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A Comparative Study of Indian Entrepreneurs in Christchurch, New Zealand, and Melbourne, Australia

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Abstract: This is a comparative study of entrepreneurs of Indian origin (first generation migrants from India) who are doing business in Christchurch, New Zealand and Melbourne, Australia. The study was undertaken in the cities of Christchurch and Melbourne with the purpose of finding out what motivates first generation immigrant entrepreneurs of Indian origin to take to business. The findings point to the differences in motivational factors between the two sets of first generation Indian migrant entrepreneurs interviewed in New Zealand and in Australia and the underlying environmental factors in operation.

Keywords: First Generation Migrant, Indian Migrant, Indian Entrepreneur, New Zealand, Australia

Introduction

STUDY OF IMMIGRANT entrepreneurship as a research area has gained importance over the years with the increase of immigration into immigrant receiving nations such as the United States, Canada, UK, EU nations, Australia and New Zealand (Light, 1972; 1979; Bonacich, 1973; Aldrich & Waldinger, 1990; Waldinger et.al, 1990; Kloosterman & Rath 2001 being some notable ones). This is for a number of reasons including immigration policy formulation to attract the most suitable migrants who can contribute to the immigrant receiving nation’s economy.

Census reports in some of these host countries seem to indicate that immigrants take to entrepreneurship in disproportionately higher ratios in relation to the size of the migrant population vis-à-vis the ratio of host country entrepreneurs to the total host country population. A number of immigrant entrepreneurship studies conducted in other parts of the world have sought an answer to this phenomenon. Scholars such as Aldrich & Waldinger (1990) contend that immigrants face exclusion from job opportunities in the host country and as a result immigrants seek self employment opportunities. Zhou (2004) has viewed it similarly as a denial of opportunities in the immigrant’s new home country, while Basran & Zong (1998) in a Canadian study state that discrimination against immigrants from non-European backgrounds in the Canadian employment market has lowered immigrant earnings over a period of two decades. Iyer & Shapiro (1999) have considered immigrant entrepreneurship as an outcome of unemployment and/or underemployment of immigrants, while Barret et.al (1996) have cited higher unemployment among immigrants due to lack of skills (such as host country language skills) and qualifications (acceptable in the host country), driving immigrants to the choice of self employment and entrepreneurship. Others such as Kloosterman & Rath (2001) believe that the extent of participation of immigrant entrepreneurs depends on the
interplay between the opportunities and the socio-economic characteristics of the immigrant group in question.

Although we find a number of other aspects connected with immigrant entrepreneurship research such as Bonacich’s (1973) “middle man theory from minorities”; for the purpose of our study, we have restricted our research question to one broad enquiry. Our aim was to find out what motivates first generation Indian entrepreneurs in New Zealand and Australia, who migrated under a skills test based on tertiary qualifications/professional qualifications and work experience (meaning their careers prior to coming to Australia or New Zealand involved full time employment in their former home country usually related to their qualifications) to take up business ventures in their new home country, especially when the business venture had not much to do with the prior skills and qualifications and more so in a culture of the host country that is substantially different to the culture of their home country i.e. India.

The first section of the paper explains the background, design and conduct of the study followed by two sections that discuss the survey responses, namely section two discusses the responses from Indian entrepreneurs in Christchurch, New Zealand while section three discusses the responses from Indian entrepreneurs in Melbourne, Australia. The fourth section of the study discusses, compares the findings of our study and concludes that immigrant entrepreneurs of Indian origin in New Zealand and Australia appear to have taken to business for different reasons in each country with country-specific opportunities and business environment playing a significant role in conjunction with limited satisfactory employment opportunities in a number of cases. This is followed by the last section of the paper that explains the limitations of our work, the scope for future research in light of the findings by Wadhwa et. al (2007) in a study of Indian technocrat entrepreneurs in the United States.

Background to Study

We conducted the study in Christchurch, New Zealand and Melbourne, Australia over a period of two years from mid 2006 to mid 2008. Initially, we tested a survey instrument (questionnaire) in a pilot run in Christchurch incorporating new ideas and questions pertinent to New Zealand and later adapted it to the Australian part of the survey. The pilot run in Christchurch, New Zealand comprised of 6 respondents who were freshly interviewed after we finalised the questionnaire. The main study was then undertaken with a view to answering a broad question as to what motivates these people to take to business in their new home country, especially when the respondents had never been in business in their prior careers.

The Study in Christchurch, New Zealand

Methodology and Sample Characteristics

The authors interviewed 38 entrepreneurs of Indian origin, all of whom were first generation migrants to New Zealand from India. The interview subjects were selected in a random manner from a limited number of Indian businesses operating in Christchurch. In some cases referrals were sought from one subject to another. The typical interview process involved a face to face meeting and semi-structured discussion followed by the respondent entrepreneur completing a structured questionnaire. As explained earlier, the final questionnaire was a
result of a pilot test run that provided inputs. Each of the entrepreneurs who were interviewed owned the business or at least 25% of it and actively managed their business.

Out of the 38 respondents who were interviewed, 11 of them were engaged in some form of export business, mostly as merchant exporters, including 1 in software development, while 27 of them were engaged in businesses such as restaurants, dairies, ethnic food groceries, video and electronic goods retail, distribution agencies for Auckland based importers, auto repairs and sale, real estate brokerage and investment. Most of these businesses were small family run enterprises and usually employed their own family members. Some of them employed additional part-time help comprising largely of Indian students (international students) studying in educational institutions in Christchurch or Indian employees recruited from India by Indian restaurant owners.

All the entrepreneurs interviewed, except for two (who came in as international students), had come into New Zealand from India as migrants. All of them coincidentally belonged to castes and families that were traditionally as per caste vocation engaged in business back in India. A large number of them (29 respondents) predominantly came from Gujarat in Western India and Punjab in Northern India and had been in business or worked in their family/extended family owned businesses back in India prior to arriving in New Zealand.

**Motivation to do Business**

One of the most important aspects of our study was to determine the factors that motivated Indian migrants in Christchurch to start a business. Most of them (i.e. 32 out of 38) had attempted to secure full time permanent jobs without success and/or worked in blue collar jobs such as supermarket shelf filling, petrol station attendant, counter attendant at 24 hour convenience stores, night shift cleaner, night shift factory worker and mushroom picker. Therefore, almost all of them took to business to earn higher incomes, attain a higher social status as compared to the jobs that they were doing coupled with the aim of providing a better standard of living for their family. 30 out of 38 respondents also felt that doing business would give them more time for the family and for leisure activities.

Almost four fifths of our respondents (30 out of 38) did not seem to consider that the businesses they had created would become an inherited occupation for their children. This response has to be read in conjunction with the data that 32 out of 38 respondents had come to business either because they could not secure full time employment while 37 out of 38 respondents felt that either they were underpaid in their employment or denied opportunities. This situation is summed up in the quotes of a few respondents pertaining to “underpaid employment” and “denial of opportunities.”

“*Typically, small and medium sized businesses/employers in New Zealand employ less number of people as compared to the work load involved and they expect immigrant employees to fill the gap by working extra hours usually not paid for*”

“*Employers will talk of promotion and growth opportunities for you and then backtrack when you seek a pay review after 3 years saying the economy is not doing well etc and even if they give you a raise, it will be not more than 2% of your gross salary once in 2–3 years*”
"I arrived in NZ as a migrant and started looking for jobs using my own funds to maintain myself as no social security is given for 2 years or more. Every time I called up to respond to a job advertisement, the pat answer was the vacancy was filled up— you see an ad at 8.00 am and call up at 9.00 am by which time the vacancy is filled up— maybe my accent put them off”

"Every time I am asked for NZ work experience—how can I get it? If no one gives me a job in the first place”

Taking into consideration these responses in italics cited above, the response “no” to our question on whether they see the business as something which children would inherit (as is generally the case in India) could be an indication that the first generation Indian migrant in New Zealand aspires that their next generation would go a step higher and avail of New Zealand’s subsidised education system that offers ample opportunities to study in order to secure higher/professional education. This may in turn open up options of highly remunerative careers and professions for their children. Within the socio-cultural discourse back home, especially in urban India, running small dairies or Indian restaurants would be overshadowed by socially desirable vocations of becoming a professional such as a Doctor, an Engineer, a Chartered Accountant or MBA. Moreover, professionally well qualified second generation migrants may find it easier to assimilate as prominent persons within mainstream New Zealand society.

**Motivation to Become Exporters**

Out of the 38 respondents who were interviewed, 11 were engaged in export businesses, exporting from New Zealand mainly back to India their home country while 4 of them were also importers into New Zealand, importing goods from India. Amongst the 11 exporters, 9 had family business connections back in India which they had utilised in starting their export businesses in New Zealand. Except for one, all of them cited lack of respectable employment opportunities in New Zealand as a motivation to get into the export business.

All of them cited personal contacts (family, friends, business associates etc) as very important to being an exporter, but they also felt that their hard work had enabled them to succeed as exporters. Governmental inducements, certain tax benefits (existence of tax benefits (at home or abroad) that encourage export activities and the higher profit margins (perception of international sales as a potential source of higher profit margins than domestic sales) associated with exports drew some of them to the business.

We explored other factors that might have played a role in motivating our set of 11 respondents to choose export business. All of them felt dealing in unique goods was important to doing export business, with 6/11 of them saying that dealing in unique products (the firm produces goods or services that are not widely available from international competitors) was a “very important” factor. More importantly, all of them felt it was extremely important to possess exclusive information (knowledge about foreign customers, market places or market situations that is not widely shared by other firms) in order for them to be successful exporters.

Out of the 11 respondents, 4 were motivated to become exporters due to advantages such as access to technology, source of raw material known to them or knowledge of difference in prices of certain products between the two countries. In each case this helped the entre-
preneur either in importing into New Zealand or exporting to India. Additionally 10 out of 11 exporters felt that their desire to gain international business experience (i.e. learning) was a motivator while all 11 respondents felt a managerial urge (a general desire, drive, enthusiasm of management towards international activities) to choose export business.

The other 27 respondents who were not engaged in exports were also asked to imagine if they were to become an exporter what they would choose to do. They did not answer all the questions in our questionnaire, but most of them chose to answer some questions. All of them believed that their hard work, past experience and confidence would help them export. The overall responses in this case were mixed and hence not discussed within the paper.

**Other Factors**

Most of the businesses were set up with little capital that was sourced from personal savings and family funds back in India. Almost all entrepreneurs had received some form of support from their own network of friends and relatives in India and within New Zealand. Their experience with the banking system in New Zealand was not very encouraging as 27 of them felt that the banks did not want to provide any meaningful support except for overdrafts secured against their property or other assets. Almost all of them cited lack of any form of governmental incentives to do business in New Zealand but mentioned that setting up a business and running it in New Zealand was easier in comparison to India.

Out of the 38 respondents, 33 felt that if they were given sufficient support by the government and banks, they could develop long term businesses that linked India and New Zealand and take up new ventures and/or expand their existing businesses, employ more people and contribute more to the economy. There was a general feeling of having reached a limit in their businesses beyond which they would not risk their capital and efforts in expansion and growth but were content to carry on their businesses as they were. This implied that the business conditions in Christchurch, New Zealand, as perceived by these entrepreneurs, were not those of opportunity but that of uncertainty and risk in seeking growth and expansion.

**The Study in Melbourne, Australia**

**Methodology and Sample Characteristics**

A process similar to the one followed in Christchurch, New Zealand was replicated in Melbourne, Australia. The second author interviewed 44 entrepreneurs of Indian origin, all of whom were first generation migrants from India to Australia. The respondents were contacted from a random database of Indian businesses who had advertised in Indian community newspapers in Melbourne. The interview process usually involved a face to face meeting and semi-structured discussion followed by the respondent entrepreneur completing a structured questionnaire that was used in Christchurch. Each of the entrepreneurs who were interviewed owned the business or at least 25% of it and actively managed their business.

**Findings**

Out of the 44 respondents who were interviewed, 6 were engaged in some form of export and import business, mostly as merchant exporters-importers who imported grocery items
and daily provisions from India for retail distribution and/or sale in Melbourne and some other parts of Australia. Another 9 were involved in Indian restaurant, food processing and distribution businesses while the rest were in a variety of businesses that included fashion design, BPO services, medical laboratory services, software design, mortgage and finance broking, immigration consultancy, professional accounting firms, real estate development, publishing, petrol stations and ownership of multiple franchises such as Red Rooster, Hungry Jacks and Subway.

Most of these businesses employed full time managers and a number of other employees who were not related to the business owners. Their employees, except in the case of restaurants, were not predominantly of Indian origin but a diverse mix of ethnicities. Unlike what we noticed in Christchurch, most Indian entrepreneurs interviewed in Melbourne came from different parts of India and belonged to various castes and not all of them were from families that were/are engaged in businesses back in India nor had they worked in family-related businesses in India. Our respondents in Melbourne came from the Indian states of Tamil Nadu, Andhra Pradesh, Goa, Maharashtra, Gujarat, Karnataka, Punjab, West Bengal, Uttar Pradesh and Bihar. Most of these businesses were started by individuals who were well qualified and had acquired their last qualification in Australia which had given them permanent residency status in Australia (31 out of 44 had post graduate qualifications while 9 had hospitality related trade qualifications). Unlike the case in Christchurch, New Zealand, most of the entrepreneurs (40 out of 44) had studied in Australia and had come to the country as international students, completed their qualifications, worked for sometime in full time jobs and then pursued their entrepreneurial dream.

**Motivation to do Business**

One of the most important aspects of our study was to determine the factors that motivated Indian migrants in Melbourne to start a business. To a greater or lesser extent, all respondents had chosen to do business with a strong desire to earn bigger incomes and achieve higher standards of living. Most of them i.e. 39 out of 44 respondents did not believe that entrepreneurship was a means to securing a higher position in Australian society as they felt that they were well educated in Australia and were sure of their place as such. Practically none of them came to business because they could not find full time employment nor did any of them cite under payment or lack of recognition and lack of scope to progress in workplace as factors that made them choose to do business. Almost all of them i.e. 42 out of 44 found challenge in doing business and were interested in creating something new. They had left their jobs (42 out of 44 respondents) because they wanted to pursue entrepreneurial activities as a way of expressing their creativity. Some of them also expressed a strong desire to give back to society in their own way using funds from their business as and when they could.

When it came to the question of whether doing business would free up time for personal and family life, 37 were unsure whether that was the case as they felt taking up any business venture meant sacrifice of personal and family time. In response to the question as to whether the business they had created would become an inherited occupation for their children, 37 of them responded that they had not thought of it that way as their children would have their share of opportunities in Australian society but if their children chose to inherit then it would be a matter of their children’s choice.
Motivation to Become Exporters

Out of the 44 respondents who were interviewed, only 6 were engaged in export or import businesses, mainly importing goods from India into Australia such as Indian grocery products and exporting Australian grains and food products to India. Among the 6 exporters/importers, 5 had family business connections back in India which they had utilised in starting their export/import businesses in Australia and one had worked previously with another ethnic grocery importer. All of them cited personal contacts (family, friends, business associates etc) as very important to being an exporter/importer.

We explored other factors that might have played a role in motivating our set of 6 respondents to choose export/import business. All of them felt dealing in unique goods was important to export business with 4 of them saying that dealing in unique products (the firm sources goods or services that are not widely available from international competitors) was a “very important” factor. More importantly, all of them felt it was extremely important to possess exclusive information (knowledge about foreign customers, market places or market situations that is not widely shared by other firms) to succeed as an exporter. Again all of them felt their ‘special knowledge’ about the source of products that they dealt in, gave them a competitive edge and led to success in their business.

In response to a question as to whether they wanted their children to take over the business as a matter of inheritance, all of them felt their children are likely to make their own careers in Australia and if they take up the business, it will be their choice. The other respondents who were not engaged in exports were also asked to imagine if they were to become an exporter what they would choose to do. Most of them did not seem to be interested as they believed that the businesses they were in offered them ample scope for expansion.

Other Factors

In Melbourne too, as in Christchurch, most of the businesses were set up with very little capital that was sourced from personal savings and family support from India. In Melbourne as in Christchurch, almost all entrepreneurs had received some form of support from their own network of friends and relatives in India and within Australia. Their experience with the banking system in Australia was similar to the experience of entrepreneurs in New Zealand. According to two of our respondents who owned Subway franchises and United Petrol stations, the banks in Australia were not supportive with easy access to funds whilst a few felt that banks supported you only if you seemed to be making substantial profit. Similar to the experience of entrepreneurs in New Zealand, the entrepreneurs in Australia had used overdrafts secured against their property or other assets and felt the interest rates on business loans were unfriendly. These observations may need to be read in light of the support that banks provide in India to businesses and the government incentives that businesses can avail of in India.

Almost all of them cited lack of any form of governmental incentives to do business in Australia except for export marketing. Two of our exporter respondents confirmed government funds for export market development were available. All of them confirmed that setting up a business and running it in Australia was easier in comparison to India. Out of the 44 respondents, 8 felt that if they were given sufficient support by the government and banks,
they could develop long term businesses that linked India and Australia and contribute to
both economies.

The others i.e. 36 out of 44 respondents, did not seem to be interested in seeking govern-
mental support and incentives for developing markets or links between Australia and India
as they did not consider doing a business that would involve transactions across two nations.
Their response was that they found sufficient opportunities in the Australian market that was
keeping them busy and they did not have the time for a new venture that would involve di-
versification into areas they had not considered before. Most of these businesses confirmed
that they had plans to expand and grow over the next 5 years and were willing to take risks
to do that. This implied that the business conditions in Melbourne, Australia were perceived
by these entrepreneurs as one of opportunity for growth and expansion.

**Discussion and Limitations of the Study**

Our study is an exploratory study conducted on a limited scale and the results need to be
interpreted in that light. Without more research work using larger samples, it may be difficult
to confirm the universal external validity of our findings with respect to our research question:
what motivates immigrant entrepreneurs of Indian origin living both in Australia and New
Zealand to take to business? However, based on the responses we received from our survey,
we can say that our findings are similar to what has been observed by other scholars in other
nations.

The responses from both sets of entrepreneurs in Christchurch, New Zealand and Mel-
bourne, Australia are very different in most respects, although both nations are neighbours
and the flight time between the two cities is under three and half hours. The most notable
differences are in the key motivational factor between the two set of respondents. In case of
immigrant entrepreneurs of Indian origin in Christchurch, most them of came into Christch-
urch as immigrants in the first place and sought employment. Once they experienced problems
with either securing full time employment or appropriate employment, they took to business
as a means of survival and an alternate to the employment situation that they experienced
in Christchurch, New Zealand. This is in line with Aldrich & Waldinger (1990); Barrett et.al
(1996) and Zhou (2004) where each of these authors has cited similar reasons for immigrants
taking to doing business. In comparison, the respondent set of immigrant entrepreneurs of
Indian origin in Melbourne came in as international students, acquired local qualifications
and upon completion of qualifications found suitable employment in Australia which helped
them file for Australian Permanent Residency. They took to business not because they could
not find suitable employment but after being well employed in many cases, more as a means
to pursue an entrepreneurial dream and seek further creative outlets. This is very similar to
but on a much smaller scale to what has been observed in the United States by Wadhwa et.al
(2007) where immigrants of Indian origin in the US left well paid jobs to start high tech
companies. According to Wadhwa et.al (2007) the analysis of technology and engineering
companies set up by immigrant entrepreneurs during the period 1995–2005 revealed immig-
rants of Indian origin founded the largest number of engineering and technology companies
and were the second highest of all intellectual property/patent applicants.

Thus, the main motivational factor in starting businesses observed in case of these two
set of respondents in Christchurch and Melbourne is very different. More work on larger
samples would be needed to draw definite conclusions in this respect in future studies.
The response from both sets of entrepreneurs to our questions relating to future expansion and growth opportunities in either nation actually reflects the perceived difference in the business environment. The Indian entrepreneurs in Christchurch do not seem to be interested in expansion of activities whereas the ones in Melbourne are sure that they would seek growth and expansion of their enterprise. Differences were also observed in some other areas, the most notable being that respondents involved in business in Christchurch coincidentally came from castes in India who would normally be in business and most of them had family businesses and experience of working in those back in India. Most of them also came from two major Indian states. In comparison, the sample of respondents drawn in Australia came from a number of Indian states and all of them did not belong to the castes which engaged in business by tradition nor did they have family business experience or backgrounds back in India.

In addition, the businesses in Christchurch did not afford many full time employees or professional staff but comprised mostly of family members working in the business with part-timers mainly drawn from the Indian international student group. In Melbourne, Australia the businesses could afford several employees and even professional management, all of which meant that the size and scope of the businesses and their turnover and earnings could sustain these personnel. Also the diversity of the type of businesses of immigrant entrepreneurs of Indian origin in Melbourne was more compared to those in Christchurch. But this could also be because Melbourne is a larger place and offers diverse business opportunities. Overall, the number of differences observed in our study outweighed some similarities. This in turn reflected the differences in the business environment and their impact on the motivational factors that led these first generation immigrant entrepreneurs to take to doing business in both places for different reasons.
References


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