, *access to skills*, and *social legitimacy* which in the business context is commonly understood as the reputation of the entrepreneur or the goodwill of the company. Other authors (Jones, Ram & Edwards 2006, 133 – 150) emphasize role of networks in providing ethnic entrepreneurs with *human resources*, (Portes, Haller & Guarnizo 2002, 278–279) *facilitation internationalization*, and establishing (Aldrich, et al. 1985, 996–997) a *protected market* of suppliers and buyers. Although, some cultural divergence between ethnic networks and entrepreneurs might exist (see discussion in section 2.4), this study does not look to compare ethnic and non-ethnic entrepreneurs in terms of networks utilization. Moreover, one of the studies confirmed (Aldrich & Zimmer 1986, 8, 14) the general similarity of entrepreneurs in the utilization of social networks.

2.10 Importance of diaspora networks for ethnic entrepreneurs in opportunity exploitation

This study does not attempt to justify a connection between a diaspora network and every ethnic entrepreneur of that ethnic group, country of origin, industry or any other specific characteristic. Instead, the study investigates the general possibility of the utilization of diaspora networks and the importance of ethnic ties. The literature review offers us insights into the form of utilization diaspora networks allow in opportunity exploitation. For instance, Kitching et. al (2009, 696–699) emphasised the role of diaspora in providing ethnic entrepreneurs a high level of competitiveness. Moreover, the general existence of diaspora business networks in certain industries and ethnic community clusters could be motivators inspiring ethnic entrepreneurs to start their businesses. For instance, the availability of suppliers for ethnic shops and restaurants and of customers for these businesses living in surrounding areas could be a vital factor for some start-ups. However, for other types of businesses, diaspora networks could play a more limited role; some ethnic entrepreneurs' businesses might be orientated partly or completely towards non-ethnic groups of customers (Marger 1998, 542).

Social capital and the level of trust in ethnic communities afford ethnic entrepreneurs the opportunity to organize themselves into networks which are able to provide information, maintain actors' connection across national borders and collaborate with other entrepreneurs in formal and informal ways (Cheung 2004, 678–679).

2.10.1 *Diaspora network as an information channel*

One of the fundamental features of networks with human actors is that networks provide routes along which information can flow between these actors (Granovetter, 1973, 1360–1361). Even in fundamental sociological studies by Granovetter (1973, 1361–1362) strong ties such as those of family and friends (see more in the section 3.2.1) have an indispensable role in information transfer. A later study by Brown and Reinger (1987, 360) indicated that weak ties are absolutely necessary for information flow from one sub-group of strong ties to another.

For entrepreneurs information is a crucial business resource, which can be vital for successful performance (Greve & Salaff 2003, 2). Especially, access to information has become critical now that we are living in the *information age* (Peng 2000, 244 see also Grossman 2010, 289). In some cases ethnic groups in the host country might have lack of information in comparison to the local non-ethnic population. For instance such disparity can be observed to be caused by a lack of language ability, an ongoing adapta-

tion period or the liability of foreignness (Devillanova, 2008). Here again it is important to note that there is a difference between ethnic groups as to the extent at which diaspora networks can be utilized as an information channel. Different groups might have different network features and level of integration into host country society since this integration offers better access to information (Devillanova, 2008 see also Grossman 2010, 288 – 289).

2.10.2 Internationalization with the support of diaspora ties

The diaspora can be an important or even crucial element contributing to the successful internationalization of ethnic entrepreneurs and to *overcoming bureaucratic barriers* (Peng 2000, 238). Historically diaspora was a resource that facilitating international trade (Rogman 2011, 642). As mentioned previously, due to advances in technology and transportation, today diaspora members can maintain social ties more easily (Reis 2004, 48). Nevertheless, recent studies support the fact that ethnic community ties extend further than only the diaspora in the host country (Kapur 2001, 270, 272 see also Mustafa & Chen 2010, 97–98). Transnational ethnic entrepreneurship is an additional phenomenon to have emerged from the mobilization of cross-country and cross-cultural networks. The availability and utility of such cross-national networks could have a profound impact on international opportunity exploitation by ethnic entrepreneurs (Portes, Haller & Guarnizo 2002, 278–279). For instance, one of the positive impacts could be information about foreign markets provided by the network - i.e. specific market knowledge, which could be considered a valuable resource for the entrepreneur at the internationalization stage (Johanson & Vahlne 1977, 27–28). In general, networks can provide the necessary information through the set of strong and weak ties with network actors abroad (Sharma & Blomstermo 2003, 744).

Eventually, knowledge provided by the network might affect the speed of internationalization of the firm. Namely, a firm better able to sustain and utilize network ties might progress with internationalization more rapidly than the firm which lacks those networks and the ties connecting it to other markets. Moreover, networks could seriously affect the entry mode choice of the firm. Based on the characteristics of the network in the international market, an entrepreneur can select the most appropriate entry mode for the firm. Besides entry mode choice, networks can shape the market selection decision of entrepreneurs. In general, business and social networks could be those *bridges to foreign markets*, which *provide firms with opportunity and motivation to internationalize* (Coviello & Munro, 1997, 365). Interestingly, ethnic ties in internationalization are utilized not only by small and medium size companies, but also by multinationals (Sim & Pandian 2003, 31–32 see also Sim 2006, 496–497).

2.10.3 *Human resources of diaspora*

In Human Resources literature it is common to say that *human resource are the most crucial asset of an organization*; they provide firms with vital competitive capabilities, improves quality and increases the productivity of the firm (Mohammed et al 2013, 127). In this sub-section we will look closer at the human resources that diaspora can provide to ethnic entrepreneurs and discuss the advantages and disadvantages of ethnic human resources management. However, before beginning the discussion on such an important topic as human resources of diaspora, it is important to stress the reality of the diversity in among ethnic entrepreneurs and diasporas in countries (Drakopoulou & Patra 2002, 118). We cannot expect to find the same relationships between a Jewish entrepreneur and community in the United Kingdom and a Greek entrepreneur and community in Australia. Moreover, connections and utilization of diaspora networks might differ even between the same ethnic community and ethnic entrepreneurs living in different countries, since external aspects inherent in one particular environment affect network identity.

Returning to the discussion on the role of diasporas' human resources in opportunity exploitation it needs to be stated that very often ethnic businesses are smaller compared to non-ethnic businesses. These businesses might have an enclaves character or be ethnically orientated which consequently leads to the utilization only of family members or co-ethnics as human resources (Bagwell 2008, 387 see also Kitching, Smallbone & Athayde 2009, 697). However, there are other reasons to use the diaspora network. Naturally, one of the reasons to employ co-ethnics is trust; another is risk reduction by employing someone or a group of people who possess the necessary cultural characteristics; in addition, ethnic entrepreneurs can pay less to their co-ethnics (Waldinger 1995, 576 see also Kitching, Smallbone & Athayde 2009, 693). A highly prominent negative outcome of diaspora human resources is illegal employment practiced by ethnic entrepreneurs in some post-industrial economies. Despite the benefit to ethnic entrepreneurs from illegally employing co-ethnics (see table 3) such practice has a rather negative impact on the employee.

Table 3 Perceived advantages of hiring illegals. From: Jones, Ram and Edwards 2006, 141

| <i>Advantage gained</i> | <i>Number of mentions</i> |
|-----------------------------|---------------------------|
| Cost Cutting | 10 |
| Lack of legal workers | 8 |
| Work discipline | 8 |
| Flexibility and convenience | 6 |
| Productivity | 6 |
| Avoid paperwork | 2 |

A survey of ten restaurant owners employing illegal co-ethnics in the United Kingdom emphasized cost cutting benefits. However, according to a study by Jones, Ram and Edwards (2006, 133,139) to some extent illegal employment can be positive as it allows ethnic business to survive, which eventually could positively affect the economic interests of the host country. At the same time, other authors emphasize also many disadvantages of illegal employment for the host country economy (Boswell & Straubhaar 2004, 4).

Furthermore, the general discussion about the disadvantages of using mainly diaspora members as the human resource for ethnic business goes on to state that overreliance on family and ethnic group employees could be a reason for the lack of business growth or growth below business capacity (Bagwel 2010, 380). In some cases this behavior might prevent ethnic businesses from becoming a large scale company (Peng 2000, 242).

2.10.4 Diaspora as customers, suppliers and markets

There is a wide body of literature describing the diversity of ethnic businesses in terms of the most common industries ethnic entrepreneurs operate in, the structural features of ethnic firms, geographical dispersion and the clustering of ethnic businesses (Evans 1989, 951 Yoon J 1995, 319 see also Borjas 1986, 502). In general, one of the assets of diaspora networks is the own consumption of products and services produced by ethnic entrepreneurs. As a result, diasporas' become a customer or market. Moreover, based on specific conditions and the preferences of this *market* it can be stated that this market is *protected* (Bates 1994, 674). Earlier, Light in his work defined the term *protected market* as a market where ethnic minorities have special needs and tastes, which can only be

served by co-ethnics (Light, 1972, 91–94). In fact, may consist of suppliers of ethnic goods or services for the community.

At the same time, the *protected market* hypothesis can be extended by the physical distance of some ethnic businesses located close to ethnic concentrations (Aldrich et al. 1985, 1008). Constant demand from the diaspora side could allow secure positions in the market and provide to some extent of economic growth to the entrepreneurs. Consistently such characteristics of the community as size, prosperity and location could be those factors that signal entrepreneurs about the potential of the market (Kitching, Smallbone, & Athayde 2009, 699). One of the negative aspects possible in such environments could be a ‘special treatment’ expectation from the customers’ side, which can eventually cost entrepreneurs in form of extra fees (Aldrich et al. 1985, 1005). However, exactly this *special* approach to customers allows many small grocery retail ethnic businesses to survive competition with non-ethnically orientated (mass market) supermarkets (Goldman & Hino, 2005). Another negative issue could be over-orientation on only co-ethnics which might restrict growth, whereas a multi-orientated firm could provide an impulse for further development (Marger 1998, 555).

Essentially this type of geographically concentrated and ethnically or linguistically *protected market* could be relatively easily segmented by entrepreneurs. Ethnic entrepreneurs might have an option measure potential market size in advance (Evans 1989, 951). In fact, the ethnic community could be easily segmented not only by ethnic entrepreneurs, but also by marketing specialists of multinational companies which recognize the purchasing power of growing ethnic communities (Venkatesh 2011, 15–17 see also Helm, 2010).

2.10.5 Access to finances

In the long run, one of the the goals of entrepreneurs is to continuously increase profit and reduce expenses. In order to achieve these essential aims entrepreneurs must control the finance operations of the firm by applying rules of financial management. In any business environment well-timed and available access to *external* finances can be a fundamental engine of a firm’s growth (Ernst and Young 2013 4–5). According to an Ernst and Young (2013) report, entrepreneurs in G20² countries have the following sources of

² The Group of Twenty (G20) is the premier forum for its members’ international economic cooperation and decision-making. Its membership comprises 19 countries plus the European Union. Page title is: About G20, https://www.g20.org/about_G20

external finances related to different stages of company growth and the amount of money needing to be raised (see figure 10). These sources are distributed according to the enterprise revenues and development stages, the higher the revenue and development the more advanced are the sources needed. At the initial stage the entrepreneur, friends, and family could be those who could contribute to the business; the next stage usually belongs to business angels.

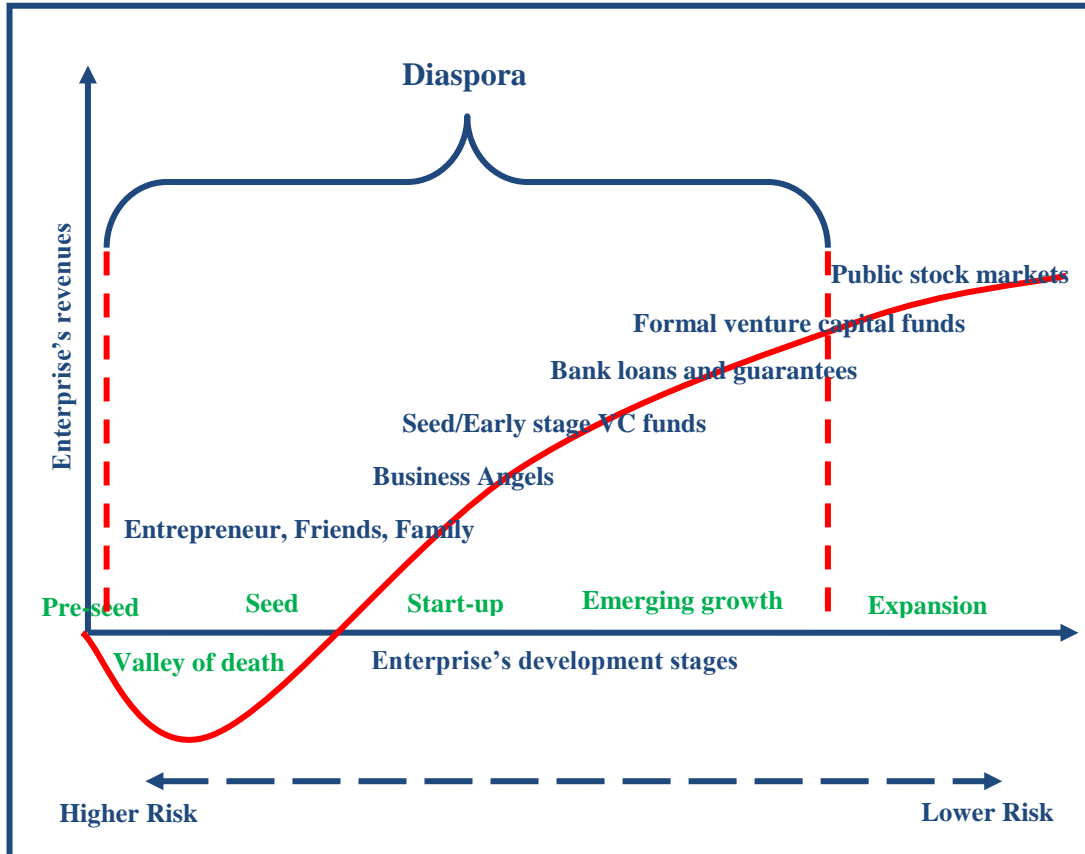


Figure 10 Access to finance for entrepreneurs (SMS), Adapted from Ernst and Young 2013, 4–5

Venture Capitalists and Bank loans are the sources of external finances that appear at the later stages (Ernst & Young 2013, 4–5).

At the same time, at least some groups of ethnic entrepreneurs might face certain limitations in access to finance. For instance Smallbone et. al. (2003, 309) in their study on ethnic business in the United Kingdom stressed the fact that ethnic entrepreneurs, especially those belonging to the African/Caribbean ethnic groups have problems with receiving bank loans. Despite difficulties with access to formal sources of finance ethnic entrepreneurs could rely on their diaspora ties as additional sources of funds. Moreover, diaspora network can be a navigator or ambassador for ethnic entrepreneurs introducing them to venture capitalists or angel investors (Isenberg & Kerr 2011, 6); alternatively the entrepreneur could use money from co-ethnics as an informal source of capital for the pre and post start-up stages (Bates 1994, 684). In some cases ethnic entrepreneurs

can refer to the bank after the start-up stages of the business. At the same time, bank choice also could be based on the recommendations of co-ethnics (Chaudhry, Crick 2004, 42). Figure 10 above shows the section of the business stage and funding source process that the author believes is most likely to be populated by the ethnic entrepreneurs.

2.10.6 Diaspora as access to technology

Some past interpretations of the diaspora notion were highlighted in previous parts of this study. While in some literature diaspora are be characterized as an unskilled group of *guest workers* with low social status and education (Leung 2003, 104), this eventually leads to a question of what technology, know-how or knowledge might these people have? In the contemporary understanding of the ‘diaspora member’ and the ‘ethnic entrepreneur’ phenomenon’s we can observe a significant difference to the previous statement. There is evidence that diasporas’ have many things to share with the host community. For instance Indian start-up entrepreneurs in Silicon Valley in the United States of America (Kapur 2001, 270, 272) or Chinese students at the best universities in developed countries (Lin 2010, 130–132).

Technology spillover is another possible contribution of diaspora to ethnic entrepreneurs; in general diaspora might play significant role in technology diffusion among its members. For instance, South Korean and Chinese diasporas’ are examples of technology spillovers not only between home and host countries, but also within the business community of ethnic entrepreneurs (Kapur 2001, 272). The Indian diaspora in the United States of America is another example of knowledge and technology sharing. “*The IndUS Entrepreneurs*” (TIE) was founded in 1992 in Silicon Valley by group of ethnic entrepreneurs, corporate executives and professionals. The ideas behind the creation of TIE was the facilitation of networking and knowledge sharing with the younger generation of the ethnic community. Today TIE is an international organization operating in 18 countries (TIE 2014). Essentially, social ties can be those factors facilitating effective knowledge sharing (Agrawal, Cockburn & McHale 2003, 3). Moreover, reasons impelling members of diaspora communities to share with knowledge in specific fields could be a feeling of *communitarism* – a wish to contribute to community well-being and success eventually becoming a driver for personal success and well-being (Meyer and Wattiaux 2006, 9). Also, diaspora philanthropy is an integral feature for many diasporas from developing countries.

2.11 Synthesis: Description of the roles of diaspora network in opportunity exploitation by ethnic entrepreneurs

As demonstrated in the previous chapter and also summarized in the theoretical table below (see table 4), diaspora networks can play an important role in the business of the ethnic entrepreneur. Various implications of diaspora networks can significantly affect the ethnic entrepreneur's business climate at different stages of business development (Klyver & Hindle 2007, 21). In some cases ethnic entrepreneur's business may be a part of the *ethnic economy*. In this case, the diaspora network could play a crucial role for the entrepreneur (Marger 1998, 542). A number of international studies on diaspora networks' and ethnic entrepreneur's relationships describe several ways of collaboration of these two notions (see table 4). One of the fundamental features of the network is an ability to transfer and provide information to the actors of the network. Diaspora networks are not an exception but rather an example of that function (Grossman 2010, 288–289, 291). Additionally some historical examples have noted how diaspora networks provide information to ethnic entrepreneurs about international markets and can therefore facilitate internationalization (Rogman 2011, 642).

The study on the present business environment also emphasizes the role of the network in internationalization. Networks can provide special market knowledge necessary for internationalization (Johanson & Vahlne 1977, 27–28). Diaspora networks can assist in avoiding bureaucratic problems and support ethnic entrepreneurs due to internationalization (Peng 2000, 238). Moreover, we can observe the phenomenon of international ethnic ties connecting the diaspora not only to the home country, but to communities in other host countries' as well (Mustafa & Chen 2010, 97–98). Human resources of the diaspora are another element of the network contributing to the ethnic entrepreneur's business. Generally it could be said that diaspora's human resources can be a vital source of support for many ethnic businesses (Jones, Ram & Edwards 2006, 133,139). At the same time, in some cases overconcentration in employing only family members and/or co-ethnics could limit business growth (Bagwel 2010, 380).

Lack of access to external finance is another difficulty typical for ethnic entrepreneur's business. Finance needed for start-up and growth quite often might be unreachable for immigrants especially in the case of higher level institutions such as banks (Smallbone et. al. 2003, 309). In this case diaspora members can support ethnic entrepreneurs fiscally. Moreover, diaspora members could be that link introducing and bringing together entrepreneurs and investors (Isenberg & Kerr 2011, 6). A closer look at the relationship between diaspora networks and ethnic entrepreneurs gives another sphere where entrepreneurs can benefit from the interaction. Technology spillovers and professional unions based on ethnicity are a common element of business landscape in the 'Silicon Valley' (Kapur 2001, 272). In the foreseeable future it would be interesting to

observe how diaspora networks modify ethnic business and how ethnic business modifies diaspora. So far, based on international examples it can be concluded that diaspora networks have plenty of amenities to offer to the ethnic entrepreneur and support his or her success in business. Despite of some negative aspects of this collaboration, such as lack of growth in the case of overreliance on ethnic human resources, the diaspora network has a number of positive and multifaceted ways to support entrepreneurs during opportunity exploitation.

Table 4 Theoretical grid on diaspora networks resources available for ethnic entrepreneurs

| Author(s) | Information | Finance | Access to technology (knowledge spillover) | Human Resources | Internationalization | Customer, Supplier, Market |
|--|-------------|---------|--|-----------------|----------------------|----------------------------|
| Grossman, 2010 | ◆ | | ◆ | | | |
| Peng D., 2000 | | | | | ◆ | |
| Mustafa and Chen2010 | | | | | ◆ | |
| Kitching, Smallbone, and Athayde, 2009 | | ◆ | | ◆ | | ◆ |

| | | | | | | |
|---|--|---|---|---|--|---|
| Light, 1972 | | ◆ | | | | ◆ |
| Aldrich, Cater , Jones , McEvoy , Velleman 1985 | | | | | | ◆ |
| Isenberg, Kerr 2011 | | ◆ | | | | |
| Kapur, 2011 | | | ◆ | | | |
| Bagwell, 2008 | | | | ◆ | | |

3 METHODOLOGY

Contemporary academic researchers have three possible research methods traditions to choose from; qualitative, quantitative and mix methods. The latter, mixed methods, could be defined as merge of the former two. Considering two primary methodological traditions, qualitative and quantitative, it is important to note that quantitative aims at testing and examining while qualitative method has a more explorative nature when addressing the research object (Creswell 2014, 4). The purpose of this study is to explore the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs in Finland. Thus, author has chosen to use qualitative method in this research. As clearly stated in the title of this study the particular focus is on ethnic entrepreneurs living and working in Finland. The restricted theoretical base in the sphere of ethnic entrepreneurship in Finland determined the exploratory objectives of the paper and method choice. The current paper looks to understand the experience of ethnic entrepreneurs in their possible collaboration with the own ethnic community.

3.1 Research Approach

The qualitative approach was chosen for this paper aiming to investigate the real experiences of people and understand the phenomenological circumstances of collaboration between ethnic entrepreneurs and diaspora. According to Koch et al. (2014, 132) qualitative research plays the role of the donor for professional knowledge of the phenomenon not having a sufficient existing theoretical framework. Moving from known research gaps through investigation is the core purpose of the qualitative research approach. Moreover, based on other studies in comparative spheres of ethnic entrepreneurship, qualitative research seems to be an ideal solution for the exploration of some tentative family relationships and tacit knowledge (Bagwell 2008, 383).

This research is an attempt to contribute to professional knowledge about diasporas' business competences. While the qualitative research style predominantly considers using inductive or abductive mode of study it could be claimed that due to a number of international research on similar topics, this paper has an abductive nature. However, despite the availability of theoretical background from similar studies in other countries, the territorial attachment of the study to Finland constitutes a possibility to reach anomalous or surprising research outcomes. Hereby, it can be concluded that the abductive research approach is a logical inference that is appropriate for the boundaries of this study.

A review of methodological literature gives several philosophical orientations, worldviews or paradigms. One of the most classic lines of the qualitative research inter-

pretation is constructivism or social constructivism (often combined with interpretivism). The approach is to rely on the experience of the interviewed actor and interpret his or her subjective view. Interview's technique involves semi-structured open-ended questions which lead to a broad discussion about the topic. The researcher should pay attention to the background of people, their interaction with the social community and meanings (Creswell 2014, 8). Furthermore, different assumptions regarding the nature of data interpretation pose interesting dilemma for the researcher. Fisher (2010, 250–258) in his book describes such interpretation styles as *realism*, which is based on the reality of certain events, considered and interpreted by the researcher as an axiom. The findings of the research in this interpretation have an objective explanation. In contrast to *realism*, another approach of data interpretation containing more subjectivism, is known as *nominalism*. In this form of interpretation the researcher is more of an external observer with the shadow of subjectivism. The nature of phenomena is under investigation and there are *no undisputable facts*. All arguments and facts are seen in a more careful way. Here, again, taking into consideration the qualitative research method and to some extent, the lack of a solid theoretical framework, the author will use nominalism as the chosen interpretational method.

3.2 Interviewee selection and method choice

As mentioned above despite some international findings on the utilization of diaspora networks by ethnic entrepreneurs', the territorial attachment of the present study may be that element which adds unexpectedness and interest to the final results. Based on this assumption, the study has an abductive approach. Subsequently, interviewing ethnic entrepreneurs was chosen as the way of data collection about their businesses and networks, ways of collaboration inside the diaspora - i.e co-ethnics - during the opportunity exploitation phase. The interview is a story telling technique to receive information from the participant about the topic (McNamara 1999). The interview guide (see appendix 1) was elaborated based on similar studies in other countries and a test interview with one of the participants.

To explain the interviewee selection logic it is beneficial to refer back to the theoretical discussion of the diaspora network. The theory of diaspora networks based on the Chinese example suggests that trust is the essential knot between network actors (Cheung 2004, 678–679). To create a trust between researcher and interviewees it has been suggested to approach interviewees through the diaspora network. This is important as some previous research conducted in Finland examining ethnic entrepreneurs faced serious issues with the willingness of potential participants to cooperate with academics

and reply to survey questions. Jumpponen et al, (2007, 11) in their research met exactly this kind of *suspicious and resistant attitude*. Moreover, in some cases approached entrepreneurs asked for remuneration for participation in the research. In fact, dealing with people who are not accustomed to collaborating with academics was a hidden problem during the data collection. Michailova and Liuhto (1999, 16) have described a similar phenomenon when they noted *suspicion, secrecy* and *mistrust* from respondents from Eastern Europe during their research. Hereby in order to avoid and mitigate potential problems with trust, as experienced by other researchers, the author decided to receive recommendations from community members and be introduced to interviewed entrepreneurs. At the same time, the cultural background of the author and fluency in both Russian and Azerbaijani³ languages was an additional advantage in trust creation between researcher and interviewees.

First, the author established contact with diaspora representative who have been living in Turku, Finland for several years. Addressing Turku from the point of view of the geographical attachment of the study, it is noteworthy to mention that city has a suitable profile and noteworthy representation of ethnic entrepreneurs (Penninx 2012, 15). Based on the aims and ways of research (see more in section 1.5) relevant ethnic entrepreneurs were evaluated. During the discussion with the diaspora member, it was suggested to the author to complete questionnaires with two entrepreneurs who are originally from Iran but ethnically Azerbaijanis and one entrepreneur from Turkey. Furthermore, the author was introduced to surveyed ethnic entrepreneurs (entrepreneurs' number one, two, and five). This kind of approach to data collection allowed conducting a test interview with one of the participants, and eventually facilitated the improvement and further development of the interview guide for the subsequent interviews.

The next phase of case selection was an attempt at extension by adding representatives with different cultural backgrounds and types of business. The Russian ethnic community can be considered one of the biggest in Finland and despite some industry concentration, is represented in different sectors of economy (Jumpponen et. al 2007, 16). Unfortunately lack of personal contact with diaspora representatives forced the author to search for the possible participants personally. A general scanning of the ethnic businesses' environment gave an idea of possible participants. Three ethnically Russian entrepreneurs were contacted. One of them was known as the owner of a mainly Russian ethnic grocery store located in Turku, who was unfortunately out of Finland at the research time and employees declined to provide exact dates of his return. The other

³ Azerbaijani is a member of the Western Oghuz branch of the Turkic language family spoken by about 32.2 million people mainly in Azerbaijan, Iran, Georgia, Russia and Turkey, and also in Iraq, Syria and Turkmenistan

two ethnically Russian entrepreneurs were a souvenir shop also located in Turku and a distribution company supplying ethnic Russian and Former Soviet Republics' products to the local market.

Firstly, souvenir shop owner was contacted directly by means of a store visit by the author, during which date and time of the actual interview was agreed. Secondly, owner of the food distribution company was contacted by means of the phone number found through the company's webpage.⁴ During the call and after an explanation of the aims and ways of the research the date and time of interview was agreed. Depending on fluency of English language of interviewed person, the English language was used during the interviews. However, if person had issues with understanding and speaking English the interview was conducted in his or her native language. To sum up, two out of five interviews were conducted in English, two in Russian and one in Azerbaijani. Taking into account bilingual skills of author there were no issues with production and transcription of those interviews from Azerbaijani and Russian into English.

3.3 Data collection

The subjective nature of qualitative research necessitates scrupulous scientific methods to ensure valid results (Easton et al. 2000, 703). Easton et al. highlighted in their article some of the problematic pitfalls to be avoided by the researcher during data collection through interviews. As it was described in the previous sub-section, preliminary agreement about the interview was achieved during the initial contact between author and interviewee. Date, time and recording of interviews were also agreed to. In order to avoid technical problems two voice recorders were used. Semi-structured interviews include a set of questions guiding the discussion into a certain direction. At the same time, some additional questions and clarifications are essential for the qualitative methods of study (Malhotra & Briks 2006, 179–198). Structuring of the interview guide has specific aims and should correspond to the final aim of the researcher and topic examined. A qualitative interview has three types of questionnaires in terms of structure rigidity, *informal conversational interview*, *general interview guide approach* and *standardized open-ended interview* (Tuner 2010, 755–756). In context of the current study, an informal conversational interview - approach was applied for test interview.

However, this research applied a *general interview guide approach* considering semi-structured interview questions and possibility to remain flexible and draw discus-

⁴ Euro East OY

sion to points needing to be highlighted from different angles. For instance to make research more effective and avoid straight questions which could be considered by the interviewee as too sensitive, the researcher applied a sequence allowing to ask basic question and only afterwards clarifying interesting points by asking such questions as “tell me more about it” or “please, explain how and why”.

Along with the creation of an interview guide, recording device preparation, inspections and date and time approval it was important to pay attention to the place where interview is going to be conducted. One of the components of good data collection is a comfortable environment for both the interviewee and researcher. Thus, date and time chosen by participants number two, three and four were working hours during which they were at work; there were no distractions and the familiar atmosphere gave the necessary impulse to feel more at ease (Malhotra & Briks 2006, 180). Namely, interviews took place in the Euro East office, in the souvenir shop and in the café. The other two interviews took place during the weekends and by mutual agreement; these interviews were conducted in the quiet café in the central part of Turku. Despite using the same interview guide in each case the duration of interviews was different. Main factors affecting the length of interview were; the scope of the business of the interviewee, his or her relationship with diaspora and involvement in the diaspora network. No such external factors as interruption by colleagues or work affected the interviews. To sum up, the length of interviews with entrepreneurs number 1 and 2 was 35 minutes, interviews with entrepreneur’s number 3 and 5 lasted 21 and 24 minutes, respectively. The longest interview, 51 minutes, was with entrepreneur number 4.

3.4 Data Analysis

As the previous parts of this section explained the logic behind interviewee selection, research approach and data collection techniques, this sub-section will address the method of analysis. The data analysis itself could be divided into several stages. There is a valuable paper written by Taylor-Powel and Renner (2003) regarding narrative data analysis which was used as a guideline for this research. Moreover, in order to visualize these stages it is useful to refer to the “Analytical Ladder” (see figure 11) proposed by Carney (1990 cited in Miles and Huberman 1994 a, 92). Following the analytical ladder, the present study’s interviews were analyzed. The data analysis is an emergent process started from the *summarizing and packaging of data*. During this stage interviews and interview recordings were converted into interviews transcripts, interview notes were adjusted to the transcripts as well. Moreover, as interviews were conducted in three different languages, translations from Azerbaijani and Russian into English were implemented during the summarizing and packaging of data. In qualitative research the cod-

ing of data has an alternative meaning when compared with data coding in quantitative research. While for quantitative research coding has specific numerical connotations, in qualitative research it is understood as the categorization of data and labeling it into certain abbreviations (Taylor-Powel & Renner 2003, 3). The next stage of data analysis was conducted through *repackaging and aggregating the data* by identification of patterns and connections between labeled categories, recognition of possible interesting patterns and summarization.

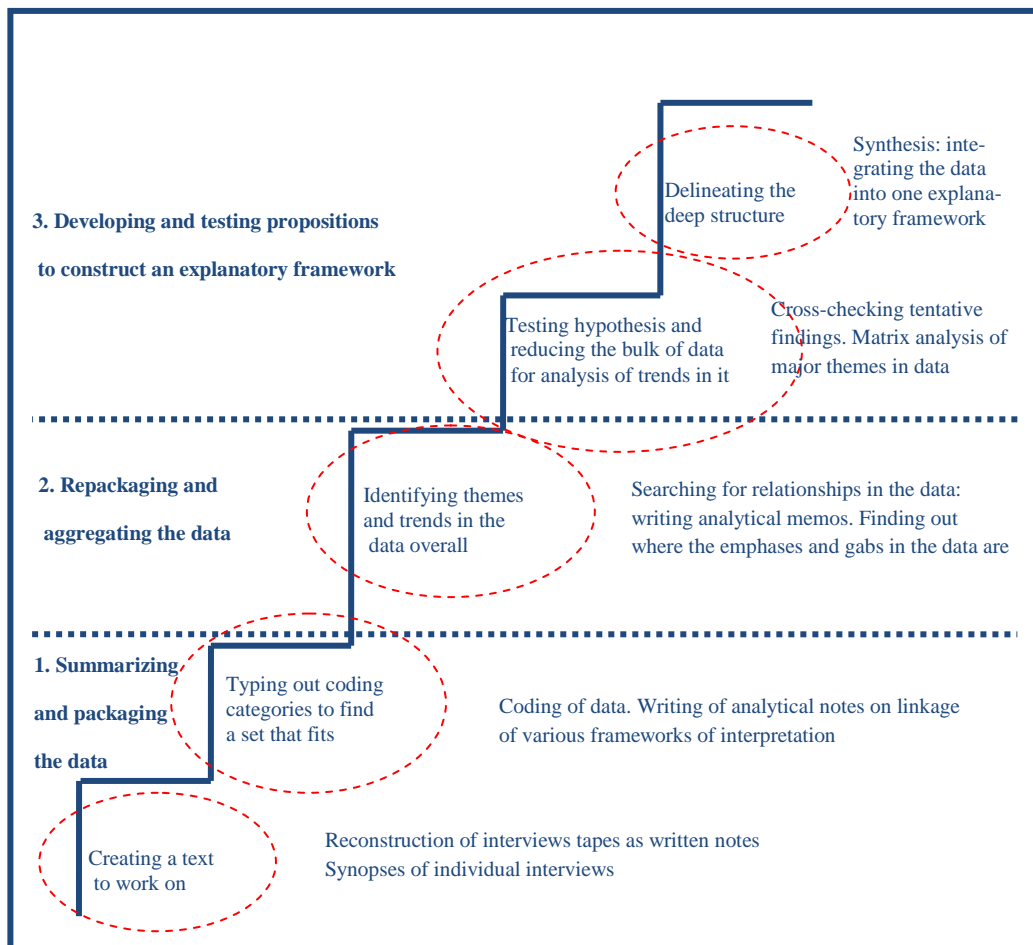


Figure 11 The ladder of analytical abstraction (Carney,1990), cited by Miles and Huberman 1994,92

To find patterns researcher can count the number of times a particular abbreviation appears in the working materials. During this study emphasis was given to the ways that diaspora networks were utilized and the significance of diaspora networks in comparison to governmental support. In the final stage of Carney's ladder we can see the section entitled *developing and testing proposition to conduct an explanatory framework*. According to Carney this phase is also divided into two sub-stages during which researcher can test a hypothesis and conclude through the creation of an explanatory framework,

respectively. In terms of hypothesis testing it is worth mentioning that qualitative research can have a deductive approach. At the same time, as clearly explained in previous chapter this paper does not look to test but rather to explore (see more in the section 4.1). In the final step of data analyses findings can be presented in diagrams and frameworks. In the context of this study, the final stage of the ladder will be represented by interview analyses and synthesis with explanations based on the crossing points between the theoretical and interview grids (see pages 58 & 91). In the next sub-section trustworthiness of the current paper will be discussed and described.

3.5 Trustworthiness of the study

The qualitative methodology offered the ability to seek depth in the understanding of a complex experience rather than seeking the breadth of findings that quantitative design offers (Lietz et. al 2006, 445). A steadily growing number of qualitative researches in International Business have raised questions about the legitimacy of qualitative findings and their trustworthiness in comparison to quantitative research. While the *flexibility* and *fluidity* of qualitative research are to some extent accepted as a liability, some scholars define these characteristics as strengths of qualitative approach. At the same time a growing number of qualitative research has evolved into a discussion regarding how we can prove the trustworthiness of qualitative research (Sinkovics & Alfoldi 2012, 823, 818).

Lincoln and Guba (1985, 290–327) have written one of the fundamental books highlighting issues in the trustworthiness of qualitative studies. In their book the authors extensively explained such aspects of trustworthiness as creditability, transferability, dependability and confirmability of the study. We can prove the *creditability of the findings by having them approved by the constructors of the multiple realities being studied* (Lincoln & Guba 1985, 296). Here it is important to mention that the interview guide was designed based on similar studies on ethnic entrepreneurship and diaspora interrelations in different countries. Even though transferability cannot be established in the context of qualitative study and needs to have *statistical confidence limits*, detailed description may give the reader minimum elements to make their own judgment about transferability (Lincoln & Guba, 1985, 316). There is another issue with dependability in the context of qualitative research where findings should have a clear connection to inquiry. One of the ways to check dependability is to conduct the same inquiry again by a separate group and compare findings (Lincoln & Guba, 1985, 316–318). At the same time, the qualitative nature of the current study adds unexpectedness to the outcomes. However, the interview guide (see in appendix 1) could be compared to outcomes and recorded interviews to find correlation and dependability. Confirmability is a notion ex-

plaining how other researchers can come to the same conclusion based on the available data (Lincoln & Guba, 1985, 299–301). Here again, in the present study all interviewed ethnic entrepreneurs were described from the industry, and type of business points of view. The interview guide and entrepreneurs' replies with citations are introduced. Herby, confirmability can be estimated by an independent reader.

Of course in the discussion about trustworthiness of the study it is essential to mention that technical devices such as a digital voice recorder allow an additional point in the inspection and verification of the interviews' outcomes. Even though the direct tape recording during the interview seriously contributes to the trustworthiness, all interviews' transcripts were sent by email to interviewees as suggested in order to increase trustworthiness (cf. Odendahl & Shaw 2002, 313–314). In addition, in the present study there are some other aspects, which could be considered from negative and positive approaches to underline trustworthiness. First is the interviewee selection process; as it was described in the sub-section above, interviews number one, two and five were the result of the assistance of a diaspora representative who recommended the researcher to the interviewees and to some extent participated in the case selection processes. Such reference enabled avoiding possible resistance to cooperation and discussing sensitive moments of personal business (see more in section 4.2). Based on certain descriptions applied by the researcher this person suggested several entrepreneurs living in the same area and belonging to the same or to the similar ethnic group.

Of course, such case selection with assistance of an intermediary could be a reason for certain data asymmetry and non-transferability of research outcomes on similar cases and to the experiences of other entrepreneurs. At the same time, there are clear benefits of this approach; firstly, the researcher obtained a positive image in the eyes of the interviewed, as a trustworthy person who has a recommendation from a community member. Therefore some specific questions were more acceptable from his side than they might be from some other person who may approach without any recommendations. Moreover, the existence of other interviewees in this research minimized the possibility of negative outcomes from the utilization of internal diaspora networks for the case selection process. Another point to add into the discussion of trustworthiness of the research is the places where interviews were conducted. Interviewees had a choice of where they would prefer to respond to the questions. Thus, three out of five interviews were conducted at interviewee's working places and other two in informal location such as at a quiet café during morning hours. One of the interviewed entrepreneurs (number 5) came with his son that could be accepted to some extent as an additional distraction. Indeed some authors argue that such freedom of choice for interviewees might lead to *environmental hazards*, such as colleagues, outside noise, family members, phone and other possible interview interruption reasons (Easton et al. 2000, 703). Such an informal

approach allowed creating a more comfortable atmosphere for participants. In addition, further data checking and analyses showed that the quality of sound and interruption were not serious hindrances for understanding, transcription and coding of the text.

Talking about possible transcription errors it is important to mention that recorded interviews had been listened to several times before the actual transcription was started. After the accurate transcription author used a coding technique to pin-point commonalities and difference between answers. Such descriptive codes are important illustrators contributing into the trustworthiness of the eventual result (Miles & Huberman 1994, 50–69). It was also important to distribute codes by categories and sub-categories. For instance, for the term *Diaspora* code *DIAS* and for the extensive terms such as *Diaspora Customers* and *Diaspora Suppliers* *DIAS CUS* and *DIAS SUP* were chosen, respectively. Such generalization allowed browsing in the text faster but at the same time avoiding misinterpretation of the raw data.

To sum up, this chapter has sought to describe general aspects of methodology relevant to the present research such as methods of data collection, interpretation and difficulties relevant to the trustworthiness of the study.

4 ETHNIC ENTREPRENEURS INTERVIEWS ANALYSES.

In this part of the thesis we will review and analyse the patterns of the interviews. Interview analysis is an essential part of the qualitative research leading the researcher through the material to answer the research questions. This specific tool based on chosen interviews can highlight the distinctive features of the phenomenon (Taylor-Powel and Renner 2003, 9). After multiple repetitions of the interviews recordings and codification of transcripts it becomes possible to perform analysis based on the research questions, identify casual links of empirical grid with a theoretical grid. The desirable outcome of these case analyses is the possibility of results utilization by policymakers. Basically in the cities such as Turku in Finland with an ethnic minority population, knowledge about ethnic entrepreneurs could provide information that future policymakers can use for facilitating self-employment among immigrants and future economic development.

The present chapter is structured as follows. First, a discussion about the patterns and roles of diaspora networks in opportunity exploitation by ethnic entrepreneurs. Following which this presents evidence of the utilization of ethnic ties based on the examples given by the interviewed business owners. Their examples show sources of possible competitive advantage. This part corresponds to the first sub-question of the study; *how can ethnic entrepreneurs in Finland use diaspora networks for opportunity exploitation?* Afterwards, we will turn the discussion to the evidence of diaspora influence in comparison to governmental support. This is relevant to another sub-question of the study *“how important are diaspora networks in comparison with governmental and official institutional support?”* Finally the empirical framework of diaspora roles will be shaped and compared to the theoretical grid based on the examples from academic research in other countries. Also in the synthesis the general response to the main research question will be presented.

4.1 Diaspora network as an information channel

According to the theoretical framework of Diaspora Network Resources available for ethnic entrepreneurs represented in the section 3.4.1, one of the common diaspora's assets which entrepreneur can use is *information*. Two out of five interviewed entrepreneurs reported that they had used the diaspora network as an information source for opportunity exploitation, to some extent as an adviser. Moreover, such a role for the diaspora network appears at different stages of the business. This was the case for the entrepreneur *I* at the beginning:

“Starting know the business now I can say it was from diaspora because imagine that when I decided to open a business from the people that I know they guided me how to take a loan, how to open it and all the information I got from diaspora I can say...” (Entrepreneur 1)

Another entrepreneur also mentioned the utilization of diaspora networks as an information source at a later stage of opportunity exploitation:

“When I was thinking about marketing campaign they advice how they did. Not everyone, but some are kind of close friends. They have advised on something. I needed refrigerator, and they advised a lot about its capacity and profitability. Now we think about new line of dumplings so that to give the goods together with its own freezer with our logo. I thought about flat or long stand, they advice me on its efficiency...” (Entrepreneur 4)

Despite the importance of diaspora networks as an information channel, it can be said that not all ethnic entrepreneurs used it. In talking about those entrepreneurs who did not, it is important to notice that only one entrepreneur, number 3, was avoiding contact with the diaspora by purpose. Interestingly one piece of advice the entrepreneur received was to stay away from the diaspora. For instance, they independently studied the legal information necessary to start a business. The network this entrepreneur is part of is based on the personal status of the network member and his or her interests, rather than on the ethnicity of the person. When a description of friends with whom information might be shared was asked for, the reply was small businesses owners from France and Italy (entrepreneur 3 discussion 26.08.2013). Entrepreneur 5 also did not notice any use for the diaspora network as an information channel. At the same time, based on explanations it could be said that the diaspora in this particular case lacked information as no one from its co-ethnics had experience of a similar type of business. Instead, it was mentioned that the entrepreneur received support from his Finnish acquaintances who had such experience. However, the entrepreneur claimed that if his co-ethnic had experience in the sphere they would definitely help by giving advice (entrepreneur 5 discussion 28.08.2013). Similar to entrepreneur 3 entrepreneur 2 also claimed that no information from diaspora was received and used. However, here this was explained by multiple factors; first because the ethnic community mainly has different types of cafes with a different style of menu. In addition, such necessity did not occur because he had enough experience in the restaurant and café business of his own accord. Moreover, he stated that he had no difficulties with starting the business since doing so was easy to follow based on the written procedures (entrepreneur 2 discussion 25.08.2013). In gen-

eral it could be said that utilization of diaspora networks as an information channel for the ethnic entrepreneurs was the same as other ways of diaspora network utilization based on the market needs of entrepreneurs. If the entrepreneur has enough experience, access to the general information and other sources of support such as non-co-ethnic friends, the diaspora network is not a necessarily important channel for the information flow from one actor to another. The entrepreneur can easily avoid any collaboration and communication with the diaspora if needed. In this particular case the entrepreneur did not experience any marginalization that might somehow affect their business. Instead, the entrepreneur can join a broader network, which is based on the interest and status of the people involved and overlaps with interest and status of entrepreneur.

4.2 Internationalization with support of diaspora ties

A big stratum of the diaspora's academic literature highlighted special role of diaspora networks in the *internationalization* processes, where the network able to facilitate internationalization (see more in the section 3.4.2). During this research, one out of five of the interviewed entrepreneurs was involved in international trade and another at the moment of interview owned a company which could be characterized as an international trading company. In both cases they had co-ethnics among their international partners, suppliers and customers. In addition, in both cases those co-ethnics were to some extent catalysts of internationalization. While other entrepreneurs have not mentioned this fact, it is important to note that their businesses are mostly directed to the internal market and have no internationalization plans or opportunities. Namely, entrepreneur number 2 is owner of small café, entrepreneur number 3 is owner of souvenir shop in Turku concentrated mainly at incoming tourists, and entrepreneur number 5 is a delivery subcontractor of Posti – the Finnish postal service.

Returning to those entrepreneurs who experienced co-ethnics influence in internationalization, entrepreneur number 1 is originally from Iran and ethnically an Azeri Turk. He was involved in international trade as a founder of an import and export company.

“Actually I registered import and export company here. It was kind of trade I was going to do in Finland which including import of some stuff from countries that I know and also exporting some goods from Finland to the countries that I would sell them there. And I had some contacts in those countries...” (Entrepreneur 1)

During his activities there was a case when the entrepreneur imported furniture products from Turkey to Finland as a wholesaler and faced problems with distribution

and retailers demands. Utilization of diaspora networks was one of the solutions in this situation:

“I opened the webpage that I could sell as a retailer but I wanted to sell as a wholesaler also. I found in Sweden, Norway and in Turku places that they were Iranians, they have some shelves and they were selling such goods and I sold them, It was very useful for me that I could sell all of them...” (Entrepreneur 1)

Future internationalization and reselling to Sweden and Norway was an outcome of realization challenges in Finland. However, imported products were also bought from a co-ethnic supplier. Another noteworthy point of the discussion about internationalization is that the ethnic entrepreneur could actually avoid some formalities, which are essential for such types of businesses, during international trade. For instance contracts with retailers were unnecessary and entrepreneur used trust among community members:

“The trust was one point which was very important because between us we did not make such kind of contracts and so on, only it went through the trust. And also they advised me their needs; “we are selling this kind of goods, import other kind of the goods”. I got advice from them and imported only such kind of the goods...” (Entrepreneur 1)

During the interview entrepreneur number 4 also provided a vindication for the utilization of diaspora networks for internationalization. Basically company’s activity is the result of international cooperation among co-ethnic companies. Whereas the company concentrates on the products under the theoretical umbrella of Russian cuisine or products from Former Soviet Republics, the main suppliers are located in Germany where market for Russian products is much bigger in comparison to that in Finland:

“This Russian kitchen, we mainly contact by phone, in Germany and Baltic, everywhere the contacts are Russians... Monolit (Germany). Second company is Dovgan (Germany), based in Hamburg. They are from St Petersburg...” (Entrepreneur 4)

In addition to international cooperation at the supplier-wholesaler level cited by entrepreneur number 4, business partners facilitate internationalization of the company by providing possible competitive advantages such as exclusive rights for certain products in certain markets and make the entrepreneur pay attention to opportunities in neighbouring countries where company as yet has no affiliate.

“Of course throughout experience we get into trust relations and we agree to be a single buyer, or they say “we have contacts in Sweden, so take the Swedish market for you and supply. As all your labels in Finnish and Swedish you can use the same labels in Sweden”... (Entrepreneur 4)

Clear redirection of requests from Sweden to the Finnish partner, granting territorial exclusivity and indication its labels' language advantages are clear evidence of the facilitation and assistance for internationalization through co-ethnic business ties. This is similar to the previous example where the advice to entrepreneur number **1** regarding the products having demand among consumers in Sweden and Norway, is also a clear sign of diaspora involvement in the internationalization processes as ethnic connections in these countries made it easier to communicate between wholesaler and retailer. At the same time, in both of these cases they mainly deal with diaspora involvement in opportunity exploration when co-ethnics advise them as to what they need to sell and where to go. Despite this study concentrating on opportunity exploitation, the fact that the diaspora is involved in the opportunity recognition process is remarkable too. Such a relationship with co-ethnics and support from the diaspora increase the entrepreneur's confidence about the success of internationalization. According to internationalization theory (see more in the section 3.4.2) specific market knowledge is one of the crucial elements for successful internationalization. In addition, it is important to emphasize the fact that most ethnic businesses are small and medium size. Thus, internationalization processes might be very difficult for them from the resources point of view. In this case the diaspora plays crucial role for the internationalization not only as market knowledge provider, but also as a distribution channel, or business adviser. Examples given by interviewed entrepreneurs are evidence of the ability of diaspora to support entrepreneurs. Moreover, in the case of entrepreneur **4**, the actual “adviser” who advised to internationalize to Sweden, was a German company owned by Russians. Hereby the actual impulse came from outside of Sweden. These two examples of entrepreneurs **1** and **4** contain clear elements of internationalization with support of diaspora ties.

4.3 Human resources of diaspora

According to the review of academic literature one of the vivid competitive advantages of ethnic entrepreneurs is their ability to employ family members or other co-ethnics (see more in the section 3.4.3). Such an inexpensive labour force sharing the same cultural values can be a very valuable asset for ethnic business. In spite of some overexploitation of co-ethnic human resources, some studies have shown that that practice can

be the only factor allowing some businesses to survive (Jones, Ram & Edwards 2006, 133, 139). In comparison to some other forms of diaspora network utilization, all interviewed entrepreneurs mentioned this particular aspect. It should be pointed out that the contexts were very different, except for entrepreneur number *1* and entrepreneur number *5* who had no employees at all and operated as self-employed. Even though entrepreneur number *5* was asked his brother and a friend who have the same ethnical background to stand in for him during vacation, this cannot be considered to be the continuous employment of co-ethnics.

Returning to the cases where entrepreneurs used diaspora human resources, entrepreneur number *2* noted that their business is rather small to employ someone directly, and so he manages the cafe by himself with some assistance from his wife. In contrast to the entrepreneurs number *1* and number *2* entrepreneur number *3* used to employ staff with a Russian background. However, one of the most important criteria for employment was their knowledge of the Finnish language. He managed to find employees with such characteristic among young people whose parents immigrated to Finland many years ago and consequently these children have fluent Finnish:

Who is our employee, young girls who are 22-25 years old, living here more than 10 years, they came to Finland at the age of my daughter so their language is mainly Finnish...(Entrepreneur 3)

In contrast to all other examples of the role of diaspora in human resources of entrepreneurs, entrepreneur number *4* had a larger scale business and required a bigger operational staff. An interesting moment in this particular case was that the entrepreneur understands the challenges of co-ethnics in finding jobs in other places due to a lack of language skills and so provides opportunities for these people. This sign of community contribution can be an example of reciprocal benefits to diaspora from ethnic entrepreneurship.

Personnel are mainly Russian. In stock there are women who are Russian. Now we have Finnish employee, since at some point we needed language skills. Until recently it was not a problem, since I know that people living here have few chances for employment due to language. I gave them internship opportunities. So basically Russian and from Baltic were my employees until very recently. When we worked in that direction of stock realization mainly to Russian and Baltic market, it was different. Now we came to Finnish central market to Kesko, Inex and others, here we need other skills, education, and professional knowledge. Before it was labeling and loading. Now we have many transport declarations that are computer based. I will need to purchase program as old equipment do not reply the current needs...(Entrepreneur 4)

At the same time, the more complex and orientated to the internal market the business became, the more the assistance of skilled employees was needed. Basically diaspora human resources had enough skills to satisfy the needs of some ethnic businesses, if there are no such employees, the entrepreneur could easily go choose to employ non-diaspora staff. Another point demanding our attention is the fact that the entrepreneur understands the challenges and disadvantages of co-ethnic employees who are most likely unable to be employed in elsewhere due to a lack of language skills. This can be considered evidence of community contribution from the side of the entrepreneur. However, there were no clear evidences that the purpose of using diaspora human resources was the possibility to pay them less and achieve lower costs. At the same time, entrepreneur **4** mentioned that the possibilities provided by Finnish authorities to employ a trainee paid for by government were useful. One co-ethnics was employed under this program. This possibility allowed the entrepreneur to employ extra staff without a salary burden on the business (entrepreneur **4** discussion 27.08.2013). Entrepreneurs **3** and **4** also mentioned the language skills of co-ethnic employees. Entrepreneur **3** emphasised the importance of having bilingual employees with perfect Finnish language skills, as his own skills in Finnish were not so good. This was especially important for him since the position was in customer service, where the employee has to communicate with both domestic and ethnic customers (entrepreneur **3** discussion 26.08.2013). Entrepreneur **4** made a similar conclusion. At the same time, entrepreneur **4** underlined the importance of Russian language ability, as 50% of business-to-business customers were Russian owners of ethnic shops (entrepreneur **4** discussion 27.08.2013). Despite there not being an abundance of information from interviewees about diaspora human resources, it can be concluded that entrepreneurs who have co-ethnic employees do take into consideration such factors as language skills and find it convenient when the employee is actually bilingual. Emotional attachment and understanding of the employment challenges of co-ethnics also have their own place. At the same time, the professionalism of the employee is the main criteria for entrepreneurs.

4.4 Diaspora as customers, suppliers and markets

It is clear from the context of this study that diaspora networks can be an engine of the business for the ethnic entrepreneur. Of course, such attributes of business as customers and suppliers provide a market space for the entrepreneur. Based on examples of ethnic communities and cooperation between some vertically integrated ethnic businesses (see more in the section 3.4.4; also 2.4) we can assume that something similar to vertical

integration might materialize among ethnic entrepreneurs in Finland. Indeed many interviewees mentioned such features of diasporas. Entrepreneur number *1* being ethnically an Azeri Turk from the Iranian province of Azerbaijan stated that for him the international diaspora connections were the suppliers of products for import and distribution.

“The name of the company was FIONCA. I registered it, it was just like networking company in Finland. In Turku I was a person in charge for that, but it was like a networking I had some contacts in Turkey, Iran and also in Azerbaijan and we were working together” (Entrepreneur 1).

Entrepreneur *1* initially pursued a business-to-business model with co-ethnic suppliers and retailers. Entrepreneur number *2* from Turkey and number *3* from Russia were to some extent potential examples of the use of diaspora networks as customers or suppliers. Entrepreneur number *2* was an owner of a small cafe offering European and Turkish snacks and deserts - the availability of Turkish dishes on the menu signalled to the researcher that the business owner might have suppliers from the Turkish diaspora. Entrepreneur number *3* was the owner of a Finnish souvenir store. Moreover, the tourist orientated business of entrepreneur number *3*, directed the interviewer to questions about Russian customers who might know about his business through word of mouth. However, the reality did not correspond to expectations. Namely, entrepreneur number *2* noticed that since the scale of the business was small, it cannot afford to have special suppliers. Ingredients needed for the menu are usually bought in Finnish supermarkets while for some special products they turn to Arabic stores, which usually also offer ethnic food from Turkey and the Middle East. Meanwhile, they do have Turkish customers even though the target is the much bigger market of local people:

“Yes they come. [...]. We have some other people from Turkey, some Kurdish people. I can't say that from some community we have more. I would say more local people.

Yes we want local people get more familiar with these things. Turkish people already know what is Turkish coffee and delights and we want local people taste it” (Entrepreneur 2).

A concentration on the local customers is understandable as it is always better to have bigger market share; moreover the number of potential ethnic customers might not be enough for sales to reach the breakeven point of the business. In reviewing answers of entrepreneur number *3* it rapidly became clear that he has customers from Russia, but in spite of the tourist flow from Russia to Finland, the entrepreneur does not aim to con-

concentrate only on them. Entrepreneur 3 justified non-concentration on Russian tourists because of their relatively low purchasing power:

“It depends. Sometimes 2 Americans or 2 Japanese coming here are more interesting than a full bus of Russians going to 125 euro tour to see 3 capitals for 3 days, living in cabs, eating “doshirak”⁵. What they can buy coming here? Our customers then mainly foreigners, and those Russians who came for vacation exactly to Turku and not just coming in rush” (Entrepreneur 3).

Meanwhile, not utilizing the potential of Russian suppliers was explained mainly by way of the bureaucracy of Russian authorities and prices.

“Not anyone. Because of borders and customs. It is better to deal with Hong Kong because of prices. It is not so cheap in Russia” (Entrepreneur 3).

In a similar way to the previous example, entrepreneur number 3 has no special co-ethnic suppliers; furthermore, he has a clear explanation or primary reason - customs formalities and price pressure. In the previous cases, entrepreneurs' number 2 and number 3 noticed that the diaspora roles of customers and suppliers did not play a major part due to type of the business activities undertaken. On the contrary entrepreneur number 4 had the possibility present a different point of view, t. The import and distribution of ethnic products as a business has two elements; first suppliers from the same ethnic group, and second, end customers. Even though the company does not have own points of sale and needs to deal with supermarket chains, it must have a clear idea about its end consumers, their preferences, tastes and purchasing power.. However, in terms of customer targeting it was clearly stated that the major end customer target is not the co-ethnic population. The main target are the local inhabitants and the aim is to present Russian cuisine to Finns. As for ethnic suppliers, the major suppliers were Monolit and Dovgan - both companies are located in Germany and are examples of international business by diaspora networks (entrepreneur 4 discussion 27.08.2013).

“We made study it is 50/50. Here people having business are isolated. Finnish market is difficult and small. Fair competition is existing...

⁵ Type of cheap fast food popular in Russia which could be prepared in microwave or by mixing with hot water (Author)

We are trying to increase the number of those buyers. Finnish people should know about Russian products and try at least one of them. We are working hard on it, making ads, magazines, tasting for Finnish population...

Do you know how many Russians live in Finland? It is about 100000. But overall population is 5 000 000 and this is our target. We try to make them to know and understand these products. Not to be scared. So far the media positively reflects our products. Our cucumbers are the best. The amount we sell in Finland is not sold anywhere else, even in Germany with its higher population” (Entrepreneur 4).

Entrepreneur number 4 made it very clear and in a way statistically explained the logic behind the targeting of the native population of Finland. At the same time even though the share of Russian end customers is, according to entrepreneur, around 50%, this is very significant. In addition, the entrepreneur does not need to make big efforts to gain and keep Russian customers; they probably know the taste of the products, and they do not need additional degustation and demonstration as encouragement.

Due to the specifics of the business, entrepreneur number 5 did was not in a position to answer positively the question posed in this section. Contrary to the other entrepreneurs, the interviewee based this on the nature of his work. As a subcontractor, he can only have one supplier, Posti, and has absolutely no chance to choose the customer. His business is an extension of the postal services which Itella has to outsource.

“Not any. Basically I do not have any own customers. I have agreement with Itella, so I work with those customers of Itella (Posti, author). When I deliver pack, the recipient could be Azerbaijani or Irani, but it does not depend on my choice...”(Entrepreneur 5).

Despite this inability to choose which suppliers and customers to target by entrepreneur number 5, all others interviewees mentioned this type of diaspora role. Here again it is important to mention the extent to which they use diaspora suppliers or target co-ethnics as customers varies greatly. A common factor is that those who confirmed having co-ethnic customers mentioned that they want to increase the share of local customers. In the literature section (see more in the section 3.4.4; also 2.4) we saw highly vertically integrated and ethnically focused examples of businesses. During the interview, entrepreneur number 4 whose business is the distribution of Russian ethnic products mentioned the intention to concentrate on the bigger market share despite the fact that the Russian diaspora constitutes one of the biggest ethnic groups in Finland (see more in the section 2.6.1). Other interviewed entrepreneurs tried to avoid ethnic segmentation of customers and did not position their businesses as enterprises concentrating on only diaspora customers; instead they tried to attract all potential customers regardless of

their ethnic background. Hereby, it can be concluded that the size of the diaspora is the one of the factors in Finland affecting the decision of ethnic entrepreneurs to concentrate on the non-diaspora customers. Moreover, non-ethnic markets simply look to be more profitable. In a similar way, the size of the businesses involved affects supplier choice. As the scale of the business, according entrepreneur **2**, is small and because of the small order size they cannot afford to have co-ethnic bulk suppliers for the cafe and therefore, have to buy in supermarkets. Basically, the size of the diaspora might be a factor impacting whether the ethnic entrepreneur can use co-ethnics as suppliers, and also on whether concentrating only on diaspora customers or working in a “protected market” is feasible or not.

4.5 Diaspora as access finance and technology

Although Finance and Technology were discussed separately in the theoretical part of the study, a lack of significant information from the interviewed entrepreneurs about these roles of diaspora, leads us merge these aspects of the entrepreneur – diaspora relationship that are widely described in international academic literature (see more in the sections 3.4.5 and 3.4.6). In fact the current activity of ethnic businesses seems to make unnecessary any cooperation between the ethnic entrepreneur and the ethnic community in the field of technological interchange. The technology available to the ethnic community may not be relevant to the businesses where, for example, entrepreneurs must accumulate and utilize special knowledge - such as in IT services or chemistry. Moreover, a majority of community members and their skills may be not sufficient for the needs of the business. During the long discussions not one of the interviewed mentioned the role of diaspora as a technology provider. The only exception could possibly be an example of entrepreneur number **4**; she stated that her co-ethnic business partners advised her on the type of equipment it would be better for her to buy for the company. However, when discussion turned to finances, at least one out of five interviewed entrepreneur’s spoke of a clear case where diaspora had a role to play in financing in addition to more traditional institutional sources. Entrepreneur number **1** mentioned this possibility:

“In my case the first thing I can think is Finnvera that I can go and ask money. They don’t support too much money but at least for starting again it is enough. After that if

you give them a good business plan and they see it beneficiary, they will be a guarantee for you the much more loan from bank.

⁶

There are some from diaspora that they have money or they don't have an ability to use that money or they don't know anything about the business... ” (entrepreneur 1)

As it can be seen above, the entrepreneur stated that diaspora finance support definitely would not be his first choice. It is in a way easier for the entrepreneur, and perhaps less risky, to deal with official financial organizations such as Finnvera or with banks. An explanation for such behaviour is the fear that one might be unable to pay in time or become bankrupt, which could eventually lead to relationship frustration with co-ethnics. Another point mentioned is the lack of professionalism among diaspora investors and their usual over expectations in pay back terms.

“The expectation is much higher. In case with government, with bank you are facing the company that are very experienced about these situations and they are expecting that may be the business do not grow and you will pay monthly. And in the case of diaspora if they are giving money they have some expectations and in case of bankruptcy it will be difficult” (entrepreneur 1).

At the same time, it is obvious that the entrepreneur does have recourse to, and community members have the ability to, finance the business of a diaspora member. Other interviewees did not mention any diaspora financial support in the past, and declined that possibility in the future. To summarize, those entrepreneurs who were interviewed, relied more on their own capital to start and expand the business than on that of the diaspora. Here again, this unpopularity of the diaspora as a source of finance could be a specific feature of these entrepreneurs in particular and/or the ability of their specific community to loan money. However, there is another important signal: Finnvera and banks were mentioned by entrepreneurs' number 1, 2, 4, and 5. Based on the experience of interviewed entrepreneurs with credit organizations, we can conclude that they were aware about the possibility to borrow money from official credit organization and moreover, they used that possibility. At the same time, no entrepreneur mentioned discrimination in terms of access to external finance contrary to what was highlighted in the literature as a possible challenge encouraging ethnic entrepreneurs to turn their requests to diaspora investors (see more in the section 3.4.5). Moreover, entrepreneur number 1 pointed out that the diaspora would not be his first choice and based this rea-

⁶ Finnvera is official credit organization. Author

soning on the over expectations and un-professionalism of diaspora investors in comparison to banks and other credit organizations. In addition, none of the interviewees mentioned that he or she used or needed special recommendation from someone from the diaspora to approach credit organizations. Hereby, there was no evidence to support the theorized utilization of the diaspora network as a source of finance or as a technological donor.

4.6 Significance of the diaspora network, governmental and official institutions support to ethnic entrepreneurs in Finland

The name of this sub-section corresponds to the second sub-question of the study “*How significant are diaspora networks in comparison with governmental and official institutional support?*” According to Kitching et al, in certain circumstances, diaspora networks could provide ethnic entrepreneur a set of resources. However, using this capability that diaspora networks’ make available depends on *business owners’ capabilities and motivations to do so but also on diaspora structures their size, geographical and sectoral locations* (Kitching, Smallbone & Athayde 2009, 689).

This study does not suggest that diaspora networks play a major or complimentary role in the businesses of ethnic entrepreneurs in Finland. Merely it stresses the importance of diaspora networks, investigates the diaspora’s roles and reasons, and highlights points at where government involvement could help or hinder diaspora entrepreneurship. Is ethnicity to some extent a determinant that inspires ethnic entrepreneurs to use diaspora networks in the business, feel a part of the community, and be part of it? According to international standards, Finland has a favourable business climate; in the last Global Entrepreneurship Monitor (GEM) report Finland ranked 12 among 142 countries in terms of *Ease of Doing Business* and reached 73.4 with 100 highest being the best score in the *Index of Economic Freedom* (GEM Finland Country Report, 2013). Of course, this relatively high position of Finland in comparison with other countries is the result of the general economic situation and the functioning of governmental institutions. Entrepreneurs mention institutional support and possibilities offered multiple times, specifically the possibility to receive credit from Finnvera was mentioned at different stages of opportunity exploitation. A factor that allows entrepreneurs to ignore the diaspora in business is reliance on own experience and integration in to local society, where ethnic entrepreneur become part of the business environment. However, in order to maintain consistency with the previous section it is better to highlight what has been said and present analysis afterword.

Entrepreneur number *1* was one of those whose business was highly linked to a diaspora networks overseas. He mentioned during the interview that the diaspora was a reason that had shown him the opportunity for the creation of a trade company and allowed him to work with other people in Iran and Turkey. However, when discussion turned to the question of finance and possible credit for the business, the entrepreneur noted that he would rather apply to Finnvera for credit than to ask someone from the diaspora community. The explanation for this was very clear: *“In case with government, with bank you are facing the company that are very experienced about these situations and they are expecting that may be the business do not grow and you will pay monthly”* (entrepreneur *1* discussion 25.08.2013). He also mentioned Potkuri⁷ as a business advice organization assisting entrepreneurs in the Turku area. One of the significant problems for the entrepreneur was not a lack of sufficient support from the government, but rather the size of diaspora not being big enough i.e. the ethnic market is small compared to other countries in order to have the necessary operational scale:

“In financial cases Finland is good enough. They help enough. But Finland was not a good place for that, because if compare to Sweden or other European country, Finland does not have so much diapora. Because of that my business did not go very good as much as I expected” (Entrepreneur *1*).

In general it could be stated that the entrepreneur had a positive opinion about governmental support, but in his particular case the size of the diaspora was a crucial element that would be in a position to help him with opportunity exploitation. Another example which could to an extent highlight the importance of diaspora networks was entrepreneur number *2*, who owned a cafe in central Turku. According to the entrepreneur he had enough experience and finances to start the business only with the assistance of his wife. The local Turkish community did not have a significant role in their business. Even though they have some Turkish or Kurdish customers, they constitute a minority and are not targeted. In contrast they are more concentrated on attracting non-ethnic customers. Meanwhile, he noted his contact with Potkuri:

“No. We just applied to Potkuri, they just assisted with business plan. Now when I see back I realize that it was waste of time and they are not really useful...”

And at the beginning we applied for start up money to Potkuri and they said it is not interesting to fund such kind of business as coffee places. And we also applied for

⁷ Potkuri is the business service organization in the Turku area (author).

another place and they said the same. We also tried with loan from bank and it was easily so we get it” (Entrepreneur 2).

Despite the negative experience with the Potkuri service, where the main problem was the lack of willingness to finance new cafe businesses, the entrepreneur mentioned that it was easy to receive credit for the business from a bank where they already had a history as a married couple who had taken loan to purchase their apartment. Finally, entrepreneur number 2 mentioned that he had an overall positive opinion of governmental support *“It is quite well. It depends how much you know. We are here enough time, we pay taxes. So if you know your rights it is easier.”* (Entrepreneur 2 discussion 25.08.2013)

In addition, entrepreneur number 2 stated that if he needed some more money for business expansion he would most likely rely on own funds. Returning to the topic of the lack of diaspora participation in his business, one of the points this entrepreneur mentioned several times was experience. The entrepreneur pointed out that his experience in the cafe business allowed him to stay confident and avoid outsiders’ participation in any way. At the same time, he expressed readiness to assist another ethnic entrepreneur from the community should they for it. In contrast to the previous examples entrepreneur number 3 intentionally kept distance from community. Even though he employed some co-ethnics this was rather a solution to his own lack of Finnish language skills than a willingness to stay close to ethnic community and utilize it. This is the only link to co-ethnics confirmed by entrepreneur. Moreover, he noted that such distance between entrepreneur and co-ethnics was established by purpose and entrepreneur himself initiated it.

“No one helped us when we started. We just found information, read it and opened this business. We do not have much communication with any community. Later we met acquaintances and friends. Depend on common interests. Someone is working someone is not. So they do not have to be Russians. We have French friends, we know Italians who owes the ice-cream café. Small entrepreneurs not associated with ethnic criteria...

No, I didn’t expect any help from them [diaspora]. When we came here we got an advice in opposite to keep a distance from those. And it became so” (Entrepreneur 3).

Another pertinent point about this particular case is that the entrepreneur did not agree with the question about the facilitation of entrepreneurship by governmental institutions. He argued that government does not interfere negatively, and that is already a positive point (entrepreneur 3 discussion 26.08.2013). Entrepreneur number 4 also mentioned a kind of dissociation of herself from the diaspora, especially with Russians who

are doing business in Finland. At the same time here we have present a number of the roles of international diaspora network utilization, as in this particular case the entrepreneur has co-ethnics as suppliers, advisers, employees and as a big share of customers. Returning to the topic of institutional support to boost and sustain entrepreneurship; according to entrepreneur number 4 such support exists. For instance, the *employment support program* was mentioned as positive example allowing the employer to hire people without a significant burden on the company's finances. This positive element of governmental influence was explored later during the discussion and initially the entrepreneur reacted negatively to the question about support from government:

“Is it what you study at university. I support the government by the huge taxes I pay. But for the government supporting me, it is very expensive support. Now we have purchased the warehouse and with support of Finnvera I pay 4% more than the bank loan. So it is not a free support” (Entrepreneur 4 discussion 27.08.2013).

Despite the reaction being initially negative, later it was pointed out that without Finnvera's assistance it would have been impossible to obtain the full amount of bank credit necessary for the new warehouse development (entrepreneur 4 discussion 27.08.2013). Thus, it could be stated that governmental support played an important role in this business. Of course, based on the reply it can also be concluded that in this case governmental support in comparison to diaspora support, plays a vital role, even if government appears to be rent seeking in the eyes of the entrepreneur. Overall we can see vivid elements of diaspora and governmental support in entrepreneurs' business at different stages and levels. In the final example of the current study, ethnic entrepreneur number 5 had an absolutely different model of business when compared to the others were interviewed. If in previous cases we could roughly generalize by saying that entrepreneurs had a choice in terms of suppliers' and customer targeting, here the entrepreneur had absolutely no choice. And so, according to the entrepreneur, the diaspora had no chance to play any role in his business. From the beginning of opportunity exploration and exploitation the entrepreneur was guided by Finnish friends who had told him about this possibility for self-employment and had given advice. At the stage where the entrepreneur needed money to start his firm, he received it from a bank with the help of Finnvera. The entrepreneur said the following about the business climate in Finland and governmental support:

“I believe that in Finland government support for private entrepreneurship is very good. They have a system of establishing small companies and working for oneself. Finnish government does the best towards it. I found later that it is even possible to receive start capital, not under loan conditions, at the very beginning of company estab-

lishment. In Finnvera, there is no exact system. When you apply there you need to persuade the agent you are talking to that your idea is unique and profitable, and the agents there are very experienced. So it depends on the opinion. However, it is government fund, so if the company would not develop they would not force to return the money. It is not a bank system so that to pay loans forever. Fortunately for my company, I have paid already all loans, so the company does not have any outstanding loan for now” (Entrepreneur 5).

Overall, entrepreneur 5 was very satisfied with the level of governmental support; it was also noted that if his company needed additional money for growth in future he would apply to Finnvera again. Despite having no diaspora roles in his business, the entrepreneur stays in contact with co-ethnics and expressed confidence that co-ethnics would definitely assist him with advice if they had knowledge about his sphere of business. In addition, entrepreneur number 5 guaranteed support on his part to other co-ethnic’s if they were to approach him for advice and assistance (entrepreneur 5 discussion 28.08.2013).

Even though this research is not an attempt to find evidence of diaspora network utilization by every ethnic entrepreneur it was assumed that common ethnicity, social status of immigrants and the possible lack of integration into non-ethnic society could facilitate their unification with and utilization of diaspora networks in early stages of the business. An examination of the abilities of diaspora networks, its roles in the business life of ethnic entrepreneurs gives us an interesting picture. It quickly becomes clear that the ethnicity of entrepreneur is not that strong a determinant of the diaspora role in his or her businesses. In contrast, in the current era of globalization and integration of immigrants into Finnish society, these immigrants clearly have the ability to receive finances from governmental financial institutions and banks. Still, the type of the business, the entrepreneur’s personality and the size or capacity of the diaspora might be considered as additional determining factors. Based on the interviewed entrepreneurs’ experience, it could be concluded that diaspora and governmental support have interpenetrating meanings for ethnic entrepreneurs.

Information necessary for opportunity exploitation is available through generally accessible channels, just as it is from co-ethnic friends. Although in some cases diaspora financial support might be an option, finance remains mostly the prerogative of official credit organizations and banks. Based on the results obtained from of empirical research it could be stated that the main influence on the decision to and necessity to utilize diaspora facilities, could be the type business in which the entrepreneur operates. Also, in some cases the experience of the entrepreneur in particular business fields and his or her willingness to cooperate with co-ethnics could determine the final form of the relation-

ship between the ethnic entrepreneur and the diaspora. To sum up, it is important to mention that diaspora networks and governmental support are two separate issues, which are neither direct rivals nor completely overlapping, both have something that might be utilized by ethnic entrepreneurs as a catalyst for business growth.

5 CONCLUSIONS

This section concludes the study by combining empirical findings together with theoretical discussions. The first part of this section re-introduces and concludes the theoretical discussion regarding role of diaspora networks in opportunity exploitation by ethnic entrepreneurs in Finland. The second part of the section deals with managerial implications of the study. With the assistance of the managerial implications ethnic entrepreneurs, entrepreneurial policy makers and managers of official organizations directly or indirectly involved in cooperation with ethnic entrepreneurs can improve their understanding of the businesses of ethnic entrepreneurs in Finland.

5.1 Theoretical conclusion

The purpose of this study is to identify how ethnic entrepreneurs in Finland use diaspora networks for opportunity exploitation and estimate how significant are diaspora networks in comparison with governmental or official institutional support. It has been suggested that through a comparison of the theoretical (see page 58) and empirical (see page 91) grids we can discover international practices and compare these to the experience of the ethnic entrepreneurs interviewed in Finland. Moreover, from the context of interviews we can underline the importance of governmental and other official institutional support and provide a theoretical contribution and practical implications for the interested parties, such as ethnic entrepreneurs and governmental organizations dealing with immigrants' policy and the facilitation of entrepreneurship in Finland.

Based on the results, it appears that the international experiences of ethnic entrepreneurs and their relationships with diaspora networks are mainly relevant for ethnic entrepreneurs in Finland. In order to overcome business challenges and achieve greater competitive advantage ethnic entrepreneurs can utilize diaspora networks. One of such essential challenge to business where diaspora networks help is in overcoming the lack of **information** which ethnic entrepreneurs can access. Besides the insufficiency of language skills, immigrants are often marginalized from mainstream business and networks due to their immigrant status. However, in starting a business ethnic entrepreneurs may require some specific information as to how to register the company, where to apply for credit and what type of business it is feasible to undertake. Based on international experience the literature suggested that diaspora networks in Finland could be the element that assists the ethnic entrepreneur in the attainment of information. Indeed, such information flows exist. However, it is important to mention that basic information about business registration and normative rules are widely available for the entrepreneurs.

Information flow from diaspora networks utilized by ethnic entrepreneurs were mainly related to business type specifics or used as a supplementary asset.

The literature review of this study exemplifies that for ethnic entrepreneurs business **internationalization** with the assistance of diaspora networks could be common and useful as these networks are generally based on the trust and can connect several countries or regions. Diaspora networks can assist in overcoming bureaucratic barriers and provide reliable contacts of potential buyers, suppliers or other forms business partners. Such assistance from the diaspora side was observed among those ethnic entrepreneurs in Finland whose type of business was involved in international trade. For example the diaspora was a factor that initiated trading in neighbouring Nordic markets. Moreover, ethnic entrepreneurs in Finland are part of a transnational diaspora network providing specific market knowledge to network members. The transparency of boundaries in Europe is another factor contributing to the creation and sustenance of transnational diaspora networks. The role of diaspora in the business of ethnic entrepreneurs as a **human resource** was, based on the theoretical part of this study, a clear and straight forward benefit for ethnic entrepreneurs and their co-ethnic customers, through for example cost cutting, trust and cultural proximity. The findings in this regard tend to confirm the results shown in the theoretical review. Even though there was no clear evidence of special trust towards co-ethnic employees, such factors as cost cutting and cultural proximity did lead to the entrepreneurs favouring the employment of co-ethnics or family members. Targeting of customers is another point contributing to the decision of ethnic entrepreneur to utilize the diaspora network as a source of human resources.

One of the literature perspectives highlighted that a goal of ethnic entrepreneurs is to create a business that will be aimed at the diaspora as a market for the products and services provided by the ethnic entrepreneur. The literature stated that preferences and tastes of this market are known by the ethnic entrepreneur and so, it could be easier to satisfy customers. Moreover, ethnic suppliers can also facilitate in the protection of the segment from outsiders. Although there was limited evidence that such a trend exists in Finland, it was concluded in this study that one of the crucial points in the formation of such "**protected markets**" and the utilization of the diaspora network as **suppliers and customers**, is the size of the diaspora living in the host country. Even if the Russian ethnic group could be considered to be one of the biggest non-native ethnic communities; Russian ethnic entrepreneurs try to avoid overconcentration on their co-ethnic customers and try to attract the native populations too. Similarly, other ethnic entrepreneurs in Finland realized first that the size of the diaspora is not big enough to maintain the business and second, treating the entire population as customer's leads to potentially bigger market share. Suppliers in their turn could be co-ethnics. However, these suppliers should need not necessarily be located in country of origin. The common market of the European Union is an additional consolidating point for ethnic entrepreneurs.

The literature section of the study provides other options for the utilization of diaspora networks, such as the possibility to receive access to **technology** and **finance**. There are international examples of the creation of ethnic professional unions and organization which are supposed to share knowledge and technological know-how between co-ethnics. However, the scope of the present study did not find any such activities, nor technology sharing between ethnic entrepreneurs and other diaspora members in Finland. In part this lack of confirmatory findings can be explained by the types of businesses of the ethnic entrepreneurs interviewed. Nevertheless, the ability of co-ethnics to contribute financially to the business of ethnic entrepreneurs was confirmed. However this ability was not discussed positively by the ethnic entrepreneurs who primarily rely on own savings, banks and other official credit organizations. These organizations are in their turn able to sufficiently support entrepreneurs with additional external finances. Moreover, the entrepreneurs did not mention any signs of discrimination in obtaining external finance from banks or from Finnvera. These official credit organizations were the first choice of ethnic entrepreneurs needing external finances for start-up or business growth.

Within this study there were some positive and negative examples of non-diaspora support of ethnic entrepreneurs in Finland, which help to estimate the **significance of diaspora support** in comparison to governmental support or the assistance of official organizations. Provision of ethnic entrepreneurs with finances at early and later stages of opportunity exploitation is one of those positive examples, which was highlighted by ethnic entrepreneurs. It is also important to mention that ethnic entrepreneurs arrived from different countries where the *Index of Economic Freedom* might be not as high in comparison with Finland and the availability of clear and working laws and regulations accepted as a norm was mentioned a positive light. It is important to reiterate that in the financing of ethnic businesses, none of the ethnic entrepreneurs tried to use the diaspora as a financial resource even though in one example this was possible.

In addition, the facilitation of entrepreneurship through the providing to immigrants of certain business services by organizations such as Potkuri can be considered as another example of how official institutions can assist in increasing the of number of the self-employed. At the same time, the overconcentration of such organizations on certain types of business, while ignoring other types considered as not relevant, may be considered as something to change. In many cases ethnic entrepreneurs have small scale and low margin businesses, but, importantly, these businesses allow them to employ themselves and relatives, decrease social tensions and the unemployment rate in the host country. In speaking of employment it is important to mention the ability of the interviewed entrepreneurs to hire more people under a government supported internship program, where the social services share the salary cost of employees reducing the burden

of employment on small firms. However, it appears that governmental and official support and the assistance of diaspora networks are not competing service providers in the life of ethnic entrepreneurs. Moreover, neither diaspora nor governmental and other official organization dominate. Instead, availability of both forms of support and their mutual penetration could positively improve ethnic entrepreneurs' wellbeing.

As this study has more explorative and of an introductory nature, all propositions and findings need to be tested and verified. One of the key results of this study could be the theoretical grid (see page 58), and empirical grid (see page 91) which exemplify the different roles of diaspora networks in opportunity exploitation by ethnic entrepreneurs internationally and in Finland, respectively. Comparisons of these two grids provide additional understanding of overlapping international and Finnish practices of the utilization of diaspora networks by ethnic entrepreneurs.

5.2 Managerial implications

The study provides insight into the practices of ethnic entrepreneurs, that could be useful not only for other ethnic entrepreneurs, but also for policy makers and managers involved in cooperation with ethnic entrepreneurs in Finland. Based on the study results it appears that ethnic entrepreneurs can utilize diaspora networks in many ways and at many levels. The diaspora can play a positive and, in some cases, crucial role in the internationalization of ethnic entrepreneurial firms. To utilize diaspora in internationalization, ethnic entrepreneurs need to be informed about diaspora organizations and business unions in other countries. Co-ethnics in other host countries can assist the ethnic entrepreneur in overcoming bureaucratic barriers, help them obtain competitive advantage and increase the turnover of the company. In addition, if the entrepreneur is a part of an international business network they can also receive information about possibilities in third countries. It is important to note that even if the ethnic entrepreneurs' business is not internationally orientated, the entrepreneur can still use diaspora networks as a source of business related information inside the country of residence. In situations where the ethnic entrepreneur has a lack of language knowledge, an additional information channel that could potentially be better understood might play significant role for the business.

The characteristics of diaspora human resources could be useful for ethnic entrepreneurs if these resources have certain needed skills and knowledge; indeed, it helps employability if the co-ethnic prospective employee is bilingual making them a valuable hire to many ethnic entrepreneurs. Similarly, certain professional skills and their combinations dominate in the decision of ethnic entrepreneurs to hire someone. When talking about diaspora as a market for ethnic entrepreneurs, it seems that the size of diaspora

plays an important role. Basically, highly segmented businesses directed towards the diaspora as target customers and requiring specialized diaspora suppliers need to take into consideration amount of co-ethnics, their purchasing power and the availability of well-established suppliers. The size of the diaspora is one of the crucial elements of the success of such businesses. Based on the results of the study it can be stated that the primary sources of finances are own savings and institutional credit organizations such as banks and Finnvera. Better communication by credit institutions and publicized examples of successful entrepreneurship by immigrants may create a possibility to enhance the amount of potential entrepreneurs while further promoting self-employment among immigrants.

Table 5 Empirical grid on diaspora networks resources utilized by ethnic entrepreneurs in Finland

| Entrepreneur | Business Type | Information | Finance | Access to technology (knowledge spillover) | Human Resources | Internationalization | Customer, Supplier, Market |
|----------------|--|-------------|---------|---|-----------------|----------------------|----------------------------|
| Entrepreneur 1 | International trade (retail and wholesale) | ◆ | | ◆ | | ◆ | |
| Entrepreneur 2 | Cafe and restaurant business | | | | ◆ | | |
| Entrepreneur 3 | Retail (Souvenir store) | | | | ◆ | | |
| Entrepreneur 4 | International Trade (Wholesale and Distribution) | ◆ | | | ◆ | ◆ | ◆ |
| Entrepreneur 5 | Post Delivery Service | | | | | | |

6 SUMMARY

This section combines the theoretical framework based on academic literature with the results of the empirical research conducted during this study. To begin, in order to draw a complete and trustworthy conclusion, it is necessary first to summarize the main topic of the study and introduce the theoretical determinants of the thesis. To understand the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs in Finland it is essential to draw a general picture of such phenomenon as diasporas, networks and ethnic entrepreneurship.

The sub-objects of the study were defined and theoretical understanding of ethnic entrepreneurs and diaspora phenomenon was shaped: Derived from international academic literature are examples of cooperation and connections between ethnic communities and ethnic entrepreneurs that to some extent overlap with diasporas and ethnic entrepreneurs in Finland. With respect to diasporas it can be stated that this phenomenon has multiple implications in academic disciplines. Beginning with a historical study by Safran (1991, 83–84) and historical and anthropological attachments in a study by Gorman (2011, 635), the diaspora phenomenon has some aspects to consider in the political and economical relationships of host and home countries – this is further elaborated in studies by Shain and Barth (2003). From the economical point of view, diasporas can be a source and facilitator of foreign direct investments (FDI) (Wei and Balasubramanyam 2006, 1600–1601) as well as remittance, which can strongly affect not only the well being of the rest of the family, but also the home country economy in general (Vaaler 2011, 1133). Moreover, embedded into the economical aspects of diaspora, ethnic entrepreneurship is other stratum in academic literature. Ethnic entrepreneurship plays a significant role in the integration and employment of immigrants.

Waldinger, Aldrich and Ward (1990) have written one of the fundamental studies on ethnic entrepreneurship, where the authors in collaboration with other scholars, analyzed represented immigrants' enterprises, defined opportunity structure and overviewed general trends in The United States of America and in West European Countries. The authors stated that ethnic entrepreneurs frequently use so-called ethnic resources; moreover, the utilization of these resources might provide entrepreneurs with competitive advantage. In simple terms, these resources are the social network of entrepreneurs' and the ethnic community that in context of this study is understood as diaspora networks. The general social networks theory says that a network is the perfect medium for information flow from one actor or group of actors to another (Granovetter 1973, 1360–1362). By social networks we imply that actors of network are individuals. By saying ethnic or diaspora network, we specify a feature of a group of actors who are interconnected (Ford & Redwood 2005, 650). Following the international academic

literature review, the role of diaspora networks in opportunity exploitation by ethnic entrepreneurs was defined, i.e. the ways diaspora networks can be utilized were discussed. For some types of businesses concentrated for instance on serving co-ethnics, diaspora networks can be vital. For other types of businesses these networks could to some extent be surplus to requirements; a part of the business environment, but not vitally important. International experience and some prior research in Finland provide us with certain examples of the utilization of ethnic networks. Based on international experience, a theoretical section of the thesis was compiled. In this study we discussed only a few of many amenities available for ethnic entrepreneurs through the utilization of diaspora networks. Namely, information, internationalization, human resources, customers and suppliers, access to finance and technology were among those roles that could impact ethnic entrepreneurs' businesses.

In comparison with other Western European countries, in Finland diaspora networks were not highlighted by academics. The recent trends of increased immigration and ethnic communities' growth may increase interest in this topic. Based on the theoretical part of this study, a number of interviews with ethnic entrepreneurs in Finland were planned and conducted. The chain of semi-structured interview questions put to five ethnic entrepreneurs in Turku, Finland. Based on the interviewees' answers the empirical grid was combined and compared with the theoretical frameworks which in turn are based on international academic literature highlighting interconnection of ethnic entrepreneurs and diaspora networks. Interview analyses were divided into two parts. The first part was dedicated to the research sub-question "*How can ethnic entrepreneurs in Finland use diaspora networks for opportunity exploitation?*" while the second part was dedicated to the sub-question "*how significant are diaspora networks in comparison with governmental or official institutional support?*"

Building on the replies of the interviewed entrepreneurs it can be generally stated that the theoretical and empirical frameworks have many overlapping points. Hereby, there is evidence that diaspora networks play similar roles to those identified in international experience. For instance, entrepreneur's number **1** and **4** noticed that they had used the diaspora as source of information for business proposes. At the same time, it was a somewhat surprising result to see that this aspect was mentioned by only two out of five entrepreneurs. Some, such as entrepreneur number **2**, noticed that sufficient personal experience and knowledge allowed them to do without diaspora information channels. Others, as entrepreneur number **5**, regretted that no co-ethnics had any valuable information in this type of businesses to share with co-ethnics. Entrepreneur number **3** gave another negative answer, justifying it by their un-willingness to cooperate with anyone from the diaspora and maximally avoid or minimize contacts with co-ethnics. In the following discussion about the role of diaspora networks in internationalization it is necessary to mention that some ethnic business due to their scale and types do not con-

sider internationalization. However, interviewed entrepreneurs number *1* and *4* reported that international ties with co-ethnics in other countries exist. Moreover, entrepreneur number *4* reported that co-ethnic businesses partners are facilitators of internationalization and providers of serious competitive advantage such as exclusivity rights for certain products in certain territories.

Human resources were another important element of ethnic community participation in entrepreneurs businesses. Excepting those cases where the entrepreneur was the only employee and did not employ anyone, other entrepreneurs used co-ethnics and family member in their businesses. In the case of entrepreneur number *2*, his wife was the only person helping in the café. Despite of the intention of entrepreneur number *3* to avoid diaspora involvement, his employees in the store were co-ethnics. Indirectly it was stated that the entrepreneur employed co-ethnics at the beginning of the business due to a lack of Finnish language knowledge. However, currently only he and his wife are working in the store. Entrepreneur number *4* also used diaspora human resources, but once the business had grown sufficiently large, non-co-ethnic employees were hired. Academic studies conducted in many countries described a phenomenon of ethnic enclaves; populated areas with high concentrations of immigrants, which might belong to one or several ethnic groups. Besides the geographical concentration, an industrial concentration of ethnic firms was also described. Vertical integration of these firms is another phenomenon relevant to the ethnic industrial concentration. In this study the author tried to explore the same or similar phenomenons among ethnic entrepreneurs in Finland. Based on the research conducted among entrepreneurs it could be concluded that for some of them diaspora suppliers and customers play an important role and there is evidence of vertical integration and cooperation of ethnic businesses at the international level. For instance entrepreneur numbers *1* and *4* cooperated with co-ethnics as suppliers and customers. The business of entrepreneur number *2* is rather small to have bulk supply from co-ethnics and entrepreneur number *3* is more comfortable with non-ethnic suppliers. Here we can conclude that for entrepreneur's number *2* and *3* co-ethnic customers are mainly a complimentary asset. At the same time, all of them understand the potential and size of the larger non-ethnic host country market, also, the small size of their diaspora gives them additional reasons not to over concentrate on the diaspora market.

Other aspects of the relationship between ethnic entrepreneurs and the diaspora are finances, technology transfer and knowledge spillovers. These aspects were observed in the academic literature. Moreover, in the theoretical part these characteristics were separately discussed in different sub-sections. However, in the empirical part these features of the relationship were addressed together due to a lack of information received from the interviewed entrepreneurs. Even if some practical information about the specifics of

equipment received by entrepreneur number 4 could be accepted as a knowledge spillover, other entrepreneurs mentioned nothing that could be understood as knowledge spillover in action. Information about financial support was also limited. Despite the possibility to receive finances from diaspora members mentioned by one of the interviewed, none of the ethnic entrepreneurs actually used this possibility. At the same time, the entrepreneurs emphasized the possibility of receiving finances from Finnvera or from banks with the assistance of Finnvera – many entrepreneurs used this opportunity.

A part of the discussions with entrepreneurs was allocated for questions relating to the significance of diaspora networks in comparison to support from government and institutions. The results demonstrate that the significance of diaspora networks in comparison to governmental and official organization support has a number of conditionalities. First of all, it is important to clarify the type of business the ethnic entrepreneur practices. If the business is directed towards diaspora as the market, or use the diaspora as suppliers there is no other option than to accept the involvement of the diaspora as an important element of the business. At the same time, it does not mean that governmental support or cooperation with official institutions are relegated secondary roles for entrepreneurs.

In contrast these two spheres are not competing - they fulfil each other. The second conditionality is the experience of the entrepreneur and the diaspora in the specific sphere of the business. As it was exemplified by entrepreneurs' number 2 and 5, diaspora support was not needed due to sufficient personal expertise and the lack of experience on the part of the diaspora members in this types of businesses. The third conditionality is the willingness of the ethnic entrepreneur to cooperate with co-ethnics. For instance, entrepreneur number 3 noticed that he stays away from the diaspora by purpose. At the same time, he employed co-ethnics at the beginning because of their language skills. Here again we can partly return to the second conditionality. If the entrepreneur has enough skills he could avoid the employment of co-ethnics. Evidently, diaspora support and support from governmental and official organization are not competing notions. It should be noted that the entrepreneurs' were rather positive regarding the support they receive from government and official organizations.

Finally based on the literature review and research findings presented in this study it can be concluded that diasporas have a significant but not decisive role in opportunity exploitation by ethnic entrepreneurs in Finland. Mainly, the role of the diaspora is determined by such factors as type of business, experience of the entrepreneur and diaspora members and the willingness on the part of ethnic entrepreneurs to cooperate. The size of diasporas or of the ethnic business community are factors that also can increase or reduce the role of diasporas in the business of ethnic entrepreneurs in Finland. In conclusion the purpose of the study was achieved through the provision of theoretical

and empirical grids that highlighted how diaspora networks might be used. The elements, governmental support and facilitation of entrepreneurship among immigrants, imply access to external finances and business consultancy. For future research it would be interesting to continue the investigation of internationalization of ethnic entrepreneurs and transnational diaspora ties. Another possible future target for investigation are the business ties of ethnic entrepreneurs in Finland with their countries of origin. This topic would highlight the possibilities for Finnish companies to increase exports to the countries with assistance of ethnic entrepreneurs.

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8 APPENDIX 1

Interview Guide Topics

- Based on what values ethnic entrepreneurs associate themselves with diaspora (National, Religion, Race, Regional)
- Recognition of diaspora network amenities.
- Ways of utilization available diaspora networks
- To what extent ethnic entrepreneurs could rely on diaspora
- Interrelationship between non-co-ethnics (customer, supplier, governmental organizations and etc.) and ethnic entrepreneurs

Interview questions

- With whom do you associate your diaspora? (Region, ethnic group, country, religion, cultural)
- With whom do you associate your diaspora? (Region, ethnic group, country, religion, cultural)
- Where and under which circumstances do you meet with your diaspora (community)?
- What kind of help or support from your community (diaspora) did you expect when you start your business?
- How do you associate your community with your businesses, how often you meet with them?
- Does this role has positive and negative aspects, what more (explain why)?
- Would you say that your community is your customers, suppliers, advisers or something else (Please explain to what extent)?
- How you found your staff when you started your business?
- Who are these people and what criteria you applied when you were looking for them?
- Would you like to keep same practice in future (explain why)?
- How you found suppliers / distributors / customers? Did you used word of mouth?
- Are they your co-ethnics?
- What kind of business ideas or advises you received from your co-ethnics?
- Did you start your business with your own money?
- Who were the people helped you with money to start your business or helped you with money at later stages?

- What kind of business advices you received from your co-ethnics when you started your business?
- In which spheres covered these advices - accounting, market information, legislation, and technology, something else?
- When did your community start to help you (at what stage of the business)?
- Did you ask them to help or this intention came from their side?
- Would you like them to participate more or less in your business? Why and how?
- Could you say that doing business in Finland is good enough supported by government and because of that (community) diaspora support is not so important (explain why)?
- What were the main reasons for diaspora to be supportive (not supportive) to your business?
- Would you say that in other conditions diaspora would be more (less) supportive?
- What are the conditions?
- Who are those people or organizations you will refer first in case of lack of money for your business?
- If they will not be able to help you who are others you can ask?
- Can you say that your community is helpful, not so helpful, or not helpful at all in your business?
- Did you take into account diaspora (community) help when you started your business?
- Do you consider your diaspora (community) important for your business (please explain why)?
- When you just started your business how did your diaspora (community) help you and to what extent?
- Can you say that diaspora (community) met your expectations?
- Do you see your diaspora network as major or more complimentary asset of your business (please explain)?
- Do you see your diaspora in your future business projects or future growth of this project?
- In which role do you see your community (please explain)?
- Name, gender, age, education, place of born, years lived in Finland, previous occupation in Finland and in home country
- Type of business, years of operation, number of employees, location

