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Andreia Tolciu, Ann-Julia Schaland and Tanja El-Cherkeh

**HWWI Research**

Paper 3-22  
by the

HWWI Research Programme  
Migration Research Group

**Contact:**

**Andreia Tolciu**

**Hamburg Institute of International Economics (HWWI)**

**Heimhuder Str. 71 | 20148 Hamburg | Germany**

**Phone +49 (0)40 34 05 76 - 342 | [tolciu@hwwi.org](mailto:tolciu@hwwi.org)**

**HWWI Research Paper**

**Hamburg Institute of International Economics (HWWI)**

**Heimhuder Str. 71 | 20148 Hamburg | Germany**

**Phone +49 (0)40 34 05 76 - 0 | Fax +49 (0)40 34 05 76 - 776**

**[info@hwwi.org](mailto:info@hwwi.org) | [www.hwwi.org](http://www.hwwi.org)**

**ISSN 1861-504X**

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**January 2010**

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# Migrant Entrepreneurship in Hamburg: Results from a Qualitative Study with Turkish Entrepreneurs

Andreia Tolciu, Ann-Julia Schaland and Tanja El-Cherkeh \*

## Abstract

This article is an overview study on migrant entrepreneurship in Hamburg with a special focus on Turkish entrepreneurs. On the basis of 58 semi-structured interviews conducted between October 2008 and January 2009, several patterns such as entrepreneurial motivation, business development and embeddedness in co-ethnic or mainstream networks are closely examined. Furthermore, this article refers to problems migrant entrepreneurs encounter in the business process and illustrates formal and informal strategies applied in solving these issues. Lastly, support structures for migrant businesses in Hamburg are discussed and evaluated.

**Keywords:** migrant entrepreneurs; migrant entrepreneurs in knowledge-intensive service sectors; social capital, co-ethnic and mainstream embeddedness; support structures for migrant businesses in Hamburg

This article is part of research carried out within the EU Network of Excellence Sustainable Development in a Diverse World (SUS.DIV); Task Group 10: “Cultural Dialogue in the Economic Arena: Ethnic Entrepreneurship”.

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\*Hamburg Institute of International Economics (HWWI), Heimhuder Str. 71, 20148 Hamburg, Germany

# 1 Introduction

With 600,000 entrepreneurs having a migration background (14.4% of all self-employed in Germany), migrant entrepreneurship has become an integral part of the German business environment. Retail stores and international restaurants shape the street scene of many cities and belong as a self-evident fact to the urban environment.

Against these developments, migrant entrepreneurship has increasingly attracted the interest of researchers, policy-makers and urban planners. Migrant business owners are said to create the necessary resources for sustainable local development such as employment and apprenticeship positions, as well as income for cities. Beyond this economic contribution, they also create a diverse supply of goods and services, which upgrades the attractiveness of neighbourhoods both for inhabitants and visitors. Furthermore, different studies show that migrant entrepreneurs also secure the local supply structures in marginalised areas and therewith improve the life quality of their inhabitants (Borges-Méndez et al., 2005). Despite their economic and social potential, in Germany there is no systematic analysis concerning current patterns and trends of migrant entrepreneurs.

In the case of Hamburg little is known about the migrant economy of the city. So far, different local organisations and institutions have only limited information at their disposal on the situations of migrant entrepreneurs. In response to this issue, the goal of our study is to gather and provide more information and data on migrant business owners in Hamburg. Beyond the analysis of secondary sources (statistics and existing literature), this article aims at offering a deeper insight on the situation of migrant entrepreneurs by analysing the group of Turkish owners. In this context, an empirical survey based on qualitative interviews was conducted. The survey contains research questions ranging from demographic and economic characteristics of migrant entrepreneurs to topics regarding the motivation to found a business, the embeddedness in an ethnic environment, the problems encountered in the business process, as well as the use of formal and informal strategies to cope with them.

The survey sample consists of 58 interviews with entrepreneurs having a Turkish background who run their businesses in Hamburg. Out of these, 20 interviews were conducted with highly qualified migrants active in knowledge-intensive sectors (e.g. lawyers, physicians or tax consultants). We deliberately set a special focus on Turkish highly skilled self-employed, as so far little is known about the driving forces and business patterns of this group. It is a fact that especially highly qualified second-

generation Turkish migrants have a tendency towards entrepreneurial activities, with a self-employment rate higher than natives (25% against 18% according to Leicht et al., 2006). It is possible that pull-factors (e.g. high demand in the Turkish community for services in Turkish language) or push-factors (e.g. difficult entrance conditions on the labour market) drive them towards self-employment. Keeping these figures in mind, we seek with this study to offer a picture as detailed as possible regarding the situation and development of highly skilled entrepreneurs with Turkish background.

The article is organised as follows: in the following chapter we introduce the conceptual framework and the relevant data sets. The subsequent chapter sets the topic into the local context by highlighting some general facts and figures for the city of Hamburg about entrepreneurship in general, and migrant entrepreneurship in particular. In chapter four, which is the central piece of this study, we describe and analyse the results of the empirical survey. These are being illustrated in comparison with findings from previous studies conducted both in Hamburg and at the national level. The last chapter presents and evaluates the existing support structures for fostering migrant entrepreneurship in Hamburg. The concluding chapter summarises the essential findings of the study.

## **2 Setting the scene: research framework and data**

‘Entrepreneurship’ is a multidimensional concept and its definition depends largely on the focus of research undertaken (Verheul et al., 2001). According to O’Sullivan and Sheffrin (2003), the term entrepreneur applies to a person who owns an enterprise or venture, and assumes significant accountability for the inherent risks and outcome. It is an ambitious leader who combines land, labour and capital to create and market new goods or services. Jean Baptiste Say (in Hindle, 2008, p.77) defines the entrepreneur as one *“who undertakes an enterprise, acting as intermediary between capital and labour”*.

A central concept of this study refers to ‘migrant entrepreneur’. In the literature dealing with foreign business owners, the terms ‘migrant’, ‘immigrant’ or ‘ethnic’ entrepreneurs are used in a rather alternate manner. Following the American research tradition, there is a slight preference for the concept ‘ethnic entrepreneur’. However, despite its popularity, this term has several shortcomings: firstly, as Rath

and Kloosterman (2000) point out, the label ‘ethnic’ implicates a strong involvement of the business owner in the ethnic community, which is, however, not the case for all entrepreneurs. In the researchers’ opinion, when using this concept it is not clear whether one refers to the origins of the entrepreneur or to his management strategies. Moreover, the term ‘ethnic’ presupposes a set of common values stemming from a shared cultural background. Secondly, in Europe, and particularly in Germany, the term ‘ethnic’ is not as commonly used, either in the academic or public discourse, as it is in the United States. Following these considerations, for this analysis we use the more neutral term ‘migrant entrepreneur’.

Another important conceptual issue regards the differentiation between first and second generation migrants. This is made according to the definition of Portes and Rumbaut (2001): while first generation migrant entrepreneurs are those entrepreneurs born abroad and who arrived in Germany after the age of twelve, second generation migrant entrepreneurs are business owners born in Germany with at least one immigrant parent, or those who arrived in Germany before the age of twelve. The age delimitation reflects a substantial upbringing in Germany, which is relevant to further analysis.

While the conceptual framework for the analysis of migrant entrepreneurs has continuously been developing, one major problem which persists refers to the lack of appropriate data resources. This problem is not specific to the situation in the city of Hamburg, but it is rather a nationwide concern.

Among western European countries, Germany represents a case in point as regards statistical barriers associated with the quantification and delimitation of adequate data on migrants. Generally speaking, there are two types of problems which hinder an accurate assessment of the number of migrant entrepreneurs: a) the incomprehensive, partly misleading definition and delimitation of ‘migrants’ and b) the lack of a uniform approach with regard to the institutional and scientific framework used when gathering data.

The German procedure of drawing statistics on migrants on the basis of ‘nationality’ makes it impossible to identify naturalised persons or people with a past migration experience, since these are registered in the official statistics as German nationals (Liebig/OECD, 2007). The same problem arises when referring to ethnic Germans from Central and Eastern Europe who represent a special group in the German migration history. This group is not identifiable in the statistics, as they

have usually obtained the German citizenship even before arriving in the country.<sup>1</sup> Furthermore, the German legal framework regarding data gathering is particularly sensitive and restrictive. Finally, as there is no specific body in charge of economic migration, information on the performance and status of people with a migration background is not explicitly collected. As a consequence, when trying to analyse and to assess the number of migrant entrepreneurs one has to rely on a combination of sources, which is barely complete and significant.

Due to these limitations, regional analyses, as in our case regarding the city of Hamburg, are particularly problematic. While reliable data sources such as the Microcensus or the German Socio-Economic Panel (GSOEP) offer relatively small number of observations at the municipality level, local statistics are characterised by important shortcomings.

The Hamburg Chamber of Commerce (HK) and the Hamburg Chamber of Skilled Crafts and Small Businesses (HWK) do not explicitly collect data on migrant entrepreneurs. Due to data protection concerns, the few data gathered by these authorities are usually not accessible for research purposes. The Hamburg Central Registry of Trade and Industry (*Gewerbezentralregister*, GZR), even though it does provide detailed information on the registered companies, including the nationality of the owner, is marked by a high uncertainty regarding the actual number of firms. This is due to the fact that only the registration of a company is mandatory, but not its notice of removal. In addition, a certain number of ‘pseudo-registrations’ needs as well to be taken into consideration when analysing the GZR data set.

In order to provide a picture which is as consistent as possible, in addition to our own survey, we introduce for comparative purposes data stemming from two empirical surveys by Burgbacher (2004) and of the Center for Studies on Turkey (*Zentrum für Türkeistudien*, ZfT, 2000).

The study by Burgbacher (2004) is based on a detailed questionnaire of 427 observations on entrepreneurs from six different countries of origin - Afghanistan, China, Former-Yugoslavia, Iran, Poland and Turkey - operating in the city of Hamburg. Additionally, 23 German small- and medium-sized enterprises have been surveyed.

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<sup>1</sup>However, the problems associated with statistics regarding the nationality criterion are now gradually being acknowledged in Germany. The data provided by the Microcensus 2005 offers for the first time the possibility of identifying both migrants (by nationality) and people with a migration background. According to this data, in 2005 about 19 percent of Germany’s population had a migration background. The share of foreigners living in Germany amounted to 9% of the total population (Federal Statistical Office, 2006).

The second study issued in 2000 by the ZfT comprises a wide range of differentiated information on the national level, but only as far as the situation of Turkish entrepreneurs is concerned. The survey includes 2,014 Turkish households and 1,054 Turkish businesses.

Finally, our own survey (further referred to as the Hamburg survey) is based on 58 semi-structured interviews with entrepreneurs having a Turkish background which were conducted between October 2008 and January 2009.<sup>2</sup> The research design rests upon a hybrid strategy, combining elements of a small-scale survey and case study techniques. The methods used for approaching the entrepreneurs were random selection from the local Turkish yellow pages, searches in specific locations and snowballing.

The focus of analysis was set on Turkish entrepreneurs not only because of the size of the community (people with Turkish background represent the largest migrant community both in Germany and in Hamburg) and the visibility of the businesses (for the general public in Germany, Turkish shops are the typical ‘migrant enterprises’). The long history of migration between Turkey and Germany, comprising different forms and waves of immigration, led to the development of a diverse Turkish community. This diversity can offer valuable insights both on the interplay between entrepreneurial activities and ethnic social capital, and on intergenerational changes in entrepreneurial patterns.

Though efforts were made to assure a random selection, several sectors and locations across the city were deliberately included in the sample. With few exceptions, all respondents were fluent in German. Hence, most interviews were conducted in German. In the other cases, a family member, usually active in the business, helped with the translation. The majority of interviews were conducted in the respondent’s business location and varied in length from 45 minutes to 2 hours.

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<sup>2</sup>The group of entrepreneurs with a Turkish background includes persons born abroad or in Germany who still have the Turkish nationality, naturalised citizens who have themselves immigrated, as well as their children who have no personal, direct experience of immigration. Entrepreneurs with a Turkish background have thus either immigrated themselves or are the second or third-generation descendants of Turkish immigrants. The concept ‘person with migration background’ was introduced in Germany in 2005 in order to get a clearer picture about the economic and social pattern of immigrants and their children (Özcan, 2007). For simplicity reasons, in this study, entrepreneurs with a Turkish background will be generically referred to as ‘Turkish entrepreneurs’.

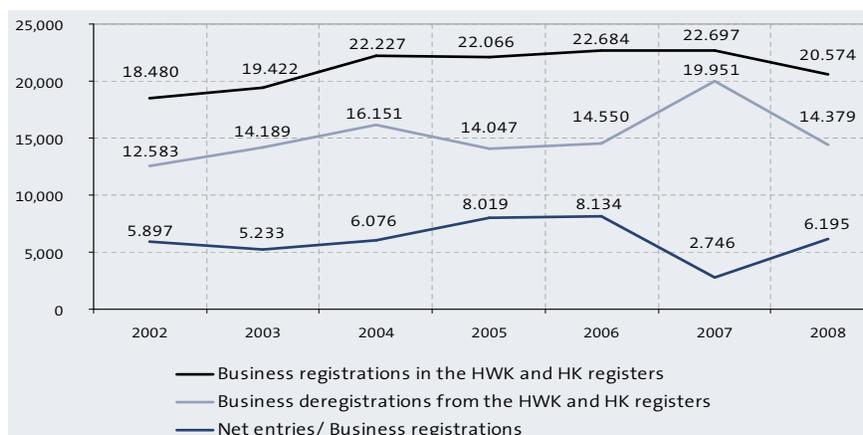
### 3 (Migrant) Entrepreneurship in Hamburg

With its high economic potential and good infrastructure, the Hamburg metropolitan area is one of the most developed economic regions in Europe. As a logistics centre and trading hub, Hamburg – being both one of Germany’s largest cities and at the same time an own federal state – is growing continuously and tops the German federal states in terms of population increase, firm development and creation of new jobs. Among all federal states, Hamburg has also the highest percentage of foreign population with 14.3% of 1.75 million inhabitants. The largest group of citizens having another nationality than German is made up of Turkish people (22%), followed by 8% Polish citizens, 6% people from Serbia and Montenegro and 5% Afghans (Federal Statistical Office North, 2008).

An important asset of Hamburg is its entrepreneurial flair, which makes the city attractive for a large number of start-ups and business establishments. According to a study of the Institute for Employment Research (IAB, 2008), the high propensity of its inhabitants to found businesses makes Hamburg an exception in Northern Germany. Larger numbers of start-ups are rather typical for the southern regions, while northern and eastern regions are constantly lagging behind.

However, according to the Hamburg Chamber of Commerce (2009), following four years of high numbers of new business registrations, in 2008 there was a decrease of 9.4% in comparison with the previous year. Nevertheless, due to a decreasing number of firm deregistrations, the saldo depicted a net increase of 6,195 firms.

Figure 1: Business dynamics in Hamburg



Source: Hamburg Chamber of Commerce (2009); HWWI.

The main reason for the drop in new start-up registrations in 2008 is considered to be the positive business trend on the labour market in the first three quarters of the year and therefore the availability of more jobs in paid-employment (Hamburg Chamber of Commerce, 2009). It remains however an open question, how and to which extent the current financial crisis has an impact on the development of firm registration and deregistration numbers in Hamburg.

According to the Microcensus 2006<sup>3</sup>, in Hamburg there are 116,537 self-employed. Out of these, 12.81% have a foreign nationality while the rest, 87.2%, are Germans. The number of naturalised entrepreneurs amounts to 6,402.

Table 1: Migrant entrepreneurs in Hamburg by nationality status and gender

	German nationality	Foreign nationality	German nationality (naturalisation)	Total
	95,206	14,928	6,402	116,537
thereunder:				
Men	62.35%	76.28%	84.68%	-
Women	37.65%	23.72%	15.32%	-

Source: Microcensus (2006); HWWI, own calculations.

Note: Due to the relatively small number of observations available in the Microcensus 2006 these figures must be treated with caution.

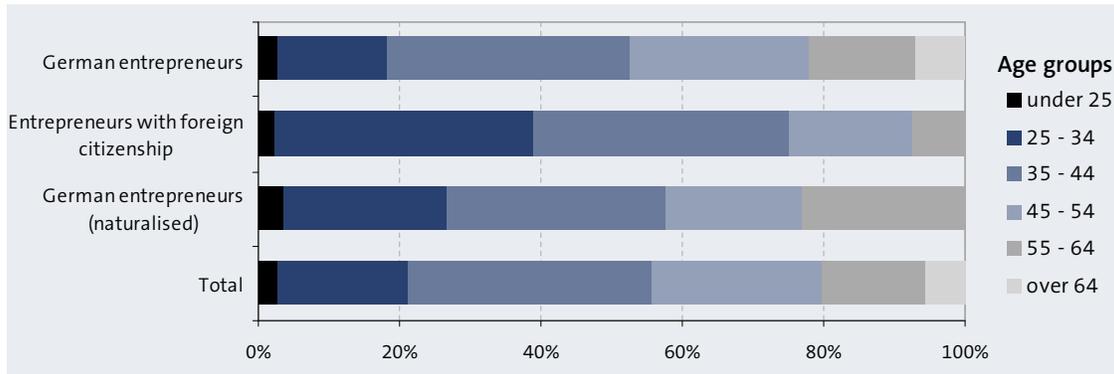
Most of the entrepreneurs living in Hamburg are men (62.35%). This pattern is, roughly said, specific both for German and for foreign self-employed, though there are differences in the depicted figures: while 37.65% of all German entrepreneurs are female, their figure reaches only 23.72% in the group of the entrepreneurs with foreign nationality. The lowest female rate among self-employed is exhibited in the group of the naturalised entrepreneurs.

The analysis of the age structure shows that 58.51% of the all self-employed, regardless their nationality, are between 35 and 54 years old. However, this pattern looks different for the entrepreneurs with a foreign citizenship; they are on average much younger than their German counterparts. In this group, 36.72% are between 25 and 34 years old (compared to 15.29% of the German entrepreneurs).

<sup>3</sup>The Microcensus is a representative population sample containing structural population and labour market data in which 1% of all households in Germany are involved (ongoing household sample). Since the Federal Statistics Law from 1987, anonymised individual data files of official statistics are provided for research purposes as so-called factually anonymised scientific use files (SUF).

The Microcensus SUF 2006 used for the present analysis is a factually anonymised 70% subsample of the original Microcensus.

Figure 2: Age structure of entrepreneurs in Hamburg

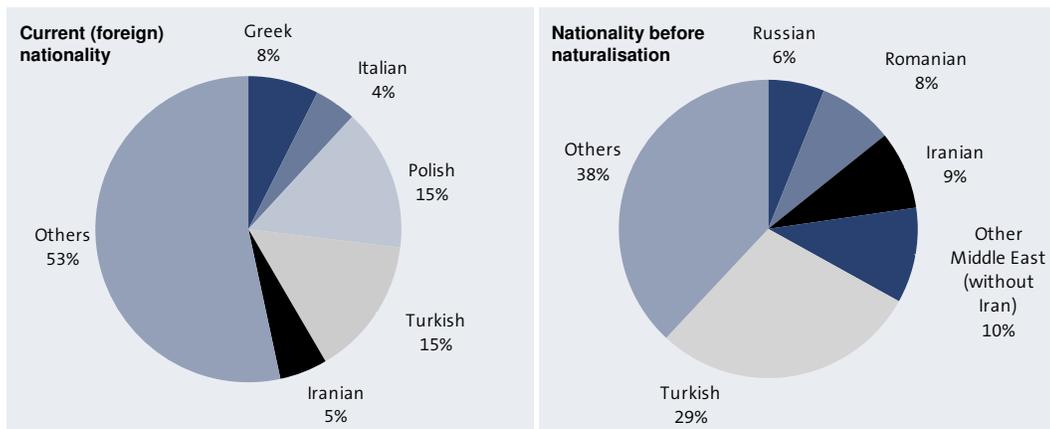


Source: Microcensus (2006); HWWI, own calculations.

Note: Due to the relatively small number of observations available in the Microcensus 2006 these figures must be treated with caution.

Due to Germany’s immigration history and the enlargement of the European Union, the largest groups of migrant entrepreneurs in Hamburg are people with a Turkish or with a Polish background (each with 15%). They are followed by Greek (8%), Iranian (5%) and Italian entrepreneurs (4%).

Figure 3: Migrant entrepreneurs in Hamburg by current and previous nationality



Source: Microcensus (2006); HWWI, own calculations.

Note: Due to the relatively small number of observations available in the Microcensus 2006 these figures must be treated with caution.

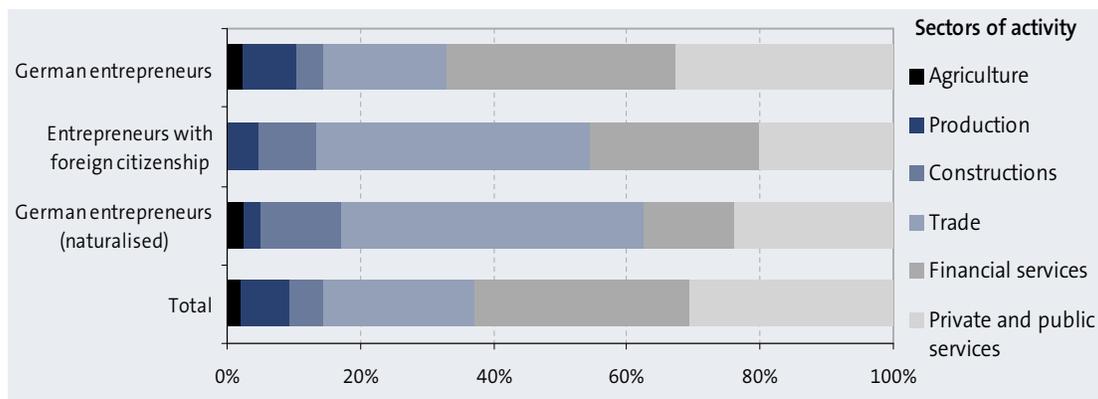
A specific fact for Hamburg is the high number of Iranian entrepreneurs, who have a relatively long history of self-employment in the city. Since Iran was in the

1960s/1970s one of the biggest carpet producers worldwide, many Iranian carpet dealers established their businesses in the international trading hub Hamburg.

When looking at the naturalised entrepreneurs, one can notice that the largest groups are made up by people who previously had a Turkish (29%) or Iranian (9%) nationality.

Concerning the fields migrant entrepreneurs are active in, the majority set up their business in the trade sector. This contrasts the figures depicted by their German counterparts, who predominantly found their business in the financial sector or in the private and public service sector. This disparity is related to the fact that in the trade sector the entrance barriers concerning human and financial capital are lower than in the other sectors.

Figure 4: Sectors of activity of entrepreneurs in Hamburg



Source: Microcensus (2006); HWWI, own calculations.

Note: Due to the relatively small number of observations available in the Microcensus 2006 these figures must be treated with caution.

The statistical facts presented so far offer first insights on the entrepreneurial behaviour of native and migrant business owners at the city level, but do not allow for a more detailed analysis of the current situation and future trends on migrant entrepreneurship in Hamburg.

Our study thus aims at presenting further insights on this topic, by exemplary analysing the group of Turkish entrepreneurs. The knowledge has been generated through an evaluation of relevant information provided by different local institutions and from former research work, as well as through an own qualitative survey addressing the following questions:

- Demographic characteristics of Turkish entrepreneurs and economic indicators of their businesses;
- Motivations for founding the business;
- Extent to which Turkish entrepreneurs embed their activities in an ethnic environment;
- Problems encountered during the phase of founding and in the day-to-day business process, as well as the degree to which Turkish entrepreneurs use formal counselling structures or rely on informal help from their personal networks (friends, family, co-workers).

In the following, we will present the main findings from our survey. As indicated above, we also include information from other sources in order to provide a more differentiated and comprehensive picture of migrant entrepreneurs in Hamburg.

## **4 Results of the empirical survey in Hamburg**

### **Characteristics of migrant entrepreneurs and their enterprises**

The survey sample comprises a relatively balanced proportion of first- (52%) and second-generation entrepreneurs (48%). The latter group is predominately made up of highly skilled migrants active in knowledge-intensive sectors such as the legal, tax consulting or health sector. In contrast, the gender distribution of the sample (81% male, 19% female) is disproportional, though this does indeed reflect the situation at the national level (82% male, 18% female), with Turkish women being substantially less involved in entrepreneurial activities than Turkish men (Leicht et al. 2006, p.40).

On average the survey respondents are 40 years old, a figure which is slightly over the average age of Turkish entrepreneurs at the national level. With 37 years, Turkish people are the youngest business owners in Germany. In comparison, according to Leicht et al. (2006) native entrepreneurs are on average 46 years old. The distribution regarding the educational attainment is marked by a deliberately higher proportion of entrepreneurs with tertiary education than it is usually the case. While in our survey sample 37% of the respondents have a tertiary education, nationwide only 8% of all self-employed persons with a Turkish background have a university or equivalent degree (Leicht et al. 2006, p. 47).

Next to the educational background, language proficiency plays an important role, in particular when it comes to knowledge-intensive sectors. Most of the Turkish entrepreneurs interviewed have a good command of both the German and Turkish language. However, some of the first generation migrants (particularly those with poorer German language skills) stated that they feel more comfortable speaking Turkish and that they would use German only if absolutely necessary. This is due to the fact that their private and business surroundings are predominately Turkish. Even when they were bilingual, their intercultural and linguistic competencies would not represent – according to them - an added value for their enterprise. Conversely, quite often second generation migrant entrepreneurs stated that their Turkish language skills are sufficient for basic conversations, but not for business use. As they were socialised in a mixed or predominantly German environment, they learned Turkish as a foreign language and were not well accustomed with the Turkish mentality. Nevertheless, for the current professional activities, their bicultural background, or at least the ability to operate in such an environment, represents a key to their success.

When looking at the business skills the surveyed entrepreneurs had before founding their business, it is striking to notice that more than one third had no business knowledge at all, neither formal nor informal. In some cases, especially for those active in low skilled sectors such as gastronomy or retail, the know-how was acquired through the work in the parents' business or by learning from relatives and friends who had similar shops. The owners of consultancy or law offices stated that, though they gained some business knowledge during their studies – e.g. through certain management courses they took at the university – most of the experience came either through paid employment in similar offices or self-study prior to the own freelance work.

Certain characteristics of migrant entrepreneurs, particularly human capital, play a crucial role in understanding several features of their enterprises such as the sector of activity, the size of the enterprise and the survival time on the market. Business characteristics in turn reflect the economic relevance and potential stemming from migrant enterprises.

The sectoral distribution of migrant businesses offers first insights on their integration in the German labour market. The development towards a knowledge-based society, implying an increase of companies offering knowledge-intensive products and services, rather contrasts with the current situation of migrant businesses. As a

general pattern, migrant owners still tend to found their firms predominantly in traditional sectors such as retail/trade and gastronomy and comparatively seldom in knowledge-intensive sectors and crafts (Leicht, 2006).

Roughly said, our sample reflects this trend. The majority of the interviewed Turkish entrepreneurs founded their business in the service sector (54%), followed by the retail/trade sector (36%) and craft sector (10%). This sectoral distribution is also close to the data of the ZfT-sample.

Table 2: Migrant entrepreneurs: sectoral distribution, in %

	ZfT-sample	Burgbacher Survey	Hamburg survey sample
Handicraft	9.8	15.4	10
Retail/trade	44	33.5	36
Manufacturing	2.2	3.3	0
Service sector	44	47.8	54*
Total (absolute numbers )	1,054	427	58

Source: Center for Studies on Turkey (ZfT), 2000; Burgbacher, 2004; own survey, 2008-2009

\*The service sector further includes the following distribution: 64 percent of the businesses are in the knowledge-intensive sectors, 13 percent are in gastronomy and 23 percent are in other services.

However, it is worth mentioning that due to the research focus on business foundations in the knowledge-intensive sector, the Hamburg survey over-represents founders in this field (while in our sample 34% of all founders set up their firms in the knowledge intensive service sector, on the national level their proportion reaches only 6%). In contrast, the gastronomy sector is underrepresented in the sample (13% of all founders vs. 28% at the national level).<sup>4</sup>

An important economic issue which is often discussed both at the city and national level refers to the job potential arising from migrant businesses. Figures such as the creation of 1 million jobs have been published and widely discussed. However, only scarce evidence exists on the reliability of this assumption. Most of the existing numbers are based on relatively old approximations (Leicht et al., 2006, p.13). An indicator often used for the assessment of the economic relevance of (migrant) businesses is the enterprise's size in terms of number of employees. Though in the course of the current tertiarisation process - including the rise of one-man companies offering knowledge-intensive services - this mere quantification might lose its economic explanatory power, it can still offer valuable insights concerning the economic

<sup>4</sup>The data regarding the national sectoral distribution stem from Leicht et al. (2006, p.59).

potential of enterprises.

When looking at the size of the enterprises, the Hamburg sample consists mainly of small firms (90% have less than 10 employees). This characteristic is typical for Turkish entrepreneurs in Germany. The ZfT study outlines that 91% of the Turkish entrepreneurs in Germany have small enterprises with less than 10 employees and only a remaining minority of 9% has businesses with 10 and more employees.

Table 3: Migrant entrepreneurs: size of the enterprise (number of employees), specifications in %

Number of employees	ZfT-sample	Burgbacher Survey	Hamburg survey sample
0 (only the owner)	11.6	10.1	9
1-3	41.7	41.2	53
4-9	37.3	31.6	28
10 and more	9.4	17.1	10
Total (absolute numbers )	1,054	427	58

Source: Center for Studies on Turkey (ZfT), 2000; Burgbacher, 2004; own survey, 2008-2009

A further economic issue which attracted the attention of both researchers and policy makers refers to the survivability of migrant enterprises. The literature on immigrant entrepreneurship includes very few studies on the question of firm survivals. However, the existing literature puts forth that the survival performance of immigrants is poorer than of German founders for all age-groups, industrial sectors and administrative districts (Fertala, 2006). The explanations for this pattern range from talent, institutional framework and economic circumstances to the human, social and financial capital possessed by the business owner.

Our survey sample also highlights the fact that migrant businesses are relatively young: almost 60% were founded in the last ten years and only 7% are on the market since the 1980s. However, these figures should be interpreted with caution, as we can not observe for how long the companies will still exist on the market. Furthermore, we did not include in our sample firms which had already been closed down, but we only concentrated on those which at the survey time were actively involved in business activities.

### **Choice of neighbourhood and its impact**

Regarding the spatial distribution across Hamburg, we chose entrepreneurs who are active in neighbourhoods with a low, average and a high concentration of migrants. Our intention was to analyse whether the site of the business determine the manner in which migrant entrepreneurs develop and implement their business strategies (see map in the appendix).

An insight gained from the spatial distribution refers to the fact that, especially those entrepreneurs who are located in predominately German or mixed neighbourhoods (and thus have more German or diverse clientele) try to avoid labelling themselves as being ‘Turkish’. By hiring only co-ethnics or offering only Turkish products, they seem to be afraid of losing other clients who might not feel comfortable in a strictly Turkish environment. Thus, they strategically employ people with diverse backgrounds in terms of nationality, age or gender and offer a wide range of products.

Interesting is the case of some Turkish greengrocers active in a rather expensive neighbourhood who chose to fade out their ethnic background and instead to present themselves as being ‘Mediterranean’. In the belief that southern European flair would sell much better than a traditionally Turkish atmosphere, they have adapted their marketing strategy to the neighbourhood clientele by offering a mixture of high quality, expensive Mediterranean products, and by using Italian vocabulary when approaching the clients. Similarly is the case of some entrepreneurs whose businesses are located in the ‘Schanzenviertel’, one of the trendiest areas in Hamburg, with a predominantly young and alternative population. In order to be in line with the spirit of the neighbourhood and to attract more customers, the owners try to create an international and fashionable atmosphere in their shops by offering original products or services, and by employing young people from diverse backgrounds. In their opinion, a strategy based only on Turkish features would reflect an overly traditional appearance, which would not be appropriate for the given environment.

### **Motives for founding a business**

A core research question in our questionnaire was related to the motivation of the founder for setting up the business. Both in the academic literature and in the public debate, it is often assumed that migrant entrepreneurs are more likely to become self-employed due to a lack of other opportunities and the higher unemployment rates

they face on the labour market.

The analysis of the Hamburg survey sample showed that 57% of the interviewed Turkish entrepreneurs were opportunity-founders while the remaining 43% were necessity-founders. Our findings are in line with the results of a survey conducted in 2007 by the *KfW-Bankengruppe*<sup>5</sup>: 43.6% of the survey persons who founded a business in that year stated that it occurred much more out of need, as they did not have any other options on the labour market. The others (56.4%) stated that they regarded self-employment as an opportunity. These figures show that turning to entrepreneurial activities out of necessity is not typical for migrants, but concerns all entrepreneurs, regardless of their nationality.

When taking a closer look at the results of the Hamburg survey differentiated by a sectoral distribution (founders in knowledge-intensive sectors and founders in branches with low entrance barriers e.g. gastronomy, food retailing), there is another relevant insight: while mainly the founders in knowledge-intensive service sectors are opportunity-founders (85%), only 42% of the founders in the other sectors belong to this group. In these branches more than the half of respondents had no other alternative to get employed; income was the primary reason for founding a business.

In contrast, the founders in knowledge-intensive service sectors discovered a high demand for their services in the Turkish community of Hamburg. Their decision was also influenced by several comparative advantages they have on the labour market such as the ability to offer services in two languages, intercultural competencies, trusty relationships with their co-ethnic clients due to their common background, and transnational relations to colleagues in Turkey (Schaland, 2009).

*“This was basically the fundamental element of the concept. Otherwise I would not have had the courage to take this step. It was the fundamental element of the concept, because already at that time, back in 1999, the market for lawyers was saturated. And as a new entrant one has few chances if he doesn’t distinguish himself from the others. And this was basically my profile; I chose to serve a market which was not available for Germans.”*<sup>6</sup> (Turkish lawyer, 40 years old)

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<sup>5</sup>*KfW-Bankengruppe* is a promotional bank under the ownership of the Federal Republic and the Länder (federal states). The analyses performed by the KfW’s Department of Economics focuses on small and medium-sized enterprises in Germany. In particular, these analyses take the form of evaluations based on KfW’s own data, carried out in order to draw an empirically based picture of the economic situation of SMEs in Germany.

<sup>6</sup>All quotes are free translations from German into English.

However, it is worth noticing that in some cases the identification and use of this new niche does not solely mark a strategic business decision of the second generation migrant entrepreneurs. It may possibly also signal a lack of competitiveness: for example, as some of the survey respondents stated, they did not have other options, but to become self-employed under the presumption that they concentrate solely on a Turkish clientele. As the German market is saturated with law offices it would have been even more difficult for lawyers with a Turkish background to approach a German clientele and compete for the same customers with their German colleagues. In order to assure the existence of the business, they had no other choice but to found a business that addresses mainly a Turkish clientele.

### **Ethnic embeddedness of migrants and their businesses**

In most of the studies dealing with migrant entrepreneurship, the ethnic embeddedness has been analysed in close relation with the size of migrant communities having the same ethnicity or country of origin. The presumption has been that there is, for example, ‘one Turkish community’ and that each person with a Turkish background is *per se* part of it, having equal access to the available ethnic resources.

In our survey we move away from this approach and point out that the embeddedness translated in terms of membership in an ethnic group, ignores crucial information on individuals’ choices and the strength of their belonging to that specific group. As Constant et al. (2006, p.1) note, the classification of an immigrant as ethnically Turkish’ based solely on his citizenship or Turkish background is particularly problematic, as it *“leaves out crucial information on how culturally, socially and psychologically committed to the Turkish ancestry and values this immigrant is”*.

Therefore, when questioning the extent to which an entrepreneur is active in the ethnic community, this analysis does not look at the ethnic background as such, but concentrates on aspects such as the composition of the circle of friends, the structure of the employees, clients and suppliers, the role played by the closest ethnic ties in the business process, and voluntary membership in (ethnic) organisations.

Our survey reveals a heterogeneous picture regarding the ethnic embeddedness of Turkish entrepreneurs, and consequently indicates different levels of attachment to the local Turkish community. Although the quantitative analysis seems to confirm the existing body of literature, a more differentiated view based on a qualitative approach provides for several new perspectives.

An important element in analysing the ethnic embeddedness of migrant business owners concerns the environment, both private and professional, in which they operate. The Turkish entrepreneurs interviewed seem at first sight to embed their activities in a predominantly ethnic environment. Privately, almost 30% of the business owners are likely to spend their spare time with Turkish fellows and more than half with fellows of different nationalities. Only 20% of respondents claim to have a private circle of friends predominantly made up of Germans.

When further analysing the structure of their employees, clients and suppliers the situation does not change much: almost 60% of the survey respondents hire employees with Turkish backgrounds, 40% address exclusively a Turkish clientele with their products and services and more than half work with Turkish suppliers or suppliers having a migration background.

Table 4: Employees, suppliers and clients structure of Turkish businesses in % (survey sample)

	Employees	Suppliers	Clients
Predominantly Turkish	58.8	14.6	39.7
Mixed	35.3	31.2	29.3
Predominantly German	3.9	12.5	31.0
Not applicable	2.0	41.7	-
Total	100.0	100.0	100.0

Source: own survey, 2008-2009, N=58

Note: the high percentage of the respondents stating to have no suppliers (not applicable) is explicable by the existence in the sample of 20 entrepreneurs working in knowledge-intensive sectors such as lawyers, physicians, or advisers and consultants.

These results roughly illustrate the overall situation and confirm the existing body of literature. According to the study conducted in Hamburg by Burgbacher (2004), 66.1% all Turkish entrepreneurs have co-ethnic employees, 15% address exclusively a Turkish clientele and 16% work only with Turkish suppliers.

However, the picture becomes more complex when analysing the structure of employees, clients and suppliers differentiated by the sectors of activity and migration background of the entrepreneurs. A closer look reveals an antithetic pattern: particularly the entrepreneurs working in the retail, trade and gastronomy sector do indeed have a Turkish private environment. This can be explained by their background: in most of the cases they are first generation migrants, with Turkish education and an only average proficiency in German. However, due to economic reasons, such as the acerbic competition with fellow countrymen who offer the same products or services

at lower rates, these entrepreneurs tend to build a mixed business environment. They increasingly attract a diverse clientele, and work with suppliers and employees having nationalities other than Turkish.

*“Today one has to open his business to all clients regardless nationality. It doesn’t make any sense to concentrate only on Turkish people. Turks have adapted themselves to Germans, they get for example fewer children, and therefore they buy less and then eat the same as the Germans: Gouda and no Feta cheese.” (Grocery retailer with Turkish background, self-employed since 23 years)*

On the other hand, entrepreneurs belonging to the second generation (with a higher education completed in Germany, and often working as lawyers, physicians or advisers) are in private mainly embedded in a circle of German friends. However, they are the ones who most often invest in an ethnic business environment by deliberately approaching a Turkish clientele and by hiring Turkish employees with the aim of compensating for own lower Turkish language skills and establishing a familiar and trustful atmosphere for the clients.

*“Linguistic proficiency in German is a basic prerequisite to work in my office. Otherwise, my employees can not build up a trustful relationship with the clients. In addition, when the employees do not really understand in the first place what needs and concerns the clients have, they pass it further to me in a wrong manner.” (lawyer with a Turkish background, self-employed since 7 years)*

Finally, when looking at the voluntary membership in associations, almost half of the survey respondents are not involved in any kind of such activities. The entrepreneurs who are engaged privately or professionally in associations tend to be those with a higher educational level and who offer knowledge-intensive services. In most cases, similar to their native counterparts, they regard their engagement as a possible means of establishing contacts with other entrepreneurs or with potential clients.

*“Advertising for the own business through memberships in associations and business clubs. . . I do not think that Turkish lawyers handle differently than Germans. Because for both of us, solely some announcements or name logos on the street would definitely not be enough to draw the attention of clients.” (Turkish lawyer, 38 years old)*

However, there were also situations in which the involvement was not only regarded as a business matter, but also as a form of socialising within the ethnic community. Particularly those entrepreneurs who are active in Turkish associations described

their membership as a matter of civic responsibility, as they try to promote a positive image of their community and seek to assume a role model function for the younger generations.

### **Business development and challenges faced by migrant entrepreneurs**

The majority (67%) of the interviewed entrepreneurs rated the development of their business positive; only 33% of the entrepreneurs were unsatisfied. It is striking that none of the founders in the knowledge-intensive service sector was unsatisfied with the growth of their business while mainly founders in branches with low entry barriers (e.g. gastronomy, food retailing, crafts-like sector) stated that they experienced a decline in their business development. This group perceived the negative trend mainly as a result of the actual economic crisis, as well as increasing competition in these sectors.

Self-employed in the knowledge-intensive service sector seem not to have been affected by such competition. For the services they provide there is still a great demand in the ethnic community, and there are only few suppliers with a migration background who can meet this demand.

A core research issue addressed in the survey referred to the problems migrant entrepreneurs in Hamburg are confronted with during the start-up phase. Surprisingly, half of the respondents stated not to have had any problems during the founding process. The other ones referred to difficulties with certain public authorities, especially those in charge of business accreditation and the authorisation of special equipments.

In the second place, entrepreneurs mentioned financial difficulties. Finally, another set of problems concerned their insufficient entrepreneurial knowledge and the lack of German language skills.

When looking more closely at the financial difficulties migrant entrepreneurs stated to have encountered, one can notice that this problem does not seem to be a migrant specific issue. Even though only a minority (14%) financed their business with bank credits, the figure is actually not much different from the one displayed by natives.<sup>7</sup>

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<sup>7</sup>However, the situation looks differently with regard to the access to public funds. According to Burgbacher (2004), the amount of public funds accessed by migrants is significantly lower than in the case of natives (5% compared to 22.7%). Also in our survey, there were few migrant entrepreneurs (in this case only highly qualified business owners) who received public funds.

Table 5: Financing structure at the founding process, specifications in %

	Burgbacher survey		Hamburg survey sample
	Migrants	Natives	
Own funds	64.4	61.8	49
Credits form family or friends	20.8	22.3	30
Bank credits	14.6	15.0	14
Other sources	-	-	7
Total (absolute numbers)	392	20	58

Source: Burgbacher (2004); own survey, 2008-2009, N=58

The analysis showed furthermore, that the majority of migrant entrepreneurs (79%) utilised personal funds and/or received support from family members or friends. The remaining interviewees (7%) obtained bridge-capital from public institutions. Our survey figures are to a large extent in line with both the patterns encountered at the national level, and with the findings put forth in 2004 by the Burgbacher study. However, one difference is noticeable for the category of the respondents who borrowed start-up capital from family members.

Unexpected is in our survey the fact that many founders in the knowledge-intensive service sectors – who actually have sufficient human capital to develop an adequate business plan and acquire credits from financial institutions – relied on their family to obtain start-up capital.

Moreover, it remains an open question how many entrepreneurs: a) have actually failed in the process of accessing money from banks or public institutions and had, out of necessity, to borrow money from their kinship and b) how many deliberately relied on a private financing strategy.

Nevertheless, it is worth noticing that, though the family and close friends do play an important role in providing financial capital, they are not to the same extent of help for migrant entrepreneurs when it comes to the provision of further assistance in the business process. Again, the picture is more differentiated when considering the sectors of activity and the educational background of the owner. While the family is indeed important for those founding small businesses in the retail, trade and gastronomy sector, it does not play much of a role for businesses established in knowledge-intensive sectors. This can be explained by the fact that most of the occupations available here imply special knowledge and competencies, so that the owners have to hire specialised personnel who, in most of the cases, does not belong

to the family circle.

A final issues addressed in our survey referred to the strategies used by migrant entrepreneurs in solving the problems which they faced in the founding phase. We were particularly interested in examining whether they sought formal support from city-level consultancy agencies or informal help from their personal networks (e.g. friends, family, co-workers). The results illustrate that only a minority (17%) sought for help from formal institutions. The most frequently cited official centres were the Chamber of Commerce (including special consultancy-services for Turkish entrepreneurs in Hamburg), the *‘Bürgerschaftsgemeinschaft Hamburg GmbH’*, which compensates for missing securities by giving a debt guarantee and the *‘Bundesanstalt für Arbeit’* (Federal Employment Agency - BA), which subsidises unemployed people who seek self-employment – often as an alternative.

The majority, however, did not apply for any support during the initial founding process or sought help from family-members or friends. The reasons for this situation were twofold: on the one hand, it appeared easier to gather all necessary information on own account or to consult personal networks (e.g. colleagues or family-members that are also self-employed in the same sector); especially those active in knowledge-intensive service sectors made use of the informal support systems. On the other hand, due to a lack of information about the possible support structures in Hamburg, particularly founders in branches with low entry-barriers did not know where to ask for help. Moreover, some of the early founders mentioned that in the past there have been only few support structures offered to migrant entrepreneurs. In retrospect, professional consultation would have been useful to minimise mistakes in the founding process.

## **5 Support structures for migrant entrepreneurs in Hamburg**

Within the frame of integration and/or economic support policies, many regions in Germany, in particular large cities, have developed measures which aim at providing help to migrant (nascent) entrepreneurs in the process of setting-up and running a business.

One of the main questions which has been raised regularly in the discussions about good practice as regards support structures enquires whether and to which extent

it is more appropriate to offer support through established ‘mainstream’ institutions to all entrepreneurs (including those with a migration background), or whether it is necessary to develop specific structures and programmes that take into account the particular needs of migrant entrepreneurs.

As often, there is no clear-cut answer. Proponents of the first approach argue that established structures provide an expertise that has been developed and adapted over a long period of time. Within the framework of these institutions, it is both more efficient and inexpensive to address migrant entrepreneurs as clients. The basic reasoning of this ‘integrative’ approach implies that native and migrant entrepreneurs do not have different needs and/or prerequisites and should therefore be treated similarly. Given the extensive regulatory settings to be respected by business owners, including sector specific rules, it is expected that migrant entrepreneurs are aware of the general legal requirements and have sufficient German language skills.

However, reality is more complex. Often, especially in the case of migrant entrepreneurs, an original or brilliant business idea does not imply specific business knowledge and (German) language skills. Furthermore, as laid out in the previous chapters, self-employment may be an option to escape unemployment; thus, it can be seen, irrespective of the amount of knowledge and language skills possessed by migrants, as an opportunity to integrate them into the labour market. In both cases, support services that address specific needs of migrants and provide information and advice in the client’s original language have proved to be greatly needed.

Whatever approach is chosen, the provision of adequate support structures will have to mirror the composition of cultural backgrounds (and the history of migration) on the labour market and would thus require continuous monitoring. Second and third generation migrants most probably turn to the ‘mainstream’ structures, since they grew up in Germany and have no language barriers. However, the needs of newly arriving migrants (but also first generation migrants of former decades), should be approached in a different manner, by taking into account their different starting points and socio-economic conditions.

The present support structures for migrant entrepreneurs in Hamburg somehow reflect this complex picture. ‘Mainstream’ institutions such as the Federal Employment Agency, the Regional Authority for the Economy and Labour, the chambers and business development offices are increasingly realising the importance of special measures and are starting to offer themselves or by means of projects funded through

the European Social Fund (ESF) counselling to migrant entrepreneurs.

Next to these institutions, two major organisations have developed in Hamburg a particular expertise in providing advice to migrant entrepreneurs:

- *Arbeitsgemeinschaft türkischer Unternehmer und Existenzgründer* (consortium of Turkish entrepreneurs and business founders) set up in 1998 on the basis of which the *Arbeitsgemeinschaft Selbständiger Migranten* (consortium of self-employed migrants) evolved in 2007 and
- *Unternehmer ohne Grenzen* (entrepreneurs without borders) funded in 2000.

Both organisations are headed by CEOs with a Turkish background and employ personnel originating from different countries. Given their large amounts of clients seeking advice, both organisations have proved to be indispensable for the Hamburg business environment and thus represent key stakeholders when it comes to questions related to the labour market integration of migrants in Hamburg.

Despite this gradual opening towards the special needs of migrant entrepreneurs, there are still some doubts about the sustainability of this approach. Particularly financial institutions are more reluctant to offer products (such as micro-credits) and services (such as counselling in different languages), which would serve especially the migrant clientele.

Nevertheless, at present support services offered in Hamburg by organisations which seek to reach especially migrant business persons are very broad. They include public events (informative meetings), newsletters, assistance with drafting business plans, the provision of micro-credits through i.a. the Local Authority for the Economy and Labour, support for becoming an *Ausbildungsbetrieb*<sup>8</sup> as well as a variety of coaching and training programmes for migrant entrepreneurs to enhance their business capacities (e.g. book-keeping courses etc.).

The current list of involved actors appears fairly long.<sup>9</sup> However, when looking more in depth at the service structure, it turns out to be a patchwork of products

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<sup>8</sup>A firm that is allowed to train young people within the context of the *dual system*— a particular system of professional education in Germany.

<sup>9</sup>Non-exhaustive in the following: *Arbeitsgemeinschaft selbständiger Migranten* (ASM/ATU), *Unternehmer ohne Grenzen*, Hamburg Chamber of Commerce, Hamburg Chamber of Skilled Crafts and Small Businesses, *Hamburger Existenzgründungsinitiative* (Hamburg initiative for founding a business), *Bürgerschaftsgemeinschaft Hamburg* (Hamburg consortium for providing securities in the context of credits), Regional Authority for the Economy and Labour, Federal Employment Agency, *Wirtschaftsbeauftragte der Bezirke* (commissioner for economic affairs in the districts), *Wirtschaftszentrum Hamburg* (business centre Hamburg).

and services which seem to be lacking coherence and cooperation. As a result, it is rather difficult to gain an overview of the structure and – most importantly - to take a decision as to which organisation is the best adviser for the particular topic in question. The current counselling structure is still far away from a well-developed service landscape, even though an interesting model for a coherent counselling structure has been developed by experts at the federal level.<sup>10</sup> This model proposes to structure services according to four phases: (i) orientation phase, (ii) preliminary planning phase, (iii) start-up phase and (iv) consolidation and growth phase.

The lack of exchange and cooperation between the actors eventually results in a tremendous loss of expertise which is highly important for successful counselling. Learning from the experiences of the two major organisations specialised in giving advice to migrants in combination with the long-standing experiences of further actors in the field would help to develop more targeted services. Moreover, cooperation would serve to identify special expertises of the different actors in a way that a range of different products and services could be offered. Complementary services through cooperation would further have the beneficial effect of gradually preventing the situation of harsh competition for short-term funding (mainly ESF-funding) which represents often the financial basis for measures to integrate less advantaged groups – such as migrants – on the labour markets. The readiness to provide long-term funding at the regional level may well be higher for a more complementary and coherent structure.

To conclude, however, on a more constructive note, based on a large public event organised by *Unternehmer ohne Grenzen* in April 2009 at the Hamburg Chamber of Commerce in cooperation with the key stakeholders as well as follow-up meetings, it has been decided in November 2009 to establish a round table that shall bring together the key actors at least twice a year to exchange views and experiences on the topic. This is most certainly a major starting point for a more coherent and thus potentially more beneficial counselling structure for migrant entrepreneurs in Hamburg.

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<sup>10</sup>Model proposed by the *Bundesweiter Facharbeitskreis „Unternehmensgründungen von Migrantinnen und Migranten“* des *IQ-Netzwerkes und der Entwicklungspartnerschaft NOBI– Norddeutsches Netzwerk zur beruflichen Integration von Migrantinnen und Migranten*.

## 6 Conclusions and outlook

In response to the lack of knowledge on the situation of migrant entrepreneurs at the city level of Hamburg, this study aimed at closing this gap by pooling together relevant information previously gathered by different local institutions and researchers and by enriching it with new insights from an own empirical survey.

Based on 58 qualitative interviews with Turkish entrepreneurs, our survey investigated patterns of migrant entrepreneurship in terms of demographic and economic characteristics of migrant owners, the motivation to found a business, the sector choice and the extent to which they embed their activities in an ethnic environment. Moreover, our study addressed the challenges encountered by migrant entrepreneurs in the business process, as well as the use of formal and informal strategies to cope with them. Finally we discuss and evaluate the support structures available for migrant self-employed in Hamburg.

The analysis of our survey sample, supplemented with further statistical data from other sources, brought to light a number of interesting aspects.

Firstly, it revealed that both in respect to the personal characteristics of the entrepreneurs and the economic patterns of their businesses, there is a significant heterogeneity among the group of Turkish entrepreneurs. On the one hand, we further witness the existence of small, family-owned businesses in traditional sectors with low costs and entry barriers such as gastronomy or retail and trade. As described in detail by the survey results, the owners of these enterprises are in most of the cases first generation migrants with a rather lower level of formal and informal qualifications. Their motivation for founding the business has been shaped primarily by necessity and a lack of other opportunities. However, though embedded in a predominantly ethnic environment, these entrepreneurs have begun to increasingly address a German clientele and do not concentrate solely on their Turkish community anymore. This business development is driven by the high competition which generally marks their sectors of activity. The group of first generation entrepreneurs has significant problems in accessing both information and financial resources from public and private institutions.

On the other hand, particularly in the economic and social context of growing cities such as Hamburg, we witness the rise of a new type of migrant entrepreneur. This type is born and socialised in Germany, predominately in a mixed or German environment and possess a high level of qualifications and skills. The survey results

revealed that the motivation and driving forces of the second generation Turkish entrepreneurs are shaped by their educational level, language ability and their previous working experience as an employee in the same sector. In their case, the business foundation occurs out of an elaborated strategy. Their business concepts rest on the identification of a new market niche, i.e. the professional consultancy of people with migration background living in Hamburg. Moreover, this group, though oriented towards an ethnic clientele, is better embedded in the mainstream networks and structures (including a better linkage with public authorities and banks).

A second aspect highlighted by our empirical survey refers to the spatial distribution of migrant entrepreneurs in Hamburg. Our interviews showed that there is a high interdependency between the neighbourhood, respectively the environment in which migrants operate their businesses and the economic strategy which they implement. Particularly in the cases where businesses are situated in diverse or German neighbourhoods, the ethnic background of the entrepreneur takes a back seat and the business strategy becomes strictly demand oriented. However, it remains open, whether only certain entrepreneurs decide to establish their enterprise in such an environment or whether it is the neighbourhood which shapes the behaviour of business owners.<sup>11</sup>

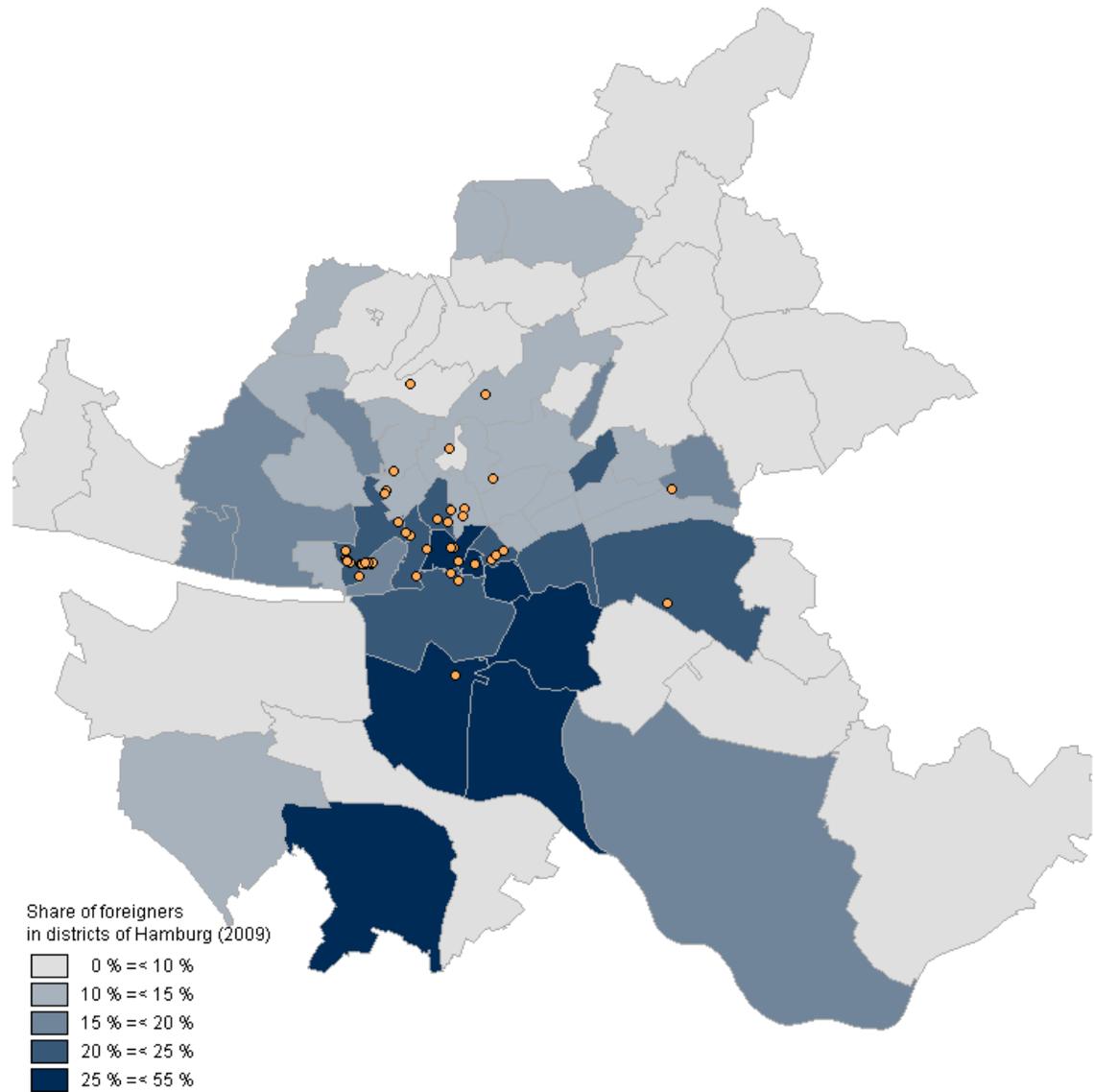
The third insight from our survey clearly shows the lack of information and access to private and public funds of migrant entrepreneurs. This issue is particularly problematic, as it seems that almost all entrepreneurs face the same challenges regardless of their educational background, business situation and in some cases even nationality. The overview of the existing support structures at the city level of Hamburg presented in the last chapter of this study points out to the fact that, the main problem is not related to the amount of support initiatives, but rather to their visibility and public perception. In line with this idea, more transparency, open access (potentially in different languages) as well as awareness raising campaigns among (migrant) entrepreneurs might play an important role in increasing the use of informational and financial resources, which may contribute to a successful business development.

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<sup>11</sup>It is worth noticing, that in our survey it is not the educational background, the age, gender or the level of German knowledge of the business-owner that makes the difference between entrepreneurs operating in different neighbourhoods, but, presumably, rather the degree of integration in the German society and a certain business intuition.

## Appendix

Figure 5: Spatial distribution of the interviewed migrant entrepreneurs in Hamburg



Source: Federal Statistical Office North (2009); own survey, 2008-2009, N=58

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Hamburg Institute of International Economics (HWWI)

Heimhuder Str. 71 | 20148 Hamburg | Germany

Phone +49 (0)40 34 05 76 - 0 | Fax +49 (0)40 34 05 76 - 776

info@hwwi.org | [www.hwwi.org](http://www.hwwi.org)