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**The reasons why ethnic-minorities startup businesses. The case of Oulu, Finland.**

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<p><b>Abstract</b></p> <p>Oulu, is currently branded the capital of Northern Scandinavia is a city of approximately 200 000 people and holds as of 2014, 4600 international residents. While that is a small amount of people in comparison to the population Oulu is still opening to have more tourists and foreign residence to consider it as a place of visiting and residing. This brings about the branding of the city as mentioned in the beginning of the paragraph.</p> <p>This thesis aims to investigate the reasons why ethnic-minorities in Oulu, Finland decide to become self-employed/ entrepreneurs. It also aims to look at different aspects of the business which include how the business was funded, the assistance of family in starting the business, the availability of social capital and to find out the composition of their employees.</p> <p>The use of qualitative methods will be used for research with the use of one-on-one, face-to-face interviews which include 6 entrepreneurs who have started up a business in Oulu, Finland.</p>			
<b>Keywords</b> Ethnic-minorities, Entrepreneurship, Social capital, Immigrant, Immigration.			
<b>Additional information</b> -			

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## **Chapter 1: Introduction**

### **1.0 Background Information**

Globalization has become an international phenomenon which has been occurring and causing a lot of interest in people especially when it comes to research and development. As of 2013, there were approximately 41.3 million foreign born immigrants in the United States of America only (Zong & Batalova, 2015) and currently in Finland there are 231 295 as of December 2015 (migri.fi). This interest in immigration has been popular for the current generation and why people choose to leave their host country of residence and decide to resettle in a country where they have to integrate into a new culture and learn new traditions.

The increase in immigration has been over numerous reasons for example being a refugee coming from a war-torn country, better job opportunities, for education purposes, to gain better health services access, tourism and various other reasons. Once immigrants settle into a new country and have been settled in for some time they sometimes form environments that are more ethnically more present than other neighborhoods for example Chinatown in New York, USA. These areas are made of ethnic-minorities and it is interesting to note that within these communities not only to they live together but they also support each other.

When looking closely into these communities one will note that social capital is very important. According to Marger, 2001 ‘Social capital in the form of ethnic networks and family ties is assumed to function critically in the establishment and operation of immigrant owned Businesses.’ In some communities’ social capital is stronger than in other communities however, numerous ethnic-minorities use social capital to start their own businesses.

Once this has been considered that immigration is something that is ongoing it would be interesting to find out what prompts immigrants to become entrepreneurs in the host country they travel and decide to settle in. Hence the initiation of this research is mainly to find out generally the reasons that ethnic-minorities decide to start a business. But what is an ethnic-minority in Finland or anywhere else in the world. According to the Cambridge dictionary it defines ethnic-minority as:

*'a group of people of a particular race or nationality living in a country or area where most people are from a different race or nationality.'*

This then makes it clear that we are focusing on people who are of an original nationality before becoming Finnish.

### **1.1 Research Gap**

Currently there have been numerous studies done about ethnic-minority entrepreneurship especially in the United States of America (Prieto et al, 2013) which specifically is looking into Mexicans who come into the U.S., how they acclimatize themselves into the U.S. society and how they become industrious in entrepreneurship but also the social and cultural integration.

United Kingdom (Basu, 2011) (Inal, 2007) and (Ram et al, 2000), look into specific immigrant groups in a host country. They mainly research into South-East Asians in the United Kingdom and their motivation to start new businesses. They investigate ethnic-minority entrepreneurship in its specificity even though it is for a specific group in the U.K.

Lu (2013) focuses on the advantage of social capital in upward mobility for Chinese immigrants in Canada. While this has no direct correlation with ethnic-minority entrepreneurship, it brings in the part of social capital and its use in ethnic-minority communities. In addition, to this point De Vries, (2014), specifically investigates how



ethnic-minorities experience in their host countries affects their entrepreneurial actions. The host country in the research is New Zealand.

In South Africa, Adendorff & Boshoff, (2011), research specifically into Greek family businesses and mainly how their culture impacts the way they govern their business. Looking into this research it can be noticed that it is specific to one ethnic minority and it focuses on how the business is run. This includes the cultural influence and the infrastructure of the business. The gap here is that the research is specific and does not investigate the reasons why ethnic-minorities open their business, rather it investigates how the businesses are run.

In the Netherlands, Beckers & Blumberg (2013) investigate inter-generational differences in industries that ethnic-minorities choose to enter into, first-generation versus second generation immigrants. The study then further researches on how second-generation immigrants fare according to the local entrepreneurs.

Looking into the Mediterranean, there is a study from Greece, (Skandalis & Ghazzawi, 2014) and Spain (Aliaga-Isla & Rialp, 2013). The former research is on immigrants who move to Greece and start their own firms. Skandalis & Ghazzawi, (2014) focus on the factors that make immigrants to start their own business in Greece. On the other hand, Aliaga-Isla & Rialp, (2013) examine the same factors, however, they review literature of ethnic-minority entrepreneurship from 3 different continents, USA, followed by Europe and Oceania.

The main observation from the research is that there is no current study on ethnic-minority entrepreneurship study done specifically in Finland, specifically in Oulu. While some studies were done on ethnic-minority entrepreneurship, the missing part is the geographic location of the research and the wide range of ethnic-minorities. Most studies focused mainly on a specific ethnic-minority in a specific area. This research on the other hand does not focus on an ethnic-minority, however, it does limit its location to not a country but a city, Oulu.

## **1.2 Motivation to study this topic**

My motivation for this study comes in 2 main reasons. Originally from Zimbabwe, I moved to Oulu in 2014 to pursue my Master's degree. During this time, I had the opportunity to meet many students and was introduced to what was OuluSES, now OuluES, as we collaborated on a project while I worked in an organization, AIESEC. During this time, I had the opportunity to see the start-up community in Oulu.

Oulu is an entrepreneurial city and there is a growing start-up community in the city. This was really fascinating for me as it was my first glimpse into such an ecosystem of companies. During my work with OuluES, I realized that there were couple of ethnic-minorities who were part of this society. This made me curious about why and how they were able to become part of the start-up scene. This is the first reason for my motivation to pursue this topic.

The next reason why this topic is quite interesting for me is because I myself being a student of social sciences I was also interested into finding out if discrimination in employment opportunities is the major reason. As noted below, it is noted that there is a higher unemployment rate within the immigrant community as compared to the locals and citizens. This reason of lower employability prospects made want to research to see if this was a determining factor for ethnic-minorities to seek self-employment and entrepreneurship.

To add to my above point, it would be interesting to find out the importance of social capital in the different ethnic-minority entrepreneurs and how they set up their businesses. This is because as an immigrant I not only had studied about this phenomenon but I also so how different ethnic-minorities had a different way to network within themselves. How they worked together were not all the same and this was interesting for me.

### **1.3 Research questions**

As mentioned before, this research investigates why ethnic-minorities decide to start up and open a business in Oulu, Finland. To get the answer for this research the main research question to ask is:

*1. Reasons why ethnic-minorities decide to start-up businesses?*

To support the above question, some follow up questions will be asked to bring more clarity to the research. These are the questions:

*(i). Do ethnic minorities receive any government assistance in setting up their business and what kind of support do they receive?*

*(ii). To explore the social capital that is available for the different groups of ethnic-minorities.*

*(iii). What is the role of the immediate family when it comes to establishing the business?*

### **1.4 Structure of the study**

The first chapter of this research investigates the introduction of the study and the aim and motivation why I decided to consider this as my research. Goals, research questions and the research problem are explained. The next two chapters examine the previous studies and theoretical framework of the study. These look into the theories that connect to the study and what the research will be based on.

The next chapter studies the research methodology and how the research was carried out. It looks more into the participants and the method and process of gathering data. The fifth chapter then focuses on the results of the research and the responses of the participants. Lastly, the last chapter concludes the whole research and overall discussions happen. It will look into the reliability and validity of the research. It will also investigate the limitations of the research and what else can be explored in future research.

## **Chapter 2: Ethnic-minority entrepreneurship**

### **2.0 Introduction**

While the research is of significance and the outcome included. It is good to also reflect on what other researchers and authors have to say about the different questions asked in this research. This will aid in coming up with a clear action step into what will be concluded and will also make sure there is a basis of facts and scientific research. In addition, it will be objective to observe the results, if they complement or disagree with previous studies.

### **2.1 What is an entrepreneur?**

Casson (1982) looks at the definition of an entrepreneur in 2 ways. The first is through the functional approach and the second is the indicative approach. The functional approach mentions that an 'entrepreneur is simply what an entrepreneur does.' It mentions certain functions and if any individual does anything within those functions, he/she is considered an entrepreneur. The indicative approach on the other hand provides a description of what an entrepreneur is and their function. If they meet this function they are considered an entrepreneur.

Casson goes ahead and discusses the different definitions and which one he prefers more over the other. He chooses the indicative approach and mentions it is less abstract than the functional approach. In addition, the indicative approach describes an entrepreneur in accordance to 'his legal status, his contractual relations with other parties, his position in society, and so on.' In terms of this definition, I will have to agree with Casson to a certain extent on the approach of the definition of the word 'entrepreneur.' In my own understanding being an entrepreneur has a lot to do with what he mentioned, however, it is good to know that an entrepreneur is someone who experiences a level of risk taking.

This is mentioned by Mill, 1848 (cited by Dana & Anderson, 2007), who mentions that entrepreneurship is 'direction, supervision, control and risk taking, with risk taking being the main distinguishing feature between the manager and the owner-manager.'

This adds on a different aspect into what an entrepreneur is, because I believe this is another layer that can be put on the term. I do believe risk is an important part of the definition of what it means to be an entrepreneur. This is a distinguishing factor of an entrepreneur, as they take risk to enter the unknown and uncertainty to establish their business.

The next layer that I think is crucial to be discussed is the concept of idea creation and opportunity exploitation. This is then mentioned by Burns (2016), who says that entrepreneurs spot opportunity in their approach to finding a business idea. This is another aspect of what an entrepreneur expects to be. They have to be able to spot with the market or system, a need by consumers and then create an idea to fix the missing piece.

In conclusion, if I am to combine the different definitions, I will have the final definition of an entrepreneur. This is a risk taker who looks for opportunities in the market and creates an idea to meet this opportunity. In addition, they have a legal status, and contractual relations with other parties. For me this definition explains what I think is an entrepreneur and looking at the different aspects that contribute to the overall definition.

## **2.2 Why do entrepreneurs start their business?**

### **2.2.0 What is an ethnic-minority?**

As we focus on this study it is of necessity that we focus on what an ethnic-minority is according to this study? It is a requirement because there are different definitions of what ethnic-minorities are, in some instances it is being an ethnic-minority means you are *'a group within a community which has different national or cultural traditions from the main population'* (Oxford English Dictionary, 2017). This definition could then include the Sami people in Finland or it could include minority groups in a country such as African-Americans.

This then limits the definition of the category of the background of the focus group of this research. This is why it was decided to use this definition to clearly describe what this research will focus mainly on as the ethnic-minorities which will be focused on will be *'a group of people of a particular race or nationality living in a country or area where most people are from a different race or nationality'* (Cambridge Dictionary, 2017). This could be then classifying the group of ethnic-minorities as immigrants or those with an immigrant background.

### **2.2.1 Benefits of ethnic-minority entrepreneurship**

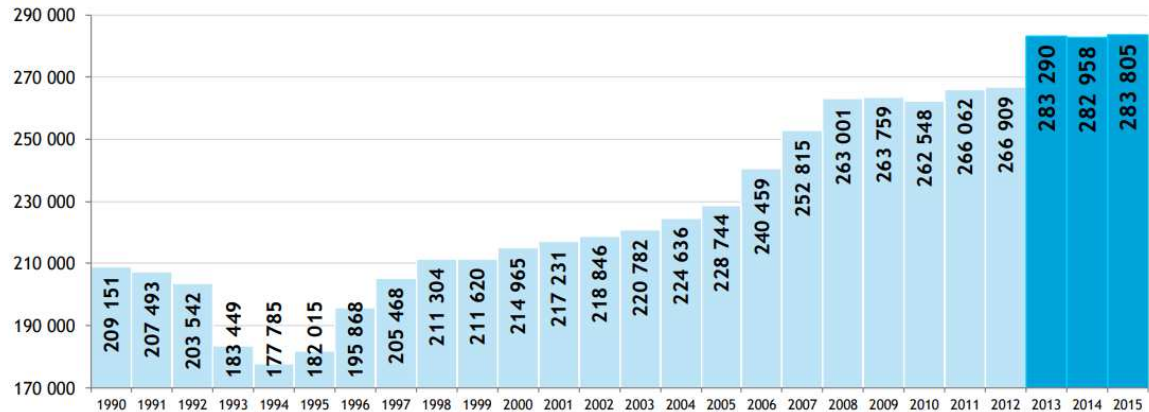
While currently there is a rhetoric of xenophobia in the world in numerous countries across the western world which have led to phenomenon's which are not expected such as BREXIT and the election of Donald Trump who has said some xenophobic statements, it is good to note that ethnic-minorities contribute to economies (Harvard Law Review, 2013). In the USA 40% of Fortune 500 companies are started by immigrants or children with parents from an immigrant background. They also contribute about 12% to the US business income and this just goes to show that even though they are a minority in the United States population they contribute nearly twice as much as local native Americans (Harvard Law Review, 2013).

### **2.2.2 Current situation of entrepreneurship in Finland**

Currently, in Finland, there has been an increase in entrepreneurship. If you look at the graph below you can see how it has been increasing over the past years, especially after 2013.

**Figure 1: Number of entrepreneurship ventures in Finland over the past years**

### Number of Enterprises 1990–2015\*



Source: Statistics Finland (without Agriculture, Forestry and Fishing)

\* The years 2012–2013 is not comparable to previous years due to a change in the compilation of the statistics



(Yrittäjät, 2015)

This means that there has been a huge increase in entrepreneurship on a general note in Finland. While it has stabilised over the past 3 years on the graph it was after a huge increase from 2012. While reasons for ethnic-minorities to establish their businesses are discussed below, another addition to this study is the discussion surrounding the growth of entrepreneurship in Finland. After the global recession and the collapse of Nokia as a huge contributor to the Finnish economy there was a growth seen in start-ups in Finland (Wallin et al, 2016) (Mitzner, 2015).

This may have been through the loss of employment and the opportunity to take care of other needs within the market. The loss of Nokia saw a rise in other startups which benefited from this loss. Examples include Rovio, the creators of the game Angry Birds having their current CEO Pekka Rantala being the past Senior Vice President of Marketing of Nokia. In addition, there is SuperCell another successful gaming company with one of their founders, Niko Derome, being a former software engineer of Nokia. (Mitzner, 2015).

### **2.2.3 Ethnic-minorities and why they open businesses**

There is a variety of literature that investigates ethnic-minorities and why they decide to open up businesses. Most of the literature is country based and looks at different cases from countries to figure out why ethnic minorities in those countries tend to decide to open up their own businesses. It would be of good knowledge to find out what different studies from around the world mention about this phenomenon.

In Australia, according to Mahuteau et al (2013) when immigration laws changed in 1995 from assisting immigrants with welfare support to not supporting them it forced immigrants to start their own businesses and forced them to become entrepreneurs. This is because immigrants look for opportunities in entrepreneurship to gain a way of living. And because they are no longer given financial assistance they must find ways to be financially independent. Before 1995 immigrants were given welfare financial assistance to survive in Australia while becoming integrated into society and some of it assisted them to study English to be able to communicate.

However, in 1995 the government decided to increase the points needed to be eligible to be an immigrant in Australia by making sure that educational background, skills and language proficiency were increased thereby making a provision that when immigrants came to Australia they would be ready to contribute to the economy. In addition to this policy Australia also came up with a new immigration policy that allowed immigrants to come to Australia to become entrepreneurs. This would be a 4-year visa with prerequisites to ensure that immigrants start businesses to contribute to the economy by making profit annually and providing employment. Both those policies created in the mid 90's created a path for ethnic-minority entrepreneurship both through pull factors (through investment) and push factors (cancelling welfare support).

This phenomenon in Australia is supported by the Cultural thesis (Piperopoulos, P. 2010) which emphasizes the ethnic-minorities migrate to a new host country to become entrepreneurs. They are usually Chinese, Koreans, Jews, South-Asians and Cubans in the context of the United States. These ethnicities come to the US with the aim to start



up a business due to their skills, values, attitudes, aspirations for achievement, personal motivations and heritage. This increases if they were self-employed in their country of origin. One of the biggest factor that is seen in most literature as to why ethnic-minorities decide to open new businesses in their host countries is because of barriers to employment possibilities (Zelekha, 2013).

Most immigrants face discrimination even when looking/searching for salaried jobs probably through the lack of human or social capital such as the host country's language/s as a prerequisite for most jobs. This is the case in most European countries especially Finland (Korpela, 2015) as there is currently an unemployment rate of 15.8% for foreign born residents in Finland compared to an 8.4% of native born residents (OECD, 2017). To have more opportunities to be considered for jobs you must have a knowledge of Finnish to communicate in the workplace. This is also something that is mentioned by other articles. Actually, when looking at all the articles that focused on the reasons as to why ethnic-minorities decided to start a business this was the main reason (Phizacklea and Ram 1996) (Anthias & Cederburg, 2009) (Wang, 2008) (Ley, 2006) (Collins, 2003).

The unavailability and discrimination of ethnic-minorities in the job market can be explained by the blocked mobility thesis (Piperopoulos, 2010). This thesis focuses on the disadvantages that ethnic-minorities face and as mentioned the name itself explains how 'racial discrimination, negative events, low education and qualifications, redundancy, under-paid salaried work, or language difficulty' can actually block the mobility of ethnic-minorities in the job market. This would mean that even if they do get jobs they will be limited movement up the professional ladder. This then makes ethnic-minorities to decide to open up their own businesses in order to be mobile in their income and business growth.

In other instance ethnic-minorities enter into self-employment because they want to take advantage of a niche market which has not been taken advantage of. This is the case of

ethnic restaurants in Norway. According to Krogstad (2004) 40% of the restaurant market in Oslo, Norway is owned by non-Europeans. This can be seen everywhere around the world, niche businesses started by ethnic-minorities to take care of their own community's need but end up also getting customers from the host country's native population as well. That's why Chinese restaurants, Turkish restaurants, Thai massage parlors are doing well in many markets. It's because they are a niche which was successful.

The availability of a niche market that is taken advantage by ethnic-minorities are in accordance to the opportunity structure thesis (Piperopoulos, 2010). This thesis states that ethnic-minorities take advantage of their knowledge of specific needs of their own ethnic counterparts and that attracts them to take advantage of the opportunity to become self-employed by working within a niche market for their own ethnic enclave. An example is of the restaurant market, food and consumer goods market and hair care market.

The final thesis which was proposed by Piperopoulos (2010), is the ethnic resource thesis. This focuses on how ethnic-minorities use social capital within their communities to establish and to keep their businesses running. This is because usually it's cheap and reliable since most of the ethnic-minorities cultural background is mostly a collectivistic culture that helps to support each other whenever they are in need. In this context social capital is the extensive networks of friends, family and ethnic community resources.

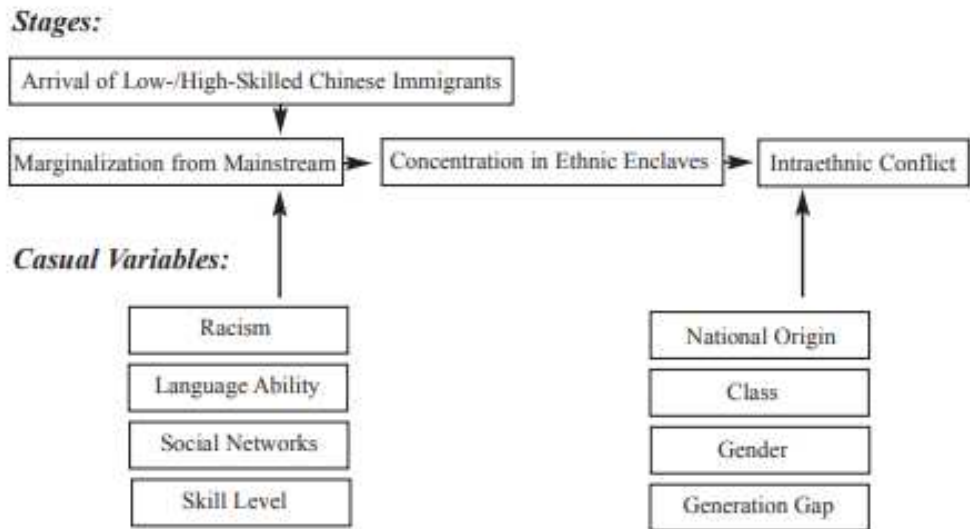
## **2.2 Global (Ethnic) Enclave Theory**

To add to the reasons why ethnic minorities open business in their own community, is the fact that when visible ethnic minorities immigrate they face discrimination in the job and housing market as mentioned before. This makes them make up their own communities such as the mentioned Chinatown in New York. This helps to create the backstory of the Global Enclave Theory (Chan, 2004).

The theory is best explained by an illustration:

**Figure 2: The Global Enclave Model**

**Figure 1. The Global Enclave Model**



*Globalization: The Development of Urban Chinatowns and Suburban Chinese Enclaves*

Chan (2004)

Chan investigates how ethnic enclaves are created. Right from the beginning with 1) Globalization and migration policies that affect how people and capital move from the East to the West. 2) After arriving in the West, how certain push factors make them to create these enclaves. 3) When in these enclaves, their difference lead to numerous conflicts. Overall, she looks into the main reason as to why (push factors into ethnic enclaves) this occurs.

She comes up with 4 different reason. These are racism, language ability, social networks and skill level. One of the biggest reasons cited by Chan in her theory is racism being a factor that pushes ethnic minorities to ethnic enclaves and looking for jobs within that area. In addition, she talks about the advantage of social networks in how differences are bridged between the ethnic minorities.

She mentions how social networks help to uplift someone into newer and better opportunities. This is called social capital. Numerous writers focus on this topic as it has a lot of influence in ethnic minority entrepreneurship. Since it is an important topic it is important that we also focus on examining what makes social capital something that is a defining factor in entrepreneurship especially when pertaining to ethnic minority entrepreneurship. One of the importance of social capital is that it can also bridge bridges such as transnational entrepreneurship between countries.

### **2.3 Transnational Entrepreneurship**

What is Transnational entrepreneurship? It is a form of internationalization of companies and it is best defined by Drori et al. (2009), as transnational entrepreneurs are “entrepreneurs that migrate from one country to another, concurrently maintaining business-related linkages with their former country of origin and currently adopted countries and communities.” Another definition of transnational entrepreneurs is “self-employed immigrants whose business activities require frequent travel abroad and who depend for the success of their firms on their contacts and associates in another country, primarily their country of origin” (Portes et al, 2002). The first definition will be used in this research as it better fits what needs to be examined more into this study.

Transnational entrepreneurship is another reason why ethnic-minorities decide to open businesses. Their prior experience starting up a business in their home country gives them the confidence to do the same in another country (Krishna & Subrahmanya, 2015). Therefore, it makes it easier for ethnic-minorities who have had experience of opening up new businesses to do the same as they have experienced how it has been to start their own company.

Krishna & Subrahmanya (2015) further explain that a few factors influence transnational entrepreneurship. The first factor includes their immigration experience, which includes their years of residence in their host country and their immigration class etc. Another factor more transnational entrepreneurs are successful because of their standing in their

own communities. This could be through their attainment and detainment of human capital, financial capital, legal status but most of all the most important in my own opinion, social capital.

All in all, this chapter focused on looking into past research which has been done on ethnic-minority entrepreneurship and why they decided to start-up businesses. It was a small look into different ethnic-minorities in different countries and territories and how they work around the concept of entrepreneurship. Other concepts that surround the topic were investigated and discussed and moving forward, we will focus on the theoretical framework that will be used in this research.

#### **2.4 Summary**

In order to have a holistic view of this study, there has to be a research into what was previously concluded by other authors after their research. There were numerous cases whereby the results from the different studies pointed into the same direction as to the reasons why ethnic-minorities decide to startup businesses. The main reason was that they face obstacles such as unemployment and job discrimination in career advancement. This was highly the greatest reason. However, there were additional reasons as to why they decided to enter into entrepreneurship but unemployment was the recurring reason. Now that we see the importance of transnational entrepreneurship, it would nice to see how social capital supports ethnic-minorities in their communities and in starting businesses.

## **Chapter 3: Social and personal basis to startup businesses**

### **3.0 Introduction**

This section is going to be looking into the theories that bring about the foundation of this research and how it supports the ethnic-minorities in their quest to open up a business. It focuses on one of the biggest factors that aid in ethnic-minorities and how they receive support, whether financial or non-financial support which is mainly different from the locals.

### **3.1 Network Theory**

Before we embark on explaining social capital it's good for us to look where it actually stems from. Also known as the Social Network Theory according to Liu et al (2017) it 'focuses on the role of social relationships in transmitting information, channeling personal or media influence, and enabling attitudinal or behavioral change.' However, my preferred definition comes from Claywell (n.d) which says, 'Social Network Theory is the study of how people, organizations or groups interact with others inside their network.' This best explains the theory and how it is expressed.

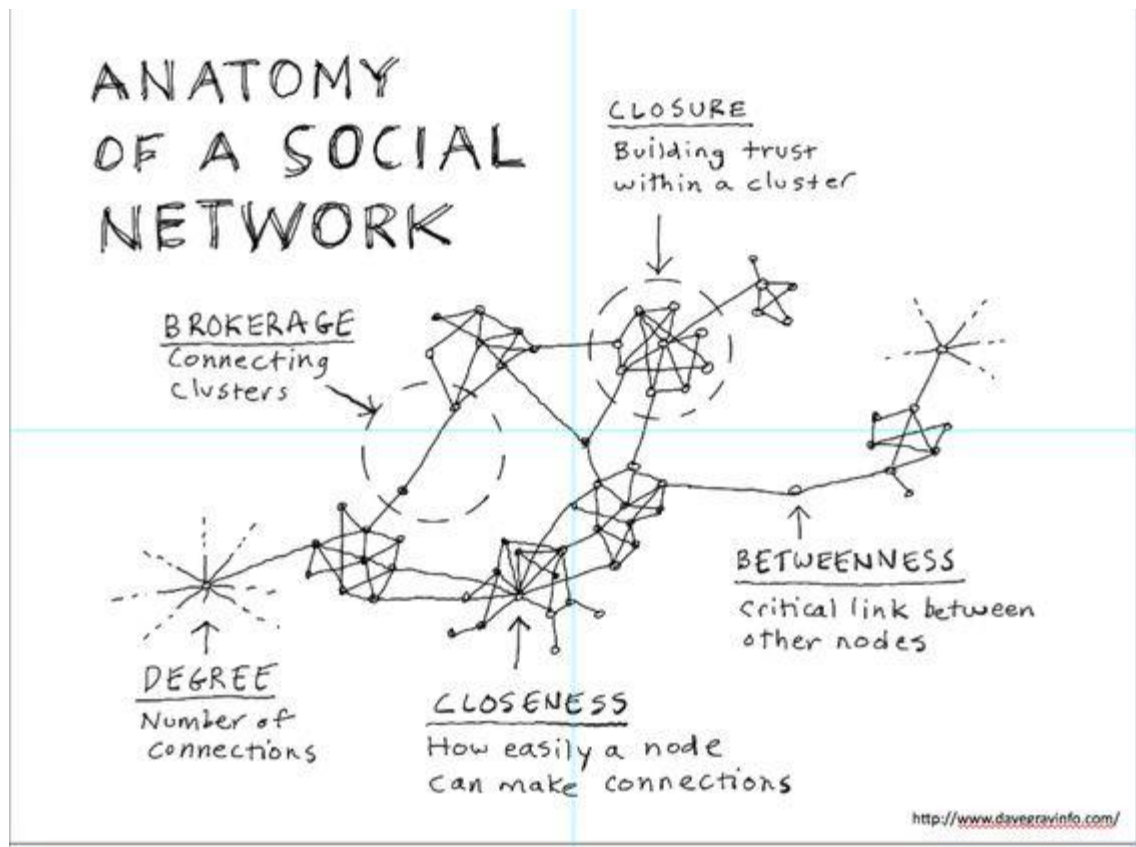
When reading this definition, it is aligned with social capital and they are very similar. These both complement each other. Let's look into the entrepreneurial start up scene. Within this network is already a set of different networks of different stakeholders, entrepreneurs, and non-professional entrepreneurs, who work together to create new opportunities (Vismara, 2016). These networks work well through social capital.

While it will not necessarily be the reason why entrepreneurs receive seed investment, however, it does connect entrepreneurs to each other and create a community of start-ups. An example of such is hubs in which entrepreneurs and their startups work in the same vicinity with other start-ups and they support each other is the famous Silicon Valley in the US and Maria 01 in Helsinki.

On Maria 01's website they make that distinction clear, it states that Maria 01 'home to the next generation of tech teams working side by side with venture capitalists, established companies, and the extended ecosystem to help each other succeed in the competitive startup environment.' (Maria 01, n.d). It makes it easier to understand the theory when you look at this scenario. Maria 01 sees itself as an ecosystem, a connection between individuals and organizations/potential organizations. It has its own dynamics and provides habitat for these players.

Here is an illustration that best explains the network theory

**Figure 3: The Social network theory**



Gray (2015)

Looking on the theory there are parts which are better explained through this image. Let's look at each point closely.

Brokerage: this focuses on the links that are weak and connects different clusters together. Brokers, see the need to connect different clusters to gain information that can develop ideas and opportunities from the different clusters (Gray, 2015). Closure: focuses on making connections much stronger. Closers are people who assist in building deeper trust and connection within a cluster. This gives the cluster more identity and purpose (Gray, 2015). Degree: This looks at the number of connections between nodes. For example, it could be the number of people within your team at work. (Gray, 2015)

Closeness: This is a measurement of how a node can easily connect with another. For example, how easy it is for someone in your department to connect with someone in the next department. The closer the connections, the easier to connect to the node and the further the connection, the more nodes one must connect with to get to the node. (Gray, 2015) Betweenness: This investigates how a node is critical in connecting and building bridges between different nodes. (Gray, 2015)

The Network theory is a bigger picture that trickles down into social capital. Social capital is one of the most important issues in entrepreneurship let alone ethnic-minority entrepreneurship. Therefore, it would be important to dissect the theory and how it contributes to this research.

### **3.2 Social capital**

The previous paragraph focused on one of the important aspect that make ethnic-minority businesses successful that is social capital. So, what is social capital and why is it so important for ethnic-minorities to open their business. Social capital simply put is the networks of people that an individual is connected and has a relationship with through different activities (Field, 2003 p1). This means that the people one interacts with in close proximity such as going to the same class, attending the same church, enjoying the same hobby, working in the same office. All these examples are how you can network with different people and how they can be considered social capital.



In further research (Helpern, 2005) a better definition of social capital to differentiate it from other forms of capital is ‘social networks and the norms and sanctions that govern their character. It is valued for its potential to facilitate individual and community action, especially through the solution of active problems.’ In order to see just how important social capital is it is also put on the same level of other forms of capital such as capital (general use)- any form of material wealth to produce new wealth, financial capital-any form of money whether in the bank or in the hand, physical-goods that can produce or work in order to make other good e.g. machinery, other tangible assets- goods that can produce but haven’t produced themselves such as land and finally human capital-the amount of expertise accumulated by an individual.

### **3.2.0 Hypotheses of Social Capital**

According to Burt (2000) there are 3 hypotheses for social capital, 1. Those who are rich in terms of social capital that is connected to bridging structural holes are more than likely to enter into entrepreneurship and succeed in their venture. This social capital gives timely access to a diversity of perspectives, skills and ideas which (a) is associated with finding untapped opportunities in the market, (b) provides connection to customers, employees, potential companies to become allies with (c) assists the entrepreneur in identifying which potential opportunities with employees, suppliers, investors etc. (d) increases the possibilities of the entrepreneur to know the channels to use to connect with customers, suppliers etc.(Burt, 2000).

2. Having more social capital as an entrepreneur also provides insights to them that allows the ability to recover businesses that are in trouble. They are able to use their social capital to forecast future trends and changes and adapt their ventures in order to remain competitive within the market. (Burt, 2000).

3. Entrepreneurs who have high social capital work with ‘exploitable’ (these are contacts that have no other choice but to work with you) and emotional support (the bigger family ties) are more likely to succeed in their ventures because of these connections. (Burt, 2000).

### **3.2.1 Examples of the use of Social Capital**

While we as humans show signs of social capital. One primate also shows signs of social capital and how it benefits them. This is the baboon. It was noted that female baboons that invested in social capital with other female baboons gained numerous benefits from it. This includes being well protected against predators leading to both a low mortality rate and infant mortality rate. In addition, female baboons that have better social bonds with other female baboons due to the protection can feed better than those without the protection, meaning they are healthier and better when it comes to reproductive success. Lastly, high social capital within these groups of baboons leads to a lower level of glucocorticoids. This means that they are less susceptible to social stressors (Silk et al, 2009). Maybe this is a sign that with evolution we as humans also have the traits of other similar mammals and it is evidence of how we work within our social structures.

Now that we have differentiated the different capitals and what social capital. It would be nice to see why social capital as a phenomenon is important in entrepreneur. Social capital provides a career footing for individuals. This is the case of rugby players who were in the first XV of the rugby team in The Brisbane School(TBS) (Light & Kirk, 2010). Due to fact that the boys were able to make it onto the first team for rugby in their school opened them to numerous opportunities. In fact, most boys in the first team were able to hold high managerial positions in companies. Their success in the rugby team made them to be successes in real life and that they could be strong leaders. This observation of rugby, aggressiveness and sportsmanship makes them to be natural leaders. Once they join the team it opens their social capital and increases it hence, providing a career roadmap for the team members.

Social capital in farming provides farmers access to relevant information, social support and social networks needed for the successful growth of the farm (Strikis et al, 2005) This is just the same with individuals. To get a step ahead in life, one must be able to gain the relevant information, social support and networks in order to figure how best to get opportunities to make them successful. This is the same as any organization, they must have all three to be a successful organization.

We looked at rugby teams and farm owners, now we will look at the advantages of social capital for biotechnology firms. Social capital gives you access to venture capital, valuation and eventually success (Maurer & Ebers, 2006). This goes to show that you need social capital in order to be successful to a certain extent. As observed before it does not matter what the background is social capital plays a significant part in the outcome of how you do business. In addition, it determines access to numerous benefits that makes it easier for one to be successful.

Other than in the business life social capital plays a vital importance. Having good ties with neighbors and friends are related to an individual's psychological well-being in regard to self-esteem and the overall satisfaction with life (Ellison et al, 2007). Further research by the same author notes that even now due to the introduction of internet social media it has kept social capital through the form of networks online. Using platforms such as Facebook allow college students to keep in touch with friends. This also again results in high self-esteem, satisfaction with the university life and intense Facebook use.

### **3.2.2 The family and social capital**

There are numerous ways that individuals build social capital and one of those ways is through their family. The social capital is so strong a topic that it has been introduced into research work. Therefore, the term 'family social capital' was coined. According to Sorenson (2011) *'family social capital refers to trusting, cooperative relationships in a family that enables it to engage in collective action.'* Due to this trust within the family it is much easier to gain social capital in family businesses for family members. In non-family owned businesses it is much harder as you must work harder to get this social capital. It is now good to note that it is not every family can have good social capital. In some families there is the lack of trust and due this there are fighting's within the family and it is broken from within. However, as it is known most families have a stronger social capital than any other institution.

As discussed before there is connection with social capital and transnational entrepreneurship. There is a huge tie between the two, and it is seen especially from a study done by Mustafa & Chen (2010). Their research included 5 different entrepreneurs from Malaysia and Singapore who are now transnational entrepreneurs. All the entrepreneurs could not have established their businesses and internationalized without support from their social capital with special reference to their families. Either by “providing start-up capital, office space, advice on the local market, and staff to work in the business” (Mustafa & Chen, 2010).

Ethnic minorities value their social networks and if they were successful in their first venture and become transnational entrepreneurs they actively work on keeping the social networks in their home country. They value social capital and actively work on making sure that they keep their ties in their home country (Kariv et al, 2009). They then embark on different activities to make sure these ties, which include returning to their home country to visit,; maintaining social networks with family, friends, and associates in the country of origin, maintaining their relationships with different associate's, acquaintances, friends and family, provide financial support to people back in their home country, constantly search for current information in order to be abreast with current affairs and trends, and finally they recruit people from their home country in their companies (Kariv et al, 2009)(Zolin & Schlosser, 2013).

As you can see any person in general needs social capital. However, it is highly important for ethnic-minorities. This is because it provides a means to networking, interpersonal trust and institutional trust (Turkina & Thai, 2013). As mentioned before if ethnic minorities are unable to gain employment opportunities or going up in their career they will decide to become entrepreneurs. Whether this is the case or not they still need to invest in social capital as they do not have any access to it as an immigrant. Therefore, they have to really focus on this in order to be successful.

### 3.3 Criticism of social capital

One of the biggest criticism of social capital is that it's not only difficult to define but it also is difficult to measure (Haynes, 2009). Now, when authors talk about social capital as a concept, they consider it to be the networks connecting people that lead to access to other resources. It then makes it difficult to measure social capital as it is not tangible. There is no measurement of social capital. According to Ponthieux (2004), social capital also is not created, it is something that '*just happens*'. Other capital such as human and physical capital are created, however, social capital is a byproduct of other activities.

The next point is that social capital when implemented can lead to undesirable behaviors within a certain group of people. This would include behaviors such as hiring practices, most people who hire people they are comfortable with tend to stick to their ethnicity. This causes nepotism and discriminatory hiring practices which will lead to inequalities in society (Durlauf, 1999). In addition, decision making made within groups due to social capital leads to a particular 'group-think' that makes them make decisions together which is tied into hiring practices, but also residential settling decisions can be made from such decisions.

To add on to the point above social capital can have adverse implications when it comes to different team dynamics. For example, in looking into time taken in fulfilling a task, a team with stronger takes more time in achieving the task compared to those that have weaker social capital ties (Adler & Kwon, 2002). In addition, social capital takes a considerable time to build and maintain (Adler & Kwon, 2002). This is the one thing that is not mentioned, it takes time to meet people and gain their trust. You do not just automatically wake up and you have social capital. While there is some assistance through family ties that make it easier however, most of the time it takes a considerable amount of energy to not only build social capital but also to maintain it.

Looking into social capital as the backbone of the theoretical framework that will be used for this research, it's of high importance that it is tied into ethnic-minorities entrepreneurship. As discussed in this chapter social capital plays a vital role not only in

native entrepreneurship but also in ethnic-minority communities as well. Most of which they find more important in establishing and being a successful business.

While we discussed the advantages of social capital and how essential it is for any business endeavor we must not forget that it has its shortfalls and risks and that it is not only a benefit but there are also pitfalls. For this each entrepreneur should be careful to make sure they look out for them and make preventive measure against the pitfalls in order to better their chances at gaining the most from social capital as possible. Now that that part has been discussed we will move forward to the research methodology of this study.

## **Chapter 4: Research methodology**

### **4.0 Introduction**

This chapter aims to look at the different research methods which were used during the data collection of this thesis and how the data was evaluated. This research had the aim to figure out why ethnic minorities in Oulu, Finland decide to open a new business, how they gain the capital for the business and what are the barriers to them opening a new business (if any are present). Now, let's observe what research techniques were used during the research.

During this research the use of qualitative methods of research will be implemented. Qualitative research methods as these foci and put a lens on social or human problems (Creswell, 2007) and this focuses on the possibilities of social problems that encourage ethnic-minority entrepreneurship and what if they gain any advantages from social capital.

### **4.1 Research Methodology and Design**

The use of qualitative research methodology was the choice of the thesis the use of one-to-one interviews were the main choice of data collection. The choice was made because qualitative research is a method that engages well with participants, but not only that it also makes them the audience as well (Lutton, 2010). This was the main idea as connection with ethnic-minorities was the main aim. This was to create an environment which they could feel secure enough to share their stories and to also have trust with the process. In addition, the need to have a human connection was desired as that was the intention during the research. Interviews were the only sole method used during the research because of the reason mentioned above, no other methods came to mind except the one above for this choice.

A semi-structured interview was used; this is an interview that ‘is a qualitative method of inquiry that combines a predetermined set of open questions (questions that prompt discussion) with the opportunity for the interviewer to explore particular themes or responses further.’ (Evaluation toolbox, 2018). This was done to probe deeper into some of the questions and to give freedom to the participants to express their ideas and experiences as much as possible in order to capture their experience as authentic as possible. A copy of the interview questions can be found at the end of this thesis in the Appendix section.

#### **4.2 Participant sampling and selection**

In deciding who was eligible to be interviewed it was not that strict. Most things to be considered was the residence status of the individuals in Finland. In addition, their status in Finland was considered. While some of them were citizens of Finland, they were naturalized citizens and not Finnish by birth. A couple of them were here because of a partner they are in an intimate relationship with. For the research just being an immigrant was enough to be a participant in this research. In addition, an obvious requirement for this research was owning a business which was registered within Finland.

#### **4.3 Sample size**

When it comes to sample size there was no directive as to how many people would be sufficient to be in the sample. One was advised to use the judgement sample, which involves the researcher finding the most justifiable sample size to answer the research question (Marshall, 1996). In another source of information, it was advised that when it comes to sample size it all depends on many different factors which the researcher must observe by themselves, but generally you should ask until you are content with the amount of responses given (Baker & Edwards, 2012). After considering the definition on how to have a reasonable sample size it was decided that the population of the sample would be 5-6 entrepreneurs.



The use of questionnaires will be used for the study and they will be carried out through face-to-face, in-depth interviews. The sampling methods that will be implemented to gain the right sample would include the snowball sampling (Davidson and Layder, 1994: p95). This is when the survey subjects which were interviewed refer the researcher to other subjects that could be interviewed (Black 2010: p226).

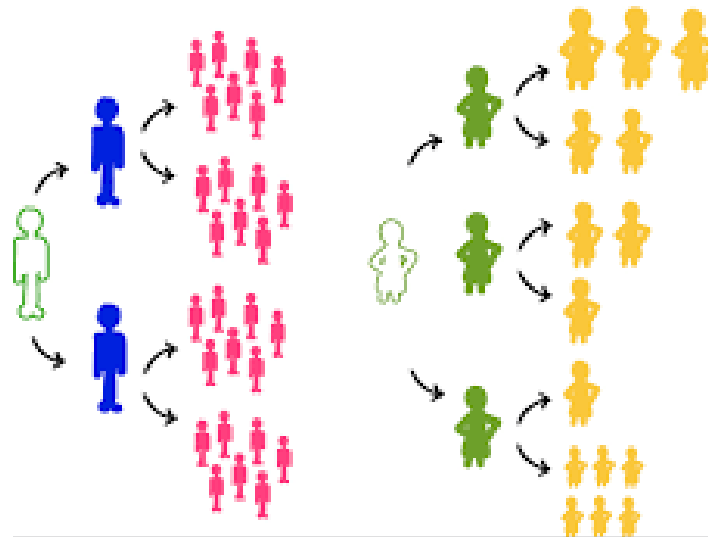
#### **4.4 Snowball Sampling**

During the research, approaching of target participants for this research was done. After, there was an introduction of one participant and the interviewing was done a referral to another potential candidate was done. Snowball sampling is a non-probability sampling technique. This means that when using this form of sampling there is not an established sample records and therefore it is not random (Babbie, 2008). For example, in this case there is no formal registered list for ethnic-minority entrepreneurs in Oulu, Finland which means that I would have to approach one and be referred to another.

This is done in stages, so the first stage is when a sample is searched and found and once they are interviewed (Statistics how to, 2017). In this research the case is that there was knowledge of two ethnic-minority entrepreneurs. One was a friend and the other was an acquaintance of a friend. Once the initial sample is found they are asked for a referral which turns into another sample size therefore, making the snowball effect.

**Figure 4: The Social network theory**

## SNOWBALL SAMPLING



Vectorstock (2018)

### 4.5 Types of snowball sampling

There are currently, 3 different types of snowball sampling and we will take a look at each.

**1. Linear snowball sampling:** A sample is started by one individual who then refers another one person, who in turn refers another individual and this continues until the sample is enough.

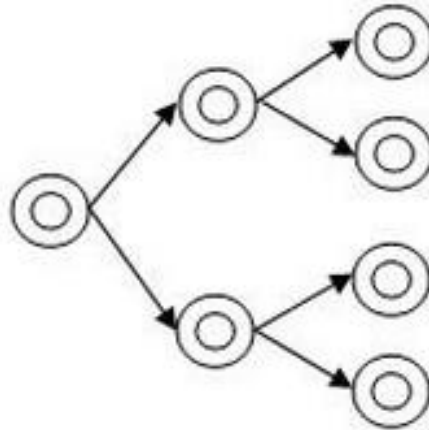
**Figure 5: Depiction of Linear snowball sampling**



John Dudovskiy (2018)

**2. Exponential non-discriminative snowball sampling:** Here a sample is created when the first individual contacted refers numerous individuals. All of the referred individuals are contacted and sampled until the sample needed is reached.

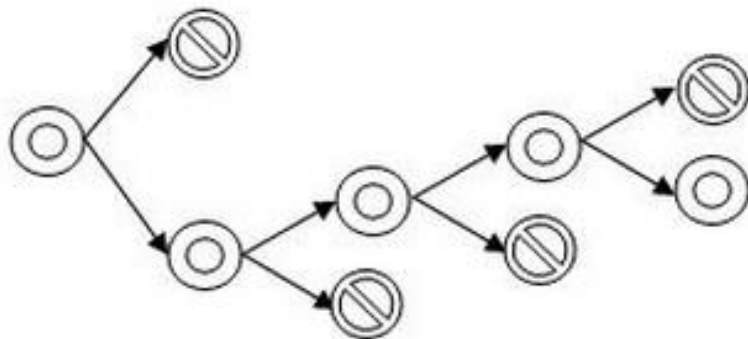
**Figure 6: Depiction of Linear snowball sampling**



John Dudovskiy (2018)

**3. Exponential discriminative snowball sampling:** The first contacted individual gives numerous referrals; however, the researcher does not make use of all the referrals. Most probably because of the misalignment with the objective of the research.

**Figure 7: Depiction of Exponential discriminative snowball sampling**



John Dudovskiy (2018)

#### **4.6 Practical steps in the research sampling**

Why was snowball sampling used within the research? Before the research, I looked for different methods on how I could conduct the study. During this time, I had already contacted one of the participants as we knew each other. As an ethnic-minority myself, I had access to the community as I am part of it. After figuring out that I could use snowball technique as a method to get my sample, I implemented it in my research. It was easier than I expected as I mentioned before some of the people interviewed at the beginning were people I had met already, and I knew they would connect me to other people. This connects to the concept of the Network theory, the Closeness of the nodes were really close in this network (Gray, 2015) It was not difficult to meet people I needed to sample due to my social capital.

In the study, Exponential discriminative snowball sampling was used. This was because some of the referrals were not used. However, it was not only because of misalignment with the objective of the research but for other reasons. Out of the research there was a total of 10 people within the sample size. At the end 6 people were interviewed in total.

Out of the 10 samples, 4 of the people within the sample were not interviewed. The first wasn't interviewed since they refused to be interviewed when approached to be part of the research. No reason was given. The second person approached informed me to send an email to set up a time for the interview and to give a brief introduction about the research. A couple of emails were sent, however, there was no response therefore they did not continue in the process.

The third was contacted and mentioned that they were interested. There was a discussion about the time when to meet and there was no time mentioned from the potential participant, when a time was offered, the participant mentioned that they would choose the time and that the researcher has no right to offer. It was then the decision to remove them from the sample was made. Mainly, it was because of the approach and attitude of this participant that made them to not be considered for the final sample.

Lastly, the final potential participant to be interviewed had been contacted even before this research began. When the sample was being collected, they were informed about the interview. Due to a conflict in both schedule, there was no possibility to do the interview. During this time, the researchers' place of residence was moved to Helsinki. This made it difficult to have a physical face-to-face with the potential participant. Mention of using Skype was mentioned as it was used with one of the participants (mentioned later). However, they refused to be recorded on Skype. Due to the distance and lack of compromise they were not considered to continue in the process.

#### **4.7 Data collection**

This is a representation of what was received from the collected data. After interviewing the participants why, they went into entrepreneurship, the response was quite astonishing and unexpected. This research data was only received from qualitative research methods with the use of in-depth one to one interviews. Out of the 6 people, 5 of them were interviewed face-to-face while the researcher was still residing in Oulu. One of the participants was interviewed via Skype and agreed to be recorded during the interview also. Therefore, a special application was made to record the conversation and convert the interview into MP3 format.

The results gained during this research were gathered from the interviews taken in the process. All of it comes from the information given by all the respondents who were interviewed. The respondents are all ethnic-minorities and are from various backgrounds that are not tied to any one region or continent. Let's look at the different demographics of the interview respondents.

#### **4.8 Demographic profiles of the interview respondents**

This segment takes a closer look at the demographic composition of the respondents and takes a closer look into who they are. There were 6 respondents altogether with 1 from Nigeria, 1 from France, 1 from Germany, 1 from China, 1 from Central African and 1 from Sweden. If we look at this sample we have 3 Europeans, 2 Sub-Saharan Africans

and 1 Asian. The main aim was to have the group as diverse as possible. It was to see if there were some similarities regardless of background and also to see if there were any differences in terms of social capital and other elements that helped to support different ethnic minority entrepreneurs in starting up their business. All the respondents currently reside in Oulu, Finland and their businesses are located in the same city where they reside.

**Table 1: Introduction of the interviews**

<b>Company</b>	<b>Country of origin</b>	<b>Industry</b>	<b>Title of the interviewee</b>	<b>Duration of interview</b>
Entrepreneur A	Germany	Education and training	Self-employed/ Founder	51 minutes
Entrepreneur B	China	Technology	Partner and Co-founder	62 minutes
Entrepreneur C	China	Consulting	Partner and Co-founder	45 minutes
Entrepreneur D	Central African Republic	Catering	Founder	62 minutes
Entrepreneur E	French	Technology	Founder and Owner	37 minutes
Entrepreneur F	Nigeria	Hair and Cosmetics	Founder and Owner	20 minutes

#### **4.9 Introduction to the entrepreneurship ventures**

The research investigates ethnic-minority entrepreneurs who have started their own ventures. In looking into this, the results of the research will use the name of the target audience as Entrepreneur A, B, C, D, E & F. This was done to make it easier to put down and for the reader to follow better. In all the interviews the entrepreneur was the one interviewed and their experience was the subject of the interview.

Entrepreneur A starting a consulting company that focuses on assisting other entrepreneurship companies that consider internationalizing. The focus is in the German market and other European markets. The company investigates the logistics of internationalizing and anything that is considered in doing so such as legislation, expected costs, hiring practices etc.

Entrepreneur B works in a start-up that is into technology products. EB is a partner in a venture that produces environmentally friendly screens. These screens which could be used as T.V.'s, computer monitors or marketing screens and are powered by renewable energy. The company is new in the market and it is a partnership venture, EB started the venture with another partner.

Entrepreneur C is part of an organization that was started with numerous partners and they are in the business of being an intermediate between Finnish companies and Chinese companies. These are businesses that want to do business together, internationalize as a Finnish company to China or a Chinese company that want to internationalize to Finland. They assist in the cross exchange between the countries.

The next entrepreneur runs a restaurant and bar. Entrepreneur D is in the catering business and has a company that is multi-dimensional. It is bar, restaurant, event hosting space and club all in one. ED was a student in Oulu before he decided to go into entrepreneurship. While this is not his first venture, it is the one which is the result of his first entrepreneurship venture.

Entrepreneur E is currently a founder of a tech company in Oulu. He focuses on being a developer for different companies. Mainly, he works for companies in the Australia & New Zealand region. He founded the company just a few years ago and found that the possibility made his life much easier. The idea is to continue servicing his market however, he hopes to also grow within the Finnish market.

Lastly, we have Entrepreneur F who is mainly focused in the hair and beauty industry. The main focus is on working on immigrants who originate from Africa and cannot find the service for their hair and other beauty services. She focuses on her niche and services it. Her hope is to service most of the Oulu area. Currently, there is no focus on even growing to other cities let alone internationally.

#### **4.10 Themes for the interviews**

This research was conducted using face-to-face interviews and during this time there were themes which were made according to the research questions posed in the beginning. For finding out the *'reasons why ethnic-minorities decide to start-up businesses?'* I made a theme in my interview structure that headlined the reasons why the entrepreneurs started their businesses and the business activities they are into. I asked questions such as *'could you please tell us the story of setting up your business?'* and *'please include the reasons of your business start-up decision.'* To find out what business activities they were into, the following was asked *'please tell me about your business, what you do? What services you provide?'*

To explore the question *'do ethnic minorities receive any government assistance in setting up their business?'* there was a theme in the interview structure that focused on *'startup finance'*.

In this part of the questionnaire questions such as *'could you please tell me how you financed your business?'* and *'did you find it difficult to obtain financial support for starting your*



*Business?*' were asked. This then made it easy to transition into the next part of the interview. This mainly focused on social capital.

The last part of the interview focused mainly on access to social capital and aimed to answer the last 2 statements '*to explore the social capital that is available for the different groups of ethnic-minorities.*' and '*what is the role of the immediate family when it comes to establishing the business?*'. This forms the backbone of the research as this is part of the main outcome of the research.

Basically, the interview followed the structure as is above mentioned. While there are some additions to the structure, such as, *educational background, employment process* and even the *views on entrepreneurship and management styles*. Some of these topics covered some of the earlier asked question therefore some questions were not repeated during some of the interviews.

The results were recorded, and content analysis was used to analyse the results from the interviews. According to Chi (1997) verbal analysis (that is the analysis of results taken from a verbal exchange with a participant) can go through stages to be analysed. This include reducing and coding the sample into different categories, segmenting the categories, coding the segments and looking for patterns within the codes and then finally interpreting the patterns. The above previous paragraphs show how the data was dissected and coded. During the research the information was taken and went through this analysis, therefore, there will be themes followed within the results of the research. Now that the background has been covered, let's look at the results.

#### **4.11 Conclusion**

The main use of sampling was through snowball sampling. It mainly focused on talking with the entrepreneurs and asking for references as to people I could potentially approach to interview. The hope was to find entrepreneurs who could direct me to other people in their situation as the assumption is that that would be the biggest possibility that they would know each other. The use of qualitative research methods as it was used

to get to understand more the tone of voice, body language and context of what they were saying.

## **Chapter 5: Results**

### **5.0 Introduction**

This chapter aims to reveal what was actually the results of this research. First let's look at the questions which research were meant to answer:

1. Reasons why ethnic-minorities decide to start-up businesses in Oulu, Finland?
2. Do ethnic minorities receive any government assistance in setting up their business?
3. To explore the social capital that is available for the different groups of ethnic-minorities.
4. What is the role of the immediate family when it comes to establishing the business?

### **5.1 Results from the interviews taken**

When looking into the research, there was consideration of how to consolidate the data collected. The research is broken down into different blocks in accordance to how the interviews were constructed and the flow of them. Therefore, the blocks will be put in headings and explanations will follow thereafter.

### **5.2 The startup of the business and motivation**

Entrepreneur B works in a start-up that is into technology products. EB is a partner in a venture that produces environmentally friendly screens. These screens which could be used as T.V.'s, computer monitors or marketing screens and are powered by renewable energy. The company is new in the market and it is a partnership venture, EB started the venture with another partner. EB decided to go into entrepreneurship for a couple of reasons. The first one was that he was bored of his 9-5 work life. He mentions:

*'I did not feel fulfilled in the job that I was working in'*

and therefore, when the idea came to enter into building up a start-up, he was ready to participate. The next reason was that both he and his partner had stumbled upon a exploitable business idea. He talks about visiting his partner in Helsinki one weekend and during this time casually browsing through art work on the internet. They both saw an art piece that they liked and wished they could have it in their possession at that moment but they ‘knew that it would take time to be transported’ to their place of residence. This is when the idea to have displays would be something to work one.

In addition, another reason was that he saw this opportunity as a challenge in his life and that he would gain meaningful experiences and skills through being an entrepreneur. He saw this as an opportunity which was different from his regular life and he had the thought that probably the idea could blow up. This is a short extract from the interview of how he explained the reason as to why he decided to become an entrepreneur to his family and friends when he made the decision to move to Oulu to become an entrepreneur:

*‘...I had been working a day job for 3 years and I want to try something new. I mean, it could be fun, who knows? It could blow up and can be like a really good success story or something like that...’*

He continued

*‘I want to do this to see the extent of my full capabilities and I want to develop my skills. I want to develop both my professional side and my personal side and I don’t feel like I can do it here in Stockholm if I still work at my regular job so I am just going to do this...’*

The same sentiment came from Entrepreneur D, he wanted to challenge himself and do something that would be taking a risk as he is used to that type of life. The difference between him and Entrepreneur B is that he has previous experience in entrepreneurship

and this has given him the vision to continue in being an entrepreneur. This current venture is a continuation from the previous one and his vision is to have a bar franchise.

*'There are many reasons. The first reason is because my end goal is I want to create a bar franchise and for this I need to know all the elements of the business.'*

*'Another reason is because I like challenges and I like to build stuff and I like to grow stuff. This one was also was kind of a good challenge because it's a place that has a lot of potential and I was thinking that I have the capacity and capability to make it work. And there is this challenge that is like "Hey, can we take it out of the dead?" Something like that.'*

Later during the interview, he also pointed out how much he had a passion for this type of business. Before he ran a business that created party events. He mentioned that when he would focus most of his time in the business and he would not feel tired. However, whenever he was doing any work which was connected to his studies of Finance, he would feel exhausted after a few hours of working in the job. This also made him pursue this entrepreneurship venture.

*'...and then at some point I realised that I was working almost 15 hours for those parties and I wasn't tired. I would go 15 hours to prepare the party, and then I have to go to the party, and then come back and still not tired and start again...When I used to work as an accountant, I would work for 4 hours and I'd be dead and after that I have to suffer the next 4 hours...'*

For Entrepreneur C, she ran a salon business before in China after continuing it from a project that was given to her and a friend by the university she attended. Once that bug of entrepreneurship bit her she wanted to continue to be an entrepreneur and therefore when she came to Finland to study but decided to figure out a way to be an entrepreneur here even though she had another job on the side.

*'Oh actually, during the period when I was studying for my Bachelor's degree I already run my own business back...beauty salon and spa kind of...the demand was high and the business was ok.'*

In addition, one of the reason for her startup is like Entrepreneur A & F. They all saw an opportunity within the market to explore and use their talent to fulfil that need in the market. For Entrepreneur A, it was assisting Finnish companies to internationalize to Germany, for Entrepreneur C it was to provide integration services for Chinese visitors to Finland and for Entrepreneur F, it was to provide hair and beauty care for ethnic-minorities of Sub-Saharan African descent. They all saw an opportunity and took it by opening their businesses and providing their services.

For Entrepreneur A, E & F one of the main reasons why they started their businesses is because they moved to Finland with their partners. They cited how unemployment played a part in them pursuing being entrepreneurs. Which aligns to what most of literature notes (Chan, 2004; Piperopoulos, 2010; and Phizacklea & Ram, 1996) that unemployment in the form of limited mobility in the employment market is one of the main reasons why ethnic-minorities seek self-employment. However, Entrepreneur F disagreed with this notion. She mentioned that she had just saw a need in the market for her type of business and exploited it as she had done back home in her country of origin, Nigeria. To add on to this reason Entrepreneur A mentioned how easy it is to open a business here in Finland and how it lacks bureaucracy and it took less time and legalities to start and hence he made the quick decision to be an entrepreneur.

Entrepreneur A: *'The reason why I opened my business here in Oulu is because I have family ties here to Oulu. Meaning my spouse is from here. And the reason as well is, opening up a business here in Finland is easy and very straight forward and doesn't require much of any kind of external input.'*

He also mentioned that he saw an opportunity in the market that he could exploit for companies that want to internationalize to Germany. And since there was a demand he established his business.

*'Why did I choose to open that? Because I heard many different kind of company stories, I saw the huge potential of the Finnish businesses that are here, and I saw little approach in terms of like going internationally and in terms of the German market there. I thought they have very good products here and I would like to really promote them and help them get onto the German market and that was the whole idea.'*

Entrepreneur E: *'Oulu, Finland, this is all down to my girlfriend having found a job here in Oulu University. So, the fact that I myself was to work from here is just because of that.'*

Entrepreneur F: While she did not directly mention that she came to Finland with her husband, during the interview it is easy to piece together her story. She mentions that when she arrived in Finland she already started trying to set up her business with the support of her husband. Her husband came to study his PhD and she mentions that when she came she had no studies or work, this therefore alludes to the fact that she came to Finland because of her husband.

It's good to also add that indirectly Entrepreneur C is currently married, and her partner is originally from Finland. While it was not directly correlated with the reason for starting up the business, it is good to note that that is another tie into starting the business in Oulu.

### **5.3 Startup financial support**

Financing a startup is always something that any entrepreneur must investigate therefore this part looks into how the entrepreneurs received assistance in financing their business. Entrepreneur B had numerous forms of financing their startup. This includes their

savings, a grant from TEKES, financing received from investors who wanted to invest in the company after a pitch during an accelerator program and through government support. The grant from TEKES, was received through the assistance of a Finnish acquaintance who assisted them in their startup idea and convinced them to move to Oulu. Being able to maneuver through this process shows how social capital and networks are important. Without this network the founders of this startup would have faced numerous difficulties in setting up their businesses. Outside of financial support they did also receive support from Oulu Entrepreneurial Society (OuluES) and Entrepreneur B mentions that in Oulu

*'the startup community is great because everyone wants to help each other. I think that's something that I haven't seen or experiences in Stockholm'.*

As mentioned before they receive money from the government which helps them in sustaining themselves while building up the business and this money helps them to survive (pay for accommodation and other bills). In addition, he also gets a small amount of money from subletting his apartment in Stockholm as he charges a little bit extra because he offers his apartment with furniture included.

Like this Entrepreneur A received financing for his business mainly from 2 different sources. One was from a grant received, Starttiraha, which aims to support local entrepreneurs by the offering them enough money to be self-sufficient. This is not seed money for the startup but a grant that aims to make sure that daily living necessities are covered for the entrepreneur while they prepare to get their business running over a period of about 12 months (TE-palvelut, 2018). My assumption is that this was the same grant received by Entrepreneur B, as the explanation he gave is similar to this grant.

*'...the other thing what was encouraging is that in Finland you can get some finances for your company mainly called "Starttiraha".'*

In addition, Entrepreneur A invested a loan to run the business from Finnvera.



*'I went to Finnvera and got a loan from them and they were very helpful as well very forthcoming and offering good advice. And the application process was very straightforward, and simple and easy.'*

The rest of the other participants, Entrepreneur C, E & F, did not need any support from the government or anyone else to startup their business. They already had enough income coming in plus their startup did not need a large sum of funding to start the business and therefore their savings and/or income were enough to finance the beginning of the business.

#### **5.4 Social capital**

Entrepreneur B received numerous support from his social capital. As mentioned in the previous section, without the support of many actors he would not have been successful in starting up his business. One of those was the silent partner who assisted both him and his partner to not only move from their respective jobs and cities to move to Oulu and settle down and get to start their business. This silent partner assisted them in getting acquainted with the startup scene in Oulu. EB also received assistance in applying for a grant from TEKES from this network.

*'... (Insert silent partners name) was the one in charge with the TEKES application so I know it was really hard and difficult, there's a lot of things to write, things to think about business wise...but (insert silent partners name) was in charge of that and he did the majority of it and I know it's difficult. He had some experience about making TEKES application before, so he knew how to write it'*

Without having the social capital EB had he would not have been able to get the grant money from TEKES, or if he did, it would have taken a lot more effort and time to do it.

Entrepreneur A mentioned a little bit about social capital especially in terms of how German expats and other expats use the Network theory to develop themselves. According to Gray (2015) most players within the German expat group would be

brokers. They link people who do not know each other to get more information and develop ideas. However, that's more or else where it ends at the stage of the Network theory.

*'We know each (meaning the German expats), we help each other where we can in terms of like supporting by like "Ok, you should go and meet this person, you should go and meet that person." This is what I have experienced with other expats as well.'*

The difference noted with the other research participants is that none of them received support from their ethnic group as compared to Entrepreneur A. While it was not financial (as social capital isn't always financial) it still led to open doors that would lead one to financial prosperity.

For Entrepreneur C & D, mentioned that they received numerous support from their university professors and mentors, who had experience in startups and they gave ideas about how to move forward in the opening of the business. Entrepreneur D also received assistance from his former co-workers in a student guild/association who assisted him in marketing such as word of mouth and putting up posters around the city.

Entrepreneur E & F mainly relied on their partners as a form of social capital. For Entrepreneur E, he hardly received assistance from his partner, who only assisted in the translation of documents that he needed to startup the business. He also received some assistance from his partners' friends in translation of documents too but that was the most which was done. For Entrepreneur F, her partner assisted her in the financing of her startup and that was the contribution made from her social capital.

### **5.5 Role of the immediate family**

When looking into the role of family, only Entrepreneur F received financial support from her immediate family, which was her husband. She was the only entrepreneur who received assistance from close family. On the other hand, Entrepreneur B received not much of financial support from his family. He has a stepfather who currently is also an

entrepreneur and has been one of the people who has been encouraging him to continue his work in the startup scene. During the interview EB did not mention that he was inspired by his stepfather to become an entrepreneur, however, he mentioned that when he informed that he wanted to pursue being an entrepreneur his stepfather (out of his closest family) was supportive in his decision.

Entrepreneur B: *‘Well I sort of got some encouragement from my step dad because he’s an entrepreneur, in Stockholm and he has been an entrepreneur his whole life. And we had been talking a bit and I had just mentioned “Yeah, someday I would really like to start my own company, by myself, or with a friend or someone who I vibe well with”. And he’s like “Yeah, just go for it, just do it. Don’t hesitate.”’*

While looking at the rest of the family at the beginning they were really shocked at his decision to become an entrepreneur. They did not discourage him from making his decision, but they were more shocked at his decision. Even though they didn’t discourage him, they also did not encourage him to.

*‘...when I told this to my family and to my closest friends, I was like “Hey guys, I quit my job, I’m going to move to Finland and start a company with (insert name of partner) and (insert name of silent partner)” and they were like “What?! Are you crazy?! Why? Why? Why are you doing this?” And I’m like “Yeah, why not?”’*

After some time, they began to support him. Especially when he moved to Oulu his family came over to visit to see where he was and that visit itself assured them that he was doing the right thing as they had the opportunity to observe directly what he was doing. Other than these 2, none of the participants received any direct assistance from their immediate family. This to a certain extent goes against what Sorenson (2011) and Ram (2009) have research have found. Both mention the value of family not only in financial support but emotional support too. This was not the case in this research, most entrepreneurs did not receive any support, with their families being neutral and not being active in this endeavor. In another case with Entrepreneur D, he received disapproval

from his family especially from his parents. This is because in his parents view he was to continue his studies at a prestigious tertiary institution and get a well-paying job which was secure. They didn't understand why he wanted to risk a secure future to join the uncertain option. However, they finally came around and now they support him.

## **5.6 Conclusion**

After getting the results we can look into the compressed conclusion as to the results of the interviews. The main idea is that ethnic-minorities decided to go into entrepreneurship for a form of income due to unemployment due to lack of Finnish language skills. In addition, there were results of other reasons. This include finding opportunities to exploit in the market that they found and another major reason was because of the connection between their country and Finland hence showing the relevance of transnational entrepreneurship. Lastly, we looked into financial and social capital support which included some assistance from the government in forms of grants and loans when it comes to financial support. With social capital there was a huge support coming from their (romantic) partners.

## Chapter 6: Conclusions and Discussions

The aim of this research was to investigate ethnic-minorities specifically those in Oulu, Finland and the reasons why they decide to open up businesses. This final chapter looks into the collection of the concluding results from the research and works around the discussion of the results that are key in the paper. The conclusion section focuses on the theoretical frameworks and empirical findings and the discussion investigates the results of the research. This part also examines how valid and reliable this study is and in the final part future research study points are pointed out.

### 6.0 Key results

Looking into the initial research question *‘What are the reasons why ethnic-minorities decide to start-up businesses in Oulu, Finland?’* One of the main reasons why they decided to become entrepreneurs is due to lack of employment opportunities as mentioned by Phizacklea & Ram (1996). Some of the respondents mentioned this as one of the many factors that they considered when they were considering opening up their businesses. This connects to the Global Enclave Model to a certain extent on the part of language skills. As mentioned before, the Finnish language skills are mostly needed for most people to qualify to be employed. This therefore provides a disadvantage to ethnic-minorities who do not have these skills. Of all the participants interviewed none had intermediate level of Finnish language speaking.

To add to the point made above, to a less extent blocked mobility thesis (Piperopoulos, 2010) also played a part in ethnic-minorities starting up their business. While they were some work opportunities that they found, they knew that they would not be paid as they were worth and they would also not be able to progress within their career. So, while they were employed they decided to look for other opportunities.

One of the largest voiced reasons by most participants is that they saw opportunities in the market for them to exploit it. One of these opportunities was to provide a service to a

niche market to other ethnic-minorities as mentioned by Piperopoulos (2010), who mentions that some ethnic-minorities take advantage of their knowledge and skills of how they can best service their own ethnic-minority and this becomes an income generating endeavor.

In addition, there was also the inclusion of transnationalism when it comes to finding opportunities for some of the participants in the research. Looking into the definition of transnationalism by Drori et al. (2009) the ethnic-minority entrepreneurs decided to connect their country of origin with their host country and make sure both have mutual benefits from the business conducted.

In the research there were some other questions which were asked in the sub-heading of the main topic. The first question is '*Do ethnic minorities receive any government assistance in setting up their business?*' Looking into the responses it is evident that the Finnish government and connected agencies do provide support to entrepreneurs in Finland, regardless of background. One way they do that is by providing the Starttiraha stipend. Some of the participants mentioned receiving this support from the government and mentioned how it really assisted them in starting up their business. In addition, they received grants and loans that helped in financing their business which came from government agencies.

The next question is '*To explore the social capital that is available for the different groups of ethnic-minorities.*' Social capital in certain ethnic minorities did not play a major role in this research since most of the financial support came from the government. However, there was a significant that social capital played as it helped most people to realize some economic benefits. In addition, it is good to note that Oulu is a small city and ethnic enclaves mentioned by Chan (2004) are not yet evident in the city, therefore you cannot compare social capital given in South-East Asian communities in London as those in Oulu, Finland. However, there is still evidence of social capital even in Oulu. One of the ways it is seen is through knowledge and information transference as mentioned by Liu et al (2017). Some of the entrepreneurs in some way or another

received assistance in setting up their business by a close relation (friend, partner or acquaintance). Whether it was applying for funding, translation of relevant documents for the business, or even financing some of the business to a larger extent, social capital did play a part in the business starting up.

The final question to be explored is '*what the role of the immediate family is when it comes to establishing the business?*' In this part again there was not much support from the immediate family. It was interesting to note that those who had partners or spouses received more assistance from them than from their parents or siblings. Those does not corroborate with Sorenson (2011) since none of the ethnic-minorities interviewed had a strong engagement with their family and business. None of their family members were part of their business in any capacity, even as a silent partner.

## **6.1 Discussions**

In this paper it is stated that one of the main reasons why ethnic-minorities started to enter entrepreneurship is because of unemployment or lack of employment opportunities that were relevant to the career development of the participants. Therefore, this paper mentions more than ever that opportunities or support for ethnic-minorities when it comes to entrepreneurship should increase as it seems like there is an opportunity to get more SMEs from ethnic-minorities. This is because even though unemployment is the main reason why they start their business, the next step for them is find an opportunity within the market which their exploit to gain income.

Additionally, it is interesting to note that some of the participants had a partner or spouse that connected them to Oulu. They had to move with their spouse and this was one of their main reasons why they were in Oulu. It would be interesting if further research could be made on this topic of migration because of relationship ties and entrepreneurship. While it was not part of the paper, it is interesting that most of the participants had a partner who resides in Oulu and they had to migrate because of them.

As argued before, social capital plays a significant role in entrepreneurship especially for ethnic minorities. All the participants were self-employed or in a partnership and in addition they had no employees therefore it cannot be compared to the social capital from larger enterprises. This gives a small scope to the ability to measure social capital. To add to this, note social capital assists ethnic-minorities in financing their businesses. When examining the ethnic-minorities in this paper, they did not need heavy amount of financing and hence their need for social capital to finance their business. It would be nice to have further research to reveal how the size of a startup is affected by social capital and how financing is different for the different sizes.

To add on to the point above, probably one of the reasons why social capital was strong factor but not in comparison with other ethnic-minorities in other countries is not only because of the size of ethnic enclaves in Oulu but it could also be due to the support entrepreneurs receive from the government. Most of the participants received assistance from the government in starting up their business. This could then take the place of areas where social capital came to aid entrepreneurs especially ethnic-minorities. This is something that should also be considered, as things like the Starttiraha, government grants and loans, and knowledge sharing will be a replacement for social capital to a certain extent.

## **6.2 Contribution of the study**

This paper sheds light on smaller scale ethnic-minority entrepreneurs and how they work on startups. Most of the previous studies came from larger cities with larger ethnic enclaves. This study helps to see the perspective of how small startups especially those of self-employed entrepreneur's startup their business with the aid of social capital. There is also the analysis of the dynamics of how social capital works in such an instance especially when the government and its agencies support entrepreneurs as a small substitute for social capital as in other bigger cities.



In addition, one of the things noted which was not noted in other papers is the significant part a (romantic) partner and spouse have in financially supporting the entrepreneur in their startup. To add to this, it is interesting to find out the reasons why the ethnic minorities migrated to Finland. A significant number of them came to follow their partner or spouse. This is one of the reasons that is not mentioned in most reasons for emigrating to another place. Usually, moving for greener pastures is one of the most prominent reasons mentioned in ethnic-minorities moving from their country of origin to another. However, it is relevant for us to find more ideas about immigration especially now with a different wave of immigration. This shows significance of social capital in terms of family.

### **6.3 Assessment of validity and limitations**

This paper has been able to examine its initial research question, the research gap and its goal this then brings about its validity as a research paper. There has also been the use of other theories and a theoretical framework that was used in order to build around the idea of the paper. The use of previous research and theories which are aligned to the research show that the paper is valid and credible.

The next reason is because the research methods which were used, and the analysis methods used were expressed in an easy way to follow for the reader. They were clear and parts of the methodology such as the company profile of the entrepreneur, how they were sampled to be part of the study, interview themes and finally their responses were explained in a manner that reflects transparency and therefore contribute to the validity of the study.

When it comes to limitations, one of them was that there may have been the possibility to increase the number of participants especially those who may have a different size of a business to what was in the paper. However, from the initial sampling method, this was the result of the sample which was reached. While this was a limitation, it still does

not cancel the validity of the paper as the right criteria of entrepreneurs was met aligned with the study.

#### **6.4 Future research suggestions**

While it was mentioned before, it is alright to be repeated in order to be clear about the gaps in the study pertaining to ethnic-minorities specifically in the city of Oulu, Finland. The main one which would be interesting to continue is to see the role that government plays in the replacement of social capital when it comes to financing startups. While social capital was one of the main topics mentioned in the paper, it did not cover the role of government when it comes to financing startups. When looking into previous studies of ethnic minorities usually the government does not play a significant role and hence social capital in financing the business is then a large part of the startup. But it would be nice to research the dynamics when the government decides to take up a major role in financing and educating startups and entrepreneurs.

All in all, this paper examines the main reason as to why ethnic minorities consider entrepreneurship in Oulu. The main reasons have been mentioned and future research has been recommended. In addition, some recommendations have been given from the research and how to move forward.

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