Immigrant businesses in Denmark: Captured in marginal business fields?

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Working Paper
2001/1

Abstract

Immigrant businesses are spreading rapidly in most European economies, tending to dominate certain business lines and deprived inner city areas. Denmark is no exception. Relative to population size, immigrants in Denmark today start more businesses than the majority population and some business lines rapidly are being taken over by immigrants. However, according to registry and survey data, most immigrant businesses - and particularly those owned by immigrants from less developed countries in Asia, the Middle East and Africa - are tiny self-employment units in which profits are low and working hours long for the owners. They occupy mainly traditional small firm dominated business lines, which the majority population tend to abandon anyway, and some new ethnic ones. Only seldom do they grow into larger firms and shift to more advanced and profitable business fields. This pattern, however, seems to be slowly changing in that some well-educated first and second generation immigrant groups have the potential to start and run more advanced and profitable businesses outside the traditional ethnic business lines and outside minority dominated inner city areas. Key determinants in this process seem to be owner qualifications, network patterns, financial resources and cross border business relations. Such businesses may "normalise" by integrating into the mainstream economy, but this is not the only option in our global era. They may also seek to exploit their cultural competencies and international outlook to create "two-culture" or perhaps even "multi-culture" businesses which may be more efficient than competing majority owned firms in capturing international trends and operating across borders. This emerging trend, which seems stronger in countries with a longer immigrant business history such as Britain, points to the need to reformulate the present US dominated ethnic business theory, taking more strongly into account that immigrant businesses are often multi-cultural in character and embedded in international relationships.

1. Introduction[1]

Migration leads, usually with significant time lag, to formation of immigrant businesses in recipient countries. In its narrowest sense, an immigrant business may simply be defined as "a firm owned by an immigrant". As such, the phenomenon is interesting only from the point of view of immigrants themselves, opening an alternative route into the economic life of their new societies, and from a quantitative point of view as immigrants may influence the venture creation process in their new economies due to differences in the entrepreneurship levels of immigrants and the majority population. Immigrant businesses are, however, also interesting from a qualitative point of view. They are usually heavily infused with cultural-ethnic elements influencing what they produce, how they are managed, the composition of the staff, how they relate to other businesses, and how they build their international relationships. In other words, they add variation and international outlook to the economy of the recipient country.

Immigrant businesses are not distributed randomly in the economy of the recipient country. They are predominantly small-scale family firms, clustered in specific business lines and urban areas (Waldinger et al. 1990). This reflects the competitive advantages they enjoy in some business fields compared to businesses owned by the majority population. Competitive advantages for immigrant businesses vis-à-vis the market are significant for goods with a significant ethnic component such as clothes and food. This is particularly true in immigrant dense areas where the "home market" provides immigrants with better business opportunities than entrepreneurs from the majority population due to co-ethnic trust and communication mechanisms. However, it also applies to immigrant businesses which in culture loaded fields deals predominantly with the majority population, because these customers may find that they are more convincing and competent producers or traders of such products (Aldrich et al. 1985). Immigrant businesses may also benefit from co-ethnic solidarity and resource mobilization which influences how they get started, with whom they do business, and the way employment patterns are shaped. Immigrant groups often choose to employ and do business with co-

[1] The data presented here are purchased from Statistics Denmark and cover anonymously recorded data on individuals for the total population residing in Denmark. The data can only be analysed at Statistics Denmark and for data protection reasons any net access or other form of redistribution of data is excluded by legal agreement. A deep debt of gratitude is extended to the staff of the Centre for Research in Health and Social Statistics (CRHS) at Statistics Denmark for their professional guidance and letting us use their facilities at Statistics Denmark.

ethnics because trust relations are easier to build up with those of shared cultural backgrounds and because they are, as a group, under pressure from their new society and in need of in-group solidarity in order to cope with that pressure (Zimmer & Aldrich 1987).

Immigrant businesses may thus be defined as *firms owned by immigrants*, whether or not they are run entirely as the majority owned ones or in a different way, while ethnic businesses may be defined as *immigrant businesses with an ethnic dimension*, i.e. as a sub-class of immigrant businesses. In the extreme case an ethnic business is owned and run entirely by people from only one ethnic group, whether as family supporters or staff, located in a mono-ethnic area, produces or sells only ethnic goods, and deals only with mono-ethnic customers and businesses. Naturally, the bulk of real life businesses have only some of these attributes, implying that the ethnic dimension may be shaped in many ways. In the USA, which has dominated the literature in this field, the dominant tradition stresses ownership and staffing as the key parameters, defining ethnic businesses as "any ethnic or immigrant group's self-employed, its employers, their co-ethnic employees, and their unpaid family workers" (Light & Gold 2000: 9).

Added to this definition one often finds spatial criteria, e.g. talking about the Cuban ethnic economy in Miami or the Chinese ethnic economy in New York, reflecting the fact that in the USA, in contrast to Europe, urban space is often divided along mono-ethnic lines. This has given rise to another tradition in the USA, spearheaded by Portes through his studies of Cubans in Miami, on the concept of *the ethnic enclave economy*, which includes business-to-business relationships in the definition, theorizing the fact that an ethnic group sometimes dominates business life within delimited urban space through ownership, co-ethnic employment and business-to-business relations which may lead to prosperity and upward mobility for both owners and employees compared to what they might otherwise find in the secondary labour market of the mainstream economy (Wilson & Portes 1980, Portes 1995). This theory has been questioned on empirical as well as theoretical grounds (e.g. by Waldinger 1993 and Sanders & Nee 1987), but is now commonly recognized as a viable conceptualization, although such prospering ethnic business enclaves are rare, even in the USA (Light et al. 1994). In Europe the concept does not apply at all as urban space is not configured into mono-

ethnic zones. In fact European scholars tend rather to argue the other way round, looking at urban areas densely populated by immigrants as problem areas with low incomes, widespread poverty and low-profit ethnic businesses. Reflecting on the UK literature in this field, Barrett et al. states: "where the enclave concept has been applied at all... it has been represented in an entirely different and negative sense as an ethnic, spatial and sector enclosure, which traps entrepreneurs" (Barrett et al. 1996: 793).

Ethnicity, in other words, seems to be a two-edged sword in business life. On the one hand, it is a useful point of departure for immigrant entrepreneurs, offering the option of resource pooling, and it sometimes, albeit rarely, leads to prospering ethnic business systems in delimited urban space. On the other hand, it may be a trap for immigrant entrepreneurs, who, for a number of reasons, seldomly succeed in making their firms grow, moving out of the immigrant dense areas, or shifting to more profitable business fields. This line of argument seems to apply, not only to delimited urban space, but also to the sectors and business lines in which immigrants tend to crowd their businesses because of low entry barriers and cultural loading. Here, too, immigrant entrepreneurs are easily trapped in low-profit of the economy. On the other hand, it seems likely that, in case they gain sector dominance, they may achieve some advantages, although this seems to be a more rare situation too. The US based literature even argues that immigrants, without ownership as a power basis, may gain a dominating position in specific sectors by becoming majority employees and by controlling hiring mechanisms (labelled "ethnic niche" by Waldinger (1996) and "ethnic-controlled economy" by Light & Gold (2000)).

The focus in this paper is on breaking-out mechanisms vis-à-vis immigrant dense urban areas as well as business lines using the Danish situation as its empirical basis. We want to document (by using registry analysis) that immigrant businesses are generally less profitable than the personally owned businesses of the majority population and, rather, are a reaction to blocked employment opportunities in the general labour market as opposed to being a route to growing and prospering businesses. Further, through a comparison of five selected immigrant groups, studied through registry analysis as well as a survey, we want to trace their different strategies, vis-à-vis self-employment and business development and their resultant ability to make firms grow, re-

structure and relocate. Finally we want to identify determinants that influence breaking-out patterns and potentials, although this will be rather hypothetical compared to other parts of the article.

As our focus is on breaking-out mechanisms we apply the immigrant business concept rather than the more narrow ethnic business one. Our focus is not only on immigrant businesses which succeed in growing on the basis of ethnic characteristics and relationships, but also on businesses which assimilate into the mainstream economy by abandoning ethnic traits apart from that of immigrant ownership.

2. A model of immigrant business breaking-out from marginal business fields

We use the term "field" in a double meaning, referring both to space and business line. In this section we look at some breaking-out experiences from the USA and the UK, which are both far ahead of the development in Denmark, and at a breaking-out model proposed by Ram & Jones (1998).

The USA has a long history of immigrant business formation and breaking-out. The ethnic business literature has not dealt much with this side with its customary focus on ethnicity as the defining parameter and also in reaction to the dominant assimilistic conceptualization. A series of new works touches upon the issue, however, and points in new directions. Reconfiguration of Chinese businesses may serve as an example. Yu Zhou studied Chinese-owned producer service firms in Los Angeles in the accounting, banking and computer business lines, concluding that they increasingly locate outside the traditional Chinatown area, depending on interfirm relationships and the balancing of ethnic and business dynamics, thus combining the ethnic business literature with the literature on industrial networks and territorial agglomeration (Yu Zhou 1998). Other studies of Chinese businesses point to their increasing size and close international relationships. Ong et al. (1994) thus argues that Asians in Los Angeles are increasingly "owners, executives, and investors of major Asian transnational firms that are establishing bases in the U.S. economy. In other words, these Asian immigrants are manifestations of a globalizing economy, in which national boundaries no longer confine business activ-

ity" (Ong et al. 1994: 20). Yeung, studying the globalization of Chinese businesses, supports this view by arguing that overseas Chinese firms increasingly establish global business networks: "Through family, clan and dialect ties, they (Overseas Chinese) have virtually created a "nation" without borders which generates a GDP only fractionally less than that of mainland China" (Yeung 1999: 7). Such global immigrant business networks can be understood as a neglected bottom-up side of the globalization process (Bager 1998, Bager & Rezaei 1999).

In the UK, immigrant businesses have, according to Beckett et al., "moved beyond its pioneering stage, undergoing not only quantitative expansion but also qualitative advance, with some diversification out of its original narrow range of activities, a geographical spread away from the congested ghetto-like inner-city enclaves and a move towards larger-scale firms in some cases (Barrett et al. 1994: 794). A recent study by Basu, encompassing 200 South-Asian owners of medium- and large-sized businesses in Britain, show that these firms have succeeded in growing by "reaching out to attract non-Asian costumers, building international trading links, reducing the reliance on co-ethnic labour, delegating responsibilities to non-family members and investing in employee training" (Basu 1999: 5).

Taken together, these fragments of evidence from the USA, Britain and East Asia illustrate that immigrant businesses sometimes do start to grow, change strategies, and break out of enclaved immigrant areas. Such change seems to take place at the expense of the ethnic character of these businesses. Their rooting in the ethnic community is relaxed, but immigrant ownership is retained, as is often the close trading relationships with immigrant businesses, even across borders.

Ram and Jones have elaborated a model which attempts to capture the market break-out process, suggesting two basic dimensions: local vs. non-local, and ethnic vs. non-ethnic (Ram & Jones 1998). These dimensions have been mapped into four quadrants:

A - Local & Ethnic: Enclosed immigrant businesses, mainly in the retail and service lines, trapped in crowded immigrant dominated areas, serving predominantly immigrants,

B - Non-Ethnic & Local: Growing immigrant businesses in low order retail and service lines, serving the needs of the majority population,
C - Ethnic & Non-Local: Serving mainly immigrants but operating in a wider territory (the city, the region, the nation) such as wholesalers and manufacturers that distribute and produce ethnic goods or goods for immigrant firms,
D - Non-Ethnic & Non-Local: The ultimate breaking-out form, confined neither by customer ethnicity or locality. Encompasses manufacturers and high-order retail, wholesale and services for the open market.

The bulk of UK immigrant businesses are in the A and B positions: relatively few are found in the C and D positions where profit levels generally are higher.

This model seems to capture important sides of the breaking-out process, but is in need of some elaboration. "Ethnic" remains a rather unclear concept in that ethnic identity depends on ongoing social construction processes and in that some people find that they have two or more ethnic identities (e.g. a religious identity combined with the identity stemming from their country of origin, cf. Light's study of the business activities of different religious Iranian groups in Los Angeles (Light et al. 1994). Moreover the concept combines individualistic (identity) and social dimensions (relationship and social action) as well as different market aspects such as the ethnic character of firms in the supply chain and the ethnic content of consumer goods (which also change in the course of time: pizza's are, for instance, no longer seen as Italian food but rather as non-ethnic food of Italian origin). The "Non-Local" category is also ambiguous in that it seems both to refer to the location of businesses and markets and in that the authors talk only about levels within the British national economy while ethnic businesses may well reach out to the international level. But, taken together, the model is a useful departure for studies of breaking-out processes. It points to the need to study the local vs. non-local dimension as well as business line structuring and the shaping of business relationships along ethnic lines. Moreover, there is an in-build firm size dimension in the model, in that position A is predominantly small-scale while position D is predominantly medium- and large-scale.

In the subsequent empirical sections on immigrant businesses in Denmark, we shall therefore look in particular at four dimensions: 1) business line agglom-

eration and dynamics, 2) firm-size structure and dynamics, 3) location of immigrant businesses, and 4) the shaping of immigrant business owners' relationships.

3. Empirical Evidence: Combining Registry and Survey Data

The results are based on two data sources: Registry data and a survey among 279 immigrant business owners in the greater Copenhagen area.

The registry data consists of micro-data on the socio-economic characteristics of the entire population living in Denmark in 1982, 1989 and 1996 and all privately owned firms in Denmark 1992-1996. The database, which is maintained and available at Statistics Denmark, links information from various official statistical registers.

The data includes information on individuals by socio-economic status, place of birth, place of work, age, gender, education, income, source of income, employment, periods of unemployment, tax payments, ownership of house or business, citizenship, date of immigration, date of emigration, date of death, marital status, number of children and a wealth of other variables. The same type of information can also be obtained on parents, spouses and in-laws with the possibility of cross generation information where parents or spouses live, or have lived, in Denmark.

The data also includes registry information about firms, for example, owners' place of birth, citizenship status, date of a firm's establishment, date of immigration (if immigrant), number of employees and their place of birth and citizenship status, turnover, exports, tax payments, business line, number of businesses, level of education, socio-economic status before starting up as self-employed, date of shutdown (where relevant), socio-economic status following a shutdown, and a great many other variables.

In this study we have used a cross-national sample of all immigrants[2] and their descendants[3] (between the ages of 18-59 years) living in Denmark in 1982, 1989 or 1996 and a 5 per cent control group of native Danes.

The registry analysis of firms is based on all immigrant owned ones (with owners in the age group 18-59 years) and a 5 per cent control group of firms owned by native Danes for the period 1992-1996.

For calculation purposes, individual observations taken from the 5 per cent control group have been weighted in order to represent the true distribution across the total population.

A questionnaire survey was carried out to supplement the registry based analysis, e.g. on intra- and inter-ethnic business owner networks which cannot be studied satisfactorily by registry data.

The questionnaire survey response rate was 40.9 per cent (279 respondents out of a sample of 682 business owners, interviewed between November 1998 and May 1999). The sample population was drawn from a total number of 2,329 business owners in 1998, who originated from five selected countries of origin, and were living in Copenhagen and its surrounding suburbs (using individual-based ID numbers). The ID numbers were then combined with the firm's registration at Statistics Denmark. The five countries in question are (in alphabetical order): China (PRC, Taiwan and Vietnam), Ex-Yugoslavia, Iran, Pakistan and Turkey.

The background for the selection of the five groups were as follows. Pakistanis, Turkish and Ex-Yugoslavians were selected because they are the three major groups of immigrants from the late 1960s when labour immigration to Denmark was still possible. An additional reason is the significant difference in the self-employment rate for the three groups, particularly between Paki-

[2] An immigrant is a person who is born abroad and whose parents are of foreign nationality. If no information about the parents exists, and if the person is born abroad, he or she is also considered as an immigrant.

[3] A descendant is a person who is born in Denmark by parents who both are either descendants of foreign nationals or themselves immigrants. If no information about the parents exists, and if the person is of foreign nationality, he or she is considered as a descendant.

stanis and Ex-Yugoslavians who have almost the same immigration history and population size (see appendix A and B). Chinese were selected because they were reputed for having a high self-employment rate combined with a strong specialisation in catering. Definition of the group of Chinese caused problems as data indicated that the majority of respondents registered as born in Vietnam, regard themselves as being Chinese. Registry data analysis have not revealed great differences between respondents coming from Vietnam and China/Taiwan, when it comes to level of education, income, business line structure etc. One exception found, however, is the difference in location of businesses of the two groups (see appendix E, Figures E6 and E7). Iranians we selected because they seemed to have a higher educational level than the other groups and because their self-employment rate has increased significantly during the 1990s (from 10,6% in 1989 to 29,3% in 1996).

All five groups encompasses all immigrants from the selected countries whether or not they have become Danish citizens.

Selection of the 682 respondents was based on a stratification methodology. Initially, 10 business owners were chosen from each combination of business line and national origin. A sample size of 20 represented Turkey, as many immigrants from Turkey are of Kurdish origin, and have different motivations/backgrounds for setting up a business.

The selection was furthermore stratified into twelve business-lines, structured in such a way that business lines with a high share of immigrant business owners were exposed, e.g. splitting service firms into cleaning ones and others.

Finally the survey population was limited geographically to the greater Copenhagen area. This was done due to practical reasons as well as the fact that the explorative study had shown that the only significant difference between the capital and provincial regions of Denmark consists of a time lag in the development of the business structure.

In some cases it was not possible to achieve the desired sample size of business owners.

An analysis of the response/non-response levels for the different immigrant groups and their lines of business showed, based on background data available for both groups through registry data, only revealed insignificant variation which could be explained as a random, non-systematic deviation.

All tables and figures in the paper have been produced by the authors, and are based on either data provided by Statistics Denmark or survey data.

4. Are Immigrant Businesses in Denmark Captured in Marginal Business Fields?

4.1: Comparing Incomes of Self-employed, Wage Earners and Other Categories

Why do some immigrants become self-employed in a society like the Danish where most immigrants can receive welfare benefits? If sheer survival only seldom is the motive, one should expect income aspirations and the desire to be independent of employers to be the key motives, combined with blocked opportunities at the general labour market. In that case it seems reasonable to expect self-employed to earn at least as much as welfare beneficiaries and normally also more than wage earners.

Table 4.1 shows the differences in gross income per capita for the five immigrant groups compared to native Danes and immigrants from other countries. The three columns of the table represents three different socio-economic categories. The "self-employed"-category includes not only owners of family businesses, but also partnerships. The “others” category includes welfare beneficiaries and privately supported people.

The table demonstrates that the expectation of a relatively high income for self-employed is met for the native Danes, but not for the five selected immigrant groups. Wage earners from immigrant groups earn about 70 per cent of what the native Danes earn, because they have more people in lower paid jobs and a higher share of unemployed who, although they are usually covered by unemployment insurance, earn less than wage earners with a job. By international standards this income gab for different groups of wage earners is low. The picture for self-employed is different. The average income of self-

employed from the five immigrant groups is here only about half of that of the native Danes. Moreover, one observes significant variation between the five immigrant groups with Ex-Yugoslavians earning on average about 50 per cent more the Iranians. It is remarkable too, that the self-employed in the five immigrant groups all earn less than wage earners in the same groups. This latter comparison should be interpreted with caution, though, as the incomes of wage earners are easier to control by the tax authorities than those of self-employed.

Taken together, the table demonstrates that it is not on average economically advantageous for immigrants to become self-employed. This impression is confirmed by comparison of the Ex-Yugoslavian and Pakistani minorities which have followed quite different income strategies since about 1980. Pakistanis have increasingly shifted from being wage-earners to becoming self-employed, while only few Ex-Yugoslavians have followed this pattern (see appendix B). This has not resulted in higher incomes for the Pakistani group. On the contrary, Ex-Yugoslavians earn more than Pakistanis in all of the three socio-economic categories.

Table 4.1:
Gross-income (DKK) for Adults (18-59 year old) per Capita by Socio-economic Status and Country of Origin, 1996

	Self-employed	Wage Earner (incl. Unemployed)	Others
Iran	104,565	183,451	90,844
Pakistan	136,640	167,867	71,595
Ex-Yugoslavia	176,507	190,794	83,950
Turkey	114,321	166,345	87,912
China ea.	126,509	181,013	76,587
Denmark	285,242	233,188	95,178
Other countries	189,319	222,590	77,171
Total	277,321	232,340	92,855

Source: Based on Statistics Denmark

4.2. Comparison of Iranian, Pakistani, Turkish, Ex-Yugoslavian and Chinese businesses

4.2.1. Business line structure and dynamics

Table 4.2 shows the number of businesses in the selected business lines for the five immigrant groups.

Only ”privately owned firms” are dealt with in the analyses. All kinds of limited companies are not included as they in principle have anonymous owners. This means that the number of firms is much less than the total number, particularly for those owned by native Danes (N=156,840). Immigrants predominantly use the private ownership form, but an unknown number of immigrant owned or controlled firms are also organised as companies (see also appendix B).

The figures in Table 4.2 shows that there is in each group a tendency towards the concentration of firms in certain business lines. Furthermore, the table indicates a complete absence of Chinese business owners in two of the business lines: “transportation” and “cleaning”.

When looking at the business line "service" a difference between Pakistanis and Ex-Yugoslavians appears. The latter are over-represented here. This business line includes markets with relatively high profits, highly specialised work areas where high levels of skill are demanded, i.e. accountancy, business consultancy, translation services etc. The Pakistani group, however, has the highest representation in the low-profit-margin business line of "supermarkets, kiosks, etc.", which is known for its hard working environment and long working hours. This contribute to explain the income differerences between the two groups shown in table 4.1.

Table 4.2:

Number of Family Businesses (N=168,669), distributed by Business Line and Owner's Country of Origin, 1996

	Iran	Pakis-tan	Ex-Yugoslavia	Turkey	China ea.	Den-mark	Other countries
Restaurants	48 6.4%	14 1.4%	5 1.7%	102 5.8%	48 7.9%	420 0.3%	113 1.5%
Cafeteria, barbe-cues etc.	167 22.4%	21 2.1%	18 6.1%	248 14.1%	189 31.1%	1240 0.8%	276 3.7%
Food & Nutrition	37 5.0%	135 13.7%	13 4.4%	171 9.7%	17 2.8%	940 0.6%	235 3.2%
Supermarkets, Ki-osks etc.	65 8.7%	247 25.0%	15 5.1%	142 8.0%	20 3.3%	560 0.4%	205 2.8%
Special Retail Shops	53 7.1%	31 3.1%	7 2.4%	41 2.3%	22 3.6%	6440 4.1%	466 6.3%
Trade & Agencies etc.	35 4.7%	30 3.0%	19 6.5%	41 2.3%	27 4.4%	5980 3.8%	600 8.1%
Cleaning	1 0.1%	3 0.3%	10 3.4%	11 0.6%	0 0.0%	2120 1.4%	146 2.0%
Transportation	6 0.8%	15 1.5%	12 4.1%	6 0.3%	0 0.0%	3800 2.4%	97 1.3%
Service	71 9.5%	32 3.2%	55 18.8%	80 4.5%	22 3.6%	30500 19.4%	1655 22.3%
Manufacturing	12 1.6%	1 0.1%	6 2.0%	6 0.3%	11 1.8%	4100 2.6%	217 2.9%
Others/NA	252 33.7%	460 46.5%	133 45.4%	916 51.9%	252 41.4%	100740 64.2%	3418 46.0%
Total	747 100.0%	989 100.0%	293 100.0%	1764 100.0%	608 100.0%	156840 100.0%	7428 100.0%

Source: Based on Statistics Denmark

Tables 4.3a to 4.3d, which appear on the next pages, show the results of four multi- and bivariate logistic regression-analyses of business line changes for firms that were in business in 1992 and were still active in 1996, based on quantitative longitudinal registry micro-data. The models are operationalised so that the dependent variable is a binary one: The business line of a business owner's firm in 1992 is compared with the business line of that same person's firm in 1996. If a change in business line has occurred over this period, the value of the dependent variable is set to 1. If no change has taken place, the value is set to 0.

The model used for each analysis (including the independent variables), is shown in the box in the top-right corner of each table.

The odds-ratio values shown in table 4.3a refer to the possibility of a business line change having taken place, given 1) the national origin of the business owner, 2) which business line s/he was in during 1992, 3) the concentration level of immigrants and descendants in business owner's residential area in 1996[4], 4) the increase or decrease in certain economic key figures from 1992 to 1996, and 5) his/her citizenship status in 1996. Models used for tables 4.3b to 4.3d are all extrapolated from the one shown in table 4.3a.

Studying the figures in table 4.3a more closely, reveals that immigrants and descendants from European countries are more likely to change from on business line to another than immigrants from other countries. For example, odds-ratios for Germany is 1.304 and for the U.K. 1.638 whilst those from Turkey, Iran, Pakistan and Lebanon is 0.424, 0.421, 0.356 and 0.409 respectively, with probability levels being high (all probabilities are computed in relation to immigrants and descendants from Sweden, i.e. Sweden is the offset parameter). The extrapolated model in Table 4.3b does not change this picture.

Another look at table 4.3a shows that immigrants and descendants who owned a firm that had an increase in turnover and assets/own capital, also were more likely to change business line (2.295 and 2.622, respectively) than firms that had a decrease in these values (offset). An increase in exports and

[4] A high residential concentration level of immigrant's descendants is said to exist in the top 30 most densely populated municipalities, out of a total of the 275 municipalities in Denmark, with the number of inhabitants between the ages of 18-59 years old totalling above 10,000. The highest concentration levels are found in the greater Copenhagen area.

growth in loaned capital seems to have had a constraining effect on the degree of willingness to change business line.

Finally, table 4.3a reveals that immigrants and descendants who had achieved Danish citizenship in 1996 were 1.325 times more likely to change business line, than those with a foreign citizenship.

Table 4.3c shows that those self-employed who were in the ”other service” business line (odds-ratio: 1.982) and in ”manufacturing” (odds-ratio: 1.268) in 1992 were more likely to be in another business line in 1996, than self-employed in one of the other ten business lines in 1992. This tendency is not only stronger but also more significant for the ”other service” business line (prob-value=0.18) than for ”manufacturing” business (0.69), even though 0.18 indicates a relatively weak level of significance.

The model used for table 4.3d is a combination of those used for table 4.3b and 4.3c; national origin and business lines are both included in this table. When this table is compared with the three others, the figures could be an indication, that national origin and business line in 1992 played a less significant role for business line change, than factors such as the residential concentration level of immigrants and descendants in a municipality, increases/decreases in certain economic key figures, and citizenship status as at 1996. This interpretation is based on the fact that the chi-square values in table 4.3d are relatively lower than those in the other three tables. However, this picture is not a wholly clear one.

Table 4.3a: Logistic Regression Analysis of Business Line Change

Denmark 1992 and 1996, compared (Longitudinal Data)

Table 4.3b: Logistic Regression Analysis of Business Line Change

Denmark 1992 and 1996, compared (Longitudinal Data)

Table 4.3c: Logistic Regression Analysis of Business Line Change

Denmark 1992 and 1996, compared (Longitudinal Data)

Table 4.3d: Logistic Regression Analysis of Business Line Change

Denmark 1992 and 1996, compared (Longitudinal Data)

4.2.2. Firm size structure and dynamics

The majority of immigrant firms are small whether measured by the number of employees or by turnover. According to the figures available, only about 12% of the private immigrant firms has 5 or more employees (see table 4.4), and only some 10-30% of immigrant owned firms have a turnover above 1.000.000 DKK (app. 120.000 US$). Both tables must be read with caution, though, due to the high number of NA values.

Table 4.4

Number of Family Businesses, Distributed by Number of Employees and Owner's Country of Origin, 1996 (N=168,669)

	Iran	Pakistan	Ex-Yugoslavia	Turkey	China	Den-mark	Other coun-tries	Total
None	5 0.7%	23 2.3%	1 0.3%	44 2.5%	12 2.0%	1,920 1.2%	75 1.0%	2,080 1.2%
1	37 5.0%	62 6.3%	27 9.2%	126 7.1%	51 8.4%	11,320 7.2%	346 4.7%	11,969 7.1%
2-4	56 7.5%	112 11.3%	40 13.7%	290 16.4%	78 12.8%	24,080 15.4%	607 8.2%	25,263 15.0%
5-9	53 7.1%	72 7.3%	17 5.8%	179 10.2%	28 4.6%	16,060 10.2%	412 5.6%	16,821 10.0%
10-24	29 3.9%	37 3.7%	13 4.4%	74 4.2%	22 3.6%	10,620 6.8%	288 3.9%	11,083 6.6%
25 or more	7 0.9%	17 1.7%	5 1.7%	15 0.9%	2 0.3%	2,960 1.9%	107 1.4%	3,113 1.8%
NA	560 75.0%	666 67.3%	190 64.9%	1,036 58.7%	415 68.3%	89,880 57.3%	5,593 75.3%	98,340 58.3%
Total	747 100.0%	989 100.0%	293 100.0%	1,764 100.0%	608 100.0%	156,840 100.0%	7,428 100.0%	168,669 100.0%

Source: Based on Statistics Denmark

Table 4.5 shows the distribution of turnover by the country of origin of the business owners. The main result here is that there is significant variation between the five groups. While only 31,5% of the Pakistani owned firms have a turnover below 1.000.000 DKK, about 70% af the Iranian and Chinese

owned firms fall in this category. The results also show, quite surprisingly, that 47.8% of Ex-Yugoslavian business owners have a turnover below DKK 500,000, while the same group have the highest level of gross-income per capita of the five immigrant groups (see table 4.1). This could be explained by high representation of Ex-Yugoslavians in the "service" category. One of the characteristics of this business line is the limited need for a stock of merchandises and goods, with firms being run primarily on the basis of human qualifications. This eventually leads to a lower level of turnover, but a higher profit-margin.

Despite of low levels of turnover and business line concentration amongst the Chinese, this group is able to make incomes in the middle range (see table 4.1). Their long immigration history could be a decisive factor for this ability.

Turks and Pakistanis have the highest levels of turnover. This, however, does not result in higher incomes. Business line preferences could play a significant part in explaining this.

Iranians have low levels of turnover as well as incomes. One important reason is their much shorter duration of stay in Denmark. (the majority arriving in the 1980s, see appendix A).

Table 4.5:
Number of Family Businesses by Turnover and Owner's Country of Origin, 1996 (N=168,669)

	Iran	Pakis-tan	Ex-Yugoslavia	Turkey	China ea.	Den-mark	Other Coun-tries	Total
DKK 0 - 500,000	381	209	140	583	271	39,920	3,290	1,584
	51.0%	21.1%	47.8%	33.0%	44.6%	25.5%	44.3%	36.0%
DKK 500,000 - 999,999	147	103	31	397	158	16,080	762	836
	19.7%	10.4%	10.6%	22.5%	26.0%	10.3%	10.3%	19.0%
DKK 1,000,000 - 1,999,999	84	198	24	308	70	15,620	606	684
	11.2%	20.0%	8.2%	17.5%	11.5%	10.0%	8.2%	15.5%
DKK 2,000,000 - 4,999,999	29	90	7	126	28	15,240	353	280
	3.9%	9.1%	2.4%	7.1%	4.6%	9.7%	4.8%	6.4%
DKK 5,000,000 or more	2	12	3	21	3	7,660	122	41
	0.3%	1.2%	1.0%	1.2%	0.5%	4.9%	1.6%	0.9%
NA	104	377	88	329	78	62,320	2,295	976
	13.9%	38.1%	30.0%	18.7%	12.8%	39.7%	30.9%	22.2%
To-tal	747	989	293	1,764	608	156,840	7,428	4,401
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Based on Statistics Denmark

Figures 4.5a-4.5e show shifts in average turnover by business line during the period 1992-96, based on registry data. Note that a change took place in 1993 in the way Statistics Denmark classified the business lines, splitting some business lines into two or more new business lines.

For Iranian business owners (figure 4.5a), the overall picture drawn is one of stability. The explanation for this could be, as mentioned earlier, their relatively short duration of stay in Denmark.

Figure 4.5b shows a tendency for the Pakistanis to break-out from the traditional immigrant business lines towards the field of "trade, agencies, etc.". The number of businesses in this field remained almost unchanged (25 in 1992

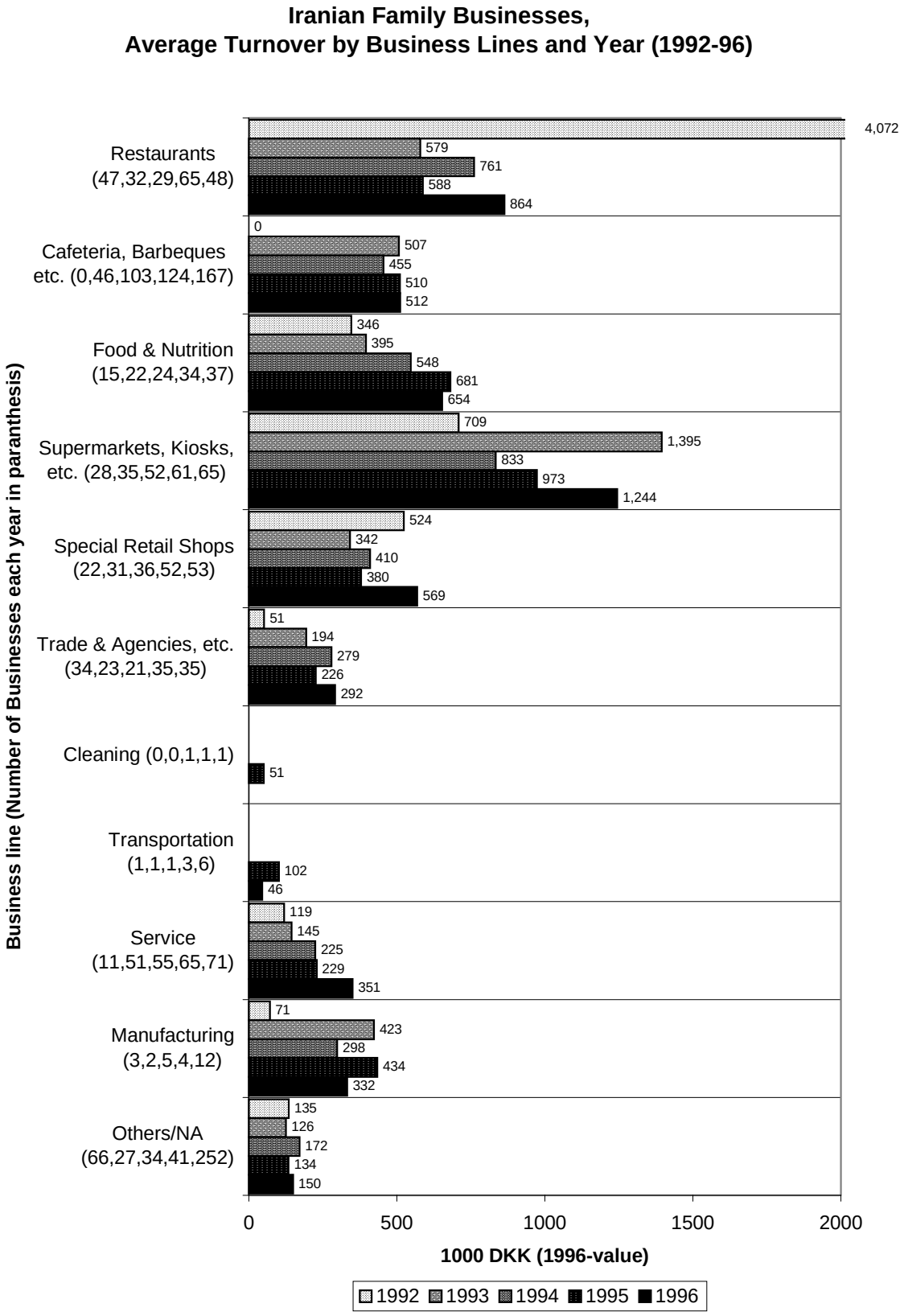
and 30 in 1996), but the average turnover almost tripled during the same period. This might be due to a development of stronger international relations.

Turkish business owners (figure 4.5c) also show indications of breaking-out from the traditional immigrant business fields. The Turks are getting higher levels of turnover in the field of "manufacturing" even by halving the number of firms. For the rest of the business lines, the general picture is one of more moderate increases. For those in the "cafeteria, barbecues, etc."-business, a dramatic increase in the number of businesses has occurred without having a negative impact on the turnover.

Fluctuations in the average value of turnovers is shown in the bars for the Ex-Yugoslavian business owners in figure 4.5d, except for the ones in the "special retail shops" business line. Results here indicate another tendency towards breaking-out. Having an almost halved number of businesses in this business line, the Ex-Yugoslavians have been able to move from an average turnover at DKK 112,000 in 1992 to DKK 1,815,000 in 1996.

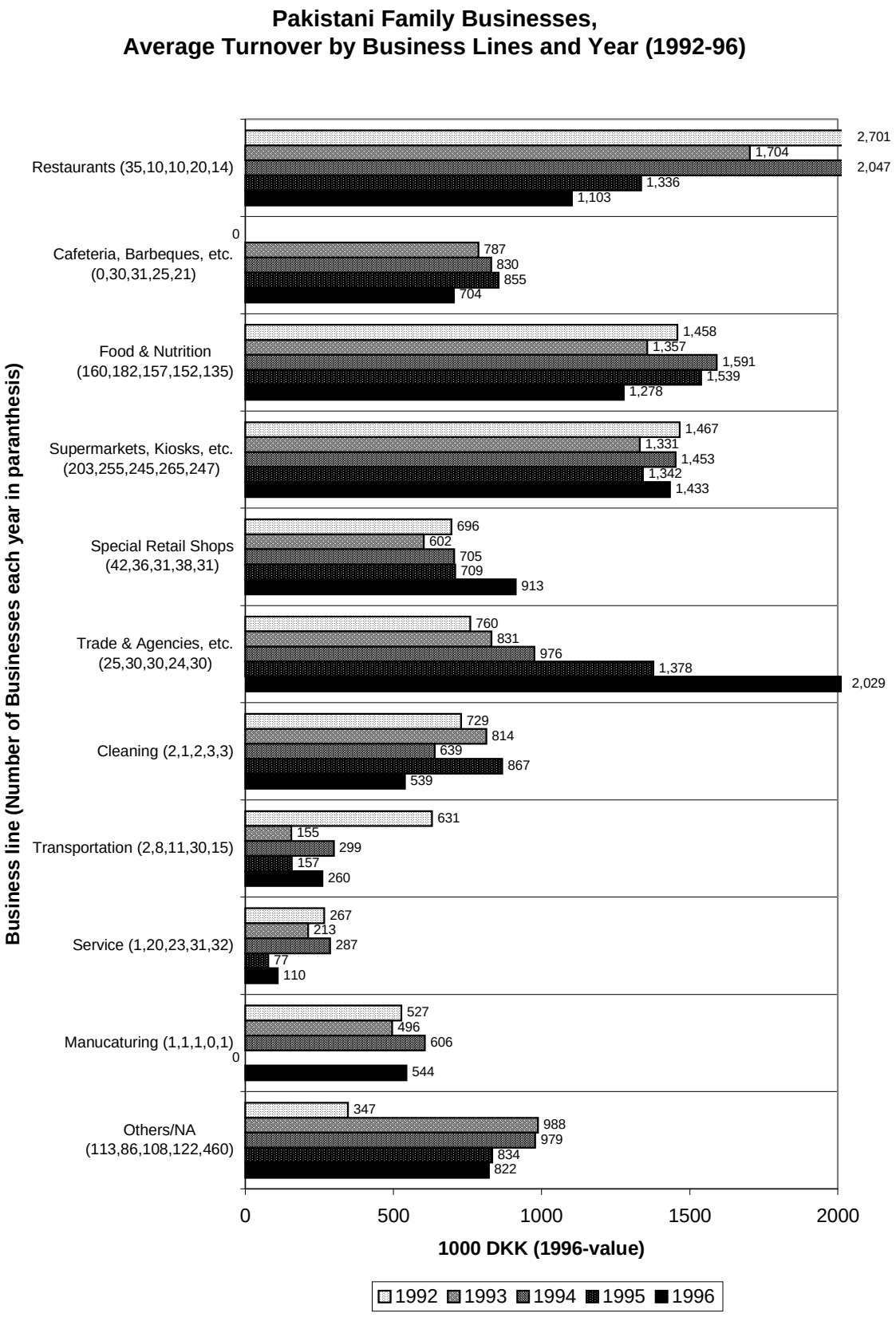
When looking at the Chinese owned businesses in figure 4.5e, the results reveals an inverse proportional interdependency between the increasing number of businesses and the decreasing values of average turnovers, with the field of "food & nutrition" as the only exception. This indicates a sharpened market condition amongst the Chinese.

Figure 4.5a



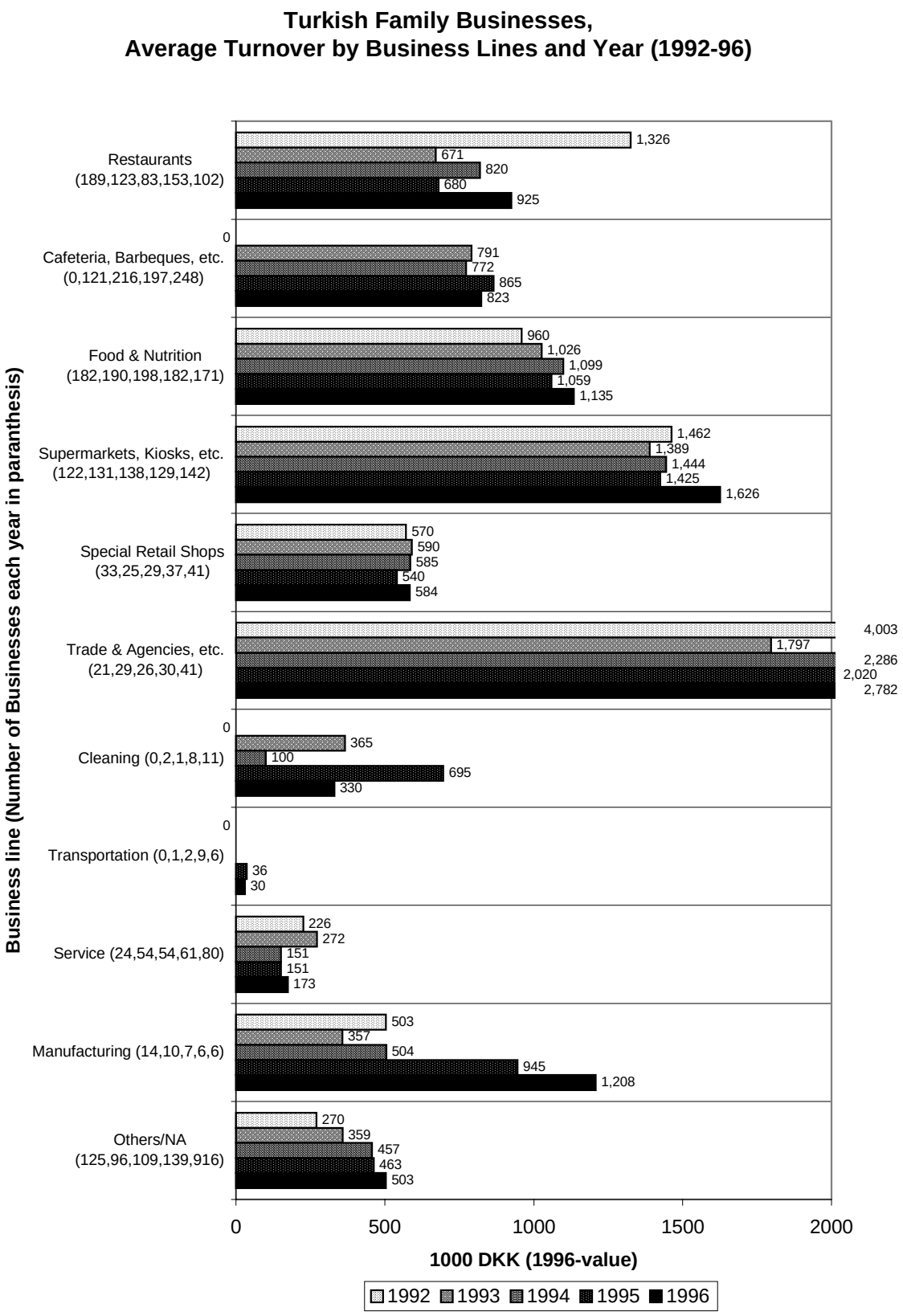
Source: Based on Statistics Denmark

Figure 4.5b



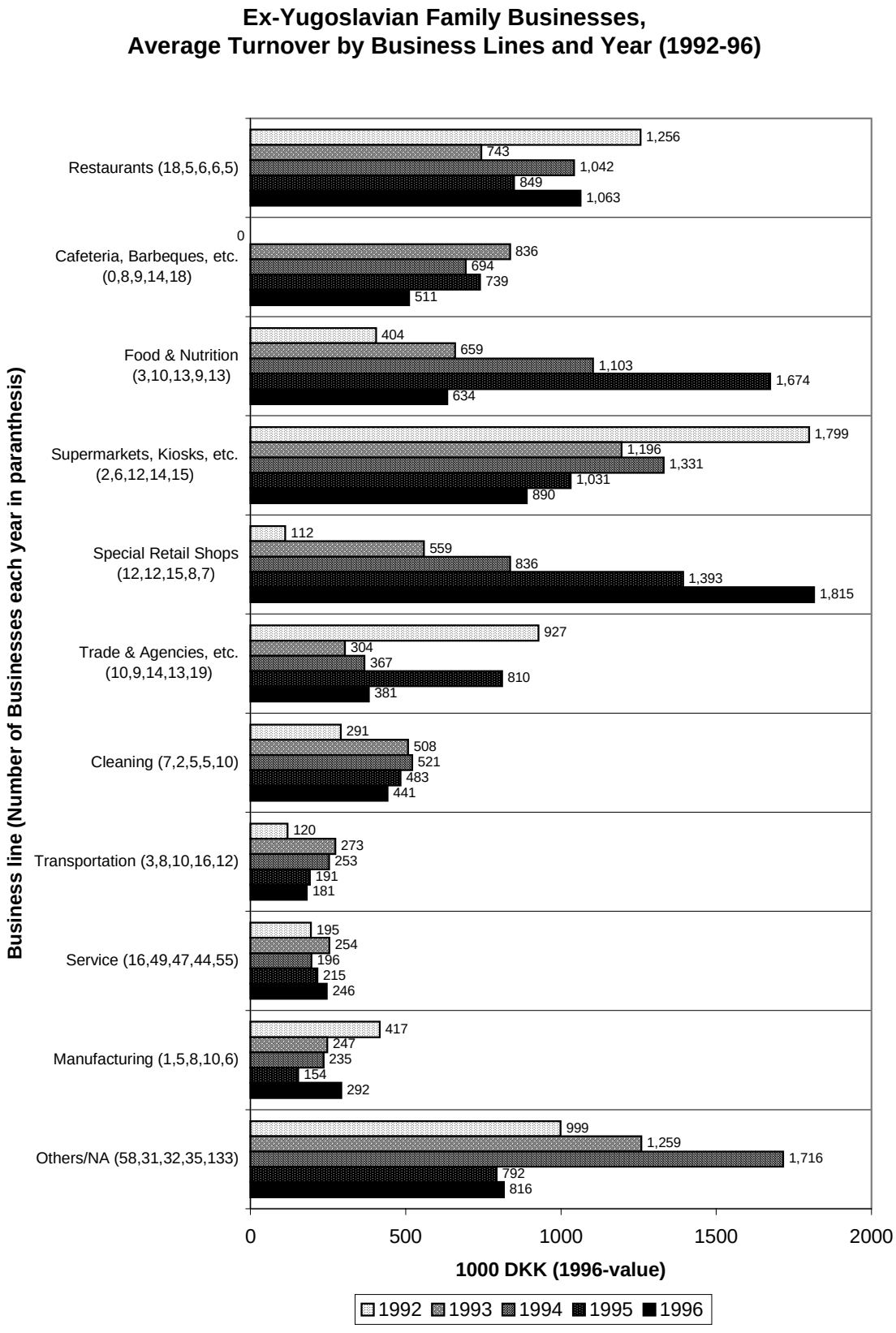
Source: Based on Statistics Denmark

Figure 4.5c



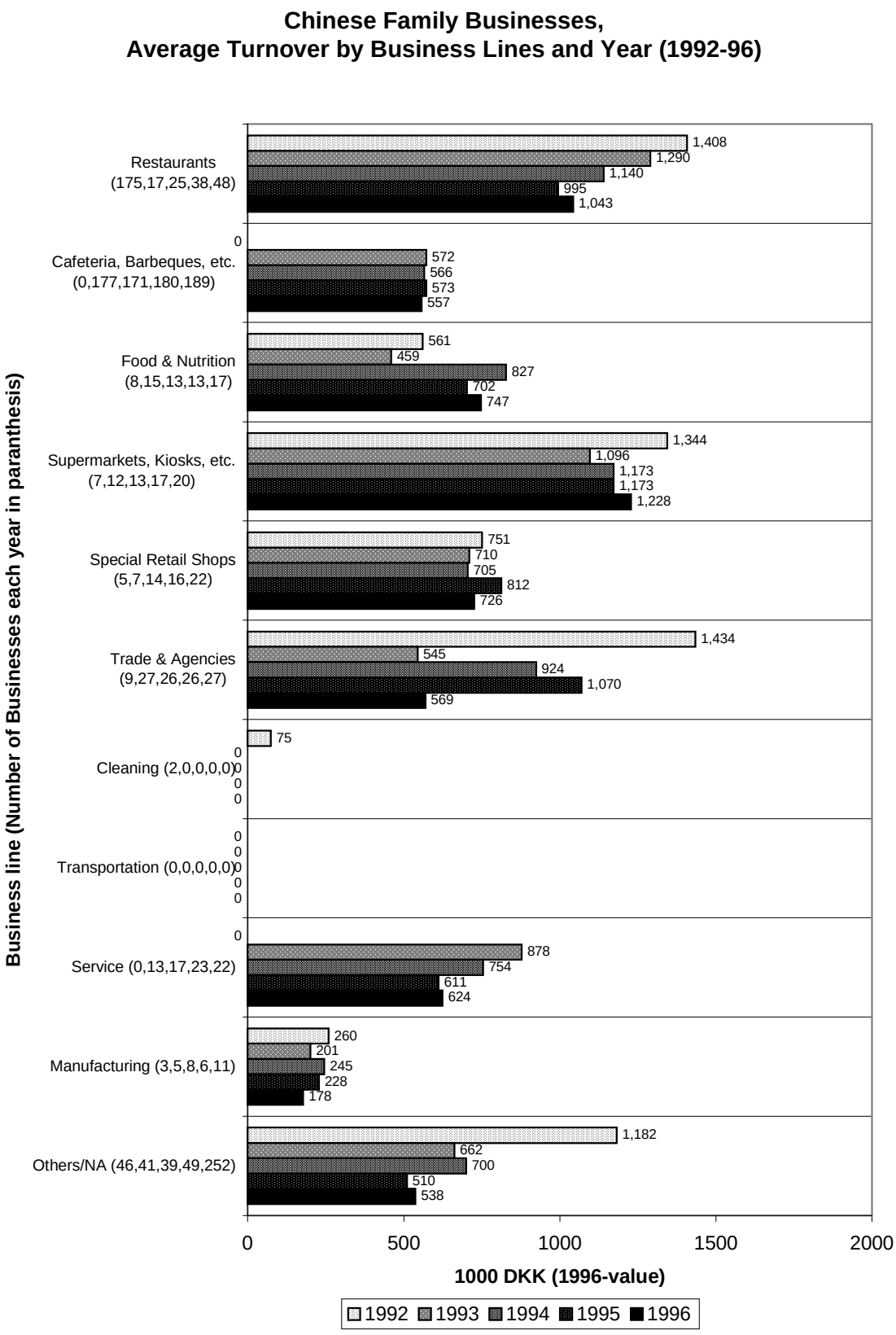
Source: Based on Statistics Denmark

Figure 4.5d



Source: Based on Statistics Denmark

Figure 4.5e



Source: Based on Statistics Denmark

4.2.3. Ethnic background of employees

The formation of immigrant business enclaves in the USA is characterised by immigrant business owners employing mainly co-ethnics. This is clearly not the case in Denmark. Less than 20 per cent of the employees have the same ethnic background as the owners, and the huge majority of employees are native Danes for all immigrant groups. While Iranians employ Danes more often than the other groups, Turks employ more co-ethnic than the other groups.

Looking at the row-percentage-distributions in table 4.6, the differences between the groups of different national origin might be explained by the differences in business line preferences by these groups. Another factor to be taken into consideration is the prevalence of unregistered work taking place, for instance by using family members.

Table 4.6:

Number of Employees in Family Businesses, distributed by National Origin of Owners and Employees, 1996, (N=168,669)

National Origin of Owners	National Origin of Employees							
	Danish		Same as Owners		Other		Total	
Iran (N=747)	2,141	89.2%	134	5.6%	125	5.2%	2,400	100.0%
Pakistan (N=989)	3,274	81.1%	389	9.6%	376	9.3%	4,039	100.0%
Ex-Yugoslavia (N=293)	755	74.6%	153	15.1%	104	10.3%	1,012	100.0%
Turkey (N=1764)	5,066	74.0%	1,262	18.4%	518	7.6%	6,846	100.0%
China (N=608)	1,284	80.5%	247	15.5%	64	4.0%	1,595	100.0%
Denmark (N=156840)	30,983	95.1%	-	-	1,604	4.9%	32,587	100.0%
Other countries (N=7428)	21,372	92.4%	4	0.0%	1,746	7.6%	23,122	100.0%

Source: Based on Statistics Denmark

4.2.4. Geographical location of immigrant businesses

Maps of Denmark showing the geographical distribution of immigrant businesses for the five groups and a map showing the distribution of all "privately owned firms" can be found in Appendix E (1996 registry data, N=168,699).

These maps show that immigrant businesses are located throughout Denmark, with concentrations around the big cities. There are significant variations between the groups of immigrant businesses, however. The group "China" has in this respect been sub-divided into Chinese owned and Vietnamese owned businesses. The difference between these two sub-groups is quite striking with Chinese businesses concentrating in Copenhagen and Vietnamese in the province. Maps for these two countries can be found in Appendix E, Figures E6 and E7, respectively.

Iranians follow the general picture, with businesses located throughout Denmark, and a concentration around the big cities (see Appendix E, Figure E2). This is also the case for business owners from "Other Countries". A map showing this distribution can be found in Appendix E, Figure E8.

For Pakistanis, the picture is quite different (see Appendix E, Figure E3). Their businesses are almost entirely located in the greater Copenhagen area. The sub-group of Chinese business owners has a similar picture to that of the Pakistanis.

The ex-Yugoslavians differ from the other groups by locating their businesses in the greater Copenhagen area and in the municipality of Helsingør in North-Zealand (see Appendix E, Figure E5). Turks follow the general picture with representation throughout the country, but with a tendency of higher concentrations around the island of Zealand (see Appendix E, Figure E4).

Tables 4.7 and 4.8 show some differences for immigrant business located in Central Copenhagen, its suburbs and the province. According to table 4.7 the educational level of immigrant business owners is slightly higher in the suburbs of Copenhagen than in Central Copenhagen, and the share of businesses in traditional business lines is slightly lower. These differences may be understood as a result of weak tendency of breaking-out. Note that the high share of “other education” refer to education taken in other countries, often primary education.

The province is characterised by a high share of businesses in some of the traditional business lines, particularly restaurants and cafeterias, barbecues, etc., but also with a low share in the retailing business lines.

Table 4.7:

Immigrant owned firm (five immigrant groups) by geographical location and owners' level of education level.

	Central Copenha-gen		Suburbs		Province	
Primary Education	672	18.1%	360	21.2%	852	13.6%
Secondary Education	131	3.5%	73	4.3%	205	3.3%
Technical/Practical Education	268	7.2%	159	9.4%	739	11.8%
Advanced Education	300	8.1%	168	9.9%	584	9.3%
Other Education	2341	63.1%	936	55.2%	3880	62.0%
Total	3712	100.0%	1696	100.0%	6260	100.0%

Source: Based on Statistic Denmark

Table 4.8:

Immigrant owned firms (five immigrant groups) by geographical location and business line.

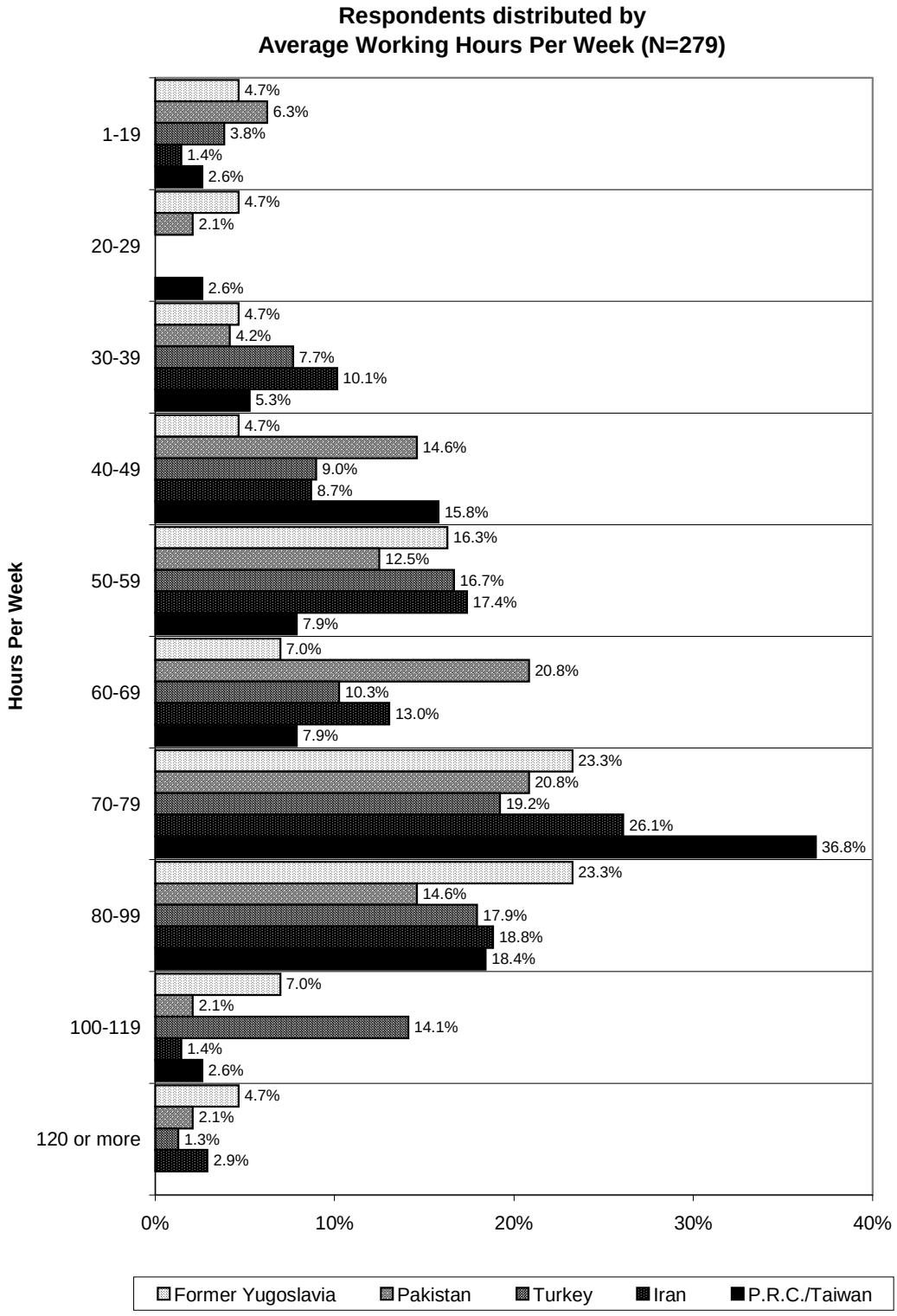
	Central Copenha-gen		Suburb		Province	
Restaurants	220	5.9%	92	5.4%	484	7.7%
Cafeteria, barbecues etc.	432	11.6%	199	11.7%	1126	18.0%
Food & Nutrition	419	11.3%	121	7.1%	249	4.0%
Supermarkets, Kiosks etc.	428	11.5%	143	8.4%	274	4.4%
Special Retail Shops	300	8.1%	84	5.0%	416	6.6%
Trade & Agencies etc.	227	6.1%	130	7.7%	474	7.6%
Cleaning	88	2.4%	45	2.7%	107	1.7%
Transportation	174	4.7%	143	8.4%	97	1.5%
Service	618	16.6%	270	15.9%	861	13.8%
Manufacturing	69	1.9%	31	1.8%	232	3.7%
Others/NA	737	19.9%	438	25.8%	1940	31.0%
Total	3712	100.0%	1696	100.0%	6260	100.0%

Source: Based on Statistic Denmark

4.2.5. Weekly Working Hours

Figure 4.3 is based on survey data. It reveals that when it comes to the average number of working hours per week, there is not much difference between the five immigrant groups. The bar charts also show that long weekly working hours is quite commonplace among the respondents. A week of 37½ hours per week, which is the official norm for an ordinary wage-earner in Denmark, is only found for about 10 per cent of the respondents.

Figure 4.3



Source: Survey Data

4.2.6. Business Owners' Networks

The network relationships of the business owners is a central aspect of the survey investigation. The questionnaire contains several questions covering different kinds of business owner network relationships. Results from the answers of two of these questions are presented in this section.

Figure 4.4a illustrates the distribution of answers to the question: "Who Helped You (Practically, Financially, etc.) With Establishing Your Business?".

Figure 4.4b deals with the question: "Who Gives You Advice When Taking Important Business Decisions?"

These questions are constructed in such a way, that the answers are subdivided into two parts. One part gives the names of individuals. The other part reveals the individual's relationship to the respondent. The respondent is allowed to refer to a maximum of five named individuals.

The method used for generating the basis-data for figures 4.4a and 4.4b consisted of computing the average number of individuals within five categories of relationships. This average can theoretically range from 0 to 5. The maximum observed average is 1.00 (for the Chinese/Relatives cell in the cross-tab of figure 4.4a). The maximum scale value of all diagrams inside figures 4.4a and 4.4b is also 1.00. This scale maximum value has been chosen due to graphical presentation only.[5]

A regular pentagon shaped area indicates a diverse network where no single category of relationships is more important than others. If the point one angle of the shape is sharply skewed in one direction, it means that the category pointed at plays a more significant role.

One example of such a skewed distribution is illustrated in figure 4.4a for Chinese business owners, where two categories of relationships ("Family/Relatives" and "Others from the same country") proved significantly more

[5] Business owner's networks relationships is subjected to more thorough analyses in forthcoming publication by T. Bager, S. Møballe & S. Rezaei.

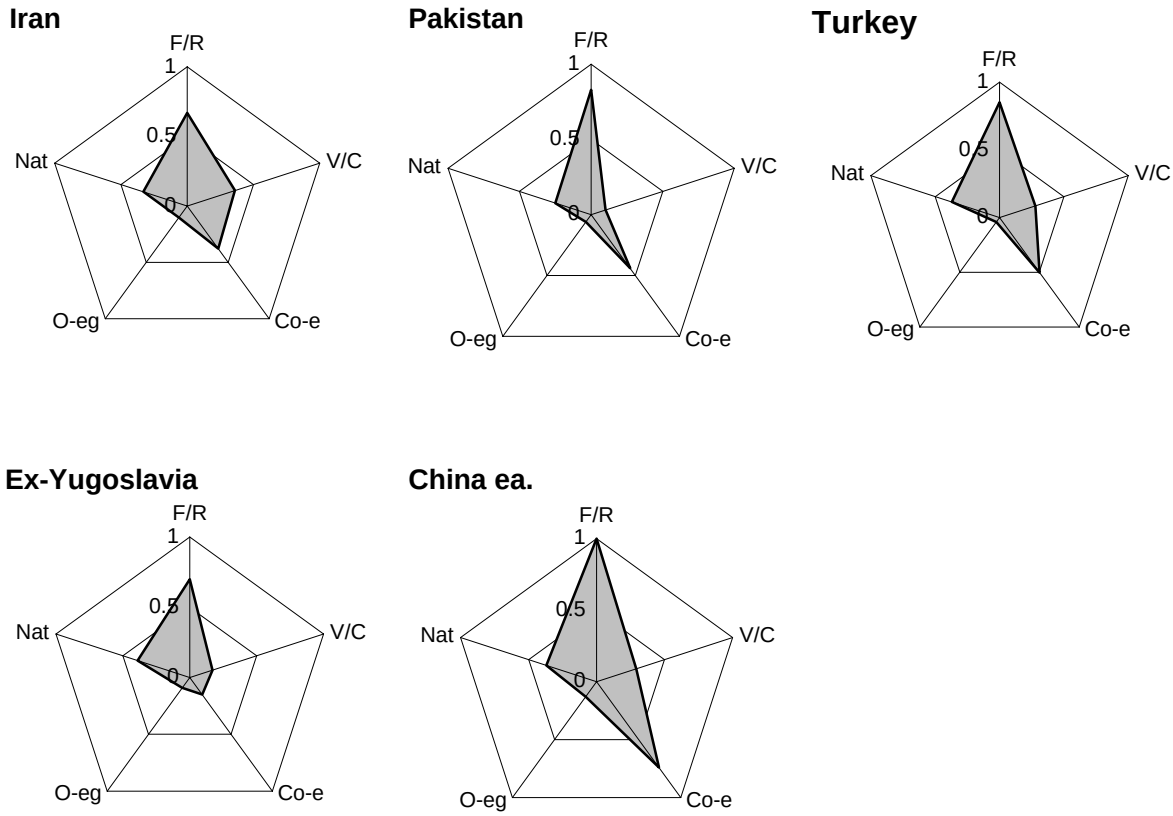
important than the remaining three, when these respondents established their businesses.

Another example is illustrated in figure 4.4b. For ex-Yugoslavians there is a skewness in their network relationships towards Family/Relatives and native Danes, when it comes to getting advice when taking important business decisions.

Out of the five groups, Iranians have the most balanced pattern of relationship, approximating the pentagon shape. Variation between the groups is particularly marked for the first question (table 4.4a) while the shapes are quite similar for the second, probably because all immigrant groups frequently use native Danes (e.g. accountants) when they take decisions.

Figure 4.4a

Graphical illustration of average number of persons in five network relationship categories of business owners (N=279). Based on answers to the question: "Who Helped You (Practically, Financially, etc.) With Establishing Your Business?"

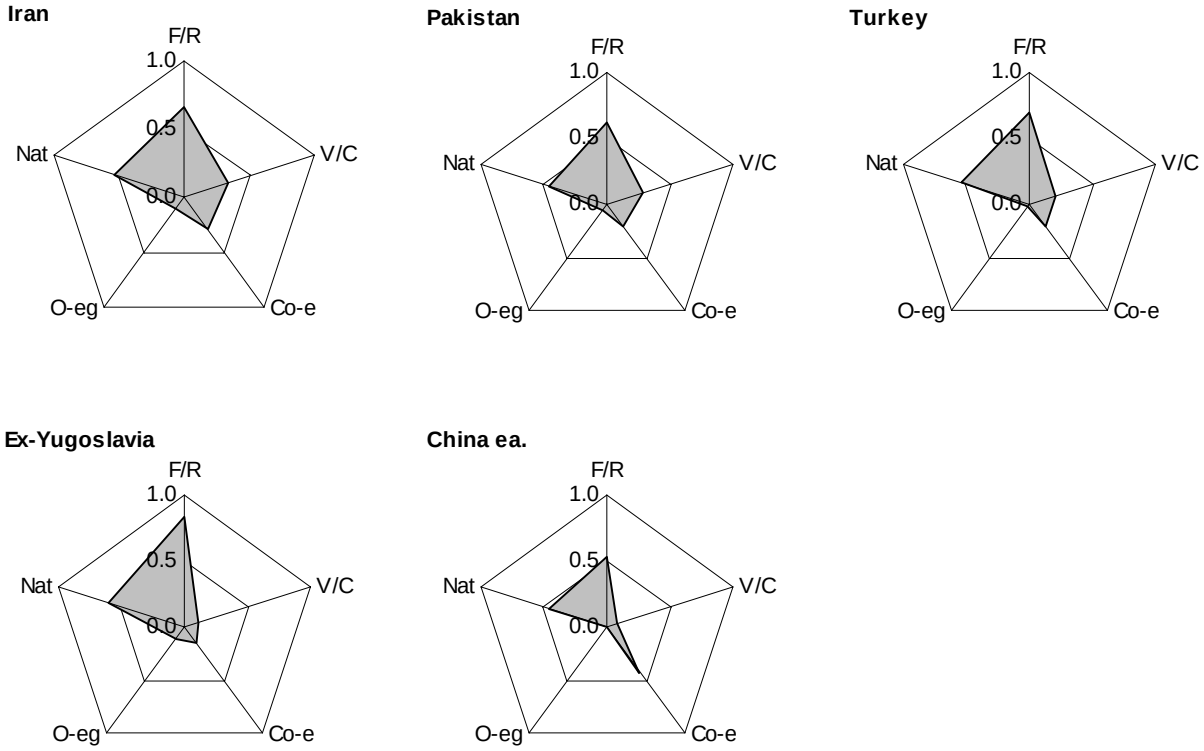


		Ex-Yugoslavia	Pakistan	Turkey	Iran	China ea.
F/R	Relatives	0,70	0,83	0,85	0,67	1,00
V/C	Other (None Relatives) From the same Town/Village in Your Country of Origin	0,17	0,10	0,28	0,36	0,29
Co-e	Others From the Same Country	0,15	0,44	0,50	0,38	0,74
O-eg	Minorities From Other Countries	0,09	0,06	0,04	0,10	0,13
Nat	Native Danes	0,39	0,25	0,37	0,33	0,37

Source: Survey Data

Figure 4.4b

Graphical illustration of average number of persons in five network relationship categories of business owners (N=279). Based on answers to the question: "Who Gives You Advice When Taking Important Business Decisions?"



		Ex-Yugoslavia	Pakistan	Turkey	Iran	China ea.
F/R	Relatives	0.83	0.63	0.69	0.67	0.53
V/C	Other (None Relatives) From the same Town/Village in Your Country of Origin	0.11	0.29	0.21	0.33	0.08
Co-e	Others From the Same Country	0.15	0.21	0.22	0.29	0.42
O-eg	Minorities From Other Countries	0.11	0.06	0.01	0.10	0.00
Nat	Native Danes	0.61	0.46	0.54	0.55	0.45

Source: Survey Data

4.2.7. Business Owners' Financial Network

Table 4.9 is based on the survey showing answers to the question: "How did you finance the purchase of your business? (Make a priority by using 1,2,3,…, depending on the size of the amount used)". Multiple answers are allowed for this question, which means that the column percentages do not add up to 100 per cent. 13 different categories could be chosen, here only three are selected and the most common categories are presented. The three selected categories are: 1. Own saving, 2. Loan in Bank and/or Financial Institutions and 3. Loan or Gift from Family or Friends.

Table 4.9 shows that while "Own saving" is the most frequent source of financing the purchase of businesses owned by these five immigrant groups, "Loan in Bank and/or Financial Institutions" is the least used source, (this is however unlike the native Danish business owners). One of the reasons here could be due to the unwillingness of established banks and financial institutions to take risks in approval of loans.

Table 4.9:

"How did you finance the purchase of your business? (Make a priority by using 1,2,3,…, depending on the size of the amount used) "

	Iran	Pakis-tan	Ex-Yugoslavia	Turkey	China ea.	Total
Own saving	76,8%	83,3%	84,8%	70,5%	68,4%	76,3%
Loan in Bank and/or Financial Institutions	33,3%	39,6%	45,7%	48,7%	23,7%	39,4%
Loan or Gift from Family or Friends	58,0%	54,2%	41,3%	64,1%	71,1%	58,1%
Number of Respondents	69	48	46	78	38	279

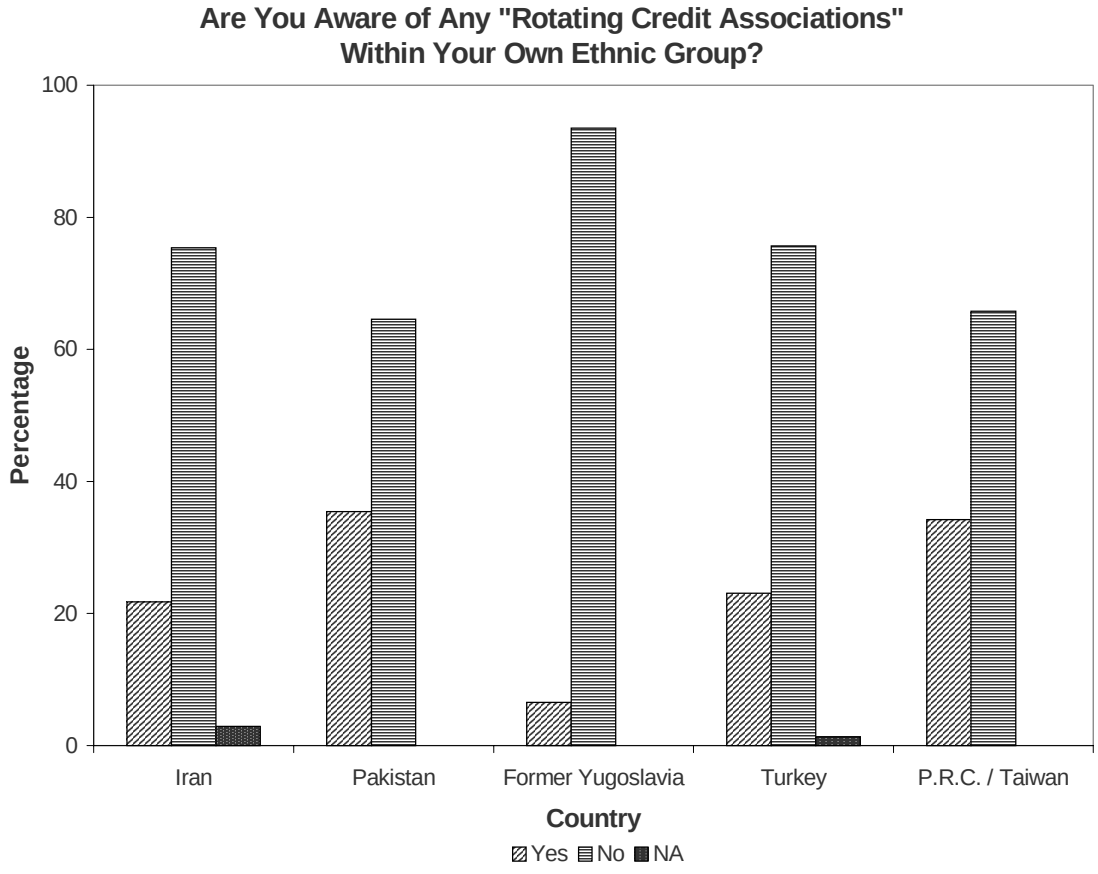
Source: Survey Data

Immigrants lack of financial resources to form businesses can also be overcome through Rotating Credit Associations (Bager 1998). Using the Rotating Credit Associations (RCA's) model enables immigrants to achieve a large sum for investment through collective pooling. Geerts describes RCA's as follows: "A lump sum fund composed of fixed contributions from each member of the association is distributed, at fixed intervals and as a whole, to each member in

turn … Whether the fund is in kind or cash; whether the order the members receive the fund is fixed by lot, by agreement, or by bidding; whether the time period over which the society runs is many years or a few weeks; whether the sums involved are minute or rather large; whether the members are few or many; and whether the association is composed of urban traders or rural peasants, of men or women, the general structure of the institution is the same" (Geerts 1962: 243). Such a model naturally presupposes the existence of trust between the members and some kind of sanctions and back-up system in case one or more members fail to make their contributions. Such trust is often present within families, but the model is also used in a broader way, e.g. by immigrants from the same locality or region in their home countries (Bager 1998).

Figure 4.5 shows the answers to the question ”Are You Aware of Any “Rotating Credit Associations (RCA)” Within Your Own Ethnic Group?”, separating out business owners from the Former Yugoslavia from the others. The Yugoslavians are the most unaware of the existence of this model. This lack of awareness is so common that only 69 out 279 respondents admitted to any knowledge of RCA’s. What is also interesting is that 1.3 per cent of Turkish and 2.9 per cent of Iranian respondents do not deny knowledge of the existence of such associations by answering ”No”, but simply elect not to answer the question. Digressive conversations during the interviews indicate a sensitivity when dealing with this issue. Another phenomenon revealed is the awareness of the existence of RCA’s in the country of origin, except amongst Iranian business owners. This indicates that a process of adoption of new business ideas has taken place after arriving in Denmark and entering its business life. Iranians do not use RCA’s in Iran and some Iranian respondents labelled the model: “The Turkish model”.

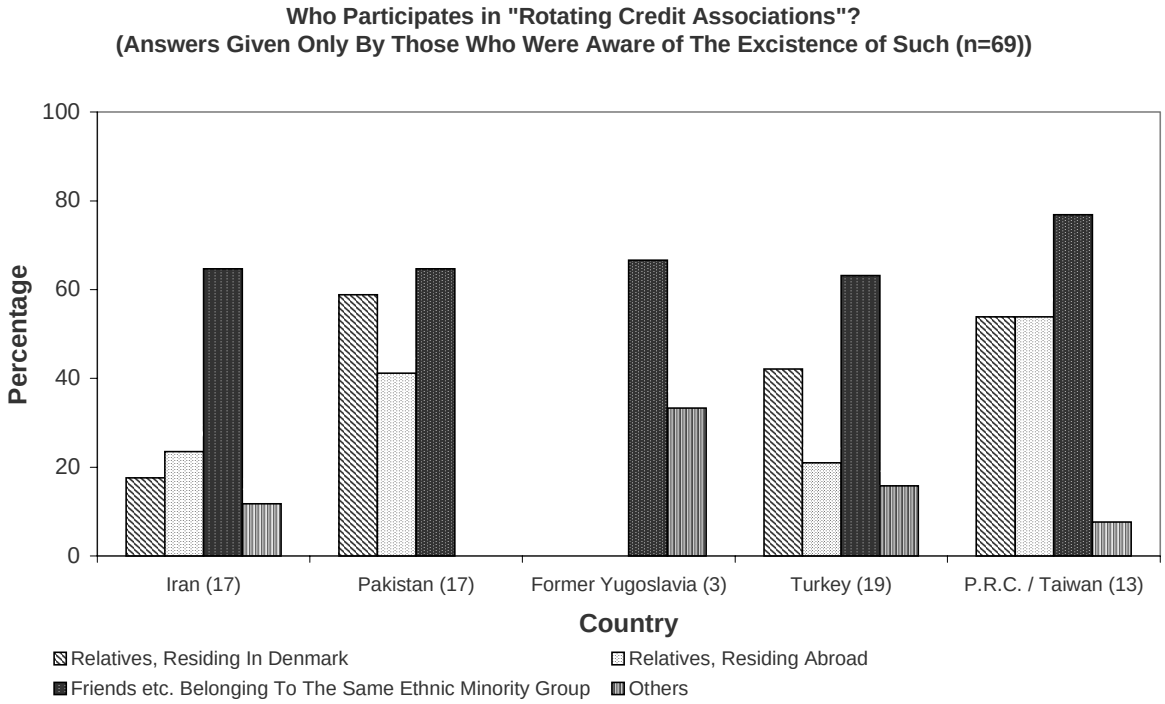
Figure 4.5



Source: Survey Data

Figure 4.6 shows the answers to the question ”Who participates in “Rotating Credit Associations?”, and has been answered only by those who admitted the existence of RCA’s (see figure 4.5), within their own ethnic group. The respondents indicate that “Relatives” and ”Friends and others belonging to the same ethnic group” are the most frequent participants in these networks due to the necessity of existing of mutual trust.

Figure 4.6



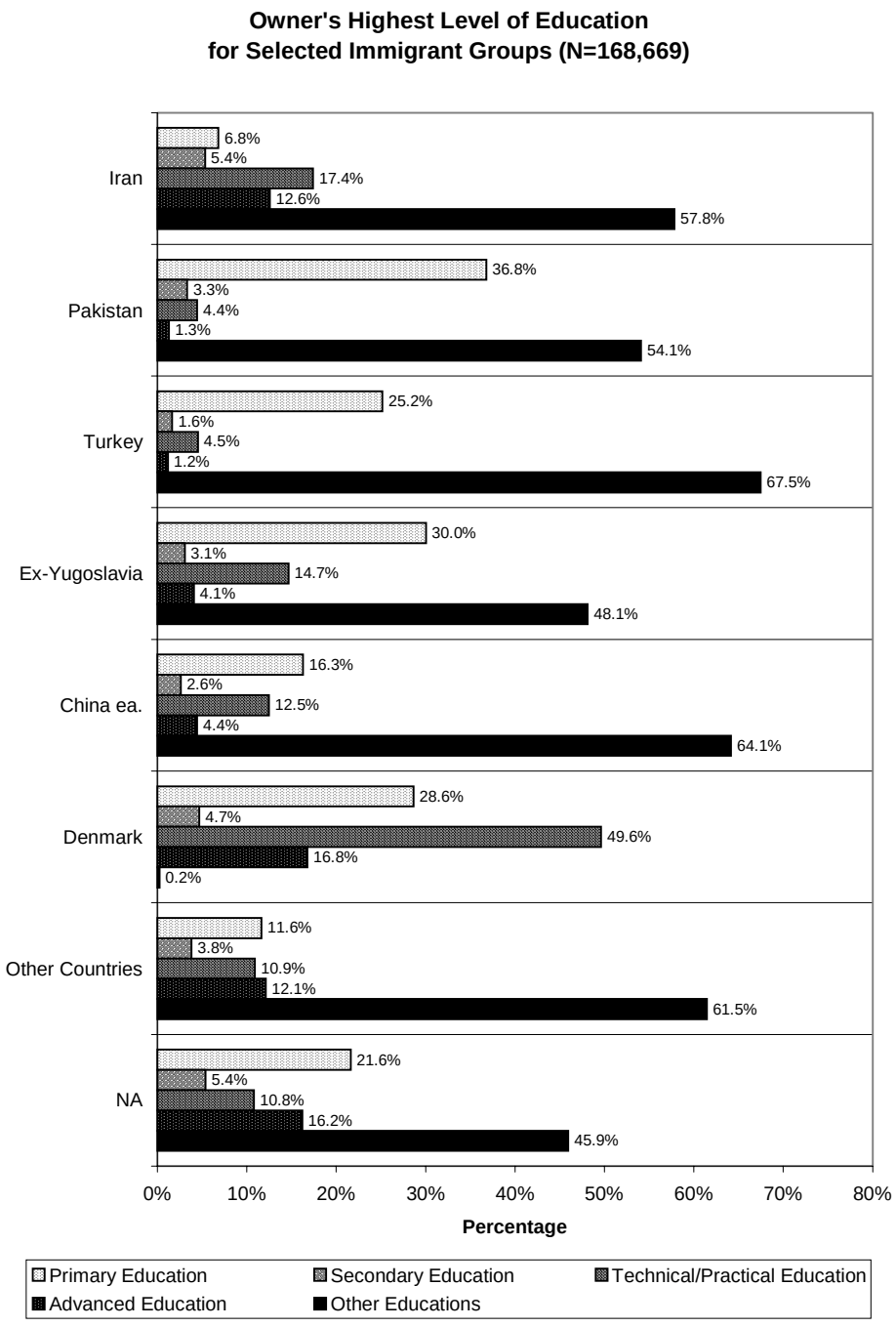
Source: Survey Data

4.2.8. Business Owners' Qualifications

Figure 4.7 shows the distributions of the highest level of education achieved in Denmark by business owner (1996, registry data, N=168,669). The educational achievements of immigrants in their countries of origin are not available in any of Statistic Denmark's data banks, except of being included in the category "other education". This explains the high percentage values of this category for all the immigrant groups. Because of this issue, a question about each respondent's level of education by country of origin has been included in the questionnaire-survey (see tables 4.10-4.11).

Iranian business owners are clearly the most well-educated of the five groups with a much higher share reaching the level "advanced education" and with a much lower share having only "primary education". Turkish and Pakistani have the lowest educational level.

Figure 4.7



Source: Based on Statistics Denmark

Table 4.10 is based on the survey showing positive percentage answers to the question: "What education have you taken in Denmark?". Multiple answers are allowed for this question, which means that the column percentages do not add up to 100 per cent, i.e. the percentage value for each cell is computed through dividing each "count" value by the "number of respondents" value for its respective column.

Table 4.11 has been generated using the same method, but has to do with education undertaken in the respondent's country of origin.

The high percentages in the category "primary education" in table 4.11, is due to the sampling methods of the survey. Only first generation immigrants have been sampled. The table confirms the impression of Iranians as a well-educated group, with a high percentage of advanced education taken in Iran. At this level, however, the Chinese scores even higher, which was not the case in table 4.10.

Results indicate a paradox in that even though the Iranians have benefited from the highest education, the ex-Yugoslavians do better when it comes to the economic results of their efforts (see tables 4.1 and 4.4) - only 1 out of 46 (2.2 per cent) have undergone an advanced education in Denmark, compared to 30.4 per cent of the Iranians.

In spite of a small sample size and high uncertainty levels, it could be assumed that the reason for these figures stems from different labour market opportunities prior to becoming self-employed. One possible explanation could be that Iranians, after having undergone a high education programme in Denmark, were not able to move into the appropriate occupations commensurate with their qualifications. Because of these blocked opportunities they chose a self-employment strategy. Ex-Yugoslavians, however, may have adopted their self-employment strategy prior to considering which Danish education to take. This could mean that their choice of education suits their choice of business line.

The evidence found when studying the migration history of Denmark from the late ´sixties, explains these differences by labour market needs for lower-skilled blue-collar workers, that led to waves of immigration from Pakistan,

Turkey and ex-Yugoslavia amongst others. Since the introduction of the migration-stop in 1973, residence permits have been granted only to refugees and in situations such as family reunion, students exchange and bilateral/multilateral agreements. The inflow of refugees, particularly in the late ´seventies and ´eighties, changed the social composition of national minorities in Denmark. Immigrants from Iran and Vietnam represent these groups (See also appendix A).

Table 4.10:

Positive answers to the question "What type of education have you taken in Denmark?" (Multiple answers allowed)

	Iran		Pakistan		Turkey		Ex-Yugoslavia		China ea.	
Primary Education	2	2.9%	5	10.4%	20	25.6%	8	17.4%	0	0.0%
Secondary Education	4	5.8%	2	4.2%	5	6.4%	3	6.5%	1	2.6%
Technical/Practical Education	26	37.7%	7	14.6%	14	17.9%	14	30.4%	3	7.9%
Technical/Practical Courses	32	46.4%	17	35.4%	26	33.3%	17	37.0%	13	34.2%
Advanced Education	21	30.4%	6	12.5%	7	9.0%	1	2.2%	3	7.9%
Other Education	12	17.4%	9	18.8%	3	3.8%	3	6.5%	8	21.1%
Number of respondents	69		48		78		46		38	

Source: Survey Data

Table 4.11:
Positive answers to the question "What type of education have you taken in your country of origin?" (Multiple answers allowed)

	Iran		Pakistan		Turkey		Ex-Yugoslavia		China ea.	
Primary Education	57	82.6%	26	54.2%	54	69.2%	31	67.4%	29	76.3%
Secondary Education	51	73.9%	16	33.3%	9	11.5%	11	23.9%	17	44.7%
Technical/Practical Education	25	36.2%	9	18.8%	7	9.0%	17	37.0%	13	34.2%
Technical/Practical Courses	7	10.1%	0	0.0%	2	2.6%	0	0.0%	2	5.3%
Advanced Education	16	23.2%	7	14.6%	9	11.5%	5	10.9%	13	34.2%
Other Education	9	13.0%	3	6.3%	3	3.8%	2	4.3%	2	5.3%
Number of respondents	69		48		78		46		38	

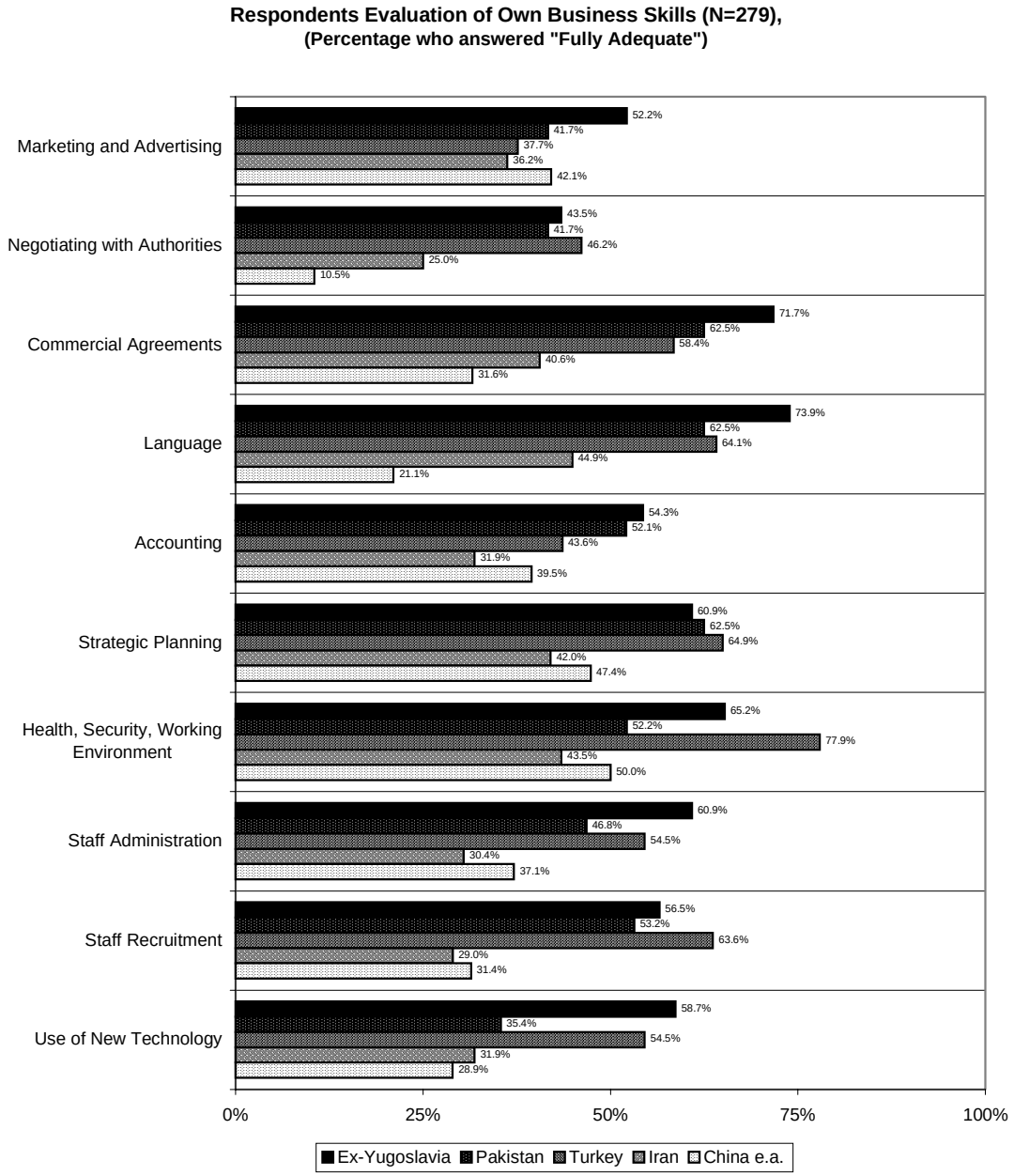
Source: Survey Data

Figure 4.8 shows an evaluation of own business skills amongst survey respondents. It should be noted that bias could be caused by over- or under-estimates due to the subjective nature of the question: “How do you rate your own skills/qualifications in the below mentioned fields? Fully adequate, inadequate or neither”. The percentages shown in figure 4.8 represent only those who answered “Fully adequate”.

A possible indication of the bias was in fact found to be present in the interviews. Taking into account that the Chinese and the Turks were the most frequent users of interpreters, gives some explanation when looking at the percentages in figure 4.8. This could indicate that the Chinese have a more realistic perception of their own language proficiency than the Turks. Iranians, on the other hand, were the least frequent users of interpreters, but in spite of that they rate themselves low in the same category.

When it comes to more factual skills like use of technology, commercial agreements, etc., a more objective response can be expected.

Figure 4.8



Source: Survey Data

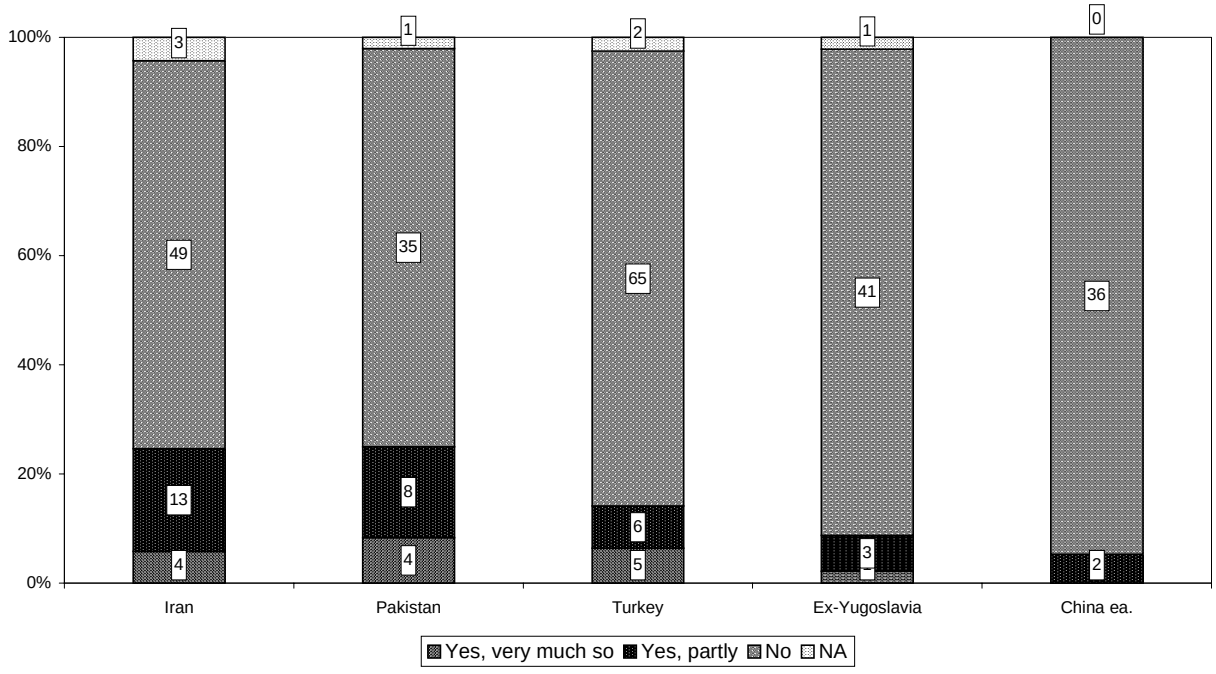
4.2.9. Business Owners' Investments in Their Country of Origin

Immigrant business owners often have investments in their countries of origin. Sometimes these business activities in two countries are linked together, e.g. when immigrants run import and export activities. In other cases they run businesses in quite different fields. Survey results indicate that the level of investment in countries of origin is fairly low. Less than 10 per cent in all groups state that they are strongly involved when answering the question: "Do you have business investments in your country of origin".

There is some variation between the groups, however, with Pakistanis and Iranians as the top groups (about 25 per cent answered that they had at least some investment). When evaluating the results one should take into consideration that it may be a sensitive issue for business owners and that such investment can be affected by political and social factors. Digressive conversation during interviews with Turkish Kurds revealed the fact that they had investments in Turkey earlier on, but became reluctant to retain them.

Figure 4.9

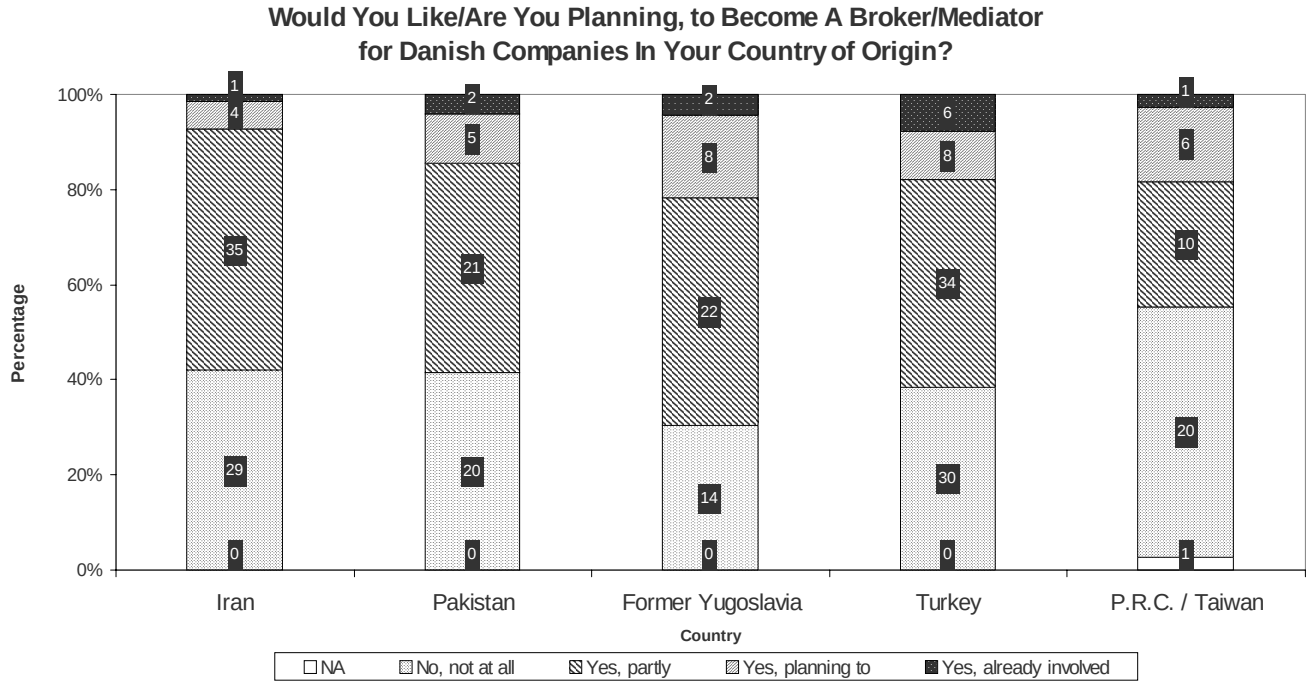
Business Owners from the Five Immigrant Groups, Answering the Question: "Do You Have Business Investments in Your Country of Origin?" (N=279)



Source: Survey Data

Studying the answers to the question ”Would you like/are you planning, to become a broker/mediator for Danish companies in your country of origin?”, reveals that business owners from the Former Yugoslavia and the P.R.C. / Taiwan are, respectively, the most and least willing to become a broker/mediator. Business owners from Turkey are relatively more active in this field; approximately 8 per cent of them already act as broker/mediator for Danish companies in Turkey.

Figure 4.10



Source: Survey Data

5. Breaking-out Determinants

5.1. The Density of Inter-ethnic Relationships Relative to Intra-ethnic Ones

Close intra-ethnic relationships is the key indicator of immigrant businesses in deprived immigrant areas as well as in prospering business enclave areas. Immigrant business owners tend in such areas to give priority to transactions with co-ethnics, as customers, employees and business partners, because of intense information flows, easy communication and trust building background institutions within groups. This makes negotiating a business contract and joint action easier with a co-ethnic than with other people.

Strong intra-ethnic relationships usually correlate with weak ties to other ethnic groups, including the majority population. Upon arrival in their new countries all immigrants suffer from an information and knowledge gab, but some groups catch up more quickly than others through search, interaction and learning processes. Running a business is one way of catching up, usually leading immigrants into action-learning processes through which they discover the secrets of their new society. However, even business owners may sometimes have only limited interaction with the majority population. This is quite understandable in local areas with a dominant ethnic group, but it also occurs in some immigrant businesses in majority dominated areas where the need for communication and interaction with the majority population is marginal. Other types of businesses, however, simply cannot be run without intense interaction with the majority population.

The shaping of intra-ethnic and inter-ethnic relationships does not correlate with breaking-out processes unambiguously. Ethnic business enclaves illustrate that firms may start growing and prospering based on a dominance of intra-ethnic networks, but it seems to be the exception rather than the rule. In Denmark and other European countries where immigrants gather in multi-ethnic inner city areas rather than mono-ethnic zones, relating to other ethnic groups, including the majority population, seems to be a safer road to breaking-out than the intra-ethnic strategy.

The Chinese and Iranian business owners in Denmark illustrate this point. Chinese business owners seem characterised by limited communication and interaction with other ethnic groups. They have, like the Chinese in most

other European countries (Benton & Pieke 1998), specialised strongly in the catering and restaurant businesses and hence are running businesses all over the country. Nevertheless they remain quite isolated from the majority population and other immigrant groups. This may explain why this group, which in other parts of the world is known to be entrepreneurial, was not able to use its first mover advantage in the ethnic restaurant field and the resultant high profits in the 1960s and 1970s to establish larger and more profitable businesses in other sectors, in spite of increased competitive pressure and consequent income squeeze during the ´eighties and ´nineties.

The Iranian minority seems to be at the other end of the spectrum. They are the most well-educated of the five selected business owner groups and characterised by close contacts to other immigrant groups and the majority population. The majority of the Iranian business owners are still fairly inexperienced as business owners, but they do seem to have a substantial potential for breaking-out of traditional immigrant business lines through the establishment of larger and more internationally oriented businesses, drawing on the global network of expatriated Iranians. In some cases this has already taken place, but it is too early to talk about a trend.

5.2. The Level and Composition of Competencies (General, Business and Cultural)

In order to run a business in a foreign country, an immigrant needs a variety of competencies such as general competencies achieved through formal education, business competencies, which are both of a general nature and sector specific, and cultural competencies to interact and negotiate with the majority population and its businesses and institutions.

Owner qualifications and the shaping of networks are closely related aspects, but owner qualifications cannot be reduced to the network side. A high competence level in all of the three mentioned fields is likely to influence the choices business owners make, including the way they
shape business relations, but a high competence level does not exclude the option of running an ethnically enclaved business or a business which is partially enclaved, e.g. by operating as a manufacturer or international trader servicing ethnic retailers.

The impact of the three types of qualifications: general, business and cultural, on immigrant businesses and breaking-out processes is ambiguous. In business areas with low demands for general qualifications, an advanced educational level may be a hindrance to success rather than the opposite in that owners in such cases may be running businesses in which they are not truly interested and committed because they do not correspond to their educational level and aspirations. In knowledge intensive business areas a high educational level is a must, but sufficient business competencies and experience have to be added in order to be successful. While formal education is only imperative for some businesses, business experience and talent is important in all business areas. Cultural competencies on how to communicate and interact with the majority population and its businesses and institutions are important in all business areas, but certainly more so in some than in others.

The ambiguous impact of qualifications on immigrant business was revealed in the Danish data on Iranian business owners who are by far the most well-educated of the five immigrant groups, usually educated in Denmark and speaking Danish fluently, but at the same time also a group who themselves perceive a wide gab exist between their current business competencies and the needed ones, and was also the group which had the lowest per capita income in 1996 (see table 4.1). One possible explanation for this paradox is their limited business experience, but weak motivation may also be part of the explanatory pattern. In cases where they never aspired to become self-employed, choosing this path because they could not find employment which corresponded to their social capital, they may well ”break-out” by becoming employees rather than by attempting to establish new businesses outside the traditional immigrant business sectors.

The overall pattern of qualifications amongst immigrant business owners in Denmark indicates a limited potential for breaking-out for the huge majority of the present business owners who suffer from low qualification levels. They work hard, but they do not have the potential of breaking-out in a society in which qualification standards increase rapidly. The exception from this pattern is the well-educated first generation immigrants and the growing number of well-educated second generation immigrants who are searching for a role in economic life as business owners. A major process in which businesses shift hands from parents to children started during the 1990s, particularly for busi-

ness owners of Turkish and Pakistani descent. This is likely to lead to the setting up of more businesses outside the traditional immigrant business sectors.

5.3. Financial Resources

It seems reasonable to assume that there is a close connection in the relationship between financial resources and breaking-out potential. One of the main reasons why immigrant businesses tend to cluster in certain areas and business lines is low entrance barriers. Immigrant business owners seeking to break-out should therefore normally expect higher entrance barriers in other fields, which usually implies the need for more financial resources. An additional reason why many Iranian first generation immigrants and Turkish and Pakistani second generation immigrants may succeed in breaking-out is the financial resources they have access to through their families. Many Iranian immigrants come from wealthy families and second generation Turkish and Pakistani immigrants may benefit from the resources their parents have succeeded in accumulating during their careers as business owners.

5.4. Cross Border Business Relations

Cross border business relations are often an inherent characteristic of immigrant businesses. Immigrant business owners frequently run business activities in their countries of origin, but they may also link up with co-ethnic immigrants in other countries, or their businesses may be sufficiently strong to expand to other countries as with any ordinary business. The latter option is still rare in countries like Denmark with a short history of immigrant businesses, but increasingly found in countries with a richer experience such as the USA and Britain. The dominant form of cross border relations is small scale and person driven two-country business activity, but some larger units are also found. For some ethnic commodities there is room for immigrant owned businesses of a medium or large size as key players in ethnic commodity chains such as importers and wholesalers in a number of countries. Moreover, the growing number of immigrant business firms opens up business options for specialised service institutions such as accounting and financial ones, even at the international level.

6. Conclusions

The focus of this paper has been on breaking-out processes from immigrant dense urban areas and immigrant dominated business lines, using the Danish situation as its empirical basis. Most immigrant businesses in Denmark and elsewhere are small family owned firms, of which the huge majority do not grow, restructure and relocate. But some do, and the paper aims at improving our understanding of this process.

The empirical section was based on longitudinal registry data and a survey among immigrant business owners from 1999, both of which were structured in a way that allowed comparison between five immigrant business owner groups, coming from Pakistan, Ex-Yugoslavia, Turkey, Iran and China. The empirical data demonstrated that the bulk of immigrant firms are, and remain, small family units within traditional immigrant business lines such as small retail shops, restaurants and fast food outlets. Only about 12 per cent of the firms have more than 5 employees (of which about 80 per cent were from the Danish majority). A statistical regression analysis of the position of firms within business lines in the period 1992-96 showed that those owned by immigrants from less developed countries were less likely to shift business line than those owned by immigrants from more developed countries. The registry data did, however, also indicate some breaking-out tendencies: an increasing number of firms are being established outside the traditional immigrant business lines, including knowledge intensive service firms: corresponding with this result, significant growth in average turnover during 1992-96 was found in a number of business lines such as specialised retailers (Ex-Yugoslavian owned), manufacturers (Turkish owned) and trade/agency firms (Pakistani owned). Of the five groups, Iranian business owners seem to have the highest potential for breaking-out as their level of education is far above that of the other groups. Moreover, they have more pluralistic networks than the other groups, with close contact to other ethnic groups, and relatively frequent investments in their country of origin. Also, the growing number of second generation business owners, mainly of Pakistani and Turkish descent, seem to have a potential for breaking-out as they generally are well-educated and often have funds for investment from their parents. It should be stressed, however, that breaking-out is still a rare phenomenon in Denmark.

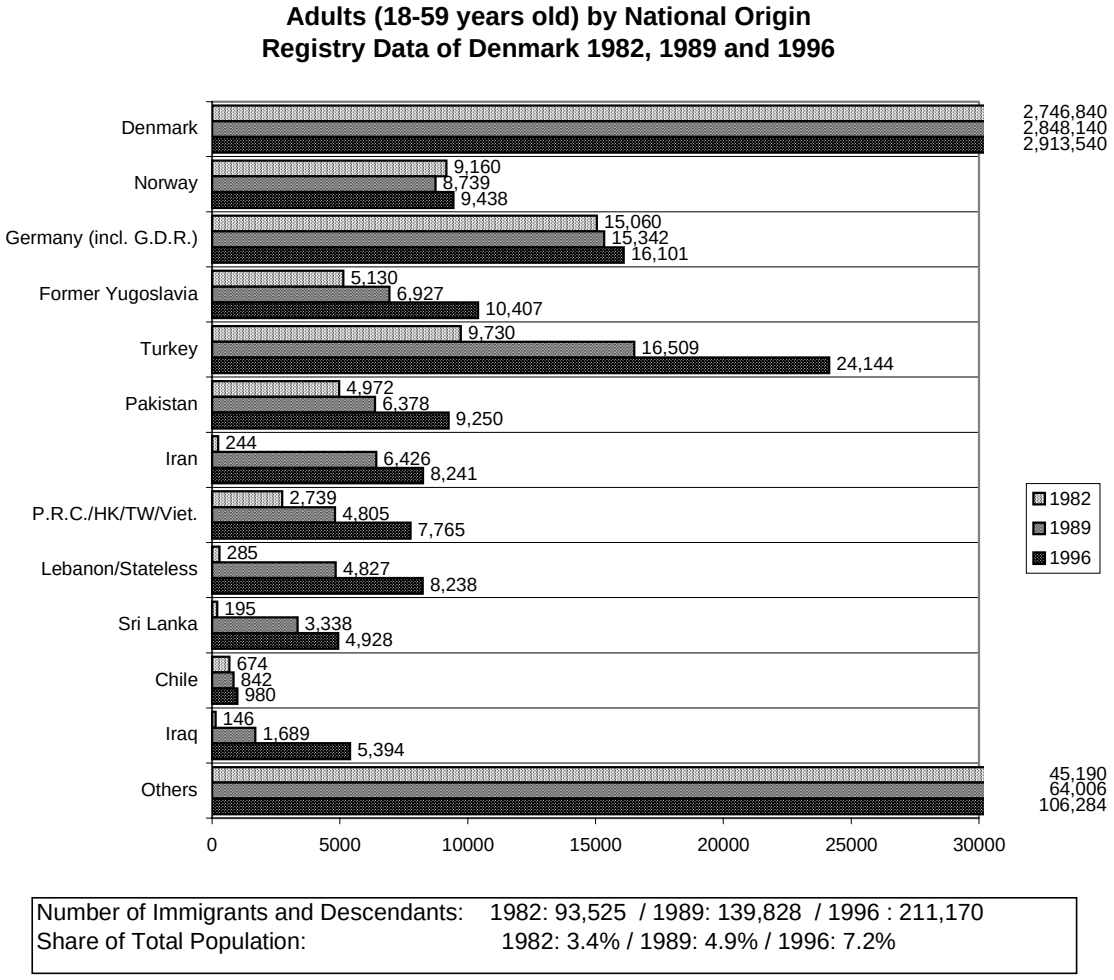
This empirical evidence and the lessons from some other countries such as the USA and Britain led us to suggest four breaking-out determinants: (1) the degree of density in inter-ethnic relationships relative to intra-ethnic ones, (2) the level and composition of competencies (general, business and cultural), (3) financial resources, and (4) cross border business relations. In others words, immigrant business owners with close contacts to other ethnic groups (including the majority population), with an advanced and broad competence profile, with financial resources (often derived from family sources), and with cross border business relations, are the ones who are most likely to develop firms that grow, restructure and relocate, i.e. breaking-out firms.

Appendix A

The Inflow of Immigrants to Denmark During the 1980s and 1990s and Age Structure

In the late 1960s Denmark experienced a significant inflow in migrant labour. The demand for labour in expanding industries resulted in the recruitment of foreign workers from Pakistan, Turkey and former Yugoslavia, by Danish employers. Immigrants were regarded by the vast majority as a net-gain for society. However, the refugee immigration into Denmark from mid-1970s (mainly Chilean and Vietnamese) and during 1980s (mainly from the Middle East) has, until today, been characterised by a substantially different pattern. The immigration of unskilled labour has been accompanied by large groups of educated people with different expectations about their stay in Denmark. Figure A1 based on registry micro-data illustrates the population of immigrants and their descendants in Denmark (between the ages of 18-59) over a 14 year period (1982-1996). The figures include all immigrants and their descendants, i.e. whether or not they have become Danish citizens. The early immigrant groups from ex-Yugoslavia, Turkey and Pakistan remain major groups, but new refugee groups such as those from Iran, Vietnam, Iraq and Lebanon (stateless) are also significant, in addition to certain European minorities.

Figure A1



Source: Based on Statistics Denmark

Comparing the distribution of ages for the five selected group of business owners in 1996, based on registry data (low N-value due to exclusion of native Danes and immigrants from other countries), reveals an over representation of the youngest group (18-25 years old) amongst the Pakistani and Turk business owners. This is an early sign that this cohort is taking over businesses presently dominated by older generations of the same national origins and with the potential for this youngest cohort to make a break-out.

Table A1:

Number of Family Businesses in 1996,

distributed by Age of Owner for the Five Selected Immigrant Groups (N=4,401)

	Iran		Pakistan		Turkey		Ex-Yugoslavia		China ea.	
18-25 years	35	4.7%	205	20.7%	316	17.9%	35	11.9%	42	6.9%
26-33 years	175	23.4%	253	25.6%	713	40.4%	70	23.9%	155	25.5%
34-41 years	386	51.7%	193	19.5%	465	26.4%	69	23.5%	219	36.0%
42-49 years	116	15.5%	215	21.7%	193	10.9%	67	22.9%	141	23.2%
50-59 years	35	4.7%	123	12.4%	77	4.4%	52	17.7%	51	8.4%
Total	747	100.0%	989	100.0%	1764	100.0%	293	100.0%	608	100.0%

Source: Based on Statistics Denmark

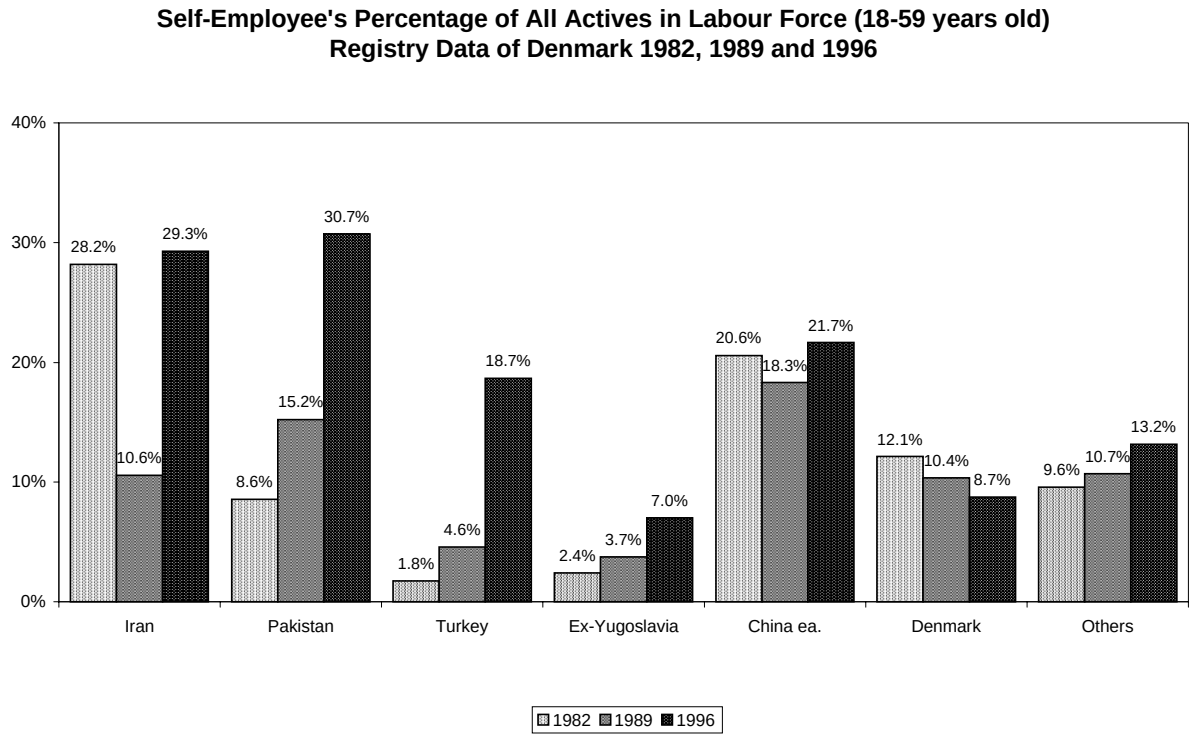
Appendix B

The growing share of self-employed amongst immigrants
In Denmark, there is a long established recognition of the business potential of foreign immigrants in urban areas and it is noteworthy that the phenomenon of migrant entrepreneurs is nothing new in the business history of Denmark. For example, a law was issued by King Christian V of Denmark on 31 March 1688, where the criteria for allowing "The German Jewish Immigrants" to set up businesses in Copenhagen, was stated.

The percentage of the self-employed in Denmark for the age group 18-59, and their development over a 14 year period for selected national origins, are shown in figure B1. The figure is based on micro-data and covers the years 1982, 1989 and 1996. It is evident that the self-employment rates of the nationalities in question have changed considerably over the years. It clearly shows that the self-employment rate has grown significantly for Turks, Pakistanis and Iranians, (It should be noted here that the change for Iranians, from 28.2 per cent in 1982 to 10.6 per cent in 1989 is mainly explained by the fact that only a small number of Iranian immigrants lived in Denmark in 1982. The huge inflow of Iranian refugees began in 1983-4 and continued up to the late 1980s (see figure B1).

Another important issue here, is the decreasing share over the years, of self-employment amongst native Danes. We are, however, dealing only with privately owned firms in our micro-data analyses, not limited companies where an increase in small firms for the same period can be observed. This change in patterns of ownership influences the decline in the self-employment rate for native Danes and underestimates the level when compared to other groups.

Figure B1



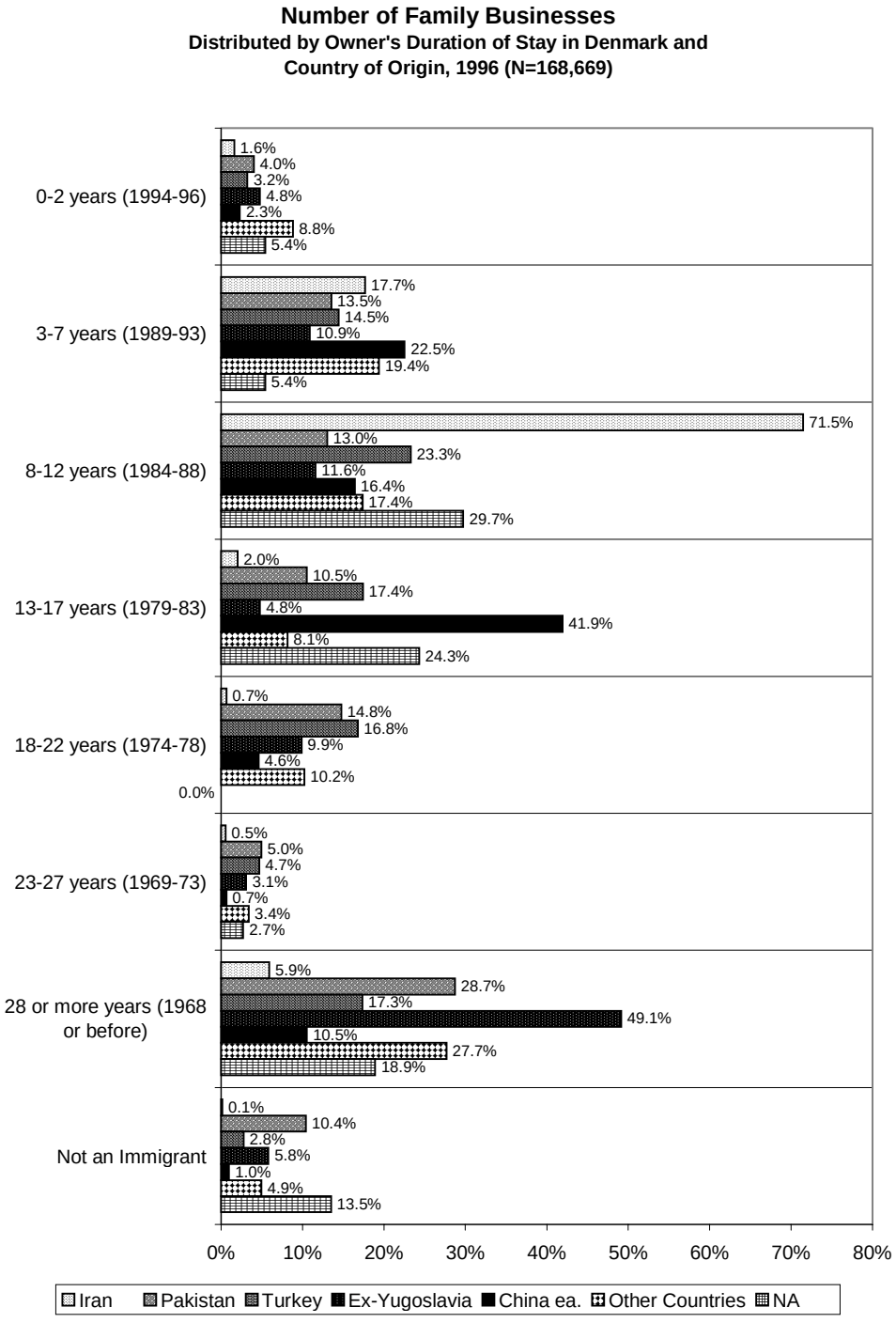
Source: Based on Statistics Denmark

Appendix C

Year of Immigration for Business Owners From Five Immigrant Groups

Figure C1 shows the variations among the five immigrant groups in terms of duration of stay in Denmark. One important point to make is that there is an interdependency between duration and business activity. This adds to the understanding of differences in economic results between, for instance, Iranians and ex-Yugoslavians (see table 4.1): the duration of stay for these two groups are 8-12 years and 28 or more years, respectively.

Figure C1



Source: Based on Statistics Denmark

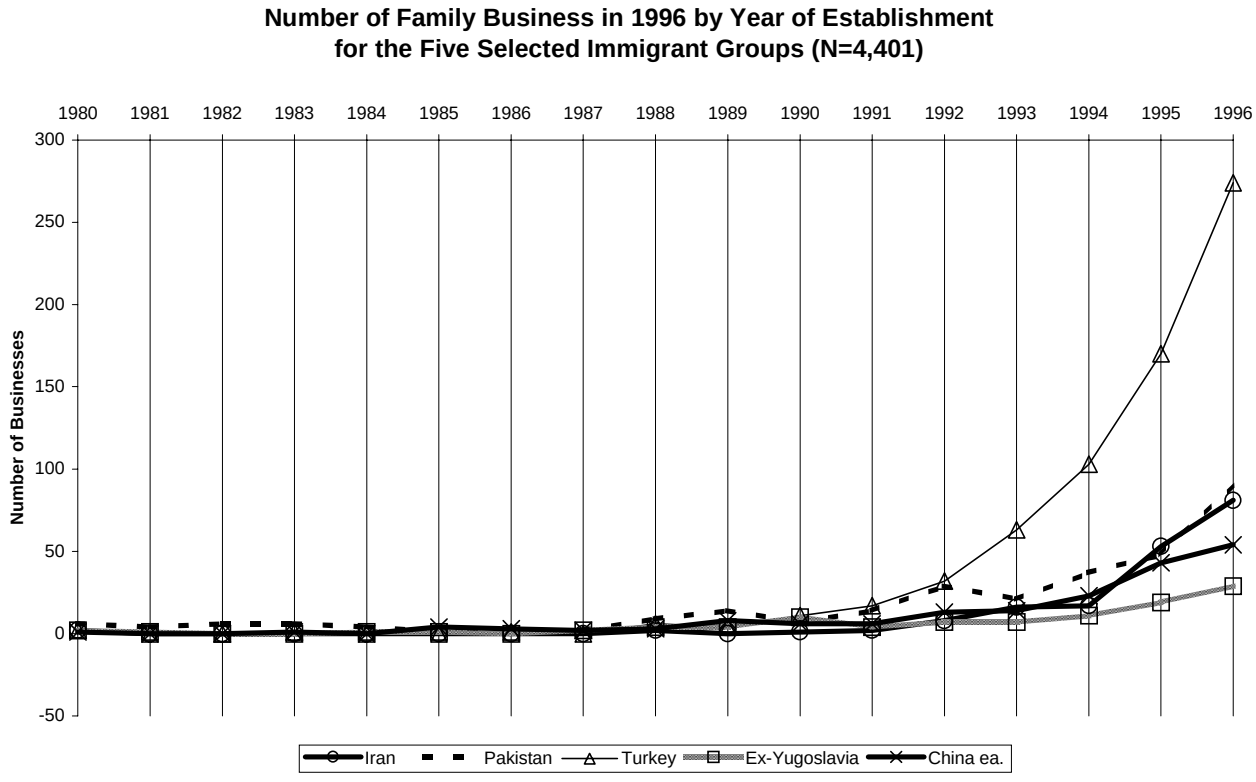
Appendix D

Year of Business Formation for Businesses Existing in 1996 for Five Immigrant Groups

Figure D1 shows the distribution of year of formation of businesses existing in registry data of 1996. The data begins in 1980 because Statistics Denmark adopted a new system of classification that year.

The most significant development begins in the early ´nineties, most clearly for the Turks in 1992-93. Looking back and knowing that an economic boom began at that time, suggests that improved market conditions helped these business owners to establish their businesses.

Figure D1



Source: Based on Statistics Denmark

Appendix E

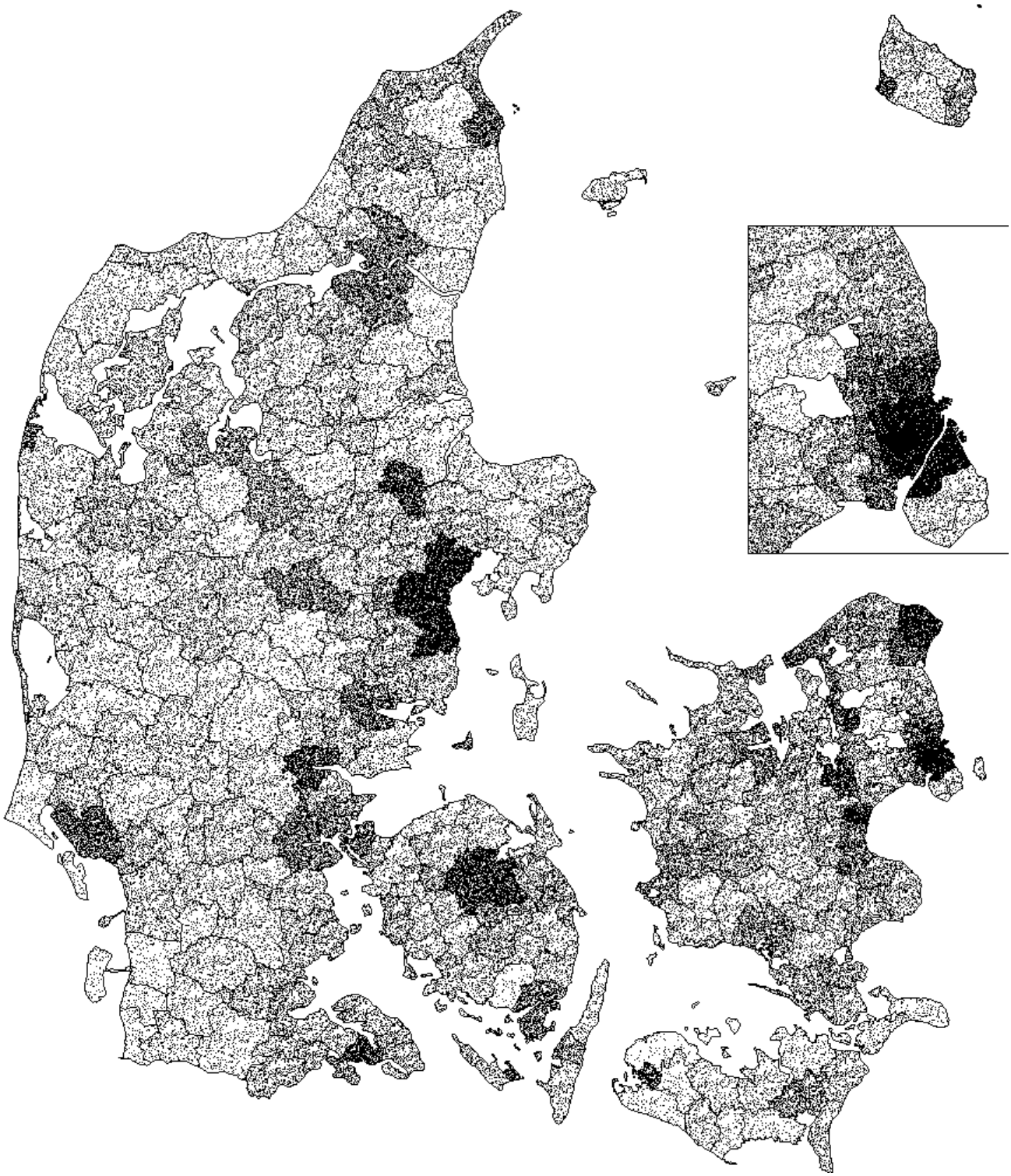
Maps of the location of immigrant businesses for five immigrant groups (1996, registry data)

The plots in the maps presented in this section represent anonymous business owners allocated randomly according to the municipality and do not indicate the exact business locations.

Figure E1

Geographical Distribution of All Family Owned Businesses (N=168,669)

Explanations and remarks on the maps in this appendix, can be found in section 4.2.4

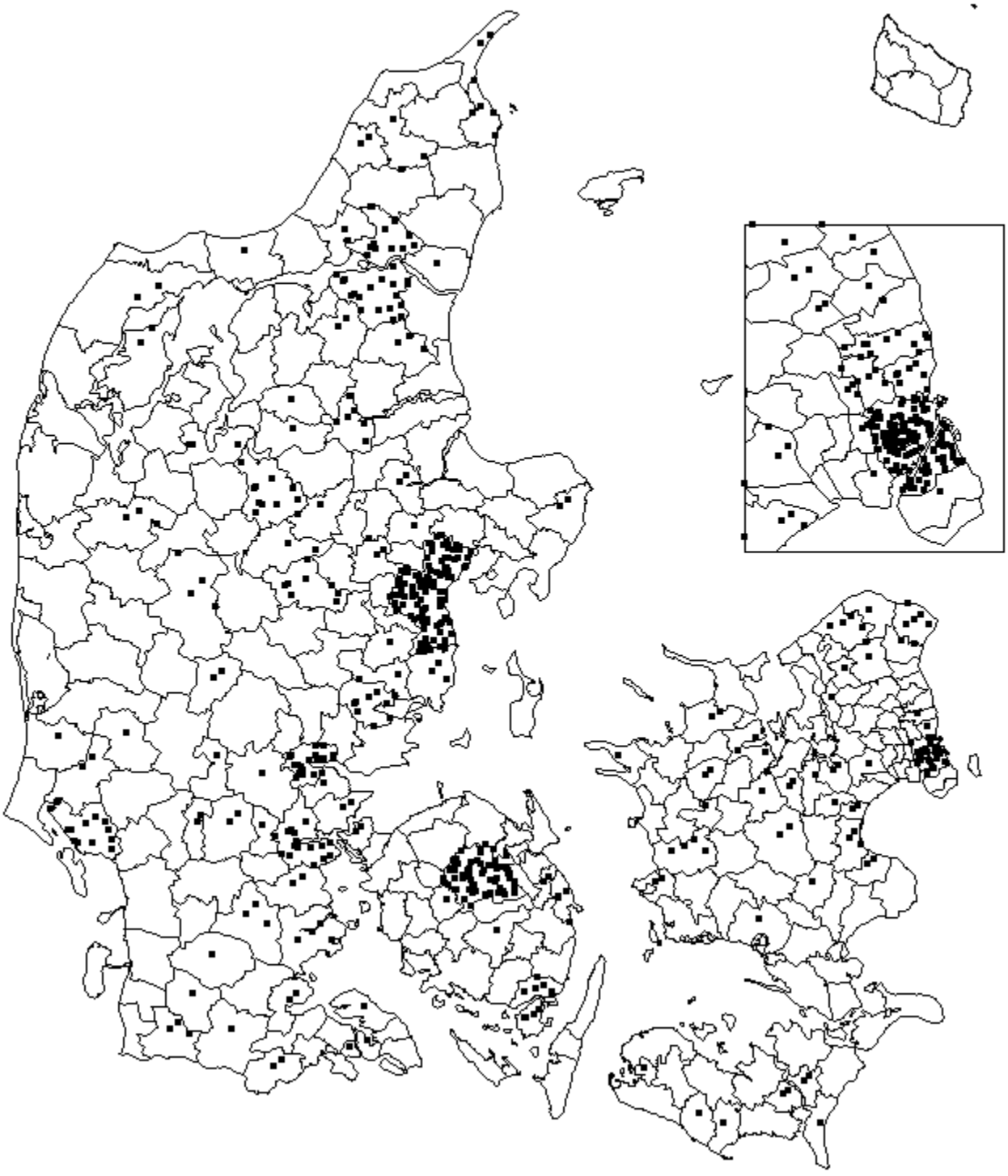


Source: Based on Statistics Denmark

Figure E2

Geographical Distribution of Iranian Owned Family Businesses (N=747)

Explanations and remarks on the maps in this appendix, can be found in section 4.2.4

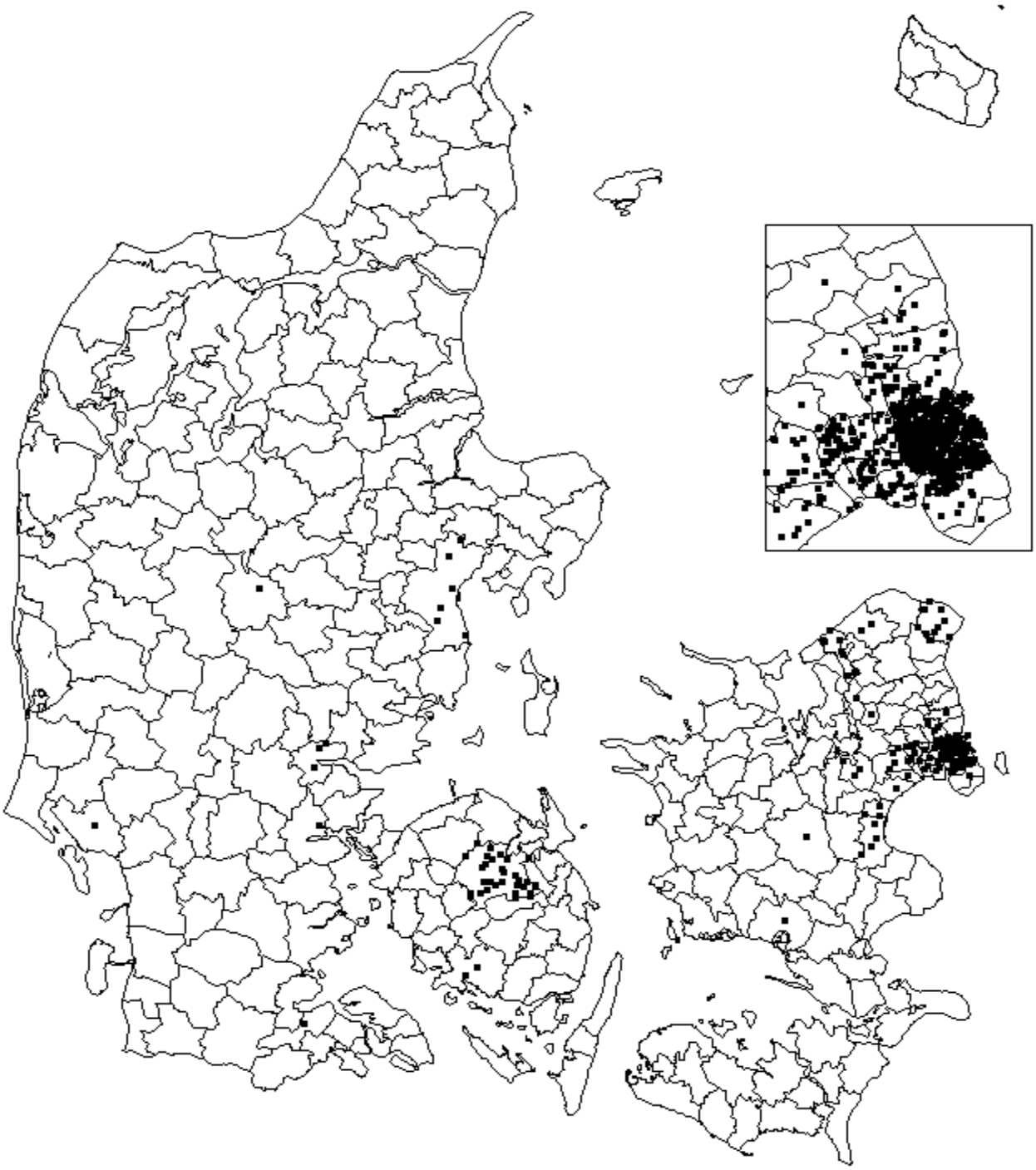


Source: Based on Statistics Denmark

Figure E3

Geographical Distribution of Pakistani Owned Family Businesses (N=989)

Explanations and remarks on the maps in this appendix, be found in section 4.2.4

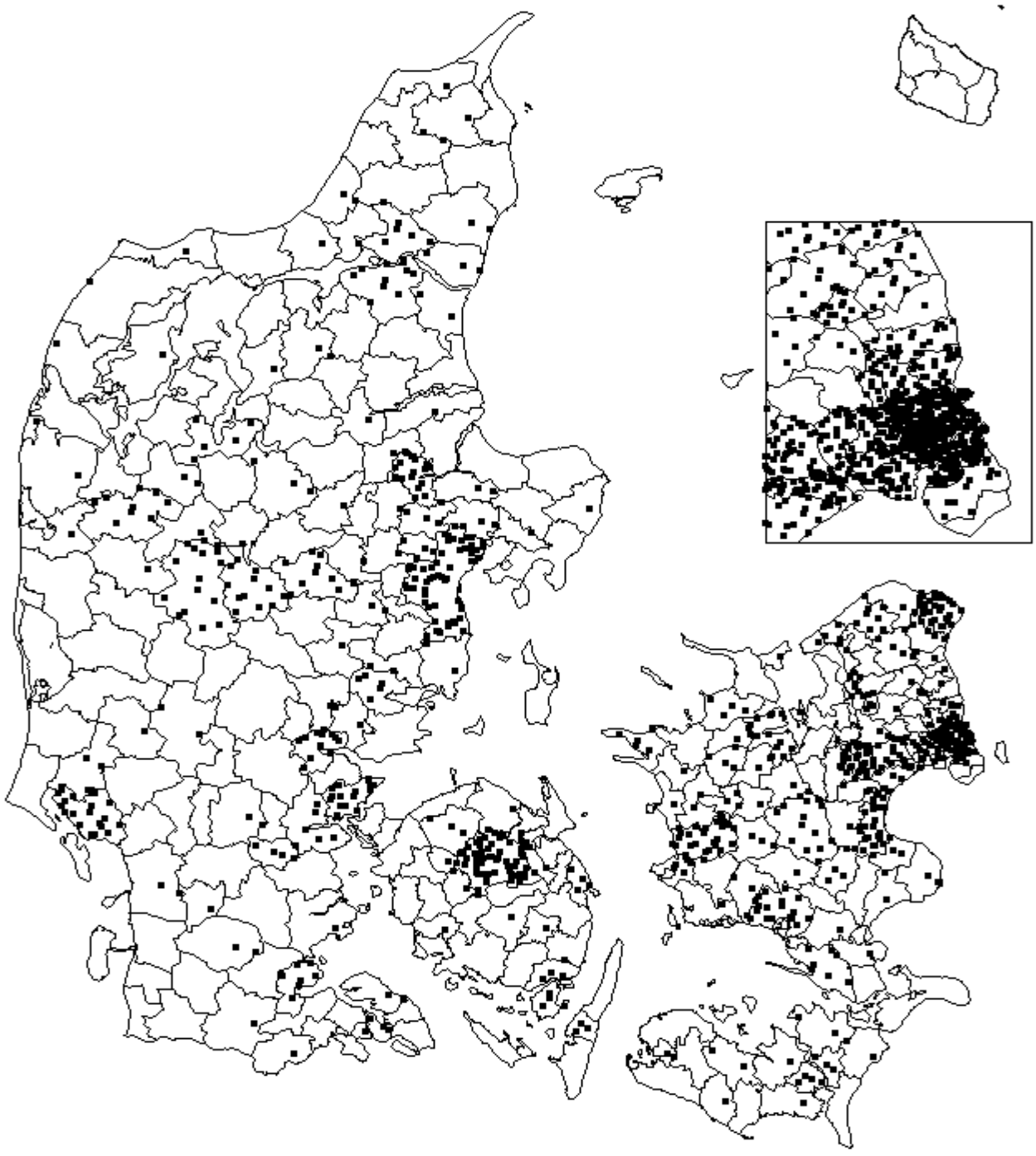


Source: Based on Statistics Denmark

Figure E4

Geographical Distribution of Turkish Owned Family Businesses (N=1,764)

Explanations and remarks on the maps in this appendix, can be found in section 4.2.4

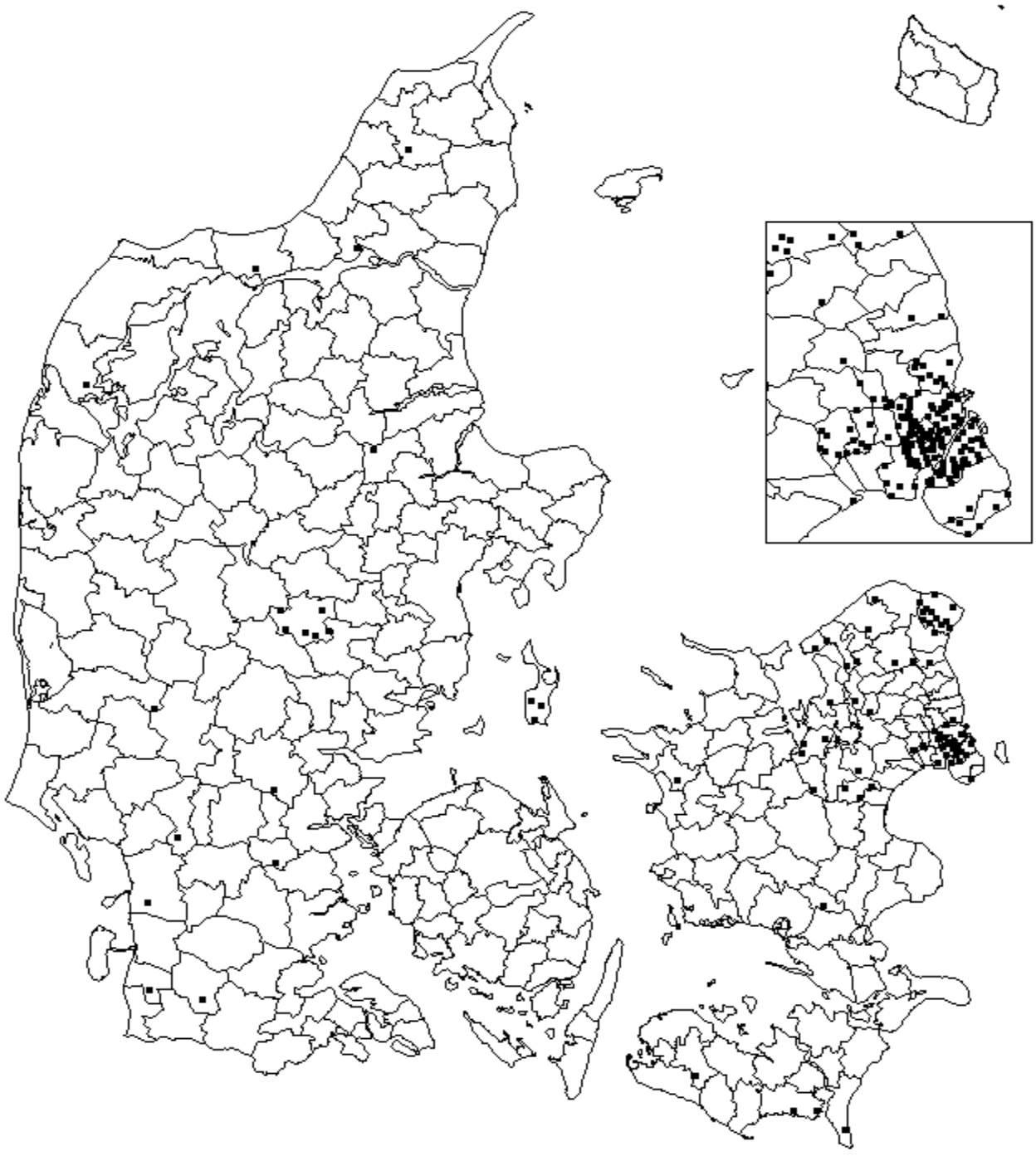


Source: Based on Statistics Denmark

Figure E5

Geographical Distribution of Ex-Yugoslavian Owned Family Businesses (N=293)

Explanations and remarks on the in this appendix, can be found in section 4.2.4

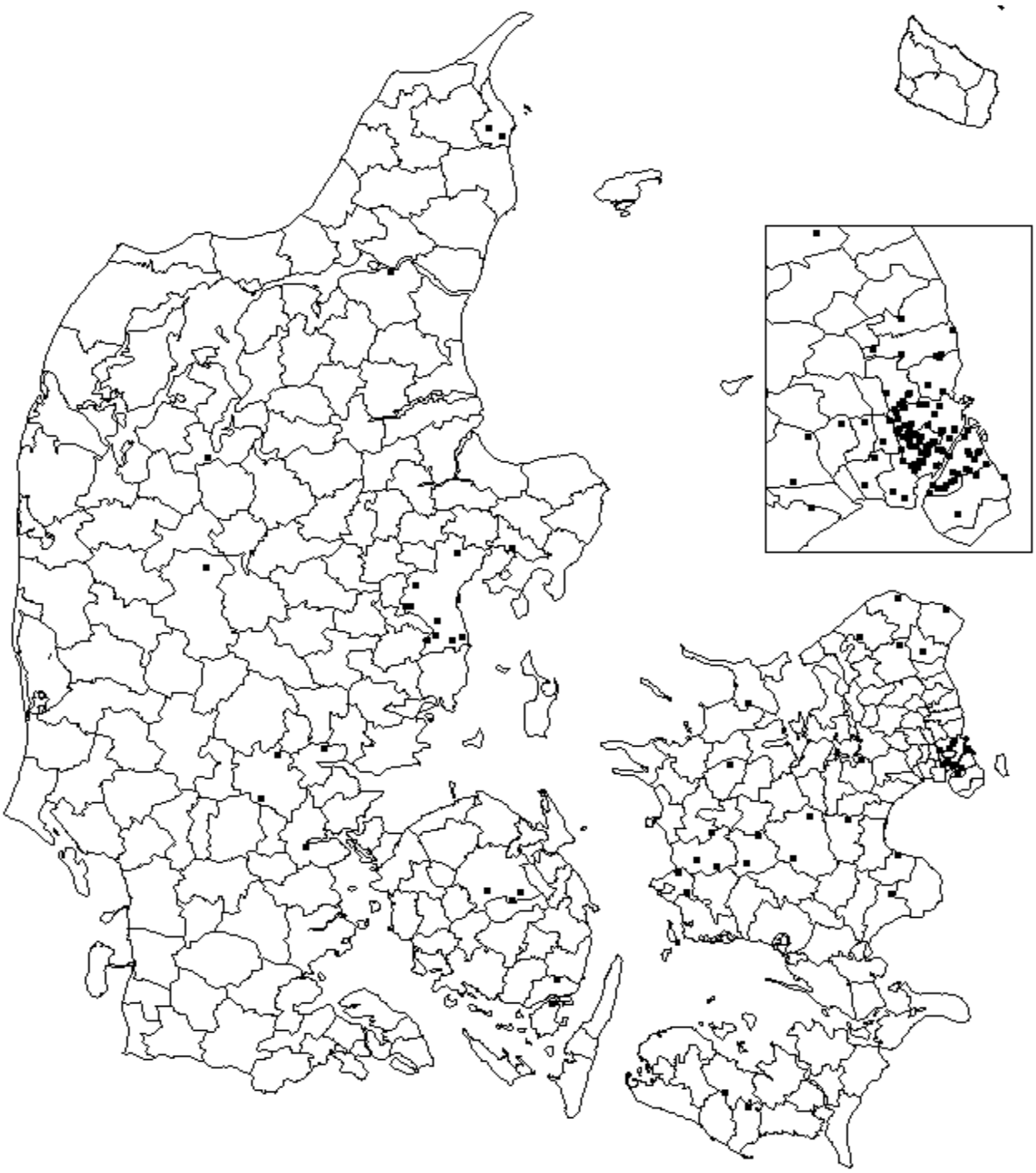


Source: Based on Statistics Denmark

Figure E6

Geographical Distribution of Chinese Owned Family Businesses (N=190)

Explanations and remarks on the maps in this appendix, can be found in section 4.2.4

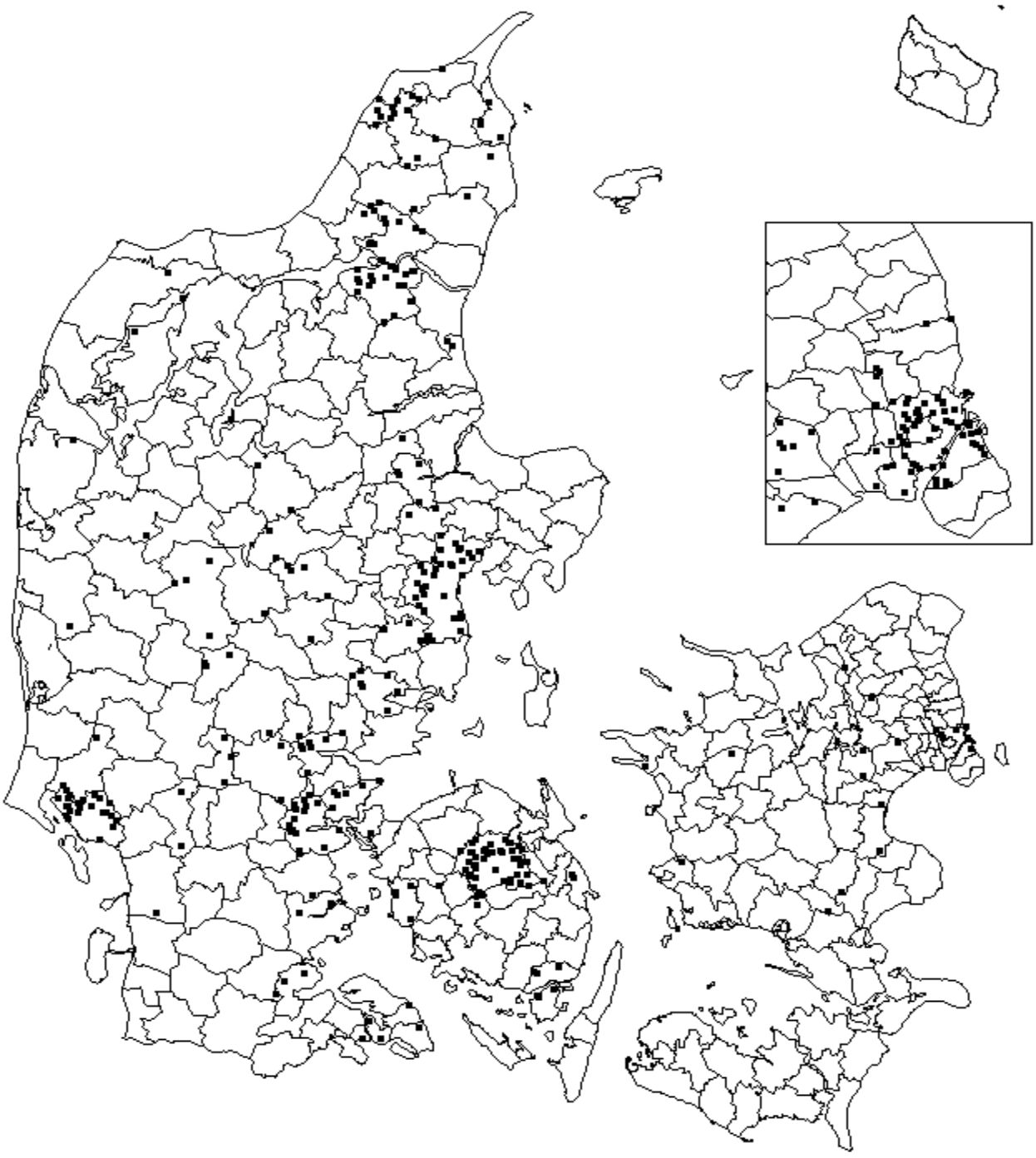


Source: Based on Statistics Denmark

Figure E7

Geographical Distribution of Vietnamese Owned Family Businesses (N=408)

Explanations and remarks on the maps in this appendix, can be found in section 4.2.4



Source: Based on Statistics Denmark

Figure E8

Geographical Distribution of Family Businesses Owned by Immigrants from "Other Countries" (N= 7,391)

Explanations and remarks on the maps in this appendix, can be found in section 4.2.4

Source: Based on Statistics Denmark

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