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## Explaining the Multifaceted Patterns of Migrant Entrepreneurship in the Global Economy: A Resource-Based Approach

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EXPLAINING THE MULTIFACETED PATTERNS OF MIGRANT  
ENTREPRENEURSHIP IN THE GLOBAL ECONOMY:  
A RESOURCE-BASED APPROACH

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**Abstract**

This article aims to propose a novel theoretical framework to interpret the recent patterns of migrant entrepreneurship in the global economy. Our theoretical framework builds on the resource-based view and highlights the role of the migrant enterprise as a collective entity endowed with peculiar tangible and intangible resources. The specific endowment of each migrant firm determines its competitive advantages and disadvantages, as well as its ability to acquire and process knowledge over time and internationalize. Such an approach allows to categorize the migrant enterprise as an autonomous entity, providing a reliable explanation of the heterogeneous features and performances displayed by these firms in the global economy. Indeed, even when migrant firms operate in the same host environment and are managed by entrepreneurs of the same ethnic background, their performances tend to be significantly different. Using a resource-based approach, the peculiar features of the migrant enterprise can be disentangled and explained more effectively.

*Keywords: International entrepreneurship, Resource-Based View, Migration, Ethnicity, Small and Medium Enterprises*

**1. Introduction**

Despite the recent restrictions imposed by most world governments in response to the COVID-19 pandemic, migration processes have not stopped growing. By 2020, the number of global migrants reached 281 million (McAuliffe and Triandafyllidou, 2021): if *Diaspora* were a country

(Christensen et al., 2020), it would be the fourth most populous in the world. While environmental and geopolitical shocks can influence migration dynamics, economic factors continue to dominate individual mobility choices (Ratha et al., 2019). Among the effects of economic migration, immigrant entrepreneurship is undoubtedly one of the most impactful and relevant phenomena for policy-makers<sup>1</sup>: in the EU, the share of immigrants among the self-employed has nearly doubled from 2010 to 2020, moving from 6.4% to 10.7% (OECD, 2021).

The academic literature on immigrant entrepreneurship has developed significantly over the last two decades, contributing to explain the dynamics that lead immigrants to choose self-employment as an alternative to salaried work (Dabic et al., 2020). Over the years, different theoretical frameworks have been proposed in an attempt to investigate the motivations for the persisting presence of migrant enterprises (Wilson and Portes, 1980; Kloosterman, 2010; Ibrahim and Galt, 2011). Despite the proliferation of theoretical and empirical contributions, a comprehensive interpretation of the heterogeneous performances of immigrant enterprises operating in similar socio-economic contexts is still missing.

The lack of theoretical conceptualisation on migrant enterprises has been associated with a number of factors, including the excessively rigid approach adopted by most scholars when describing this specific type of firms. On the one hand, seminal contributions have depicted migrant firms as marginal organisational entities, focused on ethnic markets and endowed with limited resources (Wilson and Portes, 1980). On the other hand, a more recent body of work has adopted an opposite perspective, postulating the lack of substantial differences between migrant and indigenous firms. According to this strand of the literature, immigrant firms can successfully operate in a wide variety of contexts, including mainstream markets and highly innovative industries, achieving high growth and profitability rates in the medium and long term (Engelen, 2001).

Similar concerns can be raised in regards to the analysis of the factors influencing migrant firms' performances. On the one hand, several scholars have overemphasized the role of exogenous factors, such as the ethnic community (Portes and Manning, 2019), the institutional environment (Kloosterman, 2003) and demand conditions for mainstream or ethnic goods (Mohl, 1985). On the other hand, excessive focus has

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<sup>1</sup> Migrant entrepreneurship is defined as the entrepreneurial activity of foreign-born individuals in a country other than that of their birth (Sikovics and Reuber, 2021).

often been placed on the characteristics of the immigrant entrepreneur, including their country of origin, their education and employment history, as well as the successful acquisition of organizational and linguistic skills (Peroni et al., 2016). While individual factors can undoubtedly influence the migrant's ability to become a successful entrepreneur, we claim that such an approach foreshadows the relevance of the migrant enterprise as a collective subject encompassing and valorising tangible and intangible resources, as well as a system of shared skills and tacit and codified knowledge accumulated over time.

In an attempt to fill the present gap, this article aims to propose a theoretical framework that allows to categorize the migrant enterprise as an autonomous entity, providing a reliable explanation of the heterogeneous features and performances displayed by these firms, even when they operate in similar socio-economic settings and they are managed by entrepreneurs of the same ethnic background. The framework proposed in this paper is based on the resource-based view (Lockett et al., 2009), and highlights the role of the migrant enterprise as a collective entity endowed with peculiar tangible and intangible resources. This specific endowment determines the competitive advantages and disadvantages of the migrant firm, as well as its ability to acquire and process knowledge over time. While the resource-based view have been previously used to explain some specific features of migrant entrepreneurship, such as the role of co-ethnic markets (Shinnar, Aguilera and Lyons, 2011), a comprehensive framework to explain migrant firms' behaviour is still missing (Bolzani, 2020). Using a resource-based approach, the peculiar features of the migrant enterprise can be disentangled and explained more effectively.

A noteworthy implication of our theoretical contribution relates to the possibility of embedding the migrant entrepreneurship literature within the international business debate. In this respect, we contribute to address the recent calls for more research on migrant entrepreneurship in the international business literature (Elo et al, 2018; Etemad, 2018; Sinkovics and Reuber, 2021). Using a resource-based view, the analytical framework proposed for the migrant firm can be associated to that used by the IB literature to describe the features of Multinational Enterprises (MNEs). Despite the obvious differences existing between the two entities, some of the key concepts developed to explain the peculiar features of MNEs can be adapted to better theorise the structure of migrant firms.

The paper is structured as follows. In sections § 2.1-§2.4, the most relevant theoretical frameworks proposed by the migrant entrepreneurship

literature are reviewed and discussed. The literature review is focused on the diverse set of frameworks developed by academics to explain the existence and the functioning of migrant firms. In sections §3.1-§3.4, the resource-based approach is introduced and adapted to the case of the immigrant firm, explaining how some key concepts of the IB literature, including the *Liability of Foreignness* and *Asset of Foreignness*, can be effectively adapted in the context of migrant entrepreneurship literature. The interaction of the two concepts makes it possible to enhance the role of tangible and intangible resources available to the enterprise in determining its structure and performance. The concluding section includes a reflection on the main theoretical findings and provides some policy recommendations related to the debate presented in the article.

## **2 Literature review**

### ***2.1 Immigrant firms and the ethnic economy: early contributions***

Among the pioneering contributions in the migrant entrepreneurship literature, the works of Wilson and Portes (1980) and Portes and Bach (1985) are certainly the most influential ones. Both articles stress the key role played by the economic and social network in which migrants are embedded, highlighting its influence in the diffusion of migrant entrepreneurship. According to this view, ethnic communities contribute to enhance cohesion and identity among migrants, lowering the barriers to start a new business in the host country. In this respect, migrant entrepreneurship can be regarded as a by-product of a closed ethnic system, which mostly hinges on relations within the migrant community. As a consequence, economic exchanges with the host economic environment are typically confined to residual and non-strategic activities.

The theoretical framework proposed by Wilson and Portes (1980) was later exploited by the *disadvantage theory* to motivate the presence of strong ties between the migrant enterprise and the ethnic economy in some specific contexts (Hou, 2009). According to this view, migrant entrepreneurship is regarded as a strategy to overcome the barriers faced in the local labour market, when access to employment opportunities is limited and cultural barriers prevent the possibility to engage in successful transactions with the indigenous community. In this respect, *self-employment* represents a *push* solution driven by the lack of work opportunities in the host country, rather than the result of individual preferences and the willingness to pursue new economic opportunities.

Despite the support provided by the ethnic community, the decision to start a new business often does not solve the integration issues faced by the migrant in the host country. Indeed, numerous operational constraints limit the migrant entrepreneur's access into *mainstream* markets, generating a structural gap relative to his or her indigenous competitors. The main factors explaining this gap include imperfect knowledge of local procedures and regulations, lack of information on local demand and limited access to the credit market. Such constraints generate a 'structural' disadvantage, which can only be overcome by limiting the entrepreneurial activity within the boundaries of the co-ethnic economy.

In the *enclave* economy, the competitive gap between the migrant and the indigenous enterprise can be erased. Indeed, the co-ethnic community represents a valuable asset for the entrepreneur even after the start-up period, in that it favours the exploitation of the economic and social resources accumulated by the community over time. By accessing the enclave economy, the migrant can acquire financial resources and cheap labour, exploiting more flexible labour arrangements that are not necessarily available when the firm tap into the indigenous labour pool. Furthermore, the presence of strong social ties and a system of shared rules enhances the opportunities to establish links with co-ethnic suppliers of goods and services and promptly collect customer feedback (Zubair and Brzozowski, 2018). Overall, migrant-owned firms located within an *ethnic enclave* benefit from the advantages associated with informal ethnic institutions, while the entry barriers limit competition from native firms (Wilson and Portes, 1980). In summary, the *enclave* economy is able to generate efficiency gains thanks to a combination of "vertical and horizontal integration, ethnically sympathetic suppliers and consumers, pooled savings, and rigged markets" (Light et al., 1994; p. 69).

Two major implications stem from ethnic-centred approaches. The first is that, when migrant businesses are confined to their co-ethnic boundaries, economic disadvantages can paradoxically be amplified, rather than removed. Indeed, the limited size of co-ethnic markets could enhance hyper-competitive dynamics among migrants, generating constraints to growth and upgrading opportunities. Similar concerns could emerge when ethnic supply chains are excessively inward-looking and limit upstream and downstream interactions with indigenous producers. In both cases, social enclaves can lead to economic confinement, negatively affecting migrant firms' growth perspectives. The second implication is that migrant businesses should necessarily be conceived as 'segregated' entities, isolated from the production network of the host country. They are designed to

satisfy the demand for goods and services fuelled by the co-ethnic community, and they evolve in response to factors that are essentially independent from the host economy. Consequently, the impact of their activities on the host economy is expected to be marginal and independent from the dynamics of most indigenous businesses.

## ***2.2 Overcoming ethnic boundaries: break-out theories***

Soon after their emergence in the 1980s, ethnic-centred theories gained significant interest among migrant entrepreneurship scholars. Their success is motivated by the ability of these frameworks to effectively explain the entrepreneurial experiences of specific migrant groups in the United States (e.g. Cuban refugees in Miami). However, global migration patterns changed dramatically during the 1990s, following the impulse of major economic, political and social transformations in different parts of the world. Nowadays, migrations triggered by environmental, demographic and political shocks have become a structural feature of the global economy. This course of events affected the intensity, as well as the origin and destination of migration flows. A wide variety of migrant entrepreneurial experiences emerged around the world, and their features were often inconsistent with the narrative of the ethnic-centred literature. Indeed, an increasing share of migrant firms started to be less confined to marginal areas of host economies, becoming a complementary and integral part of the economic fabric in the host economic environment.

In response to the changing migration patterns observed in the global economy, another body of work promoted a different view of the migrant enterprise that was claimed to be more consistent with the new empirical evidence. While starting from different assumptions, this group of contributions share a vision of the migrant enterprise that is not necessarily confined within the boundaries of the co-ethnic community, but is actively engaged in a dynamic business diversification process. The changing perspective was a reflection of the new empirical evidence on the migrant entrepreneurship phenomenon. For example, Waldinger (2000) emphasised the fact that migrant entrepreneurs were increasingly engaged in non-ethnic economic sectors, highlighting how *i*) products and services of 'ethnic' origin could also serve the needs of 'non-ethnic' markets and *ii*) immigrant entrepreneurs increasingly produce goods and services specifically targeted at the indigenous community. The changing set of strategies and operational choices observed among migrant entrepreneurs was later theorized more comprehensively by the *break-out* theory (Engelen, 2001). According to this view, migrant-owned firms can consciously decide to waive some of the benefits of a limited, but

protected ethnic market and adopt entrepreneurial models that mimic those adopted by native firms. Establishing relationships with native firms may prove beneficial in that it enhances access to non-ethnic supply chains and to sales networks aimed at serving mainstream demand.

The increasing variety of immigrants' *business* models and their evolution towards activities that cross the borders of the *enclave* economy has been subsequently described by several theoretical and empirical works, including Waldinger, Aldrich and Ward (1990), Ram and Hillin (1994), Rusinovic (2008), Aldrich and Waldinger (1990), Ndofor and Priem (2011), Ambrosini (2011), Chaganti *et al.* (2008), Arrighetti, Bolzani and Lasagni (2014) and Canello (2016). In all these contributions, the representation of the migrant enterprise differs from that traditionally described in the *enclave* economic model (Ndofor and Priem, 2011). More specifically, these contributions claim that the process by which migrant firms accumulate tangible and intangible resources does not significantly differ from that observed for indigenous firms. Consequently, migrant firms' strategies are more substantially affected by the host economic environment and only marginally influenced by the features of the ethnic community.

Three main implications can be derived from the break out theory. First, it is expected that an increasing number of migrant firms will be oriented towards the exploration and exploitation of business opportunities with economic actors operating outside the *enclave* economy (Arrighetti, Bolzani and Lasagni, 2014). Second, the emphasis on the role of individual resources (job competencies, education, entrepreneurial skills) implies that migrant entrepreneurs should primarily be regarded as economic actors (Tolciu, 2011). Last but not least, there is nothing in this approach that substantially and structurally differentiates the migrant entrepreneur from the native entrepreneur. Migrant entrepreneurs are essentially concerned by the fate of their business rather than being "obsessed with ethnicity and identity matters" (Pecoud, 2004).

### ***2.3 From ethnic resources to class resources: entrepreneur-based theories***

A third strand of the migrant entrepreneurship literature focuses attention on the individual resources possessed by the immigrant entrepreneur, downplaying the role of the ethnic community in which he or she is embedded. In this respect, the distinction between ethnic and class resources is particularly relevant (Light, 1985). As explained in the previous section, ethnic resources can be described as a *club good* available



to all members of a given ethnic group who share a common origin and culture. Such resources may be material or immaterial, and include information sharing on market opportunities, support provided by the community during economic downturns and access to a restricted pool of ethnic customers, employees, suppliers and social organisations (Yoon, 1991). In contrast, class resources are individual endowments that are only available to a segment of an ethnic group whose social and economic position favoured the accumulation process (Yoon, 1991; Ram, Jones and Villares-Varela, 2017; Min and Bozorgmehr, 2000; Sanders and Nee, 1996; Virdee, 2006). In broader terms, the class approach can be extended to encompass a wide variety of individual resources, including human capital, relevant work experience, seniority, individual social capital, managerial skills, and financial capital. The resource accumulation process can start in the pre-immigration stage and be further enhanced or modified during or after the migration experience.

It is worth noting that individual endowments may also differ between entrepreneurs belonging to the same ethnic group for other reasons, not necessarily associated with class resources. More specifically, the motivations driving the migration process, as well as the migrant's prospects in the destination country, can influence investment decisions, as well as the propensity to accumulate human capital and establish social relations in the host country (Christensen et al., 2020). A shorter time horizon and a stronger propensity to return to the home country tends to foster a process of accumulation of material and immaterial resources that is different from that observed when the migration project has a long term perspective (IOM, 2019).

Regardless of the reasons why individual resources differ, the theoretical framework described in the present section moves the conceptual focus from the ethnic community to the entrepreneur and the technical-managerial skills he or she has acquired over time. The main advantage of such an approach lies in the attempt to provide a theoretical justification for the heterogeneous performances observed among migrant firms in the recent past. Despite its merits, the excessive focus posed on the migrant entrepreneur leads to underestimate the role of the migrant enterprise as a collective subject endowed with physical and intangible resources, shared competences and knowledge. While helping to explain decision-making dynamics in smaller realities, an entrepreneur-centred interpretative scheme is limited in explaining the strategic choices and performance of more structured immigrant firms.

## ***2.4 The mixed embeddedness approach***

The mixed-embeddedness framework was initially devised in two influential articles by Kloosterman, Rath and Van Der Leun (1999) and by Kloosterman and Rath (2001). Both contributions have paved the way for a large body of subsequent theoretical and empirical work on migrant entrepreneurship (Barberis and Solano, 2018). In these articles, the authors propose a theoretical framework to explain the heterogeneous patterns of migrant self-employment in Europe, exploiting the evidence from the main urban areas in the Netherlands. In their view, the complex picture emerging from the case studies analysed could not be effectively interpreted by resorting to the standard theoretical frameworks.

While acknowledging the role played by entrepreneurial resources, the mixed embeddedness approach claims that migrant activities are not established in a socio-economic vacuum, but are rather embedded in specific spatial and temporal contexts (Kloosterman, 2010; Jones et al., 2014). On the one hand, migrants complement their skills and resources with access to ethnic social capital, reducing their transaction costs and increasing their competitiveness. On the other hand, entrepreneurial resources can only be fully exploited if they are effectively matched with the *opportunity structure* available in the country where migrants locate their businesses. The concept of opportunity structure, initially devised by Waldinger et al. (1990), was further refined by Kloosterman, van der Leun and Rath (1999) to incorporate both the economic environment (i.e. the technological state and the local demand) and the complex system of rules and regulations that shape the formal institutional framework in the host country.

In this respect, the idea of embeddedness is central to understand the rationale of the model. The concept of embeddedness is not new in itself, as it was initially introduced by the pioneering contribution of Granovetter (1985) to explain entrepreneurial decisions, and subsequently exploited by the ethnic-based view to explain the behaviour of migrant entrepreneurs in specific contexts (Portes and Sensenbrenner, 1993). However, according to Kloosterman, Van der Leun and Rath (1999), the use of the embeddedness concept by migrant entrepreneurship scholars was limited in that it was only used with reference to the migrants' ethnic network. The key intuition behind the mixed embeddedness model is that, in order to fully understand the behaviour of migrant entrepreneurs, we need to study their embeddedness in the political and institutional environment of

the host country in addition to their embeddedness in the ethnic network (Kloosterman, Van der Leun and Rath, 1999).

Opportunity structures are evaluated by mixed embeddedness scholars through three main spatial layers, associated with the national, the regional and the local environment (Kloosterman and Rath, 2001). These levels are not independent but often interact between each other, forging the entrepreneurial opportunities for migrants. By adopting this approach, migrant entrepreneurs' decisions can be explained by a combination of micro level determinants (the individual entrepreneur and his or her resources), meso level factors (the regional and local opportunity structure) and macro level elements associated with the national institutional environment (Kloosterman, 2010). The size and shape of each opportunity structure is affected by the characteristics of the local and national institutional framework.

Despite its undisputed relevance in the migrant entrepreneurship literature, the mixed-embeddedness framework is not exempt from limitations. Indeed, while its initial goal was to combine agency and structure, the popularized version of the theoretical framework and following uses were mostly centred around the concept of opportunity structure and formal institutional embeddedness (Barberis and Solano, 2018). The strong focus on formal institutions is increasingly unsuitable to explain some recent patterns of migrant entrepreneurship, and especially the increasing diffusion of migrants' entrepreneurial activities in developing economies (Liu, Ye and Feng, 2019; Antwi Bosiakoh and Obeng, 2021). Less developed countries are often characterized by weaker institutional environments and less attractive opportunity structures, with a stronger role played by informal institutions.

More importantly, the strong focus on opportunity structures foreshadows the active role migrants can have in influencing the entrepreneurial process. On the one hand, opportunity structures are viewed as the main enabling factor for migrant entrepreneurs, creating openings in both structurally expanding and shrinking industries (Kloosterman, 2010). Such an approach essentially rules out the possibility that migrants could engage in proactive and innovative activities, opening up new entrepreneurial paths instead of simply responding to static opportunity structures. While such circumstances are discussed by mixed embeddedness scholars, they are presented as an exception to the rule (Kloosterman and Rath, 2001, p. 192). Furthermore, the role of agency is studied only with regard to the entrepreneur, which is seen as the only unit of analysis at the micro level. Entrepreneurial resources are essentially

linked with migrants' embeddedness in their relevant ethnic networks, which are mainly located in the host country. Only when the entrepreneur operates in post-industrial highly skilled industries, transnational ethnic network play a more relevant role as entrepreneurial resources (Kloosterman, 2010).

Finally, the strong focus posed by the mixed embeddedness model on entrepreneurial resources is suitable to explain the dynamics of smaller firms, where entrepreneurs are highly involved, both as founders and as managers. However, recent evidence showed that immigrants do not own small firms only: according to the recent evidence provided by Azoulay, Jones, Kim and Miranda (2022), the size distribution of migrant firms resembles that of native-born enterprises. Given the increasing relevance of larger migrant firms, a focus on firm-level resources appear to be more suitable to provide a theoretical interpretation of migrant firms' behaviour. As highlighted by Barberis and Solano (2018), a clearer perspective on how migrant firms use and create their resources to overcome or reshape the opportunity structure may be a particularly promising theoretical advancement.

### **3. Explaining migrant firms through a new theoretical lens: a resource-based approach**

#### ***3.1 The immigrant firm from a resource-based perspective***

The theoretical frameworks presented in the previous sections (see Table 1 for a summary) share an important limitation, in that they fail to provide a consistent explanation to the heterogeneous strategies and performances observed among migrant firms in the global economy. This complex picture can neither be motivated by the features of the ethnic communities in which migrants are embedded, nor be fully justified by the set of opportunities offered by the host environment. Indeed, heterogeneous sets of migrant firms are likely to experience differential access to the institutional and policy frameworks available in the host country (Rath, Solano and Schutjens, 2020). Therefore, none of the interpretative frameworks proposed by the literature is fully effective in explaining the presence of different types of migrant firms even when the same ethnic community and similar geographical and sectoral contexts are considered.

The alternative conceptualization proposed in this section emphasises the presence of heterogeneous endowments of tangible and intangible resources, routines and knowledge bases that represent potential sources of competitive advantage for migrant firms. Our model builds on the

Table 1: Main theories on migrant entrepreneurship

Theory	Framework	Main references
Ethnic-based	<ul style="list-style-type: none"> <li>- Migrant entrepreneurship as a push solution to overcome barriers in the labour market</li> <li>- Migrant firms as a by-product of inward-looking ethnic communities</li> <li>- Limited (if any) economic exchanges between migrant firms and indigenous firms</li> </ul>	<p>Wilson and Portes (1980) Portes and Bach (1985) Light et al. (1994)</p>
Break-out	<ul style="list-style-type: none"> <li>- Migrant firms waive the benefits of ethnic markets and establish relationships with the host community</li> <li>- Marginal influence played by the ethnic community</li> <li>- Negligible differences between migrant and indigenous firms</li> </ul>	<p>Engelen (2001)</p>
Entrepreneur-based	<ul style="list-style-type: none"> <li>- Class resources more important than on ethnic resources</li> <li>- Focus moves from the ethnic community to the individual resources acquired by the migrant entrepreneur</li> <li>- Heterogeneous performances explained by different material and immaterial endowments possessed by migrant entrepreneurs</li> </ul>	<p>Yoon (1991)</p>
Mixed embeddedness	<ul style="list-style-type: none"> <li>- Migrant activities are embedded in specific spatial and temporal contexts</li> <li>- Entrepreneurial resources mainly refer to migrants' embeddedness in their relevant ethnic network</li> <li>- Entrepreneurial resources can be fully exploited only if they are matched with the opportunity structure available in the destination country at the national/regional/local level</li> </ul>	<p>Kloosterman, van der Leun and Rath (1999) Kloosterman and Rath (2001) Kloosterman (2010)</p>

resource-based view (Wernerfelt, 1984), stressing how this complex bundle of resources can strongly moderate the role of both the co-ethnic community and the opportunity structure available in the host country. In this respect, the knowledge base and the expertise acquired over time by the organization, together with the quality of its human capital, are key determinants for the migrant firm's survival and growth (Loasby, 1999; Nonaka, 1994; Kogut and Zander, 1996; Aw *et al.*, 2007; Teece *et al.*, 1997; Teece, 2009; Foss and Knudsen, 2013).

It is worth noting that the possession of unique bundles of resources is not a peculiar feature of migrant firms: indigenous competitors can also count on their resource endowment. In both cases, the full exploitation of this potential is determined by the interaction between the material and immaterial resources and the organizational and managerial skills available within the firm (Kor *et al.*, 2007; Foss *et al.*, 2008; Helfat and Peteraf, 2015; Pitelis, 2007). Examples include the ability to process information on relevant markets, control over technological assets and the ability to embed the organizational process along the value chain. For migrant firms, the support provided by the co-ethnic community represent a relevant additional asset, in that it contributes to shape the opportunity structure and generates important sources of competitive advantage. However, the ability to exploit ethnic community assets will vary significantly even among migrant firms operating in the same environment. The presence of complementary resources and the choice of a suitable set of strategies will greatly increase the chances to exploit co-ethnic resources effectively (Rusinovic, 2008; Freiling and Harima, 2019; Baklanov, Rezaei, Vang, and Dana, 2014). This implies the coexistence of a wide set of organizational models even within the same ethnic boundaries, as well as a set of heterogenous performances even for migrant firms operating in similar environments. This is an important element of differentiation between the resource-based view presented in this and the following sections and the traditional approaches discussed in the previous sections.

By adopting a resource-based approach, particular emphasis is placed on factors that are present both in migrant and in native companies, reducing the connotations of exceptionality of the former with respect to the latter. In other words, the migrant company - as well as the native one - is seen as the result of the interaction between the tangible and intangible resources of the organization and the managerial skills of the entrepreneur. The 'ethnic' variables, however, are not neglected, as they continue to play a significant role in shaping the wealth of skills and information available to the migrant firms and in providing unique opportunities to the migrant

firms. Therefore, ethnic features remain relevant but their impact is shaped by the strategic choices made by the migrant company.

A resource-based view of the migrant enterprise, with its emphasis on the role of human, material and immaterial resources interacting within the enterprise, combines the 'ethnic' nature of the set of skills and knowledge with the opportunities and constraints offered by the host economy and society. This combination of factors influences the accumulation of knowledge and the exploitation of entrepreneurial opportunities. The most immediate consequence of adopting such a perspective is that the migrant enterprise can neither be regarded as an isolated entity confined within the boundaries of the enclave economy, nor be entirely assimilated to the indigenous enterprise in terms of operating conditions and strategic orientations.

The following implications stem from the adoption of a resource-based view towards migrant entrepreneurship:

- a) migrant enterprises are structurally heterogeneous, as they are the result of the interaction between differentiated individual and collective competences and heterogeneous environmental contexts;
- b) there is no conflict between the bundle of ethnic community resources and the set of material and immaterial resources that are acquired independently by the migrant firm during its life. On the contrary, the two components can be combined to enhance the innovation potential of the migrant firm;
- c) migrant enterprises are organized on a continuum of solutions that interweave endowments, resources and opportunities provided both by the ethnic community and by the host environment. Therefore, migrant firms can hardly be associated with a specific typological characterisation, as envisaged in the standard theoretical models.

As explained in the following sections, the resource-based view has an additional advantage, in that it allows us to link the migrant entrepreneurship theory with the international business literature on MNEs. Despite the presence of significant differences, some of the concepts introduced by IB scholars to describe MNEs' behaviour can be effectively adapted in the context of migrant firms.

### ***3.2 Liability of foreignness, Transnationalism and Diversity***

The concept of Liability of Foreignness (LoF) was initially introduced in the International Business literature to describe a structural disadvantage that MNEs face and should overcome when operating in a foreign country

(Zaheer, 1995). According to the resource-based approach, LoF is associated with a) difficulties in transferring VRIN (Valuable, Rare, Inimitable and Non-Substitutable) resources from the country of origin to the destination country and b) constraints that limit the possibility of combining these resources with those already present in the foreign country where the MNE operates (Cuervo-Cazurra *et al.*, 2007).

The LoF paradigm has been subsequently incorporated and adapted in the migrant entrepreneurship literature (Guercini, 2017), using the term *Liability of Ethnicity (LoE)*. LoE describes the set of barriers and constraints that limit the process of immigrant enterprise creation and development (Jiang *et al.*, 2016). However, both the LoE and the LoF paradigms can only partially explain the wide variety of migrant entrepreneurial experiences that can be observed in most developed and developing countries: not infrequently, migrants display higher entrepreneurial propensities than locals and represent an increasing share of the firm population in several manufacturing and service industries. The widespread diffusion of immigrant enterprises in high-income countries supports the claim that the LoF can be overcome. In fact, by leveraging the wide set of competencies and skills acquired by the entrepreneur and his or her employees during their professional experiences, migrant enterprises are often capable to convert a potential liability into a competitive advantage (Sethi and Guisinger, 2002),

Even when the LoF persists during the early stages of the migrant firm's life, it does not necessarily turn into a structural feature of the firm throughout its entire life cycle. Indeed, this initial 'handicap' can be progressively overcome by acquiring specific experience and skills in the host environment, or by adopting adaptive or imitative strategies (Lu *et al.*, 2021). In this respect, the decision to include indigenous partners in the board of directors or hire indigenous employees can be interpreted as an attempt to overcome or reduce the LoF by diversifying the set of skills and competencies available within the firm and by establishing new links with the economic and social network of the host country.

In other cases, migrant firms are capable to overcome the LoF more rapidly, exploiting the unique set of resources they possess and that are typically not replicable by their indigenous competitors. Two relevant examples are the presence of transnational networks and experiences focused on 'diversity'. In the former case, it is worth noting that several migrant firms can rely on the presence of solid economic and social networks in one or more foreign countries, which typically translate into commercial relationships, investment opportunities and production links



with foreign partners (Schiller et al., 1992; Drori et al., 2009). Typically, these links are the result of past investments in social capital by the entrepreneur or by the employees in their home countries and represent a VRIN resource. By exploiting these social and economic networks, migrant firms can differentiate themselves from indigenous competitors, exploiting a relevant source of sustained competitive advantage. The latter aspect refers to the greater degree of complexity and diversity characterizing immigrant businesses. In these organisations, the knowledge and experience accumulated by the entrepreneur in his or her country of origin is combined with the information and cultural heritage of internal and external stakeholders that interact with the enterprise in the host country. This complex interaction generates a stimulus for innovation, creating novel product and process combinations and enabling the enterprise to identify market niches that native firms are unable to exploit.

The empirical evidence is consistent with this intuition and shows that transnationalism and diversity can be relevant factors influencing migrant firms' performances. Indeed, the presence of transnational networks tends to be associated with better performances for immigrant businesses, regardless of the nature of the relationships (Wang and Liu, 2015), and with greater likelihood of implementing more durable foreign market entry strategies (Chung and Enderewick, 2001). In addition to direct effects, transnational networks determine knowledge spillover effects in countries of origin and destination countries, fostering technological catch-up processes, as highlighted by the case of Silicon Valley in California (Saxenian, 2007) and the more recent case of the IT cluster in Tel Aviv (Schafer and Henn, 2018). Finally, firms with a greater share of migrant owners or partners are more likely to introduce new products and processes (Lee, 2015).

In short, the resource-based approach to migrant entrepreneurship highlights that a) a set of variables typically regarded as limiting factors for migrant firms can also be sources of competitive advantage; b) this set of variables can only be successfully exploited by the migrant firm when the initial disadvantage is transformed into a VRIN competitive lever through a conscious and planned strategy c) when the migrant firm's core competences are acquired by both the ethnic and the indigenous community, they tend to provide a more solid competitive advantage; d) the degree of variety, richness and exclusiveness of the core competences is not the result of a mechanical process of acquisition, but derives from a

conscious act of the migrant enterprise during its ongoing interaction with the internal and external stakeholders.

### ***3.3 Ethnic community resources: liability or asset?***

The material and immaterial endowment of a migrant community is generally regarded as both a competitive lever and a source of competitive advantage for the migrant firm (Portes and Manning, 2019). Such an assumption is not necessarily consistent with the RBV approach. As explained in the previous section, the RBV framework postulates that a firm's ability to survive and generate economic rents in the long term is strongly correlated with the ability to exploit and effectively combine the set of available resources. The presence of ethnic assets does not ensure that the accumulation of complementary resources will be performed following high-road standards. Indeed, ethnic resources might represent a constraint (and therefore a *liability*) to the accumulation process, in that they might foster organizational inertia. When ethnic resources are used to engage in labour exploitation or to establish inward-looking informal relationships with ethnic partners, this strategy may increase rather than reduce the LoF for migrant firms (Jones et al., 2006) .

To better motivate this claim, it is useful to focus on the process through which rents are extracted and distributed at the firm level. While the RBV approach effectively explains how economic rents are accrued by an organisation, it fails to describe how these rents are distributed among stakeholders (Coff, 1999). This aspect is particularly relevant in the context of migrant entrepreneurship, especially when the migrant firm engages in economic transactions with other members of the same ethnic community. For example, labour relations with migrant workers can be associated with rent redistribution issues, as the bargaining power of migrant employees can be significantly reduced by the lack of alternatives in the labour market or by their precarious legal status. Consequently, the strategy used by the migrant enterprise to interact with its *ethnic stakeholders* is crucial in determining the degree to which community resources are exploited by the firm. The concept of *ethnic stakeholder* includes both ethnic actors operating inside the enterprise (such as its employees) and members of the ethnic community engaged in economic transactions with the firm as independent parties (e.g. suppliers of goods or services).

The rent distribution process is strongly influenced by the resource endowment of the migrant firm and by the bargaining power of the ethnic stakeholders involved in the negotiation, which is extremely heterogeneous and changes over time. Therefore, the outcomes of the

negotiation process vary considerably in both space and time. At one extreme, there are cases where the firm relies on valuable and rare resources and engages with ethnic stakeholders holding higher bargaining power. In such circumstances, the interaction will not be influenced by power asymmetries and will lead to a non-polarised distribution of rents (*high road*). At the other extreme, when migrant firms generate economic rents by exploiting ordinary and abundant resources and stakeholders have low replacement costs and limited bargaining power, the transaction will lead to a strongly unequal distribution of the economic rents (*low road*). This organizational model does not necessarily affect the amount of rents, which can be very high for the migrant firm. Indeed, an important source of rents may be represented by the ability to offer goods or services at lower prices than those of indigenous competitors, achieving large profit margins. The presence of significant asymmetries in terms of bargaining power may provide an incentive for the migrant firm to adopt cost-minimisation strategies that generate positive returns at the expense of ethnic stakeholders involved in the negotiation. The first rent distribution model is appropriate for competitive regimes based on highly differentiated goods and characterised by competition on product quality and innovativeness. The second model is often associated with a competitive scenario based on product standardisation and fierce price competition.

In conclusion, migrant enterprises can choose among a spectrum of organisational opportunities and resource exploitation strategies that are typically wider than those available for indigenous firms. This wide range of opportunities stems from the possibility to have preferential access to co-ethnic stakeholders in addition to the standard interaction with the host country community. While balanced transactions with co-ethnic stakeholders can ensure the acquisition of diverse skills and knowledge, the migrant firm also has the opportunity to exploit power asymmetries that often characterize transactions with co-ethnic workers and business partners. For this reason, 'ethnic' resources can be an instrument of innovation, knowledge acquisition and organizational growth, but they can also trigger inward-looking exploitative practices that negatively affect the migrant firm's evolutionary trajectory, generating lock-in effects that confine the firm within static market segments characterised by excessive cost competition.

### ***3.4 Exploiting the Assets of Foreignness: A New Resource-Based Perspective to describe the Immigrant Enterprise***

In the previous section, we have highlighted how the concept of Liability of Foreignness is not necessarily effective in interpreting the evolving patterns that have reshaped immigrant enterprises in the global economy. Recently, a similar debate arose among IB scholars with regard to the MNE. In a recent contribution, Lu et al. (2021) have proposed to overcome the theoretical paradigm based on the concepts of *Liability of Foreignness* and *Liability of Outsidership*, highlighting how the focus on structural disadvantages provides an inaccurate picture of MNEs. While on the one hand these firms often face barriers to legitimacy and struggle to establish links in the host country (Moeller et al., 2013), on the other hand MNEs can rely on significant advantages associated with their status of global players, which can be defined as *Assets of Foreignness* (AoF) (Mallon and Fainshmidt, 2017). The AoF concept describes the set of tangible and intangible resources that MNEs acquire over time by exploiting the ongoing interactions between the parent firm and the subsidiaries located in foreign countries (Nachum, 2010). AoFs generate a number of benefits, associated for instance with the ability to identify market niches distinct from the dominant logic of the sectoral context (Kostova and Roth, 2002) or with the opportunity to process and exploit strategic knowledge more rapidly to trigger innovation processes (Sethi and Judge, 2009).

Following a similar logic, the RBV can be used to overcome a vision of the immigrant enterprise solely based on the concepts of *Liability of Foreignness* and *Liability of Ethnicity*. In the case of the immigrant business, the concept of AoF can refer to tangible and intangible resources accumulated by the entrepreneur and its ethnic stakeholders during the pre- the post-migration period. A relevant example in this respect is represented by transnational networks, introduced in the previous sections. Transnational networks allow immigrant enterprises to exploit global connections since their inception, exploiting heterogeneous knowledge pools that are not accessible to indigenous competitors. Additionally, migrant firms can acquire material and immaterial resources in the destination country, exploiting the heterogeneous pool of professional experiences or using government incentives aimed at directly or indirectly favouring immigrant entrepreneurship (Kloosterman, 2003; OECD, 2021). As explained in section 3.3, ethnic community resources can also represent an AoF, but only if they are exploited by the immigrant enterprise as a tool to enhance innovation, knowledge acquisition and

organizational growth, rather than as a rent extraction tool to exploit ethnic stakeholders.

The diagram presented in Figure 1 summarizes the main features of the Resource-Based Approach discussed in this article.

#### **4. Concluding remarks**

A *resource-based* perspective on the migrant enterprise has several interpretative benefits. Firstly, it allows to overcome some of the limitations of both ethnic-centred approaches, which describe the migrant firm as a marginal entity confined to low value-added industries with limited innovative capacity, and break-out theories, which tend to assimilate migrant firms to indigenous enterprises. Both approaches suffer from generalizability issues and fail to account for the wide variety of entrepreneurial experiences pursued by migrants in the global economy. Secondly, relative to entrepreneur-centred approaches, a resource-based perspective moves the focus to the migrant enterprise as an organisational entity, characterised by a unique endowment of tangible and intangible resources, routines and tacit and codified knowledge accumulated over time. Our interpretation is more consistent with evidence showing that migrants do not necessarily manage micro and small firms, but are also involved in medium and large-sized businesses, where entrepreneurial skills are only one among many factors influencing firm's success (Azoulay et al., 2022). Thirdly, the uniqueness of the migrant enterprise is explained not only in terms of differences with respect to the native enterprise, but also in terms of its independent capacity to exploit own idiosyncratic resources. Fourthly, by linking internal resources with rent appropriation and with the ability to exploit external market opportunities, a resource-based approach can describe more effectively the heterogeneous set of organizational models and performances displayed by migrant firms even when they operate in the same economic environment.

The proposed approach can also contribute to bridge the international business literature with the current academic debate on migrant entrepreneurship: indeed, some of the key conceptual frameworks used by IB scholars to describe MNEs' behaviour according to the resource-based view can be exploited in the context of migrant firms.

From a policy perspective, the proposed theoretical framework suggests that one-size-fits-all approaches towards migrant entrepreneurship do not necessarily represent the best solution to favour inclusion of these

economic actors. Public support towards migrant entrepreneurship has changed little in the last decades (OECD, 2021), failing to recognize the diverging patterns of organization and performance displayed by migrant firms in the global economy. Some commonly used measures to enhance entrepreneurial strategies can prove detrimental from a resource-based perspective. For example, policies aimed at encouraging migrants away from sectors with over-supply of entrepreneurs might prevent the realization of effective recombination strategies between migrant firms, their ethnic community and the host environment. In this respect, indirect forms of support aimed at improving local and national institutions and facilitating social and economic inclusion of ethnic communities could prove more effective in generating valuable synergies between migrant firms and the external environment in which they are embedded. Additionally, initiatives aimed at raising the endowment of intangible resources, strengthening human capital and the skills of employees and entrepreneurs, extending transnational ties and encouraging the creation of businesses with a multicultural configuration should be encouraged. These policies could facilitate the exploitation of migrant firms' internal resources, leading to significant increases in the innovation potential of individual entrepreneurial projects.

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Figure 1 A Resource-Based Model on Migrant Entrepreneurship

