

Investment collection by immigrants: A case study in the Netherlands

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ABSTRACT,

Several types of research show that getting external finance is a major obstacle, especially for immigrant entrepreneurs. According to literature, three variables could cause difficulties, namely: cultural differences, language barriers, and discrimination. The explanatory study aims to gain more insight into the difficulties for an immigrant entrepreneur during the investment process, by answering the following explorative research question: How does being non-Dutch affect the difficulty of getting an investment, for starting entrepreneurs in the Netherlands? To answer this question, four interviews were conducted; two interviews with immigrant entrepreneurs and two interviews with people who are 'in the middle' of the investment process and have much experience with immigrant entrepreneurs. In line with the existing literature, this study found that in some cases, it could be harder to collect investment. In the case of the Netherlands, especially cultural differences and a language barrier, play a role, while prejudicial discrimination seems to be minimal. Based on these findings, several new research directions are provided. The study contributed to the existing literature by adding new perspectives on these difficulties and elaborated on why these variables could form a barrier. While practically, the study contributes to an equal investment market.

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Keywords

Immigrant entrepreneur, investment, discrimination, cultural differences, language barriers, start-ups

1. INTRODUCTION

1.1 Situation & complication

According to Baycan-Levent & Nijkamp (2007), Germany and the Netherlands are an example of the most important European immigration countries. These countries form the port for many labor migrants. It is expected that the migration in the EU will keep rising due to a demand for labor and because of low birth rates. The expected growth of immigrants in EU countries is shown in the table below.

Table 1: Increase of foreign population (Boeri and Brücker, 2005).

| | Net migration (thousand persons) | | | | | Foreign population (thousand persons) | | | | |
|-------------|----------------------------------|------|------|------|------|---------------------------------------|-------|-------|-------|-------|
| | 2004 | 2005 | 2010 | 2020 | 2030 | 2004 | 2005 | 2010 | 2020 | 2030 |
| Austria | 20 | 22 | 9 | 2 | 1 | 81 | 102 | 173 | 207 | 219 |
| Belgium | 3 | 4 | 1 | 0 | 0 | 14 | 17 | 29 | 35 | 37 |
| Denmark | 3 | 3 | 1 | 0 | 0 | 12 | 15 | 25 | 30 | 32 |
| Finland | 3 | 4 | 2 | 0 | 0 | 14 | 18 | 30 | 36 | 38 |
| France | 13 | 14 | 6 | 1 | 1 | 53 | 67 | 114 | 136 | 144 |
| Germany | 156 | 169 | 68 | 13 | 7 | 628 | 797 | 1,345 | 1,608 | 1,705 |
| Greece | 18 | 20 | 8 | 2 | 1 | 73 | 93 | 157 | 188 | 199 |
| Ireland | 3 | 3 | 1 | 0 | 0 | 13 | 16 | 27 | 32 | 34 |
| Italy | 26 | 28 | 11 | 2 | 1 | 104 | 133 | 224 | 267 | 283 |
| Luxembourg | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 3 | 4 | 4 |
| Netherlands | 4 | 5 | 2 | 0 | 0 | 18 | 23 | 38 | 46 | 49 |
| Portugal | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 3 | 3 |
| Spain | 4 | 5 | 2 | 0 | 0 | 17 | 22 | 37 | 45 | 47 |
| Sweden | 6 | 7 | 3 | 1 | 0 | 25 | 32 | 53 | 64 | 67 |
| UK | 12 | 13 | 5 | 1 | 1 | 47 | 60 | 100 | 120 | 127 |
| EU-15 | 273 | 296 | 119 | 23 | 13 | 1,101 | 1,398 | 2,359 | 2,820 | 2,989 |

With all those immigrants, also a lot of new start-ups are started by people of foreign nationality. The number of new companies owned by immigrants is growing over time, and this trend turns out to be more than linear in relation to the immigration flow in some countries (Falavigna, Ippoliti, & Manello, 2017). For example, in the Netherlands, already one out of the six new companies, are started by people of a foreign origin¹ (CBS, 2016). The economic role of these immigrant entrepreneurs becomes increasingly important (Piergiorganni, Carree, & Santarelli, 2012; (Bruder, Neuberger, & R  thke-D  ppner, 2011).

A lot of these start-ups need external financing for their business. Access to external financing is very important for business creation and business performance (Evans & Leighton, 1989; Hurst & Lusardi, 2004; Au & Kwan, 2009; Cooper, 1994; Bruder et al., 2011). Firms with less excess to external funding tend to be less successful (Howell, 2018). In the same report, Howell also claims that getting external finance seems to be a major obstacle. Also, Bewaji, Yang, & Han (2015) and Mishra & Tripathi (2017) acknowledge this. For ethnic minorities, this seems to be even harder (Blanchflower, Levine, & Zimmerman, 2003; Coleman, 2004; Howell, 2018; Fairlie & Robb 2008). Many researchers acknowledge this. For example, Blanchflower et al. (2003), argue that minorities, but in particular, black-owned businesses are more likely to be credit denied. According to Atkinson (2006), especially language barriers and discrimination play a big role in the higher credit rejection rates among immigrants. At last, Anderloni & Carlucialso (2007) and Atkinson (2006) argue that cultural differences also play a big role.

1.2 The research gap

According to Sullivan (2007), the subject minority entrepreneurs becomes increasingly important, so it needs more understanding. Next to that, most of the available research has been about discrimination against ethnic minorities, but not on how this might limit their ability to get investment (Bruder et al., 2011). Bewaji et al. (2015) and Bruder et al. (2011) also argue that because of less research on this topic, there exists a research gap. Also, during research on Scopus for relevant papers, most of the papers I found were about the difficulties for women, during the investment process. Bewaji et al. (2015) acknowledge this by

arguing that research about female entrepreneurship is being researched increasingly, while research on ethnic minority entrepreneurship is limited (Puryear et al., 2008).

In theory, this research will give more insight into how big the role of discrimination, cultural differences, and language barriers play. Practically, this will give investors and investment seekers a better opportunity to prepare for these variables. By doing so, the research will contribute to an equal investment market, and everyone will have a fair chance to obtain investment.

1.2.1 Relevance Golden Egg Check

This report is written in cooperation with the Golden Egg Check (GEC). So, it is important to name what the value of the report will be for them.

The GEC analyses start-ups and helps them to find relevant investors. Next to that, they also help investors find relevant start-up, to invest in. Since this research provides more insights on the difficulties a start-up could encounter, the analyzation can be performed better. Next to that, the GEC will be better able to inform a start-up about these difficulties and help them to overcome them. At last, it will be good for the GEC to show people they are aware of discrimination, and that they got some research on it.

1.3 Purpose of the study

As stated in chapter 1.1, many researchers argue that ethnic minorities could have more difficulties with getting an investment. After an extensive literature review, it turned out that three variables have a big influence on the investment collection process of an immigrant entrepreneur. Namely, language difficulties, discrimination, and cultural differences.

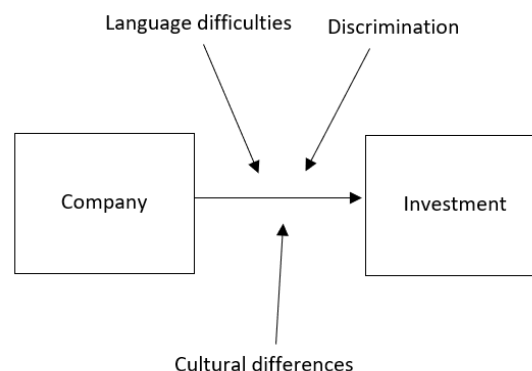


Figure 1: The influence of language difficulties and discrimination on the investment.

The purpose of this explanatory research will be to examine these three variables and see what their influence is on the investment process for immigrants in the Netherlands. By examining these three variables, the research will try to fill in the existing research gaps that exist on ethnic minority entrepreneurship. At last, the study will try to set out several new research directions, so in the future, this topic will be studied more extensively.

¹ At least one person who isn't Dutch in the start-up board

1.4 Research questions

The main explanatory research question for this research is:

How does being non-Dutch affect the difficulty of getting an investment, for starting entrepreneurs in the Netherlands?

Some sub-questions that will help to answer the main question:

- How do immigrants and Dutch people differ?
- How do these differences play a role in the investment process?

Table 2: Definition of used concepts

| Concept | Definition | Author(s) |
|---|---|------------------|
| Immigrant entrepreneur/non-Dutch entrepreneur/minority entrepreneur | The entrepreneur either has to have a foreign nationality himself or has to have at least one parent or grandparent who was not born in the Netherlands | (Atkinson, 2006) |
| Successful firm | e.g., a firm which is likely to exist for a long time, profitable, and likely to hire employees | (Howell, 2018) |

2. LITERATURE REVIEW

To get a good and well-formulated answer to the research question, an extended literature review will be carried out. The literature review will make it possible to gain a deeper understanding of the subject. Scopus will be used to gather relevant papers.

The literature review will, first of all, explain the three variables and next to that, explain how they could influence the investment process for immigrants.

2.1 Language difficulties

The inability to speak the language of the nation - where the investment is requested - creates difficulty and is likely to negatively influence the ability to obtain an investment (Bruder et al., 2011). In the same research, they state that better communication between financial institutions and immigrant entrepreneurs could help reduce the financing gap.

According to Atkinson (2006), these language difficulties have three main forms:

- People who are unable to speak or understand a certain language. In this case, it means that people are not able to speak or understand Dutch with the investors, so they have to switch to another language to still be able to communicate.
- People who have communication problems due to their accent or dialect. These problems can, for example, arise when the spoken language is not the native language of the person.
- People who have literacy problems. These problems make it more difficult for them to understand written communications like terms and conditions.

These three problems could hinder the communication between a financial institution and an immigrant entrepreneur.

Communication problems can also arise when individuals have a fear to make mistakes. This means that people can speak a language to a certain extent, but are still afraid to be misunderstood since they do not speak the language perfectly. According to Atkinson (2006), most immigrants are able to understand, but they have the feeling that they are not understood. In line with that, Altinay (2008) argues that entrepreneurs who possess good language skills will indeed have a higher level of confidence to seek finance.

But not only the communication between investor and entrepreneur is important. Communication between potential customers and employees is also important (Altinay, 2008). The entrepreneur might need to restrict to a certain market in which the language of the entrepreneur is spoken (Werbner, 1990). In general, the ability to communicate with people in the host country is really important; it increases the success chances of a company, thus the chances to obtain an investment (Baycan Levent, Masurel, & Nijkamp, 2003)

2.2 Discrimination

Parts of the differences in funding access for immigrant entrepreneurs might be due to discrimination (Banchflower et al. 2003; Bruder et al., 2011; Cavalluzzo & Cavalluzzo, 1998; Cavalluzzo, Cavalluzzo, & Wolken, 2002). We can divide discrimination into two parts; statistical discrimination (Phelps, 1972) and prejudicial or taste-based discrimination (Becker, 1957; Becker 1971). Statistical discrimination is referred to as a higher perceived risk of certain ethnic groups due to a groups' average behavior (Fraser, 2009). An example of statistical discrimination would be the following: An investor has the choice to either provide investment to company X or company Z. The CEO of company X has nationality A, while the CEO of company Z has nationality B. The investor has imperfect information about how both the CEOs operate. The only thing he knows is that people with nationality A are generally better leaders and CEOs. Since the CEO has imperfect information about the CEOs, he bases his choice on a stereotype of nationality A and decides to invest in company X. Whereas statistical discrimination seems justifiable, prejudicial discrimination is solely based on a preference for a certain group or race (Fraser, 2009). In the case of prejudicial discrimination, the investor could have chosen to invest in one of the two companies because he has a preference for a certain nationality, without a justifiable reason.

Statistical discrimination has a link to cultural differences and language difficulties. Groups who speak a different language or have a different culture could be perceived as riskier to invest in. Also, both the discrimination forms have a link with each other. If for example, a certain group has bad access to financial support due to prejudicial discrimination, the average amount of successes in this group is lower, leading to more statistical discrimination. So, in this case, it seems based on rational grounds, but it is actually disguised prejudicial discrimination (Fraser, 2009).

According to Kon & Storey (2003), some entrepreneurs do not try to apply for investment because of fear to be rejected. This is mainly because they fear prejudice from investors (Banchflower et al., 2003). This fear also has a close link to cultural differences, since these perceptions may vary a lot across different cultures.

2.3 Cultural differences

The word 'culture' is referred to as the distribution of values, beliefs, and ways of think. These variables shape the behavior of a group of people and create a thought of "what is fair?". Cultural differences are all of the remaining differences in behavior across different groups (Ferraro & Cummings, 2007). Parts of the

problems immigrant entrepreneurs might encounter on their 'quest' to investment, can be explained by their poor integration into the society, also known as cultural differences (Bruder et al., 2011). The parts that are explained by cultural differences are getting increasingly bigger (Aghion, Algan, Cahuc, & Shleifer, 2010; Mishra & Tripathi, 2017).

Even though many researchers claim that cultural differences impact the investment decision, how exactly these differences impact this decision remains relatively unknown (Mishra & Tripathi, 2017). According to Sapienza, Zingales, & Guiso (2006), this could be explained because the concept culture is very broad and can influence economies in many ways, this makes it very vague and hard to research.

Hofstede (2001) developed six dimensions of national culture:

- Power distance index (PDI). The degree to which less powerful people accept that power is distributed unequally in a society.
- Individualism versus collectivism (IDV). Individualism is a preference for a society in which everyone focusses on themselves and close family. Collectivism rather focusses on the whole society.
- Masculinity versus Femininity (MAS). In a masculine society, there is more competition, people like to achieve something, more heroism and people like material rewards for success. Femininity stands for cooperation, caring for the weak, modesty, and quality of life.
- Uncertainty avoidance index (UAI). The degree in a society to which people feel uncomfortable with ambiguity.
- Long term orientation versus short term normative orientation (LTO).
- Indulgence versus restraint (IND). An indulgence society means a society in which enjoying life and having fun is an important topic. Restraint means a society which suppresses gratification of needs, and this is regulated by strict social norms.

Zhang, Zhang, & Zhang (2015), found in their research that differences in these dimensions could influence a firms' investment decisions. Also, after the survey, which was conducted to gain more knowledge of the topic, it immediately became clear that getting an investment is about having a mutual match. Differences in some of the dimensions might cause friction and can make it harder to find a match.

According to Ferraro & Cummings (2007), culture is also heavily linked to discrimination. They state that cultural differences could be a reason for discrimination and could influence economic outcomes. This is another way how culture could influence the investment decision.

3. METHODOLOGY

In this part, it will be explained how data was collected and why certain methods were chosen over other methods.

3.1 Data gathering

To gather data, mixed methods were used in the form of a survey and four interviews.

3.1.1 Surveys

First of all, a survey was conducted to gain a deeper understanding of the topic. No validated scales were used since the surveys were conducted to gain more understanding, and not to draw any conclusions on. With the knowledge gained out of the surveys, preparation for the interviews was easier.

The survey is divided into an intro, the body, and the closing. In the intro, the purpose of the study will be explained, and some general questions about the company are asked. In the body, the questions about the topic of the study are asked. The last part will close of the survey.

3.1.2 Interviews

Since the research is explanatory and is based upon understanding experiences and process semi-structured interviews are the best option (Kabir, 2016). In advance, a list of topics/questions was prepared that needed to be covered. The purpose of the interviews is to discover what kind of experience the investment seeker with these difficulties has and how these difficulties can influence the investment process. The interviews will be analyzed in line with the applicable literature.

The interview will start of with an introduction. In this introduction, the purpose of the study will be explained. Next to that, the interviewee will be pointed at his rights and the safety procedures of the data. After the introduction, the interviewee will be asked some general questions about him and his company or the company he works for. Next, the most important part will start, namely the questions about the difficulties during the investment process. After that, the interview will be ended. An overview of the interview topics/question is placed in Appendix A. The interviews were very open, a lot of questions did not even have to be asked, since they were covered automatically. Also sometimes, new topics were brought up by the respondent, which was really interesting.

3.2 Sampling

For the surveys, a sample is created based on a data file of the GEC. This data file contains many investments gained by Dutch companies in 2017-2018. Most of the companies which got an investment did not get this investment in one time; they proposed their idea probably many times before. Since they eventually got an investment, this means their idea is good in some way, so they might be rejected for other reasons earlier (e.g., discrimination, cultural differences and language difficulties).

For this research, not the whole data set is applicable. The dataset is filtered on the following:

- The company got either a seed investment or a series A investment;
- the company got the investment from a Dutch venture capitalist (VC).

First of all, it has to be a seed investment or series A investment because otherwise, the measurement will not be in the same point of time for each company. Most of the time, if a company gets a higher series investment, so an investment during a later stage of the company, this company is already known at the VC, which means there is already a different relationship between the VC and investment seeker. Secondly, the investment has to come from a Dutch VC, since the research is about the Dutch market. Also, the investment cannot come from another investor than a VC (e.g., angel investor), because most of the times this means there is another relationship between the investor and the investment seeker (e.g., an angel investor is often family or a friend). Since the data file only contains companies which got the investment in 2017-2018, no filters have been used there. It is important only investments out of a certain time frame are studied since the situation could have been different if the investment was provided earlier or later (e.g., it might have been harder to get an investment for immigrants to get an investment in 2000 than now). After these filters were applied to the data set, it still contained 134 companies. The survey is sent to all these remaining companies.

For the interviews, it was important to see many perspectives on the variables. Four interviews were held; two with immigrant entrepreneurs and two interviews with people who are in the middle of the investment process.

The first interview was with a Turkish/Dutch CEO. He still applied as immigrant due to the wide definition of non-Dutch. Secondly, an interview was arranged with a Russian CEO. The third interview was with someone forms a 'bridge' between entrepreneurs and investors. Next to that, he also supports starting entrepreneurs. The last interview was with a person who helps refugees become an entrepreneur in the Netherlands. These four interviews gave many perspectives on the investment process.

4. RESULTS

4.1 Survey results

The survey was sent to 134 companies which were applicable for the research. Initially, the response rate turned out to be extremely low. Only five out of the 134 companies filled in the survey, which is a response rate of 3,73%. The response rate is probably this low because, many companies think that questions about their investment process are too personal, even though they were able to fill in the survey anonymously.

After two weeks, a reminder mail was sent to the companies which did not fill in the survey or did not answer the mail. In this reminder mail, the companies were kindly asked to reconsider filling in the survey. Next to that, if a company still was not interested in filling in the survey, they were asked to give the reason for no interest. If many companies mentioned the same reason for no interest, it could be important data.

After the reminder mail, the response rate increased a lot. Now 14 companies filled in the survey, which means a response rate of 10,48%. Next to that, many companies left a reason for why they did not want to fill in the survey. Most of the companies who left a reason, mentioned that they could not fill it in due to time reasons. So, this cannot be seen as important data.

64,3% (9) of the people who filled in the survey, had their investment process in their native language, and the other 35,7% (5) had their investment process in another language than their native language. All the people, except for one, who had the investment process in their native language, answered that it would negatively influence their chances to get investment if they had to do it in another language. Also, all the people, except for one, who had their investment process in another language than their native language, thought this made their chances smaller. All the people who filled in the survey indicated that they would have at least some fear to be misunderstood.

Next to that, 85,7% (12) of the respondents thought their board had a 'typical Dutch look,' the other 14,3% (2) thought they did not. A 'typical Dutch look' in this case means, that all the members of the board could be seen as Dutch. Interestingly, all the people with a non-Dutch looking board thought this did not negatively influence their investment chances. Contrary to this, all the Dutch looking board thought this increased their investment chances.

Concluding, some companies left some interesting remarks. One company stated that the investment process is about finding a mutual match, and this match might be harder to find if someone has to talk in another language. In Appendix B, an overview of all the questions and answers are placed.

Even though no conclusions can be drawn based on the survey results, since no validated scales were used, the results still

provided more knowledge about the topic and a good basis for the interviews.

4.2 Interview results

4.2.1 Interview 1

The first interview was a Turkish/Dutch male founder and CEO of a company which operates in the 'RegTech' market. His age is 32, and he lives in Overijssel. He was born in Turkey but raised in the Netherlands. At the moment he has two passports, a Dutch one and a Turkish one. Due to the wide definition of an immigrant, this participant still applies as an immigrant.

Since 2017 he attracted a COO since there was too much work to do. They basically split the work as owner now. The COO has a Chinese origin.

The CEO of the company says that the investment process is a full-time job. "One runs the company while the other one is on his way to pitch. It is a full-time job, more than a full-time job". In this case, the CEO tried to get the investment while the COO was busy with the company.

During the interview, it became clear that the investment process was more than just a 'quest' for money. "We do not only seek money, but also knowledge and network." In the beginning, they pitched for many angel investors. A lot of these angel investors just offered much money, so this was not a mutual match.

Eventually, the company got an investment, partly of a 'sort of VC'² and partly of a development company which is supported by the government. The development company invests only in companies located in East-Holland.

The CEO always pitched in Dutch, his native language. For him, it would not be a problem to pitch in English. He lived in the US for a year, so his English is good. However, he definitely thinks that it might be a problem for certain people. Next to that, he thought that speaking English might be a disadvantage sometimes, even if the investment seeker speaks English perfectly. "It depends on the situation." If you for example pitch for old SME owners or family-based entrepreneurs this might be a problem. For them, the target audience differs. Another example he gave was his investment he got of the company which only invests in East-Holland. "What if was only able to speak English? I do not know. An entrepreneur who lives in Overijssel and operates in Enschede, who is just able to speak English?" He thinks it also depends on the region where you operate. According to him, Amsterdam is a lot more international orientated. In this region it is just different. "But is speaking Dutch in the Netherlands an advantage? Definitely".

Another thing that became clear out of the interview was that he thought that a 'non-Dutch' appearance definitely could influence the investment process. "Of course, people are prejudiced, but does it hurt me? No". As an example, he gave me his experience at clubs. "In my whole life I have been refused about 50 times at clubs, but when I was with Dutch friends it never happened". Of course, this also happens in the investment market he told me. This could be 1%, or maybe less or more, he does not know. In his investment process, he did not experience such a thing, but he was sure it happens. He thinks that people just prejudice due to certain situations which happened in the past or still happen. "It is just a reaction on an action, very simple." He thinks that profiling just happens, if it does not apply for skin color or background, it will happen on religion or gender. "It just happens, but just deal with it."

² A lot of angel investors who invest from a fund but work just like a VC.

4.2.2 Interview 2

The second interview was with a Russian CEO, who is 33 years old and lives in the Netherlands for ten years now. His company operates in the high-tech/food market. The company does not make sales yet and is in an early stage, since it was founded in January 2018. At the moment the company got two employees.

He is in the middle of his investment process. "I basically spend three quarters on my time on the investment process." Last December he got his first investment, basically enough to cover one year. It gave him the ability to create office space, pay salaries, and do some experiments. After this initial investment, he is now trying to get a second, bigger investment. He tells that for his company, it is harder to get investment because his company is not backed by a university and neither is a spin-off. Next to that, he does not have a product yet, just a prototype. "If you are in a further stage with your company, it is easier."

He also stressed out the importance of finding a good match with an investor. If there is tension during meetings, this is not a good thing. If the vision between the entrepreneur and the investor differ, it could cause stress.

He pointed out that he is not a 'typical' immigrant. "I came here in 2009, already ten years ago". He mentioned that he was also able to talk Dutch, but English was definitely easier for him. His level of Dutch is good, but he would not like to pitch in Dutch, he is only able to have normal conversations. On the beforehand, I did not know he was able to speak Dutch at all. He mentioned that he rather pitches in English than in his native language since there are many expressions, he would not even know in Russian. He said that if you are only able to pitch in English, you can basically pitch everywhere, if you own an innovative company. However, the downside will not be on the investment level, but afterward. He has a product where farmers are involved. "I have to communicate with them, and if I do not speak Dutch, this is impossible."

In general, he thinks that the Netherlands is a very tolerant country, but he recommends strongly to get used to the mentality and culture, you need to adapt. As an example of the opposite, he gave mentioned Germany. In there, you are nowhere without knowing the language, but in the Netherlands, the investment decision is mainly based on a personality match.

4.2.3 Interview 3

The third interview was with a 47 years old person who is sort of in the middle of the investment process of many companies. He helps persons during the investment process by matching companies with investors, helping them with a network and by running a program which trains companies to better at collecting at investments and at the end of the program there is a possibility to get an investment through this program.

Due to his role in several investment processes, he knows a lot about how a persons nationality and language can play a big role. For his program, people need to be selected. He pointed out that in proportion, way fewer immigrants are selected every time for the program. He thinks that this has nothing to do with discrimination, but clear differences in culture and language. According to him, there are already big differences in culture between the Netherlands and Germany.

As an example, he mentioned that recently, a woman from Iran applied to the program, and she was searching for an investment. She tried to get an investment before in Ukraine, but it did not work there, so she came to the Netherlands because of a better 'entrepreneur's environment.' Her idea was really good and he and the company where he is working offered much help. They told her that her idea was really good, but it was not a business plan yet, so that was the only thing that needed some adjustment.

However, when they talked to her, they sensed that she did not get how to start a company based on cultural beliefs. For example, she was talking about a project instead of a company. After the feedback, she never came back because she felt offended. "If I give a Dutchman some feedback, they start working and improving, but if I give feedback to some people from different countries, they see it as an attack, while I just give some feedback." He thinks it is all about culture because we as Dutch people are very straightforward. Also, other people of the company told him to watch out how you speak to her. She might feel offended or discriminated, while this was not happening.

The second problem we discussed was the language barrier. It immediately became clear that this could be a big problem. The successors of the program turn out to be mainly Dutch people. "Why? Because we are in the Netherlands". "If you need investment for a company with an innovative product for in a hospital, then it will probably be no problem." It is easy to talk to potential customers like doctors he mentioned. However, what if you got an innovation for farmers? How will you be able to communicate with them? He mentioned that investors would ask if you can talk Dutch if you are in such a market, because they want someone on the team who can communicate and understands the market.

So according to him, the language barrier does not exist during the pitches nor due to less available places where someone can pitch in English, but there could be a language barrier between entrepreneur and market. The chances to get an investment will improve if you can communicate with your potential customers.

He never experienced cases with discrimination. He only had the example of the Iranian girl, where she might have thought she was discriminated, while this was not the case. Even though he never experienced discrimination, he thinks it happens in the market. "It is only possible to study this subject if you send a Dutchman, let him pitch, then erase the investors' brain and then send someone from another nationality. Moreover, even then, all the circumstances should be the same".

Concluding, he said that it is important to understand the culture of the Netherlands and the language. It is important to form a mutual match with an investor, and this might be easier if you are Dutch or at least know the culture. Culture differences can be very difficult, even ten kilometers across the border in Germany. In Germany, the system is much more a hierarchy. The boss is above the employees, and you need to know how to deal with that.

4.2.4 Interview 4

The last interview was with a 37-year-old male who owns a company which describes itself as a laboratory for a new economy. They initiate all kinds of start-up projects together with other entrepreneurs. They also try to develop sustainable models together with start-ups, so it will not be 'just a project,' but will rather be a company. At the moment one of these projects he got running, is about creating an entrepreneurial climate for refugee entrepreneurs in Twente. Next to that, he is on the board of a company which organizes trainings for refugees who were an entrepreneur in their own country and also want to become an entrepreneur in the Netherlands.

It immediately became clear that he thought that refugee entrepreneurs, but also immigrant entrepreneurs in general, need support due to a differing entrepreneurial culture. As an example, he mentioned that in the Netherlands, there are many rules for entrepreneurs, whereas in Syria, almost none. There, much financing is based on trust. Often, they do not even sign something. Next to that, in the Netherlands, the market is tighter. There is much competition, so you really need to have something

different. So, to test if there is a need for their product, communication with the potential market is important, where his company can offer help. Next to communication problems with the market, these companies can also have communication problems with government agencies. For example, tax authorities do not send their letters in English, only in Dutch.

In general, he thinks that the Netherlands is really open for immigrant entrepreneurs. He knows several investors who would like to invest in some immigrant entrepreneurs. However, he thinks that the region could make a difference. He knows that region Twente could be less open, even for Dutch people. He could imagine that immigrants sometimes will not feel really welcomed because a refuge he supported, did not have a nice experience with a farmer. It turned out that the farmer was not really open for a collaboration with an immigrant.

Other than that he thinks that the Netherlands is a good country for immigrant entrepreneurs. He even knows that some investors prefer immigrants in some cases. He mentioned that some investors are interested in a collaboration with some entrepreneurs on his training programs. This is because they want to have a link with other countries. This link is easier to make if someone of the team speaks the language of this country and knows the culture. So, in that case, a different language and cultural differences can even be an advantage. Concluding, he mentioned that he thinks that per case, the difficulty in obtaining an investment could differ.

4.2.5 Summary interview results

Table 3: Summary of the interview results

| # | Type | Does language matter? | Does culture matter? | Is discrimination an issue? |
|---|-----------------------------------|-----------------------|----------------------|-----------------------------|
| 1 | Company | Some situations | X | Could be |
| 2 | Company | After the investment | Yes | No |
| 3 | In between the investment process | Yes | Yes | No |
| 4 | In between the investment process | Yes | Yes | No |

5. DISCUSSION & CONCLUSION

In the discussion, the empirical results will be compared with the findings out of the literature. By doing so, the sub- and main research questions will be answered. The discussion will have the same structure as my literature review; the explanation will go through each variable and explain the difference between the literature research and the interview results. After that, there will be explained how my research practically and theoretically contributed. Further, the limitations of my research will be explained, and new research directions will be set out.

5.1 Discussion

According to the literature research, immigrant entrepreneurs could have a disadvantage when they want to collect an investment (Banchflower et al., 2003; Coleman, 2004; Howell, 2018; Fairlie & Robb 2008). Generally, they are disadvantaged due to discrimination (Banchflower et al., 2003; Atkinson 2006),

Language barriers (Atkinson, 2006) and Cultural differences (Anderloni & Carluccialso, 2007; Atkinson, 2006).

Out of the interviews, it became clear that all the interviewees thought that language could form a barrier during the investment process. However, they described that the biggest part of this barrier is not between investor and entrepreneur, but between the immigrant entrepreneur and his potential market. These findings are contrary to the statement of Bruder et al. (2011). They mentioned that better communication between financial institutions and immigrant entrepreneurs could help reduce the financing gap. Instead, it looks like better communication between entrepreneurs and their potential market would rather reduce the funding gap.

Complementary with the statements of Werbner (1990), interviewees two, three and four told that in some markets - especially in the agricultural sector - it might be harder to communicate with your potential employees for immigrant entrepreneurs. thus harder to collect investment. Interviewee four even mentioned that in general, companies who can speak Dutch accelerate faster, since, for example, communication with the governmental instances is easier. This complements the findings of Levent et al. (2003).

When talking about the Netherlands, all the interviewees stated that the country is generally very open for immigrants. Even though interviewee one and four stated that region might matter. They mentioned, the region of Amsterdam is more internationally oriented, so communication with potential customers could be easier, and people are generally more open for immigrants whereas the region of Twente seems to be less internationally oriented. Since all of the interviewees thought the Netherlands is very open, the interviews indicated that statistical discrimination (Phelps, 1972) and prejudicial or taste-based discrimination (Becker, 1957; Becker 1971) are not a major thing in the Netherlands. In line with the statements of Kon & Story (2003) and Banchflower et al. (2003), interviewee three stated that some entrepreneurs might have fear to apply for investment due to different perceptions of discrimination. This part of discrimination also is heavily linked with culture because these perceptions differ per culture. This was exactly the case in an example given during interview three - an Iranian woman who interprets feedback as offensive or discriminating.

To follow up on that, interviewees two, three, and four agreed that culture could be a major obstacle for immigrants, during the investment process. In some countries, entrepreneurial culture seems to be different. In interview three, a similarity between Hofstede's cultural dimensions (2003) was observed. A clear example was given about a difference in LTO. Since the Iranian girl was speaking about a project instead of a company, this indicates a clear difference, and she seems a lot more short term oriented.

5.2 Contribution

This study pointed out that immigrant entrepreneurs could experience a disadvantage due to discrimination, language barriers, and cultural differences. This suggests that immigrant entrepreneurs should receive more help to overcome these difficulties. Equal chances for immigrant entrepreneurs are important since the role of immigrant entrepreneurs is really valuable (Piergiovanni, Carree & Santarelli, 2012; Bruder et al. 2011).

The explorative nature of this research contributed to the existing literature by giving deeper insights into these variables. By doing so, the existing research gap of this increasingly important topic (Sullivan, 2007) shrunk. Especially the extra insights on the impact of cultural differences are really valuable since this topic is relatively unknown. (Mishra et al., 2015).

5.3 Limitations

The research has an explanatory nature. It tries to explain why it is more difficult for an immigrant entrepreneur to gain investment. The data is collected via interviews with entrepreneurs and people who are in between the investment process. The study would have been enriched if also the perspective from an investor would have been used, so this is a limitation.

Next to that, it is a case study conducted in the Netherlands. The results found in this research may not be applicable in other countries since the case could be different there.

5.4 Recommendations

During the interviews, it became clear that most of the language difficulties appear to be between immigrant entrepreneurs and their potential market instead of between entrepreneurs and financial institutions. Future research should try to focus on if the influence of being an immigrant on receiving investment is even bigger in sectors where communication with potential customers is hard, without knowing Dutch. An example of such a sector would be the agricultural sector. Also, some interviews indicated that differences between the region in the Netherlands could play a role. Thus another interesting research would be to investigate if more investments to immigrants are provided in certain areas of the Netherlands. Next to that, future research should aim to gain even more insights on these variables by adding the perspective of investors. It would be interesting to know if they are aware of the problem and what countermeasures they take.

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8. APPENDIX

8.1 Appendix A: Interviews

The interviews were semi-structured. A list of questions and topics that needed to be covered was created. Most of the time there was no need to ask all the questions, since the interviews were very open and flowing which means that some topics were covered without asking.

The interview started of with a safety protocol, which I would read out loud and let the respondents sign afterwards:

Today, I would like to record our interview, so it easier for me to process the information. My research has been reviewed and approved by 'The Ethics Committee' of the University of Twente. The recordings will be kept safe and I will be the only one to listen to them. After my research is finished, the recording will be destroyed. In My research you, and your company will remain anonymously. Finally, it is possible to withdraw from the investigation at any time.

Dutch version:

Graag zou ik vandaag ons interview opnemen, zodat ik hier later beter informatie uit kan halen. Mijn onderzoek is nagekeken en goedgekeurd door 'The Ethics Committee' van de Universiteit Twente. De opnames worden veilig bewaard en ik zal de enige zijn die ze beluisterd. Nadat mijn onderzoek klaar is, zal de opname worden vernietigd. In mijn onderzoek zullen u, en uw bedrijf niet benoemd worden. Tot slot, is het mogelijk om u op ieder moment uit het onderzoek terug te trekken.

General questions company/information respondent:

- Name, age and gender respondent
- Name company
- In what market does the company operate?
- What services does the company provide or what products does the company make?
- How many employees?
- When was the origin and how was the company created?
- What is your function and role in the organization?

Subject related questions/topics (After all the questions examples were asked):

(In the case of the interviews with people who are in the middle of the investment process, thus did not have an investment process themselves, these questions were used as topics to cover. Since they have a lot of experience with a lot of investment processes, they used examples of other companies/people, which they experienced)

Can you take me with you in your investment process? (How many times? For what kind of investor? Did you pitch? Negotiation phase? In what language?)

Do you think language mattered during the investment process? (Do you feel more/less comfortable? Did you feel fear to be misunderstood? Did you feel fear to misunderstand? Are you able to pitch everywhere in English? Would you feel more comfortable if you were able to pitch in your native language?)

Did cultural differences matter during your investment process? (How?)

Do you think appearance or being part of an ethnic minority matters during the investment process? (Did you ever hear this mattered in other cases than in your case?)

End interview

8.2 Appendix B: Survey questions

Intro:

Dear participant,

My name is Roel Lobeek and I am currently in the third year of my study International Business Administration at the University of Twente. For my bachelor thesis, I am doing research on the difficulties for immigrants during the investment process. Research showed that immigrants could have more difficulties with collecting investments. Since your company got an investment recently, I would like to ask you a few questions.

The survey will take about one minute and contains around ten questions (depending on what answers you give).

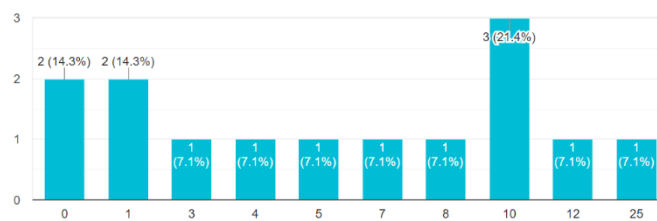
The survey started of with some general questions about the company:

- I. What is to name of your company? (If you would like to stay anonymous, skip this question)
- II. What is the market of your company?
- III. Describe the board of your company (If someone of the board is Dutch, please clarify if the person is fully Dutch or if he/she has (grand)parents from another origin. A good example would be: The board contains 1 male from Germany and 1 female from Holland but her father is Turkish)

After the general questions, some more topic related questions:

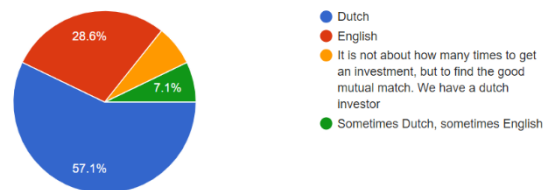
- IV. How many times did your company try to get an investment, before you finally got one?

14 responses



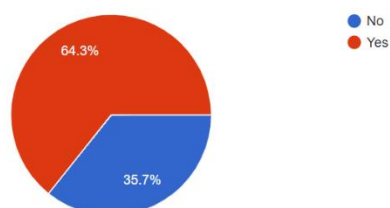
- V. In what language did you speak when you negotiated for an investment?

14 responses



- VI. Was this the native language of all the attendants in the investment process?

14 responses



VII.

Please clarify for how many people this wasn't the native language, also clarify (if possible) what their level of the spoken language is.

5 responses

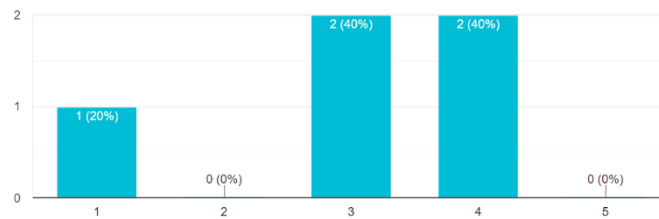
| |
|---|
| All<involved spoke excellent English |
| 2, the level of English was good |
| All, good level |
| Sometimes we spoke English and our native language is Dutch |
| All |

(This question is only filled in by participants who filled in 'no' at question six)

VIII.

Do you think it was harder to get an investment because some had to speak in another language than their native language, in the investment process?

5 responses



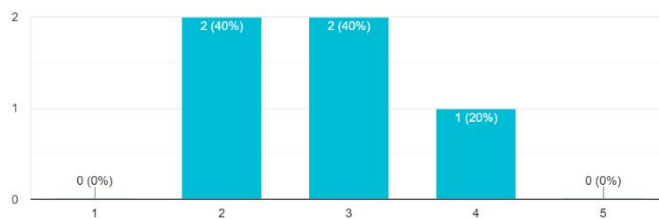
Scale: 1 = totally disagree, 5= totally agree

(This question is only filled in by participants who filled in 'no' at question six)

IX.

Did you have the fear of being misunderstood, since some had to talk in a different language than their native language?

5 responses



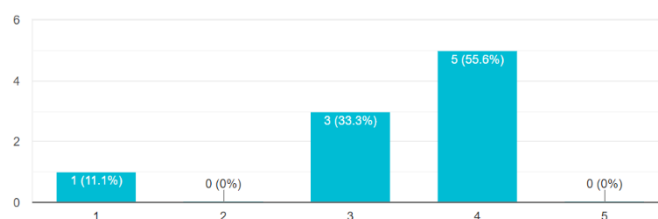
Scale: 1 = totally disagree, 5= totally agree

(This question is only filled in by participants who filled in 'no' at question six)

X.

Do you think you had a higher chance of getting an investment, since all the people involved, were able to speak in their native language?

9 responses



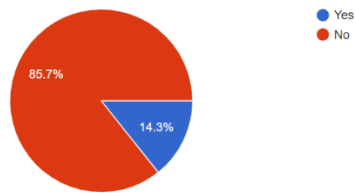
Scale: 1 = totally disagree, 5= totally agree

(This question is only filled in by participants who filled in 'yes' at question six)

XI.

Do you think the board of your company has an 'international' look?

14 responses



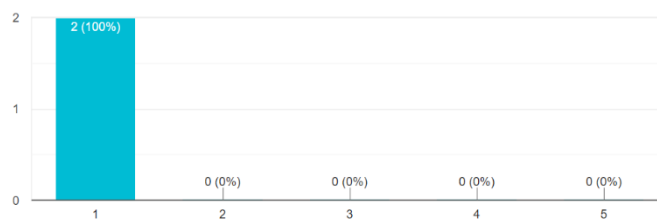
This description was added:

In this case an 'international' look means that someone could assume that some of the members of the board are not all from a Dutch origin. This could also be the case if all the members of the board are Dutch, but don't look typically Dutch. Please clarify if needed.

XII.

Do you think this 'international look' has a negative influence on the chances of getting an investment?

2 responses

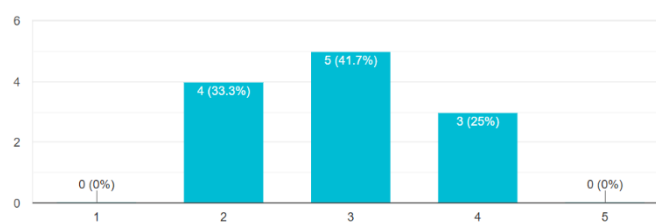


(This question is only filled in by participants who filled in 'yes' at question twelve)

XIII.

Do you think your company had a higher chance of getting an investment because the board looks 'typically' Dutch?

12 responses



(This question is only filled in by participants who filled in 'no' at question twelve)

XIV.

Do you have any remarks?