

## Characterisation of the Portuguese entrepreneurship in London

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## **Characterisation of the Portuguese Entrepreneurship in London**

### **Abstract**

El objetivo es examinar -mediante el uso de los datos obtenidos en cuestionarios realizados a muestra de empresarios portugueses en Londres durante los años 2013 y 2014- la caracterización y el éxito de la iniciativa empresarial portuguesa en Londres y su contribución al empleo local y el comercio. Se puede concluir que la rama principal de la actividad entre los empresarios entrevistados es el sector "servicios de alojamiento y alimentación". Se puede concluir que el espíritu empresarial portugués es fundamental en la creación de puestos de trabajo dentro de sus respectivos enclaves económicos. La novedad de este trabajo radica en el hecho de que la emigración étnica y económica de los portugueses en Londres fue, hasta ahora, insuficientemente investigada y analizada.

**Palabras clave:** Portugues, emigrantes, la migración, espíritu empresarial, Londres

### **Abstract**

The goal is to empirically examine – by using data collected from questionnaires carried out, in 2013 and 2014, within a sample of Portuguese entrepreneurs in London – the characterisation and success of the Portuguese entrepreneurship in London and its contribution to local employment and trade. It can be concluded that the main branch of business activity among the interviewed entrepreneurs is the "accommodation and food services" sector. Finally, it may be concluded that Portuguese entrepreneurship is critical in creating jobs within their respective economic enclaves. The novelty of this work lies in the fact that ethnic and economic emigration of Portuguese in London was,

until now, insufficiently investigated and analysed. Therefore, more specific data about Portuguese migrant entrepreneurship is needed.

**Keywords:** Portuguese, migrants, migration, entrepreneurship, London

## **1. Introduction**

“Migrants contribute to the economic growth of their host countries in several ways, by bringing new skills and competencies and by helping to reduce labour shortages” (OECD, 2010:3). OECD’s International Migration Division points out the fact those contributions and the integration challenges that migrants face for several years already. According to OECD, migrants’ contribution to the economy of the host country through the creation of new businesses has received limited attention (OECD, 2010). OECD also highlights the fact that the traditional image of self-employed emigrants does not provide the full picture of migrant entrepreneurship. One of the conclusions was that migrants create businesses in a wide range of sectors, not forgetting their roles in terms of innovation. Besides, their contribution to employment creation has been increasing steadily over the past decade (OECD, 2010).

As pointed out by Kloosterman and Rath (2010), the qualitative shift from low-value to high-value added businesses taking place among some parts of the migrant population have emphasized the potential significance of migrant entrepreneurs for the national and in particular for local economies in the host countries. According to the authors, given their strategic importance in the integration of migrants in the host countries and the potentially significant contribution to the economies of these countries, migrant entrepreneurship scores high on policymakers’ agendas across the OECD member states (Kloosterman and Rath, 2010). These findings highlight the importance of studies on migrant entrepreneurship as a means to promote policies that favour new business for migrants.

A significant amount of research has been conducted on migrant self-employment. Despite the work done on the 'ethnic niche' or 'ethnic economy', there are still a scarce

number of empirical studies on Portuguese migrant entrepreneurship. Research on Portuguese immigration has mostly focused on migration flows, return migration, and Portuguese migrant communities' social integration in host countries. A significant number of studies have been conducted on these topics over the last few years (e.g., Madeira and Medeiros, 2004; Ferreira, 2009; Gonçalves, 2009; Arroteia, 2010; Rocha-Trindade, 2010).

Another research gap lies in the fact that the community of Portuguese migrant entrepreneurs in the United Kingdom, more specifically in London, has not been studied before. This study aims to empirically characterize the Portuguese entrepreneurship in London, its success, and its contribution to local employment and trade, using data from survey questionnaires. Thus, three central questions guide the research:

1. *What is the profile of the Portuguese entrepreneurship?*
2. *What factors are implicit in the success or failure of their entrepreneurial skills? Is failure exclusively an expression of linguistic weaknesses or is it also a reflection of difficulties in terms of adaptation to the local business context?*
3. *What is the contribution of Portuguese entrepreneurship to local employment and trade?*

As a result of the significant number of observations, it is possible to analyse the labour market performance of a relatively small group such as the Portuguese migrant entrepreneurs in London. The novel feature of this paper is the study of a largely under-researched ethnic economic community. In this study, we define migrant entrepreneur as the person responsible for setting up his or her own business and for its corporative management.

This study is part of a broader project, which addresses other European territories, namely Nice, Monaco and Andorra. It was funded by the Portuguese Foundation for Science and Technology and started in 2012. In the first section, the article explains the theoretical background of the migrants' contribution to the creation of employment, as well as to trade. The materials and research methods are described in section 2. Section 3 provides a characterisation and degree of success of the Portuguese entrepreneurship in London and its contribution to local employment and trade. Finally, in section 4, conclusions are drawn from the results, and limitations of the study and future research suggestions are highlighted.

### **1.1. Migrant entrepreneurs' contribution to the creation of employment**

The contribution of migrant entrepreneurs to the creation of employment rose steadily during the period from 1998 to 2008. However, the potential of migrant entrepreneurs for the creation of employment remained somewhat below that of their native counterparts: on average, a foreign-born self-employed who owns a small or medium firm creates between 1.4 and 2.1 additional jobs, compared to 1.8-2.8 for natives. However, numbers vary by sector and nationality. In the Czech Republic, Hungary, the Slovak Republic and the United Kingdom, self-employed migrants created more jobs than self-employed natives (Mestres, 2010).

The total number of employed people is substantial. In the mentioned period, migrant entrepreneurs employed, every year, an average of 2.4% of the total employed population in OECD countries. In both 2007 and 2008, migrant entrepreneurs annually employed more than 750 000 individuals in Germany, around half a million in the United Kingdom and Spain, almost 400 000 in France and around 300 000 in Italy. In

Switzerland, in 2009, the total number of jobs attributable to the 86 000 foreign self-employed at that country was of 275 000. Furthermore, those numbers increasingly include nationalities other than those of the entrepreneurs themselves. For example, in 2006, 533 000 out of the total of 650 000 workers employed by ethnic Chinese entrepreneurs in Canada were non-Chinese (Li, 2010).

## **1.2. Migrant entrepreneurs' contribution to trade**

There is some evidence that migrant entrepreneurship can spur trade, by lowering trade transaction costs as a result of migrants' knowledge of markets back home and their contact networks. Migrant entrepreneurs are in a good position to personally stimulate trade with their countries of origin. Moreover, they can help showing the way for other firms that want to engage in trade with their home countries, by strengthening business networks and disseminating knowledge about markets in their own countries. Policy makers can enhance the channels through which migrants facilitate trade. For instance, they may improve the channels through which immigrants can help reducing information frictions and improve trust relationships between host and source countries. In Sweden, the state government has initiated a project which sets out to, among other things, establish networks through which foreign-born entrepreneurs can meet, exchange experiences and support each other. Members of these networks are given special support from the nationally-based Trade Council. The Minister for Trade has also established an Advisory Board, which consists of entrepreneurs with foreign backgrounds, aiming at maximising emigrants' contribution for the enhancement of foreign trade (Hatzigeorgiou, 2010).

## **2. Material and research methods**

Our research focuses at Portuguese migrant entrepreneurship in London, more precisely, in the areas where the majority of the Portuguese community is located: South Lambeth, Nothing Hill, Camden Town and Victoria. The selection of companies was firstly based on the Portuguese Business Directory in the United Kingdom (Portugal in UK, 2013-14). The “snowball effect” also had a major role in the selection of companies, with questioned entrepreneurs mentioning other Portuguese businesses in the local area. Some other companies were found just by walking around. Due to the scarce listings and documentation of the total population universe of Portuguese entrepreneurs, the sample under study is therefore of convenience, and not representative of the whole population. Participation was completely voluntary.

The fieldwork consisted of face-to-face survey questionnaires carried out with the Portuguese entrepreneurs in their workplaces. The questionnaire focused on researching the socio-demographic characterisation of Portuguese immigrant entrepreneurs and their migration path. The questionnaire was composed of 65 questions, distributed among five sections, resulting from adjustments made to pre-tests undertaken in August 2012 to three emigrant entrepreneurs. On average, it took one hour to complete the survey questionnaires. In the end, data was collected and released on the online platform. For the treatment of data, we used IBM SPSS Statistics 20, and by means of factorial and multivariate analysis, we tried to meet the different hypotheses that we have formulated.

35 entrepreneurs answered the questionnaire in 2013 and 16 others in 2014, with a total of 51 surveys. The second round of questionnaires resulted from the need to

increase the volume of the 2013's sample, and, as a rule, entrepreneurs were contacted by phone to schedule an appointment.

### **3. Results**

#### **3.1. Characterisation of Portuguese entrepreneurship in London**

The Portuguese entrepreneurs inquired in this study are mainly men within an age range of 26 to 49 years old. Mostly came from Madeira and the centre of the country and have achieved a low educational attainment. Table 1 shows a summary of the characterisation of the sample of study.

Include here Table 1. Sample characterisation

55% of the entrepreneurs said that they had only founded one company, while 45% created more than one.

Their main business sectors are the 'accommodation and food services' sector, with 56%, followed by the 'wholesale and retail trade and repair' sector, with 12%. For 53% of the entrepreneurs, the main reason for choosing their business sector is intrinsically linked to a vast previous professional experience in that particular activity. The less important reason given by 38% of entrepreneurs was the easiness in carrying out the activity.

42% of the entrepreneurs founded their company between 2000 and 2007 and 38% between 2008 and 2013. Only 18% founded the company between 1980 and 1999 and 2% between 1960 and 1979. Most entrepreneurs (69%) took more than six years to decide to create the company and 16% of entrepreneurs took between 4 to 6 years. Only

a few went to London already decided to start a business (8%) and even less those who decided to create a company within three years (4%). For most entrepreneurs (77%) obtaining a license/permit took less than one month and 20% between 1-3 months. Only 4% of the entrepreneurs took from 4-6 months to obtain a license/permit.

Regarding the type of financial resources used to create their main business, 86% of the entrepreneurs said to have resorted to personal savings and 22% to bank loans. Only 2% of the entrepreneurs resorted to state aid and 2% to family/friends. 46% of the entrepreneurs would have their investment fully covered if they sold the company right now, and another 46% would obtain a profit. Only 8% said that they would be at loss if they happened to sell their companies today.

Despite the survey focused only on the entrepreneurs' core businesses, 33% of them are partners in more than one company. Of these, the majority (59%) are partners in more than one company and 29% in more than two. The remaining ones have partnerships in 3-6 companies. Most entrepreneurs (53%) are individual entrepreneurs. However, 35% have limited partnerships and 4% are part of limited companies. 8% of the entrepreneurs own other types of businesses. Regarding the number of partners, 60% of the entrepreneurs do not have partners, 20% have one and 20% have two. Among entrepreneurs with partners, 65% have some type of kinship with them, and all of them are Portuguese.

Lastly, 59% of the entrepreneurs said to have plans to expand their businesses, but only 18% intend to expand them to Portugal.

Table 2 summarises the characterisation of Portuguese entrepreneurship in London.

Include here Table 2. Characterisation of Portuguese entrepreneurship in London

### **3.2. Success of Portuguese entrepreneurship in London**

After this brief descriptive analysis of the entrepreneurship of Portuguese migrants in London, it is now time to look at their businesses to understand which factors are implicit in the success or failure of their entrepreneurial skills. Is failure exclusively an expression of linguistic weaknesses or is it also a reflection of difficulties in terms of adaptation to the local business context? The hypothesis that we test assumes that entrepreneurship is seen in the light of migration as a social construction, which combines several factors, so the success or failure of these emigrants in the construction of their businesses depend on their good social integration.

Assuming that when an emigrant leaves his home country, he does so, in most cases, in search for a better life, any material or immaterial achievement, however small it may be, is of great importance, either in material or personal terms, or in terms of social and symbolic recognition.

Since a significant part of entrepreneurs in London showed an entrepreneurial desire to build their own businesses, we seek to understand, from a series of indicators, which were the major obstacles they had to overcome to build their own companies. For that, we turned to a factorial analysis of the main components and, forcing the construction of a single factor, resized data in order to polarize a unique solution for the obstacles. Table 3 presents a summary of the obstacles encountered along the route of a company.

Table 3. Summary of obstacles encountered along the route of the company

From this polarized solution that can explain 25% of the total variance of the matrix, we realize the presence of two different obstacles. The first consists of *language and flexibility and adaptability*, and therefore is related to the cultural adaptation of the subject itself; the second is made up of the *high level of bureaucracy and limited access to social services and business services*, thus representing a dimension more connected to the difficulties of the business environment of the country. Thus, the first pole, with negative scores, is called "cultural adaptation" and the second, with positive values, "contextual adaptation".

From this polarization, we have built the indexes of "cultural adaptation" and "contextual adaptation"<sup>1</sup> in order to better understand the reasons for the success or failure of the entrepreneurial route of these emigrants.

Statistical analysis with repeated measures showed significant differences between these two dimensions<sup>2</sup>, and *cultural adaptation*, as expected, has a lower value than *contextual adaptation*. Learning a new language and the ability to adapt to a new country is always the first challenge for an emigrant, hence the reason for an average of 1.2 (SD = 0.48) for *cultural adaptation* and an average of 2.1 (SD = 1.23) for the *adaptation to the country's own context*<sup>3</sup>. These values, which are in the bottom half of

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<sup>1</sup> The reliability of the contextual adaptation index shows more consistency than the cultural adaptation index:  $\alpha = 0,70$  e  $\alpha = 0,56$ , respectively.

<sup>2</sup>  $F(1,107) = 48,631$ ;  $p < 0,01$ .

<sup>3</sup> The values are on a scale where 1 represents not adapted at all and 5 well adapted.

our scale, express the difficulties experienced by these emigrants during the creation of their companies.

Crossing both measures with gender, it appears that there are no significant differences in the way men and women are positioned in relation to *cultural adaptation*<sup>4</sup> and *contextual adaptation*<sup>5</sup>. The same is true with reference to age, since no differences were detected in how different age groups are positioned with regard to their adaptation in the two different contexts<sup>6</sup>.

After this reading on the obstacles that entrepreneurs face in the constitution of their businesses, we will now analyse the strengths and weaknesses of companies from a set of indicators created for this purpose. Initially, we carried the factorial analysis of the data matrix, but since the resulting solution was difficult to interpret, we turned to the arithmetic average of the indicators in order to understand the weaknesses and strengths of the companies.

From this division, we built two different dimensions: one for the weaknesses, comprising six indicators, namely, *relationship between partners*, *access to credit*, *relationship between entrepreneurs and public bodies*, *innovation*, *business location* and *communication*; and one for strengths, bringing together 10 indicators: *commercial skills/negotiation/making new business*, *problem solving*, *team skills/human resources*, *competitive pricing*, *ability to change/adaptability*, *environment experienced in the*

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<sup>4</sup>  $t_{\text{gender}}(106) = 1,71$ , ns.

<sup>5</sup>  $t_{\text{gender}}(106) = 1,587$ , ns.

<sup>6</sup>  $F_{\text{cultural adaptation}}(2, 106) = 0,37$ , ns;  $F_{\text{contextual adaptation}}(2, 106) = 2,37$ , ns.

*organization, knowledge domain, organizational resources (infrastructure, equipment), quality of the product/service and industry experience*<sup>7</sup>.

Both measures, as expected, are positively correlated ( $r = 0.68$ ;  $p < 0.001$ ), i.e., as the individuals identify the potential of their company, they have also an increased perception of the weaknesses encountered in their entrepreneurial activity.

Statistical analysis showed significant differences between the two measures<sup>8</sup>, and, on a scale from 1 (lowest position) to 5 (highest position), weaknesses have a lower average than strengths: 3.6 and 4.4, respectively.

Crossing these same dimensions with gender, age and education, it appears that both men and women, younger and older, and individuals with different educational levels do not differ significantly in how they position themselves in terms of the strengths and weaknesses of their companies.

When asked about what measures could facilitate entrepreneurship in London, 24% of the entrepreneurs mentioned that there should be more help from the Portuguese Embassy and 18% said there should be more financial incentives and better tax policies. 12% of the entrepreneurs noted the importance of promoting information on funding and support and 12% mentioned the need for more support from local authorities.

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<sup>7</sup> Analyzing the reliability coefficients of the measures, it is noted that both have a satisfactory consistency,  $\alpha = 0.78$  representing the aggregation of weaknesses and the  $\alpha = 0.86$  of strengths.

<sup>8</sup>  $F(1,123) = 162,517$ ;  $p < 0,01$ .

### **3.3. Portuguese entrepreneurship and local employment and trade**

The majority (58%) of the entrepreneurs have 9 or fewer employees, 22% have 10 to 49 employees and 2% have 50 to 249 employees. 18% of the entrepreneurs have no employees.

65% of the entrepreneurs admitted having assisted the immigration of family members and friends. Therefore, some families may have immigrated to London in order to go to work in the companies of their relatives. In any case, only 19% of the Portuguese employees were hired directly from Portugal, indicating that most were hired locally. Of these 19%, 12% only hired one Portuguese employee directly from Portugal, while a lower percentage of entrepreneurs (7%) hired 2-4 employees.

In short, 26% of entrepreneurs have 3-4 Portuguese employees, 17% have 7-8 Portuguese employees, 17% have 9-11 Portuguese employees, 13% have 1-2 Portuguese employees and 13% have 5-6 Portuguese employees. One entrepreneur alone has a total of 80 Portuguese employees and two others have 25 and 28 employees each.

With regard to the hiring year of Portuguese employees, the majority (63%) of the entrepreneurs hired them after 2007; 25% in the 1980s and 1990s; and 13% did not know exactly when they hired their employees. For the remaining employees (non-Portuguese), 51% of the entrepreneurs hired them after 2007, 27% between 2000 and 2007, 14% in the 1980s and 1990s and only 2% in the 1960s and 1970s. 16% of the entrepreneurs admitted not knowing for sure the year of hiring.

78% of the entrepreneurs provided business training to their employees. 82% of the business training took place in the workplace, and 18% in a school or training centre.

As for suppliers, it becomes clear that most of them are of Portuguese origin (65%). 24% of the entrepreneurs state that 25% or less of their suppliers are Portuguese,

10% between 26% and 50%, and 4% have from 51% to 75% of Portuguese suppliers. For most entrepreneurs (76%), 0% to 25% of Portuguese suppliers are based in Portugal.

Hence, one can conclude that, given that most employees are Portuguese, Portuguese entrepreneurship is critical in creating jobs in their respective economic enclaves and that such hiring has proven to be important in the years following the global economic crisis. It is also relevant to point out that these contracts are accompanied by training, having a positive aspect in the integration of workers in the labour market and in the community. In addition to the creation of employment through hiring, jobs are also created through the trading of goods and materials with Portuguese suppliers, especially since the latter are mostly based in the United Kingdom.

Regarding the percentage of Portuguese customers, the percentage distribution is almost uniformly distributed. 32% of the entrepreneurs claim that 76% to 100% of their customers are Portuguese, 28% have 26% to 50% of Portuguese customers, 26% between 51% and 75% and only 14% have a percentage of Portuguese clients of 25% or less. All entrepreneurs stated that only 25% or less of that Portuguese clientele consists of tourists.

Therefore, it is understandable why 96% of entrepreneurs admitted using the Portuguese language in their workplace. 57% stated they use it during 76% to 100% of the working hours, 26% between 26% and 50%, and 17% between 51% and 75% of the working hours.

Table 4 summarises the characterisation of the Portuguese entrepreneurship, local employment and trade.

Include here Table 4. Portuguese entrepreneurship and local employment and trade

#### **4. Conclusions**

From the descriptive analysis of the characterisation of the Portuguese entrepreneurship in London, we are now aware that the majority (55%) of the said entrepreneurs only founded one company, and that 33% of them are partners in more than one business. Among entrepreneurs with partners, 65% have some family relation with the other partner, all of them of Portuguese nationality.

The main business activity of the interviewed entrepreneurs is in the "accommodation and food services" sector (56%), followed by "wholesale and retail trade, and vehicle repair" (12%). For 53% of the entrepreneurs, the main reason for the choice of business activity is inextricably linked with a previous extensive professional experience in that particular field of activity.

42% of the entrepreneurs founded their companies between 2000 and 2007.

Finally, 59% of entrepreneurs said to have plans to expand their businesses, among whom only 18% intend to expand it to Portugal.

There are many barriers that migrants face when arriving to a new country, a fact that is reflected in the low scores presented as how they adapt themselves. Among the different barriers that migrants have to face, the difficulty of adapting to the *cultural context*, which manifests itself in difficulty in adapting to a new language and their personal adaptability to a different cultural context, is the main constraint to social integration.

Despite these obstacles, entrepreneurs recognize more strengths than weaknesses in how their business is organized and framed in the local context, a fact that highlights

that even when facing setbacks, Portuguese entrepreneurs in London found ways to be successful at their businesses.

Considering that most employees come from Portugal, Portuguese entrepreneurship is critical in creating jobs within their respective economic enclaves and such hiring was fundamental in the years following the global economic crisis. It is also relevant to mention that most hiring contracts include training, having a positive aspect in the integration of workers in the labour market and in the community as a whole. In addition to creating employment through hiring, additional jobs/businesses are also created through the trading of goods and resources with Portuguese suppliers, particularly since most of the latter are based in the United Kingdom.

The relevance of this work lies in the study of the ethnic and economic migration of Portuguese entrepreneurs in London. This study provides an example within a specific context – London, United Kingdom. However, the relevance of this study is beyond the London context and can be the foundation for other studies of Portuguese migrant entrepreneurship, as well as to establish a comparison with other Portuguese communities. Given the size and importance of the entrepreneur in the Portuguese migrant community, a more comprehensive knowledge of migrant entrepreneurship is needed to help promoting policies that encourage and sustain migrant entrepreneurship in the United Kingdom.

Lastly, it is important to emphasize the fact that London is a difficult territory in what concerns to conducting questionnaires, adding to the fact that the team members that applied the questionnaires don't live in London. These facts have contributed to the difficulty in increasing the volume of the sample.

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